



••• WORKING HARD FOR INDIANA •••





OUR MISSION

To responsibly provide innovative and entertaining lottery games for the benefit of the citizens of Indiana



CORE VALUES

In all we do, we will:

...

Be customer-centric and consumer-centric.

...

Have a passion for excellence.

...

Foster creativity, teamwork, and collaboration.

...

Operate with the highest level of integrity.

...

Commit to the growth and development of our team.

Since inception, the Hoosier Lottery

has consistently generated significant dollars for the State of Indiana. We began selling lottery games in October 1989, after a majority of Indiana citizens voted yes on a 1988 voter referendum. The \$6 million in start up funding the state provided was repaid in less than a year. Our 187 employees throughout the state labor each year to deliver fun and entertaining lottery games via our nearly 4,000 retail partners. The fruit of that labor, our net income, is transferred to the Office of the State Treasurer. In fiscal year 2009, that amounted to \$179 million. How much money has the Hoosier Lottery produced for the State of Indiana in its 20 years of operation? More than \$3.4 billion!

In addition to generating much needed revenue for the State of Indiana, this year we also awarded hundreds of millions of dollars in cash prizes to players and remitted millions of dollars in commissions to Indiana businesses who sell our product.

The Indiana General Assembly directs the allocation of all net income generated by the Hoosier Lottery. These monies have continuously been directed to the Build Indiana Fund, the Indiana State Teachers' Retirement Fund and the Police Officers' and Firefighters' Pension and Disability Fund. Most recently, the Build Indiana Fund has been allocating the Hoosier Lottery revenue to significantly reduce the motor vehicle excise taxes paid by Hoosier residents.

**State Lottery Commission
of Indiana**



Todd A. Etzler
Valparaiso, IN

...



Gregory M. Fitzloff
Georgetown, IN

...



Todd Stuart
Indianapolis, IN



Jean Northenor, Chairperson
Warsaw, IN

A message from the Chairperson

Delivering the most revenue to the citizens of the State of Indiana is the primary goal of the Hoosier Lottery. This past year, the Lottery staff accomplished just that while working through some of the most difficult economic challenges and circumstances in memory.

Under the capable leadership of Executive Director, Kathryn A. Densborn, the Hoosier Lottery executive team conducted the business of this quasi state agency with the utmost efficiency and integrity. The competence of this organization is evident in the results they produce as they confidently guide their talented and creative staff.

Keeping the player experience fresh and compelling by engaging them with innovative and entertaining games has ensured the future endurance of lottery revenues. The launch of a new draw product along with the introduction of novel ways to play scratch-off products helped to keep Lottery revenues robust in fiscal year 2009.

The commitment and dedication of the Hoosier Lottery team is without reproach as they unreservedly work to generate higher revenues to benefit the citizens of Indiana. I am secure in knowing that this success will continue well into the future.

I am proud to offer you the Hoosier Lottery's Annual Report for fiscal year 2009.

Jean Northenor

A note from the Executive Director While weathering one of the toughest economic declines in decades, this past year we were able to successfully launch a new draw game, introduce a new style of play for Scratch-offs, and achieve measurable sales growth from Powerball® during periods of smaller jackpots by consistently messaging a simple reminder to play. Most importantly, we were able to deliver \$179 million to the State of Indiana on sales of \$732 million.

A second quarter decline in sales made fiscal year 2009 a year of analysis and learning, of challenges and accomplishments and one of belt tightening and tough decisions. Spending time in the field with our regional management teams, visiting retailers, and riding along with our Lottery Sales Representatives has provided insight into daily responsibilities with the goal of more efficiently accommodating the needs of our staff, our retailers and our players. There is much regional diversity in our great state, and not surprisingly, that translates into different purchasing patterns. Utilizing the knowledge of this data to determine the optimum product mix for our retail partners is challenging, but the reward is increased sales growth and profit.

Appealing and innovative games helped to engage our players as we endeavored to keep our offerings current and compelling. Quick Draw, our newest draw game was launched a month ahead of schedule and with considerably superior results than were initially forecast. Double Play®, an innovative new product that contains a scratch-off game on one side with a pull-tab game on the other side, sold out in two weeks! And Indiana is still the state with the greatest number of Powerball® jackpot winners at 36, with the addition of an Indianapolis winner in November and a Lawrenceburg winner in January.

