

# 2020 ANNUAL REPORT

FISCAL YEAR ENDED  
JUNE 30, 2020

**347**  
MILLION

CONTRIBUTIONS TO GENERAL FUND  
WERE MORE THAN **\$347 MILLION**

**1.3**  
BILLION

SALES REVENUE FROM LOTTERY  
GAMES OVER **\$1.3 BILLION**

**822**  
MILLION

PLAYERS WON MORE THAN  
**\$822 MILLION** IN PRIZE MONEY

**72**  
MILLION

RETAILER COMMISSIONS  
EXCEEDED **\$72 MILLION**

**10**  
BILLION!

TOTAL LOTTERY CONTRIBUTIONS TO THE GENERAL  
FUND SINCE 1971 HAVE SURPASSED **\$10 BILLION!**



# 2020 ANNUAL REPORT

Fiscal Year Ended June 30, 2020



**CTLOTTERY.ORG**

**CONNECTICUT LOTTERY CORPORATION**

(A Component Unit of the State of Connecticut)

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**2020 ANNUAL REPORT**

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## MISSION STATEMENT

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The mission of the Connecticut Lottery Corporation is to raise revenue in an entrepreneurial manner for the State of Connecticut, consistent with the highest standards of good public policy and social responsibility, by offering products to our players that are fun and entertaining and by ensuring the public's trust through integrity and honesty.

## VISION STATEMENT

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The Connecticut Lottery Corporation will be recognized as a leader in the lottery industry, committed to helping the State of Connecticut achieve its revenue raising objectives. Furthermore, it is the Connecticut Lottery Corporation's charge to address problem and underage gambling by taking proactive measures to implement and support responsible gaming initiatives.





# INTRODUCTORY SECTION





March 1, 2021

The Honorable Edward M. Lamont, Governor of Connecticut  
The Connecticut Lottery Corporation Board of Directors  
The Citizens of Connecticut

We are pleased to transmit to you the Annual Report of the Connecticut Lottery Corporation (“CLC” or “Lottery”) for the fiscal year ended June 30, 2020.

The passage of Public Act 96-212 marked the first time a lottery operated by a state agency had been transferred to a quasi-public corporation to be operated as an enterprise fund. At full complement, a thirteen-member board of directors governs the CLC, eleven of whom are appointed by the Governor and legislative leadership. Two members serve in an ex-officio capacity for the State Treasurer and the Secretary of the Office of Policy and Management.

The CLC is a component unit of the State of Connecticut for financial reporting purposes. With more than forty-nine years of continuous operation, the CLC is one of the oldest lotteries in the United States. From its inception to June 30, 2020, the Lottery has generated total sales of approximately \$32.2 billion and has contributed approximately \$10.3 billion to the state’s General Fund. The General Fund is used to fund a wide variety of state services that benefit Connecticut residents, including health and hospitals, education, and public safety.

Six categories comprise this report: introduction, financial, compliance, required supplemental information, supplemental schedules and statistics. The introductory section includes this transmittal letter, a list of officials, an organizational chart, current lottery games and significant events of the past fiscal year. The financial section begins with the report of independent auditors, followed by management’s discussion and analysis of fiscal 2020, the comparative financial statements of the CLC, the related notes to the financial statements, compliance section, required supplemental information and supplemental schedules. The statistical section, which is unaudited, provides additional information regarding Lottery revenue and expenses.

Management of the CLC is responsible for the accuracy, completeness and fairness of this presentation, including all disclosures. To the best of our knowledge and belief, the data in this report is accurate in all material respects and is designed to fairly present the corporation’s financial position, results of operations, and cash flows. We have included all disclosures necessary to enable the reader to gain an understanding of the CLC’s financial activities. Accounting principles generally accepted in the United States (“GAAP”) for governmental enterprise funds require that we provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (“MD&A”). The CLC’s MD&A can be found immediately following the report of the independent auditors in the financial section.

## FINANCIAL HIGHLIGHTS OF THE PAST YEAR

In fiscal 2020, the CLC generated \$1.305 billion in sales revenue and delivered \$347.7 million to the General Fund. Sales revenue decreased \$28.6 million, or -2.1%, from the prior fiscal year. The decline in sales revenue is primarily related to lower sales in the multi-state games (Powerball, Mega Millions, Lucky for Life). Revenue totaled \$105.6 million for these games, but was down \$67.4 million or -39% from the prior year. The sales revenue for these games are highly dependent on advertised jackpot levels, which did not grow as high as jackpot levels in the prior year. Sales revenue for the instant ticket portfolio, the Daily Number games, and Keno were up a combined \$42.6 million over the prior year. All other games had modest changes from prior year results.

