

DELAWARE STATE LOTTERY ACFR

FOR FISCAL YEARS ENDED JUNE 30, 2022
AND JUNE 30, 2021

DELAWARE STATE LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2022 AND 2021

BACKGROUND

This engagement was performed in accordance with 29 Del. C. § 4816 and 29 Del. C. § 2906.

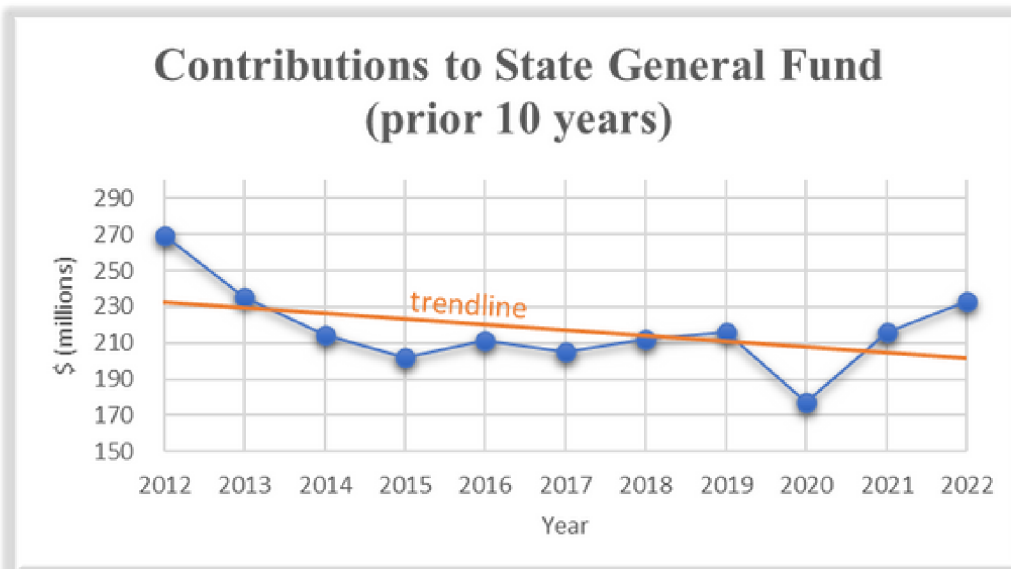
This engagement is for the Delaware State Lottery's Annual Comprehensive Financial Report (ACFR), which presents a wide variety of important information to help readers properly understand the basic statements. This allows the Delaware State Lottery to participate in the Government Financial Officers Association (GFOA) ACFR certification program, which it has participated in for over 20 years. Unlike many other state lotteries, the Delaware Lottery's revenue is not earmarked for any specific cause or group. Instead, the lottery generates income for the state's General Fund.



KEY INFORMATION AND FINDINGS

This audit contains an unmodified opinion. An unmodified opinion is sometimes referred to as a “clean” opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity's financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. There were no findings required to be reported under Government Auditing Standards.

The Delaware Lottery contributed over \$216 million to the state's General Fund in Fiscal Year 2021 and \$233 million to the state's General Fund in Fiscal Year 2022. After the completion of fiscal year 2022, the Delaware Lottery has distributed over \$6.0 billion to the State General Fund since 1976.



For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

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FULL REPORT](#)**

DELAWARE STATE LOTTERY

An Enterprise Fund of the State of Delaware



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2022, AND 2021

DELAWARE STATE LOTTERY

An Enterprise Fund of the State of Delaware



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED JUNE 30, 2022, AND 2021

Prepared by:

Tina M. Leager

Senior Fiscal Administrative Officer

Delaware State Lottery

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INTRODUCTORY SECTION



STATE OF DELAWARE
DEPARTMENT OF FINANCE
STATE LOTTERY OFFICE
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DOVER, DELAWARE 19904-1903

OFFICE OF THE
DIRECTOR

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December 19, 2022

The Honorable Rick Geisenberger
Secretary of Finance,
State of Delaware

INTRODUCTION

We are pleased to submit to you this Annual Comprehensive Financial Report of the Delaware State Lottery for the fiscal year ended June 30, 2022. This report has been prepared by the Finance and Accounting Department of the Lottery.

Responsibility for both the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures, rests with the Delaware State Lottery. To the best of our knowledge and belief, the data presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Lottery. All disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities have been included.

This Annual Comprehensive Financial Report is presented in three sections, as outlined below:

The Introductory section is comprised of this transmittal letter, a list of principal officials, an organization chart, and a copy of the Certificate of Achievement for Excellence in Financial Reporting for the year ended June 30, 2021.

The Financial section begins with the independent auditors' report followed by management's discussion and analysis and then by the Lottery's audited financial statements and accompanying notes for the years ended June 30, 2022, and 2021.

The Statistical section presents trends of financial and other relevant data. It includes data on the Delaware State Lottery and certain data pertaining to the United States Lottery industry.

REPORTING ENTITY

OVERVIEW:

The Reporting entity is the Delaware State Lottery (the Lottery). The Lottery operates traditional lottery games, video lottery, sports lottery and table games, and internet gaming for video and tables (I-Gaming). This report includes only activity of the Lottery and does not include data or information related to any other state agency or fund.

LOTTERY MISSION STATEMENT:

To maximize revenue contributions to the State's General Fund, thereby helping to fund the delivery of governmental services to the people of Delaware:

- Through the marketing, sale and distribution of innovative, entertaining, and secure Lottery products that ensure the public's confidence in the integrity of the games, retailers, agents, and Lottery operations, and
- By providing leadership and a corporate culture that encourages productive change leading to improvement in every aspect of the business.

TRADITIONAL LOTTERY:

The Lottery was established by enabling legislation signed into law on May 31, 1974, by the Governor of the State of Delaware and placed under his Executive Office. On July 7, 1976, the Lottery was transferred from the Office of the Governor to the Department of Finance.

This enabling legislation, which established the traditional lottery, placed the operation of the lottery under the supervision of a Director. The Director has the power and duty to establish rules for conducting games, including the type and number of games, the price of tickets, the number and amounts of winning tickets, the manner of prize payment, frequency of drawings, locations, and methods for the sale of tickets, procedures for licensing of retailers and all other functions related to the operations of the lottery. The legislation provided that at least 45 percent of total revenue shall be used to pay prizes, operating expenses shall not exceed 20 percent of total revenue and up to 30 percent of total revenue will be paid to the General Fund of the State of Delaware.

TRADITIONAL LOTTERY PRODUCTS

INSTANT GAMES

Instant tickets were introduced in February 1976. These games are easy to play since all that is required is to scratch the latex covering off the play area on the ticket. If the correct combination appears, the player becomes an instant winner. The Lottery currently has a wide variety of instant game themes and ticket prices by game.

PLAY3[®]

Play 3 was the first traditional drawing game introduced by the Lottery in January 1978. Players pick three numbers from 0 to 9 and choose among nine different play options. Players also have the option of selecting

for a “Day” or a “Night” drawing. “Day” drawings are held Monday through Saturday and “Night” drawings are held seven nights a week. Odds of winning and payouts vary depending on the selected option.

PLAY4[®]

Play 4 was introduced in January 1980. Players pick four numbers from 0 to 9 and choose among five different options. Players also have the option of selecting for a “Day” or a “Night” drawing. “Day” drawings are held Monday through Saturday and “Night” drawings are held seven nights a week. Odds of winning and payouts vary depending on the selected option.

MULTI-WIN LOTTO

Lotto was first introduced in April 1983 with a “6 of 30” matrix. The jackpot prize for picking all six correct numbers out of 30 was paid as an annuity over a maximum of twenty years. In July 1984, an EZ pick option, which gave players the choice of having the computer pick all or some of the numbers to be played, was added. Multi-Win Lotto was created during January 2005, replacing the Lotto game. The matrix changed to “6 of 35”. Tickets cost \$2 with each ticket giving players three lines of play. A prize can be won by matching three, four, five or six numbers straight across on any of the three lines of numbers. Players can also win by combining number matches from all three lines. This is accomplished by matching a total of at least six numbers from the three lines. Drawings for Multi-Win Lotto are held on every Monday, Wednesday, and Friday.



Powerball is a traditional lottery drawing game jointly operated by multiple lotteries of throughout the United States known as MUSL. (Please see Note 4 of the Notes to Financial Statements in the “Financial Section” of this report for a further description of MUSL). In its current form, Powerball has a matrix of “5 of 69” for the first set and a matrix of “1 of 26” for the second (Powerball) set. Players have the option of receiving the jackpot as an annuity over 29 years or receiving the present value of the annuity stream in cash. A Powerball ticket costs \$2. The minimum jackpot offered is \$20 million. There are eight prize levels up to \$2 million. Drawings are held every Monday, Wednesday, and Saturday. The jackpot amount increases for each drawing if no winning ticket matches the first set of five numbers and the Powerball number of the second set. An additional feature of the Powerball game is the Power Play option. Players can wager an additional \$1 for each Powerball game that they chose to play. If they win, they’re guaranteed to win the set Power Play prize amount. Power Play does not apply to the jackpot.



During January 2010, the Delaware Lottery began to sell tickets for Mega Millions, one of the country’s biggest traditional lottery drawing jackpot game. The starting jackpot is \$20 million, tickets cost \$2 per play and players select five different numbers from 1 to 70 from one pool of numbers, and one Mega Ball number from 1 to 25. Lottery players also can wager an additional \$1 to activate the Mega plier option, which could multiply their non-jackpot prize by 2X – 5X. Players win the jackpot by matching all six numbers in a drawing. Drawings are held on Tuesday and Friday nights.

In January 2013, Keno was launched. Keno is an easy, fun, and fast-paced traditional lottery drawing game that allows you to choose how many numbers to play and how much money to wager. Keno is played using a field of numbers from 1 to 80. You may choose up to 10 numbers in that field. The Lottery’s computer continuously generates random sets of 20 numbers. These numbers are then displayed on the Keno monitor. There are a variety of ways to win based on matching some, all, or in some cases, none of the numbers. Keno is available daily from 6:04 a.m. to 12:04 a.m. Drawings take place every four minutes.

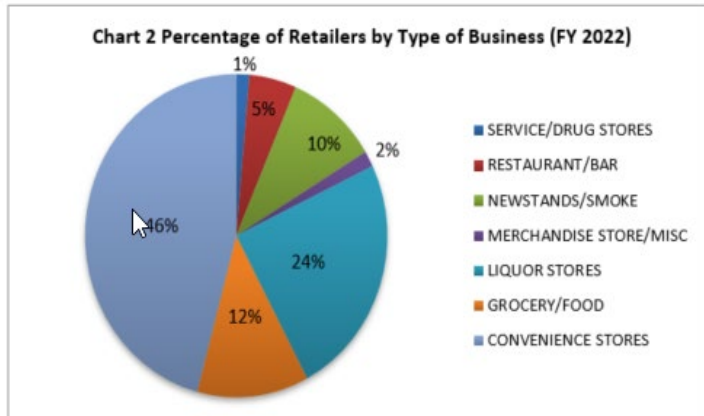
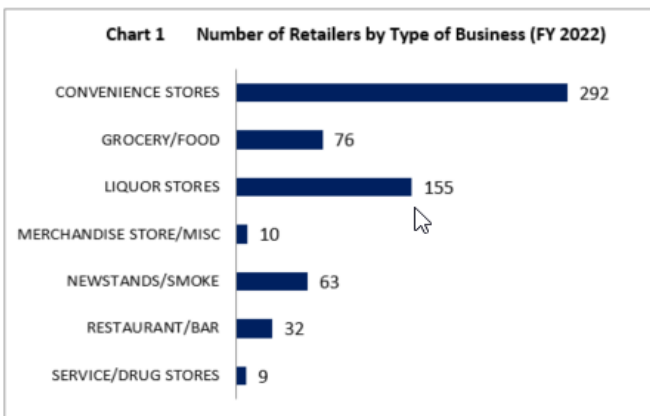


In February of 2015, Delaware joined a game called Lucky for Life. A total of 26 other states have combined their sales on this multi-state game. The top prize for this game is \$1,000 a day for life. The second prize is \$25,000 a year for life. Players select five numbers from 1 to 48 plus one number from 1 to 18 for the “Lucky” ball. The ticket cost \$2 and there are 8 set prizes in the pool ranging from \$4 to \$5,000. Drawings are held daily at 10:38 p.m.



In 2017, Delaware joined a multi-state game called Lotto America. Lotto America cost \$1 to play, selecting five numbers 1 to 52 for the red balls, then selecting one number from 1 to 10 for the Lotto America Star Ball. Lotto America’s Grand Prize starts at \$2 million and increases by a minimum of \$50,000 per draw until it is won. Players win the Grand Prize or one of 8 sets of cash prizes matching one of the 9 ways to win. For an addition \$1 per play, the Lotto America All Star Bonus can multiply winnings by 2, 3, 4, or 5 times. The multiplier number is randomly selected just before each drawing. The All-Star Bonus does not apply to the Grand Prize. Drawings are held every Monday, Wednesday, and Saturday.

Retailer Data:





On July 16, 1994, enabling legislation called the “Horse Racing Redevelopment Act” (the Act) was passed by the General Assembly of the State of Delaware allowing the three existing racetracks (agents), upon license approval, to implement video lottery machines within their facilities. The purpose of the Act was to increase the economic activity and vitality of Delaware’s Standardbred and Thoroughbred horse racing industries. The Act authorized the operation of a maximum of 1,000 video lottery machines at each racetrack.

The Act covered all aspects of video lottery operations by setting into law the parameters by which the tracks could operate in Delaware. The Act also placed the Lottery and its Director fully in charge of both implementation and oversight of operations as set forth by the legislation and authorized the creation of the Video Lottery Enforcement Unit to administer the security and law enforcement provisions of the Act and to conduct background investigations.

Consequently, the Lottery established certain rules and regulations to be followed by the agents and gaming machine providers concerning:

- Licensing of agents and gaming machine providers
- Duties of agents and gaming machine providers
- Game requirements
- Transportation, registration, location, and maintenance of video lottery machines
- Standards of operation
- Standards for advertising, marketing, and promotional materials
- Payout percentages to players as established by law

The Lottery also developed a methodology for distributing video lottery revenue net of payments to players in accordance with the legislation. Based on weekly calculations, payments are made to the State General Fund and to the Department of Agriculture to be used for purse increases at the tracks and to the vendors of the gaming machines. The balance is returned to the agents as commissions.

Video lottery operations officially began on December 29, 1995, at Delaware Park and Dover Downs with 715 and 500 gaming machines, respectively. On August 20, 1996, Harrington Raceway opened its doors to the public with an initial count of 500 video lottery machines.

The enabling legislation, as mentioned above, contained a sunset clause, which would have terminated the Act after five years from March 15, 1995, if the legislation was not extended or reenacted. On March 26, 1998, the Act was re-authorized, and the sunset provision was revoked. Among other provisions, this legislation also authorized the operation of an additional 1,000 video lottery machines at each racetrack, bringing the total allowable machines at each track to 2,000. Additional legislation was passed on June 13, 2003, which permits the Lottery Director to authorize 500 additional video lottery machines at each licensed racetrack, bringing the total allowable machines at each track to 2,500. Again, on January 19, 2006, legislation was passed to increase the maximum number of video lottery machines at each racetrack from 2,500 to 4,000. As of June 30, 2022, there were 1844 machines at Delaware Park, 2,034 machines at Dover Downs and 1,446 machines at Harrington Raceway. Wagering limits vary from 1 cent to a maximum of \$100.

In July 2013, new legislation allowed fraternal or veterans organization with national affiliation or an organization whose membership consists primarily of veterans honorably discharged or active-duty service member to operate charitable video lottery machines within their organizations upon approval from the Director of the Lottery. There are currently 47 Charitable Gaming Organizations with over 485 machines operating throughout the state.



