

ANNUAL QUAL

2016

REPORT

REPORT



LETTER FROM THE EXECUTIVE DIRECTOR

Dear Hoosiers:

The Hoosier Lottery continued to fulfill its mission in fiscal year 2016 by generating important funds for the State of Indiana in a socially responsible way. Since the citizens of Indiana approved a state-sponsored lottery in 1988, the Hoosier Lottery has contributed more than \$5 billion to the State of Indiana. Over these past years, the Legislature has appropriated these funds for a variety of public improvement projects and programs that have benefited all parts of our state.

Following laws passed in 1989, revenue from the Hoosier Lottery supports the Indiana Teachers' Retirement Fund and local police and firefighters' pension funds, each receiving \$30 million, annually. The remaining revenues go to the Build Indiana Fund primarily to support as much as a 50% reduction in auto excise taxes for all Hoosiers. These funds are distributed to Indiana's counties to offset the revenue lost from the reduced excise tax.

I am pleased to report that in FY 2016, the Hoosier Lottery achieved a record net income of \$290 million. The unprecedented contribution to the State of Indiana was generated by a record \$1.2 billion in sales of Lottery products. Prize winners were paid \$772 million and our retail sales partners were paid \$82 million in commissions. On July 8, 2016 a winning Mega Millions ticket was sold to a Hoosier at a retailer in Cambridge City, IN. This \$536 million jackpot was the seventh largest jackpot in the history of American lotteries.

An important contributor to the financial success of this past year is our business relationship with IGT Indiana. While the State Lottery Commission retains full oversight of all Hoosier Lottery operations, a unique integrated services agreement assigns IGT Indiana responsibilities for the development and distribution of all lottery products and the supporting sales, marketing and promotional efforts. The State Lottery Commission retains all financial management, prize payment, retailer licensing and security functions. Working together, the Lottery Commission and IGT Indiana have introduced popular games that Hoosiers have enjoyed playing and winning and thereby generating this record amount of funds for the State of Indiana.

Another significant goal was our continued promotion of responsible gaming. In January, the Hoosier Lottery's responsible gaming program earned the highest ranking from the World Lottery Association. Our ever-present messaging about responsible gaming in all of our sales, promotional and general communication as well as other educational efforts helped the Hoosier Lottery become only the second lottery in the United States to achieve this status.

We are proud to share the attached financial information that documents our great performance and the benefits provided for all of Indiana by the Hoosier Lottery. All of us at the Hoosier Lottery are committed to building on this success to generate even more revenue for the State of Indiana in the years to come.

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
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 33,713,655	\$ 23,310,339
Investments - current portion	11,638,492	11,654,116
Accounts receivable - net	98,727,015	97,114,077
Prepaid expenses	16,984,325	128,838
Accrued interest receivable	-	452
Total current assets	<u>161,063,487</u>	<u>132,207,822</u>
NONCURRENT ASSETS:		
Investments - less current portion	135,117,392	132,341,282
Restricted assets	8,026,215	8,598,161
Capital assets - net	1,409,259	1,529,110
Total noncurrent assets	<u>144,552,866</u>	<u>142,468,553</u>
Total assets	<u>305,616,353</u>	<u>274,676,375</u>
DEFERRED OUTFLOWS:		
Deferred outflows - contributions made subsequent to measurement date	244,166	267,847
Deferred outflows - change in assumptions	274,482	229,587
Deferred outflows - earnings	794,235	162,192
Deferred outflows - proportionate share	768,064	1,006,427
Deferred outflows - experience	164,313	-
Total deferred outflows	<u>2,245,260</u>	<u>1,666,053</u>
CURRENT LIABILITIES:		
Accounts payable:		
State	21,097,723	33,941,084
Trade	9,400,564	2,639,161
Prize liability - current portion	113,199,597	96,381,990
Unearned revenue - current portion	2,528,835	789,660
Other accrued expenses	443,697	636,452
Total current liabilities	<u>146,670,416</u>	<u>134,388,347</u>
LONG-TERM LIABILITIES:		
Prize liability - less current portion	117,894,544	123,525,675
Unearned revenue - less current portion	15,442,308	-
Net pension liability	3,083,616	1,993,093
Total noncurrent liabilities	<u>136,420,468</u>	<u>125,518,768</u>
Total liabilities	<u>283,090,884</u>	<u>259,907,115</u>
DEFERRED INFLOWS:		
Deferred inflows - experience	262,236	435,452
Deferred inflows - earnings	151,952	191,367
Deferred inflows - assumptions	37,657	-
Total deferred inflows	<u>451,845</u>	<u>626,819</u>
NET POSITION:		
Unrestricted	22,909,625	14,279,384
Net investment in capital assets	1,409,259	1,529,110
TOTAL NET POSITION	<u>\$ 24,318,884</u>	<u>\$ 15,808,494</u>

All financial figures based on Fiscal Year 2016. The above financial information is derived from our June 30, 2016 financial statements, which were audited by CliftonLarsonAllen LLP.