Total cost of sales, including prizes and commissions, was \$927.1 million in fiscal 2020 compared to \$930.6 million in fiscal 2019. Cost of sales vary proportionally with the change in total sales, with prize expense the largest contributor. Operating expenses were \$31.6 million for fiscal 2020 compared to \$24.8 million in fiscal 2019. Payments to the state's General Fund totaled \$347.7 million in fiscal 2020, a decrease of \$22.3 million from the prior fiscal year total of \$370.0 million. For a more complete overview of the financial highlights of fiscal 2020, including comparisons with the results of the prior fiscal year, please read Management's Discussion and Analysis included in the financial section of this report.

## FINANCIAL OPERATIONS

**ENTREPRENEURIAL CORPORATION:** The CLC operates as a business. The sale of lottery tickets to the general public sustains the prize and retailer commission structure and all lottery-related support operations. After prizes and expenses, the net income is contributed to the Connecticut General Fund. The CLC utilizes the accrual basis of accounting, in accordance with generally accepted accounting principles, recognizing revenue when earned and expenses when incurred. No general government functions or fiduciary operations are managed by the CLC.

**INTERNAL CONTROL & SECURITY ENVIRONMENT:** Management of the CLC is responsible for establishing and maintaining an internal control structure designed to assure that assets are protected from loss, theft, or misuse, and to ensure that the accounting system allows for compilation of accurate and timely information. The structure is designed to provide reasonable assurance that these objectives are met.

To enhance controls over accounting procedures, the CLC has segregated the following functions: personnel and payroll, purchasing and accounts payable, and general ledger and accounts receivable accounting. Data input and processing are separate from system programming, and management provides approval and oversight.

The CLC ensures that its operations remain secure with a commitment to the following protocol:

- Regulated by the Department of Consumer Protection who performs background checks and issues licenses for retailers, CLC employees, and in-house contractors;
- Lottery tickets printed with special inks, dyes, and security codes;
- Detailed written procedures for all game drawings;
- Limited access to its data and information systems;
- Limited access to facilities.

DEBT ADMINISTRATION: The CLC's long-term liabilities are essentially limited to payments owed to prize winners in the form of weekly, monthly and annual payments. The payments are fully funded by annuities purchased from life insurance companies with at least \$50 million in policyholder surplus. These insurance companies must be licensed to do business in Connecticut and must also have credit ratings at the date of award equal to or better than the following levels from at least one of the three credit rating services listed below:

<u>Credit Rating Service</u>	<u>Minimum Acceptable</u>
Moody's Service Credit Opinion	Aa
Standard and Poor's Insurance Rating Service Digest	AA
A. M. Best	A-

The CLC collects net earnings from sales of lottery games from approximately 2,900 retailers on a weekly basis. Funds are electronically swept from the retailers' designated bank accounts, and weekly transfers of estimated net income (sales revenue less prizes, commissions and other operating expenses) are made to the Connecticut General Fund.

The CLC invests its excess cash with the Treasurer of the State of Connecticut. The Treasurer manages an investment pool of high-quality, short-term money market instruments for state and local governments.

RISK MANAGEMENT: The CLC is exposed to various risks of loss related to thefts, damage or destruction of assets, injuries and natural disasters, for which it carries appropriate insurance through individual policies.

INDEPENDENT AUDIT: Connecticut statutes require an annual financial audit of the CLC by independent auditors. The audits of the CLC's financial statements for fiscal years 2020 and 2019 have been completed in conformity with generally accepted auditing standards. The unmodified opinion of the independent auditors on the CLC financial statements is included in the financial section of this report.

The Auditors of Public Accounts for the State of Connecticut also audit the CLC biannually.

We look forward to the coming year and to continuing to find ways to be as innovative and efficient as possible to maximize transfers to the General Fund.

Respectfully Submitted,



Gregory H. Smith

President & CEO

## HISTORICAL HIGHLIGHTS

**June 1971:** As a means to generate revenue for the state, Governor Thomas J. Meskill signed Public Act No. 865, creating the Connecticut State Lottery.

**February 1972:** The Connecticut State Lottery became the fourth lottery in the nation. Sales commenced at approximately 3,000 retailer locations statewide, with one game simply called, “The Lottery.” Tickets cost 50¢ each with a weekly drawing held to select a winner at random. Top Prize: \$5,000.

