



This is
WINNING



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended **June 30, 2025**

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery • An Enterprise Fund of the State of Arkansas

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Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
An Enterprise Fund of the State of Arkansas

SARAH HUCKABEE SANDERS
Governor, State of Arkansas

JIM HUDSON
Cabinet Secretary,
Arkansas Department of
Finance and Administration

SHARON STRONG
Executive Director, Office
of the Arkansas Lottery

Prepared by Finance Division

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**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
An Enterprise Fund of the State of Arkansas
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025**

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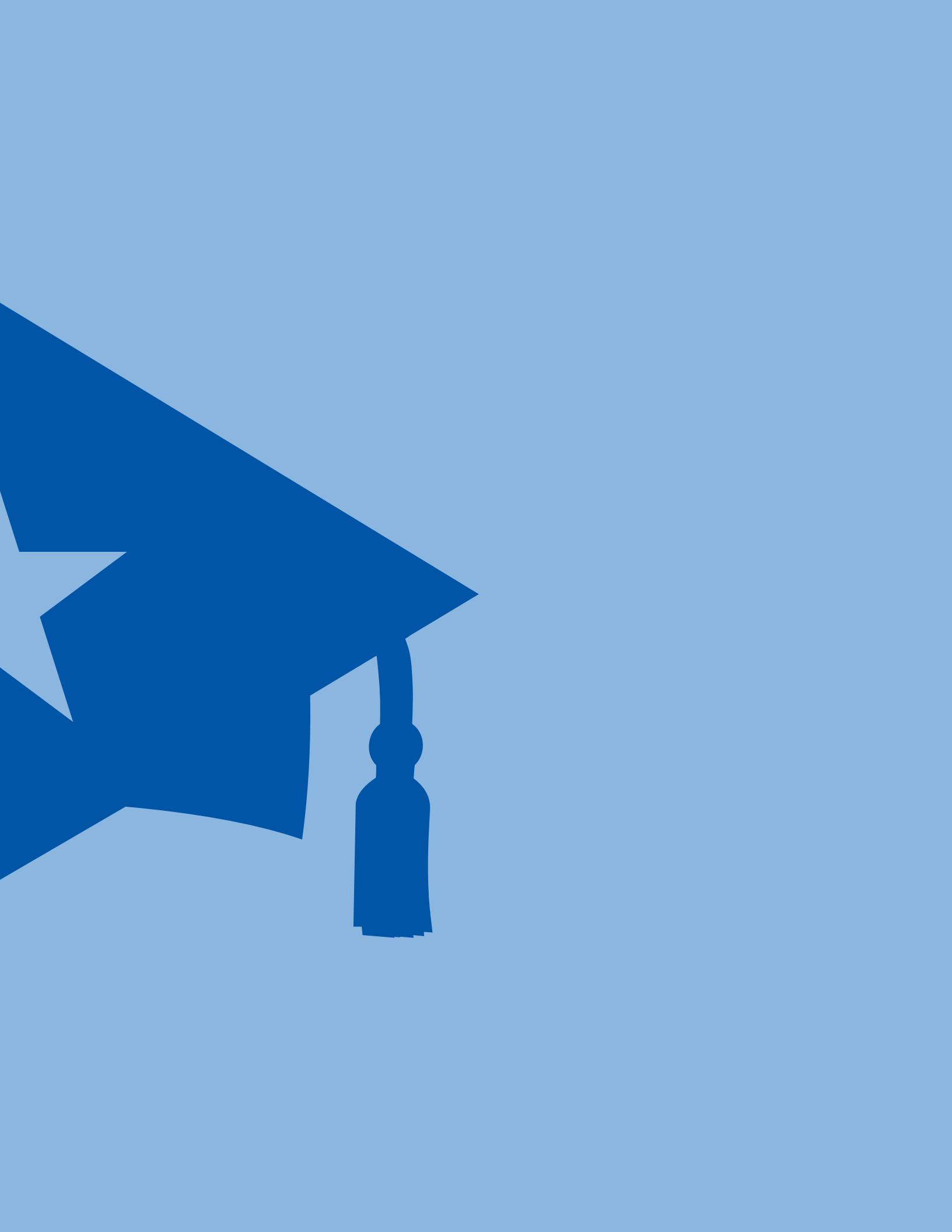
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BILLY HARP
10K Instant Winner

INTRODUCTORY SECTION







STATE OF ARKANSAS
**Department of Finance
and Administration**

OFFICE OF THE SECRETARY

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December 11, 2025

To the citizens of the State of Arkansas and the Honorable Members of the Arkansas General Assembly:

The attached Annual Comprehensive Financial Report (ACFR) presents a detailed overview of the operations of the Office of the Arkansas Lottery (OAL) for the fiscal year ended June 30, 2025 (FY 2025). The report outlines the lottery's performance, finances and products. It also provides insight into the students who benefit from lottery proceeds, as well as the 2,046 independent and chain retail partners who sell our products across the state. In our report, we have elected to provide additional detailed information beyond that required by Generally Accepted Accounting Principles.

Since the inception of the Arkansas Scholarship Lottery in 2009, more than \$1.5 billion has been raised in proceeds for scholarships for Arkansas students. In FY 2025, OAL net proceeds funded more than \$111 million to the Department of Education – Arkansas Division of Higher Education (ADHE), supporting three scholarships: the Academic Challenge Scholarship, the Workforce Challenge Scholarship, and the Concurrent Challenge Scholarship. Through the Academic Challenge Scholarship program, ADHE distributed \$99.2 million in scholarships to 51,020 students attending 53 colleges and universities throughout Arkansas.

The OAL paid more than \$32 million in commissions to state lottery retailers during FY 2025, creating a tangible economic impact at the local level by providing business owners with added revenue. Since inception, OAL has paid more than \$454 million to lottery retailers and provided more than \$187 million in state and federal tax revenue.

In FY 2025, lottery ticket sales exceeded \$577 million, with more than \$400 million returned to the citizens of Arkansas in the form of awarded prizes.

The mission of the OAL is to provide funding for higher education opportunities for all citizens of our state. That goal can only be met through open, honest and ethical operations consistent with the high expectations of the General Assembly and the citizens of Arkansas.

This ACFR represents the efforts of this agency during the past fiscal year to meet those expectations and to help the OAL fulfill its promise.

Respectfully submitted,

Jim Hudson
Cabinet Secretary



State of Arkansas
Arkansas Department of Finance and Administration
Office of the Arkansas Lottery

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December 11, 2025

**The Honorable Sarah Huckabee Sanders, Governor
Members of the Arkansas Legislative Council Lottery Oversight Subcommittee
Secretary Jim Hudson, Arkansas Department of Finance and Administration
Citizens of the State of Arkansas**

We are pleased to submit to you this Annual Comprehensive Financial Report (ACFR) of the Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) for the fiscal year ended June 30, 2025. The ACFR is prepared in accordance with the requirements set forth in Arkansas Code Annotated (A.C.A.) § 23-115-206(a)(8)(C).

This report has been prepared by the OAL in conformance with accounting principles generally accepted in the United States of America (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). OAL management is responsible for the accuracy of the financial data, as well as the completeness and fairness of the information and disclosures within this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position, results of operations and cash flows of the OAL. We have included all disclosures necessary to enable the reader to gain an understanding of the OAL's financial activities.

OAL management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the OAL are protected from loss, theft or misappropriation. Adequate accounting data is compiled to provide a reasonable basis for asserting that the financial statements are fairly presented and to assure that the OAL is in compliance with applicable laws and regulations. The internal control structure has been designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements and compliance with applicable laws and regulations. The structure does not provide a guarantee, but rather reasonable assurances, that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that valuation of costs and benefits require estimates and judgments by management. A.C.A § 23-115-206(b)(1)(A) requires Arkansas Legislative Audit to conduct an annual audit of the OAL, and they may conduct other special reports as necessary. The annual audit includes a review of internal controls as they relate to the expression of an opinion on the financial statements. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditor's unmodified opinion on the fair presentation of the OAL's basic financial statements is included in their report on page 1 in the financial section of this report.

Management's Discussion and Analysis (MD&A), addresses the basic financial statements and provides an analytical overview of the OAL's financial activities. This letter of transmittal complements the MD&A and should be read in conjunction with it. The OAL's MD&A can be found on page 4 in the financial section of this report.

BACKGROUND

A constitutional amendment, approved by the voters of Arkansas on November 4, 2008, allowed the General Assembly to establish a State of Arkansas lottery with proceeds used to fund college scholarships. With the passage of Acts 605 and 606 of 2009, the General Assembly created the Arkansas Lottery Commission. Subsequently, during the 2015 legislative session, the General Assembly approved a statute which eliminated the Arkansas Lottery Commission and established the lottery as the Office of the Arkansas Lottery within the Arkansas Department of Finance and Administration.

Sales of tickets initially began on September 28, 2009, with the introduction of four instant ticket games. The OAL also added the sales of terminal generated (online) game tickets in 2009. All OAL net proceeds were initially utilized to fund college scholarships under the Arkansas Academic Challenge Scholarship program administered by the Arkansas Department of Education – Arkansas Division of Higher Education (ADHE).

During the 2017 legislative session, the Arkansas General Assembly passed Act 613 of 2017 to create the Arkansas Workforce Challenge Scholarship Program. This Act provides for the use of lottery proceeds to also fund scholarships for students enrolled in higher education programs that will lead to the students being qualified to work in high-needs occupations.

During the 2019 legislative session, the Arkansas General Assembly passed Act 456 which amended Arkansas Code Title 6, Chapter 85, to add an additional subchapter to create the Arkansas Concurrent Challenge Scholarship Program. This Act provides for the use of lottery proceeds to fund scholarships for students enrolled in an endorsed concurrent enrollment course or certificate program, unless other funding opportunities are provided that lower the tuition and mandatory fees below fifty percent.

PRODUCTS

The public has the opportunity to participate in a variety of instant and terminal-generated games from over 2,000 OAL licensed retailers across the state.



INSTANT TICKET GAMES are played by removing a scratch-off coating from the play area of the ticket. There are various ways to win, including matching certain symbols, adding up to a specified total or otherwise satisfying the requirements listed on the ticket. If the specified condition occurs, the ticket is an instant winner.

These play styles are combined with a variety of game themes and ticket prices. Instant games were the first type of games offered by the OAL. For fiscal year ended June 30, 2025, the OAL released 54 instant ticket games with price points of \$1, \$2, \$3, \$5, \$10, and \$20.

TERMINAL-GENERATED GAMES allow players to select the numbers for their wager, or players may utilize computer-generated plays. Players receive a ticket with the numbers selected or automatically generated and await the results of a drawing to determine if they have matched the numbers and won. In fiscal year ended June 30, 2025, the OAL sold 9 different types of terminal-generated games: Powerball®, Mega Millions®, LOTTO, Natural State Jackpot, Cash 3, Cash 4, Fast Play, AR Progressive Jackpot Fast Play and Lucky for Life®.

ARKANSAS



POWERBALL® is a multi-state draw game jointly operated by the 39 member lotteries of the Multi-State Lottery Association and sold in 45 states, Washington D.C., Puerto Rico, and the U.S. Virgin Islands. Players select one set of five numbers from a pool of one to 69 and one additional number designated as the “Powerball®” from a second pool of one to 26. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$20 million, which increases for each subsequent draw when the jackpot is not won. Each Powerball® play costs \$2. For an additional \$1, the Power Play® feature allows players to multiply their non-jackpot winnings by 2, 3, 4, 5 or 10 times (the match five prize tier is set at \$2,000,000). A jackpot winner may select either an annuitized prize paid in 30 annual installments or a lump sum payment. Drawings are held every Monday, Wednesday, and Saturday night.



MEGA MILLIONS® is a multi-state draw game jointly operated by the 9 Mega Millions® member states and the Multi-State Lottery Association. Mega Millions® is sold in 45 states, Washington D.C. and U.S. Virgin Islands. The Mega Millions® game was enhanced in April 2025. The final drawing under the previous prize structure was held on April 4, 2025 and the first drawing under the new prize structure was held on April 8, 2025.

Under the previous prize structure, players select one set of five numbers from a pool of one to 70 and one additional number from a second pool of one to 25. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$20 million, which increases for each subsequent draw when the jackpot is not won. Each Mega Millions® play costs \$2. For an additional \$1, the Megaplier® feature allows players to multiply non-jackpot winnings up to five times. A jackpot winner may select either an annuitized prize paid in one immediate payment followed by 29 annual installments or a lump sum payment. Drawings are held every Tuesday and Friday night.

Under the new prize structure, five numbered balls are drawn from 1 to 70 and one numbered “Mega” ball is drawn from 1 to 24. If all a player’s numbers match those that are chosen, they win the jackpot, which starts at \$50 million and grows until someone wins. If other players also match all six numbers, the prize will be shared in equal amounts. Each Mega Millions® play is \$5 with a built-in multiplier that multiplies the non-jackpot winnings by 2, 3, 4, 5, or 10 times.



LUCKY FOR LIFE® is a multi-state draw game with drawings every night. Each play is \$2. Five numbered balls are drawn from one to 48 and one Lucky Ball number is drawn from one to 18. If a player’s numbers match those that are chosen, they win the top prize-\$7,000 a week for life. The second-level Lucky for Life® prize is \$25,000 a year for life.



LOTTO is an Arkansas-only terminal-generated draw game with drawings Wednesday and Saturday. Seven unique numbers are drawn from one to 40. The player must match the first six numbers drawn in any order to win the jackpot. If other players also match all six numbers, the jackpot is shared. The seventh number drawn is the Bonus Number. The player can match the Bonus Number to any two to five of their six numbers played to win a larger, non-jackpot prize. The LOTTO jackpot starts at \$250,000, and increases for the next drawing based on the sales of the game until the jackpot is won. Each play is \$2.



NATURAL STATE JACKPOT is an Arkansas-only terminal-generated draw game with drawings every night. Five numbers are drawn from one to 39; if all numbers match those that are chosen, the jackpot is won. If other players also match all five numbers, the jackpot is shared. The NSJ jackpot starts at \$50,000, and increases by \$5,000 every draw up to \$100,000 - after that, NSJ jackpots increase by \$10,000 every draw until it’s won. Each play is \$1.



CASH 3 is a terminal-generated game in which players select three numbers between zero and nine and can play the numbers straight (numbers in the exact order), box (numbers in any order), straight/box (combine straight and box plays) or combo (equal to a straight play for all combinations of winning numbers). Cash 3 can be played starting at 50 cents. Drawings are conducted twice daily except Sunday, which has one drawing.



CASH 4 is played similarly to Cash 3, with players selecting four numbers between zero and nine. Players may play the numbers straight, box, straight/box or combo. Cash 4 can be played starting at 50 cents. Drawings are conducted twice daily except Sunday, which has one drawing.



FAST PLAY is an instant play-style game that prints from the retail terminals so players can determine instantly whether they have won. There are various ways to win, including matching certain symbols, adding up to a specified total or otherwise satisfying the requirements listed on the ticket. Games are rotated monthly; two games are added and two are removed each month. The games are available at three different price points (\$1, \$2, and \$3). The \$3 price point is not always in market. Prizes vary by game.

The **AR Progressive Jackpot Fast Play** incorporates a progressive jackpot gaming theme along with fixed lower-tier prizes. The game offers a chance to win a prize at different fixed-prize levels, or a portion of the cumulative jackpot, or the entire cumulative jackpot with each play/ticket purchase. The game is available at three different price points (\$1, \$2, and \$5). On the AR Progressive Jackpot Fast Play ticket, a play can win up to five times, \$250 (or 20% of the jackpot) on a single \$1 ticket; up to 10 times, \$500 (or 40% of the jackpot) on a single \$2 ticket; and up to 15 times, \$1,000 (or 100% of the jackpot) on a single \$5 ticket. The AR Progressive Jackpot amount re-sets to \$1,000 if the entire \$5 AR Progressive Jackpot is won. If the \$1 or \$2 AR Progressive Jackpot is won, the jackpot is reduced to the greater of \$1,000, or by that price point's jackpot percentage (\$1=20%, \$2=40%) and continues to grow from that level. The AR Progressive Jackpot amount continuously grows with each ticket sold (10% of each ticket sale is contributed to the AR Progressive Jackpot amount).



PLAYERS CLUB SERVICES

The Lottery offers a players club at MyArkansasLottery.com called The Club. By registering for a free account, players gain access to Lottery news, winning number emails, the Play It Again® and Points for Prizes® programs, and special second-chance drawings. There was a total of 24,542 new player registrations (and 26,428,138 tickets) entered into the program in fiscal 2025, bringing the membership total to 372,791. The Lottery also offers a mobile app, AR Lottery + Club, where players can access additional features, such as ticket checking and digital play slips.



The **Play It Again®** program allows players to submit eligible, non-winning instant tickets for entry into cash prize drawings. After the last day to redeem tickets for eligible instant games, one entry is drawn to win a monetary prize. The same entry mechanism gives players both their Play It Again® entry(s) and Points for Prizes® rewards points. There were three Play It Again® drawings held during fiscal year 2025.



The **Points for Prizes®** program gives players loyalty rewards points for eligible instant and terminal-generated tickets entered into their accounts. A player's points accumulate and may be redeemed for merchandise in the Points for Prizes® online store. Merchandise ranges from jewelry and housewares to electronics. There was a total of 326,494,887 points redeemed in the Points for Prizes® program during fiscal year 2025. Points may also be used for special drawing prizes; there were 22 Points for Drawings® held during fiscal year 2025.

In addition to Points for Prizes® and Play It Again®, players may also enter for occasional special drawings. During the fiscal year, these special drawing opportunities were available:

Points for Drawings®	Entry Period	Drawing Date	# of Winners	# of Entries
Ring Doorbell & Camera	6/4/2024 - 7/8/2024	7/10/2024	3	47,833
Let's Go Glamping Package	4/8/2024 - 7/8/2024	7/10/2024	1	35,061
YETI Cooler	7/9/2024 - 8/5/2024	8/7/2024	3	49,834
Outdoor Kitchen Package	6/4/2024 - 8/5/2024	8/7/2024	2	46,616
Bake Off Bundle	8/6/2024 - 9/2/2024	9/4/2024	3	25,961
Pantry Organization Bundle	9/3/2024 - 9/30/2024	10/2/2024	3	19,732
Biking Adventure Package	8/6/2024 - 9/30/2024	10/2/2024	2	32,760
Apple Bundle for Two	7/9/2024 - 9/30/2024	10/2/2024	1	55,307
Amazon Fire TV	10/1/2024 - 11/4/2024	11/6/2024	3	47,244
Protect Your Car Bundle	11/5/2024 - 12/2/2024	12/4/2024	3	33,723
Ultimate KitchenAid Package	10/1/2024 - 12/2/2024	12/4/2024	2	34,214
Ring Camera Bundle	12/3/2024 - 1/6/2025	1/8/2025	3	56,202
Home Gym Bundle	10/1/2024 - 1/6/2025	1/8/2025	1	16,696
Stanley Favorites Bundle	1/7/2025 - 2/3/2025	2/5/2025	3	28,172
Upgraded Tool Kit Package	12/3/2024 - 2/3/2025	2/5/2025	2	72,314
Gaming Essentials Bundle	2/4/2025 - 3/3/2025	3/5/2025	3	32,004
Drone Kit	3/4/2025 - 3/31/2025	4/2/2025	3	26,751
Ninja Kitchen Package	2/4/2025 - 3/31/2025	4/2/2025	2	27,824
Home Theater Package	1/7/2025 - 3/31/2025	4/2/2025	1	36,136
Cookware Set	4/1/2025 - 5/5/2025	5/7/2025	3	34,404
Pressure Washer	5/6/2025 - 6/2/2025	6/4/2025	3	24,476
\$4,000 Gift Card Bundle	4/1/2025 - 6/2/2025	6/4/2025	2	93,220

ECONOMIC CONDITIONS AND OUTLOOK

From inception through the end of calendar year 2019, the OAL experienced a consistent improvement in economic activity, with inflationary adjusted Gross Domestic Product (GDP) and industrial production sharing continued gains. However, due to the onset of the global Coronavirus pandemic in early 2020, the GDP, industrial production, and other economic activity severely declined, and unemployment and business closures significantly. Economic conditions began to recover in the second half of calendar year 2020 and continued improving throughout 2021 as the Coronavirus pandemic lessened. In 2022, elevated inflation contributed to a decline in overall economic performance, although consumer spending remained high and unemployment rates remained low. During calendar years 2023 and 2024, the inflationary pressures eased, and economic conditions improved modestly. In the first half of calendar year 2025, economic activity slowed again. The outlook for the second half of calendar year 2025 suggests gradual but sustained economic improvement.

GROSS DOMESTIC PRODUCT

GDP is the broadest measure of economic activity. The economic output of the national economy, as measured by GDP, expanded each quarter since the third quarter of calendar year 2009, when the OAL first started selling lottery tickets, until the first quarter of calendar year 2020. Due to the Coronavirus pandemic, the GDP declined during calendar year 2020. However, since 2020, it has shown improvement with growth peaking in 2021 and moderating in subsequent years. GDP grew by an average of 2.6% during the third and fourth quarters of calendar year 2024 and grew by an average of 1.6% during the first half of calendar year 2025.

STATE PERSONAL INCOME

Personal income consists of wages and salaries, dividends, interest, rent, and transfer payments such as Social Security and other retirement incomes. Personal income does not include realized capital gains from the sale of assets. Personal income, measured in current dollars, reached a total of \$188.835 billion in fiscal year 2025. This represented an increase of \$11.38 billion or 6.4% over fiscal year 2024.

ARKANSAS WAGE AND SALARY DISBURSEMENTS

Measured in current dollars, wage and salary income rose to \$84.153 billion in fiscal year 2025, an increase of \$5.238 billion or 6.6% from fiscal year 2024.

EMPLOYMENT

In fiscal year 2025, revised payroll employment in Arkansas averaged 1,374,600 jobs. This represented an increase of approximately 16,800 jobs or 1.2% compared to fiscal year 2024.

HIGHLIGHTS OF THE PAST YEAR

Management's discussion and analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. In addition to financial accomplishments, other noteworthy accomplishments during fiscal year 2025 included:

- Surpassing **\$8.0 billion** in ticket sales since the lottery's inception.
- Surpassing **\$5.4 billion** in prizes paid to players since the lottery's inception.
- Transferring over **\$1.5 billion** to the ADHE for the purpose of funding scholarships since the lottery's inception, including transfers of more than **\$111 million** for the June 30, 2025 fiscal year.
- ADHE distributed **\$99.2 million** in Academic Challenge scholarships during fiscal year 2025.

RELEVANT FINANCIAL POLICIES

Budgetary Controls: The OAL finance division, through the Arkansas Department of Finance and Administration, prepares an operating budget for the next fiscal year for submission to the Arkansas Legislative Council Lottery Oversight Subcommittee.

Transfers to ADHE: In accordance with the Arkansas Scholarship Lottery Act, on or before the fifteenth day of each month, the OAL shall deposit the monthly net proceeds from the lottery's operations into the Lottery Scholarship Trust Account (the Scholarship Trust Account). Upon request from the director of the Arkansas Department of Education – Arkansas Division of Higher Education (ADHE), the OAL shall transfer the funds requested from the Scholarship Trust Account to ADHE.

Shortfall Reserve: In accordance with the Arkansas Scholarship Lottery Act, legislation was enacted which required the OAL to establish a Scholarship Shortfall Reserve Trust Account. As of June 30, 2025, the Scholarship Shortfall Reserve Trust Account was fully funded in the amount of \$20 million.

INTERNAL CONTROL ENVIRONMENT

Management of the lottery is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misappropriation. The internal control system is also designed to ensure that the accounting system provides accurate and timely financial information, and that the lottery is in compliance with applicable laws and regulations. The structure does not provide a guarantee, but rather reasonable assurances that these objectives are met. To enhance controls over accounting procedures, the lottery has segregated appropriate functions, where feasible, and added additional administrative reviews of areas not clearly segregated to ensure compliance with established control policies. A.C.A. § 23-115-206(b)(1)(A) requires Arkansas Legislative Audit, to conduct an annual audit of the OAL and may conduct other special reports as may be deemed necessary. The annual audit includes a review of internal controls as they relate to the expression of an opinion on the financial statements.

GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OAL for its annual comprehensive financial report for the fiscal year ended June 30, 2024. This was the fourteenth consecutive year that the OAL has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. Management believes that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and as required by the requirements of the Arkansas Scholarship Lottery Act, we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER INFORMATION

Information on rules, gaming and frequently asked questions can be found on the OAL's website at www.myarkansaslottery.com. Information on gambling disorder treatment and education programs can be found by calling the National Council on Problem Gambling Helpline at 1-800-522-4700 or by visiting ncpgambling.org, or by contacting Gamblers Anonymous at gamblersanonymous.org. If you have questions or would like to speak with a representative of the OAL, call (501) 683-2000.

ACKNOWLEDGEMENTS

The preparation of this ACFR reflects our commitment to maintain the highest standards of public accountability. We affirm our commitment to continually improve our financial management and maintain the public's trust by exhibiting the highest ethical standards and uncompromising integrity. Publication of this report could not have been accomplished without the dedicated efforts of our employees. Management would also like to recognize the Arkansas Department of Finance and Administration, and its Secretary, for their support, guidance, and dedication in operating the OAL in a reasonable and progressive manner.