Exciting sponsorship events allowed us to engage and connect with our existing players and reach out to new players. A crowd of hearty spectators and a host of media braved the cold in the early morning hour to watch as I assisted in pouring green dye into the canal that turned all of Indianapolis Irish on St. Patrick's Day. While we were center stage in Indianapolis distributing promotional coupons for our new Quick Draw game during the St. Patrick's Day parade, our sales staff was "putting on the green" and also distributing coupons to players statewide as they called on their retail customers. The Hoosier Lottery set sales records at the Indiana State Fair, and one exceptional winner was awarded \$1,000,000 in a special, one-time return of the Hoosier Millionaire Show staged at the Hoosier Lottery Grandstand. Our sponsorship presence at multiple sporting events and philanthropic events throughout the state has not only proven effective and inspiring, but also F-U-N.

The support of our Commissioners and the commitment of our staff have allowed these achievements in spite of the current economic challenges. The Hoosier Lottery is privileged to have a talented and dedicated group of individuals who give their all to make sure we provide the best possible products and services to our retailers and our players. I continue to have pride in the work we do on behalf of the State of Indiana and the money we provide to its citizens.

I invite you to take a look at the accomplishments that are outlined on the pages that follow and know that the Hoosier Lottery is committed to operating with the highest integrity and security.



Kathryn A. Densborn

Executive Director

Hoosier Lottery



More games; lots of possibilities // •••



In fiscal year 2009, Hoosiers continued to play their favorite Hoosier Lottery draw games, Powerball® with Power Play® and Hoosier Lotto, as well as a wide variety of Scratch-offs. In fact, 59% of Hoosiers 18 and older played at least one Hoosier Lottery game¹. This was also a year for players trying new products, with the launch of a new draw game, Quick Draw, and a new Double Play® instant ticket that combined both a scratch-off and a pull-tab game on the same ticket. With total sales of over \$732 million, \$453 million in prizes awarded to players, commissions paid to Indiana businesses totaling \$50 million and a net income of \$179 million in fiscal year 2009, the Hoosier Lottery continues to make a meaningful contribution to the economic landscape of the State of Indiana.

The power of Powerball® with Power Play®



In its 17th year, Powerball continues to be played by more Hoosiers than any other Hoosier Lottery product.

An amazing 44% of all Hoosiers 18 and older experienced the power of Powerball, clearly confirming the strength of this brand¹. Changes to the game matrix in January yielded a larger starting jackpot, better overall odds and an improved Power Play feature. This change, a promotional push for Power Play in September, and an ongoing messaging campaign helped to keep sales strong.

44% of Hoosiers 18 and older played Powerball¹

In addition to generating Lottery sales and traffic count for our retailers, this big jackpot game yielded more than 2.7 million winning tickets all across Indiana in 2009. We had seven \$1 million winners and 17 winners of \$200,000. We were also lucky enough to add two more jackpot wins to our count. Incredibly, the Hoosier Lottery continues to hold the record for the most Powerball jackpot wins of any participating state or jurisdiction.

Hoosier Lotto - a temperamental teen at 15 years of age but still the Hometown favorite



After an extraordinarily long run in 2008 when no jackpot prizes were won, we surprisingly experienced quite the opposite in 2009, and awarded 11 jackpot prizes. In addition to jackpots, this hometown favorite yielded a total of over 9.7 million winning tickets at all prize levels and \$55 million in sales. No wonder nearly 37% of all Hoosiers 18 and older have purchased our state jackpot game¹.

Net Sales by Game (Millions of Dollars) FY09

	FY09
Scratch-offs	\$474
Pull-Tab	11
Powerball	114
Hoosier Lotto	55
Quick Draw	7
Mix & Match	8
Daily 3/Daily 4	57
Lucky 5	6
Total	\$732

Quick Draw a quick success



The launch of Quick Draw in March proved to be one of our most successful draw game product launches. Players loved the easy-to-play aspects of this game.

"I have been playing your new game. I love it!"
Rosaline Lee, Marion

Double Play® - you're gonna flip!



Scratch-offs continue to be our biggest product category, with sales of \$474 million. In 2009, not only did we launch a variety of new games, we also introduced a new style of play. Double Play featured scratch-off play on the front and a pull-tab play on the back. Double Play, along with our other Scratch-offs, produced 38 million winning tickets across Indiana.



Lucky 5 awards 30 top prizes



This easy to play little lotto game, with a not-so-little top prize of \$50,000, has a small but loyal fan base among Hoosier Lottery players. In 2009, this game delivered big for our players with 30 top prize winning tickets and over 51,000 winning tickets in all.