On May 12, 2009, enabling legislation was passed by the General Assembly of the State of Delaware requiring the Lottery Director to use his or her authority to reestablish a sports lottery, in order to enhance the Delaware Lottery, protect Delaware employment, and provide additional revenues for the State. The sports lottery authorization excluded collegiate sporting events that involve a Delaware college or university, as well as prohibiting persons under the age of 21 from participating in the sports lottery.

On September 10, 2009, sales began for the Delaware Sports Lottery. The Lottery offered “off-the-board” parlay wagering as well as traditional parlay type cards, including a ½ point card, a teaser card, and a super teaser card. A special card was introduced mid-season in which a customer had to select 15 games from that week’s schedule, with a \$100,000 payoff for picking all games correctly.

As a result of the passage of House Bill 333, The Delaware Gaming Competitiveness Act of 2012, Sports Lottery was expanded into retail locations in time for the 2012/2013 pro football season.



On January 15, 2010, enabling legislation was passed by the General Assembly of the State of Delaware authorizing the introduction and operation of table games by the Delaware Lottery at licensed video lottery agents. On January 28, 2010, the legislation was signed into law by the Governor. Like video lottery, table games are offered on the premises of Delaware's video lottery agents. The Delaware Lottery was given administrative and regulatory oversight of table games, including determining which table games (blackjack, craps, roulette, poker, etc.) would be played, as well as establishing regulations for the effective management of the games.

Proceeds from the operation of the table games are paid to the Delaware Lottery, which keeps a portion of those proceeds to cover its administrative expenses and its law-enforcement and security expenses, as well as an amount to fund programs for the treatment, education, and assistance of compulsive gamblers, with the remainder contributed to the State General Fund.

This bill also imposed a license fee structure that will reward video lottery agents for making capital investments by allowing them to reduce the annual license fee by up to 50% to account for the cost of capital projects and reduces the total license fee further if the video lottery agents are able to achieve certain table gaming revenue annual targets. This bill also authorized the creation of a Lottery Commission, which would have responsibility for conducting hearings on disputed licensing and exclusion matters.



I-GAMING - (INTERNET VIDEO LOTTERY & INTERNET TABLE GAMES)

During fiscal year 2014, the Lottery was tasked with continuing the implementation of House Bill 333, The Delaware Gaming Competitiveness Act of 2012. One of the four main components was the authorization of casino style internet wagering (I-Gaming). The Lottery launched the nation's first full-scale internet casino and poker offering in October of 2013. Delaware's I-Gaming also introduced the nation's first "shared liquidity" poker network, allowing players from multiple states to sit in one common poker room and play against each other. The lottery office added a mobile application to allow internet gaming through mobile devices in fiscal year 2016.

ECONOMIC OUTLOOK

U.S. LOTTERY INDUSTRY:

Based on statistics compiled by *LaFleur's*, a gaming industry publication, total unaudited lottery sales for U.S. lotteries increase 0.6% to \$96.2 billion in fiscal year 2022, an increase of \$0.7 billion. The Massachusetts Lottery led the industry with a 11% increase in total lottery sales in fiscal year 2022. Fourteen U.S. Lotteries posted an increase in sales growth for traditional lottery in fiscal year 2022. The Florida Lottery ranked first in traditional sales at \$9.3 billion. The Massachusetts Lottery ranked first in per capita total sales at \$835.

Total U.S instant ticket sales increased \$1 million to \$63.4 billion in fiscal year 2022, up from \$63.3 billion in fiscal year 2021. The Massachusetts Lottery ranked first in per capita instant sales at \$558. The Florida Lottery ranked first in gross instant sales of \$7.0 billion. The California Lottery ranked first with a 7% increase in instant sales for fiscal year 2022.

MAJOR INITIATIVES

GENERAL:

After the completion of fiscal year 2022, the Delaware Lottery has distributed over \$6.0 billion to the State General Fund. Since the commencement of video lottery and table games, The Delaware Lottery has contributed \$41.3 million to the Department of Health and Social Services to help fund initiatives that address problem gambling in Delaware.

The Delaware Lottery was ranked 37th out of 45 U.S. lotteries in total consolidated lottery sales. Delaware finished 24th in total sales per capita and 22nd in total percent of change in total lottery sales. The Delaware Lottery ranked 39th in instant sales, 28th in per capital instant sales, and placed 16th in overall change in instant sales comparing FY22 to FY21. The Delaware Lottery also ranked 31st out of 45 states in total draw sales, 15th in per capita draw sales and ranked 29th in the percent of change from FY21.

MARKETING AND SALES MANAGEMENT:

Fiscal year 2022 for the Delaware Lottery showed some exciting partnerships with our local sponsors. The Lottery has become a staple at the local sporting events sponsoring the Delaware Blue Hens, Delaware State Hornets, and the Delaware Thunder. Delaware Lottery also held promotions with Dover International

Speedway, Apple Scapple, Delaware State Fair, and a retailer promotion to a Phillies game. The lottery continues with a second chance drawing program “Collect N Win” and monthly Facebook Live airings to win prizes live on the internet.

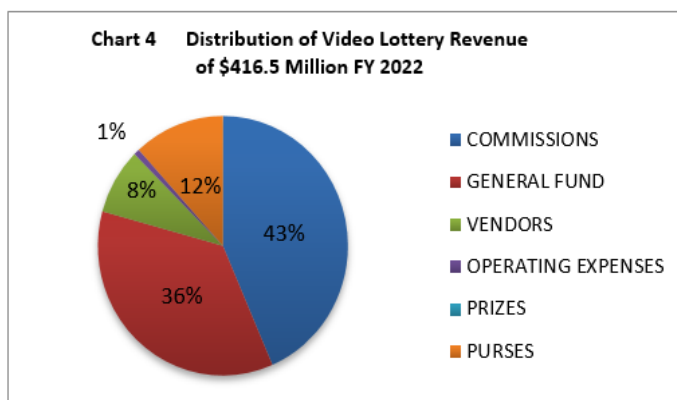
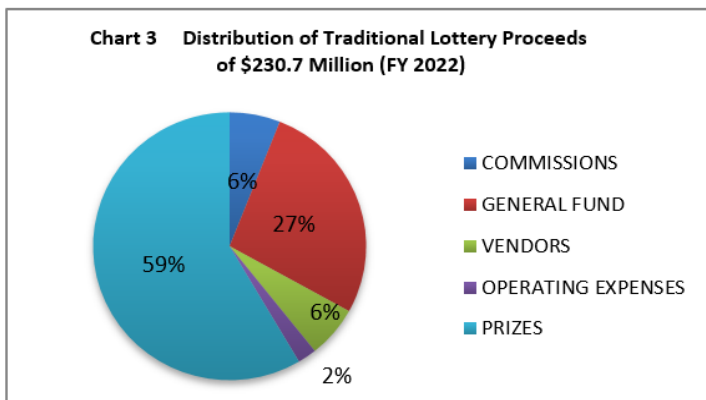
FUTURE AND ON-GOING PROJECTS

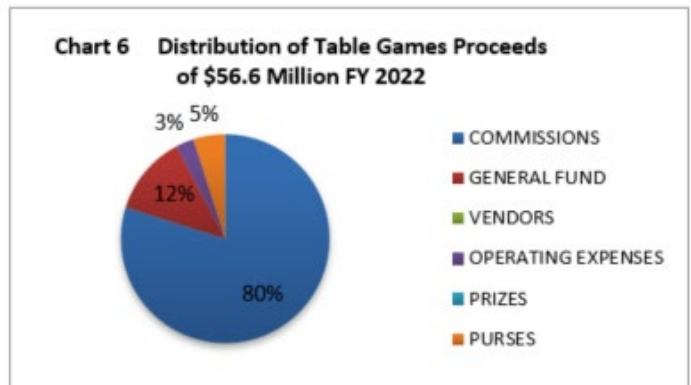
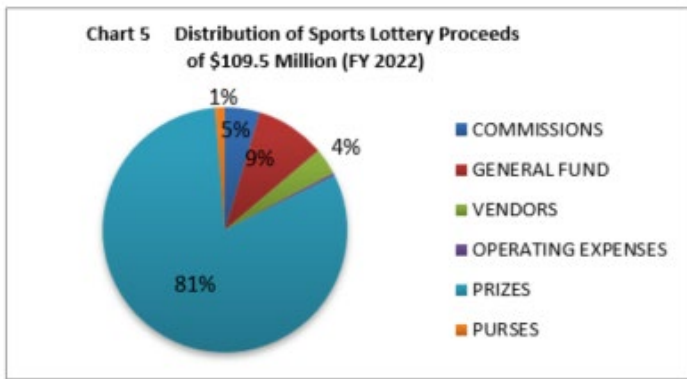
- Provide constant onsite regulatory oversight of all lottery gaming operations.
- New contracts for vendors who provide i-Gaming and Sport Mobile.
- Introduce a \$30 Instant Scratch ticket
- Enhance player loyalty and engagement through expansion of loyalty program and implementation of a mobile app.
- Continue to expand and develop effective mass media and alternative media advertising programs including digital and social.
- Continue to effectively use “cooperative services” program by developing new and exciting games and promotional programs.
- Conduct player and resident satisfaction surveys as well as strive to continually improve service in accordance with the Lottery’s mission, objective, and goals.
- Contribute to the design, development, and implementation of improved retailer relationship management, reporting, and communications solutions for instant product growth; Lottery support staff and retailers that capitalize on new technologies.
- Continue to employ effective sales management techniques to stimulate positive selling activities among licensed retailers.
- Continue the expansion of our retailer network by actively recruiting new and unique trade styles.

FINANCIAL INFORMATION

The Management Discussion and Analysis section starting on page 20 should also be read for an overview of the financial results.

REVENUE DISTRIBUTION:





The Delaware Lottery is proud of its contribution to the State General Fund which finances state services. The Lottery is the fifth largest contributor to this Fund. The monies, appropriated by the Legislature as a result of the Governor’s recommended budget, fund such necessary state services as:

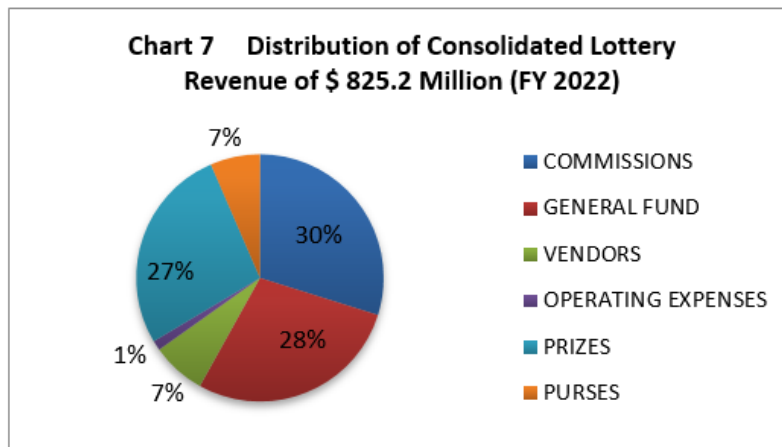
- Public and higher education
- Health and social services
- Public safety
- Judicial and corrections
- Child, youth, and family services.

Additional taxes would be needed to provide these vital state services without the Lottery’s contribution.

In addition to the above contribution to the State General Fund, the Lottery’s earnings also contribute directly to:

- The Department of Agriculture for horseracing purse increases and for funding the Standardbred Breeder’s Program and the Certified Thoroughbred Program
- The Department of Health and Social Services for operating the Problem Gamblers’ program

As seen from the chart below, when these distributions are added to the contributions made to the State General Fund, the Lottery contributed 27 cents of every sales dollar to the State of Delaware in fiscal year 2022.



INTERNAL CONTROL ENVIRONMENT:

The Lottery has established and maintains an internal control system designed to ensure that its assets are protected from loss, theft, or misuse. The system also ensures that adequate accounting data is compiled in an accurate and timely fashion to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Practices (GAAP). Because the costs of a control should not exceed the benefits to be derived, the objective is to provide reasonable, but not absolute, assurance that the financial statements are free of any material misstatements. Lottery officials believe that the Lottery's internal control structure provides reasonable assurance that the above objectives are met.

Lottery management also believes that the organization's responsibility towards internal control extends far beyond the aforementioned objectives. The success of the Lottery is wholly dependent upon favorable public perception as well as the public's confidence in the honesty, integrity, and security of its games.

To maintain this public perception of Lottery integrity, the Lottery has enhanced its system of internal controls to include:

- Maintaining highly secure lottery facilities and limiting access to them
- Providing for multiple drawing algorithms
- Hiring an independent CPA firm to test data and witness drawings
- Printing lottery tickets with special inks, dyes, and security codes
- A report on internal controls at a service organization (SOC) is issued by an independent CPA firm annually for the Lottery's central system service provider
- Having video lottery machines and software tested by an independent laboratory
- Performing background checks on retailers, agents, vendors and video lottery employees, and Delaware Lottery employees.

BUDGETARY CONTROLS:

The Lottery submits an operating budget and forecasts revenue contribution for the State General Fund to the Department of Finance on an annual basis. The revenue contribution is tracked and reported monthly and is revised on a quarterly basis if necessary. This information is included in the State's budget under the Department of Finance.

ENTERPRISE OPERATIONS:

The Delaware State Lottery operates as an enterprise fund. An enterprise fund is used to account for the operations of an entity that is financed and operated in a manner similar to a private enterprise. The intent of the State is that the costs of providing Lottery services and products to the general public on a continuing basis should be financed by or recovered primarily through user charges.

The Lottery's financial statements are included in the State's Annual Comprehensive Financial Report under Proprietary Fund Type – Enterprise Fund.

Although the Lottery provides an annual operating budget to the State, all capital expenditures and operating expenses are funded by the Lottery through internally generated funds.

The Lottery utilizes internal services of other State agencies for items such as postage, telephone, automobiles, graphics and printing, pension administration, etc. These agencies are compensated by the Lottery through inter-fund transfers.

DEBT ADMINISTRATION:

Money owed to the State of Delaware in the event that the Lottery's MUSL games are discontinued is \$2.5 million as of June 30, 2022. This amount has been reserved by MUSL (Multi-State Lottery) that operates the Powerball, Lotto America, Lucky for Life, and Mega Million games. Please see Note 4 of the Notes to Financial Statements under the "Financial Section" of this report.

The Lottery's enabling legislation does not provide the ability to issue bonded debt.

OTHER INFORMATION

INDEPENDENT AUDIT:

Enabling legislation of the Lottery requires that the State of Delaware Auditor's Office conduct an annual audit of all accounts and transactions of the Delaware State Lottery Office. The cost of the audit is paid by money from the Lottery and designated as operating expenses.

The State Auditor's Office has contracted with an independent Certified Public Accounting firm to perform annual audits of the Lottery's financial statements. The independent auditor's opinion and the current annual audit report are included in the "Financial Section" of this report.

AWARDS:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Delaware State Lottery for its annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the 23rd consecutive year that the Lottery has achieved this prestigious award. A copy of the certificate for fiscal year 2021 can be seen in this report. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS:

This Annual Comprehensive Financial Report for fiscal year 2022 signifies the Delaware State Lottery's commitment to comprehensive disclosure of its financial condition.

The preparation of this report was made possible by cooperation from all departments of the Lottery. We wish to express our special appreciation to the Lottery's Finance and Accounting department as well as to other groups and individuals who assisted in the preparation of this report.