Respectfully submitted,



Sharon Strong
Executive Director



Jerold Fetzer
Chief Fiscal Officer

MISSION

“Maximizing Net Proceeds in a responsible manner”

VISION

Every aspect of our operations will function at a level of excellence, with integrity as the keystone principal to our business strategies and decisions.

VALUES

Central to OAL’s successful completion of its mission and vision are its values. OAL’s primary values include:

- ❖ **Integrity** – We maintain public trust by ensuring the security of our lottery games, systems, drawings, and operational facilities.
- ❖ **Security and Oversight** – We value and require ethical behavior by our employees, retailers, customers, and vendors. To ensure this goal is met, we build in standards and processes at every step to ensure the integrity of the games.
- ❖ **Education** – We are dedicated to an unwavering commitment to maximizing net proceeds in a responsible manner.
- ❖ **Responsible Play** – We strongly support the concept of offering lottery games in a responsible manner and believe that playing responsibly is a key component of this tenet.
- ❖ **Treat all stakeholders fairly** – We are committed to creating an environment of mutual respect where open, honest communications are a cornerstone. All employees, retailers, customers, and vendors shall be treated fairly and in a non-discriminatory manner.
- ❖ **Innovative products** – We strive to offer innovative products with a high-level of entertainment value and which are designed to encourage responsible play.
- ❖ **Fiscal responsibility** – We emphasize fiscal accountability by ensuring that all expenditures directly or indirectly generate revenue, enhance security, fulfill regulatory requirements, improve customer service and ensure efficiencies in all processes in order to maximize Net Proceeds.
- ❖ **Non-political** – We will operate free of political influence and will do so with integrity and in a professional manner that is consistent with our mission.

EXECUTIVE ADMINISTRATOR
KRISTA LONG
EXECUTIVE ASSISTANT
MARIE DAVID

EXECUTIVE DIRECTOR **SHARON STRONG**

GRAPHIC SPECIALIST
JASON JOBE
CAMPAIGN COORDINATOR
TIFFANY MCNEAL
PUBLICATION SPECIALIST
GABRIELLE DAVIS
ADMINISTRATIVE ANALYST
MADELYN BEAULIEU

SALES DIRECTOR VACANT

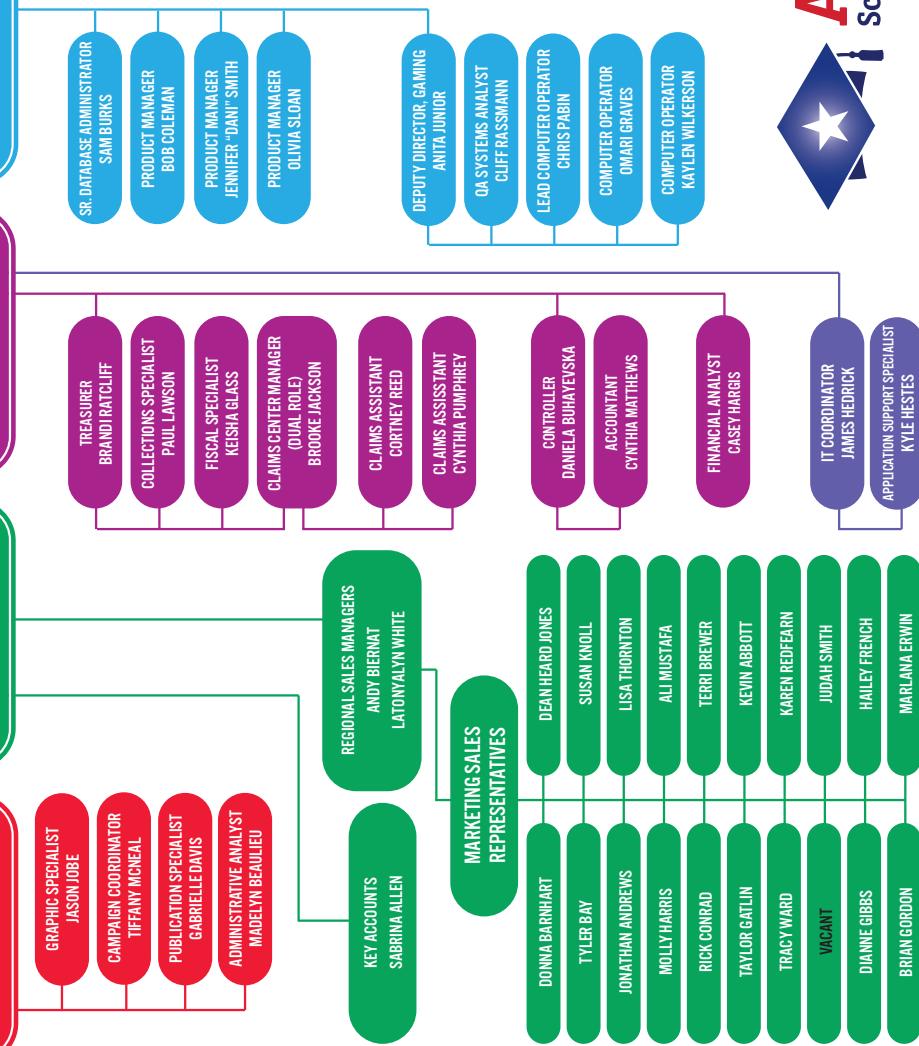
GAMING DIRECTOR MIKE SMITH

CHIEF LEGAL COUNSEL KALEE HAYWOOD

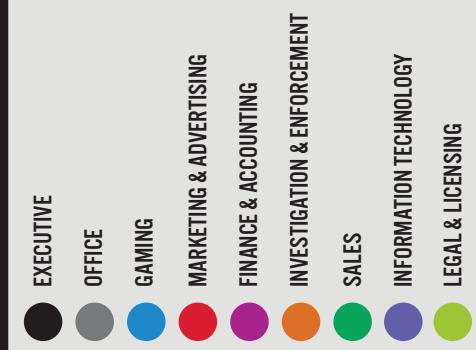
CHIEF FISCAL OFFICER JERRY FETZER

INVESTIGATION & ENFORCEMENT DIRECTOR BLAKE HUDSON

ORGANIZATIONAL CHART

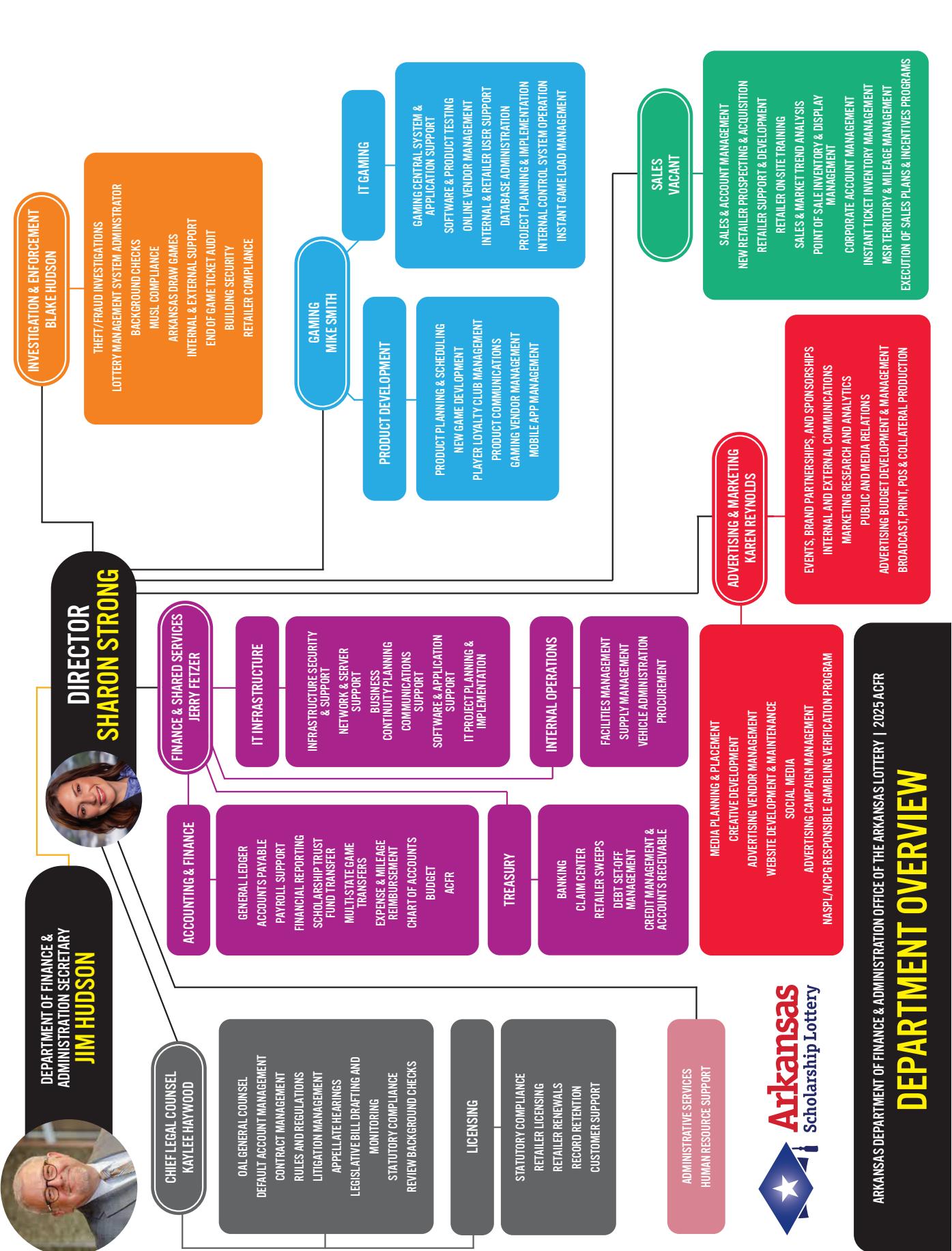


COLOR KEY



Arkansas
Scholarship Lottery







Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

02



MAKAELO SWINNEY
Scholarship to UA-Fort Smith

FINANCIAL SECTION



This is
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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Department of Finance and Administration – Office of the Arkansas Lottery
and Members of the Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the major fund of the Department of Finance and Administration (DFA) – Office of Arkansas Lottery, an office of Arkansas state government, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the DFA – Office of Arkansas 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 respective financial position of the major fund of the DFA – Office of Arkansas Lottery as of June 30, 2025, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As indicated above, the financial statements of the DFA – Office of Arkansas Lottery are intended to present the financial position, the changes in financial position, and cash flows of the major fund of the State that is attributable to the transactions of the DFA – Office of Arkansas Lottery. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2025, the changes in its financial position, or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the office's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the office's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2025, on our consideration of the office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of the testing, and not to provide an opinion on the effectiveness of the office'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 office's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
December 11, 2025
SA1661325

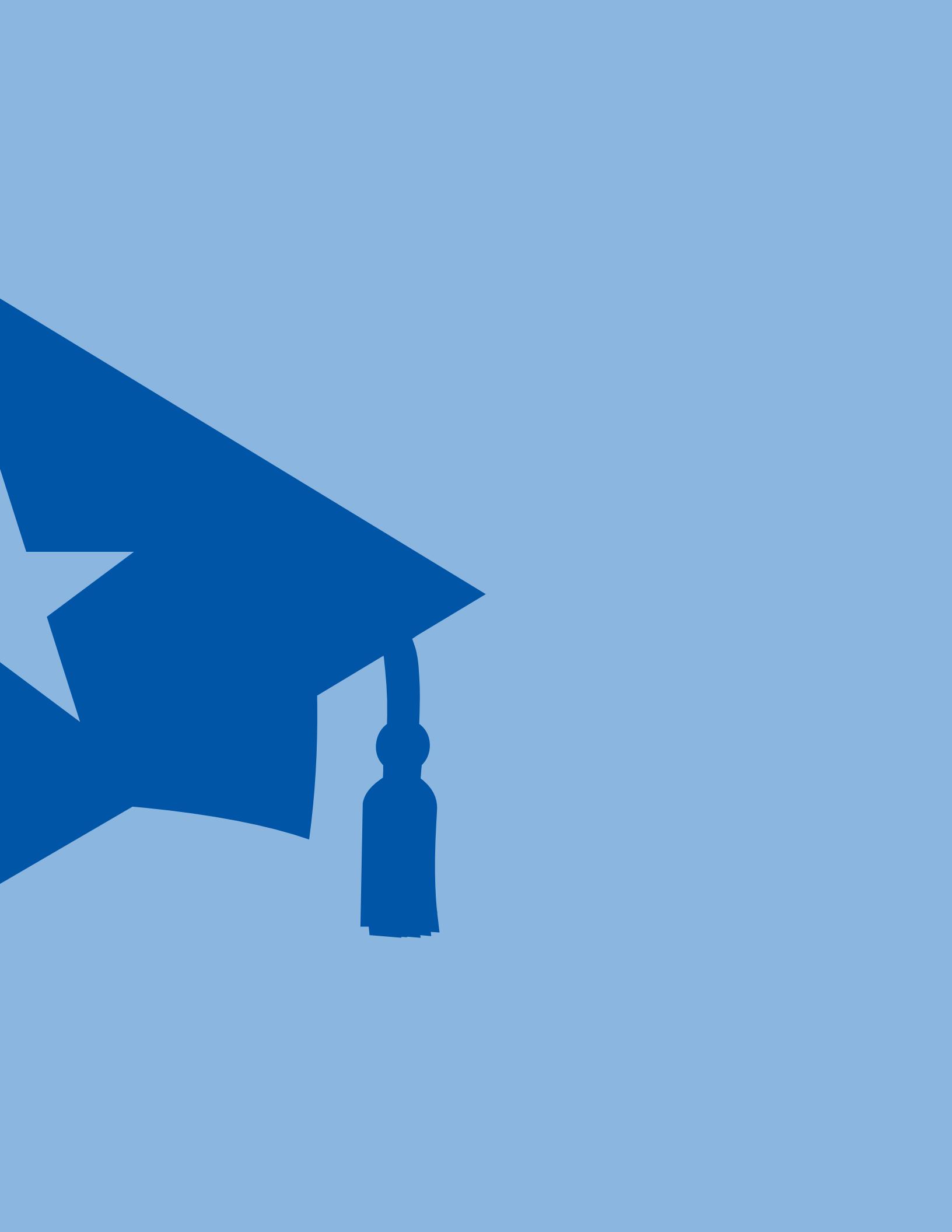




HERNAN MANJARREZ
50K Instant Winner

MANAGEMENT'S DISCUSSION AND ANALYSIS





Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2025
(Unaudited)

As the Management of the Arkansas Department of Finance and Administration (DFA) Office of the Arkansas Lottery (OAL), we offer readers of the OAL's financial statements this narrative overview and analysis of the financial activities of the OAL for the fiscal year ended June 30, 2025. Please read it in conjunction with the OAL's financial statements, which follow this section.

FINANCIAL AND OPERATING HIGHLIGHTS

- Fiscal year 2025 was a successful year for the OAL, with net proceeds exceeded only by those recorded in fiscal years 2024 and 2023. Additionally, it ranked as the fifth highest year in overall sales.
- Operating revenues for fiscal year 2025 were \$578.3 million, which was \$-35.3 million, or -5.8%, less than the \$613.6 million recorded in fiscal year 2024. Instant ticket sales for fiscal year 2025 were \$469.5 million, which was a decrease of \$-8.9 million, or -1.9%, from fiscal year 2024. Draw ticket sales for fiscal year 2025 were \$108.1 million which was a decrease of \$-26.4 million, or -19.7%, from fiscal year 2024. Powerball® sales decreased by \$-22.8 million, or -50.8%, from fiscal year 2024, while sales of Mega Millions® decreased by \$-6.8 million, or -23.9%. LOTTO produced sales of \$10.9 million which was an increase of \$1.6 million, or 17.5% from fiscal year 2024. The other draw games, Fast Play, Cash 3, Cash 4, Natural State Jackpot, Lucky for Life®, had a sales increase for fiscal year 2025 of \$1.5 million, or 2.9%, as compared to fiscal year 2024. For fiscal year 2025, instant ticket sales were \$-1.1 million, or -0.2%, below budget, while draw ticket sales were \$8.7 million, or 8.8%, better than budget. Resulting operating revenues for fiscal year 2025 of \$578.3 million were \$7.7 million, or 1.4% better than budget.
- The OAL's operating expenses decreased in fiscal year 2025, as compared to the previous fiscal year, by \$-23.6 million or -4.7%.
- For fiscal year 2025, total transfers of net proceeds to the Lottery Scholarship Trust Account (Scholarship Trust Account) were \$111.8 million, which was \$-17.6 million, or -13.6% less than the prior fiscal year transfers of \$129.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the OAL's basic financial statements. The OAL is accounted for as a proprietary enterprise fund of the State of Arkansas, reporting on all of the activity's assets, liabilities and net position using the accrual basis of accounting, much like a private business entity. The OAL's basic financial statements are comprised of four components: 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows, and 4) notes to the financial statements. This annual comprehensive financial report also contains other statistical information in addition to the basic financial statements.

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The statement of net position presents information regarding the OAL's assets and deferred outflows of resources, as compared to its liabilities and deferred inflows of resources, with the difference between the two groupings reported as net position. However, in the opinion of management, the increase in net position for fiscal year ended June 30, 2025 does not necessarily reflect the true condition of the OAL's financial position, because, by statute, the OAL is required to transfer all accumulated net proceeds each month, net of unclaimed prizes, to the Scholarship Trust Account, as an account to be used only to fund Academic Challenge, Workforce Challenge or Concurrent Challenge college scholarships. Also, on June 30 of each fiscal year, the OAL is required, by statute, to transfer the accumulated unclaimed prizes reserve, less \$1 million, which is held back, to the Scholarship Trust Account. Also, any refunds of scholarship requests or expenses from Arkansas Department of Education – Arkansas Division of Higher Education (ADHE) during a fiscal year must be placed in the Scholarship Trust Account.

The statement of revenues, expenses and changes in net position reports the OAL's net position and the summarized revenue and expense activities, which created the changes. As stated above, the OAL is required by statute to transfer all monthly net proceeds, net of unclaimed prizes, to the Scholarship Trust Account. Net proceeds are calculated using a modified cash basis for game revenues, prizes, and other operating expenses to arrive at the changes in net position. Income before transfers is calculated using the accrual basis of accounting prescribed by Generally Accepted Accounting Principles (GAAP). Therefore, in the opinion of management, the changes in net position will not necessarily reflect the actual results of the OAL's changes from its operating activities.

The statement of cash flows outlines the cash inflows and outflows related to the OAL's primary activities of selling game tickets and redeeming prizes for lottery-related products, as well as its other primary operating activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The OAL is a self-supporting office within the Arkansas Department of Finance and Administration (DFA). For financial reporting purposes, the OAL is a major proprietary enterprise fund within the Arkansas Department of Finance and Administration and is reported as such in the Annual Comprehensive Financial Report (ACFR) of the State of Arkansas (State).

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FINANCIAL ANALYSIS
Net Position

The OAL's total net position at June 30, 2025 and 2024 were as follows:

<u>Condensed Summary of Assets, Liabilities and Net Position</u>		
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Current assets	\$ 366,710,544	\$ 343,947,760
Non-current assets	22,420,412	22,486,943
Capital assets	425,201	757,884
Total assets	<u>389,556,157</u>	<u>367,192,587</u>
Deferred outflows of resources	1,782,344	2,306,112
Total assets and deferred outflows	<u>\$ 391,338,501</u>	<u>\$ 369,498,699</u>
Current liabilities	\$ 376,192,333	\$ 356,158,906
Long-term liabilities	6,977,752	8,269,788
Total liabilities	<u>383,170,085</u>	<u>364,428,694</u>
Deferred inflows of resources	1,218,518	1,255,648
Total liabilities and deferred inflows	<u>384,388,603</u>	<u>365,684,342</u>
Net position:		
Net investment in capital assets	109,690	144,564
Restricted	23,420,412	23,486,943
Unrestricted (Deficit)	<u>(16,580,204)</u>	<u>(19,817,150)</u>
Total net position	<u>6,949,898</u>	<u>3,814,357</u>
Total liabilities, deferred inflows and net position	<u><u>\$ 391,338,501</u></u>	<u><u>\$ 369,498,699</u></u>
		(1)
<p>Note (1) GASB 101 for compensated absences was implemented in fiscal year 2025, which resulted in a \$521,593 reduction to the beginning net position from \$3,814,357 to \$3,292,764. As a result of this accounting change, the fiscal year 2024 ending net position does not agree with the fiscal year 2025 beginning net position. Because GASB 101 was a change in accounting principle, the adjustment was recorded in fiscal year 2025, and was not applied retroactively to prior periods. Additional information regarding this restatement is provided in Notes 1b and 11c.</p>		

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Assets consisted primarily of cash and cash equivalents which were \$370.0 million and \$345.1 million as of June 30, 2025 and 2024 respectively. Accounts receivable were \$17.1 million and \$19.3 million as of June 30, 2025 and 2024 respectively. Capital assets, net of depreciation and amortization, were \$0.4 million and \$0.8 million as of June 30, 2025 and 2024 respectively.

As of June 30, 2025 the OAL's liabilities consisted primarily of amounts due to ADHE, accrued prizes payable, other accrued operating expenses, total pension obligations and other post-employment benefits obligations (OPEB). Also, as of June 30, 2025 total liabilities and deferred inflows of resources were \$384.4 million, which was an increase of \$18.7 million or 5.1% from June 30, 2024.

As of June 30, 2025, the OAL's total assets and deferred outflows of resources exceed its total liabilities and deferred inflows of resources, resulting in total net position of approximately \$6.9 million. This was an increase in total net position of \$3.1 million or 82.2% from June 30, 2024. Also, as of June 30, 2025, restricted net position was approximately \$23.4 million, which was a decrease of \$-0.1 million, or -0.3% from June 30, 2024. Unrestricted net position (deficit) at the end of fiscal year 2025 was \$ -16.6 million which was a decrease in the deficit of \$3.2 million, or 16.3%, from the prior fiscal year. This deficit relates primarily to timing differences created from the adjusted cash basis accounting method used to calculate net proceeds for transfer to ADHE and due to the change in liability for the OAL's unfunded portion of its OPEB liability.

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Statement of Revenues, Expenses and Changes in Net Position

During fiscal year 2025, the OAL's activities resulted in transfers of net proceeds to the Scholarship Trust Account of \$111.8 million, which was \$-17.6 million or -13.6% less than for the prior fiscal year. Also, as previously discussed, the total net position of the OAL increased by \$3.1 million or 82.2% from the prior fiscal year. This increase was primarily due to timing differences related to the accounting method used to calculate net proceeds. The key elements of the revenues, expenses and changes in net position for the fiscal year ended June 30, 2025, with comparative information for fiscal year 2024 are shown in the table below.

<u>Summary of Revenues, Expenses and Changes in Net Position</u>		
	<u>2025</u>	<u>2024</u>
Operating revenues		
Instant ticket sales	\$ 469,532,982	\$ 478,447,451
Draw ticket sales	108,067,205	134,512,269
Retailer fees	678,000	676,745
Other revenue	8,660	(1,061)
Total operating revenues	<u>578,286,847</u>	<u>613,635,404</u>
Operating expenses		
Instant game prizes	341,768,747	348,571,503
Draw game prizes	58,503,827	71,415,879
Commissions and contract costs	61,360,580	64,573,308
General and administrative expenses	12,672,194	13,025,994
Services provided by other agencies	882,751	858,598
Depreciation and Amortization	362,977	675,581
Total operating expenses	<u>475,551,076</u>	<u>499,120,863</u>
Operating income	102,735,771	114,514,541
Non-operating revenue		
Interest Income	12,753,397	11,425,790
Interest expense	<u>(14,137)</u>	<u>(11,924)</u>
Income before transfers	115,475,031	125,928,407
Transfers to Trust Account	<u>(111,817,897)</u>	<u>(129,404,053)</u>
Increase (Decrease) in net position	3,657,134	(3,475,646)
Beginning net position	<u>3,292,764</u>	<u>7,290,003</u>
Ending net position	<u>\$ 6,949,898</u>	<u>\$ 3,814,357</u> ⁽¹⁾

Note (1) GASB 101 for compensated absences was implemented in fiscal year 2025, which resulted in a \$521,593 reduction to the beginning net position from \$3,814,357 to \$3,292,764. As a result of this accounting change, the fiscal year 2024 ending net position does not agree with the fiscal year 2025 beginning net position. Because GASB 101 was a change in accounting principle, the adjustment was recorded in fiscal year 2025, and was not applied retroactively to prior periods. Additional information regarding this restatement is provided in Notes 1b and 11c.

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OPERATING REVENUES

Games Sales

The OAL's games revenues are made up of a variety of instant and draw lottery products. The OAL is an active member of a joint venture arrangement with the Multi-State Lottery Association (MUSL). Powerball®, Mega Millions® and Lucky for Life® are draw games operated under MUSL. The OAL also operates Fast Play, Cash 3, Cash 4, Natural State Jackpot and LOTTO which are all draw games. The table below shows the instant ticket sales and sales for draw lottery games for the fiscal years ended June 30, 2025 and 2024.