Connecting with our players through our sponsorships



Sponsorships and events give us an opportunity to reach out and connect with our players. We kicked off the year at the Indiana State Fair. We achieved record sales and were thrilled to give away \$1,000,000 during a one time re-staging of the Hoosier Millionaire Show. We continued to strengthen our partnership with the Indianapolis Colts, one of the strongest NFL brands in the country. The opening of Lucas Oil Stadium brought heightened awareness and excitement for the Colts and their sponsors. Our first time working with Susan G. Komen Race for the Cure statewide proved to be an incredibly rewarding and productive experience on many levels. We once again made St. Patrick's Day a Hoosier Lottery day as we sponsored the greening of the canal and participated in the parade. Rounding out our sponsorship line-up, we reached thousands of players and fans through our participation with Circle City Classic, the Indiana Pacers, the Gary RailCats, the South Bend Silver Hawks, the Evansville Otters, the Fort Wayne Wizards and the Indianapolis Indians.



Hoosier Lottery celebrated luck at the St. Patrick's Day Parade



Lotto Town is a destination for Indiana State Fair attendees

Security and integrity remain at the top of the list

As always, we sought to achieve profitable growth while maintaining the security and integrity of our data and our games. Our Security and Information Technology departments are integral to the execution of a game launch, a game change and our promotional drawings in addition to their daily responsibilities that keep our system running 24-7.

¹Play Last Year. Customer Purchase Behavior, Marz and Company, June 2009

Powerball® and Power Play® are registered trademarks of The Multi-State Lottery Association

Double Play® is a Fusion™ product of Pollard Banknote, U.S. Patent No. 6,347,794

Nearly 4,000 Hoosier Lottery retailers can be found throughout the State of Indiana. We work to make our products accessible and convenient for our players. Most of our players can count on finding the products they love in the stores they regularly visit.

We support our retailers by providing merchandising solutions, promotional offerings, training and regular visits from Hoosier Lottery Sales Representatives.



Hoosier Lottery Sales Representative Sybil Kay and Suresh "Sonny" Kheradiva • Indianapolis



Charli Verba with Kathryn A. Densborn • Lawrenceburg
The Hoosier L

Hoosier Lottery retailers are vital to the effective selling of our games to Hoosier citizens and to those visiting our state. By helping to responsibly maximize Hoosier Lottery sales for the benefit of the citizens of Indiana, our retailers also benefit their bottom line.

Retailers are compensated by:

- Earning a base commission as a percentage of sales
- Redeeming winning tickets and awarding prizes to players
- Selling the jackpot or top prize for specific games:
 - Powerball®
 - Hoosier Lotto
 - Quick Draw
 - Mix & Match
- Maximizing the Retailer Rewards Program which provides incentives for reaching sales growth goals and implementing business practices designed to profitably increase sales.

Clearly, Hoosier Lottery retailers help us help Indiana. In return, the Hoosier Lottery paid more than \$50 million in commissions to our retailers this past year, not to mention generating foot traffic in their stores and the add-on sales resulting from that traffic. It truly is a winning partnership.

¹Hoosier Lottery - Shopper Marketing - C-store Intercept Study Winter 2007-2008



Winners everywhere, every day // •••

**The Hoosier Lottery
awarded amazing
amounts of money to
winners from all across
Indiana as well as the
United States. Our products
delivered more than
45 million winning tickets
in fiscal year 2009.**



Robert Doane • LaPorte • \$1,000,000



Caroline Clark • Lafayette • \$100,000



Robert Gladstein • Monrovia • \$100,000



Gary and Belinda Rasche • Jasper • \$1,000,000



•••// Winners everywhere, every day



Winning tickets of \$600 or more by zip code in fiscal year 2009

- 100 - 999 winning tickets
- 10 - 99 winning tickets
- 1 - 9 winning ticket(s)



Pamela Smith • Summitville • \$2,500,000



Shantay Britman • Elkhart • \$6,500,000



Bobby Guffey • Roanoke • \$3,000,000



Kimberly Vanulzen • Greenwood • \$1,000,000

This year 24 players were awarded prizes of \$1 million or more.

Allocation of net income in fiscal year 2009

\$119M to the
Build Indiana Fund

\$30M to the Indiana State
Teachers' Retirement Fund

\$30M to the Police Officers'
and Firefighters' Pension
and Disability Fund

While awarding \$453 million in prize money throughout the year is rewarding, it is the money we turn over to the state that demonstrates how effectively we are executing our mission.