Respectfully submitted,

DELAWARE STATE LOTTERY

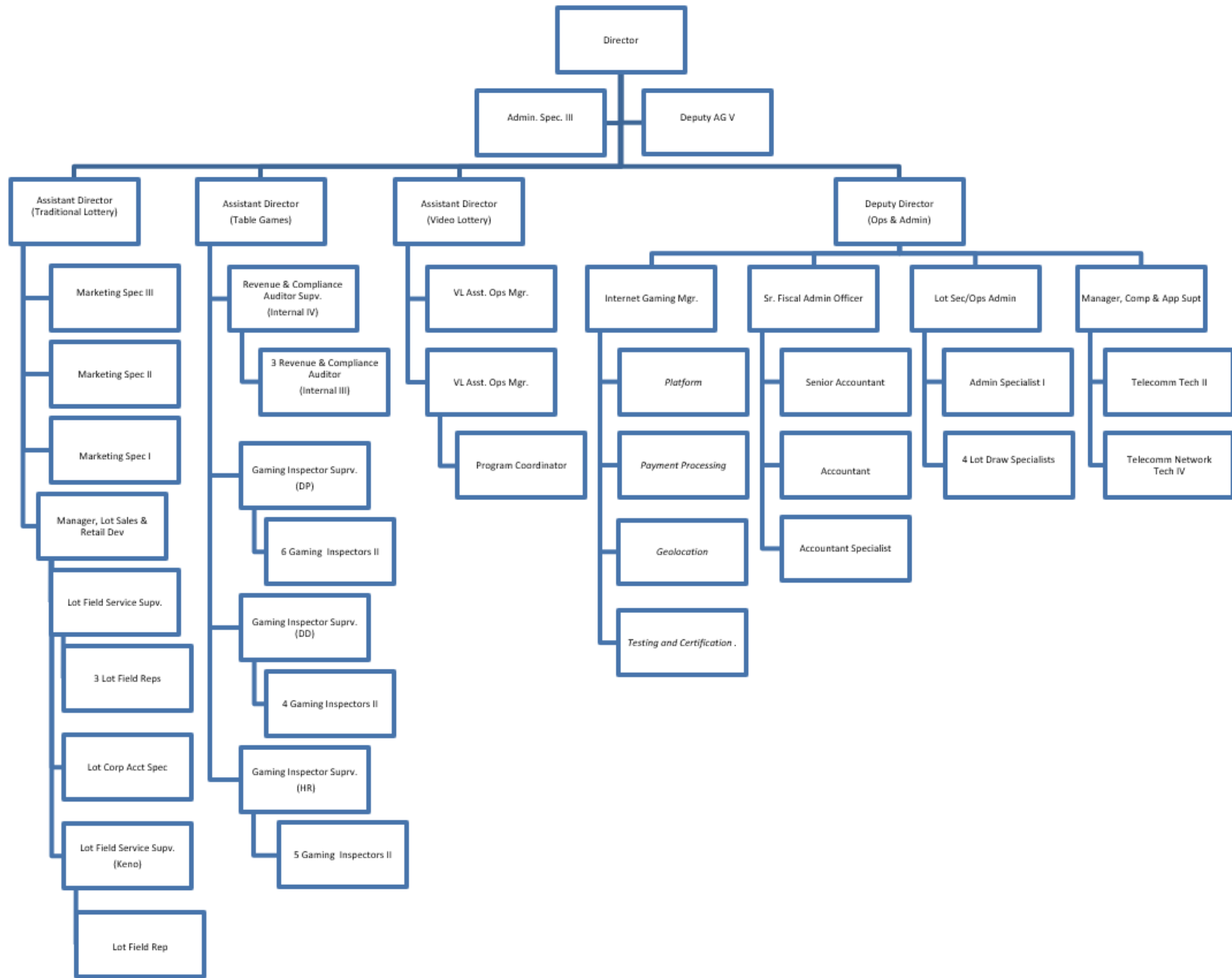
A handwritten signature in blue ink, appearing to read "Tina M. Leager". The signature is fluid and cursive, with the first name being the most prominent.

Tina M. Leager
Senior Fiscal Administrative Officer
Delaware State Lottery

**DELAWARE STATE LOTTERY
PRINCIPAL OFFICIALS**

Governor	John Carney
Secretary of Finance	Richard Geisenberger
Lottery Director	Helene Keeley
Lottery Deputy Director	Barbara Miller
Assistant Director of Video Lottery	Jayne Gooden
Assistant Director of Table Games	Richard MacDonald
Senior Fiscal Administrative Officer	Tina Leager

Delaware State Lottery Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Delaware State Lottery

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Helene Keeley, Acting Director of Delaware State Lottery, and
Richard Geisenberger, Secretary of Finance, State of Delaware
Dover, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Delaware State Lottery (the Lottery), an enterprise fund of the State of Delaware, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lottery, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Lottery and do not purport to, and do not present fairly the financial position of the State of Delaware as of June 30, 2022 and 2021, the changes in financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Helene Keeley, Acting Director of Delaware State Lottery, and
Richard Geisenberger, Secretary of Finance, State of Delaware

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lottery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lottery's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20 through 25, and the required supplementary information on pages 45 and 46 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental

Helene Keeley, Acting Director of Delaware State Lottery, and
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Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lottery's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 8, 2022

DELAWARE STATE LOTTERY

Management's Discussion and Analysis

June 30, 2022 and 2021

The management of the Delaware State Lottery (the Lottery) offers this narrative overview and analysis of the Lottery's financial activities for the years ended June 30, 2022, and 2021, which should be read in conjunction with the Lottery's financial statements.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Lottery's financial statements. Since the Lottery is an enterprise fund of the State of Delaware (the State), these financial statements are presented in a manner similar to a private-sector business. As required by accounting principles generally accepted in the United States of America (GAAP), revenues are recorded when earned and expenses are recorded as they are incurred, regardless of when the cash is received or disbursed.

The Statement of Net Position presents information on all of the Lottery's assets, liabilities, deferred outflows, and deferred inflows with the residual of all elements reported as the net position. Pursuant to Delaware law, the Lottery's net position should remain relatively unchanged, since all excess monies are to be sent directly to the State's General Fund, allowing the Lottery to maintain a net position of \$1,000,000.

The Statement of Revenue, Expenses, and Changes in Net Position show the result of the Lottery's total operations and reflect both operating and nonoperating activities. Changes in net position (increases or decreases) reflect the current fiscal year's operating impact upon the overall financial position of the Lottery.

The Statement of Cash Flows provides a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided by operating activities. The Statement of Cash Flows is divided into three sections – operating, noncapital financing, and investing.

Notes to the financial statements contain additional information and offer explanations to the financial statements. The notes are intended to assist the reader in understanding the Lottery's basic financial statements.

DELAWARE STATE LOTTERY
Management's Discussion and Analysis
June 30, 2022 and 2021

Condensed Statement of Net Position

Table 1
(In millions)

Assets & Deferred Outflows	June 30		
	2022	2021	2020
Cash and investments	\$ 6.8	13.0	2.2
Accounts receivable	7.5	6.5	14.0
Due from State of Delaware	15.5	13.0	13.3
Net Pension Assets	1.4	-	-
Deposit with Multi-State Lottery	2.5	2.5	2.6
Total assets	<u>33.7</u>	<u>35.0</u>	<u>32.1</u>
Deferred outflows	<u>3.4</u>	<u>3.4</u>	<u>1.6</u>
Liabilities, Deferred Inflows and Net Position			
Liabilities:			
Prizes liability	7.7	7.8	6.7
Accounts payable and accrued liabilities	8.8	10.2	9.1
Due to the State of Delaware	-	0.5	-
Pension and OPEB liability	11.3	13.8	11.6
Multi-State Lottery reserve	2.5	2.5	2.6
Total liabilities	<u>30.3</u>	<u>34.8</u>	<u>30.0</u>
Deferred inflows	<u>5.8</u>	<u>2.6</u>	<u>2.7</u>
Net position:			
Unrestricted	\$ <u>1.0</u>	<u>1.0</u>	<u>1.0</u>

The Lottery's accounting periods are predicated on a 4-4-5-week cycle except at year-end when the closing date includes additional days up to and including June 30. These extra days amounted to nine days in 2020, three days in 2021 and four days in 2022.

In Table 1, The comparison for 2022 to 2021 yielded a decrease in cash (\$6.2 million) and an increase in receivables (\$1.0 million). Sweep monies were not collected for the last four days of the month but general fund contributions were allocated for the full year. The one-day increase allotted for the increase in accounts receivable primarily for video revenue. Comparing 2021 to 2020, the increase in cash (\$10.8 million) and decrease in receivables (\$7.5 million) is primarily due to the fact that June 30th fell on a Wednesday. Revenue for video and traditional lottery is received weekly on Wednesdays and commission are paid out on Thursdays.

The prize liability remained relatively unchanged in 2022 from 2021 only decreasing \$0.1 million (1.6%). Prize liability increased \$1.1 million in 2021 over 2020. Prize liability usually has a direct correlation with sales; however, sports liability is unpredictable and any given Sunday the results for our professional football games can go either way.

Since the Lottery is required to send all surplus funds to the State's General Fund, any monies required to pay MUSL, Pension, and OPEB liabilities would come from the State's General Fund.

DELAWARE STATE LOTTERY
Management's Discussion and Analysis
June 30, 2022 and 2021

Revenue

Table 2
Revenue
(In millions)

		Year ended June 30		
		2022	2021	2020
Play 3	\$	34.6	36.6	29.0
Play 4		28.7	29.4	24.8
Multi Win Lotto		4.1	4.7	4.0
Powerball		23.5	19.3	14.7
Mega Millions		11.1	16.7	11.2
Lotto America		2.8	2.7	2.6
Keno		9.7	9.7	8.5
Lucky for Life		5.3	3.2	2.9
	Total draw games revenue	119.8	122.3	97.7
Instant games		110.9	111.5	92.9
	Traditional games revenue	\$ 230.7	233.8	190.6
Video lottery, net		416.5	366.8	301.1
Casino license fees		0.2	0.2	0.2
Table games, net		56.3	43.8	40.8
Sports lottery		109.5	116.8	103.2
I-Gaming		12.0	9.3	6.1
	Total revenue	\$ 825.2	770.7	642.0

Table 2 above compares revenue for each lottery game category. Fiscal year 2022 was a record year for revenue with an increase of \$54.5 million (7%) over fiscal year 2021. The last record year for revenue was 2019 with \$782.7 million. Overall traditional sales were down \$3.1 million (1.3%) with declines in most games except Lucky for Life and Powerball. Lucky for Life went from drawings twice a week to drawing seven days a week. Powerball had two large jackpots in fiscal year 2022. Fiscal year 2021 shows gains in all lottery products this year over last fiscal year 2020. Overall sales in 2021 were up \$128.7 million (20%). Traditional sales were up \$43.2 million (22.6%) compared to 2020.

Video lottery and table games revenue increased in 2022 from 2021 with a \$49.7 million (13.5%) and \$12.5 million (28.5%) respectively. Sports lottery shows a decline in sales of \$7.3 million (6.2%) in 2022 from 2021. Sports sales have declined due to the increase in sports venues in the surrounding states. Video lottery, table games, and sports lottery all showed increases in fiscal year 2021, with the locations being open the full twelve months compared to fiscal year 2020. Sales were up \$82.3 million (18%). These products had significant decreases in sales due to the closing of the sports books and casinos for most of the fourth quarter due to COVID-19.

I-gaming sales saw another record year for fiscal year 2022. Sales were up \$2.7 million (29%) over 2021. Players gained in the last three years due to COVID-19, additional game content and mobile betting, continue to enjoy

DELAWARE STATE LOTTERY

Management's Discussion and Analysis

June 30, 2022 and 2021

our online video lottery in 2022. In 2021, the lottery upgraded their platform to allow for more game content. There was also the addition of mobile betting in fiscal year 2021. Sales were up \$3.2 million (52%) in FY2021.

Cost of Games

Table 3

Cost of Games

(In millions and as a percentage of all revenue)

	Year ended June 30								
	2022		2021		2020				
Commission expense	\$	246.5	29.8%	\$	217.2	28.2%	\$	183.3	28.5%
Gaming vendor fees		58.4	7.0%		53.7	7.0%		43.4	6.7%
Prize expense		223.5	28.2%		225.8	29.3%		189.2	29.4%
Total cost of games	\$	<u>528.4</u>		\$	<u>496.7</u>		\$	<u>415.9</u>	

Table 3 above compares the cost of games for the last three years. Commission expense includes payments to lottery retailers for selling and cashing traditional and sports lottery tickets, and commissions to casinos for the operation of video lottery, internet gaming, sports lottery, and table games. Delaware law allows for the net of sports (sports sales minus sports win) to be used in the calculations for commissions and vendors fees.

With overall revenue increases the last two fiscal year, the commission on those sales will also increase. Commission expense for 2022 was \$246.5 million an increase of \$29.3 million (13.4%) over 2021. Commission expense for fiscal year 2021 increased \$33.9 million (18.5%) over 2020.

Gaming vendor fees include the cost of the central system used to monitor and collect pertinent data for the traditional draw games and the video lottery system, the instant games supplier fees, the vendor fees for video lottery terminals supplied to the video lottery agents, and the cost incurred by internet gaming for fees and website maintenance.

Gaming vendor fees for 2022 were \$58.4 million an increase of \$4.7 (8.7%) over 2021. The increase in vendor fees was mostly due to the increase in sales for video and Igaming revenue. Gaming vendor fees increased in 2021 from 2020 by \$10.3 million (23.7%). Vendors get paid on a percentage of sales so when sales increase so do vendor fees.

DELAWARE STATE LOTTERY
Management's Discussion and Analysis
June 30, 2022 and 2021

Prize Expense, Net of Reversions

Table 4
Prize Expense, Net of Reversions
(In millions)

	Year ended June 30		
	2022	2021	2020
Instant games	74.4	75.0	61.6
Keno	5.9	5.7	5.0
Lotto America	1.3	1.4	1.2
Lucky for Life	2.7	2.4	1.5
Mega Millions	5.3	8.1	5.3
Multi Win Lotto	2.6	2.7	2.5
Play 3	17.4	19.3	14.0
Play 4	13.8	14.3	12.0
Powerball	11.5	9.4	6.9
Sports lottery	88.6	87.5	79.2
Total prize expense	\$ 223.5	225.8	189.2

The above table compares prize expense for each lottery game category for the past three years. Prize expense includes the costs for winning tickets for traditional and sports lottery. In general, prize expense by game will increase or decrease from year to year in proportion to the increase or decrease in sales for a particular game. However, the prize expenses for the Play 3 and Play 4 games are impacted by the luck of the draw, and actual prize payment is determined by lottery players' luck in matching the particular set of numbers randomly selected in each drawing for each game. Overall prize expense for the instant game product category is controllable for the most part, by printing a predetermined number and value of winning tickets for each instant game. Sports lottery winners vary from year to year due to the unpredictability of the outcome of professional sports. During any given sports event the liability of the game could exceed the sales for that event.

In Table 4, the prize expense dropped in fiscal year 2022 \$2.2 million (1%) from fiscal year 2021. The prize expense increases \$36.6 million (19.3%) in fiscal year 2021 over fiscal year 2020. The majority of the changes in prize expense are related to the increase or decrease in sales by game.

DELAWARE STATE LOTTERY
Management's Discussion and Analysis
June 30, 2022 and 2021

Operating Expenses

Table 5
Operating Expenses
(In millions)

	Year ended June 30		
	2022	2021	2020
Operating expenses	\$ 10.6	10.8	10.8

Operating expenses remained unchanged from fiscal year 2020 through fiscal year 2022.

Nonoperating Expenses

Table 6
Nonoperating Expenses
(in millions)

	Year ended June 30		
	2022	2021	2020
Transfer to the State of Delaware			
Standardbred Breeder's Program	\$ 4.0	3.0	3.0
Certified Thoroughbred Program	1.5	1.0	1.0
Department of Agriculture Purses	46.1	41.1	34.1
Department of Health & Social Services	1.5	1.2	1.5
State of Delaware - General Fund	233.0	216.9	175.7
Total nonoperating expenses	\$ 286.1	263.2	215.3

Table 6 shows the expenses incurred to other state agencies as dictated by Delaware Law. There was a change in the law in 2021 to fund additional money for purses in the Standardbred Breeders and Certified Thoroughbred programs. Overall, there was an increase of \$22.9 million (8.7%) in 2022 over 2021. The increase in nonoperating expenses in 2021 over 2020 was \$47.9 million (22.2%). Operating for a full 12 months in fiscal year 2021 at the casinos, this increase is comparing only nine months in fiscal year 2020.