**September 1975:** “Instant Match,” Connecticut’s first scratch game went on sale. Top Prize: \$10,000.

**March 1977:** “The Daily Numbers” game began. Match three digits, or variations on the combination. Top Prize: \$2,500.

**October 1980:** “Play 4” begins: match four digits, or variations on the combination. Top Prize: \$25,000.

**November 1983:** “Lotto” draw game introduced. For \$1, players chose six numbers for a chance to win a minimum jackpot of \$1,000,000.

**Fiscal Year 1987:** Connecticut Lottery delivers its first \$1 Billion to the state’s General Fund.

**April 1992:** “Cash Lotto” is launched. Players select five numbers from 1 to 35. Top Prize: \$100,000.

**November 1995:** Connecticut joined the multi-state draw game, “Powerball®,” which featured a double matrix and a minimum jackpot prize of \$5,000,000.

**July 1996:** The Connecticut State Lottery became a quasi-public agency named the Connecticut Lottery Corporation, reflecting its “business” orientation.

**Fiscal Year 1996:** The Lottery delivers its 3-billionth dollar to the state’s General Fund.

**February 1998:** “Mid-Day3” and “Mid-Day4” daily drawings began.

**March 2009:** “Lucky-4-Life®” draw game began. The game included a double matrix and initially offered a top prize of \$2,000 a week for life.

**January 2010:** Connecticut joined the multi-state draw game, “Mega Millions®,” a double matrix game with a minimum jackpot prize of \$12,000,000.

**October 2010:** “Super Draw” raffle-style draw game is launched. The game featured guaranteed prize winners from a limited pool of tickets sold.

**February 2011:** The Connecticut Lottery Corporation became a member of the World Lottery Association and met the criteria for achieving Level 1 Responsible Gaming Framework Accreditation.

**November 2011:** A Powerball® jackpot ticket worth \$254.2 million, the largest prize in the CT Lottery’s history, was won and claimed by the Putnam Avenue Family Trust.

**January 2012:** Powerball® changed its matrix, increased the minimum jackpot prize value to \$40,000,000 and became the first multi-state draw game with a \$2 ticket cost.

**March 2012:** Lucky-4-Life® ended and the six New England states joined together to launch a multi-state version of the Connecticut draw game called “Lucky for Life®.” Top Prize: \$1,000 a day for life.

**July 2012:** The Connecticut Lottery Corporation achieved Level 2 Responsible Gaming Framework Accreditation from the World Lottery Association.

**September 2013:** “Lucky for Life®” added a second “for life” prize, worth \$25,000 a year for life, to the game.

**January 2015:** “Lucky for Life®,” the Game of a Lifetime®, became a national game, offered in 16 lotteries across the country.

**May 2015:** “Lucky Links with 2XPower Day” and “Lucky Links with 2XPower Night” launch. In this brand new way to play, players compare the numbers drawn to the nine spots on their play grid. Top Prize: \$50,000.

**January 2016:** Powerball® reached a record \$1,586,400,000 jackpot; there were three winning tickets sold in Florida, Tennessee and California.

**April 2016:** “KENO” launched. Every four minutes, players select the number of spots (1-10), the amount of the wager (up to \$20), the number of games, and indicate whether they want the bonus multiplier option for a chance to win up to \$1,000,000.

**2017:** The CT Lottery continues to be a leader in responsible gambling. In 2017, we received numerous awards such as the “Corporate Newsletter Award” and the “Corporate Public Awareness Award” from the National Council on Problem Gambling; and the “Industry Award” from the CT Council on Problem Gambling.

**October 2018:** Mega Millions® reached a record \$1,573,000 jackpot; there was one winning ticket sold in South Carolina. Total CT Lottery four-day sales for that drawing exceeded \$10 Million!

**Fiscal Year 2019:** The CT Lottery sets a new record of \$370 million for a one-year contribution to the state’s General Fund, more than \$1 million per day!

**November 2019:** The 3rd largest Lotto! Jackpot worth \$25.8 million was won in Danbury, CT.

**October 2019:** The CT Lottery crossed the \$10 billion threshold for profits returned to the Connecticut General Fund since the CT Lottery’s inception in 1972. These profits continue to provide a significant impact for Connecticut and its residents, benefitting a variety of state services, including Human Services, Education Services, Medicaid and more.

**Fiscal Year 2020:** KENO surpasses \$400 Million in sales and \$250 Million in prizes awarded to players! Strong sales growth has continued each of the first four years.



