

Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2006
 (In Thousands)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MAJOR			TOTALS	
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from federal and local agencies	\$ -	\$ 64,785	\$ -	\$ 64,785	\$ -
Receipts from customers	2,226,296	1,633,977	718,085	4,578,358	1,710,819
Membership dues	-	-	4,395	4,395	-
Payments to employees	(14,018)	-	(16,765)	(30,782)	(190,508)
Payments to suppliers	(51,095)	-	(566,049)	(617,144)	(692,286)
Payments to prize winners	(1,364,165)	-	-	(1,364,165)	-
Payments for commissions to retailers	(206,249)	-	-	(206,249)	-
Claims paid	-	(1,986,299)	-	(1,986,299)	(767,267)
Other receipts	-	27,131	843	27,974	386
Other payments	-	(6)	(1,411)	(1,417)	(7,920)
Net cash provided (used) by operating activities	<u>\$ 590,769</u>	<u>\$ (260,412)</u>	<u>\$ 139,098</u>	<u>\$ 469,455</u>	<u>\$ 53,225</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Other nonoperating revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Advances from federal government	-	165,800	-	165,800	-
Advance repayments to federal government	-	(165,800)	-	(165,800)	-
Loans or loan repayments from other funds	-	-	-	-	16,777
Loans or loan repayments to other funds	-	-	-	-	(15,220)
Specific tax on spirits	-	-	12,654	12,654	-
Transfers to other funds	(692,059)	(16,341)	(152,360)	(860,759)	(1,328)
Other receipts	-	-	-	-	24
Net cash provided (used) by noncapital financing activities	<u>\$ (692,059)</u>	<u>\$ (16,341)</u>	<u>\$ (139,706)</u>	<u>\$ (848,106)</u>	<u>\$ 252</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ -	\$ -	\$ -	\$ -	\$ (30,347)
Interest paid	-	-	-	-	(339)
Capital lease payments (including imputed interest expense)	-	-	-	-	(10,777)
Proceeds from sale of capital assets	-	-	-	-	155
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,308)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investment securities	\$ (2,048)	\$ -	\$ -	\$ (2,048)	\$ -
Proceeds (purchases) from sale and maturities of investment securities	95,130	263,987	(41)	359,076	-
Interest and dividends on investments	4,084	18,827	4,779	27,690	-
Income from securities lending activities	16,318	-	-	16,318	-
Expenses from securities lending activities	(15,976)	-	-	(15,976)	-
Net cash provided (used) by investing activities	<u>\$ 97,508</u>	<u>\$ 282,814</u>	<u>\$ 4,738</u>	<u>\$ 385,059</u>	<u>\$ -</u>
Net cash provided (used) - all activities	\$ (3,782)	\$ 6,061	\$ 4,130	\$ 6,409	\$ 12,168
Cash and cash equivalents at beginning of year	<u>5,412</u>	<u>12,387</u>	<u>57,887</u>	<u>75,685</u>	<u>224,879</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,629</u></u>	<u><u>\$ 18,448</u></u>	<u><u>\$ 62,017</u></u>	<u><u>\$ 82,094</u></u>	<u><u>\$ 237,047</u></u>

The accompanying notes are an integral part of the financial statements

Michigan

BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS

	MAJOR			TOTALS	GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	STATE LOTTERY FUND	MICHIGAN UNEMPLOYMENT COMPENSATION FUNDS	NON-MAJOR		
RECONCILIATION OF CASH AND CASH EQUIVALENTS					
Per Statement of Net Assets Classifications:					
Cash	\$ 2	\$ 6,112	\$ 1,596	\$ 7,709	\$ 13
Equity in common cash	4,215	12,336	65,926	82,477	239,203
Warrants outstanding	(2,587)	-	(5,505)	(8,092)	(2,169)
Cash and cash equivalents at end of year	<u>\$ 1,629</u>	<u>\$ 18,448</u>	<u>\$ 62,017</u>	<u>\$ 82,094</u>	<u>\$ 237,047</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 693,382	\$ (262,436)	\$ 135,612	\$ 566,558	\$ 12,197
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation expense	157	-	13	170	51,606
Amortization of prize award obligation discount	(29,388)	-	-	(29,388)	-
Other reconciling items	183	-	-	183	-
Net Changes in Assets and Liabilities:					
Inventories	(943)	-	387	(556)	(1,826)
Other assets (net)	(5,912)	(6,459)	354	(12,016)	(38,503)
Accounts payable and other liabilities	(109)	8,539	2,871	11,302	29,751
Prize awards payable	(66,602)	-	-	(66,602)	-
Deferred revenue	-	(56)	(139)	(195)	-
Net cash provided (used) by operating activities	<u>\$ 590,769</u>	<u>\$ (260,412)</u>	<u>\$ 139,098</u>	<u>\$ 469,455</u>	<u>\$ 53,225</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of capital assets acquisitions financed by capital leases	-	-	-	-	10,845
Capital lease liabilities entered into during the year	-	-	-	-	(10,845)
Increase (decrease) in fair value of investments	(16,372)	-	-	(16,372)	-
Transfers to other funds (accrual)	(18,017)	(2,172)	-	(20,189)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(170)
Total noncash investing, capital, and financing activities	<u>\$ (34,390)</u>	<u>\$ (2,172)</u>	<u>\$ -</u>	<u>\$ (36,562)</u>	<u>\$ (170)</u>