

ANNUAL QUAL

2018

REPORT

REPORT



LETTER FROM THE EXECUTIVE DIRECTOR

In Fiscal Year 2018, the Hoosier Lottery achieved record financial success, fulfilling its mission to return maximum net revenue to the State, in a socially responsible manner. Generated by total sales of \$1.27 billion, the Hoosier Lottery transferred a record amount of \$306 million to the State of Indiana to support good causes. By statute, these funds are used by the State to support the State Teachers' Retirement Fund and local police and firefighters' pension funds with annual contributions of \$30 million to each. The balance of the Lottery transfer goes to the Build Indiana Fund, which assists in providing up to a 50% reduction in auto excise taxes paid with a vehicle registration.

The Hoosier Lottery also benefits the State through the prize money paid to winners and the commissions paid to the approximately 4,500 retailers throughout the State who sell Hoosier Lottery products. This past fiscal year, Lottery players were awarded \$797 million in prizes. From visiting with winners, we know that much of the prize money is spent in local communities throughout the State. Big prize winners may buy cars, complete home improvement projects or make some other major purchase - often with businesses in their communities. Hoosier Lottery retailers were paid \$86.6 million in sales commissions that helped large and small businesses succeed while contributing to the local communities' economies.

Responsible gaming is a fundamental part of our business, whether in game design, advertising campaigns, printed materials or employee and retailer training. In 2015, the Hoosier Lottery earned the highest level of certification for our responsible gaming program by the World Lottery Association. We were the second U.S. lottery to attain this Level 4 status. The Association requires recertification every three years to ensure continuous improvement. After months of gathering data, reviewing programs, and exploring new opportunities to promote responsible gaming, we submitted our application in October and have been recertified to the highest level of the Responsible Gaming Framework.

The success of the Hoosier Lottery depends on the diligent work of our entire Lottery team. The Hoosier Lottery staff enjoys a great working relationship with our colleagues at IGT Indiana under our innovative and successful Integrated Services Agreement. While retaining complete authority for the operation of the Hoosier Lottery, we benefit from the expertise provided by IGT Indiana in game development, sales, marketing, distribution, and corporate social responsibility. The Hoosier Lottery staff manages accounting, prize payment, retailer payment, and retailer licensing and is responsible for the security and integrity of all Lottery operations.

As the Hoosier Lottery approaches its 30th anniversary in 2019, we look forward to the opportunity to remain successful in providing important funds to the State of Indiana. We will continue to stay focused on our players and retailers, providing innovative, convenient and enjoyable Lottery products.

Sincerely,

A handwritten signature in black ink that reads "Sarah M. Taylor". The signature is written in a cursive, flowing style.

Sarah M. Taylor
Executive Director of the Hoosier Lottery

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENT OF NET POSITION
JUNE 30, 2018 AND 2017

	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 31,862,415	\$ 25,430,173
Investments, Current Portion	10,819,035	11,027,012
Accounts Receivable, Net	115,396,346	119,652,474
Prepaid Transfers to the State and Other Prepaid Expenses	1,552,967	1,535,226
Total Current Assets	159,630,763	157,644,885
NONCURRENT ASSETS		
Long-Term Investments, Less Current Portion	96,893,075	109,662,841
Prepaid Transfers to the State, Less Current Portion	12,634,615	14,038,462
Restricted Assets	8,509,501	7,964,566
Capital Assets, Net	741,051	1,061,802
Total Noncurrent Assets	118,778,242	132,727,671
Total Assets	278,409,005	290,372,556
DEFERRED OUTFLOWS		
Deferred Outflows - Contributions Made Subsequent to Measurement Date	269,982	256,771
Deferred Outflows - Assumptions	34,334	132,634
Deferred Outflows - Earnings	578,888	812,044
Deferred Outflows - Proportionate Share	306,479	537,551
Deferred Outflows - Experience	121,147	43,884
Total Deferred Outflows	1,310,830	1,782,884
CURRENT LIABILITIES		
Accounts Payable:		
State	18,528,667	27,687,201
Trade	16,789,547	3,758,960
Current Portion of Prize Liability	122,566,561	126,767,575
Unearned Revenue	4,471,647	2,415,632
Other Accrued Expenses	435,541	859,350
Total Current Liabilities	162,791,963	161,488,718
LONG-TERM LIABILITIES		
Prize Liability, Less Current Portion	91,272,507	98,554,559
Unearned Revenue	12,634,615	14,038,462
Net Pension Liability	2,763,582	2,762,613
Total Noncurrent Liabilities	106,670,704	115,355,634
Total Liabilities	269,462,667	276,844,352
DEFERRED INFLOWS		
Deferred Inflows - Assumptions	17,836	30,313
Deferred Inflows - Earnings	440,276	390,561
Deferred Inflows - Proportionate Share	14,005	22,064
Deferred Inflows - Experience	2,718	157,602
Total Deferred Inflows	474,835	600,540
NET POSITION		
Unrestricted	9,041,282	13,648,746
Investment in Capital Assets	741,051	1,061,802
Total Net Position	\$ 9,782,333	\$ 14,710,548

All financial figures based on Fiscal Year 2018. The above financial information is derived from our June 30, 2018 financial statements, which were audited by CliftonLarsonAllen LLP.