<u>Games Sales for Years Ended June 30, 2025 and 2024</u>				
Game	2025	2024	Change	% Change
Instant ticket sales	\$ 469,532,982	\$ 478,447,451	\$ (8,914,469)	-1.9%
Powerball®	22,027,298	44,797,764	(22,770,466)	-50.8%
Mega Millions®	21,649,223	28,448,304	(6,799,081)	-23.9%
Fast Play	16,163,472	15,568,203	595,269	3.8%
Natural State Jackpot	9,727,312	8,853,010	874,302	9.9%
Cash 3	12,852,043	12,344,765	507,278	4.1%
Cash 4	7,127,255	7,086,512	40,743	0.6%
Lucky for Life®	7,598,752	8,118,978	(520,226)	-6.4%
LOTTO	10,921,850	9,294,734	1,627,116	17.5%
 Total games sales	 <u>\$ 577,600,187</u>	 <u>\$ 612,959,721</u>	 <u>\$ (35,359,534)</u>	 -5.8%

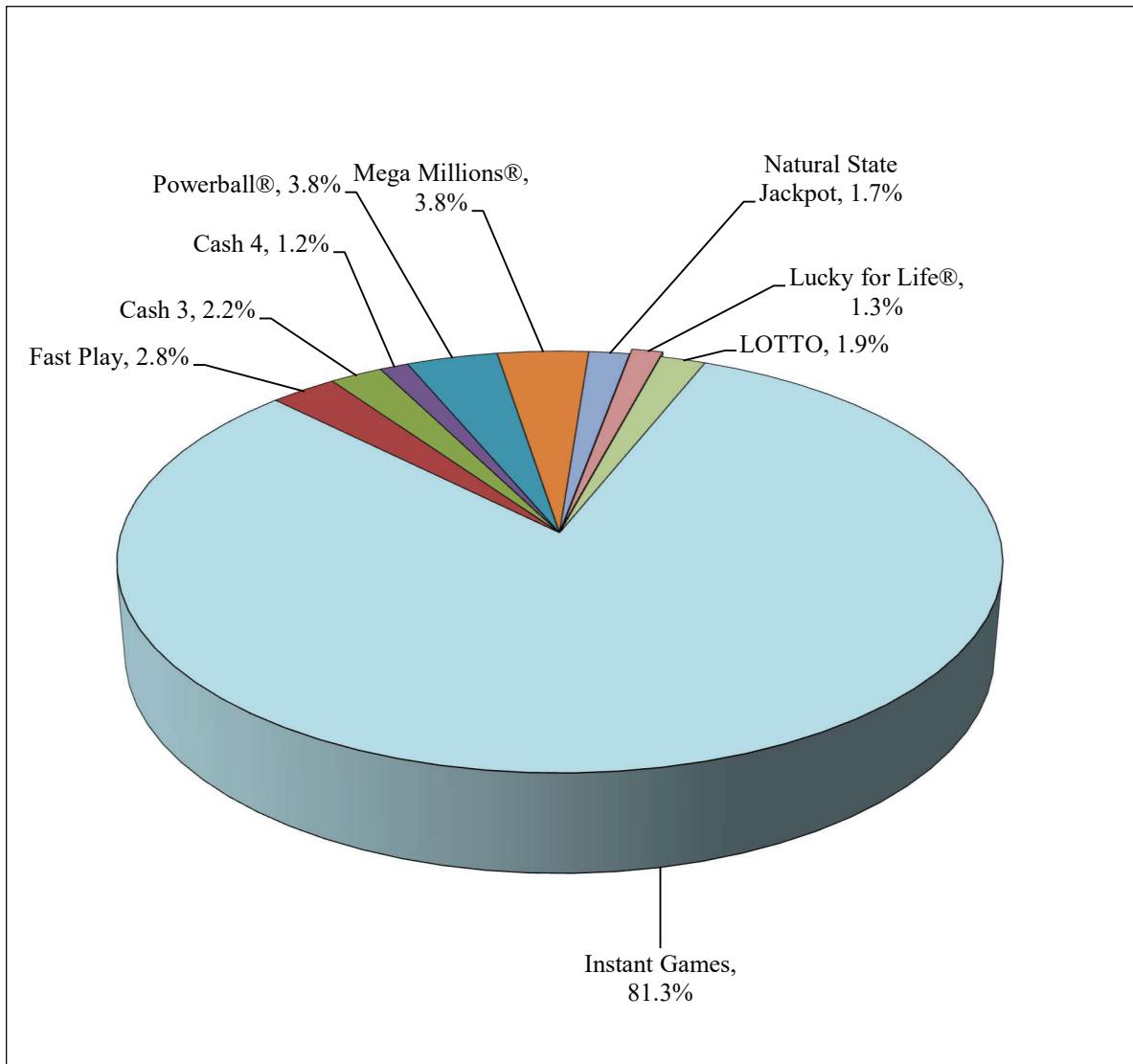
For fiscal year 2025 the OAL had a decrease in total game sales of nearly \$-35.4 million or -5.8% as compared to fiscal year 2024. The budget for fiscal year 2025 reflected sales of \$569.9 million. However, the actual total game sales of \$577.6 million in fiscal year 2025, was \$7.7 million, or 1.3% better than budget.

Instant ticket sales continued to be the OAL's most popular product contributing 81.3% and 78.1% of total fiscal year sales for 2025 and 2024 respectively. For fiscal year 2025, instant ticket sales decreased by \$-8.9 million, or -1.9%, and draw games sales decreased by \$-26.4 million, or -19.7%. For fiscal year 2025, Powerball® had a \$-22.8 million, or -50.8%, decrease in sales from the prior fiscal year, and Mega Millions® had a \$-6.8 million, or -23.9%, decrease in sales from the prior fiscal year. Also, for fiscal year 2025, Fast Play had a \$0.6 million, or 3.8%, increase in sales; Cash 3 had an \$0.5 million, or 4.1% increase in sales, Cash 4 sales increased negligibly, Natural State Jackpot sales increased by \$0.9 million, or 9.9%, Lucky for Life® sales decreased by \$-0.5 million, or -6.4%, and LOTTO sales increased by \$1.6 million, or 17.5%.

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The graph below summarizes the fiscal year 2025 sales as a percent of total ticket revenues:

Fiscal Year 2025 Lottery Game Revenues as a Percent of Sales



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Prizes Expense

Prizes are the largest operating expense the OAL incurs. Instant games prizes expense for fiscal year 2025 was \$341.8 million, which was a decrease of \$-6.8 million, or -2.0%, and draw games prizes expense was \$58.5 million which was a decrease of \$-12.9 million, or -18.1%. Total prizes expense for fiscal year 2025 was \$400.3 million, which was a decrease of \$-19.7 million, or -4.7 %, from the prior fiscal year total prizes expense of \$420.0 million.

The \$341.8 million in instant game prize expense for fiscal year 2025 was \$-0.3 million, or -0.1%, less than budget, while draw game prizes expense for fiscal year 2025 of \$58.5 million were \$4.2 million, or 7.6%, more than budget. So, consistent with sales, total game prize expense for fiscal year 2025 of \$400.3 million was \$3.9 million, or 1.0%, more than budget.

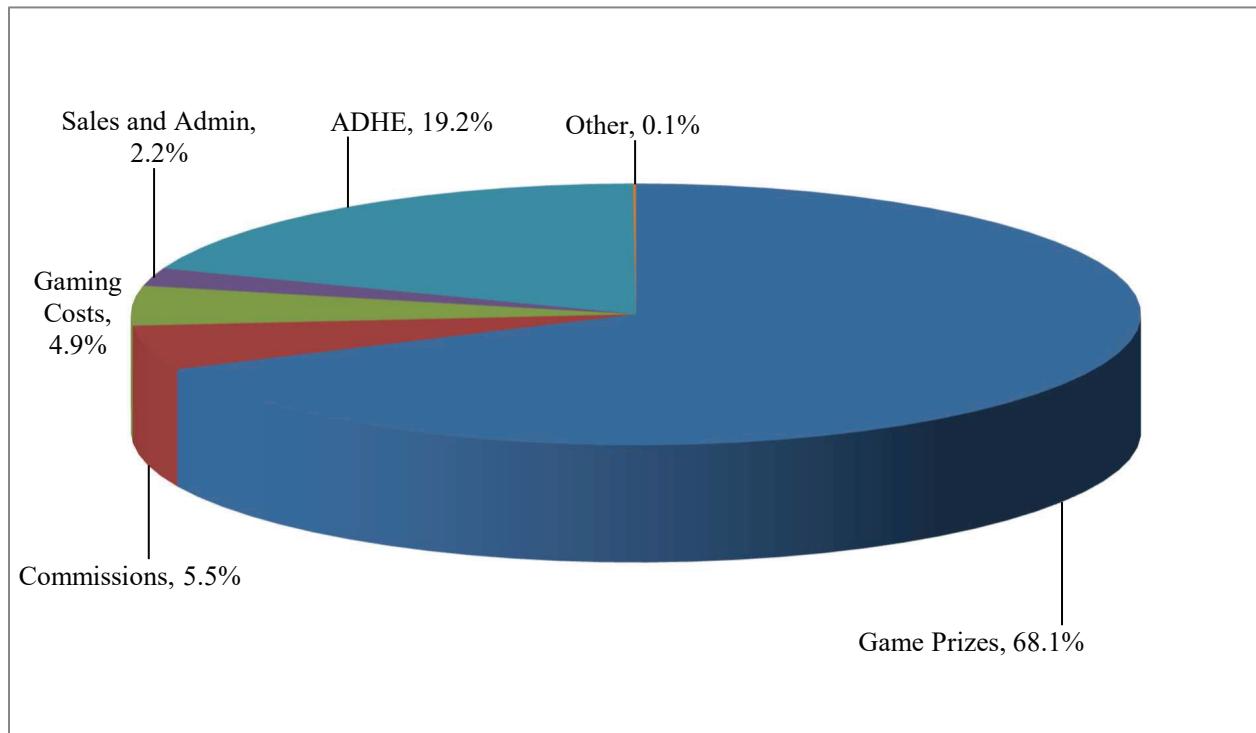
The following table shows prizes expense by lottery game for the years ended June 30, 2025 and 2024 respectively.

Game	<u>Game Prizes Expense</u>			
	2025	2024	Change	% Change
Instant Games	\$341,768,747	\$348,571,504	\$ (6,802,757)	-2.0%
Powerball®	9,961,806	21,299,643	(11,337,837)	-53.2%
Mega Millions®	10,376,079	13,540,805	(3,164,726)	-23.4%
Natural State Jackpot	6,023,062	5,052,130	970,932	19.2%
Lucky for Life®	4,407,467	4,660,221	(252,754)	-5.4%
Fast Play	12,766,249	12,205,913	560,336	4.6%
Cash 3	6,659,000	5,934,967	724,033	12.2%
Cash 4	3,203,800	3,317,400	(113,600)	-3.4%
LOTTO	5,106,364	5,404,800	(298,436)	-5.5%
Total game prizes expense	<u>\$400,272,574</u>	<u>\$419,987,383</u>	<u>\$(19,714,809)</u>	<u>-4.7%</u>

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Distribution of the fiscal year 2025 revenues were as follows:

Fiscal Year 2025 Revenue Distribution



The following table shows sales profit margin for instant and draw games for the fiscal years ended June 30, 2025 and 2024.

Gross Profit Margin				
	<u>Instant Tickets</u>		<u>Draw Games</u>	
	2025	2024	2025	2024
Game revenues	\$ 469,532,982	\$ 478,447,451	\$ 108,067,205	\$ 134,512,269
Prizes expense	341,768,747	348,571,503	58,503,827	71,415,879
Gross profit	<u>\$ 127,764,235</u>	<u>\$ 129,875,948</u>	<u>\$ 49,563,378</u>	<u>\$ 63,096,390</u>
Gross profit margin percentage	27.2%	27.1%	45.9%	46.9%

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As the table on the previous page shows, the gross profit margin is considerably less for instant tickets versus for draw games. High jackpots normally drive sales for draw games, whereas the denominations and types of instant tickets that are being distributed, as well as the amounts of prizes already cashed, are primary drivers for instant ticket sales.

The table below shows the operating profit margin, which is the OAL's total operating revenues less its total operating expenses, for the years ended June 30, 2025 and 2024 respectively.

<u>Operating Profit Margin</u>				
	2025	2024	Change	Percent Change
Operating revenues	\$ 578,286,847	\$ 613,635,404	\$ (35,348,557)	-5.8%
Operating expenses	475,551,076	499,120,863	(23,569,787)	-4.7%
Operating Income	<u>\$ 102,735,771</u>	<u>\$ 114,514,541</u>	<u>\$ (11,778,770)</u>	<u>-10.3%</u>
Profit margin	17.8%	18.7%		

Other Operating Expenses

In addition to prizes expense, the other significant operating expenses include retailer commissions and gaming contract costs. Retailer commissions for fiscal year 2025 were \$32.7 million, which was a decrease of \$-1.8 million, or -5.3%, from fiscal year 2024. Gaming contract costs for fiscal year 2025 were \$28.6 million which was a decrease of \$-1.4 million, or -4.7%, from fiscal year 2024.

Additional other operating expenses include advertising and marketing costs, compensation costs, general administrative costs and depreciation and amortization. These other operating expenses for fiscal year 2025 totaled \$13.9 million, which was a decrease of \$0.6 million, or -4.4% from fiscal year 2024.

NON-OPERATING REVENUES AND TRANSFERS

Non-operating revenues were for interest income on deposited funds of \$12.8 million and \$11.4 million for the years ended June 30, 2025 and 2024 respectively. Also, there was imputed interest expense related to right to use assets, which were capitalized as a result of the implementation of GASB 87 on Leases, in the amount of \$0.014 million for fiscal year 2025 and \$0.012 million for fiscal year 2024 respectively.

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Net proceeds of \$111.8 million were transferred into the Lottery Scholarship Trust Account in fiscal year 2025, compared to transfers of \$129.4 million in fiscal year 2024. Transfers to ADHE for the Academic Challenge scholarships for fiscal year 2025 were \$81.0 million, compared to \$60.0 million in fiscal 2024. There were \$3.0 million in transfers to ADHE for the Workforce Challenge scholarships for fiscal year 2025, compared to \$0.8 million in fiscal year 2024. Also, there were \$4.0 million in transfers to ADHE for the Concurrent Challenge scholarships for fiscal year 2025, compared to \$5.0 million in fiscal year 2024.

CAPITAL ASSETS

At June 30, 2025 the OAL had \$0.4 million in net capital assets as compared to \$0.8 million in net capital assets at the end of the prior fiscal year. Capital assets are primarily composed of equipment, leasehold improvements and right to use assets. The equipment and leasehold improvements are depreciated over their estimated useful lives of 5 to 10 years, while the right to use assets are amortized over a period of 5 years. A summary of the changes in the major capital asset groups is provided in the table below and more detailed information on capital assets may be found in Note 10 of the notes to the financial statements.

	<u>Capital Assets</u>		Total % Change
	<u>2025</u>	<u>2024</u>	
Equipment	\$ 2,594,668	\$ 2,880,128	-9.9%
Leasehold improvements	492,796	492,796	0.0%
Right to Use Assets	<u>1,359,159</u>	<u>1,359,159</u>	0.0%
Total Capital Assets	<u>4,446,623</u>	<u>4,732,083</u>	-6.0%
Less: Accum. Deprec. & Amort.	<u>(4,021,422)</u>	<u>(3,974,199)</u>	1.2%
Net Capital Assets	<u>\$ 425,201</u>	<u>\$ 757,884</u>	-43.9%

CONTACT INFORMATION

This financial report is designed to provide a general overview of the OAL's finances and to demonstrate the OAL's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the OAL's Finance Division at 124 W. Capitol Ave., Suite 1400, Little Rock, Arkansas 72201 or call (501) 683-2000.



ON



ANNA ADAMS
150K Powerball Winner
& Scholarship Recipient

BASIC FINANCIAL STATEMENTS



This is
WINNING!

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Net Position
June 30, 2025

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,086,080
Restricted assets:	
Cash and cash equivalents	342,386,209
Accounts receivable	15,049,140
Inter-Agency receivables	2,031,904
Prepaid items	157,211
Total current assets	<u>366,710,544</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	20,500,000
Deposits with Multi-State Lottery Association	1,920,412
Net capital assets	425,201
Total non-current assets	<u>22,845,613</u>
Total assets	<u>389,556,157</u>
Deferred outflows of resources:	
Related to pension	1,072,847.00
Related to other post retirement benefits	709,497.00
Total deferred outflows of resources	<u>1,782,344.00</u>
Total assets and deferred outflows of resources	<u>\$ 391,338,501</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,832
Prizes payable	24,086,975
Accrued and other liabilities	6,238,946
Due to other funds of the State	797,277
Due to Lottery Scholarship Trust Account	343,418,113
Lease obligation	288,098
Compensated absences	980,217
Other post employment benefits liability	127,974
Unearned revenue	252,901
Total current liabilities	<u>376,192,333</u>
Long-Term liabilities:	
Other post employment benefits liability	2,410,652
Compensated absences	58,919
Total pension liability	4,459,474
Lease obligation	48,707
Total long-term liabilities	<u>6,977,752</u>
Total liabilities	<u>383,170,085</u>
Deferred inflows of resources:	
Related to pension	293,978
Related to other post retirement benefits	924,540
Total deferred inflows of resources	<u>1,218,518</u>
Total liabilities and deferred inflows of resources	<u>384,388,603</u>
NET POSITION	
Net position:	
Net investment in capital assets	109,690
Restricted for:	
Scholarship shortfall reserve	20,000,000
Retailer bond reserve	500,000
Deposits with Multi-State Lottery Association	1,920,412
Unclaimed prizes reserve	1,000,000
Unrestricted (deficit)	<u>(16,580,204)</u>
Total net position	<u>6,949,898</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 391,338,501</u>

The notes to the financial statements are an integral part of this statement.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2025

Operating revenues:

Instant ticket sales	\$ 469,532,982
Draw ticket sales	108,067,205
Retailer application, fidelity, bond and service fees	678,000
Other revenue	<u>8,660</u>
	<u>578,286,847</u>

Total operating revenues

Operating expenses:

Instant game prizes	341,768,747
Draw game prizes	58,503,827
Retailer commissions	32,730,529
Gaming contract costs	28,630,051
Compensation and benefits	5,456,569
Marketing, advertising and promotions	6,195,252
General and administrative expenses	1,020,373
Services provided by Arkansas Department of Education - Division of Higher Education	730,301
Services provided by Arkansas Legislative Audit	152,450
Amortization - GASB 87 Leases	271,832
Depreciation	<u>91,145</u>
	<u>475,551,076</u>

Total operating expenses

Operating income

102,735,771

Non-operating revenue (expense):

Interest income	12,753,397
Interest expense	<u>(14,137)</u>
	<u>115,475,031</u>

Income before transfers

Transfers to:

Lottery Scholarship Trust Account	<u>(111,817,897)</u>
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Change in net position	3,657,134
Total net position - beginning, restated	3,292,764
Total net position - ending	<u><u>\$ 6,949,898</u></u>

The notes to the financial statements are an integral part of this statement.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities:	
Cash received from retailers and others	\$ 577,739,701
Cash paid for prizes	(406,878,870)
Cash paid for gaming vendors	(29,302,608)
Cash paid for retailer commissions	(32,730,529)
Cash paid for marketing and advertising	(5,651,112)
Cash paid for employee services	(5,522,721)
Cash paid for other expenses	<u>(2,200,924)</u>
Net cash provided by operating activities	<u>95,452,937</u>
Cash flows from non-capital financing activities:	
Transfers to Arkansas Department of Education - Division of Higher Education	(88,000,000)
Transfers from Arkansas Department of Education - Division of Higher Education	<u>4,753,294</u>
Net cash used by non-capital financing activities	<u>(83,246,706)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(51,215)
Proceeds from disposal of capital assets	<u>14,276</u>
Net cash flows from capital and related financing activities	<u>(36,939)</u>
Cash flows from investing activities:	
Interest received	<u>12,753,397</u>
Net increase in cash and cash equivalents	24,922,689
Cash and cash equivalents, beginning	345,049,600
Cash and cash equivalents, ending	<u>\$ 369,972,289</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 102,735,770
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	91,145
Amortization	271,832
Pension expense	94,235
Other post employment benefits expense	(263,731)
Lease Expense	(284,379)
Other operating activities	(2,394)
Net changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(519,016)
Prepaid items	(42,470)
Deposits with Multi-State Lottery Association	66,531
Increase (decrease) in:	
Accounts payable	(134,846)
Prizes payable	(6,672,827)
Accrued and other liabilities	30,736
Due to other funds of the State	30,902
Compensated absences	79,578
Unearned revenue	(28,129)
Net cash provided by operating activities	<u>\$ 95,452,937</u>
Non-cash investing, capital and financial activities	
Net (loss) on disposal of capital assets	\$ (6,645)

The notes to the financial statements are an integral part of this statement.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) was initially created as the Arkansas Lottery Commission (ALC) by Acts 605 and 606 of 2009 (the Act) for the purpose of establishing, operating, and regulating lotteries for the State of Arkansas (State) as authorized by the Arkansas Constitution. The primary purpose of the Act is to supplement higher education scholarships with net proceeds from State lottery operations. During the 2015 Legislative session, the Arkansas Legislature enacted Act 218 of 2015, which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery within the Arkansas Department of Finance and Administration (DFA), as part of the Management Services Division.

The OAL is a self-supporting, revenue-raising office within DFA. The OAL commenced sales of instant scratch-off tickets on September 28, 2009; Powerball® ticket sales commenced on October 31, 2009; Cash 3 sales commenced on December 14, 2009; Mega Millions® sales commenced on January 31, 2010; Cash 4 sales commenced on July 12, 2010; Fast Play sales commenced on October 25, 2010; Natural State Jackpot sales commenced on August 27, 2012; Lucky for Life® sales commenced on January 27, 2015; and LOTTO sales commenced on September 18, 2022. Powerball®, Mega Millions®, Lucky for Life® are offered through the Multi-State Lottery Association (MUSL).

For financial reporting purposes, the OAL is a major enterprise fund of the primary government of the State and is reported as such in the Annual Comprehensive Financial Report (ACFR) of the State. These financial statements for the OAL are separate and apart from those of the State and do not present the financial position of the State nor changes in the State's financial position and cash flows.

b. Accounting Restatement

The OAL implemented GASB 101, Compensated Absences, in the fiscal year ended June 30, 2025. Statement 101 is required to be implemented retroactively for the cumulative effects of the implementation. Statement 101 establishes more specific criteria for the recognition of a compensated absences liability. Statement 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

Statement 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences and allows for only the net change in the liability to be disclosed. The cumulative effect of implementing Statement 101 on the beginning net position as previously reported on June 30, 2025, is as follows:

Beginning net position	\$3,814,357
Prior year net increase in compensated absences liability	<u>521,593</u>
Beginning net position, restated	<u>\$3,292,764</u>

c. Basis of Presentation

The OAL is accounted for as a proprietary type enterprise fund. Enterprise funds operate more like a commercial business such as: (1) where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges; or (2) where the periodic determination of net income is considered appropriate.

d. Basis of Accounting

Basis of accounting refers to the timing of recognition of revenue and expenses in the accounts and reporting in the financial statements. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

As a proprietary type enterprise fund of a governmental unit, the OAL must also follow the standards issued by the Governmental Accounting Standards Board (GASB). New GASB Statements and Interpretations are normally adopted in the years they become effective.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

As a proprietary type enterprise fund, the OAL is accounted for using the economic resources measurement focus. All assets and liabilities related to its operations are included on its statement of net position, and all revenues and expenses and the change in net position are included in its Statement of Revenues, Expenses and Change in Net Position. Operating revenues and expenses generally relate to the OAL's primary ongoing operations of selling lottery tickets and redeeming prizes. Any revenues or expenses not meeting this definition are reported as non-operating. The principal operating revenues of the OAL are from charges to retailers for their sales of lottery products. The significant operating expenses include the cost of prizes, retailer commissions, gaming contract costs, other vendor charges, personnel, marketing/advertising, other administrative expenses, inter-agency services and depreciation and amortization.

e. *Cash and Cash Equivalents*

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit with maturities at purchase of 90 days or less, and all short-term instruments with maturities at purchase of 90 days or less.

f. *Accounts Receivable*

Accounts receivable represents amounts due from retailers for activated instant ticket packs and sales of draw games less the value of prizes paid by the retailer and retailer commissions. Separate lottery retailer bank accounts are set up for settlements with the OAL, and electronic funds transfers (sweep) are used to collect receivables weekly from such accounts. Accounts receivable also represents amounts due from other State agencies to the OAL.

g. *Capital Assets*

Capital assets are stated at cost less accumulated depreciation or amortization. The OAL follows the policy of the Arkansas Department of Finance and Administration and uses a capitalization threshold of five thousand dollars (\$5,000) and useful life extending beyond one year. Depreciation/Amortization on capital assets is computed using the straight-line method over the following estimated useful lives:

Equipment	5 - 7 years
Right to use assets	5 years
Signage	10 years
Leasehold improvements	Over the remaining term of the lease

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

When capital assets are retired, or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the Statement of Revenues, Expenses, and Change in Net Position, in the period of retirement/disposition.

h. Net Position

Net position includes categories for net investment in capital assets and for restricted net position for several items including the scholarship shortfall reserve, retailer bond reserve, Multi-State Lottery Association (MUSL) deposits and the unclaimed prizes reserve. The net investment in capital assets category represents the purchases of capital assets recorded at cost, less accumulated depreciation and right to use assets, less amortization, less any debt related to the capital assets. The restricted net position for the scholarship shortfall reserve represents monies set aside to fund scholarship payment requests to the Arkansas Department of Education – Division of Higher Education (ADHE), if needed, due to a shortage of funds in the Lottery scholarship trust account (Scholarship trust account). The retailer bond reserve may be used to cover losses due to any retailer nonfeasance, malfeasance, or misfeasance or for the recovery of any other potential losses from retailers. This reserve mitigates for retailers having to purchase their own surety bond coverage. The MUSL deposits represent funds set aside to fund Powerball® and Mega Millions® prizes reserves which can be used in the event of multiple grand prize winners in succession. The amounts restricted for the unclaimed prizes reserve are, by statute, only to be used to supplement future prizes, to maintain online game reserves at adequate levels or for special prize promotions. At June 30 of each fiscal year, the amount of the unclaimed prizes reserve, less \$1 million, are deposited to the Scholarship trust account, as net proceeds.