DELAWARE STATE LOTTERY

Statements of Net Position

June 30, 2022 and 2021

Assets and Deferred Outflows	2022	2021
Current assets:		
Cash and cash equivalents	\$ 6,772,780	\$ 12,987,681
Accounts receivable	7,485,463	6,455,637
Due from the State of Delaware	3,242,244	-
Total current assets	<u>17,500,487</u>	<u>19,443,318</u>
Noncurrent assets:		
Deposits with Multi-State Lottery Association	2,477,527	2,486,974
Net Pension Assets	1,410,084	-
Due from the State of Delaware	12,342,936	12,972,496
Total assets	<u>33,731,034</u>	<u>34,902,788</u>
Deferred outflows of Resources	<u>3,353,157</u>	<u>3,424,091</u>
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Prizes obligations	7,711,770	7,838,897
Accounts payable and accrued liabilities	8,788,717	10,152,636
Due to the State of Delaware	-	451,785
Total current liabilities	<u>16,500,487</u>	<u>18,443,318</u>
Noncurrent liabilities:		
Multi-State Lottery reserve	2,477,527	2,486,974
Net pension liability	-	1,672,518
OPEB liability	11,272,356	12,092,186
Total noncurrent liabilities	<u>13,749,883</u>	<u>16,251,678</u>
Total liabilities	<u>30,250,370</u>	<u>34,694,996</u>
Deferred inflows of Resources	<u>5,833,821</u>	<u>2,631,883</u>
Net position:		
Unrestricted	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

See accompanying notes to financial statements.

DELAWARE STATE LOTTERY

Statements of Revenue, Expenses, and Changes in Net Position
Years ended June 30, 2022 and 2021

	2022	2021
Revenue:		
Video lottery, net	\$ 416,138,136	\$ 366,400,002
Video lottery expired jackpots and credit slips	364,832	392,554
Casino license fees	206,879	183,111
iGaming	11,954,091	9,261,017
Sports lottery	109,450,423	116,768,811
Table games, net	56,369,427	43,854,096
Draw games	119,874,142	122,266,364
Instant games	110,860,247	111,525,279
Total revenue	825,218,177	770,651,234
Cost of games:		
Instant and draw games commissions	13,845,882	15,101,126
Sports lottery commissions	5,026,186	6,611,066
Video lottery commissions	181,876,210	160,413,162
iGaming commission	672,321	-
Table games commissions	45,095,541	35,083,277
Gaming vendor fees and costs	58,407,336	53,671,349
Prize costs, net of reversions	223,549,704	225,770,488
Total cost of games	528,473,180	496,650,468
Gross margin	296,744,997	274,000,766
Operating expenses:		
Advertising and promotions	3,374,139	3,111,789
Payroll and related benefits	5,870,942	5,752,891
Other general and administrative	1,372,994	1,896,567
Total operating expenses	10,618,075	10,761,247
Operating income	286,126,922	263,239,519
Nonoperating expenses:		
Contributions to Thoroughbred Fund	1,500,000	1,000,000
Total nonoperating expenses	1,500,000	1,000,000
Income before transfers	284,626,922	262,239,519
Transfers Out		
Department of Agriculture	50,101,074	44,166,530
Department of Health & Social Services	1,512,759	1,157,873
State of Delaware	233,013,089	216,915,116
Total transfers	284,626,922	262,239,519
Change in net position	-	-
Net position at beginning of year	1,000,000	1,000,000
Net position at end of year	\$ 1,000,000	\$ 1,000,000

See accompanying notes to financial statements.

DELAWARE STATE LOTTERY
Statements of Cash Flows
Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from customers	\$ 824,188,351	\$ 778,177,203
Payments to vendors for goods and services	(63,326,020)	(57,419,750)
Payments to employees for services	(6,495,377)	(5,392,041)
Payments for prizes	(223,676,831)	(224,625,541)
Payments for commissions	(247,713,633)	(217,433,503)
Net cash provided by operating activities	282,976,490	273,306,368
Cash flows from noncapital financing activities:		
Contributions to the Delaware Certified Thoroughbred Program	(1,500,000)	(1,000,000)
Transfers to the Delaware Standardbred Breeder's Program	(4,000,000)	(3,000,000)
Transfers to the State of Delaware	(283,691,391)	(258,490,379)
Net cash used in noncapital financing activities	(289,191,391)	(262,490,379)
Net change cash and investments	(6,214,901)	10,815,989
Cash and investments at beginning of year	12,987,681	2,171,692
Cash and investments at end of year	\$ 6,772,780	\$ 12,987,681
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 286,126,922	\$ 263,239,519
Adjustments to reconcile operating income to net cash provided by operating activities:		
Effect of changes in operating assets, liabilities and deferred inflow and deferred outflows:		
Accounts receivable, net	(1,029,826)	7,525,969
Prizes liability	(127,127)	1,144,947
Net Pension and OPEB Liability	(1,363,919)	2,201,712
Accounts payable and accrued liabilities	(3,902,432)	1,085,768
Deferred Inflows and Deferred Outflows, net	3,272,872	(1,891,547)
Net cash provided by operating activities	\$ 282,976,490	\$ 273,306,368

See accompanying notes to financial statements.

DELAWARE STATE LOTTERY
Notes to Financial Statements
June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

(a) Legislative Enactment

The Delaware State Lottery (the Lottery) was established by Enabling Legislation (the Legislation) passed on May 31, 1974, by the General Assembly of the State of Delaware (the General Assembly) under the authority of the Governor's Office and under the supervision of a Director. In July 1976, the Lottery was transferred to the Office of the Secretary of Finance. The Director has the power and duty to establish rules for conducting games, including the type and number of games, the price of tickets, the number and amounts of winning tickets, the manner of selecting winning tickets, the manner of prize payment, frequency of drawings, location and methods for the sale of tickets, procedures for licensing of retailers, and all other functions related to the operation of the Lottery.

The Legislation provides that, for the non-video lottery games, at least 45% of total revenue shall be used to pay prizes, operating expenses shall not exceed 20% of total revenue, and the Lottery shall undertake to provide into the General Fund of the State of Delaware a payment of earnings of 30%. Enabling legislation for video lottery was enacted on July 16, 1994 and provides that, for the video lottery games, at least 87%, but not more than 95% (unless approved by the Director), of total proceeds on an average annual basis shall be used to pay prizes.

(b) Reporting Entity

The Delaware State Lottery (reporting entity) is an enterprise fund of the State of Delaware.

(c) Basis of Accounting

In accordance with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, which requires recognition of revenues when earned and expenses when incurred.

(d) Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. The deferred outflows of resources represent a consumption of net assets that applies to future periods.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods.

(e) Cash and Cash Equivalents

Cash and investments consist of deposits held in bank accounts and highly liquid overnight investment accounts, as well as deposits held by the State to fund future non-prize costs during the next month.

(f) Accounts Receivables

Accounts receivables consist primarily of unsettled balances due to the Lottery from the racetracks for video lottery, table games, sports lottery, and I-gaming and from retailers for traditional lottery sales (drawing and

DELAWARE STATE LOTTERY
Notes to Financial Statements
June 30, 2022 and 2021

instant games) and sports lottery to the general public. Accounts receivables are stated at the carrying amount net of allowance for uncollectible accounts. An allowance for uncollectible accounts receivable is established when specific customer collection issues are identified. Uncollectible accounts are written off when management has determined that the balance will not be collected. As of June 30, 2022, and 2021, no allowance for uncollectible accounts were recorded.

(g) Investments

Investments consist of annuity contracts purchased from insurance companies to fund future prize payments and are carried at amortized cost as nonparticipating investment contracts. The practice of purchasing and holding annuity contracts to fund future prize obligations is no longer employed by the Lottery, as investment amounts reported represent annuity contracts whose most recent purchase was during 1998. It is the Lottery's policy to hold all investments of this nature that were purchased to fund prize obligations until maturity. All investments the Lottery had on hand have matured. As of June 30, 2022, and 2021, there were no investments.

(h) Revenue Recognition

Revenue from drawing games and sports lottery is recognized on the day of purchase. Revenue from the sale of instant tickets is recognized when the book has been activated and when one of the following occurs:

- 85% of the related prizes of an activated book is paid
- 90 days from the date of activation
- When the next pack of the same game is activated

Revenue from video lottery and table game sales is recognized, net of prizes paid, at the time the public plays the game. All revenue that the Lottery reports is considered operating revenue.

(i) Prize Obligations

Prize obligations for the traditional draw games and sports lottery are determined and recognized after each drawing or sports game is held. For the daily number games, winners are paid a certain amount depending upon the number of, or order of, winning numbers. Of every Multi Win Lotto sales dollar, a fixed payment goes to fund the nine lower prize levels with the balance going into the jackpot. If there are no jackpot winners in the Lotto game, the amount is carried forward until there is a winner. For the Powerball, Lotto America, and Mega Millions, 50% of the revenues are allocated to the prize pool.

Prize obligations related to instant games are recognized by taking the greater of prize cash disbursements or the historical estimates of claimed prizes. Disbursements for prizes, including installment prize awards, are charged against the obligations for unpaid prize awards. Prizes unclaimed after one year revert back to the Lottery and reduce the prize costs for the year. Such unclaimed monies are then remitted to the State.

(j) Compensated Absences

The Lottery has accrued a liability included in accounts payable and accrued liabilities for employee future absences, recognizing the obligation relating to services already rendered. This liability represents benefits accrued to Lottery employees for vacation earned as of year-end and sick leave estimated to be paid out at retirement for services rendered as of June 30, 2022. Employees earn from 9.5 to 13.25 hours of vacation

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leave per month depending on years of service. The employee or his or her estate is paid for unused vacation upon termination of employment. Employees earn 9.5 hours of sick leave per month. The Lottery's obligation for sick leave credit is a maximum of 337.5 hours. As of June 30, 2022, and 2021, the Lottery had liabilities of \$ 257,527 in 2022 and \$281,367 in 2021 for accrued vacation and \$ 244,273 in 2022 and \$246,718 in 2021 for accrued sick leave, respectively.

(k) Operating and Nonoperating Expenses

Operating expenses generally result from providing services and producing and delivering goods in connection with the Lottery's principal ongoing operations. Operating expenses of the Lottery include personnel costs, travel costs, contracted services, and supplies. All expenses not meeting this definition are reported as nonoperating expenses.

(l) Net Pension (Asset)/ Liability

For purposes of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Delaware Public Employees Retirement System (DPERS) and additions to/deductions from DPERS' fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(m) Net OPEB Liability

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of OPEB Trust and additions to/deductions from OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported a fair value.

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimate that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

(o) Net Position

As part of Delaware law, Title 29, Chapter 48, section 4815, all moneys received from the sale of lottery products shall be accounted for to the State Treasurer and all net moneys shall be placed into a special account known as the State Lottery Fund. The remaining moneys after prizes and gaming operations are paid, shall accumulate in the State Lottery Fund for the payments of operations and administration costs. In the event that the percentage allocated for operations (including prize payments) generates a surplus, said surplus shall be allowed to accumulate to an amount not to exceed \$1,000,000.

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(2) Cash and Cash Equivalents

Cash and cash equivalents reported reflect three types of account balances: Lottery deposit account, Lottery prize accounts, and pooled cash and investments held by the State Treasurer’s Office. Cash receipts and all cash transfers to other state agencies are made in and out of the Lottery deposit account. Prize disbursements are made out of the Lottery prize accounts. Pooled cash and investments consist of cash equivalents, commercial paper, certificates of deposit, short-term (12 to 18 months) and long-term investments, which comprise corporate, municipal and U.S. government obligations, held and managed by the State Treasurer. State agencies, including the Lottery, participate in the State’s internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool.

Cash and investment balances consisted of the following:

	June 30	
	2022	2021
On hand and in bank	\$ 4,859,721	\$ 9,269,528
Pooled cash and investments	1,913,059	3,718,153
Total cash and investment balances	\$ 6,772,780	\$ 12,987,681

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party.

All deposits are required by state law to be collateralized by direct obligations of, or obligations guaranteed by, the U.S. government or other suitable obligations as determined by the State’s Cash Management Policy Board (the Board), unless the Board shall find such collateralization not in the best interest of the State. Additionally, the Board has determined that deposits need not be collateralized provided they are held in a bank that for the previous two years has had a return on total average assets of 0.5% or greater and has had an average capital ratio (total equity to total assets) of at least 5.0%. If the bank does not meet the aforementioned criteria, collateral must consist of one or more of the following:

- U.S. government securities
- U.S. government agency securities
- Federal Home Loan Board letters of credit
- State securities
- Securities of a political subdivision of the State with a Moody’s Investors service rating of “A” or better.

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In addition, the bank must ensure that those securities pledged as collateral have a market value equal to or greater than 102% of the ledger balance(s) in the account(s) each day and ensure that securities pledged are identified as held in the State's name and are segregated on the bank's records.

The bank balance of deposits was not subject to custodial credit risk as all amounts were either fully insured and/or collateralized. As of June 30, 2022, and June 30, 2021, the total bank balance of cash in all bank accounts was \$4,884,609 and \$9,338,007 respectively.

Pooled cash and investments maintained by the State Treasurer are not deemed to have custodial credit risk with regard to the Lottery.

(3) Prize Obligations

The following is a reconciliation of changes in the prize's liability account, which includes the present value of prize installment obligations, for the fiscal years ended June 30, 2022, and 2021:

	2022	2021
Prize obligations, beginning of year	\$ 7,838,897	\$ 6,693,950
Prize payments	(223,676,831)	(224,625,541)
Prize costs, net of reversions	223,549,704	225,770,488
Prize obligations, end of year	\$ 7,711,770	\$ 7,838,897

(4) Participation in the Multi-State Lottery Association

The Lottery is a member of the Multi-State Lottery Association (the MUSL), which operates traditional draw games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the member's share of the estimated grand prize liability. Each MUSL member pays lesser prizes directly to the winners. The MUSL has operated the Powerball game since fiscal year 2008, Mega Millions game since 2010, and Lotto America since 2018. Participating lotteries are required to maintain deposits with MUSL for contingency reserves to protect MUSL from unforeseen prize liabilities. The money in this reserve fund is refundable to MUSL members if the MUSL disbands or if a member leaves the MUSL Board. The MUSL has an agreement that grants MUSL the nonexclusive right to offer the multi-jurisdictional lottery game known as the "Mega Millions Game," to be conducted by the MUSL member lotteries.

The amount the Lottery had on deposit with the MUSL, as of June 30, 2022, and 2021, equaled \$2,477,527 and \$2,486,974 respectively. These amounts are also reported as a liability on the Lottery's balance sheet because they represent the amount to be paid to the State's General Fund upon separation from the MUSL, if the MUSL is not required to use any portion of the Lottery's reserves held by the MUSL.

(5) Delaware Standardbred Breeder's Program and Delaware Certified Thoroughbred Program

In March 1998, an amendment to the Legislation was passed by the General Assembly that established the Delaware Standardbred Breeder's Program for the purpose of promoting the Delaware harness racing industry. This legislation, amended in 2004, 2008, and 2021 requires the Lottery to withhold \$4,000,000 of funds annually (\$1,250,000 from the State General Fund, \$2,000,000 from Purses, and \$750,000 from Video commissions) and remit to the Delaware Standardbred Breeder's Program.

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In the epilogue language of the fiscal year 2006 Bond Bill, an amendment was passed by the General Assembly that established the Delaware Certified Thoroughbred Program for the purpose of enhancing the quantity of thoroughbred foals and/or yearlings stabled within Delaware. This legislation, amended in 2008 and 2021, requires the Lottery to withhold \$1,500,000 of funds annually (\$500,000 from the State General Fund, \$750,000 from Purses, and \$250,000 from Video Commissions) and remit these funds to the Delaware Certified Thoroughbred Program.

(6) Transfers to the State of Delaware

As required, under the Legislation, net position of the Lottery may not exceed \$1,000,000; therefore, the Lottery periodically transfers surplus funds to the State in accordance with the Legislation. For the years ended June 30, 2022, and 2021, the Lottery made the following contributions to the State.