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Scratch-Off Ticket Sales, Net	\$ 934,984,749	\$ 907,583,688
On-Line Ticket Sales	335,080,894	305,492,684
Total Operating Revenues	1,270,065,643	1,213,076,372
OPERATING EXPENSES		
Direct Game Expenses:		
Scratch-Off Game Prizes	632,906,443	623,405,429
On-Line Games Prizes	164,364,802	151,004,111
Total Direct Game Expenses	797,271,245	774,409,540
Indirect Game Expenses:		
Retailer Commissions	86,646,361	81,535,553
Lottery Expenses:		
Ticket Printing Costs	11,920,820	11,883,895
Advertising and Promotion	18,077,442	17,414,528
Central Gaming System Expenses	23,397,500	21,293,223
Miscellaneous Lottery Expenses	1,922,661	1,804,567
Management Fees	11,984,749	11,805,623
Other Game Expenses	461,998	422,065
Total Indirect Game Expenses	154,411,531	146,159,454
Total Operating Expenses	951,682,776	920,568,994
PROVIDER NET INCOME	318,382,867	292,507,378
OTHER OPERATING EXPENSES		
Salaries, Wages, and Benefits	3,794,213	3,792,379
General and Administrative	2,399,790	2,539,261
Total Other Operating Expenses	6,194,003	6,331,640
OPERATING INCOME	312,188,864	286,175,738
NONOPERATING REVENUES (EXPENSES)		
Interest Income	428,442	120,380
Net Decrease in Fair Value of Investments	(4,580,898)	(9,318,268)
Increase in Net Pension Obligation	(347,317)	(290,068)
Provider Incentive	(9,191,433)	-
Other Income (Expenses), Net	2,652,698	1,742,374
Total Nonoperating Revenues (Expenses), Net	(11,038,508)	(7,745,582)
NET INCOME PRIOR TO DISTRIBUTIONS	301,150,356	278,430,156
DISTRIBUTIONS		
Distributions to the State	(287,549,904)	(260,351,292)
Distributions to be Paid to the State	(18,528,667)	(27,687,201)
Total Distributions	(306,078,571)	(288,038,493)
CHANGES IN NET POSITION	(4,928,215)	(9,608,336)
Net Position - Beginning of year	14,710,548	24,318,884
NET POSITION - END OF YEAR	\$ 9,782,333	\$ 14,710,548

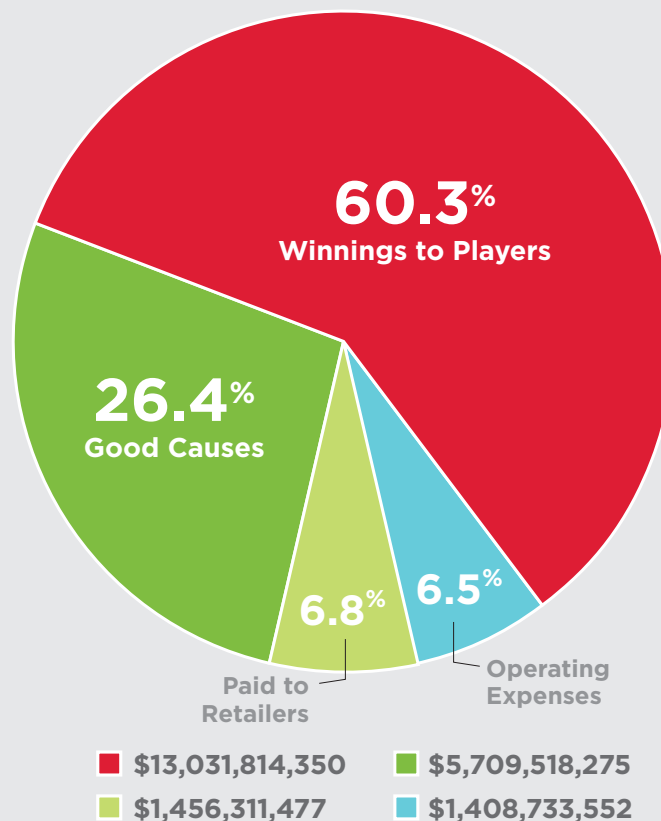
All financial figures based on Fiscal Year 2018. The above financial information is derived from our June 30, 2018 financial statements, which were audited by CliftonLarsonAllen LLP.

WHERE THE MONEY GOES

Since its inception on October 13, 1989, the Hoosier Lottery has paid more than **\$13.0 billion** to winning players and has contributed more than **\$5.7 billion** to good causes across the state, including local police & firefighters' pensions, the Teachers' Retirement Fund, and the Build Indiana Fund. Approximately **\$1.4 billion** has been paid to Lottery retailers.

FINANCIAL DISTRIBUTIONS

STATEWIDE PAYMENTS SINCE INCEPTION



Must be 18 or older to play. Please play responsibly. Problem Gambling Helpline: 1-800-994-8448. All financial figures based on Fiscal Year 2018. The above financial information is derived from our June 30, 2018 financial statements, which were audited by CliftonLarsonAllen LLP.

WHERE THE MONEY GOES



The Build Indiana Fund

is used to reduce the motor vehicle excise tax and help fund technology at schools and libraries, improving the lives of our fellow Hoosiers.



STRONGER. SAFER. SMARTER.

Lottery players help support local police and firefighters' pensions and the Teachers' Retirement Fund across Indiana.



Build Indiana Fund

\$253,833,257



Police & Firefighters' Pensions

\$30,000,000



Teachers' Retirement Fund

\$30,000,000



Go online to find out how we're giving back to Indiana counties. Visit hoosierlottery.com/givingback.

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Financial figures listed above reflect cash transfers to the State of Indiana in Fiscal Year 2018.

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hoosierlottery.com