See note 12 for additional information regarding the unrestricted net position (deficit). It is the practice of the OAL to use restricted resources first, then unrestricted resources when both restricted and unrestricted resources are available.

i. Leases

The OAL is a lessee for noncancelable leases for which it recognizes a lease liability and an intangible right-to-use lease asset. The OAL recognizes lease liabilities with an initial individual value of \$5,000, or more. At commencement of a lease, the OAL 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. Subsequently, the lease asset is amortized on a straight-line basis over the remaining term of the lease.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

Key estimates and judgments related to leases include how the OAL determines (1) lease discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of monthly payments that vary over the remaining term of the lease.

The OAL 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 capital assets and lease liabilities are reported with short and long-term liabilities on the statement of net position.

j. Revenue Recognition

Lottery games are sold to the public by licensed retailers. Revenue is recognized when draw game tickets are sold to players and when packs of instant scratch-off tickets are activated for sale by the retailer.

k. Unearned Revenue

Funds collected from retailers for draw game tickets sold in advance and are for game drawings which will occur after the end of the monthly accounting period, are recorded as unearned revenue, and are subsequently recognized as revenue in the period in which the related drawing for which they were purchased occurs.

Retailer licenses are issued for a two-year period. Fee amounts for the periods beyond June 30 of the current fiscal year are recorded as unearned revenue and recognized as revenue in subsequent fiscal year(s).

l. Retailer Commissions

Retailers receive a commission of five percent on all instant tickets settled and draw game tickets sold. In addition, retailers receive a cashing commission of one percent of each dollar redeemed up to a cashing limit of \$500 per ticket, as tickets for prizes over \$500 must be redeemed at the OAL claim center. Retailers also receive an additional selling commission of one percent of each prize amount of \$10,000 or more for any such prizes validated and paid, which were purchased from their retail store. The maximum selling commission for any prize of \$10,000 or more is \$50,000.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

m. Prizes and Unclaimed Prizes

For instant ticket (scratch-off) games, prizes expense is accrued based on the end of production prize structure percentage provided by the ticket vendor for each game and recorded based on value of packs activated for sale by retailers. Prize expense is also recognized for Play it Again (PIA) amounts from instant games that have ended and where the PIA drawing will occur in the future. Prizes expense for any merchandise prize is recognized when invoiced by the ticket vendor. Any instant game prizes that remain unclaimed 90 days after an instant game ending date are considered unclaimed.

Prizes expense for draw games is recorded for each game drawing at an established prize payout estimate percentage of the revenue recognized. Any draw game prizes that remain unclaimed at the end of a 180-day period following a game drawing are considered unclaimed.

Act 1180, enacted April 6, 2011, provided that unclaimed prizes are to be accumulated during the fiscal year, with the OAL being allowed to spend up to \$2,500,000 for future lottery prizes, to maintain draw game reserves or for prizes promotion. (See note 6) At the end of each fiscal year the amount of unclaimed prizes money, less \$1 million, is to be deposited into the Scholarship trust account as net proceeds. For financial statement purposes, unclaimed prizes are a reduction to the overall prizes expense recognized.

n. Compensated Absences

Employees earn the right to be compensated during absences for vacation, illness, overtime worked for non-exempt employees, and for legal holidays. Compensated absences for annual leave and legal holidays banked are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method for employees that are eligible for retirement benefits and are also recorded as a liability. Within the limits established by law or rule, unused leave benefits are paid to employees upon separation from State service for vacation, banked holidays, and upon retirement only, eligible sick leave. The compensated absences amounts are based on current year-end salary rates and include employer Social Security contributions at the then current rates.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

o. Retirement Plan

For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension fund and the additions to and deductions from their fiduciary net position have been determined on the same basis as they are reported by the State pension system. See note 15 for additional information regarding the retirement plan.

p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources, deferred inflows of resources, restricted and unrestricted net position, revenues, expenses and disclosures of contingent assets or liabilities. Actual results could differ from those estimates.

q. Bad Debt Expense

Bad debt expense is normally recognized when uncollected net revenue from an OAL retailer is significantly past due and is in excess of amounts deemed to be collectible. The amount of expense is based on the retailer's outstanding aged accounts receivable balance. The OAL did not record any bad debt expense for the fiscal year ended June 30, 2025. For net proceeds calculations, bad debt expense amounts are recovered from the Retailer bond reserve, which is maintained to offset such potential losses.

2. DEPOSITS

Arkansas Code Annotated (ACA) requires that agencies holding monies not deposited in the State Treasury (cash fund agencies), other than institutions of higher learning, abide by the recommendations of the State Board of Finance as to the best investment decisions for any idle cash balances. The State Board of Finance promulgated certain cash management and investments standards and procedures, effective July 1, 2023, which replaced the prior standards and procedures established on October 2, 2017. Such standards are referenced by the Arkansas Department of Finance and Administration within the Financial Management Guide for use by all State agencies.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

The stated primary goal of state cash management is the protection of principal, while maximizing investments and minimizing non-interest-bearing balances. Collateral pledged to secure deposits is to be held within the borders of the State of Arkansas and placed with any Federal Reserve Bank; any Federal Home Loan Bank; a banker's bank; or the trust department, or similar safekeeping function of a commercial bank or trust company primarily located in Arkansas that is unaffiliated with the bank or financial institution in which the funds are deposited. State financial policy also states that funds may be maintained in demand deposit accounts for the purposes of meeting day-to-day operating expenditures. It is suggested that service charges associated with this type of account can generally be avoided by maintaining required minimum balances or compensating balances in other accounts. Funds in excess of immediate expenditure requirements (excluding minimum balances) should not remain in non-interest-bearing accounts.

Effective September 2, 2021 the OAL and Bank OZK executed an Agreement for Contractual Services for Comprehensive Banking Services. The term of this agreement was two years from the effective date, with the option of mutually agreeing to up to three one-year extensions. During the 2025 fiscal year the second one-year extension of the contract was executed with an effective date of September 2, 2024. Interest earned on all balances, prior to September 2, 2023, was paid at the Federal Funds Target Rate minus 0.09% (or 9 basis point) with a floor of 0.15% APY (or 15 basis points) and a ceiling of 1.00% APY (or 100 basis points). Interest paid after September 2, 2023 was at the Federal Funds Target Rate minus 1.25% (or 125 basis points) with a floor of 0.37% APY (or 37 basis points), and no ceiling. Treasury management service fees were waived. All of the OAL's cash and equivalents at June 30, 2025 were held in accounts at Bank OZK. As agreed to in their contract, Bank OZK has agreed to pledge collateral on all accounts of the OAL in an amount to exceed the State requirement of 105 percent of deposits. As of June 30, 2025, the total collateral pledged to the OAL was in the form of one irrevocable standby letter of credit. The letter of credit was issued in the OAL's name by the Federal Home Loan Bank of Dallas for any sum or sums not to exceed \$394,000,000. At June 30, 2025 the OAL's total bank balances were \$370,059,577, so the total pledged collateral exceeded 105% of the OAL's deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository institution, the OAL will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The OAL has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. It is the opinion of management that none of the OAL's bank balances of \$370,059,577 were exposed to custodial credit risk as of June 30, 2025.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

3. ACCOUNTS RECEIVABLE

Management believes that an allowance for uncollectable accounts is not necessary at June 30, 2025 as the Retailer bond reserve amount of \$500,000 is sufficient to cover any past due accounts. Amounts due from retailers and others at June 30, 2025 are summarized as follows:

Amount due for activated instant tickets, not settled	\$ 11,130,554
Amount due for partial weeks sales through June 30, 2025	3,907,174
Past due accounts and other receivables	<u>11,412</u>
Total accounts receivable	<u><u>\$ 15,049,140</u></u>

Receivable from Other Funds of the State

The amount listed below as a receivable from the Arkansas Department of Education – Division of Higher Education is a refund of excess Lottery Scholarship Trust funds requested over scholarships issued.

Arkansas Department of Education – Division of Higher Education	<u><u>\$2,031,904</u></u>
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4. TRUST ACCOUNTS for NET PROCEEDS

Per the Act, on or before the 15th day of each month, the OAL is required to deposit the previous month's net proceeds, which, per the Act are to be determined by the OAL as a percentage of lottery proceeds less operating expenses, in such a manner as to maximize net proceeds. Such net proceeds are to be deposited into a trust account at one or more financial institutions. Based on the calculation requirement, it was determined that the net proceeds calculated each month for transfer to the trust accounts were to be computed using the modified cash basis of accounting for revenues and expenses based on the actual monies received from retailers for instant ticket game sales and for the prize payments made on instant tickets redeemed.

To meet the above deposit requirement, an Education trust account was established with Bank OZK, and as required by GAAP accrual-based accounting principles, Due to education trust account reflected the corresponding liability on the statement of net position. The Education trust account was restricted for transfers to and from the Arkansas Department of Education – Division of Higher Education (ADHE), and funds were only transferred based on requests from ADHE to meet the scholarship needs of the Arkansas Academic Challenge Scholarship Program.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

Act 636 of 2021 required the OAL to “establish the Lottery scholarship trust account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program (see note 5), the Arkansas Concurrent Challenge Scholarship Program (see note 5), and any other scholarship funded with net proceeds from the lottery, at a financial institution into which the OAL shall transfer funds.” The balances of the Education trust account and the Workforce challenge trust account were transferred into the Lottery Scholarship Trust Account in fiscal year 2022.

The total amount reflected for the Due to Lottery Scholarship Trust Account at June 30, 2025 was \$343,418,113. Corresponding current restricted cash and cash equivalents in the amount of \$341,386,209 and an interagency receivable from ADHE of \$2,031,904 are the funding for this account. Total net proceeds for the fiscal year ended June 30, 2025 were \$111,817,897. During fiscal year 2025 a total of \$88,000,000 was transferred to ADHE for scholarships from the Lottery Scholarship Trust Account.

Activity in the Lottery Scholarship Trust Account for the fiscal year ended June 30, 2025 consisted of the following activities:

Scholarship trust account balance at 7/01/24	\$ 317,568,312
Net Proceeds	111,817,897
Returns from ADHE for overfunding of scholarships	2,031,904
Payments to ADHE for scholarships	<u>(88,000,000)</u>
Scholarship trust account balance at 6/30/25	<u>\$ 343,418,113</u>

5. *ARKANSAS WORKFORCE CHALLENGE SCHOLARSHIP AND ARKANSAS CONCURRENT CHALLENGE SCHOLARSHIP PROGRAMS*

During the 2017 legislative session, the Arkansas General Assembly passed Act 613 of 2017 to create the Arkansas Workforce Challenge Scholarship Program (“Workforce Challenge”). Act 613 of 2017 provided for the use of excess lottery proceeds to be deposited to a trust account to fund scholarships for students enrolled in higher education programs that will lead to the students being qualified to work in high-needs occupations. During the 2019 Arkansas General Assembly session, Act 456 amended Arkansas Code Title 6, Chapter 85 to add an additional subchapter to create the Arkansas Concurrent Challenge Scholarship Program (“Concurrent Challenge”). Act 456 provides for the use of lottery proceeds, after the allocation of sufficient funding to the “Workforce Challenge”, to fund scholarships for students enrolled in an endorsed concurrent enrollment course or certificate program, unless other opportunities are provided that lower the tuition and mandatory fees below fifty percent. Per Act 636 of 2021 the balance of the Workforce Challenge trust account was transferred into the Lottery Scholarship Trust Account in fiscal year 2022. Funding requests for the Arkansas Workforce Challenge Scholarship Program and the Arkansas Concurrent Challenge Scholarship Program are now paid from the Lottery Scholarship Trust Account.

Arkansas Department of Finance and Administration
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Notes to Financial Statements
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6. UNCLAIMED PRIZES RESERVE

Act 1180 of the 2011 Regular Session, enacted by the General Assembly of Arkansas on April 6, 2011, amended the Act to allow the OAL to spend, during a fiscal year, up to \$2,500,000 of unclaimed prizes money for one or more of the following: A) Increasing the pool from which future lottery prizes are awarded; B) Maintaining draw game reserves at a fiscally sound level; or for C) Prize promotion. Act 1180 also required that unclaimed prizes be accumulated during the fiscal year and on the last day of each fiscal year the amount of the remaining unclaimed lottery prizes reserve, less \$1,000,000, be deposited in the trust account as net proceeds.

During fiscal year 2025, in addition to the \$1,000,000 beginning balance the unclaimed prizes totaled \$11,220,572 with none of the unclaimed prize's money being used for the three specified purposes allowed by Act 1180. So, the unclaimed prizes balance remaining at June 30, 2025, less \$1,000,000, resulted in a deposit of \$11,220,572 to the Scholarship trust account as net proceeds. At June 30, 2025, the balance of the unclaimed prizes reserve was \$1,000,000 and is reflected in the Statement of Net Position as restricted net position, while the corresponding monies related to this reserve are shown as current restricted cash and cash equivalents.

Activity in the Unclaimed prizes reserve for the fiscal year ended June 30, 2025 consisted of the following activities:

Unclaimed prizes reserve at 7/01/24	\$ 1,000,000
Unclaimed prizes for fiscal year ended 6/30/25	11,220,572
Transferred to the Scholarship trust account at 6/30/25	<u>(11,220,572)</u>
Unclaimed prizes reserve at 6/30/25	<u>\$ 1,000,000</u>

7. SCHOLARSHIP SHORTFALL RESERVE

The Scholarship shortfall reserve account represents monies set aside, by the Act, to fund scholarship payment requests to ADHE, if needed, in case of a shortage of funds in the Scholarship trust account. The balance of the Scholarship shortfall reserve at June 30, 2025 was \$20,000,000 and is reflected as restricted net position on the statement of net position, while the corresponding monies related to the reserve are reflected as non-current restricted cash and cash equivalents.

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8. RETAILER BOND RESERVE

Act 1076 of the 2015 Arkansas General Assembly changed Arkansas Code Annotated § 23-115-603 (c) (1) to allow the OAL to amend the previous requirement that retailers post a bond obtained through a commercial insurance company. Per Act 1076, “the office shall require retailers to post an appropriate bond, as determined by the office.” Effective with the amendment of the OAL’s Retailer Rules (Rules), a “self-bond” or self-insurance program for retailers was established, whereby all retail locations must remit \$50 annually to the OAL to cover any potential losses and fulfill the bonding requirement required by law. Further, the Rules establish that any retailer failure to remit amounts owed to the OAL in the ordinary course of business are considered a default and the amounts owed be deducted from the pool of self-bond fees in order to ensure funds ordinarily available for deposit to the Scholarship trust account are made whole. Finally, the amended Rules establish that, at the discretion of the OAL Director, funds from the pool of self-bond fees, in excess of \$500,000, may be released and considered revenues at the end of each fiscal year. For the fiscal year ended June 30, 2025 the amount released as revenues was \$134,080.

The retailer self-bond fees collected are recorded as a Retailer bond reserve, which is reflected as restricted net position on the statement of net position. At June 30, 2025 the balance of the Retailer bond reserve was \$500,000. The retailer self-bond fees collected are deposited in the OAL operating account. At the end of each month, retailer self-bond fees are transferred to the Bond Account and are classified as non-current restricted cash and cash equivalents. The OAL did not sustain any losses that were charged to the Retailer Bond Reserve during the fiscal year ended June 30, 2025.

9. JOINT VENTURES

GASB Statement No.14, *The Financial Reporting Entity*, as amended, defines a joint venture as a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain 1) an ongoing financial interest or 2) an ongoing financial responsibility. During the fiscal year ended June 30, 2025 the OAL was an active participant in several joint venture arrangements with the Multi-State Lottery Association.

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Multi-State Lottery Association

In July 2009, the OAL joined the Multi-State Lottery Association (MUSL), which is comprised of a group of U.S. lotteries that combine jointly to sell draw Powerball® and Mega Millions® lottery tickets. On January 27, 2015 MUSL added the Lucky for Life® draw game to be available to the member lotteries for the joint sales of that game, in which the OAL elected to participate. The chief executive officer of each member lottery serves on the MUSL board of directors. MUSL is audited annually by a separate independent audit firm.

As a member of MUSL, the OAL is required to contribute to various prize reserve funds for Powerball® and Mega Millions® which are maintained by MUSL. The MUSL prize reserve funds serve as a contingency reserve to protect MUSL, and its member state lotteries, from unforeseen prize payment liabilities. MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball® and Mega Millions® sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, would be returned to the OAL if it were to ever leave MUSL. As of June 30, 2025, the OAL had reserve fund deposits with MUSL of \$1,920,412. MUSL does not maintain prize reserve funds for Lucky for Life®.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, Attn: Bret Toyne, Executive Director or Shannon Underwood, Director of Finance, 8101 Birchwood Court, Suite R, Johnston, Iowa 50131.

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2025 is summarized in the table below:

	<u>Operating Revenues</u>	<u>Prizes</u>
Powerball®	\$22,027,298	\$9,961,806
Mega Millions®	21,649,223	10,376,079
Lucky for Life®	7,598,752	4,407,467

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10. NET CAPITAL ASSETS

The activity for capital assets for the fiscal year ended June 30, 2025, was as follows:

Capital Assets	Balance	Additions	Deletions	Balance
	June 30, 2025			
Equipment	\$ 2,880,128	\$ 51,215	\$ (336,675)	\$ 2,594,668
Leasehold improvements	492,796	-	-	492,796
Right to use assets - Building Leases	1,359,159	-	-	1,359,159
Total capital assets	<u>4,732,083</u>	<u>51,215</u>	<u>(336,675)</u>	<u>4,446,623</u>
Less accumulated deprec. and amort.				
Equipment - depreciation	(2,711,212)	(91,145)	315,753	(2,486,604)
Leasehold improvements-depreciation	(492,796)	-	-	(492,796)
Right to use assets - Building Leases - amort.	(770,191)	(271,831)	-	(1,042,022)
Total accumulated deprec. and amort.	<u>(3,974,199)</u>	<u>(362,976)</u>	<u>315,753</u>	<u>(4,021,422)</u>
Capital assets, net	<u><u>\$ 757,884</u></u>	<u><u>\$ (311,761)</u></u>	<u><u>\$ (20,922)</u></u>	<u><u>\$ 425,201</u></u>

11. LIABILITIES

a. Prizes Payable

Prizes payable at June 30, 2025 consisted of instant and draw game prizes payable and any related state and federal withholdings. Instant ticket prizes payable are estimated based on the production prize structure provided by Scientific Games Inc. Estimated prizes payable by category are listed below:

Instant tickets	\$ 20,725,413
Powerball®	478,105
Mega Millions®	316,052
Natural State Jackpot	163,890
Lucky for Life®	343,139
Fast Play	130,024
Cash 3	66,480
Cash 4	60,200
LOTTO	1,731,907
Income tax and other withholding	71,765
Total	<u><u>\$ 24,086,975</u></u>

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b. Payable to Other Funds of the State

The Act requires that ADHE be reimbursed by the OAL for the costs associated with the administration of scholarships funded with lottery proceeds. Act 218 of 2015 modified the requirement to only allow direct costs incurred by ADHE for the administration of scholarships to be included in the reimbursement request by ADHE. The amount recorded as administrative cost due is listed for ADHE in the table below.

The amounts listed below are for withholdings owed or for services performed for the OAL by these agencies within the normal course of business.

Arkansas Department of Education -		
Division of Higher Education		\$ 730,301
Arkansas Department of Finance and Administration -		
Statewide Services		56,797
Arkansas Department of Transformation and Shared		
Services - Division of Information Systems		10,179
Total		<hr/> \$797,277

c. Accounts Payable and Accrued Liabilities

Accounts payable consists of amounts due to vendors for operating costs of the lottery. Accrued liabilities consist of amounts due to gaming vendors for gaming costs of the lottery, accrued payroll earned and related health insurance withholdings as of June 30, 2025.

d. Compensated Absences

As a proprietary type enterprise fund, for financial reporting purposes, the OAL recognizes and accrues liabilities for compensated absences as services are performed and the benefits accrue to employees. During fiscal year 2025 the OAL implemented GASB 101, Compensated Absences (See Note 1b). Statement 101 is required to be implemented retroactively for the cumulative effects of the implementation. The cumulative effects of implementing Statement 101 resulted in a net increase of \$521,593 to the Compensated Absences Liability previously reported on June 30, 2024, resulting in a restated Compensated Absences Liability of \$959,558. The compensated absences payable to OAL employees for annual, sick, and compensatory leave at June 30, 2025 totaled \$1,039,136. The net increase in the Compensated Absences Liability for the year ended June 30, 2025 was \$79,578.

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e. *Unearned Revenue*

Funds collected from retailers for draw game tickets sold in advance of the game drawings and for game drawings which will occur after the year end are recorded as unearned revenue and subsequently recognized as revenue once the related drawings occur.

Unearned revenue from draw game tickets at June 30, 2025 is summarized as follows:

Powerball®	\$ 47,690
Mega Millions®	102,985
Natural State Jackpot	16,630
Lucky for Life®	11,888
Cash 3	5,169
Cash 4	4,676
LOTTO	<u>29,142</u>
Total	<u><u>\$ 218,180</u></u>

Additionally, retailer licensing renewal fees collected cover a two-year period. The portion of these fees which pertain to periods beyond the current fiscal year end, are also recognized as unearned revenue. At June 30, 2025 the amount of unearned revenue which related to retailer licensing and renewal fees was \$34,722.

12. *UNRESTRICTED NET POSITION (DEFICIT)*

Act 606 of 2009 (Scholarship Lottery Act) section ACA 23-115-801 (a) (3) requires “The percentage of lottery proceeds determined by the OAL to be net proceeds shall equal an amount determined by the OAL to maximize net proceeds for scholarships.” Section ACA 23-115-103 (21) defines net proceeds to be lottery proceeds less operating expenses; the amount of bond fee revenue that exceeds \$500,000; the un-depreciated amount of capital assets; and any accruals that will not result in cash outflow. Per section ACA 23-115-103 (14) “Lottery Proceeds” means all revenue derived from the sale of tickets or shares and all moneys derived from or in connection with the operation of a lottery, including without limitation fees, offsets, reimbursements, insurance proceeds, damages and liquidated damages collected or imposed by the OAL under this chapter.

Also, ACA 23-115-801 Section (b) (1) requires “On or before the fifteenth day of each month, the OAL shall deposit the net proceeds from the lottery into one (1) or more trust accounts at one (1) or more financial institutions.”

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To meet these requirements, in October 2009, the OAL developed an accounting method for calculating net proceeds each month. Such method adjusts certain non-cash transactions for ticket revenues, prizes expense, and other retailer and operating expenses to determine lottery proceeds on a modified cash basis. This method was accepted by the OAL for use in the calculation of net proceeds prescribed by section (a) (3) of the Scholarship Lottery Act and such method has been consistently applied for the calculation of net proceeds and the transfers of net proceeds, since the OAL's inception.

However, the calculation method utilized results in modified cash basis net proceeds each month which vary from GAAP net income before transfers. Since the net proceeds for each month are transferred to a trust account by the 15th day of the next month, such transfer creates a timing difference for the recognition of revenues, prizes expense, and other expenses which results in a debit balance (deficit) in Unrestricted Net Position. At June 30, 2025 the cumulative variance due to the modified cash basis method was a debit balance (deficit) in Unrestricted Net Position of \$(13,826,534).

In addition, the OAL's total OPEB liability at June 30, 2025 (see note 16) of \$2,538,626, which consists of a current liability of \$127,974 and a long-term liability of \$2,410,652, and also including deferred outflows of \$(709,497), and deferred inflows of \$924,504, which have not been funded to date. They will be funded on a pay-as-you-go basis as the benefits related to this liability are due and payable. This creates an additional debit balance (deficit) in Unrestricted Net Position at June 30, 2025 of \$(2,753,670). The total debit balance (deficit) in Unrestricted Net Position at June 30, 2025 was \$(16,580,204).