	June 30	
	2022	2021
Amounts transferred and to be transferred to the State for the fiscal year:		
General Fund	\$ 233,013,089	\$ 216,915,116
Department of Health and Social Services	1,512,759	1,157,873
Department of Agriculture	50,101,074	44,166,530
	\$ 284,626,922	\$ 262,239,519

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(7) Revenue and Expenses by Game

The following revenue was recognized:

	<u>Year ended June 30</u>	
	<u>2022</u>	<u>2021</u>
Draw games:		
Keno	\$ 9,691,782	\$ 9,693,911
Lotto America	2,745,442	2,711,357
Lucky for Life	5,311,026	3,214,748
Mega Millions	11,140,647	16,656,171
Multi Win Lotto	4,079,046	4,721,412
Play 3	34,639,952	36,554,537
Play 4	28,716,718	29,374,467
Powerball	23,549,529	19,339,761
Total draw games	<u>119,874,142</u>	<u>122,266,364</u>
Instant games	<u>110,860,247</u>	<u>111,525,279</u>
Total traditional lottery	230,734,389	233,791,643
Video lottery, net	416,138,136	366,400,002
Video lottery expired jackpots and credit slips	364,832	392,554
Table games, net	56,369,427	43,854,096
Casino license fees	206,879	183,111
Sports lottery	109,450,423	116,768,811
iGaming, net	<u>11,954,091</u>	<u>9,261,017</u>
Total revenue	<u>\$ 825,218,177</u>	<u>\$ 770,651,234</u>

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The revenue, prize costs, and commission expense, by game type, are listed below:

	Video lottery net	iGaming net	Sports lottery	Table games, net	Draw games	Instant	Total
Year ended June 30, 2022:							
Revenue	\$ 416,138,136	11,954,091	109,450,423	56,369,427	119,874,061	110,860,247	824,646,385
Other income	364,832	—	—	206,879	81		571,792
Total Income	416,502,968	11,954,091	109,450,423	56,576,306	119,874,142	110,860,247	825,218,177
Prize costs, net of Reversions	—	—	88,647,897	—	60,490,078	74,411,729	223,549,704
Commissions expense	181,876,210	672,321	5,026,186	45,095,541	7,140,677	6,705,205	246,516,140
Total Costs	181,876,210	672,321	93,674,083	45,095,541	67,630,755	81,116,934	470,065,844
Contribution Margin per game	\$ 234,626,758	11,281,770	15,776,340	11,480,765	52,243,387	29,743,313	355,152,333
Game vendor fees	34,104,782	6,087,639	3,863,738	—	6,706,818	7,644,359	58,407,336
Gross Margin	200,521,976	5,194,131	11,912,602	11,480,765	45,536,569	22,098,954	296,744,997
	Video lottery net	iGaming net	Sports lottery	Table games, net	Draw games	Instant	Total
Year ended June 30, 2021:							
Revenue	\$ 366,400,002	9,261,017	116,768,811	43,854,096	122,266,364	111,525,279	770,075,569
Other income	392,554	—	—	183,111	—	—	575,665
Total Income	366,792,556	9,261,017	116,768,811	44,037,207	122,266,364	111,525,279	770,651,234
Prize costs, net of Reversions	—	—	87,507,488	—	63,297,121	74,965,879	225,770,488
Commissions expense	160,413,162	—	6,611,066	35,083,277	8,381,019	6,720,107	217,208,631
Total Costs	160,413,162	—	94,118,554	35,083,277	71,678,140	81,685,986	442,979,119
Contribution Margin per game	\$ 206,379,394	9,261,017	22,650,257	8,953,930	50,588,224	29,839,293	327,672,115
Game vendor fees	29,109,666	4,948,305	5,430,083	—	6,567,957	7,615,338	53,671,349
Gross Margin	177,269,728	4,312,712	17,220,174	8,953,930	44,020,267	22,223,955	274,000,766

(8) Payroll-Related and Other Benefits

All Lottery personnel are employees of the State of Delaware and are covered by pension, health insurance, and other employee benefit programs administered by agencies of the State. During fiscal year 2022 and fiscal year 2021, the Lottery incurred \$5,870,942 and \$5,752,891 respectively, of payroll and benefit costs, including pension, health insurance, and other employee benefit costs, paid to various state agencies responsible for the administration of benefit programs.

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(9) Pension and Other Postemployment Benefits

	<u>(Asset)/Liability</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	(1,410,084)	787,600	2,935,802
OPEB	11,272,356	2,565,557	2,898,019
	<u>9,862,272</u>	<u>3,353,157</u>	<u>5,833,821</u>

(a) Pension

The Lottery contributes to the State Employees' Pension Plan (the Plan) established by the State to provide benefits for state employees. The Plan is a cost-sharing multiple-employer defined benefit pension plan established in the Delaware Code. The State of Delaware is responsible for setting benefits and amending plan provisions. The Plan prepares separate financial statements and is administered by the Delaware Public Employees' Retirement System (DPERS). All details of the Plan can be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

Benefits Provided

The Plan provides retirement, disability, and death benefits. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least five years of credit service; (b) age 60 with 15 years of credit service; or (c) 30 or more years of service regardless of age. Post-2011 members are eligible for monthly retirement benefits upon reaching (a) age 65 with at least ten years of credited service; (b) age 60 with 20 years of credit service; or (c) 30 or more years of service regardless of age.

Pre-2012 participants are eligible for disability benefits after five years of credited service. In lieu of disability pension benefits, over 90% of the members in this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 participants are not offered disability pension benefits and are in the Disability Insurance Program.

Death benefits are payable upon the death of an active member who has reached age 62 with at least five years of credit service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 75% with 3% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. For the years ending June 30, 2022, and 2021, the rate of the employer contribution was 12.33% and 11.96% percent of covered payroll respectively. The Lottery's employer contributions for the years ended June 30, 2022, and 2021 was \$311,926 and \$311,810 respectively.

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Net Pension (Asset)/Liability and Expense

On June 30, 2022, and 2021, the Lottery reported a net pension (asset)/liability of \$(1,410,084) and \$1,672,518, respectively, for its proportionate share of the net pension (asset)/liability of the State Employees' Pension Plan. The net pension (asset)/liability on June 30, 2022, was measured as of June 30, 2021, and the total pension liability used to calculate the net pension (asset)/liability was determined by rolling forward the Plan's total pension liability as of June 30, 2020, to June 30, 2021. The net pension (asset)/liability on June 30, 2021, was measured as of June 30, 2020, and the total pension liability used to calculate the net pension (asset)/liability was determined by rolling forward the Plan's total pension liability as of June 30, 2019, to June 30, 2020. As of the measurement date, June 30, 2021, the lottery's proportion was 0.1158 percent, a decrease of 0.0033 percent from June 30, 2020. As of the measurement date, June 30, 2020, the lottery's proportion was 0.1191 percent, a decrease of 0.0050 percent from June 30, 2019. For the years ended June 30, 2022, and 2021, the Lottery recognized a pension expense of \$(360,676) and \$412,637.

Deferred Outflows and Inflows of Resources

On June 30, 2022, and 2021, the Lottery reported deferred outflows of resources of \$311,926 and \$311,810, respectively, for its contributions after the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

On June 30, 2022, and 2021, the Lottery reported deferred outflows of resources related to pensions from the following sources:

	<u>2022</u>	<u>2021</u>
Difference between actual and expected experience	\$ 213,732	\$ 218,037
Changes in assumptions	254,767	117,163
Change in proportion	7,175	9,567
Contributions subsequent to the date of measurement	311,926	311,810
	<u>\$ 787,600</u>	<u>\$ 656,577</u>

On June 30, 2022, and 2021, the Lottery reported deferred inflows of resources related to pensions from the following sources:

	<u>2022</u>	<u>2021</u>
Net difference between projected and actual investment earnings	\$ 2,832,464	\$ 290,623
Difference between actual and expected experience	-	5,025
Changes in proportions	103,338	99,130
	<u>\$ 2,935,802</u>	<u>\$ 394,778</u>

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Amounts reported as deferred inflows and outflows of resources on June 30, 2022, related to pensions will be recognized as part of pension expense in future periods as follows:

Year Ending <u>30-Jun</u>	
2023	(491,180)
2024	(473,649)
2025	(505,302)
2026	(557,028)
2027	<u>(432,969)</u>
	<u>\$ (2,460,128)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2021, measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. This actuarial valuation used the following actuarial assumptions:

Investment Return includes inflation at 7.0%
Salary Increases – 2.5% + Merit, includes inflation at 2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality assumptions are based on the Sex distinct RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System’s current and expected asset allocation are summarized in the following table:

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<u>Asset class</u>	Long-term expected real rate of return	Asset allocation
Domestic equity	5.7%	32.3%
International equity	5.7%	18.1%
Fixed income	2.0%	20.6%
Alternative investments	7.8%	24.2%
Cash and equivalents	-	4.8%

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Lottery's Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate

The following presents the net pension (asset)/liability calculated using the discount rate of 7.0%, as well as what the collective net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>6.00%</u>	Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
2022 Lottery's proportionate share of net pension (asset)/liability	<u>\$ 172,322</u>	<u>\$ (1,410,084)</u>	<u>\$ (2,737,894)</u>
	1% Decrease <u>6.00%</u>	Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
2021 Lottery's proportionate share of net pension (asset)/liability	<u>\$ 3,214,585</u>	<u>\$ 1,672,518</u>	<u>\$ 376,728</u>

Pension Plan Fiduciary Net Position

Detailed information about the Delaware Public Employees' Retirement System (DPERS) fiduciary net position is available in the DPERS Comprehensive Annual Financial Report which can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd; Dover, DE, 19904.

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(b) Other Postemployment Benefits (OPEB)

The Lottery contributes to the State Employees' Other Postemployment Benefits Fund Trust (OPEB Trust) established by the State to provide benefits for state employees through the Delaware Postretirement Health Plan (the Plan). The OPEB Trust is a cost-sharing multiple-employer defined-benefit plan established in the Delaware Code. Policy for and management of the OPEB Trust benefits provided to retirees are the responsibility of the State. The plan is administered by the Delaware Public Employees' Retirement System (DPERS). All details of the OPEB Trust can be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

Benefits Provided

The Plan provides medical coverage to eligible pensioners and their eligible dependents through the same healthcare plans that are available to active employees. The participant's cost and vesting provisions of OPEB benefits is variable based on years of service. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional five percent of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

Contributions

Participating employers fund the OPEB Trust for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may not be amended by the State Legislature.

Allocation Methodology

The OPEB amounts are determined in accordance with the Governmental Accounting Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting of Postemployment Benefits Other than Pensions*. The State has elected to allocate the employers proportionate shares of the OPEB amounts based on the percentages of actual employer contributions during the period of July 1, 2020, thru June 30, 2021.

Net OPEB Liability and Expense

On June 30, 2022, and 2021, the Lottery reported a net Other Postemployment Benefits (OPEB) liability of \$11,272,356 and \$12,092,186 respectively, for its proportionate share of the net OPEB liability of the State of Delaware.

As of the measurement date, June 30, 2021, the Lottery's proportion is based on the percentage of actual employer contributions during the period ending June 30, 2020. As of the measurement date, June 30, 2020, the Lottery's proportion is based on the percentage of actual employer contributions during the period ending June 30, 2019. The Lottery's 2021, and 2020 proportion was 0.1026 percent and 0.1118 percent, respectively. The 2021 portion showed a decrease of 0.0092 percent from its proportion measured as of June 30, 2020. The 2020 portion showed a decrease of 0.0043 percent from its proportion measured as of June 30, 2019. For the year ended June 30, 2022, and 2021, the Lottery recognized an OPEB expense of \$330,682 and \$514,530, respectively.

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Deferred Outflows and Inflows of Resources

On June 30, 2022, and 2021, the Lottery reported deferred outflows of resources related to OPEB from the following sources:

	<u>2022</u>	<u>2021</u>
Expected and actual experience differences	\$ 270,323	\$ 351,104
Contributions subsequent to the date of measurement	287,641	298,471
Change in assumptions	1,952,756	2,044,823
Changes in proportions	54,837	73,116
	<u>\$ 2,565,557</u>	<u>\$ 2,767,514</u>

On June 30, 2022, and 2021, the Lottery reported deferred inflows of resources related to OPEB from the following sources:

	<u>2022</u>	<u>2021</u>
Net difference between projected and actual investment earnings	\$ 130,214	\$ 13,433
Expected and actual experience difference	1,551,224	831,210
Changes in assumptions	369,434	687,730
Changes in proportions	847,147	704,732
	<u>\$ 2,898,019</u>	<u>\$ 2,237,105</u>

The cumulative amounts of collective net deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending <u>30-Jun</u>	
2023	\$ (362,523)
2024	(109,510)
2025	56,010
2026	(201,968)
2027	(2,112)
	<u>\$ (620,103)</u>

Actuarial Assumptions

The total OPEB liability for the June 30, 2021, and June 30, 2020, measurement date was determined by an actuarial valuation as of June 30, 2020, and June 30, 2019, with update procedures used to roll forward the total OPEB liability to June 30, 2021, and June 30, 2020. These actuarial valuations used the following actuarial assumptions.

<u>Actuarial assumptions:</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Discount Rate	2.16%	2.21%
Projected Salary increases	3.25% + Merit	3.25% + Merit
Healthcare cost trends rates	5.50%	5.60%

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Mortality rates were based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the RP-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographics behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2021 and covering period July 1, 2015, through June 20, 2020. It is likely that future experiences will not exactly conform to these assumptions. To that extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21% at the beginning of the current measurement period and 2.16% at the end of the current measurement period, based on the Bond Buyer GO 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and the employer contributions to the OPEB will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rates used for June 30, 2021, measurement dates are equal to the applicable rate of the 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

	1% Decrease <u>1.16%</u>	Discount Rate <u>2.16%</u>	1% Increase <u>3.16%</u>
2022 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 13,471,873</u>	<u>\$ 11,272,356</u>	<u>\$ 9,539,798</u>
	1% Decrease <u>1.21%</u>	Discount Rate <u>2.21%</u>	1% Increase <u>3.21%</u>
2021 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 14,495,110</u>	<u>\$ 12,092,186</u>	<u>\$ 10,214,744</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

	1% Decrease <u>4.50%</u>	Health Care Trend <u>5.50%</u>	1% Increase <u>6.60%</u>
2022 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 9,222,384</u>	<u>\$ 11,272,356</u>	<u>\$ 13,978,817</u>
	1% Decrease <u>4.60%</u>	Health Care Trend <u>5.60%</u>	1% Increase <u>6.60%</u>
2021 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 11,346,764</u>	<u>\$ 12,092,186</u>	<u>\$ 13,229,131</u>

DELAWARE STATE LOTTERY
Notes to Financial Statements
June 30, 2022 and 2021

(10) Risk Management

The Lottery stipulates in its vendor contracts that the vendors carry various insurance coverage such as property (video gaming machines and online terminals, etc.), general liability, errors, and omissions, automotive, and crimes. The Lottery's risks of losses related to workers' compensation, employee healthcare, automobile, and a portion of property and casualty claims are insured internally by the State.

(11) Commitments

The Lottery has entered into various contracts for services to be rendered relating principally to the operation of the Lottery's games. Under the gaming systems contract the Lottery is committed to paying 5.371% of draw game sales, 4.18% of PHD (high-definition lottery ticket vending machine) sales, 9.95% of Keno sales, 5.6% of instant sales, 12.5% of track sports net revenue and 25% of retailer sports net revenue, 1% of video net gaming revenue, and 25% of net win for charitable gaming video machines to its central system provider through October 2022. For video lottery terminals, the lottery is committed to a 7.0% to video lottery vendors through October 28, 2026. For video lottery terminals classified as electronic table games (ETG), the Lottery is committed to a range of 10% to 16% through October 28, 2026.