## STATE OF CONNECTICUT

### LIST OF PRINCIPAL STATE OFFICERS, AS OF JUNE 30, 2020

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**NED LAMONT**, Governor  
**SUSAN BYSIEWICZ**, Lieutenant Governor

Denise W. Merrill	Secretary of the State
Shawn T. Wooden	State Treasurer
Kevin Lembo	State Comptroller
William Tong	Attorney General



## CONNECTICUT LOTTERY CORPORATION

### BOARD OF DIRECTORS, AS OF JUNE 30, 2020

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Robert T. Simmelkjaer II	Chairperson
Melissa McCaw	Secretary, Office of Policy and Management
Patti Maroney	Designee of Secretary, Office of Policy and Management
Shawn T. Wooden	State Treasurer
John R. Flores	Designee of State Treasurer
Patrick M. Birney	Vice Chairperson
Wilfred Blanchette, Jr.	
Meghan Culmo	
James J. Heckman	
Manny Langella	
Margaret L. Morton	
Michael P. Thompson	



## CONNECTICUT LOTTERY CORPORATION

### ORGANIZATIONAL CHART, AS OF JUNE 30, 2020

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#### ADMINISTRATION

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Greg Smith	President & CEO
Michael J. Hunter	Chief Operations Officer
Paul A. Granato	Chief Financial Officer
Matthew Stone	General Counsel
Jodi Ketchale	Director of Human Resources
Mark Walerysiak	Director of Security
Pete Donahue	Senior Director of Marketing



# CONNECTICUT LOTTERY CORPORATION

## ORGANIZATIONAL CHART, AS OF JUNE 30, 2020

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### MANAGEMENT BY DEPARTMENT

#### SALES

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Diane Geary Sales Manager

#### MARKETING

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Linda Tarnowski	Director of Advertising
Carlos Rodriguez	Director of Lottery Games
Thomas J. Trella	Director of Lottery Games
Tara Choze	Director of Public Relations & Social Media
Kendra Eckhart	Lottery Product Manager
Nicole Nearing	Lottery Product Manager

#### INFORMATION TECHNOLOGY

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Steven Wagner	Director of Information Technology
Steven J. Fox	Manager of Vendor Compliance
John J. Gasparini	IS Manager of Application & Internet Development

#### RETAILER RELATIONS

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Solomon Ramsey Director of Recruitment & Retailer Relations

#### FINANCE & COLLECTIONS

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Barbara Petano	Lottery Financial Manager
David Perlot	Lottery Financial Manager

#### LEGAL

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Andrew E. Walter	Counsel
Jeff Yue	Counsel

#### HUMAN RESOURCES & TRANSPORTATION

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Tammy Marquis	Human Resources Manager
Irena Baj-Wright	Human Resources Specialist

#### SECURITY

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Deborah Davis	Assistant Director of Security
Christina Cassone	Lottery Drawing Manager
Kathy Shumaker	Security and Compliance Manager

#### ADMINISTRATION & OPERATIONS

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Suzanne Colley	Director of Operations
Ed Cesarek	Warehouse Manager

## SCRATCH GAMES

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### FISCAL YEAR 2020 STATISTICS:



**\$154,823,091** in General Fund payments

**58.0%** of total net sales

**44.5%** of General Fund payments

Scratch games are easy to play and provide players with instant entertainment. By removing the scratch-off coating on the ticket face, players can discover in an instant if they've won and the amount of their prize. Ticket prices range from \$1 to \$30, with set prizes from a FREE \$1 scratch ticket up to \$5,000,000!

From the crossword action of "Cashword" to the excitement of revealing an "X" game prize multiplier, like those found in the "10X Cash," "20X Cash," and "30X Cash" scratch games – there's a variety of play styles for everyone. Depending upon the game, players may need to match numbers, symbols or dollar amounts, spell words, beat the dealer's card, or reveal a Bonus Prize. With such a variety of games, it's easy to see why scratch games are the play of choice for a lot of consumers.

A variety of scratch games were released this year, all with unique designs that attract different types of players. Two of the biggest hits were the "SILVER" and "GOLD" tickets. These showstoppers featured an eye-catching silver and gold sparkle finish and was packaged with a great campaign. Players also quickly fell in love with the POWER 5s game play, featuring a chance to multiply their winnings in each of the 15 games on the ticket.

## DAILY GAMES

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### FISCAL YEAR 2020 STATISTICS:

**\$102,455,973** in General Fund payments



Play3 Day:

**4.4%** of total net sales

**4.9%** of General Fund payments



Play3 Night:

**5.7%** of total net sales

**8.7%** of General Fund payments



Play4 Day:

**4.0%** of total net sales

**6.7%** of General Fund payments



Play4 Night:

**5.7%** of total net sales

**9.2%** of General Fund payments

Four times each day, players have an opportunity to win with the Lottery's "Daily Games." Four games in all – "Play3 Day," "Play4 Day," "Play3 Night" and "Play4 Night" – help us to make sure that we've got your numbers!