A \$3.4 billion return on an initial \$6 million investment

It all started when the Indiana General Assembly passed the state budget with an appropriation of \$6 million to establish a state lottery. Once the Hoosier Lottery began selling tickets, this initial investment was quickly repaid. Including fiscal year 2009 net income of \$179 million, a total of \$3.4 billion has been transferred to the state.

**\$179 million in
fiscal 2009,
\$3.4 billion since 1989**

Hoosier Lottery funds reduce motor vehicle excise tax

Approximately \$119 million of Hoosier Lottery funds were directed to the Build Indiana Fund which is utilized to significantly reduce motor vehicle excise taxes for Hoosier citizens.



Hoosier Lottery funds benefit Indiana's best

This year, as in years past, the Indiana General Assembly directed \$30 million of Hoosier Lottery net income to the Indiana State Teachers' Retirement Fund and \$30 million to the Police Officers' and Firefighters' Pension and Disability Fund. Since 1989, the Hoosier Lottery has contributed a total of over \$977 million to these two important funds.



Financials // •••

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2009 AND 2008

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 61,393,152	\$ 68,074,259
Investments — current portion	10,229,452	8,585,823
Accounts receivable — net	24,472,828	32,423,283
Prepaid expenses	3,531,634	5,215,736
Accrued interest receivable	111,805	715,041
Ticket inventory	402,312	229,937
Total current assets	<u>100,141,183</u>	<u>115,244,079</u>
NONCURRENT ASSETS:		
Long-term investments — less current portion	102,347,244	82,146,691
Restricted assets	8,052,769	8,074,698
Capital assets — net	<u>2,209,034</u>	<u>3,736,960</u>
Total noncurrent assets	<u>112,609,047</u>	<u>93,958,349</u>
TOTAL	<u>\$ 212,750,230</u>	<u>\$ 209,202,428</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
State	\$ 46,832,296	\$ 51,340,603
Trade	5,531,900	6,718,479
Current portion of prize liability	52,175,090	62,584,910
Deferred revenue	920,488	783,615
Other accrued expenses	<u>1,439,658</u>	<u>2,145,033</u>
Total current liabilities	<u>106,899,432</u>	<u>123,572,640</u>
LONG-TERM LIABILITIES — Prize liability less current portion	<u>100,850,798</u>	<u>80,629,788</u>
Total liabilities	<u>207,750,230</u>	<u>204,202,428</u>
NET ASSETS:		
Unrestricted	2,790,966	1,263,040
Invested in capital assets	<u>2,209,034</u>	<u>3,736,960</u>
Total net assets	<u>5,000,000</u>	<u>5,000,000</u>
TOTAL	<u>\$ 212,750,230</u>	<u>\$ 209,202,428</u>