13. *DRAW GAME REVENUES*

Draw game tickets are produced through terminals at lottery retailer locations based on player instructions for number selection. Drawings are conducted to determine winning number combinations. Draw game sales for the fiscal year ended June 30, 2025 consisted of the following:

Powerball®	\$ 22,027,298
Mega Millions®	21,649,223
Fast Play	16,163,472
Natural State Jackpot	9,727,312
Cash 3	12,852,042
Cash 4	7,127,256
Lucky for Life®	7,598,752
LOTTO	<u>10,921,850</u>
Total	<u>\$ 108,067,205</u>

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14. LEASES

During the fiscal year ended June 30, 2022, OAL renewed its lease of office space and parking spaces for its headquarters. The noncancellable lease was extended for an additional five-year term starting September 1, 2021 continuing through August 31, 2026. With this contract, the OAL recognizes a lease liability and an intangible right-to-use lease asset. The building lease entered into includes both a lease component (such as a right-to-use asset building) and a non-lease component (such as maintenance and utilities). At the commencement of the lease, the OAL used the lease component to measure the lease liability at the present value of payments expected to be made during the lease term using the State incremental borrowing rate of 1.615%. The lease asset was then measured as equal to the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The annual office rental expense for the fiscal year ended June 30, 2025 was \$456,398. The lease payments remaining in the contract are as follows:

7/1/25 to 8/31/25	\$ 76,066
9/1/25 to 8/31/26	\$469,859

The building lease component that was capitalized is listed below.

Lease Description	Role	Gross Asset Balance	Accumulated Amortization	Net Asset Balance
Union Plaza Building- 25,773 square feet				
124 West Capitol Ave				
Little Rock, AR 72201	Lessee	\$ 1,224,847	\$ 939,049	\$ 285,798
Union Plaza Building- Parking Deck Spaces				
124 West Capitol Ave				
Little Rock, AR 72201	Lessee	134,312	102,973	31,339
Total		\$ 1,359,159	\$ 1,042,022	\$ 317,137

At year end June 30, 2025, the balance of the liability was split between short-term liability of \$288,098 and long-term liability of \$48,707. Below is the maturity analysis of the lease liability.

Fiscal Year	Principal	Interest	Total
Ending June 30, 2026	288,098	2,935	291,033
2027 (2 months)	48,707	33	48,740
	\$ 336,805	\$ 2,968	\$ 339,773

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15. RETIREMENT PLAN

a. Plan Description

The OAL provides pension benefits for its employees through the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan.

The APERS provides pension benefits to all state employees not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this system, college and university employees, and certain non-teaching school employees.

Benefits are also provided for governors, General Assembly members, state and county constitutional officers and quasi-judicial members. The APERS is administered by the Arkansas Public Employees Retirement System board of trustees.

Benefit provisions are established and amended by Arkansas Code Title 24.

The APERS issues an annual financial report, which may be obtained as follows:

Arkansas Public Employees Retirement System
124 W. Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800
<http://www.apers.org/publications>

b. Benefits Provided

Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service.

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c. Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2025, the employer contribution rates as a percentage of active member payroll ranged from 4.00% to 86.42%. Contributory plan members are required to contribute 5.75% of their annual covered salary. The OAL is required to contribute for all covered state employees at a rate of 15.32% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the OAL are established and may be amended by the APERS Board of Trustees. The OAL's contributions to APERS for the years ended June 30, 2025, 2024, and 2023 were \$615,005, \$623,766, and \$620,360, respectively, which were equal to the required contributions for each year. During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

d. Total Pension Liability

At June 30, 2025, the OAL reported a net pension liability of \$4,459,474. The net pension liability was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date.

The OAL's proportion of the total pension liability was based on actual contributions in the 2024 fiscal year of all participating employers. At June 30, 2025, the OAL's proportion was 0.1792%.

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Actuarial assumptions

The total pension liability in the actuarial valuation (as of the date noted above) was determined using the actuarial assumptions below, applied to all periods included in the measurement.

Actuarial valuation date:	June 30, 2024
Inflation rate:	3.25% wages, 2.50% prices
Salary increases (Includes assumed inflation):	3.25% to 9.85%
Investment rate of return (Includes assumed inflation)	7.00%
Mortality rates:	Based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Actuarial experience study dates:	July 1, 2017 through June 30, 2022

Long-Term Expected Return on Plan Assets

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 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 the 10-year period from 2024 to 2033 were based upon GRS 2024 Capital Market Assumptions Modeler. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, these best estimates are summarized in the table on the following page.

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.03%
International Equity	17%	6.34%
Real Estate	16%	4.51%
Private Equity	5%	9.00%
Hedge Funds	2%	3.63%
Domestic Fixed	<u>21%</u>	3.38%
Total	100%	

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Total Real Rate of Return	5.00%
Plus: Price Inflation-Actuary's Assumption	2.50%
Less: Investment Expenses (Passive)	<u>0.00%</u>
Net Expected Return	7.50%

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that 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.

Sensitivity of the total pension liability to changes in the discount rate

The following presents the OAL's proportionate share of the total pension liability for the pension plan calculated using the discount rate stated, as well as what the OAL's total 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 rate:

	1% lower than current discount rate	Current discount rate	1% higher than current discount rate
Rate	6.00%	7.00%	8.00%
Net pension liability	\$7,609,490	\$4,459,486	\$1,862,539

e. Pension Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the pension plan (APERS) is available in its separately issued annual financial report.

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

For the year ended June 30, 2025, the OAL recognized pension expense of \$709,241. For the year ended June 30, 2025, the OAL reported deferred outflows of resources and deferred inflows of resources related to pensions as shown below.

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 155,411	\$ 0
Differences between expected and actual experience	173,063	(182,327)
Net difference between projected and actual investment earnings on pension plan investments	129,368	0
Changes in proportion and differences between employer contributions and share of contributions	0	(111,651)
Contributions subsequent to the measurement date	615,005	0
Total	\$ 1,072,847	\$ (293,978)

The deferred outflows of resources related to pensions resulting from OAL contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Total</u>
2025	\$ (105,935)
2026	584,304
2027	(207,781)
2028	(106,724)
2029	-
Thereafter	-
Total	\$ 163,864

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for fiscal years beginning after June 15, 2017. The Statement establishes standards for the measurement, recognition, and display of other Postemployment Benefits (OPEB) under government accounting standards.

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a. Plan Description

The OAL is an agency of the State. Post-retirement medical and prescription drugs benefits are provided to OAL employees through the Arkansas State Employee Health Insurance Plan (ASE), a single-employer defined benefit healthcare plan, sponsored by the State and administered by Arkansas Shared Administrative Services - Employee Benefits Division. A copy of the plan and most recent report can be obtained by writing to Arkansas Shared Administrative Services - Employee Benefits Division, 501 Woodlane, Suite 201, Little Rock, AR 72201. For purposes of the plan the State is considered the employer and the OAL is an agency of the State. The plan provides medical and prescription drugs benefits to eligible State employees as established by State law. The contribution requirements of plan members and the State are established and may be amended by the Legislature. The required contribution is based on projected pay-as-you-go financing requirements.

b. General Information

The State contributes to the following single employer defined benefit healthcare plan for eligible state employees:

- Arkansas State Employee Health Plan (ASE) (administered by Arkansas Shared Administrative Services- Employee Benefits Division)

State law grants the authority to establish and amend benefit terms and financing requirements for the plan as listed below.

- Arkansas State Employee Health Plan (ASE)
 - State and Public School Life and Health Insurance Board
 - Arkansas Code § 21-5-401 to § 21-5-414

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The plan provides medical and prescription drug benefits to plan members and beneficiaries.

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ASE

ASE covers state employees that are members of the Arkansas Public Employees Retirement System, Arkansas Teachers Retirement System, Arkansas State Highway Employees Retirement System, Arkansas Judicial Retirement System, or alternate retirement plan of a qualifying institution and are eligible to be in ASE on their last day of employment, and their dependents. Retirees and their spouse are eligible to continue participation in ASE until the death of each covered individual. Retirees must contribute the required annual premium as determined by pay-as-you-go financing requirements. Retirees that are Medicare eligible will have their benefits coordinated with Medicare Part A and B with ASE being the secondary payer.

Employees Covered by Benefit Terms

At June 30, 2025, the following state employees were covered by the plan:

Inactive employees or beneficiaries currently receiving benefits	16,435
Inactive employees entitled to but not yet receiving benefits	8,651
Active employees	<u>29,876</u>
Total	<u>54,962</u>

Specific information for OAL employees was not utilized in the actuarial study.

c. Total OPEB Liability

At June 30, 2025, the state reported the following liabilities for ASE as determined as of the date listed.

	<u>Measurement Date</u>	<u>Total OPEB Liability</u>
ASE	June 30, 2025	\$ 1,221,226,203
OAL	June 30, 2025	\$ 2,538,626

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Actuarial Assumptions and Other Inputs

The total OPEB liabilities listed were determined based on an actuarial valuation dated on or before the measurement date. If the actuarial valuation is dated before the measurement date, update procedures were used to roll forward the actuarial valuation to the measurement date. The actuarial valuations used the assumptions below, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2025
Inflation rate	2.30%
Discount rate (1)	5.20%
Salary increases	Based on age, in 5 year groupings, starting at 11.00% at age 20 and decreasing to 3.45% at age 65+.
Healthcare cost trend rates	Pre-Medicare: 6.6% initial, 3.70% ultimate; Post-Medicare: 6.6% initial, 3.70% ultimate
Mortality rate	For Healthy Pre-Retirement: PubG-2010 Amount-Weighted Below-Median Income General Employee Mortality Tables for males and females. Mortality rates are multiplied by 75% for males and 75% for females and are adjusted for fully generational mortality improvements using Scale MP-2021. For Healthy Post-Retirement: PubG-2010 Amount-Weighted Below-Median Income General Retiree Mortality Tables for males and females. Mortality rates are multiplied by 114% for males and 132% for females and are adjusted for fully generational mortality improvements using Scale MP-2021.
Retirees' share of benefit-related costs	19% to 46%
Actuarial experience study dates (2)	July 1, 2017 through June 30, 2022

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- (1) The discount rate is based on the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. GASB 75 requires the discount rate used to measure the total OPEB liability to be a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The actuaries based the rate on the Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years.
- (2) The actuarial experience study used was the study performed for the APERS plan.

d. Changes in the Total OPEB Liability

The following table provides the changes in the total OPEB liability for each plan:

	ASE	OAL
Balance as of June 30, 2024	<u>\$1,163,135,892</u>	<u>\$2,332,469</u>
Changes for the year:		
Service cost	41,599,097	86,474
Interest on OPEB liability	46,362,559	96,376
Effect of plan changes	0	0
Effect of economic/demographic(gains) or losses	175,394,624	364,602
Changes in assumptions or inputs	(154,726,681)	(321,638)
Change in proportion	N/A	85,402
Benefit payments	(50,539,288)	(105,059)
Net changes	(58,090,311)	(206,157)
Balance as of June 30, 2025	<u>\$1,221,226,203</u>	<u>\$2,538,626</u>

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

The following table presents the total OPEB liability of the State, as well as what the State's 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 rate for each plan:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	4.20%	\$1,375,293,408	5.20%	\$1,221,226,203	6.20%	\$1,092,625,784
OAL	4.20%	\$ 2,858,894	5.20%	\$ 2,538,626	6.20%	\$ 2,271,298

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

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

The following table presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare costs trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates for each plan:

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	N/A	\$1,072,245,470	N/A	\$1,221,226,203	N/A	\$1,404,128,652
OAL	N/A	\$ 2,228,932	N/A	\$ 2,538,626	N/A	\$ 2,918,835

e. *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2025, the State recognized total OPEB expense as follows:

	<u>Total OPEB</u>
	<u>Expense</u>
ASE	\$ (172,195,695)
OAL	\$ (263,732)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB are recognized in OPEB expense as follows:

	<u>ASE</u>		<u>OAL</u>
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of Liability gains or losses	\$ (42,921,927)	\$ 191,830,925	\$ (89,224)
Effect of assumption changes or inputs	(398,615,633)	0	(828,623)
Changes in proportion	N/A	N/A	(6,693)
Total	<u><u>\$ (441,537,560)</u></u>	<u><u>\$ 191,830,925</u></u>	<u><u>\$ (924,540)</u></u>
			<u><u>\$ 709,497</u></u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	<u>ASE</u>	<u>OAL</u>
2026	\$(189,798,314)	\$(394,544)
2027	(32,020,954)	(66,564)
2028	(32,020,654)	(66,564)
2029	4,133,587	8,593
2030	0	0
Thereafter	0	0

Total OPEB Expense

	<u>ASE</u>	<u>OAL</u>
Service cost	\$ 41,599,097	\$ 86,474
Interest	46,362,559	96,376
Effect of plan changes	0	0
Recognition of deferred inflows/outflows of resources:		
Recognition of economic/demographic gains or (losses)	10,804,111	22,459
Recognition of assumption changes or inputs	(220,422,174)	(458,203)
OPEB expense	(121,656,407)	(252,893)
Benefit payments	(50,539,288)	(105,059)
Due to change in proportion	(172,195,695)	(357,952)
Total OPEB expense	0	94,220
	<u>\$ (172,195,695)</u>	<u>\$ (263,732)</u>

17. CONTRACTUAL ARRANGEMENTS AND OTHER COMMITMENTS

The OAL has contracted with two vendors, INTRALOT Corporation (INTRALOT) for its draw game lottery game services and gaming system and Scientific Games, Inc. (SGI) for its instant ticket lottery games services.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

INTRALOT operates the gaming network that consists of approximately 2,323 instant and draw game retailer ticket terminals and associated software. In accordance with its contract, INTRALOT receives the negotiated fee on the selling price of draw game tickets sold and on instant ticket settlements. The OAL had an initial seven-year contract with INTRALOT ending in 2016, which included an option for up to three additional renewals in one-year increments, or a portion thereof. During the fiscal year ended June 30, 2015 the OAL exercised the option to extend the INTRALOT contract for a period of three years. During the fiscal year ended June 30, 2017 the OAL amended its contract with INTRALOT. The amendment had an effective date of August 23, 2017 and granted a seven (7) year extension to the contract commencing on the expiration of the then current contract date of August 14, 2019. The current contract extension will expire on August 14, 2026. During the fiscal year ended June 30, 2025, INTRALOT was compensated at the rate of 2.11% on all instant and draw game sales. Total fees paid to INTRALOT and others for all gaming network and related services for the fiscal year ended June 30, 2025 were \$12,187,090.

SGI prints, warehouses, and distributes the instant game tickets to retailers. In accordance with its contract with the OAL, SGI receives the fee, set per the contract, on the selling price of all instant ticket settlements. During the fiscal year ended June 30, 2016 the OAL and SGI executed a third amendment to the contract for an additional seven-year period ending with an expiration date of August 18, 2026. The amended contract sets the SGI fees at 1.30% of instant ticket net sales up to \$360 million during a contract year. The contract year is from August 18, 2024 through August 17, 2025. Should the total net sales of instant tickets exceed \$360 million in a contract year, SGI will receive a bonus payment in an amount equivalent to 4.5% of all incremental sales exceeding \$360 million. Instant ticket sales during the fiscal year ended June 30, 2025 did exceed \$360 million during the contract year. During the fiscal year ended June 30, 2025, SGI was compensated \$11,077,074, which represents a rate of 2.36% of instant ticket sales for these services. SGI also maintains the OAL's Points for Prizes program. This program provides merchandise prizes and other awards to participating players based upon tickets registered by the players. In addition, SGI provides other products and services for which the OAL pays various contracted fees. During the fiscal year ended June 30, 2025 these other SGI fees totaled \$5,317,987, or 1.13% of instant ticket sales. Total fees paid to SGI for all services for the fiscal year ended June 30, 2025 were \$16,395,061.

Cranford Johnson Robinson Woods (CJRW) provides the OAL with services for advertising, marketing, and public relations. The initial term of the agreement between the OAL and CJRW is for a period of three (3) years, from July 1, 2023 through June 30, 2026, with the option of renewal up to two (2) additional one (1) year increments or a portion thereof. Total fees paid to CJRW for all services for the fiscal year ended June 30, 2025 were \$5,885,137.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025

18. CONTINGENCIES

At June 30, 2025 there were no pending lawsuits or claims to which the OAL is a party.

19. RISK MANAGEMENT

The OAL is exposed to various types of risk related to its operations. These risks can result in losses incurred from property damage or destruction, business interruption such as inability to operate gaming activities and worker compensation claims. The OAL manages these risks by participating in the various self-insurance programs established by the State for property and casualty losses and employee health insurance. Coverages include property, general liability, automobile liability, workers' compensation, state unemployment, court-awarded attorney fees, and Federal civil rights actions. Property is self-insured for actual cash value to an aggregate of \$2.1 million per loss event for all perils. Losses from earthquakes and flood are also subject to an annual aggregate loss for the State of up to \$200 million. Workers' compensation is provided in compliance with the applicable law. The employee health and dental insurance program provides for payment of medical claims of employees and covered dependents.

The OAL also has an annual crime policy. The effective date of coverage for the 2024-2025 plan year is September 18, 2024 through September 18, 2025. Coverages include employee theft, forgery or alteration, computer fraud, and funds transfer fraud and has a limit of liability of \$2,000,000.

Claims and settlements incurred for fiscal years ended June 30, 2025, 2024, and 2023 did not exceed the OAL's insurance coverage.

20. SUBSEQUENT EVENTS

In accordance with GASB 56, the OAL's Management has evaluated subsequent events that occurred after June 30, 2025, but prior to December 11, 2025, the date the financial statements were available to be issued. Such evaluation subsequently identified the following transactions:

On July 18, 2025, a payment of \$40,000,000 was made from the Lottery Scholarship Trust Account to ADHE for Academic Challenge Scholarship funding for the 2025-2026 academic year.

On July 18, 2025, a payment of \$5,000,000 was made from the Lottery Scholarship Trust Account to ADHE for Access to Acceleration Scholarship funding for the 2025-2026 academic year.

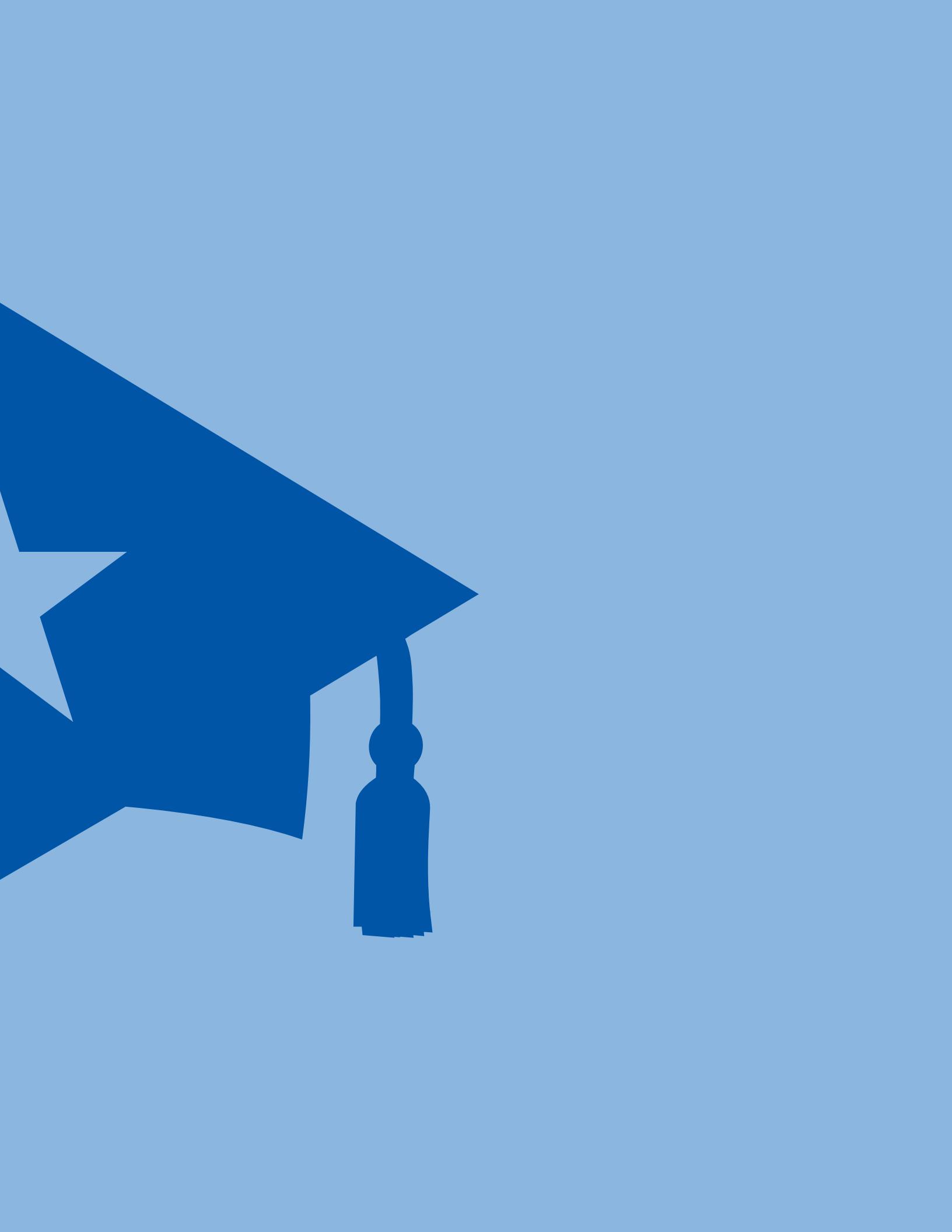
**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Notes to Financial Statements
June 30, 2025**

Also on July 18, 2025, a payment of \$3,000,000 was made from the Lottery Scholarship Trust Account to ADHE for Workforce Challenge Scholarship funding for the 2025-2026 academic year.

On August 8, 2025, ADHE refunded \$2,031,904 to the OAL for the fiscal year ended June 30, 2025. This refund amount was due to an excess of requested Lottery scholarship trust funds over scholarships issued.

On August 29, 2025, the OAL made a payment of \$4,908,438 to Scientific Games Inc. (SGI), its exclusive ticket vendor, for the annual bonus payment for sales exceeding \$360,000,000 during the contract year period from August 18, 2024 through August 17, 2025. Per the amended contract with SGI, for the period from August 18, 2024 through the end of the contract year on August 17, 2025, instant game sales totaled \$469,076,392. Accordingly, the sales exceeded the bonus calculation base by \$109,076,392, resulting in the bonus amount of \$4,908,438.

On November 13, 2025, a payment of \$10,000,000 was made from the Lottery Scholarship Trust Account to ADHE for additional Academic Challenge Scholarship funding for the fall 2025 semester.



05



PEYTON CLARK
Scholarship to Arkansas State

REQUIRED SUPPLEMENTARY INFORMATION



Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Arkansas Public Employees Retirement System
Schedule of Employer's Proportionate Share of the Total Pension Liability
Last Ten Fiscal Years (1)

	2025	2024	2023
OAL proportion of the total pension liability (asset)	0.18%	0.18%	0.19%
OAL proportionate share of the total pension liability (asset)	\$ 4,459,474	\$ 5,324,162	\$ 4,990,011
OAL covered payroll (2)	\$ 4,071,580	\$ 4,049,347	\$ 3,888,718
OAL proportionate share of the total pension liability (asset) as a percentage of its covered payroll	110.26%	131.03%	131.26%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	77.94%	78.31%

Note 1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

Note 2) Since the pension asset and liability are based on last year's actuarial study, the OAL covered payroll is using last year's amount.