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Scratch-off sales - net	\$ 869,945,711	\$ 759,457,779
On-line ticket sales	337,668,847	281,206,095
Total operating revenues	<u>1,207,614,558</u>	<u>1,040,663,874</u>
OPERATING EXPENSES:		
Direct game expenses:		
Scratch-off game prizes	600,288,790	525,052,162
On-line games prizes	171,685,163	145,927,864
	<u>771,973,953</u>	<u>670,980,026</u>
Indirect game expenses:		
Retailer commissions	81,927,212	70,129,231
Lottery expenses:		
Ticket printing expense	12,164,702	11,697,226
Advertising and promotion	18,911,496	19,665,133
Central gaming system expense	21,135,202	18,346,437
Miscellaneous lottery expense	1,924,521	1,934,436
Management fees	13,160,201	14,693,414
Other game expense	574,246	934,571
	<u>149,797,580</u>	<u>137,400,448</u>
Total game expenses	<u>921,771,533</u>	<u>808,380,474</u>
PROVIDER NET INCOME	<u>285,843,025</u>	<u>232,283,400</u>
OTHER OPERATING EXPENSES:		
Salaries, wages, and benefits	3,499,829	3,231,711
General and administrative	2,724,670	2,717,089
Total other operating expenses	<u>6,224,499</u>	<u>5,948,800</u>
OPERATING INCOME	<u>279,618,526</u>	<u>226,334,600</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	96,953	17,172
Net increase in fair value of investments	8,846,733	821,941
Decrease in net pension obligation	(336,343)	(118,348)
Provider shortfall	-	16,000,000
Other income - net	1,756,274	315,966
Total non-operating revenues - net	<u>10,363,617</u>	<u>17,036,731</u>
NET INCOME PRIOR TO DISTRIBUTIONS	<u>289,982,143</u>	<u>243,371,331</u>
DISTRIBUTIONS:		
Distributions to the State	(260,374,031)	(208,726,653)
Distributions to be paid to the State	(21,097,723)	(33,941,085)
Total distributions	<u>(281,471,754)</u>	<u>(242,667,738)</u>
CHANGES IN NET POSITION	8,510,389	703,593
NET POSITION — Beginning of year - Restated 2015	<u>15,808,494</u>	<u>15,104,901</u>
NET POSITION — Ending of year	<u>\$ 24,318,883</u>	<u>\$ 15,808,494</u>

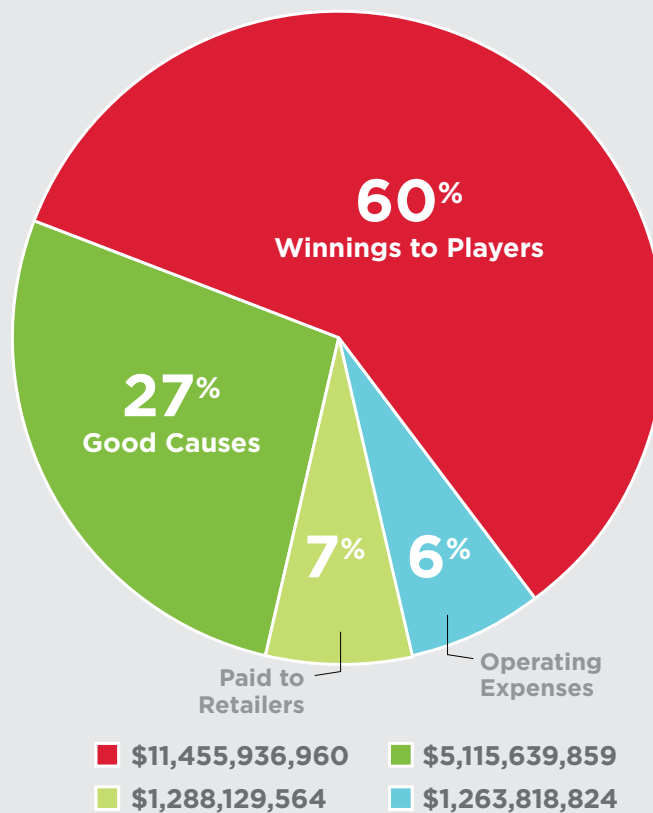
All financial figures based on Fiscal Year 2016. The above financial information is derived from our June 30, 2016 financial statements, which were audited by CliftonLarsonAllen LLP.

WHERE THE MONEY GOES

Since its inception on October 13, 1989, the Hoosier Lottery has paid almost **\$11.5 billion** to winning players and has contributed more than **\$5.1 billion** to good causes across the state, including local police & firefighters' pensions, the Teachers' Retirement Fund, and the Build Indiana Fund. Approximately **\$1.3 billion** has been paid to Lottery retailers.

FINANCIAL DISTRIBUTIONS

STATEWIDE PAYMENTS SINCE INCEPTION



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

\$251,161,269



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.

Must be 18 or older to play. Please play responsibly. Gambling Addiction Referral Line: 1-800-994-8448.

Financial figures listed above reflect cash transfers to the State of Indiana in Fiscal Year 2016.

The above financial information is derived from our June 30, 2016 financial statements, which were audited by CliftonLarsonAllen LLP.



hoosierlottery.com

