

ANNUAL QUAL

2015

REPORT



LETTER FROM THE EXECUTIVE DIRECTOR

The Hoosier Lottery is pleased to report that fiscal year 2015 was another record-breaking year! Revenues soared to \$1.041 billion – an increase of approximately \$22 million over fiscal year 2014 and the previous record. These sales are critical to the Hoosier Lottery’s mission of maximizing revenues to the State of Indiana (Indiana Code 4-30-5-3) in a socially responsible manner, through fun and light entertainment. Fiscal year 2015 net income of \$244 million was transferred to the State of Indiana. The monies that are returned to the State of Indiana impact every county, statewide, by contributing to the Build Indiana Fund, local police and firefighters’ pensions, and the Indiana Teachers’ Retirement Fund.

From fiscal year 2013 through fiscal year 2015, the Hoosier Lottery recognized an approximately 23 percent increase in scratch-off sales. This performance is among the best in the United States, where average overall sales increases are approximately 2.9 percent.*

At the end of fiscal year 2015, the Hoosier Lottery introduced Fast Play. It is an instant terminal game purchased at retail – printed from the terminal – and redeemable by the player at retail. Early results have indicated that Hoosiers enjoy playing in this manner!

During fiscal year 2015, the Hoosier Lottery was presented with the Sharon Sharp ‘Good Causes’ Award by the Public Gaming Research Institute. The Sharp Award recognizes and honors the lottery which achieves the highest percentage increase in net funds contributed to its beneficiary. I was thrilled to accept this award on behalf of the Hoosier Lottery – and for the benefit of Hoosiers across the State of Indiana.

Fiscal year 2015 also marked the second full year of operation under the integrated services agreement with IGT Indiana**, who works on behalf of the Hoosier Lottery in the areas of sales, marketing, and distribution services. The State Lottery Commission of Indiana maintains full oversight of all Hoosier Lottery operations – including security, accounting, prize payment, retailer licensing, internal audit, and compliance, in addition to the functions provided by IGT Indiana.

By continuing to work closely with IGT Indiana, we feel confident that the Hoosier Lottery will continue to maximize revenues to the State of Indiana for the duration of the agreement and into the future. Between ongoing contributions towards good causes and the continued focus on social responsibility, we are poised to meet our mission!

Sincerely,

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

Sarah M. Taylor
Executive Director of the Hoosier Lottery

*North American Association of State and Provincial Lotteries (NASPL)

**GTECH Indiana changed its name to IGT Indiana, effective October 1, 2015

**THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2015 AND 2014**

	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	\$ 23,310,339	\$ 18,936,820
Investments — current portion	11,654,116	11,360,702
Accounts receivable — net	97,114,077	98,563,513
Prepaid expenses	128,838	127,165
Accrued interest receivable	<u>452</u>	<u>319</u>
Total current assets	<u>132,207,822</u>	<u>128,988,519</u>
NONCURRENT ASSETS:		
Long-term investments — less current portion	132,341,282	126,307,655
Restricted assets	8,598,161	9,008,893
Capital assets — net	1,529,110	1,829,087
Other assets	<u>-</u>	<u>4,989,554</u>
Total noncurrent assets	<u>142,468,553</u>	<u>142,135,189</u>
Total assets	<u>274,676,375</u>	<u>271,123,708</u>
DEFERRED OUTFLOWS:		
Deferred outflows - contributions made subsequent to measurement date	267,847	-
Deferred outflows - change in assumptions	229,587	-
Deferred outflows - earnings	162,192	-
Deferred outflows - proportionate share	<u>1,006,427</u>	<u>-</u>
Total deferred outflows	<u>1,666,053</u>	<u>-</u>
CURRENT LIABILITIES:		
Accounts payable:		
State	33,941,084	33,732,337
Trade	2,639,161	3,981,134
Current portion of prize liability	96,381,990	94,072,130
Unearned revenue	789,660	758,653
Other accrued expenses	<u>636,452</u>	<u>963,771</u>
Total current liabilities	<u>134,388,347</u>	<u>133,508,025</u>
LONG-TERM LIABILITIES:		
Prize liability less current portion	123,525,675	116,685,719
Net pension liability	<u>1,993,093</u>	<u>-</u>
Total noncurrent liabilities	<u>125,518,768</u>	<u>116,685,719</u>
Total liabilities	<u>259,907,115</u>	<u>250,193,744</u>
DEFERRED INFLOWS:		
Deferred inflows - experience	435,452	-
Deferred inflows - earnings	<u>191,367</u>	<u>-</u>
Total deferred inflows	<u>626,819</u>	<u>-</u>
NET POSITION:		
Unrestricted	14,279,384	19,100,877
Net investment in capital assets	<u>1,529,110</u>	<u>1,829,087</u>
TOTAL NET POSITION	<u>\$ 15,808,494</u>	<u>\$ 20,929,964</u>

The accompanying notes are an integral part of the financial statements.