Source: Report to Arkansas Public Employees Retirement System (APERS) GASB Statement Nos. Accounting and Financial Reporting for Pensions as of June 30, 2024; Arkansas Department of Finance and Administration (DFA) ACFR section; and OAL Finance Division.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Arkansas Public Employees Retirement System
Schedule of Employer's Proportionate Share of the Total Pension Liability
Last Ten Fiscal Years (1)

	2022 0.19%	2021 0.19%	2020 0.19%	2019 0.19%	2018 0.20%	2017 0.20%	2016 0.23%
\$	1,476,746	\$ 5,317,319	\$ 4,646,795	\$ 4,301,376	\$ 5,110,275	\$ 4,732,352	\$ 4,415,000
\$	3,708,982	\$ 3,660,163	\$ 3,678,231	\$ 3,651,448	\$ 3,564,158	\$ 3,649,566	\$ 3,992,710
	40.30%	148.42%	124.61%	119.29%	144.52%	133.21%	104.82%
	93.57%	75.38%	78.55%	79.59%	76.65%	75.50%	80.39%

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Arkansas Public Employees Retirement System
Schedule of Employer Contributions
Last Ten Fiscal Years

	2025	2024	2023
Statutorily determined contribution	\$ 615,005	\$ 623,766	\$ 620,360
Contributions in relation to the statutorily determined contribution	615,005	623,766	620,360
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Covered payroll	 \$ 4,014,393	 \$ 4,071,580	 \$ 4,049,347
Contributions as a percentage of covered payroll	15.32%	15.32%	15.32%

Source: Arkansas Department of Finance and Administration (DFA) ACFR section and OAL Finance Division

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Arkansas Public Employees Retirement System
Schedule of Employer Contributions
Last Ten Fiscal Years

2022	2021	2020	2019	2018	2017	2016
\$ 595,752	\$ 568,216	\$ 560,737	\$ 563,505	\$ 538,589	\$ 516,803	\$ 529,187
<u>595,752</u>	<u>568,216</u>	<u>560,737</u>	<u>563,505</u>	<u>538,589</u>	<u>516,803</u>	<u>529,187</u>
<u>\$ -</u>						
\$ 3,888,718	\$ 3,708,982	\$ 3,660,163	\$ 3,678,231	\$ 3,651,448	\$ 3,564,158	\$ 3,649,566
15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability
Last Ten Fiscal Years (1)

	2025	2024	2023	2022
Service cost	\$ 86,474	\$ 99,487	\$ 106,141	\$ 229,449
Interest	96,376	92,528	90,959	101,704
Changes of benefit terms	-	-	-	(1,167,287)
Difference between expected and actual experience	364,602	133,607	45,894	(378,912)
Changes in assumptions or other inputs	(321,638)	(378,046)	(186,393)	(1,013,937)
Changes in proportion	85,402	20,792	282,311	(35,728)
Benefit payments	(105,059)	(100,349)	(110,018)	(116,482)
Net Change in Total OPEB Liability	<u>\$ 206,157</u>	<u>\$ (131,981)</u>	<u>\$ 228,894</u>	<u><u><u>\$ (2,381,193)</u></u></u>
 Total OPEB liability beginning	 \$2,332,469	 \$2,464,450	 \$2,235,556	 \$ 4,616,749
Total OPEB liability ending	\$2,538,626	\$2,332,469	\$2,464,450	\$ 2,235,556
Covered-employee payroll	\$3,663,257	\$3,193,450	\$3,328,765	\$ 2,717,703
Total as a percentage of covered payroll	69.30%	73.04%	74.03%	82.26%

Notes 1) There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

2) The State implemented GASB Statement 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year.
Source: State of Arkansas ACFR and FY2025 Actuarial Valuation Report

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability
Last Ten Fiscal Years (1)

2021	2020	2019	2018 (2)	2017-2016
\$ 220,097	\$ 124,540	\$ 115,489	\$ 122,032	N/A
99,690	121,545	135,469	127,429	
-	-	-	-	
13,126	(117,328)	22,506	(23,182)	
(189,458)	1,182,650	(357,709)	(160,833)	
30,438	-	-	-	
(98,807)	(94,599)	(104,567)	(100,606)	
\$ 75,086	\$1,216,808	\$ (188,812)	\$ (35,160)	
\$4,541,662	\$3,324,854	\$3,513,666	\$3,548,826	
\$4,616,749	\$4,541,662	\$3,324,854	\$3,513,666	
\$2,410,720	\$2,155,335	\$1,906,339	\$1,741,853	
191.51%	210.72%	174.41%	201.72%	



06



LETHA LITTLETON
10K Instant Winner

STATISTICAL SECTION



This is
WINNING!

(Unaudited)

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Lottery's overall financial health.

Contents Page

Financial Trends 57

These schedules contain trend information to help the reader understand how the OAL's financial performance and well-being have changed over time.

Demographics and Operation Information 67

These schedules offer demographic and operation indicators to help the reader understand the environment within which the OAL's financial activities take place.

Other Information 71

These schedules provide the reader with an understanding of lottery sales across the United States by state and other player demographics.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Principal Revenue Sources (Unaudited)
Last Ten Fiscal Years

	2025	2024	2023	2022
Operating revenues:				
Instant ticket sales:				
Instant games sales	\$ 469,532,982	\$ 478,447,451	\$ 476,578,850	\$ 480,101,229
Draw ticket sales:				
Powerball®	22,027,298	44,797,764	39,097,190	31,021,045
Mega Millions®	21,649,223	28,448,304	32,331,680	15,488,984
Fast Play	16,163,472	15,568,203	17,874,449	18,681,356
Natural State Jackpot	9,727,312	8,853,010	7,478,765	9,262,233
Cash 3	12,852,043	12,344,764	12,330,957	12,294,808
Cash 4	7,127,255	7,086,512	6,655,536	6,474,253
Decades of Dollars	-	-	-	-
Arkansas 50/50 Raffle	-	-	-	-
Lucky for Life®	7,598,752	8,118,978	7,052,780	6,240,794
LOTTO	10,921,850	9,294,734	8,160,918	-
Monopoly™ Millionaires' Club	-	-	-	-
Total online ticket sales	<u>108,067,205</u>	<u>134,512,269</u>	<u>130,982,275</u>	<u>99,463,473</u>
Retailer application, fidelity, bond & service fees	678,000	676,745	661,871	669,288
Other revenue	8,660	(1,061)	6,195	1,788
Total operating revenues	<u>578,286,847</u>	<u>613,635,404</u>	<u>608,229,191</u>	<u>580,235,778</u>
Non-operating revenue:				
Interest income	12,753,397	11,425,790	2,482,459	726,328
Other non-operating income	(14,137)	(11,924)	(16,207)	(16,691)
Total non-operating revenue	<u>12,739,260</u>	<u>11,413,866</u>	<u>2,466,252</u>	<u>709,637</u>
Total revenues	<u><u>\$ 591,026,107</u></u>	<u><u>\$ 625,049,270</u></u>	<u><u>\$ 610,695,443</u></u>	<u><u>\$ 580,945,415</u></u>

Source: OAL Annual Comprehensive Financial Report for fiscal years 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Principal Revenue Sources (Unaudited)
Last Ten Fiscal Years

2021	2020	2019	2018	2017	2016
\$ 529,369,617	\$ 452,281,204	\$ 407,825,514	\$ 407,604,791	\$ 368,454,561	\$ 360,007,743
26,748,835	20,530,932	34,162,016	36,745,344	32,755,119	48,073,339
23,809,304	16,863,474	33,552,661	19,598,073	14,313,090	14,632,244
19,717,873	16,662,501	15,329,643	12,731,621	12,313,567	10,993,360
10,332,159	8,027,906	9,303,843	7,918,644	7,047,543	7,567,005
12,016,776	9,060,396	7,677,432	7,736,793	7,128,685	7,184,616
6,548,725	5,045,304	4,430,762	4,516,508	4,238,553	3,823,987
-	-	-	-	-	-
-	-	-	-	-	-
3,391,638	2,971,144	3,211,636	2,856,202	2,889,910	3,317,108
-	-	-	-	-	-
-	-	-	-	-	-
102,565,310	79,161,657	107,667,993	92,103,185	80,686,467	95,591,659
643,517	489,153	728,897	776,503	769,959	717,150
1,450	69,221	14,439	5,849	5,749	9,259
632,579,894	532,001,235	516,236,843	500,490,328	449,916,736	456,325,811
835,596	2,123,634	2,569,816	1,269,083	489,046	232,275
-	-	-	-	-	1,875
835,596	2,123,634	2,569,816	1,269,083	489,046	234,150
\$ 633,415,490	\$ 534,124,869	\$ 518,806,659	\$ 501,759,411	\$ 450,405,782	\$ 456,559,961

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Revenues, Expenses and Change in Net Position (Unaudited)

	2025 (5)	2024	2023	2022
Operating revenues:				
Instant ticket sales	\$ 469,532,982	\$ 478,447,451	\$ 476,578,850	\$ 480,101,229
Draw ticket sales	108,067,205	134,512,269	130,982,275	99,463,473
Retailer application, fidelity, bond & service fees	678,000	676,745	661,871	669,288
Other revenue	8,660	(1,061)	6,195	1,788
Total operating revenues	<u>578,286,847</u>	<u>613,635,404</u>	-	<u>608,229,191</u>
Operating expenses:				
Instant game prizes	341,768,747	348,571,503	346,188,839	347,682,702
Draw game prizes	58,503,827	71,415,879	70,731,337	54,723,364
Retailer commissions	32,730,529	34,544,207	34,300,134	32,801,115
Gaming contract costs	28,630,051	30,029,101	31,867,750	29,745,565
Compensation and benefits	5,456,569	5,770,242	5,150,818	3,276,934
Marketing, advertising and promotions	6,195,252	6,154,520	7,146,036	6,542,802
General and administrative expenses	1,020,373	1,101,232	2,762,721	2,612,894
Services provided by other agencies:				
Arkansas Department of Education -				
Division of Higher Education	730,301	693,048	1,143,690	1,723,995
Arkansas Legislative Audit	152,450	165,550	158,550	163,850
Amortization	271,832	271,832	271,832	226,527
Depreciation	91,145	403,749	427,831	430,784
Total operating expenses	<u>475,551,076</u>	<u>499,120,863</u>	<u>500,149,538</u>	<u>479,930,532</u>
Operating income	102,735,771	114,514,541	108,079,653	100,305,246
Non-operating revenue:				
Interest income	12,753,397	11,425,790	2,482,459	726,328
Interest expense	(14,137)	(11,924)	(16,207)	(16,691)
Other non-operating income		-	-	-
Total non-operating revenue	<u>12,739,260</u>	<u>11,413,866</u>	<u>2,466,252</u>	<u>709,637</u>
Income before transfers	115,475,031	125,928,407	110,545,905	101,014,883
Transfers to:				
Education Trust Account		-	-	-
Workforce Challenge Trust Account		-	-	-
Lottery Scholarship Trust Account	(111,817,897)	(129,404,053)	(113,091,392)	(99,386,657)
Arkansas Department of Human Services		-	-	-
Total transfers	<u>(111,817,897)</u>	<u>(129,404,053)</u>	<u>(113,091,392)</u>	<u>(99,386,657)</u>
Change in net position	<u>\$ 3,657,134</u>	<u>\$ (3,475,646) (5)</u>	<u>\$ (2,545,487)</u>	<u>\$ 1,628,226</u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

2) During the 91st General Assembly, Act 613 of 2017 was enacted which created the Arkansas Workforce Challenge Scholarship which provides for the use of excess Lottery Proceeds to fund students enrolled in Higher Education Programs that will lead to the Students being qualified to work in High-Needs Occupations.

3) During the 93rd General Assembly, Act 636 of 2021 established the Lottery Scholarship Trust Account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program and any other scholarship funded with net proceeds from the state lottery.

4) Per Arkansas Code Annotated A.C.A §23-115-206(8)(D)(v) a statement of revenues, expenses, and changes in net position for each fiscal year since inception of the Arkansas Scholarship Lottery is required.

5) Due to implementation of GASB 101 in FY2025 beginning Net Position was reduced by \$521,593.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015
 ALC Annual Comprehensive Financial Report for fiscal years 2014, 2013, 2012, 2011
 ALC Annual Financial Report for fiscal 2010

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Revenues, Expenses and Change in Net Position (Unaudited)

	2021	2020	2019	2018	2017	2016
\$	529,369,617	\$ 452,281,204	\$ 407,825,514	\$ 407,604,791	\$ 368,454,561	\$ 360,007,743
	102,565,310	79,161,657	107,667,993	92,103,185	80,686,467	95,591,659
	643,517	489,153	728,897	776,503	769,959	717,150
	1,450	69,221	14,439	5,849	5,749	9,259
	632,579,894	532,001,235	516,236,843	500,490,328	449,916,736	456,325,811
	383,337,055	325,816,713	293,635,992	292,489,286	263,190,873	258,461,952
	56,809,420	43,791,459	56,240,230	49,406,134	43,238,515	50,485,363
	35,732,276	30,108,024	29,062,835	28,196,969	25,315,020	25,704,177
	34,080,392	26,360,780	23,691,567	21,967,841	19,090,227	19,384,187
	5,525,220	5,400,746	4,829,725	5,092,375	5,024,854	5,232,605
	7,229,142	7,801,436	7,251,773	6,477,277	5,861,130	4,798,502
	5,874,746	3,847,612	5,622,715	4,949,440	3,801,799	3,383,068
	530,853	500,335	427,384	454,932	441,317	396,995
	155,070	128,160	131,880	144,000	139,760	143,360
	448,620	409,285	123,426	104,011	96,917	95,063
	529,722,794	444,164,550	421,017,527	409,282,265	366,200,412	368,085,272
	102,857,100	87,836,685	95,219,316	91,208,063	83,716,324	88,240,539
	835,596	2,123,634	2,569,816	1,269,083	489,046	232,275
	-	-	-	-	-	-
	835,596	2,123,634	2,569,816	1,269,083	489,046	234,1875
	103,692,696	89,960,319	97,789,132	92,477,146	84,205,370	88,474,689
	(68,000,000)	(73,000,000)	(75,000,000)	(83,500,000)	(71,000,000)	(85,274,927)
	(38,417,224)	(16,265,394)	(23,639,040)	(8,344,929)	(14,157,060)	-
	-	-	-	-	-	-
	(106,417,224)	(89,265,394)	(98,639,040)	(91,844,929)	(85,157,060)	(85,274,927)
\$	(2,724,528)	\$ 694,925	\$ (849,908)	\$ 632,217	\$ (951,690)	\$ 3,199,762

Continued on the next page

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Revenues, Expenses and Change in Net Position (Unaudited)

Continued from the previous page

	2015	2014	2013	2012	2011	2010
Operating revenues:						
Instant ticket sales	\$ 335,000,613	\$ 322,415,276	\$ 355,061,785	\$ 391,290,225	\$ 387,478,608	\$ 335,487,156
Draw ticket sales	73,662,767	87,657,850	84,486,209	81,795,382	76,540,743	48,211,299
Retailer application, fidelity, bond & service fees	550,952	554,292	556,792	538,584	1,055,538	867,023
Other revenue	20,346	10,550	4,490	15,038	5,450	5,650
Total operating revenues	<u>409,234,678</u>	<u>410,637,968</u>	<u>440,109,276</u>	<u>473,639,229</u>	<u>465,080,339</u>	<u>384,571,128</u>
Operating expenses:						
Instant game prizes	241,758,220	229,462,196	250,246,337	274,203,122	269,898,596	224,341,940
Draw game prizes	38,708,574	45,487,903	41,877,845	41,115,706	37,556,109	23,381,100
Retailer commissions	23,253,196	23,046,410	24,986,551	26,526,329	26,217,851	21,578,603
Gaming contract costs	20,622,707	20,511,439	22,116,163	24,308,153	24,111,720	20,448,694
Compensation and benefits	5,382,544	5,990,541	6,049,048	5,954,138	6,226,266	6,118,300
Marketing, advertising and promotions	5,032,317	4,472,456	4,414,655	4,466,054	4,631,388	4,352,303
General and administrative expenses	1,286,531	1,421,328	1,253,719	1,377,698	1,442,713	1,865,522
Services provided by other agencies:						
Arkansas Department of Education -						
Division of Higher Education	538,487	751,556	794,016	846,109	1,170,710	216,849
Arkansas Legislative Audit	129,960	139,080	142,720	159,440	280,728	153,180
Amortization	-	-	-	-	-	-
Depreciation	158,363	188,270	182,158	182,159	179,750	122,643
Total operating expenses	<u>336,870,899</u>	<u>331,471,179</u>	<u>352,063,212</u>	<u>379,138,908</u>	<u>371,715,831</u>	<u>302,579,134</u>
Operating income (loss)	72,363,779	79,166,789	88,046,064	94,500,321	93,364,508	81,991,994
Non-operating revenue:						
Interest income	224,546	252,614	322,722	352,431	464,252	181,807
Interest expense	-	-	-	-	-	-
Other non-operating income	-	461,047	-	2,000,000	-	-
Total non-operating revenue	<u>224,546</u>	<u>713,661</u>	<u>322,722</u>	<u>2,352,431</u>	<u>464,252</u>	<u>181,807</u>
Income (loss) before transfers	72,588,325	79,880,450	88,368,786	96,852,752	93,828,760	82,173,801
Transfers to:						
Education Trust Account	(72,619,369)	(81,488,844)	(90,257,161)	(97,510,280)	(74,229,349)	(82,799,809)
Workforce Challenge Trust Account	-	-	-	-	-	-
Lottery Scholarship Trust Account	-	-	-	-	-	-
Arkansas Department of Human Services	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
Total transfers	<u>(72,819,369)</u>	<u>(81,688,844)</u>	<u>(90,457,161)</u>	<u>(97,710,280)</u>	<u>(74,429,349)</u>	<u>(82,999,809)</u>
Change in net position	<u><u>\$ (231,044)</u></u>	<u><u>\$ (1,808,394)</u></u>	<u><u>\$ (2,088,375)</u></u>	<u><u>\$ (857,528)</u></u>	<u><u>\$ 19,399,411</u></u>	<u><u>\$ (826,008)</u></u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

2) During the 91st General Assembly, Act 613 of 2017 was enacted which created the Arkansas Workforce Challenge Scholarship which provides for the use of excess Lottery Proceeds to fund students enrolled in Higher Education Programs that will lead to the Students being qualified to work in High-Needs Occupations.

3) During the 93rd General Assembly, Act 636 of 2021 established the Lottery Scholarship Trust Account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program and any other scholarship funded with net proceeds from the state lottery.

4) Per Arkansas Code Annotated A.C.A §23-115-206(8)(D)(v) a statement of revenues, expenses, and changes in net position for each fiscal year since inception of the Arkansas Scholarship Lottery is required.

5) Due to implementation of GASB 101 in FY2025 beginning Net Position was reduced by \$521,593.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015
 ALC Annual Comprehensive Financial Report for fiscal years 2014, 2013, 2012, 2011
 ALC Annual Financial Report for fiscal 2010



Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Net Position by Component (Unaudited)
Last Ten Fiscal Years

	2025 (3)	2024	2023	2022
Net position:				
Net investment in capital assets	\$ 109,690	\$ 144,564	\$ 518,876	\$ 952,581
Restricted for:				
Scholarship shortfall reserve	20,000,000	20,000,000	20,000,000	20,000,000
Retailer fidelity reserve	500,000	500,000	500,000	500,000
Retailer bond reserve	1,920,412	1,986,943	2,080,890	2,034,648
Deposits with Multi-State Lottery Association	1,000,000	1,000,000	1,000,000	1,000,000
Unclaimed prizes reserve	(16,580,204)	(19,817,150)	(16,809,763)	(14,651,739)
Total net position (deficit)	<u>\$ 6,949,898</u>	<u>\$ 3,814,357</u>	<u>\$ 7,290,003</u>	<u>\$ 9,835,490</u>

Note: 1) For fiscal year 2017, Unrestricted (deficit) was restated for OPEB per GASB Statement 75.
 2) During the 92nd General Assembly, Act 683 of 2019 was enacted which established a separate account for Bond Fees and repealed the establishment of a separate Fidelity Fund. Effective for fiscal year 2020, Fidelity Funds were transferred into the Bond Fund.
 3) Due to implementation of GASB 101 in FY2025 beginning Net Position was reduced by \$521,593.
 Source: OAL Annual Comprehensive Financial Report for fiscal years 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Net Position by Component (Unaudited)
Last Ten Fiscal Years

2021	2020 (2)	2019	2018	2017 (1)	2016
\$ 1,394,688	\$ 1,782,439	\$ 1,249,343	\$ 345,095	\$ 384,288	\$ 376,417
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
- -	- -	207,608	182,514	158,355	136,900
500,000	500,000	709,671	583,166	373,312	163,872
2,130,976	2,515,353	2,579,250	2,165,572	1,948,071	1,847,611
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(16,818,400)	(14,866,000)	(15,509,005)	(13,189,572)	(13,409,468)	(10,752,564)
<u>\$ 8,207,264</u>	<u>\$ 10,931,792</u>	<u>\$ 10,236,867</u>	<u>\$ 11,086,775</u>	<u>\$ 10,454,558</u>	<u>\$ 12,772,236</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Changes in Cash and Cash Equivalents (Unaudited)
Last Ten Fiscal Years

	2025	2024	2023	2022
Cash flows from operating activities:				
Cash received from retailers and others	\$ 577,739,701	\$ 614,469,754	\$ 607,194,823	\$ 584,515,863
Cash paid for prizes	(406,878,870)	(415,932,262)	(413,150,674)	(404,312,420)
Cash paid for gaming vendors	(29,302,608)	(29,741,865)	(29,643,203)	(31,958,022)
Cash paid for retailer commissions	(32,730,529)	(34,544,207)	(34,300,134)	(32,801,115)
Cash paid for marketing and advertising	(5,651,112)	(6,310,613)	(7,188,838)	(6,492,380)
Cash paid for employee services	(5,522,721)	(5,521,249)	(5,644,455)	(5,104,227)
Cash paid for other expenses	(2,200,924)	(2,758,245)	(4,861,496)	(4,471,029)
Cash received from other non-operating income	-	-	-	-
Net cash provided (used) by operating activities	<u>95,452,937</u>	<u>119,661,313</u>	<u>112,406,023</u>	<u>99,376,670</u>
Cash flows from non-capital financing activities:				
Transfers to Arkansas Department of Education -				
Division of Higher Education	(88,000,000)	(65,750,000)	(62,400,000)	(74,750,000)
Transfers from Arkansas Department of Education -				
Division of Higher Education	4,753,294	5,775,854	15,927,228	-
Transfers to Arkansas Department of Human Services	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(83,246,706)</u>	<u>(59,974,146)</u>	<u>(46,472,772)</u>	<u>(74,750,000)</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(51,215)	(30,505)	(6,053)	-
Proceeds from disposal of capital assets	14,276	-	-	-
Net cash flows from capital and related financing activities	<u>(36,939)</u>	<u>(30,505)</u>	<u>(6,053)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received	12,753,397	11,425,790	2,482,459	726,329
Net increase in cash and cash equivalents	24,922,689	71,082,452	68,409,657	25,352,999
Cash and cash equivalents, beginning	345,049,600	273,967,148	205,557,491	180,204,492
Cash and cash equivalents, ending	<u>\$ 369,972,289</u>	<u>\$ 345,049,600</u>	<u>\$ 273,967,148</u>	<u>\$ 205,557,491</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 102,735,770	\$ 114,514,541	\$ 108,079,653	\$ 100,305,246
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	91,145	403,749	427,831	430,784
Amortization	271,832	271,832	271,832	226,526
Pension Earnings	94,235	254,389	(191,571)	(764,253)
Other post employment benefits expense	(263,731)	(25,509)	(62,237)	(1,158,914)
Lease expense	(284,379)	(283,054)	(276,427)	(230,355)
Other operating activities	(2,394)	-	-	-
Net changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(519,016)	895,758	(1,068,860)	4,189,932
Receivable from other Funds of the State	-	-	944	(869)
Prepaid items	(42,470)	47,343	(3,464)	(33,933)
Deposits with Multi-State Lottery Association	66,531	93,948	(46,242)	96,328
Increase (decrease) in liabilities:				
Accounts payable	(134,846)	129,198	(12,787)	15,140
Prizes payable	(6,672,827)	3,961,173	3,815,745	(2,002,682)
Accrued and other liabilities	30,736	(120,856)	2,043,724	(3,020,760)
Due to other funds of the State	30,902	(450,331)	(568,985)	1,194,891
Compensated absences	79,578	30,540	(36,681)	38,568
Unearned revenue	(28,129)	(61,408)	33,548	91,021
Net other post employment benefits	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 95,452,937</u>	<u>\$ 119,661,313</u>	<u>\$ 112,406,023</u>	<u>\$ 99,376,670</u>
Non-cash investing, capital and financial activities				
Net (loss) on disposal of capital assets	(6,645)			

Note: Due to implementation of GASB 101 in FY2025 beginning Net Position was reduced by \$521,593.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Changes in Cash and Cash Equivalents (Unaudited)
Last Ten Fiscal Years

