

# ANNUAL QUAL

2017

# REPORT

# REPORT



## LETTER FROM THE EXECUTIVE DIRECTOR

As the following financial reports show, the Hoosier Lottery enjoyed a very successful Fiscal Year 2017 that allowed us to send a record amount revenue to the State of Indiana. These financial results were made possible by the hard work of the Hoosier Lottery team. Sales of scratch and draw products reached a record \$1.213 billion for the twelve months ending June 30, 2017. After awarding prizes, paying retailer commission and covering operating costs, the Hoosier Lottery generated a record \$286.2 million in operating income. The Lottery is proud that our contributions to the state are currently used to support the pension and retirement funds for Hoosier teachers, police officers and firefighters as well up to a 50% reduction in auto excise taxes for all Hoosier vehicle owners.

Under Indiana statute, the Hoosier Lottery is given a direct charge to maximize revenue to the State of Indiana in a socially responsible manner. With the Hoosier Lottery operating in its 28th year, our staff is challenged to develop and publicize games that will maintain and expand our customer base. We rely on the expertise of our colleagues at IGT Indiana to create and launch games with optimal schedules, design and price points. For example, the Hoosier Lottery was proud to be the launch lottery for the new “Now and Later” game that combines both a scratch and draw game on one ticket. The work with our local scratch and draw games is then supplemented by the big national draw games of Powerball and Mega Millions. In Fiscal Year 2017, total sales were 75% scratch games and 25% draw games.

Hoosiers have a winning tradition with the national draw games. Since the beginning of Powerball, players from Indiana have won 39 jackpots - more than any other state. Our 39th win occurred on February 22, 2017 when a retailer in Lafayette sold the winning \$435 million Powerball jackpot ticket. This win followed the Mega Millions jackpot win of \$535 million on July 8, 2016 by a resident of Hamilton County with a ticket purchased at Cambridge City, IN.

Even though the big wins generate a lot of media interest, each day the Hoosier Lottery sells winning tickets in Fiscal Year 2017 paid winners over \$774 million. The Lottery also paid \$81.5 million in commissions to the 4,500 retailers throughout the state who sell the Lottery products. In addition to the funds provided directly to the State of Indiana, we know that much of this prize money and retailer commissions are spent right here in Indiana on everything from furniture to cars to home improvements.

All of us at the Hoosier Lottery take seriously our direction to operate the Lottery in a socially responsible manner. We are committed to an education, training and review process that has earned us the highest responsible gaming certification from the World Lottery Association. In the marketplace, we make sure that all of our products, promotional materials and advertising have our “responsible gaming” message. We also review all game designs and even sponsorship activities for adherence to the standards for responsible gaming.

Although we operate in an increasing competitive marketplace for entertainment dollars, we are confident that the Hoosier Lottery team will continue our success to benefit all Hoosiers in Fiscal Year 2018.



Sarah M. Taylor  
Executive Director of the Hoosier Lottery

**THE STATE LOTTERY COMMISSION OF INDIANA**  
**STATEMENTS OF NET POSITION**  
**AS OF JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 25,430,173	\$ 33,713,655
Investments — current portion	11,027,012	11,638,492
Accounts receivable — net	119,652,474	98,727,015
Prepaid expenses	15,573,688	16,984,325
Total current assets	<u>171,683,347</u>	<u>161,063,487</u>
<b>NONCURRENT ASSETS:</b>		
Long-term investments — less current portion	109,662,841	135,117,392
Restricted assets	7,964,566	8,026,215
Capital assets — net	1,061,802	1,409,259
Total noncurrent assets	<u>118,689,209</u>	<u>144,552,866</u>
Total assets	<u>290,372,556</u>	<u>305,616,353</u>
<b>DEFERRED OUTFLOWS:</b>		
Deferred outflows - contributions made subsequent to measurement date	256,771	244,166
Deferred outflows - assumptions	132,634	274,482
Deferred outflows - earnings	812,044	794,235
Deferred outflows - proportionate share	537,551	768,064
Deferred outflows - experience	43,884	164,313
Total deferred outflows	<u>1,782,884</u>	<u>2,245,260</u>
<b>CURRENT LIABILITIES:</b>		
Accounts payable:		
State	27,687,201	21,097,723
Trade	3,758,960	9,400,564
Current portion of prize liability	126,767,575	113,199,597
Unearned revenue	2,415,632	2,528,835
Other accrued expenses	859,350	443,697
Total current liabilities	<u>161,488,718</u>	<u>146,670,416</u>
<b>LONG-TERM LIABILITIES:</b>		
Prize liability less current portion	98,554,559	117,894,544
Unearned revenue	14,038,462	15,442,308
Net pension liability	2,762,613	3,083,616
Total noncurrent liabilities	<u>115,355,634</u>	<u>136,420,468</u>
Total liabilities	<u>276,844,352</u>	<u>283,090,884</u>
<b>DEFERRED INFLOWS:</b>		
Deferred inflows - assumptions	30,313	37,657
Deferred inflows - earnings	390,561	151,952
Deferred inflows - proportionate share	22,064	-
Deferred inflows - experience	157,602	262,236
Total deferred inflows	<u>600,540</u>	<u>451,845</u>
<b>NET POSITION:</b>		
Unrestricted	13,648,746	22,909,625
Net investment in capital assets	1,061,802	1,409,259
<b>TOTAL NET POSITION</b>	<u>\$ 14,710,548</u>	<u>\$ 24,318,884</u>