To play, players select three or four numbers from 0 to 9, choose a wager style, and pick a wager between \$.50 and \$5 per play. Prizes are based on the wager style and wager amount, and range from a modest \$25 up to an exciting \$25,000 per play.

## LUCKY LINKS WITH 2XPOWER™

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### FISCAL YEAR 2020 STATISTICS:



*\$998,117 in General Fund payments*

**0.4%** of total net sales

**0.3%** of General Fund payments

On April 26, 2015, the CT Lottery introduced "Lucky Links with 2XPOWER" offering a whole new way to play and a top prize of \$50,000. Each play costs \$2. By adding the 2XPOWER feature to their ticket for an additional \$1 per play, winners can double some of the game's prizes. Drawings are held twice daily, both day and night.

Lucky Links with 2XPOWER is a "Quick Pick" only game, so no play slip is needed. Similar to tic-tac-toe, each ticket contains a unique "play grid" with eight different numbers from 1 to 22, and a free space "\$" sign in the middle to form straight horizontal, straight vertical or straight diagonal lines. The \$50,000 top prize is won when eight lines are made. There are also five other ways to win prizes in the game.

## CASH5

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### FISCAL YEAR 2020 STATISTICS:



*\$9,743,013 in General Fund payments*

**2.4%** of total net sales

**2.8%** of General Fund payments

"Cash5" is Connecticut's nightly draw game with a \$100,000 top prize. For \$1 per play, players choose five different numbers from 1 to 35, or select "Quick Pick." By adding the "Kicker" feature for just \$.50, players increase their chance to win more often, and win more prize levels. The top prize is won by matching all five numbers drawn. There are also six other ways to win prizes in the game. With more than 1,000,000 winning tickets sold in this game each year, Cash5 is a proven favorite with Connecticut's players.

## LOTTO®

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### FISCAL YEAR 2020 STATISTICS:



**\$9,259,171** in General Fund payments

**2.4%** of total net sales

**2.7%** of General Fund payments

Since November 7, 1983, the "Lotto" game has been a part of Connecticut's play of choice. Although Lotto has gone through several enhancements over the years, it is still the game that's most associated with the CT Lottery. Drawings are held Tuesday and Friday nights.

For \$1 per play, players choose six different numbers from 1 to 44, or select "Quick Pick." Jackpots start at \$1,000,000 and grow until won. The jackpot is won by matching all six numbers drawn. Besides the jackpot, there are three other prize levels. Jackpot winners may opt to receive their prize money in 21 equal annual installments or in a cash lump sum.

## KENO®

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### FISCAL YEAR 2020 STATISTICS:



**\$28,506,411** in General Fund payments

**8.9%** of total net sales

**8.2%** of General Fund payments

"Keno" launched on April 25, 2016, offering players "On the Spot Fun®" seven days a week, with lots of ways to play and win. Players have a chance to win up to \$1,000,000 every four minutes when some, none or all of their numbers (spots) are matched by the computer. To play, players fill out a play slip by choosing how many spots they would like and then pick numbers from 1 to 80, or select "Quick Pick." Players choose how much to wager and how many consecutive games to play.

Adding the BONUS MULTIPLIER doubles the total ticket cost, but gives winners a chance to multiply the prize won by 2, 3, 4, 5, or 10 times the BONUS MULTIPLIER number selected for the game.

## POWERBALL®

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### FISCAL YEAR 2020 STATISTICS:



**\$20,438,845** in General Fund payments

**3.8%** of total net sales

**5.9%** of General Fund payments

The CT Lottery joined the multi-state "Powerball" game on November 28, 1995. Drawings are held Wednesday and Saturday nights. Each play costs \$2. When players activate the Power Play® feature on their ticket for an additional \$1 per play, winners can multiply any non-jackpot prize by 2, 3, 4 or 5 times the prize amount won. A 10-times multiplier is in effect in drawings with a jackpot of under \$150 million.

Since October 7, 2015, the Powerball game has used a double matrix: players pick five different "white" ball numbers from 1 to 69, and one "red" Powerball number from 1 to 26, or select "Quick Pick."