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Instant ticket sales — net	\$ 759,457,779	\$ 702,635,256
On-line ticket sales	<u>281,206,095</u>	<u>316,092,204</u>
Total operating revenues	<u>1,040,663,874</u>	<u>1,018,727,460</u>
OPERATING EXPENSES:		
Direct game expenses:		
Instant game prizes	525,052,162	480,473,795
On-line games prizes	<u>145,927,864</u>	<u>156,126,084</u>
	<u>670,980,026</u>	<u>636,599,879</u>
Indirect game expenses:		
Retailer commissions	70,129,231	68,159,398
Lottery expenses:		
Ticket printing costs	11,697,226	8,921,826
Advertising and promotion	19,665,133	17,228,678
Central gaming sytem expenses (On-line professional services)	18,346,437	16,726,236
Miscellaneous lottery expenses	1,934,436	2,855,970
Management Fees	14,693,414	13,913,333
Other Game Expenses	<u>934,571</u>	<u>-</u>
	<u>137,400,448</u>	<u>127,805,441</u>
Total game expenses	<u>808,380,474</u>	<u>764,405,320</u>
PROVIDER NET INCOME	<u>232,283,400</u>	<u>254,322,140</u>
OTHER OPERATING EXPENSES:		
Salaries, wages, and benefits	3,231,711	2,920,845
General and administrative	<u>2,717,089</u>	<u>2,822,154</u>
Total other operating expenses	<u>5,948,800</u>	<u>5,742,999</u>
OPERATING INCOME	<u>226,334,600</u>	<u>248,579,141</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	17,172	54,907
Net increase (decrease) in fair value of investments	821,941	(549,188)
Increase (decrease) in net pension obligation	(118,348)	29,418
Provider Shortfall (Incentive)	16,000,000	1,646,973
Other income (expenses) - net	<u>315,966</u>	<u>868,976</u>
Total non-operating revenues (expenses) -net	<u>17,036,731</u>	<u>2,051,086</u>
NET INCOME PRIOR TO DISTRIBUTIONS	<u>243,371,331</u>	<u>250,630,227</u>
DISTRIBUTIONS:		
Distributions to the State	(208,726,653)	(217,860,744)
Distributions to be paid to the State	<u>(33,941,085)</u>	<u>(33,289,253)</u>
Total distributions	<u>(242,667,738)</u>	<u>(251,149,997)</u>
CHANGES IN NET POSITION	703,593	(519,770)
NET POSITION — Beginning of year - Restated 2015	<u>15,104,901</u>	<u>21,449,734</u>
NET POSITION — Ending of year	<u>\$ 15,808,494</u>	<u>\$ 20,929,964</u>

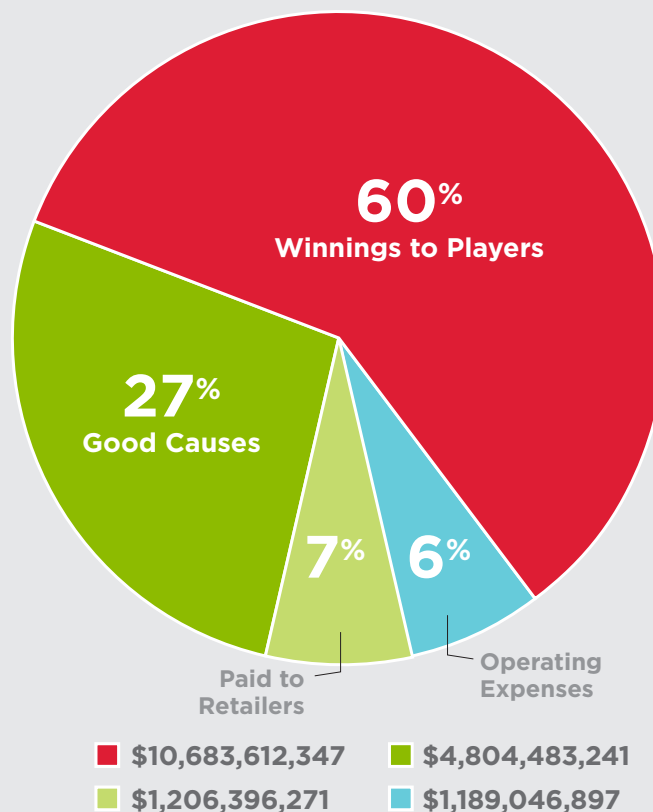
The accompanying notes are an integral part of the financial statements.

WHERE THE MONEY GOES

Since its inception on October 13, 1989, the Hoosier Lottery has paid almost **\$10.7 billion** to winning players and has contributed more than **\$4.8 billion** to good causes across the state, including local police & firefighters' pensions, the Teachers' Retirement Fund, and the Build Indiana Fund. Approximately **\$1.2 billion** has been paid to Lottery retailers.

FINANCIAL DISTRIBUTIONS

STATEWIDE PAYMENTS SINCE INCEPTION



WHERE THE MONEY GOES



The Build Indiana Fund

is used to reduce the motor vehicle excise tax and help fund parks, roads and other local infrastructure projects that improve the lives of our fellow Hoosiers.



STRONGER. SAFER. SMARTER.

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



Build Indiana Fund

\$182,458,988



Police & Firefighters' Pensions

\$30,000,003



Teachers' Retirement Fund

\$30,000,000



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



hoosierlottery.com