Delaware State Lottery
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension (Asset)/Liability and Contributions

Proportionate Share of Net Pension (Asset)/Liability

Measurement date	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Lottery's percentage of the net pension (asset)/liability	0.1158%	0.1191%	0.1241%	0.1228%	0.1269%	0.1327%	0.1370%	0.1407%
Lottery's proportion of the net pension (asset)/liability	\$ (1,410,084)	\$ 1,672,518	\$ 1,932,872	\$ 1,585,580	\$ 1,860,152	\$ 1,999,680	\$ 911,588	\$ 518,009
Lottery's covered payroll	\$ 2,487,258	\$ 2,566,503	\$ 2,577,990	\$ 2,440,113	\$ 2,474,051	\$ 2,532,720	\$ 2,560,633	\$ 2,589,613
Lottery's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	-56.7%	65.2%	75.0%	65.0%	75.2%	79.0%	35.6%	20.0%
Plan fiduciary net position as a percentage of the total pension liability	110.5%	87.3%	85.4%	87.5%	85.4%	84.1%	92.7%	95.8%
<u>Contributions - Fiscal Year</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 311,926	\$ 311,810	\$ 306,769	\$ 304,759	\$ 253,999	\$ 236,800	\$ 242,448	\$ 244,307
Contributions in relation to the contractually required contributions	311,926	311,810	306,769	304,759	253,999	236,800	242,448	244,307
Contribution excess (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lottery's covered payroll	\$ 2,553,446	\$ 2,487,258	\$ 2,566,503	\$ 2,577,990	\$ 2,440,113	\$ 2,474,051	\$ 2,532,720	\$ 2,560,633
Contribution as a percentage of covered payroll	12.2%	12.5%	12.0%	11.8%	10.4%	9.6%	9.6%	9.5%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available.

This schedule will accumulate each year until sufficient information to present a ten year trend is available.

Delaware State Lottery
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions

Proportionate Share of Net OPEB Liability

Measurement date	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Lottery's percentage of the net OPEB liability	0.1026%	0.1118%	0.1161%	0.1208%	0.1197%	0.1286%
Lottery's proportion of the net OPEB liability	\$ 11,272,356	\$ 12,092,186	\$ 9,630,120	\$ 9,824,521	\$ 10,235,689	\$ 11,681,265
Lottery's covered payroll	\$ 2,487,258	\$ 2,566,503	\$ 2,577,990	\$ 2,440,113	\$ 2,474,051	\$ 2,532,720
Lottery's proportionate share of the net OPEB liability as percentage of its covered payroll	453.2%	471.2%	373.6%	402.6%	413.7%	461.2%
Plan fiduciary net position as a percentage of the total OPEB liability	6.1%	4.3%	4.9%	4.4%	4.1%	3.3%

Contributions - Fiscal Year

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 287,641	\$ 298,471	\$ 320,928	\$ 303,694	\$ 268,793	\$ 294,117
Contributions in relation to the contractually required contributions	\$ 287,641	\$ 298,471	\$ 320,928	\$ 303,694	\$ 268,793	\$ 294,117
Contribution excess (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lottery's covered payroll	\$ 2,553,446	\$ 2,487,258	\$ 2,566,503	\$ 2,577,990	\$ 2,440,113	\$ 2,474,051
Contribution as a percentage of covered payroll	11.3%	12.0%	12.5%	11.8%	11.0%	11.9%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available.

This schedule will accumulate each year until sufficient information to present a ten year trend is available.

STATISTICAL SECTION

STATISTICAL SECTION

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Delaware Demographics and Economic Information

Please see Exhibits I that shows the State of Delaware statistics for the last 10 calendar years.

Financial Trend Data

Please see Exhibits II for Delaware Lottery financial trends for the last 10 fiscal years.

Employee & Retailer Demographics

Please see Exhibits III & IV that show numbers of Lottery Employees and Retailers.

Revenue Capacity Data and Operation Information

Please see Exhibits V to XIV that show the contributions and revenue generated by the various components of the Lottery.

Delaware State Lottery Historical Data

Please see Exhibit XV for Delaware State Lottery historical data since inception.

U.S. Lottery Statistics

Please see Exhibits XVI to XVIII that shows statistics on the U.S. Lotteries

Debt Capacity Data

The Delaware State Lottery has no Legislative debt limit.

EXHIBIT I

State of Delaware
Delaware Demographic and Economic Statistics
Last Ten Calendar Years
(Expressed in Thousands, unless otherwise stated)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Population										
State	917	926	935	946	952	962	967	974	990	1003
Percentage Change	1.0%	0.9%	1.0%	1.2%	0.6%	1.1%	0.5%	0.7%	1.6%	1.3%
National	313,874	316,129	318,857	321,419	323,128	325,719	327,167	328,240	331,449	331,900
Percentage Change	0.7%	0.7%	0.9%	0.8%	0.5%	0.8%	0.4%	0.3%	1.0%	0.1%
Total personal income										
State (in millions)	40,379	41,487	43,392	45,012	45,917	47,782	51,313	53,515	57,230	58,989
Percentage Change	4.2%	2.7%	4.6%	3.7%	2.0%	4.1%	7.4%	4.3%	6.9%	3.1%
National (in billions)	13,873	14,151	14,683	15,711	16,116	16,820	18,077	18,751	20,549	20,908
Percentage Change	5.2%	2.0%	3.8%	7.0%	2.6%	4.4%	7.5%	3.7%	9.6%	1.7%
Delaware Labor Force										
Civilian labor force	441,127	443,020	462,415	482,629	478,257	486,675	489,256	487,778	488,825	497,900
Employed	409,796	413,260	440,762	462,455	455,526	467,549	472,049	452,149	460,443	470,600
Unemployed	31,331	29,760	21,653	20,174	22,731	19,126	17,207	27,025	28,382	27,300
Unemployment rate	7.1%	6.7%	4.7%	4.2%	4.8%	3.9%	3.5%	5.6%	5.8%	5.5%

Sources:

Population is provided by the Bureau of Census, U.S. Department of Commerce (<https://factfinder2.census.gov/>) through estimates released in July.

Personal income is provided by the Bureau of Economic Analysis, U.S. Department of Commerce (<http://www.bea.gov/regional/>) estimates released in June 2022

Delaware Department of Labor, Office of Occupational and Labor Market Information (<https://lmi.delawareworks.com/Content/Information/LAUS.php>) June 2022

Exhibit II

DELAWARE STATE LOTTERY
Schedule of Change in Net Position and Components of Net Position,
Last Ten Fiscal Years

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenue - Video Lottery, net	\$400,140,558	\$367,030,380	\$360,964,815	\$364,280,324	\$356,326,994	\$357,378,278	\$367,781,033	\$301,131,052	\$366,792,556	\$416,502,968
Revenue - I-Gaming - Video	0	\$1,374,944	\$1,773,149	\$2,559,090	\$2,701,931	\$2,178,023	\$3,166,045	\$6,073,212	\$9,261,017	\$11,954,091
Revenue - Traditional Lottery	144,108,404	148,370,099	149,817,606	175,040,937	169,723,004	176,787,968	196,317,746	190,672,739	233,791,643	230,734,389
Revenue - Sports Lottery	25,422,927	31,511,881	37,857,048	39,398,130	46,114,509	54,747,779	158,630,194	103,173,797	116,768,811	109,450,423
Revenue - Table Games	65,591,850	52,537,492	51,455,977	54,010,328	53,117,143	54,629,995	56,822,392	40,943,040	44,037,207	56,576,306
Total revenue	635,263,739	600,824,796	601,868,595	635,288,809	627,983,581	645,722,043	782,717,410	641,993,840	770,651,234	825,218,177
Total cost of games	346,106,879	332,467,983	347,266,684	370,690,457	371,547,319	379,454,891	512,316,476	415,878,979	496,650,468	528,473,180
Gross profit	289,156,860	268,356,813	254,601,911	264,598,352	256,436,262	266,267,152	270,400,934	226,114,861	274,000,766	296,744,997
Total operating expenses	11,360,971	10,920,844	10,640,462	10,733,694	10,722,244	10,446,022	10,709,014	10,776,418	10,761,247	10,618,075
Operating income	277,795,889	257,435,969	243,961,449	253,864,658	245,714,018	255,821,130	259,691,920	215,338,443	263,239,519	286,126,922
Non-operating Expenses:										
Certified Thoroughbred Program	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,500,000
Contributions to the State of Delaware	276,795,889	256,435,969	242,961,449	252,864,658	244,714,018	254,821,130	258,691,920	214,338,443	262,239,519	284,626,922
Change in net position	0	0	0	0	0	0	0	0	0	0
Net position at beginning of year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net position at end of year	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net Investment In Capital Assets	0	0	0	0	0	0	0	0	0	0
Unrestricted	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Net Position	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000

Exhibit III

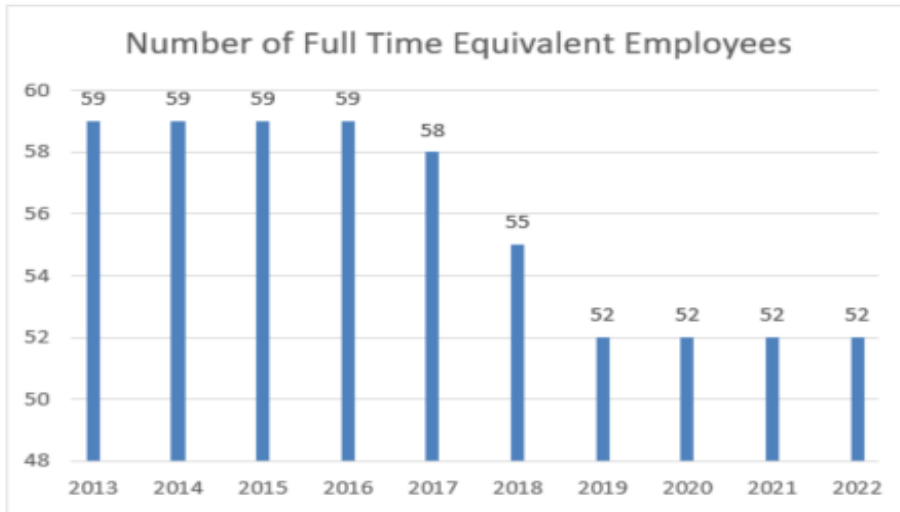


Exhibit IV

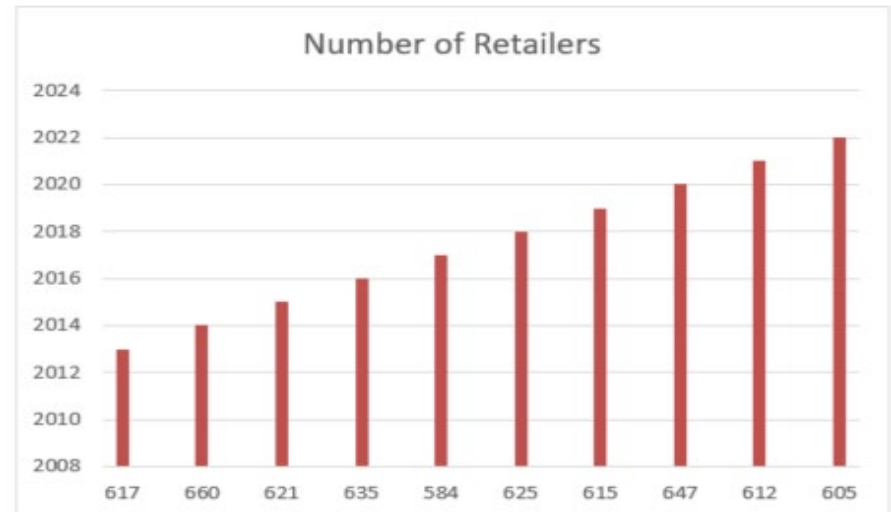


Exhibit V

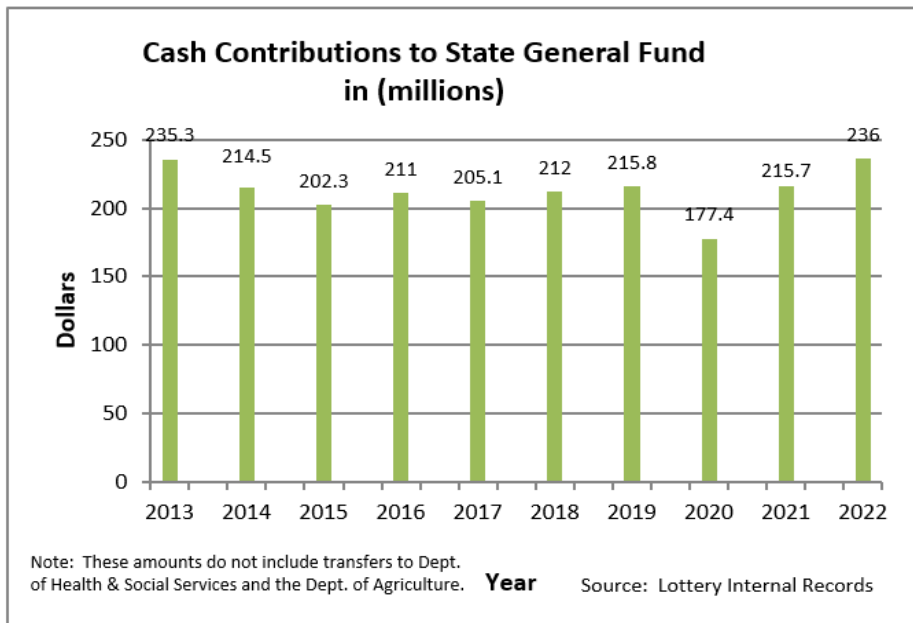


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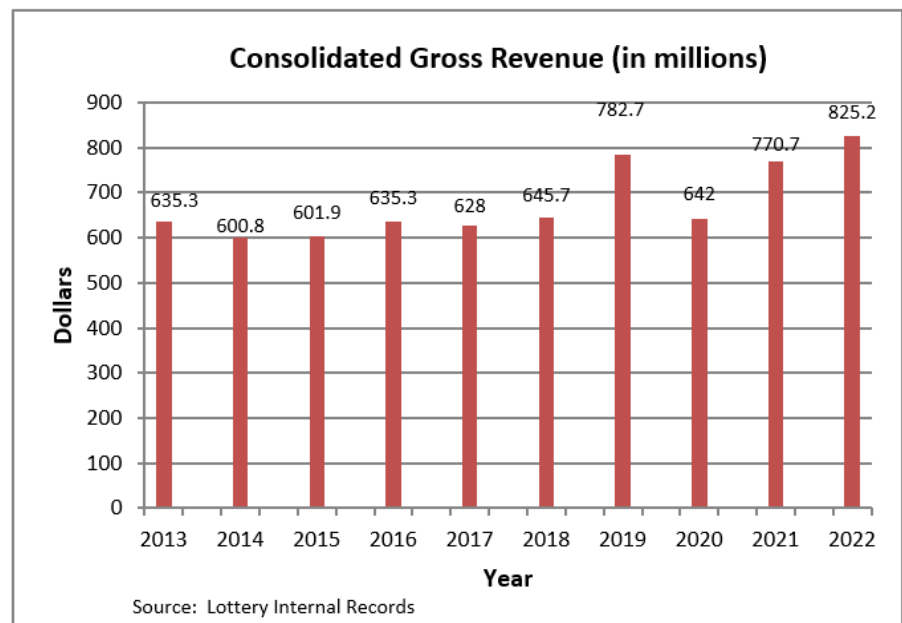