Jackpots start at \$40 million and grow by a minimum of \$10 million per drawing until won. The jackpot is won by matching all six numbers drawn. Besides the jackpot, there are eight other prize levels. Jackpot winners may opt to receive their prize money in 30 annual payments or in a cash lump sum. Players who correctly match five white ball numbers with Power Play automatically win \$2,000,000.

## MEGA MILLIONS®

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### FISCAL YEAR 2020 STATISTICS:



**\$15,775,143** in General Fund payments

**3.0 %** of total net sales

**4.5%** of General Fund payments

The CT Lottery joined the multi-state "Mega Millions" game on January 31, 2010. Drawings are held Monday and Thursday nights. Each play costs \$2. When players activate the Megaplier® feature on their ticket for an additional \$1 per play, winners can receive 2, 3, 4 or 5 times the prize amount won, from the first through the eighth prize levels of the game.

Since October 7, 2015, the Mega Millions game has used a double matrix; players pick five different "white" ball numbers from 1 to 70, and one "yellow" Mega Ball number from 1 to 25, or select "Quick Pick."

Jackpots start at \$40 million and grow by a minimum of \$5 million per drawing until won. The jackpot is won by matching all six numbers drawn. Besides the jackpot, there are eight other prize levels. Jackpot winners may opt to receive their prize money in 30 annual (graduated) payments or in a cash lump sum.

## FISCAL YEAR 2020 STATISTICS:



*\$5,700,156 in General Fund payments*

1.3% of total net sales

1.6% of General Fund payments

### [LFL – New England's Game]

On March 11, 2012, New England's "Lucky for Life" regional draw game began with tickets sold in Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont and Maine. Drawings are held Tuesday and Thursday nights, and tickets sell for \$2 each. Players pick five different "white" ball numbers from 1 to 40, and one "yellow" Lucky Ball number from 1 to 21, or select "Quick Pick." Lucky's main attraction is a "\$1,000 a week for life" top prize, with a guaranteed 20-year minimum payout. The top prize is won by matching all six numbers drawn. Besides the top prize, there are nine other prize levels.

On September 17, 2013, the Lucky for Life game matrix changed. For the same \$2 ticket price, players pick five different "white" ball numbers from 1 to 43, and one "yellow" Lucky Ball number from 1 to 43. In addition to the "\$1,000 a day for life" top prize, a new "\$25,000 a year for life" second prize was added to the game, making Lucky for Life the only lottery draw game to offer two "For Life" prize levels. The top prize is won by matching all six numbers drawn, and the second prize is won by matching all five "white" ball numbers. There are also eight other ways to win prizes in the game.

### [LFL – The Game of a Lifetime]

On January 27, 2015, Lucky for Life expanded to 14 states across the country, featuring larger prize amounts and improved odds. The game has since grown to include 25 states and the District of Columbia. For the same \$2 ticket price, players pick five different "white" ball numbers from 1 to 48, and one "yellow" Lucky Ball number from 1 and 18. The "\$1,000 a day for life" top prize is won by matching all six numbers drawn, and the "\$25,000 a year for life" second prize is won by matching all five "white" ball numbers. There are also eight other ways to win prizes in the game.



# CONNECTICUT LOTTERY CORPORATION

## LOOK WHO'S WINNING!

### Preston Couple Finds \$100,000 Powerball Ticket Tucked in Sun Visor

Frank Laquitara and Debbie Combs-Long, his fiancée, were driving to Virginia to visit family when she got an email that a winning Powerball ticket worth \$100,000 was sold in Connecticut for the August 24 drawing. The Preston couple decided they should take a look at the Powerball tickets tucked in the sun visor of their car. "Frank checked the tickets while I read the numbers off of the email—we matched four numbers, plus the Powerball," Long-Combs said. "We didn't believe it, even after I repeated the numbers twice and checked the ticket with the Lottery's mobile app." Because Laquitara added Power Play to his ticket, his original \$50,000 prize was multiplied by the 2, the Power Play number drawn, for a total prize of \$100,000. "We're very grateful—the timing is impeccable," said Combs-Long.

**Retailer: PCG Market, Griswold**



### "This feels awesome! I never expected to win a lottery prize this big!"

"This feels awesome," said 23 year old Tyler Longley of Southington. "I never expected to win a lottery prize this big. Normally, I only buy the \$1 or \$2 scratch tickets, every couple months or so. This time, on a whim, I bought a \$30 ticket because all I was buying with a hundred dollar bill was a soda and a bag of chips. I picked the "30X Cash 6th Edition" ticket because it was the first game in the (ticket) dispenser." When Tyler scratched his ticket and saw the \$10,000 prize, he was shocked and his fiancée started screaming. "It took a day for me to believe this actually happened," Tyler said. "I'm going to pay off my debt with this and have money left over."