2021	2020	2019	2018	2017	2016
\$ 631,663,508	\$ 527,425,949	\$ 515,478,097	\$ 500,126,133	\$ 448,872,673	\$ 457,634,809
(437,271,456)	(368,268,399)	(347,546,374)	(342,721,524)	(305,141,493)	(310,865,471)
(31,520,711)	(24,165,209)	(23,731,011)	(21,710,991)	(19,154,160)	(19,540,446)
(35,732,276)	(30,108,024)	(29,062,835)	(28,196,969)	(25,400,020)	(25,742,753)
(7,528,145)	(7,923,598)	(6,593,736)	(6,861,300)	(5,492,302)	(5,413,835)
(4,798,539)	(4,986,502)	(4,859,829)	(4,783,897)	(4,749,058)	(4,834,544)
(6,628,343)	(4,193,322)	(5,939,380)	(5,526,375)	(5,645,415)	(2,412,905)
-	-	-	-	-	1,875
108,184,038	87,780,895	97,744,932	90,325,077	83,290,225	88,826,730
(70,900,000)	(74,000,000)	(76,000,000)	(83,500,000)	(71,000,000)	(77,000,000)
4,466,023	3,904,288	11,710,439	4,887,237	542,198	286,177
-	-	-	-	-	-
(66,433,977)	(70,095,712)	(64,289,561)	(78,612,763)	(70,457,802)	(76,713,823)
(60,869)	(942,381)	(1,056,195)	(36,296)	(104,787)	(248,302)
-	-	-	-	-	-
(60,869)	(942,381)	(1,056,195)	(36,296)	(104,787)	(248,302)
835,596	2,123,634	2,569,816	1,269,083	489,046	232,275
42,524,788	18,866,436	34,968,992	12,945,101	13,216,682	12,096,880
137,679,704	118,813,268	83,844,276	70,899,175	57,682,493	45,585,613
\$ 180,204,492	\$ 137,679,704	\$ 118,813,268	\$ 83,844,276	\$ 70,899,175	\$ 57,682,493
\$ 102,857,100	\$ 87,836,685	\$ 95,219,316	\$ 91,208,063	\$ 83,716,324	\$ 88,240,539
448,620	409,285	123,426	104,011	96,917	95,063
-	-	-	-	-	-
236,441	213,549	(64,654)	186,455	11,108	(90,790)
300,428	260,169	42,587	112,052	-	-
-	-	-	-	-	-
-	-	-	-	-	1,875
(855,829)	(4,587,967)	(785,562)	(280,305)	(929,311)	1,166,802
-	(55)	97	(117)	3,579	(3,576)
(83,728)	(15,468)	201,182	(36,830)	(156,757)	(9,191)
384,377	63,897	(413,677)	(217,501)	(100,460)	(85,225)
(914,625)	356,091	521,412	(84,155)	118,383	(481,522)
2,490,641	1,275,877	2,743,525	(608,602)	1,388,353	(1,832,930)
3,370,119	1,824,167	168,340	2,212	(973,880)	1,261,440
32,952	64,388	(46,969)	20,579	(4,626)	(66,992)
(21,903)	67,542	9,189	2,990	33,716	16,613
(60,555)	12,735	26,720	(83,775)	(114,751)	142,196
-	-	-	-	201,630	472,428
\$ 108,184,038	\$ 87,780,895	\$ 97,744,932	\$ 90,325,077	\$ 83,290,225	\$ 88,826,730

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Outstanding Debt (Unaudited)**

	2025	2024	2023	2022
Lease liability	\$ 336,805	\$ 613,320	\$ 884,085	\$ 1,143,955

Source: OAL Annual Comprehensive Financial Report for fiscal years 2025, 2024, 2023, 2022

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Total Personal and Per Capita Income and Unemployment Rate (Unaudited)
Last Ten Years

Calendar year	Total population (in thousands)	Total personal income (in millions)	Per capita personal income	Unemployment rate
2025	3,095 (1)	\$ 188,835	\$ 61,018	3.6%
2024	3,079	\$ 180,079	\$ 58,480	3.4%
2023	3,057	\$ 174,350	\$ 57,030	3.1%
2022	3,037	\$ 161,625	\$ 53,214	3.3%
2021	3,021	\$ 151,701	\$ 50,211	5.2%
2020	3,010	\$ 137,284	\$ 45,615	5.0%
2019	3,001	\$ 130,244	\$ 43,398	3.5%
2018	2,994	\$ 126,189	\$ 42,141	3.7%
2017	2,986	\$ 122,719	\$ 40,761	3.8%
2016	2,976	\$ 118,349	\$ 39,770	4.3%

Note: 1) Estimated Amounts
 Source: IHS Global Insight Inc. derived from data compiled by the U.S. Bureau of Economic Analysis and Census Bureau

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
State of Arkansas Principal Employers (Unaudited)
Year 2025 as Compared to 2016

2025	Employers	Total Employees	% of Total Arkansas Employment	
1	Walmart Inc.	55,660	4.0%	
2	University of Arkansas System	31,000	2.3%	
3	Arkansas State Government	24,979	1.8%	
4	Tyson Foods Inc.	24,000	1.7%	
5	U.S. Government	21,900	1.6%	
6	Baptist Health	11,309	0.8%	
7	University of Arkansas for Medical Sciences	10,894	0.8%	
8	Mercy Hospital	6,422	0.5%	
9	J.B. Hunt Transport Services Inc.	6,100	0.4%	
10	Dollar General Corp.	5,360	0.4%	
		197,624		14.4%

2016	Employers	Total Employees	% of Total Arkansas Employment	
1	Arkansas State Government	60,816	4.9%	
2	Wal-Mart Stores, Inc.	51,680	4.2%	
3	Tyson Foods, Inc.	23,000	1.9%	
4	U.S. Government	20,300	1.7%	
5	Baptist Health	8,249	0.7%	
6	Community Health Systems, Inc.	5,700	0.5%	
7	CHI St. Vincent Health System	4,662	0.4%	
8	Sisters of Mercy Health System	4,653	0.4%	
9	Kroger Co.	4,309	0.4%	
10	Arkansas Children's Hospital	4,110	0.3%	
		187,479		15.4%

Note: Effective for fiscal year 2020, Arkansas State Government does not include educational employees.
Source: Arkansas Business Publishing Group and Arkansas Dept. of Economic Development.

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Employees by Department and by Function (Unaudited)
Last Ten Fiscal Years

Function	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Executive	1	-	1	1	1	1	1	1	1	1
Human Resources	1	1	1	1	1	1	-	-	-	-
Legal Counsel	1	1	1	1	1	1	2	2	2	1
Internal Audit	-	1	1	1	1	3	3	3	2	3
Sales	22	22	23	23	21	23	23	24	24	23
Marketing	4	4	4	4	4	4	3	3	4	4
Security	5	5	6	6	5	4	5	4	4	6
Draw Managers	-	-	-	-	1	2	2	2	2	2
Licensing	3	4	4	4	3	4	4	4	4	4
Gaming	1	1	1	1	1	1	1	1	1	1
IT-Gaming	5	6	6	6	6	6	6	6	6	6
Product Development	3	3	3	3	3	3	3	3	3	3
Finance	1	1	1	1	1	1	1	1	1	1
Treasurer	3	3	3	3	3	3	2	3	3	3
Claims Center	3	3	3	3	3	3	3	3	3	3
Controller	2	2	2	2	2	2	2	2	2	2
Procurement	1	2	2	2	2	1	1	1	1	1
IT-Admin	2	2	2	2	2	1	1	2	2	1
Financial Analyst	1	1	1	1	1	1	1	1	1	-
Total Employees	59	62	65	65	62	65	64	66	66	65
Gender:										
Female	33	33	33	34	30	31	30	30	30	30
Male	26	29	32	31	32	34	34	36	36	35
Race:										
Black/Non-Hispanic	14	16	21	21	15	16	17	14	16	16
Caucasian	42	43	41	41	43	46	44	49	45	43
Hispanic	-	-	-	-	-	-	-	-	2	2
Other	3	3	3	3	4	3	3	3	3	4
Age:										
Under 40	13	15	17	17	17	18	14	20	19	20
40+	46	47	48	48	45	47	50	46	47	45

Source: OAL Human Resources



Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Net Capital Assets by Component (Unaudited)
June 30, 2025

Description	Gross Capital Assets	Accumulated Depreciation & Amortization	Net Capital Assets
Vehicles	\$ 72,331	\$ 57,186	\$ 15,145
Ticket Vending Machines	2,131,061	2,131,061	-
Computer and Printer Equipment	353,142	291,713	61,428
Signage	64,037	43,772	20,265
Security System	81,242	81,242	-
Furniture and fixtures	188,988	177,762	11,226
Leasehold Improvements	492,796	492,796	-
Right to Use Asset - Building Lease	<u>1,359,159</u>	<u>1,042,022</u>	<u>317,137</u>
	<u><u>\$ 4,670,426</u></u>	<u><u>\$ 4,260,369</u></u>	<u><u>\$ 425,201</u></u>

Source - OAL equipment ledger

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
U.S. Lotteries' Sales (Unaudited)
Fiscal year 2025 (1)

Lottery Jurisdiction	2024	Population (in millions)	Sales (in millions)	Sales Per Capita	Instant Sales (in millions)	Instant Sales Per Capita
Arizona	7.6	\$ 1,403.4			\$ 1,036.6	\$ 136
Arkansas	3.1	578.0			469.5	151
California	39.4	8,949.1			6,908.8	175
Colorado	6	827.9			599.7	100
Connecticut	3.7	1,331.7			727.0	196
District of Columbia (1)	0.7				43.8	63
Delaware	1.1	169.9			114.0	104
Florida	23.4	9,132.9			6,835.8	292
Georgia	11.2	5,143.0			3,373.0	301
Idaho	2	401.7			233.0	117
Illinois	12.7	3,755.9			2,165.6	171
Indiana	6.9	1,605.9			1,229.8	178
Iowa	3.2	434.9			290.1	91
Kansas	3	316.1			206.4	69
Kentucky	4.6	1,357.4			914.2	199
Louisiana	4.6	581.2			316.7	69
Maine	1.4	408.1			319.3	228
Maryland	6.3	2,616.0			1,058.4	168
Massachusetts	7.1	5,936.5			3,956.0	557
Michigan (1)	10.1	4,533.7			2,282.0	226
Minnesota	5.8	708.3			524.5	90
Mississippi	2.9	444.4			294.9	102
Missouri	6.2	1,482.6			1,093.4	176
Montana	1.1	83.8			30.1	27
Nebraska	2.0	185.0			100.0	50
New Hampshire	1.4	468.7			297.7	213
New Jersey	9.5	3,514.3			2,043.5	215
New Mexico	2.1	148.9			92.2	44
New York (1)	19.9	7,812.0			4,339.8	218
North Carolina	11.0	3,987.7			2,842.0	258
North Dakota (2)	0.8	26.9			-	-
Ohio	11.9	4,376.3			2,429.8	204
Oklahoma	4.1	305.1			213.3	52
Oregon	4.3	431.8			174.5	41
Pennsylvania	13.1	4,360.5			2,911.0	222
Rhode Island	1.1	284.4			120.4	109
South Carolina	5.5	2,299.8			1,592.5	290
South Dakota	0.9	72.6			47.4	53
Texas (1)	31.3	7,912.3			6,434.4	206
Vermont	0.6	155.5			114.9	192
Virginia	8.8	2,387.2			1,277.5	145
Washington	8.0	937.2			662.7	83
West Virginia	1.8	222.2			155.6	86
Wisconsin	6	861.8			607.1	101
Wyoming (2)	0.6	28.8			-	-
Total	318.8	\$ 92,981.4			\$ 61,478.9	\$ 193

Note: 1) Fiscal years end June 30 except New York (March 31), Texas (August 31) and District of Columbia and Michigan (September 30).

2) North Dakota and Wyoming do not have instant ticket sales.

Source: *La Fluer's Magazine* - September/October 2025

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
U.S. Lotteries' Sales (Unaudited)
Fiscal year 2024 (1)

Lottery Jurisdiction	2023		Sales		Sales		Instant Sales		Instant Sales	
	Population (in millions)	(in millions)	(in millions)	Per Capita	(in millions)	(in millions)	Per Capita	(in millions)	Per Capita	
Arizona	7.4	\$ 1,528.2	\$ 206		\$ 1,033.1	\$ 139				
Arkansas	3.1	\$ 613.0	200		\$ 478.4	156				
California	39.0	9,284.4	238		6,570.5	169				
Colorado	5.9	900.8	153		588.6	100				
Connecticut	3.6	1,414.6	391		744.0	206				
District of Columbia (1)	0.7	196.1	289		45.8	68				
Delaware	1.0	251.4	244		111.3	108				
Florida	22.6	9,417.5	417		6,618.1	293				
Georgia	11.0	5,355.3	486		3,454.2	313				
Idaho	2.0	421.6	215		229.4	117				
Illinois	12.5	3,857.7	307		2,142.7	171				
Indiana	6.9	1,744.2	254		1,279.5	186				
Iowa	3.2	490.0	153		302.2	94				
Kansas	2.9	350.1	119		213.5	73				
Kentucky	4.5	1,463.0	323		940.8	208				
Louisiana	4.6	639.6	140		311.7	68				
Maine	1.4	430.2	308		326.4	234				
Maryland	6.2	2,715.7	439		1,061.4	172				
Massachusetts	7.0	6,129.8	876		4,013.0	573				
Michigan (1)	10.0	4,630.0	461		2,314.0	231				
Minnesota	5.7	775.7	135		524.9	91				
Mississippi	2.9	477.6	162		307.5	105				
Missouri	6.2	1,605.9	259		1,127.2	182				
Montana	1.1	92.5	82		29.3	26				
Nebraska	2.0	220.6	112		110.1	56				
New Hampshire	1.4	520.9	372		314.7	224				
New Jersey	9.3	3,818.0	411		2,059.7	222				
New Mexico	2.1	170.2	81		89.6	42				
New York (1)	19.6	8,197.9	419		4,373.5	223				
North Carolina	10.8	4,241.3	391		2,922.3	270				
North Dakota (2)	0.8	40.1	51		-	-				
Ohio	11.8	4,543.9	386		2,383.6	202				
Oklahoma	4.1	354.7	87		224.9	55				
Oregon	4.2	460.6	109		159.8	38				
Pennsylvania	13.0	4,861.0	375		3,102.5	239				
Rhode Island	1.1	321.0	293		134.4	123				
South Carolina	5.4	2,384.7	444		1,607.2	299				
South Dakota	0.9	86.7	94		48.7	53				
Texas (1)	30.5	8,389.8	275		6,644.6	218				
Vermont	0.6	168.6	261		117.3	181				
Virginia	8.7	2,617.7	300		1,314.1	151				
Washington	7.8	1,029.0	132		664.3	85				
West Virginia	1.8	258.0	146		164.6	93				
Wisconsin	5.9	954.8	162		611.7	103				
Wyoming (2)	0.6	41.1	70		-	-				
Total	313.8	\$ 98,465.5	\$ 314		\$ 61,815.1	\$ 197				

Note: 1) Fiscal years end June 30 except New York (March 31), Texas (August 31) and District of Columbia and Michigan September 30).

2) North Dakota and Wyoming do not have instant ticket sales.

Source: *La Fluer's Magazine* - September/October 2024

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Demographic Summary (Unaudited)
Fiscal Year Ended June 30, 2025

Number of respondents =	Census	All Respondents
	3.0 Million	1,000
Male	49%	48%
Female	51%	52%
18-34	29%	29%
35-64	48%	49%
65 or older	23%	22%
Caucasian	70%	72%
African American	15%	16%
Hispanic	9%	11%
Other (includes multi-racial)	6%	1%
Some high school		6%
High school graduate or equivalency		29%
Some college		20%
Associate's degree or technical school certification		11%
Bachelor's degree		22%
Graduate or professional degree		12%
Employed part-time		14%
Employed full-time		37%
Retired		24%
Temporarily unemployed		8%
Disabled		9%
Full-time student		2%
Homemaker		6%
Less than \$35,000		45%
\$35,000 to just under \$50,000		13%
\$50,000 to just under \$75,000		15%
\$75,000 and over		27%
Presently married		48%
Widowed		9%
Divorced		16%
Separated		4%
Never Married		23%

Source: OAL Demographic Research Study January 2024, Leger report - ASL Brand Tracker and U.S. Census Bureau



Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Unclaimed Lottery Prizes (Unaudited)
Fiscal Year Ended June 30, 2025

Month	Unclaimed lottery prizes	Expenditures from unclaimed lottery prizes	Increase (decrease) in unclaimed prize reserve	Deposits to net lottery proceeds from unclaimed lottery prizes
July	\$ 121,702	\$ -	\$ 121,702	\$ -
August	1,410,361	-	1,410,361	-
September	2,581,572	-	2,581,572	-
October	1,513,803	-	1,513,803	-
November	175,571	-	175,571	-
December	119,916	-	119,916	-
January	1,297,216	-	1,297,216	-
February	1,091,386	-	1,091,386	-
March	146,861	-	146,861	-
April	1,666,941	-	1,666,941	-
May	865,211	-	865,211	-
June	<u>230,032</u>	<u>-</u>	<u>230,032</u>	<u>11,220,572</u>
Total	<u>\$ 11,220,572</u>	<u>\$ -</u>	<u>\$ 11,220,572</u>	<u>\$ 11,220,572</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Scholarship Shortfall Reserve Trust Account (Unaudited)
Fiscal Year Ended June 30, 2025

	July	August	September	October	November	December
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>					

	January	February	March	April	May	June
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>					

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Minority and Female-owned Business Participation (Unaudited)
Fiscal Year Ended June 30, 2025

Office of the Arkansas Lottery Minority and Female Owned Diversity Compliance Report

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
A-Absolute Moving & Hauling	\$ 2,210	Moving/Hauling	Certified Minority Business Enterprise
Government Supply Services	2,856	Office Products	Certified Minority Business Enterprise
Pinnacle Marketing & Advertising LLC	15,321	Promotional Items	Certified Women Owned Business
Total	<u><u>\$ 20,387</u></u>		

Intralot Minority and Female Owned Diversity Compliance Report

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
J Kelly Referrals and Information Svcs, Inc	\$ 388,540	Call Center/Information Svcs	Certified Minority Business Enterprise
Total	<u><u>\$ 388,540</u></u>		

Scientific Games Minority and Female Owned Diversity Compliance Report

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
Pure Cleaning Services	\$ 15,277	Janitorial Svcs	Minority Business Enterprise
Ingage, LLC	7,169	Fulfillment Services and Prizes	Women Business Enterprise
Expedited Transportation Svcs	39,440	Transportation Svcs	Disadvantage Business Enterprise
Total	<u><u>\$ 61,886</u></u>		



Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Retail Sales by County (Unaudited)
Fiscal Year Ended June 30, 2025

County	Instant*	Powerball ® *	Mega Millions ® *	Fast Play*	Natural State			LOTTO*	Lucky for Life ® *		Total
	Jackpot*	Cash 3*	Cash 4*	67,446.00	42,616.00	\$					
ARKANSAS	5,332,149.00	133,426.00	132,149.00	184,558.00	47,809.00	227,542.50	123,366.50	67,446.00	42,616.00	\$	6,291,062
ASHLEY	2,672,977.00	98,361.00	76,379.00	66,048.00	20,357.00	174,757.50	217,026.50	29,682.00	24,032.00		3,379,620
BAXTER	6,059,055.00	313,833.00	308,794.00	236,255.00	148,881.00	41,400.00	19,689.00	135,274.00	121,846.00		7,385,027
BENTON	19,051,709.00	1,413,300.00	1,510,666.00	256,207.00	393,680.00	94,297.00	47,768.00	609,770.00	294,874.00		23,672,271
BOONE	4,557,683.00	206,684.00	209,241.00	249,752.00	64,767.00	5,006.50	10,276.00	65,116.00	35,264.00		5,403,790
BRADLEY	2,415,366.00	47,532.00	44,168.00	31,392.00	15,720.00	34,370.00	37,905.50	21,648.00	12,880.00		2,660,982
CALHOUN	826,887.00	17,428.00	14,060.00	37,649.00	7,729.00	27,813.00	6,544.00	10,020.00	8,614.00		956,744
CARROLL	3,194,786.00	147,201.00	134,612.00	217,976.00	47,257.00	17,285.50	4,507.00	50,250.00	28,566.00		3,842,441
CHICOT	2,061,979.00	115,880.00	95,782.00	96,451.00	34,091.00	86,200.00	30,170.00	37,160.00	34,700.00		2,592,413
CLARK	4,725,265.00	122,485.00	127,649.00	188,119.00	48,633.00	43,637.50	22,310.00	65,556.00	31,682.00		5,375,337
CLAY	1,440,634.00	45,002.00	43,076.00	38,617.00	20,488.00	11,154.00	507.00	19,134.00	12,930.00		1,631,542
CLEBURNE	3,310,459.00	194,858.00	183,853.00	233,985.00	105,363.00	30,944.50	21,503.50	127,478.00	62,448.00		4,270,892
CLEVELAND	648,443.00	19,883.00	17,638.00	12,048.00	6,079.00	8,858.00	2,611.00	8,300.00	12,896.00		736,756
COLUMBIA	5,103,084.00	108,997.00	89,628.00	137,588.00	46,323.00	184,364.50	90,520.50	46,830.00	41,398.00		5,848,733
CONWAY	5,593,934.00	164,665.00	157,098.00	164,676.00	94,996.00	152,188.50	34,549.50	128,032.00	56,950.00		6,547,089
CRAIGHEAD	21,079,870.00	573,670.00	591,594.00	529,191.00	215,069.00	368,828.50	192,234.00	298,636.00	163,878.00		24,012,971
CRAWFORD	4,798,424.00	295,382.00	291,398.00	209,212.00	109,407.00	26,650.00	12,724.00	149,266.00	72,626.00		5,965,089
CRITTENDEN	9,724,887.00	510,635.00	449,217.00	263,885.00	147,776.00	686,854.50	365,999.00	96,972.00	123,194.00		12,369,420
CROSS	3,917,493.00	83,680.00	77,786.00	71,067.00	31,381.00	61,895.50	40,106.00	31,070.00	19,114.00		4,333,593
DALLAS	2,393,995.00	45,195.00	40,480.00	52,733.00	17,395.00	35,797.50	18,155.00	31,286.00	10,048.00		2,645,085
DESHA	3,212,261.00	84,729.00	75,663.00	50,804.00	33,156.00	58,193.00	34,228.00	29,702.00	16,572.00		3,595,308
DREW	4,517,409.00	123,335.00	110,329.00	98,277.00	45,608.00	50,560.00	38,553.00	50,550.00	43,264.00		5,077,885
FAULKNER	16,840,542.00	655,833.00	641,672.00	514,795.00	314,883.00	149,588.50	84,497.50	410,906.00	193,504.00		19,806,221
FRANKLIN	2,505,286.00	108,790.00	111,811.00	115,766.00	38,211.00	7,180.50	965.00	62,452.00	16,530.00		2,966,992
FULTON	719,567.00	34,780.00	32,222.00	76,016.00	12,330.00	6,642.50	8,422.50	11,950.00	11,396.00		913,326
GARLAND	14,855,373.00	810,889.00	825,546.00	482,785.00	582,573.00	143,866.00	77,124.50	442,146.00	215,152.00		18,435,455
GRANT	2,592,237.00	93,236.00	92,552.00	74,361.00	47,391.00	27,717.50	19,601.00	66,154.00	34,582.00		3,047,832
GREENE	8,783,436.00	244,916.00	225,211.00	305,103.00	85,305.00	16,051.50	5,439.50	103,404.00	53,512.00		9,822,378
HEMPSTEAD	4,928,576.00	113,402.00	106,775.00	137,339.00	33,617.00	864,378.00	354,299.00	36,734.00	43,120.00		6,618,240
HOT SPRING	4,465,926.00	155,851.00	150,011.00	149,308.00	63,951.00	45,769.50	11,666.00	96,578.00	58,700.00		5,197,761
HOWARD	2,803,821.00	72,771.00	71,419.00	77,847.00	25,168.00	732,243.00	204,206.50	27,070.00	32,386.00		4,046,932
INDEPENDENCE	7,544,155.00	203,212.00	201,021.00	445,204.00	71,954.00	23,965.00	10,968.00	88,882.00	50,444.00		8,639,805
IZARD	957,830.00	43,581.00	43,245.00	95,609.00	22,231.00	1,839.50	586.50	21,310.00	7,952.00		1,194,184
JACKSON	3,977,682.00	88,273.00	83,131.00	181,660.00	43,885.00	250,047.50	147,706.50	44,758.00	21,242.00		4,838,385
JEFFERSON	16,983,996.00	521,042.00	450,820.00	597,145.00	288,670.00	575,234.00	555,719.00	308,642.00	241,760.00		20,523,028
JOHNSON	3,267,558.00	132,320.00	122,325.00	44,157.00	51,503.00	8,974.00	9,822.00	65,228.00	33,084.00		3,734,971
LAFAYETTE	1,144,203.00	38,840.00	34,278.00	34,418.00	7,556.00	119,240.00	60,408.50	9,188.00	12,408.00		1,460,540
LAWRENCE	3,005,151.00	85,046.00	82,350.00	162,113.00	42,234.00	5,521.00	2,056.00	33,594.00	22,304.00		3,440,369
LEE	898,754.00	30,899.00	29,775.00	45,923.00	5,020.00	48,124.50	122,358.50	6,166.00	12,936.00		1,199,956
LINCOLN	1,071,251.00	39,446.00	36,674.00	25,375.00	21,823.00	7,274.00	5,334.00	22,954.00	20,114.00		1,250,245
LITTLE RIVER	1,748,700.00	59,074.00	58,830.00	56,687.00	14,581.00	89,188.50	50,198.50	14,224.00	12,280.00		2,103,763
LOGAN	3,197,777.00	106,159.00	95,643.00	205,737.00	45,555.00	5,347.50	322.00	67,412.00	24,380.00		3,748,333
LONOKE	13,194,129.00	494,147.00	488,709.00	505,849.00	261,066.00	207,280.00	128,129.00	325,180.00	126,956.00		15,731,445
MADISON	1,172,823.00	74,816.00	79,585.00	25,547.00	20,180.00	916.00	597.00	36,414.00	21,180.00		1,432,058
MARION	2,575,533.00	107,558.00	100,361.00	123,625.00	60,430.00	30,116.00	29,654.00	41,592.00	31,284.00		3,100,153
MILLER	6,648,108.00	204,261.00	211,463.00	183,111.00	90,060.00	428,472.50	194,771.50	78,512.00	98,980.00		8,137,739
MISSISSIPPI	9,290,991.00	242,306.00	221,432.00	167,081.00	59,960.00	742,796.00	340,740.00	59,278.00	50,494.00		11,175,078
MONROE	2,176,568.00	78,094.00	74,356.00	127,630.00	27,379.00	179,655.00	116,300.50	31,312.00	17,520.00		2,828,815
MONTGOMERY	436,560.00	29,282.00	30,337.00	36,408.00	10,939.00	666.50	29.50	16,052.00	7,596.00		567,870
NEVADA	2,022,183.00	41,338.00	41,797.00	23,256.00	14,454.00	42,521.50	30,499.50	15,348.00	11,720.00		2,243,117
NEWTON	600,211.00	32,365.00	27,277.00	38,860.00	11,613.00	763.00	1,140.50	12,548.00	6,284.00		731,062
OUACHITA	8,742,945.00	143,864.00	136,990.00	249,630.00	70,691.00	198,787.00	140,249.00	91,066.00	63,412.00		9,837,634
PERRY	1,306,394.00	55,297.00	52,134.00	50,019.00	28,343.00	9,301.00	9,505.50	34,556.00	17,424.00		1,562,974