**THE STATE LOTTERY COMMISSION OF INDIANA**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES:</b>		
Scratch-off ticket sales - net	\$ 907,583,688	\$ 874,142,323
On-line ticket sales	305,492,684	337,668,847
<b>Total operating revenues</b>	<b>1,213,076,372</b>	<b>1,211,811,170</b>
<b>OPERATING EXPENSES:</b>		
Direct game expenses:		
Scratch-off game prizes	623,405,429	604,485,402
On-line games prizes	151,004,111	171,685,163
	<b>774,409,540</b>	<b>776,170,565</b>
Indirect game expenses:		
Retailer commissions	81,535,553	81,927,212
Lottery expenses:		
Ticket printing costs	11,883,895	12,164,702
Advertising and promotion	17,414,528	18,911,496
Central gaming sytem expenses	21,293,223	21,135,202
Miscellaneous lottery expenses	1,804,567	1,924,521
Management Fees	11,805,623	13,160,201
Other Game Expenses	422,065	574,246
	<b>146,159,454</b>	<b>149,797,580</b>
<b>Total game expenses</b>	<b>920,568,994</b>	<b>925,968,145</b>
<b>PROVIDER NET INCOME</b>	<b>292,507,378</b>	<b>285,843,025</b>
<b>OTHER OPERATING EXPENSES:</b>		
Salaries, wages, and benefits	3,792,379	3,499,829
General and administrative	2,539,261	2,724,670
<b>Total other operating expenses</b>	<b>6,331,640</b>	<b>6,224,499</b>
<b>OPERATING INCOME</b>	<b>286,175,738</b>	<b>279,618,526</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Interest income	120,380	96,953
Net increase (decrease) in fair value of investments	(9,318,268)	8,846,733
Increase (decrease) in net pension obligation	(290,068)	(336,343)
Other income (expenses) - net	1,742,374	1,756,274
<b>Total non-operating revenues (expenses) - net</b>	<b>(7,745,582)</b>	<b>10,363,617</b>
<b>NET INCOME PRIOR TO DISTRIBUTIONS</b>	<b>278,430,156</b>	<b>289,982,143</b>
<b>DISTRIBUTIONS:</b>		
Distributions to the State	(260,351,292)	(260,374,031)
Distributions to be paid to the State	(27,687,201)	(21,097,723)
<b>Total distributions</b>	<b>(288,038,493)</b>	<b>(281,471,754)</b>
<b>CHANGES IN NET POSITION</b>	<b>(9,608,336)</b>	<b>8,510,390</b>
<b>NET POSITION — Beginning of year - Restated 2015</b>	<b>24,318,884</b>	<b>15,808,494</b>
<b>NET POSITION — Ending of year</b>	<b>\$ 14,710,548</b>	<b>\$ 24,318,884</b>

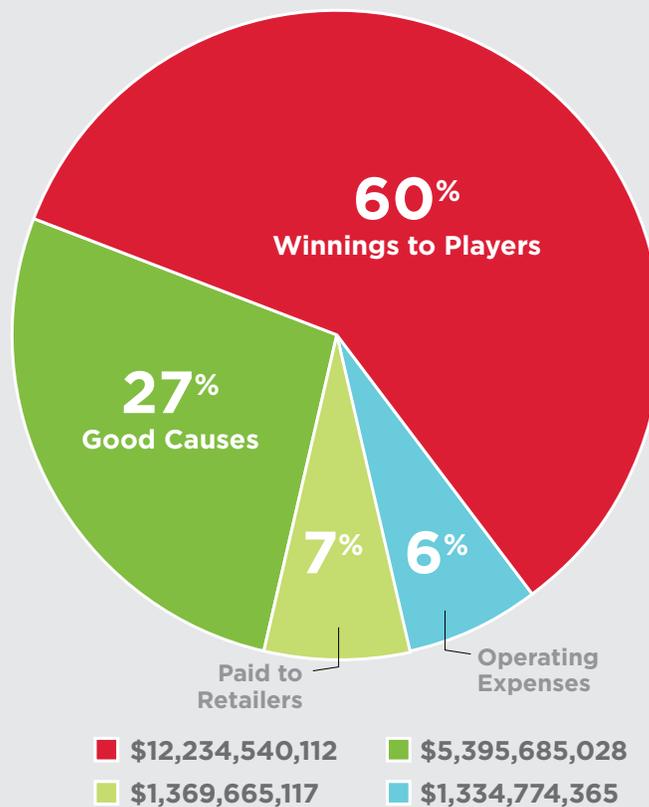
All financial figures based on Fiscal Year 2017. The above financial information is derived from our June 30, 2017 financial statements, which were audited by CliftonLarsonAllen LLP.

# WHERE THE MONEY GOES

Since its inception on October 13, 1989, the Hoosier Lottery has paid more than **\$12.2 billion** to winning players and has contributed more than **\$5.3 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

\$220,045,168



### 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](http://hoosierlottery.com/givingback).

Must be 18 or older to play. Please play responsibly. Problem Gambling Helpline: 1-800-994-8448.

Financial figures listed above reflect cash transfers to the State of Indiana in Fiscal Year 2017.

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[hoosierlottery.com](http://hoosierlottery.com)