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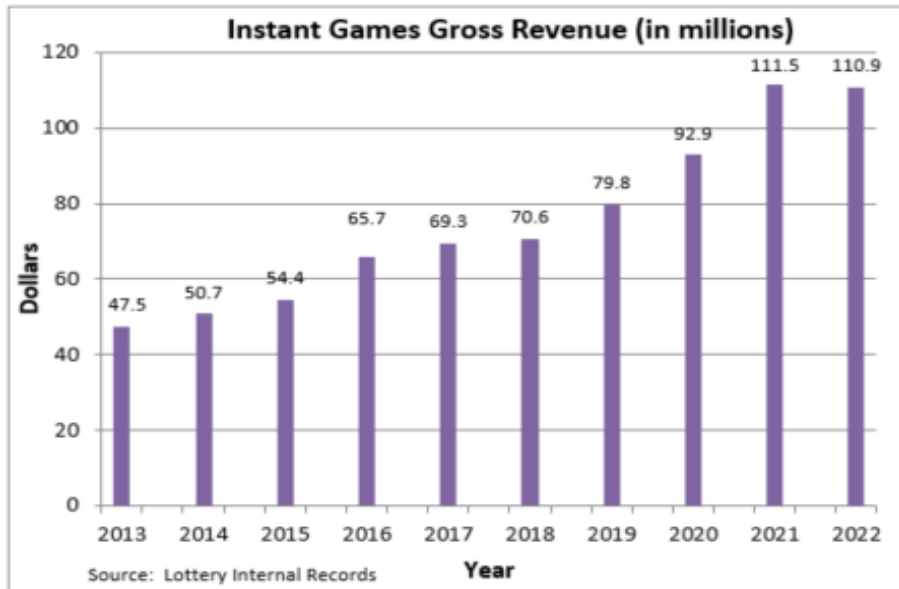


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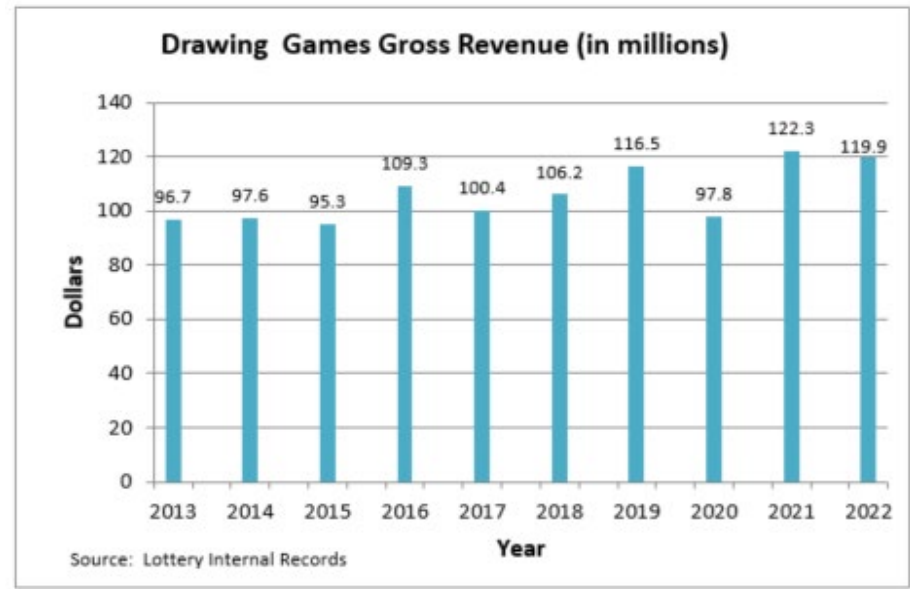


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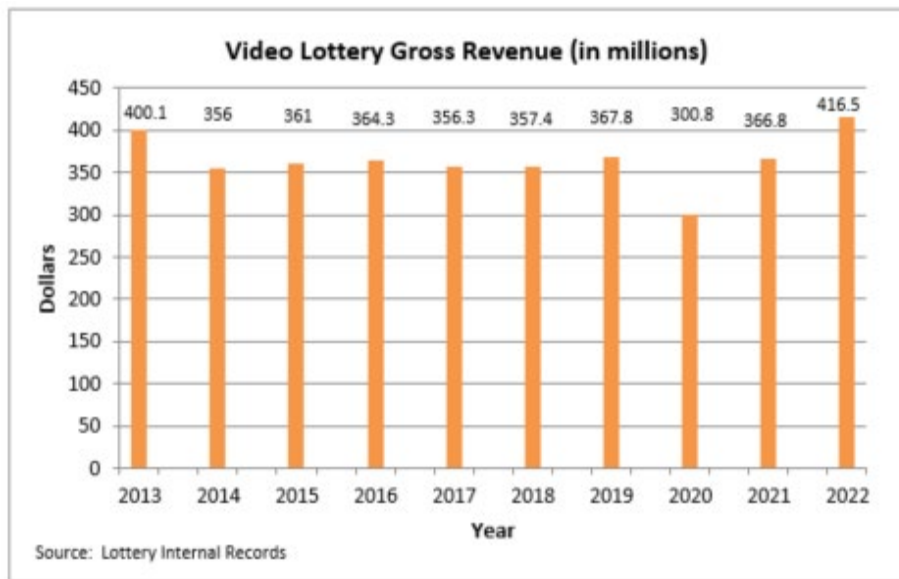