*Estimates - Cash Sales, not on accrual basis

(Continued)

Source - OAL Gaming Division

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Retail Sales by County (Unaudited)
Fiscal Year Ended June 30, 2025

County	Instant*	Powerball ® *	Mega Millions ® *	Fast Play*	Natural State			LOTTO*	Lucky for Life ® *	Total
					Jackpot*	Cash 3*	Cash 4*			
PHILLIPS	2,223,819.00	110,299.00	97,447.00	61,024.00	39,631.00	258,599.50	88,628.50	20,678.00	28,270.00	2,928,396
PIKE	1,472,619.00	56,774.00	58,991.00	69,889.00	35,282.00	2,895.50	1,611.00	49,386.00	17,884.00	1,765,332
POINSETT	5,731,728.00	115,649.00	117,666.00	201,595.00	36,655.00	63,621.50	20,786.50	52,870.00	22,248.00	6,362,819
POLK	2,445,955.00	114,058.00	105,040.00	181,534.00	60,377.00	17,605.50	7,558.50	49,152.00	26,650.00	3,007,930
POPE	10,629,850.00	421,214.00	409,569.00	391,113.00	173,669.00	50,551.50	16,935.50	214,966.00	105,510.00	12,413,378
PRAIRIE	1,445,189.00	42,281.00	44,558.00	39,842.00	11,015.00	13,328.50	8,269.50	20,212.00	10,384.00	1,635,079
PULASKI	85,019,731.00	6,762,351.00	6,877,334.00	3,206,997.00	3,450,766.00	2,520,396.50	1,785,241.50	3,531,696.00	3,397,268.00	116,551,781
RANDOLPH	2,314,424.00	95,235.00	94,640.00	85,453.00	35,358.00	5,331.00	1,025.50	47,380.00	27,418.00	2,706,265
SAINT FRANCIS	4,184,598.00	151,365.00	123,822.00	120,933.00	48,424.00	357,736.00	139,614.50	37,668.00	32,802.00	5,196,963
SALINE	15,164,617.00	651,264.00	648,177.00	664,046.00	338,410.00	348,980.00	123,394.00	449,268.00	214,714.00	18,602,870
SCOTT	1,554,638.00	67,216.00	59,324.00	17,710.00	14,201.00	1,994.50	1,498.00	24,410.00	7,398.00	1,748,390
SEARCY	875,328.00	38,976.00	36,774.00	27,695.00	10,385.00	385.50	1,390.00	20,156.00	4,974.00	1,016,064
SEBASTIAN	10,991,864.00	842,224.00	796,787.00	328,545.00	347,653.00	163,983.50	53,270.00	369,820.00	226,444.00	14,120,591
SEVIER	2,182,810.00	73,730.00	77,178.00	22,734.00	28,988.00	85,509.00	3,997.50	26,696.00	16,802.00	2,518,445
SHARP	4,480,589.00	172,732.00	161,094.00	213,531.00	90,149.00	17,287.00	5,871.00	72,288.00	41,620.00	5,255,161
STONE	1,009,486.00	59,799.00	57,425.00	40,300.00	29,599.00	20,299.00	8,898.50	38,538.00	15,928.00	1,280,273
UNION	10,001,394.00	250,706.00	215,751.00	321,438.00	87,189.00	1,009,356.00	526,596.50	91,110.00	85,186.00	12,588,727
VAN BUREN	2,678,272.00	113,500.00	115,363.00	99,409.00	57,033.00	14,664.50	10,917.50	71,148.00	23,478.00	3,183,785
WASHINGTON	20,830,823.00	1,294,451.00	1,298,594.00	386,755.00	409,986.00	321,449.50	141,284.50	618,134.00	321,596.00	25,623,073
WHITE	11,927,716.00	403,074.00	389,975.00	716,820.00	182,227.00	156,987.50	67,277.50	237,544.00	95,404.00	14,177,025
WOODRUFF	1,550,249.00	45,379.00	43,948.00	98,707.00	13,792.00	20,746.00	14,396.50	21,288.00	10,880.00	1,819,386
YELL	3,235,852.00	105,095.00	97,994.00	82,548.00	49,025.00	2,391.50	4,425.00	62,040.00	26,090.00	3,665,461
Grand Total	\$ 469,048,566	\$ 21,995,221	\$ 21,668,463	\$ 16,163,472	\$ 9,725,335	\$ 12,852,164	\$ 7,127,458	\$ 10,917,236	\$ 7,599,976	\$ 577,097,891

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Debt Set-off Collections (Unaudited)
Fiscal Year Ended June 30, 2025**

Department of Finance and Administration:	
Taxes due to the State	\$ 119,633
Delinquent Child Support	<u>57,765</u>
 Total	 <u>\$ 177,398 (1)</u>

Note: 1) In accordance with regulation 23-115-403 of the Arkansas Scholarship Lottery Act, the OAL must set-off against any prize greater than \$500, the sum of any debt in excess of \$100 owed to the State of Arkansas or to persons on whose behalf the State and its claiming agencies act.

Source: OAL Finance Division

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Retailer Sales (Unaudited)
Fiscal Year Ended June 30, 2025

Retail Type	Number of retailers*	Instant Sales*	Draw Sales*	Total Sales*
Grocery/Food stores	180	\$ 14,830,861	\$ 4,062,316	\$ 18,893,177
C-stores	577	97,975,216	21,594,354	119,569,570
C-store with gas	1,064	289,717,212	55,057,110	344,774,322
Restaurant	2	44,833	9,867	54,700
Travel Plaza/Truck Stop	35	4,131,277	852,078	4,983,355
Liquor (ABC)	87	6,832,661	2,413,060	9,245,721
Bar/Taven	6	400,112	492,272	892,384
Merchandise store	6	440,915	119,988	560,903
Discount/Variety	2	46,437	19,723	66,160
Drug/Pharmacy	1	27,457	6,079	33,536
News/Smoke	150	38,298,505	8,686,903	46,985,408
Kiosk	81	15,486,468	14,538,424	30,024,892
Miscellaneous/other	9	816,612	197,154	1,013,766
 Total	 <u>2,200</u>	 <u>\$ 469,048,566</u>	 <u>\$ 108,049,325</u>	 <u>\$ 577,097,891</u>

Note: 1) Includes all retailers with sales during year even though some retailers may have had a change of ownership.

*Estimates - Cash Sales, not on accrual basis

Source - OAL Gaming Division

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Analysis of Budgetary Variances (Unaudited)
Fiscal Year Ended June 30, 2025

	Original Budget FY 2025 (1)	Actual Results FY 2025	Variation
Operating revenues:			
Instant ticket sales	\$ 470,600,000	\$ 469,532,982	\$ (1,067,018)
Draw ticket sales	99,320,000	108,067,205	8,747,205
Retailer fees and other revenues	672,000	686,660	14,660
Total operating revenues	<u>570,592,000</u>	<u>578,286,847</u>	<u>7,694,847</u>
Operating expenses:			
Instant game prizes	342,301,000	341,768,747	(532,253)
Draw game prizes	54,069,000	58,503,827	4,434,827
Retailer commissions	32,200,000	32,730,529	530,529
Gaming contract costs	28,781,000	28,630,051	(150,949)
Compensation and benefits	6,350,000	5,456,569	(893,431)
Marketing, advertising and promotions	6,950,000	6,195,252	(754,748)
General and administrative expenses	2,463,000	1,903,124	(559,876)
Depreciation and amortization	462,000	362,977	(99,023)
Total operating expenses	<u>473,576,000</u>	<u>475,551,076</u>	<u>1,975,076</u>
Operating income	97,016,000	102,735,771	5,719,771
Non-operating revenue (expense):			
Interest income	9,700,000	12,753,397	3,053,397
Interest expense	<u>(10,000)</u>	<u>(14,137)</u>	<u>(4,137)</u>
Income before transfers	106,706,000	115,475,031	8,769,031
Transfers to Lottery Scholarship Trust Account	<u>(106,700,000)</u>	<u>(111,817,897)</u>	<u>(5,117,897)</u>
Change in net position	<u>\$ 6,000</u>	<u>\$ 3,657,134</u>	<u>\$ 3,651,134</u>

Note 1) No amended budget was prepared for Fiscal Year 2025
Source: OAL Finance Division

Arkansas Department of Finance and Administration

Office of the Arkansas Lottery

Academic Challenge Scholarship Program

Demographic Report from the Arkansas Department of Education - Arkansas Division of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2025

Institution	Scholarship Awards	Fall	Spring	Summer	Total
Arkansas Baptist College	8	16,375	2,500	-	18,875
Arkansas Colleges of Health Education	8	12,500	7,500	-	20,000
Arkansas Northeastern College	77	76,750	61,750	-	138,500
Arkansas State University Beebe	549	496,250	419,625	16,875	932,750
Arkansas State University Jonesboro	5,433	5,748,625	5,310,790	91,375	11,150,790
Arkansas State University Mid South	28	20,500	14,000	-	34,500
Arkansas State University Mountain Home	272	260,375	195,826	1,500	457,701
Arkansas State University Newport	240	236,875	176,500	9,750	423,125
Arkansas State University Three Rivers	123	100,375	77,500	3,500	181,375
Arkansas Tech University	3,763	3,999,403	3,754,453	21,250	7,775,105
Arkansas Tech University Ozark Campus	276	288,250	195,250	13,125	496,625
Baptist Health College Little Rock	43	33,000	45,250	-	78,250
Black River Technical College	216	196,000	136,750	2,500	335,250
Central Baptist College	317	320,358	302,250	1,250	623,858
Champion Christian College	22	24,875	21,875	-	46,750
Cossatot Community College UA	146	163,000	117,000	1,250	281,250
Crowley's Ridge College	86	85,500	86,500	-	172,000
East Arkansas Community College	66	59,125	53,780	1,875	114,780
Ecclesia College	39	43,000	42,125	-	85,125
Harding University	1,272	1,244,125	1,159,125	26,500	2,429,750
Henderson State University	756	803,750	766,125	11,250	1,581,125
Hendrix College	915	885,000	868,500	-	1,753,500
Jefferson School of Nursing	6	4,125	3,750	1,125	9,000
John Brown University	680	662,750	616,500	1,875	1,281,125
Lyon College	484	472,500	459,500	-	932,000
National Park College	376	366,750	291,750	-	658,500
North Arkansas College	310	304,375	255,750	3,125	563,250
Northwest Arkansas Community College	613	523,056	425,344	7,125	955,525
Ouachita Baptist University	1,590	1,548,125	1,475,250	1,250	3,024,625
Ozarka College	137	122,750	112,375	-	235,125
Philander Smith College	62	74,250	65,875	-	140,125
Phillips Community College UA	73	69,750	60,125	-	129,875
Shorter College	15	16,250	13,625	750	30,625
South Arkansas Community College	106	95,500	85,000	-	180,500
Southeast Arkansas College	52	58,000	37,125	-	95,125
Southern Arkansas University	1,944	2,068,125	1,902,250	13,750	3,984,125
Southern Arkansas University Tech	136	130,625	117,625	3,000	251,250
University of Arkansas at Monticello College of Technology - Crossett	11	10,000	9,500	-	19,500
University of Arkansas at Monticello College of Technology - McGehee	13	10,375	5,750	1,750	17,875
University of Arkansas Community College Batesville	218	214,125	171,875	3,125	389,125
University of Arkansas Community College Hope	78	62,875	56,750	1,125	120,750
University of Arkansas Community College Morrilton	351	317,000	272,375	-	589,375
University of Arkansas Community College Rich Mountain	236	246,578	207,982	-	454,560
University of Arkansas Fayetteville	14,261	13,593,512	12,684,244	64,250	26,342,006
University of Arkansas Medical Sciences	321	391,750	338,375	10,625	740,750
University of Arkansas Fort Smith	2,437	2,587,875	2,386,125	11,000	4,985,000
University of Arkansas Little Rock	1,994	2,106,991	1,955,485	49,500	4,111,976
University of Arkansas Monticello	886	923,500	857,625	16,250	1,797,375
University of Arkansas Pine Bluff	338	386,326	361,481	-	747,807
University of Arkansas Pulaski Technical College	386	368,125	276,500	8,000	652,625
University of Central Arkansas	7,668	8,076,540	7,323,158	32,125	15,431,823
University of the Ozarks	284	309,375	274,250	-	583,625
Williams Baptist College	299	302,625	268,500	2,750	573,875
Total	51,020	51,538,514	47,186,793	434,500	99,159,807

Note: College and University count may be higher than county count due to student transfer at semester.

Totals include Traditional, Nontraditional, Current Achiever and Original Challenge Recipients.

Source: Arkansas Department of Education - Arkansas Division of Higher Education

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Expenditures and Projected Obligations from Scholarship and Grant Funding Sources
from Arkansas Department of Education - Arkansas Division of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2025

Program	FY 25 Expenditures	FY 26 Budget
Academic Challenge Scholarships	\$ 20,000,000	\$ 20,000,000
AR Geographical Critical Needs	80,250	150,000
Arkansas Future Grant	7,174,526	5,000,000
Law Enforcement Dependents	563,699	-
Governor's Scholars Program	17,654,643	22,000,000
Osteopathic Rural Medical Scholarship	-	400,000
Military Dependents	7,385,063	-
National Guard Tuition Assistance	2,615,090	4,400,000
AR Heroes*	-	5,500,000
Single Parent Scholarship	175,000	175,000
SREB Minority Doctoral Scholars	175,000	175,000
State Teacher Education Program	2,245,696	4,000,000
SURF Program	148,109	150,000
Teacher Opportunity Program	1,505,445	2,500,000
Tuition Adjustment	350,000	350,000
Transition Scholarships	67,500	2,000,000
Washington Center Scholarships	151,570	150,000
Arkansas Health Education Grants:		
Dental Aid	2,788,075	2,950,000
Dental Loans	959,850	987,370
Optometry Grants	549,963	650,000
Optometry Loans	100,000	140,000
Veterinary Aid	1,420,440	1,750,000
Veterinary Loan Forgiveness	34,505	250,000
Chiropractic	187,489	260,000
Podiatry	-	80,000
Total	<u>\$ 66,331,913</u>	<u>\$ 74,017,370</u>

Source: Arkansas Department of Education - Arkansas Division of Higher Education



Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Academic Challenge Scholarship Program
County Report (Unaudited)
from Arkansas Department of Education - Arkansas Division of Higher Education
Fiscal Year Ended June 30, 2025

County	2024 Population	% State	Awards	Amount
	Estimate	Population		
Arkansas	16,050	0.52%	4,509	\$ 8,150,299
Ashley	17,984	0.58%	300	634,369
Baxter	43,007	1.39%	588	1,144,245
Benton	321,566	10.41%	4,121	7,588,304
Boone	38,636	1.25%	569	1,113,625
Bradley	9,935	0.32%	182	381,375
Calhoun	4,690	0.15%	69	119,250
Carroll	28,968	0.94%	234	505,085
Chicot	9,272	0.30%	68	149,205
Clark	20,920	0.68%	440	897,750
Clay	14,112	0.46%	139	278,500
Cleburne	25,646	0.83%	346	669,875
Cleveland	7,367	0.24%	148	290,788
Columbia	22,024	0.71%	360	714,250
Conway	21,422	0.69%	326	638,875
Craighead	115,852	3.75%	1,784	3,402,165
Crawford	62,258	2.02%	1,107	2,206,625
Crittenden	46,633	1.51%	386	784,250
Cross	16,194	0.52%	232	469,000
Dallas	6,076	0.20%	113	233,500
Desha	10,321	0.33%	163	345,625
Drew	16,935	0.55%	313	613,125
Faulkner	131,611	4.26%	2,869	5,482,463
Franklin	17,586	0.57%	363	700,354
Fulton	12,546	0.41%	145	298,875
Garland	99,902	3.23%	1,255	2,490,946
Grant	18,546	0.60%	306	571,718
Greene	46,928	1.52%	670	1,316,625
Hempstead	19,105	0.62%	216	449,125
Hot Spring	33,313	1.08%	536	1,064,251
Howard	12,387	0.40%	273	585,184
Independence	38,345	1.24%	652	1,292,875
Izard	14,291	0.46%	193	392,750
Jackson	16,673	0.54%	199	403,217
Jefferson	63,672	2.06%	654	1,367,629
Johnson	26,172	0.85%	497	1,035,750
Lafayette	6,015	0.19%	66	138,375
Lawrence	16,305	0.53%	261	508,875
Lee	8,104	0.26%	52	110,056
Lincoln	12,868	0.42%	127	255,250
Little River	11,626	0.38%	111	220,875
Logan	21,457	0.69%	370	755,642
Lonoke	76,389	2.47%	1,658	3,248,682
Madison	17,865	0.58%	197	373,125
Marion	17,593	0.57%	164	311,512

(continued)

Note: College and University count may be higher than county due to student transfers at semester.

Source: Arkansas Department of Education - Arkansas Division of Higher Education; U.S. Census Bureau

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Academic Challenge Scholarship Program
County Report (Unaudited)
from Arkansas Department of Education - Arkansas Division of Higher Education
Fiscal Year Ended June 30, 2025

<u>County</u>	<u>2024 Population</u>	<u>% State</u>	<u>Awards</u>	<u>Amount</u>
	<u>Estimate</u>	<u>Population</u>		
Miller	41,958	1.36%	368	758,375
Mississippi	38,095	1.23%	393	770,375
Monroe	6,415	0.21%	66	142,879
Montgomery	8,510	0.28%	104	209,386
Nevada	8,004	0.26%	93	205,500
Newton	7,026	0.23%	77	155,000
Ouachita	21,684	0.70%	313	629,625
Perry	10,251	0.33%	192	385,163
Phillips	14,661	0.47%	145	296,625
Pike	10,027	0.32%	175	350,875
Poinsett	22,300	0.72%	283	587,750
Polk	19,434	0.63%	363	755,350
Pope	64,829	2.10%	1,347	2,614,311
Prairie	7,935	0.26%	106	218,000
Pulaski	401,209	12.99%	5,712	11,135,279
Randolph	19,040	0.62%	204	388,750
St. Francis	131,252	4.25%	2,619	5,004,228
Saline	9,837	0.32%	180	384,875
Scott	7,836	0.25%	76	158,333
Searcy	130,035	4.21%	2,226	4,434,096
Sebastian	15,735	0.51%	269	549,291
Sevier	18,130	0.59%	289	596,750
Sharp	21,822	0.71%	147	305,155
Stone	12,785	0.41%	177	358,891
Union	37,008	1.20%	558	1,093,125
Van Buren	16,152	0.52%	259	509,500
Washington	266,184	8.62%	3,832	7,193,705
White	79,091	2.56%	1,431	2,802,250
Woodruff	5,808	0.19%	74	146,250
Yell	20,134	0.65%	407	873,000
Not Reported			203	442,875
Total	<u>3,088,354</u>	<u>100%</u>	<u>51,019</u>	<u>\$ 99,159,807</u>

Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Fund Balance and Other Information
from Arkansas Department of Education - Arkansas Division of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2025

Fund Balances

Higher Education Grants Fund	\$ 18,691,356
Lottery Net Proceeds Trust Account (1)	\$ 2,031,904

Arkansas Challenge Scholarship Trust Account

Deposits	\$ 100,825,450
Disbursements	98,793,545
June 30, 2025 Balance	<u><u>\$ 2,031,904</u></u>

Evaluation of Net Proceeds

The Arkansas Department of Education - Arkansas Division of Higher Education has determined that the net proceeds from the State lottery program supplements and does not supplant non-lottery State resources.

Recommendations by the Arkansas Department of Education - Arkansas Division of Higher Education for changes to the program:

None

Note: 1) Trust accounts maintained by the director of Arkansas Department of Education - Arkansas Division of Higher Education to hold transfers from the Lottery Scholarship Trust Account.

Source: Arkansas Department of Education - Arkansas Division of Higher Education

07



MARY JACKSON
10K Instant Winner

OTHER REPORTS



Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

Department of Finance and Administration – Office of the Arkansas Lottery
and Members of the Legislative Joint Auditing Committee

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 major fund of the Department of Finance and Administration (DFA) – Office of the Arkansas Lottery (the “Agency”), an office of Arkansas state government, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the DFA – Office of the Arkansas Lottery’s basic financial statements, and have issued our report thereon dated December 11, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency’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 Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’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 entity’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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency’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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Tom Bullington, CPA
Deputy Legislative Auditor

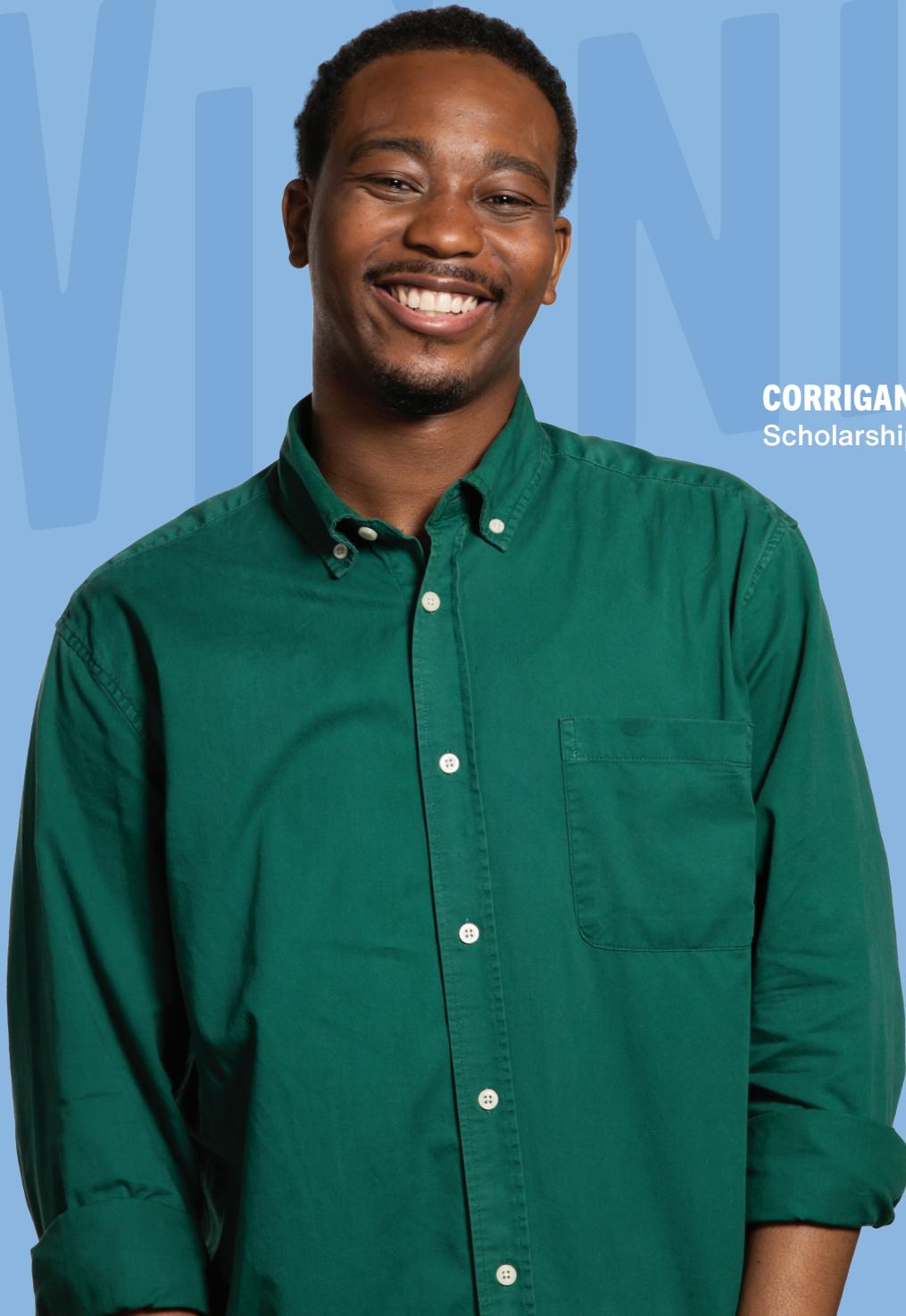
Little Rock, Arkansas
December 11, 2025





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