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
OPERATING REVENUES:		
Instant ticket sales — net		
On-line ticket sales	\$ 484,630,385	\$ 539,321,205
	<u>248,026,485</u>	<u>283,523,946</u>
Total operating revenues	<u>732,656,870</u>	<u>822,845,151</u>
OPERATING EXPENSES:		
Direct game expenses:		
Instant game prizes	326,291,712	360,763,282
On-line games prizes	<u>126,933,453</u>	<u>142,531,880</u>
	<u>453,225,165</u>	<u>503,295,162</u>
Indirect game expenses:		
Retailer commissions	50,499,632	59,499,591
Ticket printing costs	7,424,945	8,620,546
Advertising and promotion	11,252,281	9,837,030
On-line professional services	7,195,740	8,358,404
ITVM lease and courier services	3,740,932	3,662,997
	<u>80,113,530</u>	<u>89,978,568</u>
Total game expenses	<u>533,338,695</u>	<u>593,273,730</u>
OTHER OPERATING EXPENSES:		
Salaries, wages, and benefits	13,879,830	14,589,704
General and administrative	<u>7,409,111</u>	<u>5,000,032</u>
Total other operating expenses	<u>21,288,941</u>	<u>19,589,736</u>
Total operating expenses	<u>554,627,636</u>	<u>612,863,466</u>
OPERATING INCOME	<u>178,029,234</u>	<u>209,981,685</u>
NON-OPERATING REVENUES:		
Interest income	635,959	3,910,889
Net increase in fair value of investments	21,611	2,944,523
Other income - net	<u>247,517</u>	<u>230,062</u>
Total non-operating revenues -net	<u>905,087</u>	<u>7,085,474</u>
NET INCOME PRIOR TO DISTRIBUTIONS	<u>178,934,321</u>	<u>217,067,159</u>
DISTRIBUTIONS:		
Distributions to the State	(132,102,025)	(165,726,556)
Distributions to be paid to the State	<u>(46,832,296)</u>	<u>(51,340,603)</u>
Total distributions	<u>(178,934,321)</u>	<u>(217,067,159)</u>
CHANGE IN NET ASSETS	-	-
NET ASSETS — Beginning of year	<u>5,000,000</u>	<u>5,000,000</u>
NET ASSETS — Ending of year	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from ticket sales	\$ 740,669,757	\$ 822,069,641
Payments to ticket winners	(443,413,975)	(507,992,032)
Payments to employees	(14,585,205)	(14,244,233)
Payments of suppliers	<u>(85,048,777)</u>	<u>(95,177,329)</u>
Net cash provided by operating activities	<u>197,621,800</u>	<u>204,656,047</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Distributions to the State	(183,442,628)	(224,030,122)
Other income	247,517	230,062
Net increase (decrease) in restricted assets	<u>21,929</u>	<u>(61,436)</u>
Net cash used in noncapital and related financing activities	<u>(183,173,182)</u>	<u>(223,861,496)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(627,311)	(3,713,319)
Proceeds from the sale of capital assets	<u>80,962</u>	<u>39,356</u>
Net cash used in capital and related financing activities	<u>(546,349)</u>	<u>(3,673,963)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(25,943,583)	(9,551,318)
Investment maturities	4,121,012	3,939,939
Interest income	<u>1,239,195</u>	<u>3,730,451</u>
Net cash used in investing activities	<u>(20,583,376)</u>	<u>(1,880,928)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,681,107)	(24,760,340)
CASH AND CASH EQUIVALENTS — Beginning of year	68,074,259	92,834,599
CASH AND CASH EQUIVALENTS — End of year	\$ 61,393,152	\$ 68,074,259
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 178,029,234	\$ 209,981,685
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,148,717	2,065,701
Change in provision for doubtful accounts	22,711	27,577
Change in provision for ticket returns	(161,447)	994,710
Loss (gain) on sale of fixed assets	(74,442)	30,565
Changes in certain assets and liabilities:		
Accounts receivable	8,089,191	(2,173,671)
Instant ticket inventory	(172,375)	(134,224)
Prepaid expenses	1,684,102	170,663
Accounts payable — trade	(1,186,579)	(2,300,869)
Deferred revenue	136,873	345,309
Other accrued expenses	(705,375)	345,471
Prize liability	<u>9,811,190</u>	<u>(4,696,870)</u>
Net cash provided by operating activities	<u>\$ 197,621,800</u>	<u>\$ 204,656,047</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES —		
Net increase in fair value of investments	<u>\$ 21,611</u>	<u>\$ 2,944,523</u>

STATE LOTTERY EXECUTIVE STAFF

KATHRYN A. DENSBORN

EXECUTIVE DIRECTOR

W. EDWARD BENTON

DEPUTY DIRECTOR AND CHIEF FINANCIAL OFFICER

SUSAN GOLIGHTLY

DIRECTOR OF MARKETING

JEFF GOLTZ

DIRECTOR OF INFORMATION TECHNOLOGY

ANDREW JONES

INFORMATION SECURITY OFFICER

ANDREW J. KLINGER

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TIM KUEHR

CONTROLLER

IRENE LANGE

DIRECTOR OF ADMINISTRATION

JIM NASH

DIRECTOR OF SECURITY

ANDREW REED

DIRECTOR OF PUBLIC RELATIONS

CARRIE STROUD

INTERNAL AUDITOR

MARK THACKER

DIRECTOR OF SALES

HOOSIER LOTTERY OFFICE LOCATIONS

HEADQUARTERS

PAN AM PLAZA, SUITE 1100
201 S. CAPITOL AVE.
INDIANAPOLIS, IN 46225

CENTRAL REGION

5252 DECATUR BLVD.
INDIANAPOLIS, IN 46241

NORTHWESTERN REGION

1344 BROADWAY
GARY, IN 46407

1539 N. IRONWOOD DR.
SOUTH BEND, IN 46635

NORTHEASTERN REGION

3711 VANGUARD DR., SUITE I
FORT WAYNE, IN 46809

SOUTHERN REGION

WATER TOWER SQUARE - SUITE 104
590 MISSOURI AVE.
JEFFERSONVILLE, IN 47130

5625 E. VIRGINIA ST.
EVANSVILLE, IN 47715

WESTERN REGION

680 E. SPRINGHILL DR.
TERRE HAUTE, IN 47802

For more information contact Customer Service at (317) 264-4800 or 1-800-955-6886.