Exhibit X

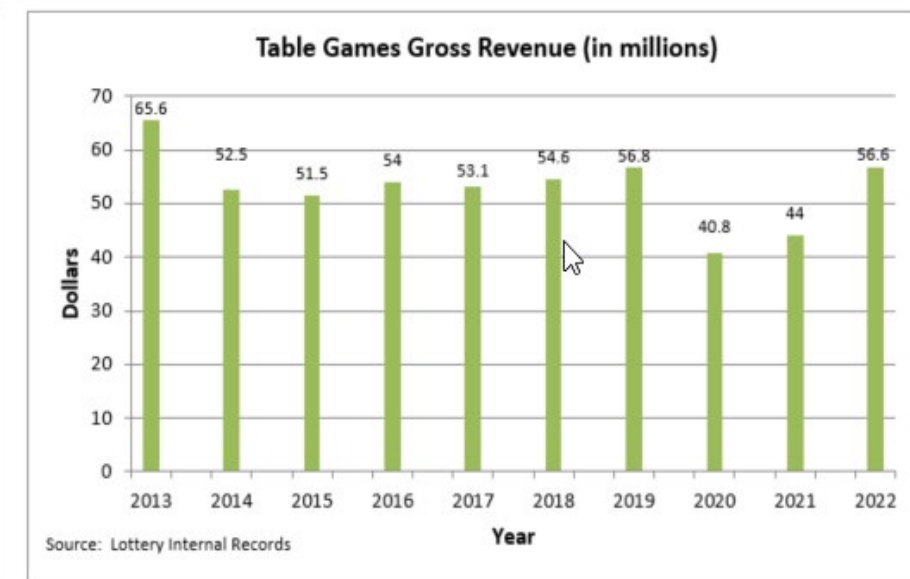


Exhibit XI

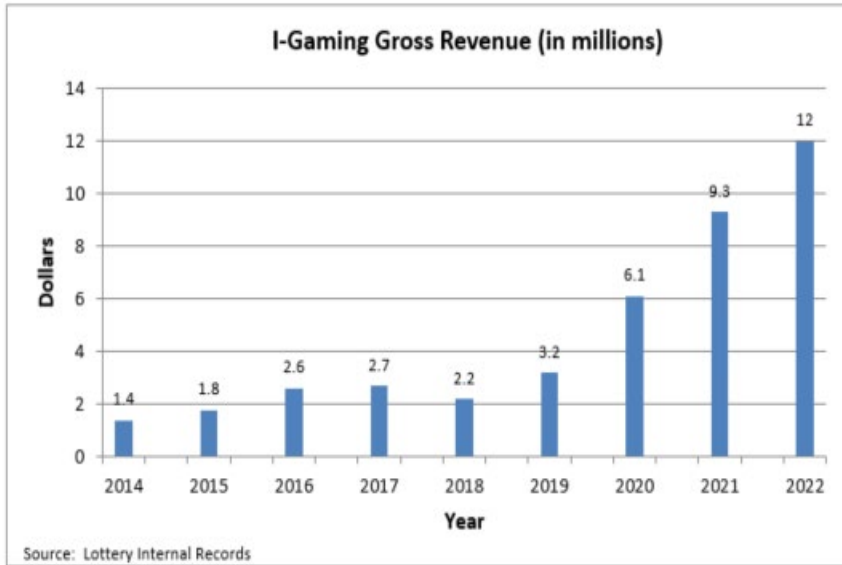


Exhibit XII

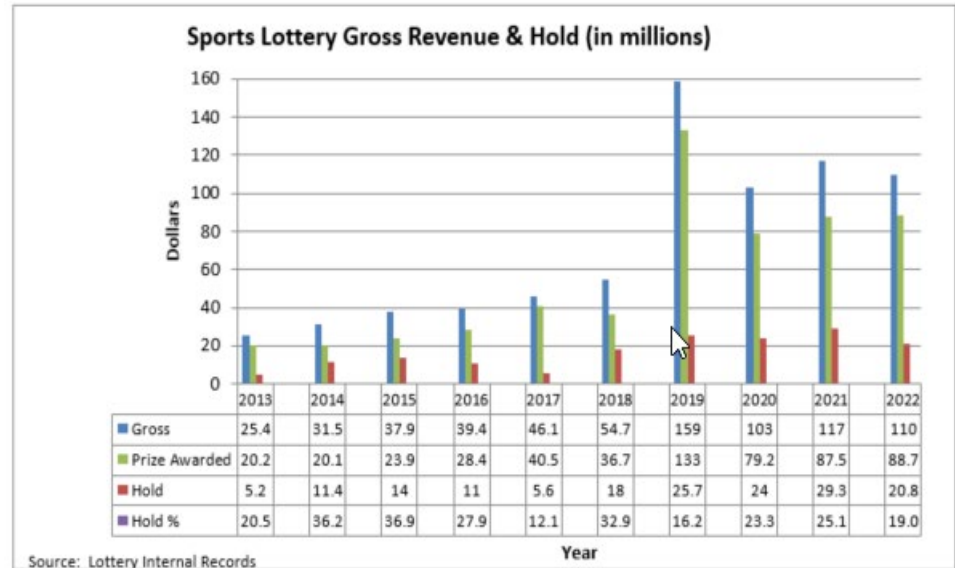


Exhibit XIII

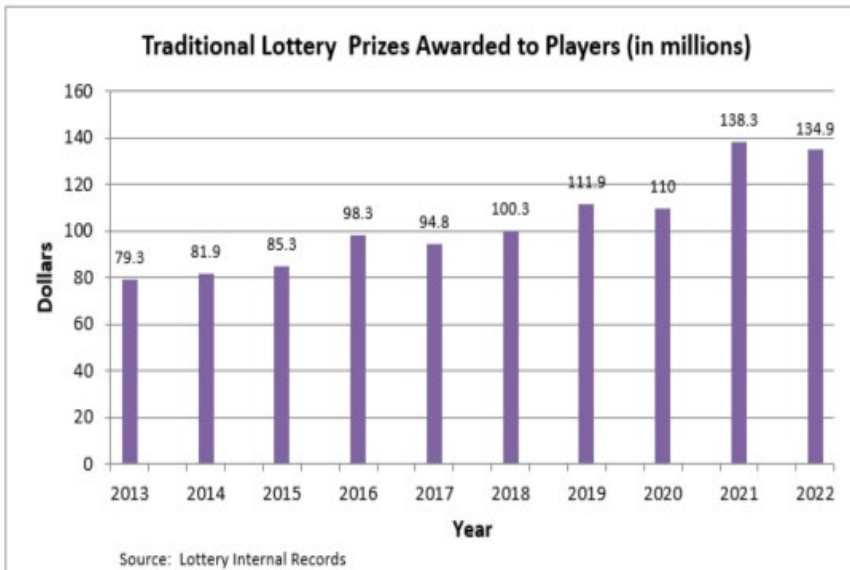


Exhibit XIV

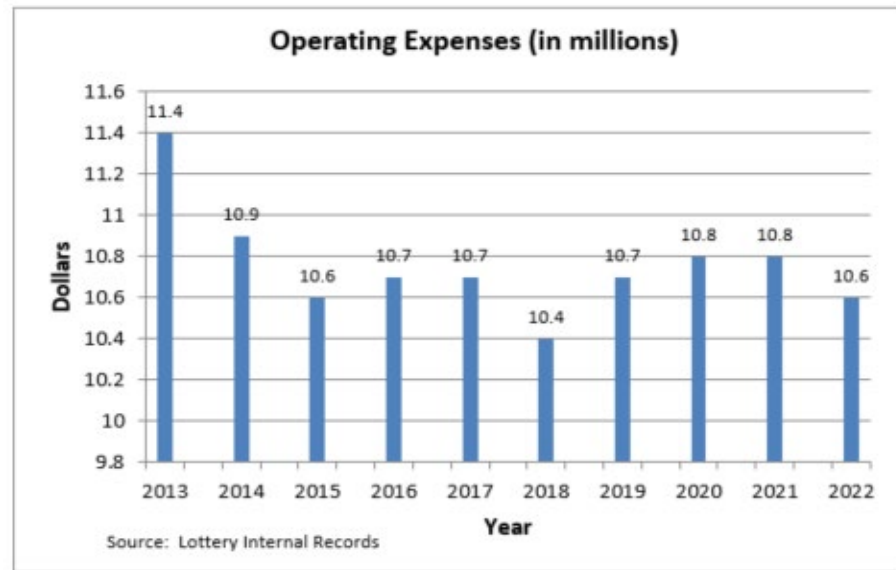


EXHIBIT XV

Delaware State Lottery

Statistics

	Traditional Lottery Revenue \$ (millions)	Instant Games Revenue \$ (millions)	Drawing Games Revenue \$ (millions)	Video Lottery & I-Gaming Net Revenue \$ (millions)	Sports Lottery Revenue \$ (millions)	Table Games Revenue \$ (millions)	Prizes Awarded to players \$ (millions)	Operating Expenses \$ (millions)	Contributions to State General Fund \$ (millions)	Total Lottery Revenue \$ (millions)
1976	6.7	6.7	0.0	0.0	0.0	0.0	2.7	17.3	2.0	6.7
1977	6.3	6.3	0.0	0.0	0.0	0.0	3.1	27.0	1.9	6.3
1978	5.4	1.6	3.8	0.0	0.0	0.0	2.6	16.2	1.6	5.4
1979	12.0	1.5	10.5	0.0	0.0	0.0	5.9	11.3	4.2	12.0
1980	16.0	1.9	14.1	0.0	0.0	0.0	8.1	9.4	5.6	16.0
1981	20.1	1.9	18.2	0.0	0.0	0.0	10.1	8.0	7.5	20.1
1982	25.6	2.2	23.4	0.0	0.0	0.0	13.3	6.7	9.5	25.6
1983	30.1	2.4	27.7	0.0	0.0	0.0	15.6	6.7	11.0	30.1
1984	33.1	2.1	31.0	0.0	0.0	0.0	15.4	6.2	14.0	33.1
1985	38.7	1.9	36.8	0.0	0.0	0.0	19.4	6.2	15.0	38.7
1986	41.1	2.4	38.7	0.0	0.0	0.0	19.7	6.3	16.7	41.1
1987	45.9	5.2	40.7	0.0	0.0	0.0	23.9	5.7	17.1	45.9
1988	55.6	9.7	45.9	0.0	0.0	0.0	29.2	5.5	20.5	55.6
1989	64.1	10.4	53.7	0.0	0.0	0.0	33.5	5.8	23.8	64.1
1990	67.2	13.8	53.4	0.0	0.0	0.0	35.0	5.5	25.1	67.2
1991	67.2	13.9	53.3	0.0	0.0	0.0	34.3	6.4	25.3	67.2
1992	78.5	15.8	62.7	0.0	0.0	0.0	41.5	6.9	27.7	78.5
1993	90.1	19.7	70.4	0.0	0.0	0.0	48.3	7.2	30.2	90.1
1994	100.6	17.5	83.1	0.0	0.0	0.0	53.4	7.1	34.3	100.6
1995	114.1	19.5	94.6	0.0	0.0	0.0	56.3	7.5	43.3	114.1
1996	111.8	23.9	87.9	77.1	0.0	0.0	58.2	10.5	57.8	188.9
1997	103.6	20.3	83.3	255.9	0.0	0.0	53.8	11.9	96.0	359.5
1998	120.7	18.2	102.5	326.7	0.0	0.0	62.4	11.2	125.4	447.4
1999	150.1	20.1	130.0	377.6	0.0	0.0	75.5	5.5	168.0	527.7
2000	102.7	19.6	83.1	453.9	0.0	0.0	51.1	6.9	185.4	556.6
2001	97.2	19.4	77.8	504.1	0.0	0.0	48.7	7.3	204.6	601.3
2002	117.2	21.0	96.2	556.8	0.0	0.0	59.2	7.3	230.0	674.0
2003	102.4	22.3	80.1	525.7	0.0	0.0	52.7	6.3	213.0	628.1
2004	108.6	25.0	83.6	532.3	0.0	0.0	53.2	5.6	222.0	640.9
2005	114.1	28.7	85.4	575.2	0.0	0.0	59.8	7.2	234.0	689.3
2006	124.5	31.4	93.1	603.5	0.0	0.0	64.9	5.7	248.8	728.0
2007	118.3	33.1	85.2	636.9	0.0	0.0	61.3	6.5	256.7	755.2
2008	124.9	35.6	89.3	617.3	0.0	0.0	65.9	7.2	252.5	742.2
2009	123.2	36.5	86.7	581.1	0.0	0.0	66.8	6.9	248.0	704.3
2010	123.0	36.1	86.9	547.7	10.8	7.5	72.5	8.8	275.5	689.0
2011	124.0	40.9	83.1	499.1	12.9	92.2	75.8	10.3	287.0	728.2
2012	134.7	45.7	89.0	474.7	17.8	85.8	86.3	10.5	269.0	713.0
2013	144.2	47.5	96.7	396.3	25.4	68.8	99.3	10.9	235.3	634.7
2014	148.3	50.7	97.6	364.4	31.5	55.8	102.0	10.5	214.5	600.0
2015	149.7	54.4	95.3	359.6	37.9	54.7	108.9	10.8	201.7	601.9
2016	175.1	65.7	109.4	363.6	39.4	57.2	126.5	10.7	211.5	635.3
2017	169.7	69.3	100.4	355.9	46.1	56.3	135.0	10.7	205.1	628.0
2018	176.8	70.6	106.2	356.4	54.7	57.8	136.5	10.4	212.0	645.7
2019	196.3	79.8	116.5	371.0	158.6	56.8	244.4	10.7	215.8	782.7
2020	190.7	92.9	97.8	307.2	103.2	40.8	189.2	10.8	177.4	641.9
2021	233.8	111.5	122.3	376.1	116.8	44.0	225.8	10.8	215.7	770.7
2022	230.6	110.8	119.8	428.7	109.5	56.4	223.5	10.6	233.0	825.2
Totals	4734.6	1,387.4	3,347.2	11,824.8	764.6	734.1	3,130.5	421.4	6,032.0	18,058.1

Exhibit XVI

U.S. Lotteries'
Comparison of Sales by Game
Fiscal Years 2022 and 2021
(in \$millions)

GAME SALES (MILLIONS)	2022	2021	% INCREASE (DECREASE)
INSTANT	\$63,420.3	\$63,052.3	0.58%
PULL TAB	146.9	120.9	21.51%
3-DIGIT	6,650.9	6,891.0	-3.48%
4-DIGIT	5,533.6	5,551.4	-0.32%
LOTTO	3,738.6	3,850.7	-2.91%
POWERBALL	5,026.3	3,838.9	30.93%
MEGA MILLIONS	3,027.5	4,025.1	-24.78%
FOR LIFE	663.0	577.3	14.84%
KENO	5,369.3	5,898.3	-8.97%
VLT (VIDEO LOTTERY)	6,524.4	5,849.2	11.54%
OTHER	1,526.2	1,102.6	38.42%
TOTAL	\$101,627.0	\$100,757.7	0.86%

Source: *La Fleur's Magazine, Sept/Oct 2022*

Exhibit XVII

U.S. Lotteries' Unaudited Fiscal Year 2022 Sales by Game																
(in \$Millions)																
State	Population (M)	Instant	Pull Tab	3 - Digit	4 - Digit	Lotto	Cash Lotto	Powerball	Mega Millions	for Life	ITG	Keno	Other	Total Sales	PC Sales	VLT*
AZ	7.3	1,043.2	14.1	16.8		70.6		117.5	60.2		46.0			1,368.4	188	
AR	3.0	480.1		12.3	6.5	9.3		31.0	15.5	6.2	18.7			579.6	192	
CA	39.2	6,842.6		184.3	37.2	421.4		569.9	372.8			437.6		8,865.8	226	
CO	5.8	590.3		15.3		82.7		83.1	35.1	20.4				826.9	142	
CT	3.6	801.3		140.4	134.0	45.6		80.0	39.7	30.5	38.7	141.9		1,452.1	403	
DC	0.7	45.9		39.5	55.0			8.0	4.4	3.0	10.1	13.2	26.4	205.5	307	
DE	1.0	110.9		34.6	28.7	4.1	2.7	23.5	11.1	5.3		9.7		230.6	230	410.6
FL	21.8	7,025.3		469.4	305.1	557.8		494.1	239.2	64.8	10.8		158.0	9,324.5	428	
GA	10.8	3,742.9		606.6	420.2	116.7		158.6	109.1	24.6	5.5	226.6	383.2	5,794.0	536	
ID	1.9	224.7	78.3	2.3	1.1	5.3	3.2	30.3	14.0	4.6	12.6		2.5	378.9	199	
IL	12.7	2,156.9		305.2	311.1	221.3		165.0	106.8		129.5		0.4	3,396.2	268	
IN	6.8	1,343.1		49.3	46.1	77.2	6.5	97.7	40.2	6.8	29.3		6.8	1,703.0	250	
IA	3.2	293.1	12.7	9.3	5.6		7.0	53.1	20.4	8.1	23.4			432.7	136	
KS	2.9	220.3		8.5		8.5	7.3	35.7	16.0	7.8		19.0	3.0	326.1	111	
KY	4.5	963.5		187.1	57.1	15.2		71.1	35.5	11.7	14.6	94.6	30.0	1,480.4	328	
LA	4.6	292.8		70.1	58.3	31.1		68.3	31.6		20.1		10.5	582.8	126	
ME	1.4	311.0		6.4	5.0	1.1	11.8	22.7	8.9	6.6	12.3			385.8	281	
MD	6.2	1,009.5		266.6	373.1	62.1		127.6	81.0	19.5	76.9	606.1	27.1	2,649.5	430	1,331.8
MA	7.0	3,898.7	0.6		358.1	113.4		129.4	73.9	43.6		1,217.2		5,834.9	835	
MI	10.1	2,364.3	40.0	462.5	577.9	133.5		136.7	142.4	23.6	94.0	631.2	276.2	4,882.3	486	
MN	5.7	561.6		22.4		26.7	11.0	72.8	25.4		13.2		7.0	740.1	130	
MS	2.9	343.7		19.0	5.0	12.5		36.8	19.4					436.4	148	
MO	6.2	1,196.7		103.8	71.0	49.3		90.2	41.0	12.6		56.5	2.3	1,623.4	263	
MT	1.1	26.6				9.3	2.0	12.4	5.0	3.7	7.9		5.0	71.9	65	
NE	2.0	117.5		7.6		16.9	2.1	35.7	14.6	8.1				202.5	103	
NH	1.4	314.0		5.4	4.9		9.7	32.5	14.9	8.3	18.0	53.4	43.3	504.4	363	
NJ	9.3	2,201.1		432.4	274.9	220.3		241.0	147.2	59.0	40.2	158.3	4.0	3,778.4	408	
NM	2.1	80.1		4.9	1.9	7.3	3.9	25.8	11.7		1.1			136.7	65	
NY	19.8	4,517.7		958.6	948.1	282.2		358.4	294.6	120.9		663.5	34.1	8,178.1	412	1,758.4
NC	10.6	2,649.7		487.4	222.0	74.7		180.4	83.5	40.8	65.5	81.2	1.9	3,887.1	368	
ND	0.8						7.0	12.0	5.6	4.6				29.2	38	
OH	11.8	2,287.8		437.3	267.7	87.4		151.3	99.5	37.6	208.7	649.5	64.4	4,291.2	364	
OK	4.0	263.5		6.9		3.9	5.9	44.3	19.6	6.3				350.4	88	
OR	4.2	163.4			2.0	35.2		57.5	24.6			112.0	2.5	397.2	94	1,246.1
PA	13.0	3,513.4		282.6	245.6	263.3		267.9	111.2	26.5	149.1	55.7	215.8	5,131.1	396	
RI	1.1	130.6	0.0		22.9	5.9		26.2	10.9	8.1		89.7	1.4	295.7	270	481.2
SC	5.2	1,599.0		289.1	153.3	28.5		105.1	44.3	0.0			34.2	2,253.5	434	
SD	0.9	48.3				2.2	1.8	14.2	4.5	4.3				75.3	84	325.4
TX	29.5	6,727.3		298.8	146.8	325.3		405.8	392.9					8,296.9	281	
VT	0.6	121.3		1.3	1.3		3.9	9.2	4.2	2.8	7.5			151.5	235	
VA	8.6	1,325.1		349.7	361.9	44.9		133.4	92.6	29.5	57.0	47.0	177.1	2,618.2	303	
WA	7.7	665.2		21.4		85.7		80.6	48.7				6.1	907.7	117	
WV	1.8	168.8		8.0	4.9	4.7	4.9	31.5	12.9			5.3	1.8	242.8	136	970.9
WI	5.9	637.8	1.1	27.8	19.1	76.3		88.7	36.0				1.0	887.8	151	
WY	0.6					8.7		9.0	4.9	2.9				25.5	44	
Total	311.3	63,420.6	146.8	6,650.9	5,533.4	3,648.1	90.7	5,026.0	3,027.5	663.1	1,110.7	5,369.2	1,526.0	96,213.0	307.0	6,524.4

Source: La Fleur's Magazine, Sept/Oct 2022

Exhibit XVIII

U.S. Lotteries' Unaudited Fiscal Year 2021 Sales by Game

(in \$Millions)

State	Population (M)	Instant	Pull Tab	3 - Digit	4 - Digit	Lotto	Cash Lotto	Powerball	Mega Millions	for Life	ITG	Keno	Other	Total Sales	PC Sales	VL*
AZ	7.4	1,109.8	12.0	17.4		66.0		98.9	90.1		45.1			1,439.3	194	
AR	3.0	529.4		12.0	6.5	10.3		26.7	23.8	3.4	19.7			631.8	209	
CA	39.4	6,396.7		186.2	37.8	435.9		408.3	529.1			411.2		8,405.2	214	
CO	5.8	573.0		15.9		66.5		66.9	57.1	15.5				794.9	137	
CT	3.6	837.7		150.9	143.3	53.8		64.2	57.1	17.8	37.1	136.0		1,497.9	421	
DC	0.7	49.5		47.8	64.4			7.2	6.6	2.1	11.4	16.4	29.6	235.0	330	
DE	1.0	111.5		36.6	29.4	4.7	2.7	19.3	16.7	3.2		9.7		233.8	237	366.8
FL	21.7	6,827.9		465.1	293.3	594.7		363.7	337.1	69.2	20.8		104.5	9,076.3	418	
GA	10.7	4,005.8		639.9	418.7	131.9		125.4	159.6	23.2	6.3	305.6	217.9	6,034.3	563	
ID	1.8	227.2	66.8	2.7	0.6	6.2	2.5	26.2	19.8	3.3	14.1		2.5	371.9	204	
IL	12.6	2,214.4		352.4	342.7	220.2		126.9	157.9		35.6			3,450.1	274	
IN	6.8	1,384.5		50.3	45.7	80.7		78.7	60.0	7.4	24.2		6.3	1,737.8	257	
IA	3.2	316.9	12.8	9.5	5.5		6.4	43.4	29.0	5.6	23.5			452.6	143	
KS	2.9	232.2		8.9		11.3	7.0	29.4	22.9	5.4		19.6	3.0	339.7	117	
KY	4.5	961.7		194.2	60.2	18.4		61.3	50.2	7.8	13.6	100.2	19.0	1,486.6	332	
LA	4.6	333.4		77.0	65.6	36.2		64.1	48.2		0.4			624.9	135	
ME	1.4	314.6		6.8	5.2	1.1	12.9	18.9	13.7	3.5	13.9			390.6	289	
MD	6.1	993.4		290.8	395.7	60.0		93.2	107.9	20.9	66.5	572.2		2,600.6	429	1,160.4
MA	6.9	4,019.5	0.3		370.7	119.2		95.2	111.4	24.2		1,057.2		5,797.7	841	
MI	10.0	1,868.9	28.4	392.4	493.5	115.1		77.6	98.1	13.2	82.8	524.8	230.3	3,925.1	394	
MN	5.7	615.6		22.2		33.0	8.7	58.4	41.1	7.9	9.9		7.0	803.8	142	
MS	3.0	431.3		15.4		2.0		34.5	31.2					514.4	173	
MO	6.2	1,216.5		110.0	75.0	58.3		71.1	58.9	10.8		58.5		1,659.1	270	
MT	1.1	29.9				8.7	1.9	10.4	7.6	2.8	7.2		3.6	72.1	67	
NE	1.9	123.0		7.8		17.2	2.3	30.0	20.4	4.3				205.0	106	
NH	1.4	320.4		5.9	5.3		11.2	26.1	22.3	5.4	16.5	47.8	23.8	484.7	355	
NJ	8.9	2,072.7		453.3	291.0	237.0		174.9	213.9	59.7	28.8	152.6		3,683.9	415	
NM	2.1	95.5		5.9	1.9	5.8	3.8	22.8	18.1		1.1			154.9	74	
NY	19.3	4,231.7		942.3	903.2	278.4		257.1	333.9	119.7		567.9	31.8	7,666.0	396	739.8
NC	10.6	2,560.8		498.6	227.8	90.5		138.4	118.9	24.9	64.9	80.6		3,805.4	359	
ND	0.8						7.6	10.5	8.8	3.4				30.3	40	
OH	11.7	2,315.8		485.9	284.0	85.1		120.1	152.7	22.2	192.1	606.1	66.1	4,330.1	370	1,186.2
OK	4.0	256.0		7.0		4.3	5.4	37.9	32.0	4.1				346.7	87	
OR	4.2	196.0			2.0	36.0		40.4	33.7			98.9	2.5	409.5	97	860.3
PA	12.8	3,757.9		305.8	260.9	272.4		195.5	178.5	29.4	143.9	54.9	237.7	5,436.9	425	
RI	1.1	134.6	0.0		24.3	8.3		20.9	15.7	4.8		78.8	8.4	295.8	280	345.1
SC	5.2	1,763.0		311.5	154.2	29.1		79.5	65.1	13.4				2,415.8	463	
SD	0.9	47.5				2.9	1.8	11.2	7.3	3.0				73.7	83	300.2
TX	29.4	6,633.3		310.4	141.9	329.5		323.6	376.9					8,115.6	276	
VT	0.6	131.7		1.4	1.3		4.6	8.0	6.5	1.9	6.3			161.7	259	
VA	8.6	1,302.1		390.3	376.1	50.1		103.4	129.5	31.3	61.7	46.2	101.5	2,592.2	302	
WA	7.7	701.2		23.2		91.2		57.8	71.0				6.4	950.8	124	
WV	1.8	173.1		8.7	5.0	5.0	4.7	27.4	19.4			5.8		249.1	140	890.4
WI	5.8	634.7	0.5	28.9	18.6	77.8		74.7	58.5				0.9	894.6	153	
WY	0.6					12.1		8.8	7.1	2.7				30.7	53	
Total	309.5	63,052.3	120.8	6,891.3	5,551.3	3,766.9	83.5	3,838.9	4,025.3	577.4	947.4	4,951.0	1,102.8	94,908.9	307.0	5,849.2

Source: La Fleur's Magazine, Sept/Oct 2021