

Michigan

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2002
(In Thousands)**

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR		NON-MAJOR	TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2002	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	\$ -	\$ 379,009	\$ -	\$ 379,009	\$ -
Receipts from customers	1,704,354	1,017,074	607,413	3,328,841	1,109,099
Payments to employees	(12,803)	-	(14,209)	(27,012)	(51,106)
Payments to suppliers	(39,578)	-	(484,879)	(524,457)	(445,028)
Payments to prize winners	(1,002,860)	-	-	(1,002,860)	-
Payments for commissions to retailers	(150,203)	-	-	(150,203)	-
Claims paid	-	(2,313,706)	-	(2,313,706)	(568,860)
Other receipts	-	1,641	8	1,649	489
Other payments	-	-	(1,249)	(1,249)	(16,631)
Net cash provided (used) by operating activities	<u>\$ 498,910</u>	<u>\$ (915,982)</u>	<u>\$ 107,084</u>	<u>\$ (309,989)</u>	<u>\$ 27,963</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other nonoperating revenues	\$ -	\$ 295,823	\$ -	\$ 295,823	\$ -
Loans or loan repayments from other funds	-	-	-	-	24,084
Loans or loan repayments to other funds	-	-	-	-	(25,005)
Specific tax on spirits	-	-	10,707	10,707	-
Transfers to other funds	(612,066)	(83,360)	(126,795)	(822,220)	(670)
Net cash provided (used) by noncapital financing activities	<u>\$ (612,066)</u>	<u>\$ 212,463</u>	<u>\$ (116,087)</u>	<u>\$ (515,690)</u>	<u>\$ (1,592)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (313)	\$ -	\$ -	\$ (313)	\$ (28,702)
Interest paid	-	-	-	-	(299)
Capital lease payments (including imputed interest expense)	-	-	-	-	(15,857)
Proceeds from sale of capital assets	-	-	-	-	8,462
Net cash provided (used) by capital and related financing activities	<u>\$ (313)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (313)</u>	<u>\$ (36,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	\$ (40,879)	\$ -	\$ -	\$ (40,879)	\$ -
Proceeds from sale and maturities of investment securities	150,729	476,806	-	627,535	-
Interest and dividends on investments	1,621	157,417	1,562	160,599	9,224
Income from securities lending activities	5,653	-	-	5,653	-
Expenses from securities lending activities	(4,756)	-	-	(4,756)	-
Net cash provided (used) by investing activities	<u>\$ 112,367</u>	<u>\$ 634,223</u>	<u>\$ 1,562</u>	<u>\$ 748,152</u>	<u>\$ 9,224</u>
Net cash provided (used) - all activities	\$ (1,102)	\$ (69,296)	\$ (7,442)	\$ (77,839)	\$ (801)
Cash and cash equivalents at beginning of year	<u>5,902</u>	<u>88,304</u>	<u>52,252</u>	<u>146,458</u>	<u>130,873</u>
Cash and cash equivalents at end of year	<u><u>\$ 4,801</u></u>	<u><u>\$ 19,008</u></u>	<u><u>\$ 44,810</u></u>	<u><u>\$ 68,619</u></u>	<u><u>\$ 130,072</u></u>

The accompanying notes are an integral part of the financial statements

Michigan

BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS

	MAJOR		NON-MAJOR	TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	LIQUOR PURCHASE REVOLVING FUND	SEPTEMBER 30, 2002	
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Balance Sheet Classifications:					
Cash	\$ 2	\$ 1,336	\$ 1	\$ 1,338	\$ 165
Equity in common cash	6,484	17,672	51,563	75,719	133,537
Warrants outstanding	(1,685)	-	(6,753)	(8,438)	(3,630)
Cash and cash equivalents at end of year	<u>\$ 4,801</u>	<u>\$ 19,008</u>	<u>\$ 44,810</u>	<u>\$ 68,619</u>	<u>\$ 130,072</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 630,140	\$ (901,965)	\$ 112,717	\$ (159,107)	\$ (11,477)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	158	-	-	158	44,682
Amortization of prize award obligation discount	(48,726)	-	-	(48,726)	-
Other reconciling items	171	-	-	171	(9,272)
Net Changes in Assets and Liabilities:					
Inventories	(1,441)	-	(102)	(1,543)	1,690
Other assets (net)	(4,470)	(33,504)	503	(37,471)	11,305
Accounts payable and other liabilities	3,510	19,635	(6,034)	17,110	(8,966)
Prize awards payable	(80,432)	-	-	(80,432)	-
Deferred revenue	-	(148)	-	(148)	-
Net cash provided (used) by operating activities	<u>\$ 498,910</u>	<u>\$ (915,982)</u>	<u>\$ 107,084</u>	<u>\$ (309,989)</u>	<u>\$ 27,963</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Cost of capital assets acquisitions financed by capital leases					
Capital lease liabilities entered into during the year	\$ -	\$ -	\$ -	\$ -	\$ 18,989
Increase (decrease) in fair value of investments	24,496	-	-	24,496	-
Transfers from other funds	-	3,674	-	3,674	-
Transfers to other funds (accrual)	(23,530)	(61,446)	-	(84,976)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(365)
Total noncash investing, capital, and financing activities	<u>\$ 966</u>	<u>\$ (57,772)</u>	<u>\$ -</u>	<u>\$ (56,806)</u>	<u>\$ (365)</u>