**Retailer: Jay's Interstate, Plantsville**



# CONNECTICUT LOTTERY CORPORATION

## LOOK WHO'S WINNING!

### Fellow co-workers cheer for \$20,000 Bonus Bingo winner

"I'm a Bingo player. I love playing Bingo," said Sheila Polite of Norwalk. "I won a jackpot once at a local bingo hall and won \$2,100." Sheila also loves to play CT Lottery bingo scratch tickets, which is why she purchased two "Bonus Bingo" tickets during her lunch break, and brought them back to work to play. "I had my glasses off, so I pulled the ticket up close to look at it. Then I started screaming, "OH MY GOD, OH MY GOD, OH MY GOD," said Sheila laughing. "I saw the \$20,000 prize and started hopping around and dancing. Everybody at work was cheering for me!"

**Retailer: West Side Package, Bridgeport**



### Stamford Man's Cash5 Top Prize Win Feels Doubly Good the Second Time Around

"Oh baby, I can't believe I did it again," Bruce Rosa of Stamford said once he confirmed his Cash5 ticket numbers were an exact match to the winning numbers drawn for the second time in just over a year. After his first Cash5 win on April 27, 2018, Rosa continued to play based on a tip from his father-in-law. "He told me to play the same numbers I won on before, but by one digit lower," Rosa said. Shortly after the Cash5 drawing occurred on July 5, Rosa looked at the Lottery's website and saw there was one top prize-winning ticket. "The winning numbers looked familiar, but I was too lazy to get out of bed to check my ticket. The next morning, I checked my ticket and that's when I knew—it was a match!"

**Retailer: High Ridge Convenience Service, Stamford**



# CONNECTICUT LOTTERY CORPORATION

## LOOK WHO'S WINNING!

### License Plate Sighting Turns Into Big Lottery Win

A few weeks ago, Jeffrey Ward of Hebron was leaving the Mile Hill Xtra Mart in Vernon when he noticed a vehicle from out of state with the number 2137 on its license plate. It just so happens that 2137 is also one of Jeffrey's favorite numbers to play in the CT Lottery's Play4 draw game. Jeffrey took this coincidence as a "sign" and decided to purchase a few extra Play4 tickets more than usual. As fate would have it, the Play4 Day number 2137 was drawn just two days later on Dec. 30. Each of Jeffrey's tickets - 10 in total - were worth \$5,000 for a total prize of \$50,000. "I gave two (\$5,000) tickets to my daughter and the rest I'm just going to save for now. It feels wonderful."

**Retailer: Mile Hill Xtra Mart, Vernon**



### Prize-winning Keno Ticket Comes at Just the Right Time

Mariah Williams, 18, of New Britain won \$10,000 playing Keno thanks to a tip she was given a long time ago. "My Nana said that whenever you see a number more than once in the same day, write it down. It's probably a lucky number," Mariah told lottery officials. When Mariah played Keno with her seven "lucky" numbers, she made a 7-spot match. Her original \$5,000 prize was multiplied by 2—the Bonus Multiplier number drawn—for a total prize of \$10,000. "This prize came at just the right time," Mariah said. "It paid for my college tuition!"

**Regal Package Store, New Britain**





## CORPORATE RESPONSIBILITY

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The CLC's commitment to corporate responsibility is firmly rooted in five primary areas: Responsible Gambling (RG); Pro Business Initiatives and Supplier Diversity; Inclusion; Green Initiatives; and Employee Engagement/Community Involvement. Employees throughout the organization support these efforts. The CLC's quarterly corporate responsibility newsletter, *Chatter That Matters™*, written by employees, helps to keep coworkers and stakeholders informed about the Lottery's efforts to promote these initiatives. Highlights from fiscal 2020 are listed below:

### Responsible Gambling (RG)

- **Helpline:** The CLC widely promotes the Connecticut Problem Gambling Helpline, text and live chat features through its advertising efforts, which include: television and radio, billboards, retail materials and the back of all of our instant and draw tickets.
- **GameSense:** The CLC became the first U.S. lottery to become a licensee of the British Columbia Lottery Corporation's (BCLC's) GameSense brand. A comprehensive campaign was rolled out in 2016 in conjunction with the introduction of KENO in Connecticut's marketplace. GameSense is an innovative and fresh approach to RG, supported by the RG community. The brand encourages players to use their GameSense, or, common sense, when gambling, with messages such as "don't chase your losses," "know when to take a break," and, "set a limit." GameSense uses simple, easy to understand iconography to help deliver harm reduction messages to players. The CLC routinely weaves GameSense into its marketing efforts.
- **Holiday Responsible Gambling Campaign:** For the twelfth year in a row, the CLC participated in the National Council on Problem Gambling (NCPG) and McGill University's International Centre for Youth Gambling Problems and High-Risk Behaviors' annual holiday campaign to educate the public that lottery tickets are not suitable holiday gifts for children. For the sixth year in a row, the CLC partnered with Connecticut Children's to collect toys for children who receive hospital care and to promote the message "Give a Child a Toy, Not a Ticket." The CLC collected hundreds of toys for Connecticut Children's and raised awareness about RG at the same time.
- **Problem Gambling Awareness Month (PGAM):** March is PGAM. This past year's efforts included: a comprehensive calendar of events about responsible gambling for the entire month of March. This included a Board resolution, messaging on billboards and at retail locations, GameSense Public Service Announcements and marketing materials, social media messaging, state employee pay inserts, and employee and retailer training.
- **CT Partnership for Responsible Gambling:** "The Partnership" is a twenty-year coalition between the CLC, the Department of Mental Health and Addiction Services' Problem Gambling Division, and the CT Council on Responsible Gambling (CCPG). The CLC actively participates in quarterly meetings where information is exchanged and initiatives are proposed.
- **Gambling Awareness for All CT ("GFACT"):** This group meets quarterly and provides an opportunity for responsible gambling advocates, mental health clinicians, and casino and lottery industry representatives to exchange information and learn more about how problem gambling affects vulnerable populations such as the elderly, minorities, women and youth.

## CORPORATE RESPONSIBILITY

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- **National Association of State and Provincial Lotteries (NASPL) Responsible Gambling Committee:** CLC is a member of the NASPL Responsible Gambling Committee which focuses on encouraging lotteries to go through the NCPG-NASPL responsible gambling accreditation process, participate in the NCPG-McGill responsible gambling holiday campaign, and helps to identify and secure speakers for NASPL's annual professional development and main conferences.
- **NCPG and CCPG:** The CLC annually sponsors and participates in both the NCPG and CCPG conferences. CLC staff members also serve on Committees for NCPG.

### Pro Business Initiatives and Supplier Diversity

- **Greater New England Minority Supplier Development Council (GNEMSDC) Membership:** The CLC is an active member of GNEMSDC and we participate in quarterly meetings, attend the annual gala, and exhibit at their annual tradeshow. In 2020 GBG – The Corporate Gift Source, nominated the CLC for the Local Corporation of the Year award. GBG is a certified “Economically disadvantaged Women Owned Small Business” and a long time CLC vendor.
- **United States Small Business Administration (SBA) Matchmaker Conference:** CLC employees participated in the SBA's Matchmaker at the University of Hartford.
- **Women's Business Enterprise National Council (WBENC) Membership:** The CLC regularly attends and participates in meetings and events.

### Inclusion

- **Affirmative Action:** The CLC is an Affirmative Action / Equal Opportunity Employer focused on increasingly inclusive recruitment and communications.
- **“Life Reimagined for Work”:** The CLC is a participant in the American Association of Retired Persons' (AARP) "Life Reimagined for Work" campaign, which affirms the CLC's commitment to hiring and promoting workers regardless of age.

### Green Initiatives

- **Recycling:** The CLC continues to use 100% recyclable paper envelopes for all instant ticket shipping. The vast majority of CLC's instant tickets are printed on 100% recyclable paper. In addition, the CLC recycles instant ticket dispensers by refurbishing them and reusing them when possible. This initiative has saved hundreds of thousands of dollars over time. The CLC utilizes a specialized electronic recycling vendor to dispose of computers, monitors, printers, signs and other electronic equipment. The CLC also recycles pallet crates, paper, aluminum cans and batteries.
- **Clean Air:** The CLC participated in Dell's “Plant a Tree” Program. For each computer purchased through this program, money is donated towards planting trees to offset the carbon footprint left behind by electronic devices.
- **Returnable Bottle and Can Refunds.** The CLC regularly donates money received from returnable bottles and cans to the Connecticut Council on Responsible Gambling.

## CORPORATE RESPONSIBILITY

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### Employee Engagement

- **Supporting Good Causes of Connecticut:** The CLC recently added a fifth pillar called Employee Engagement/Community Involvement to its corporate social responsibility platform. This voluntary program is designed to encourage employees to be involved in areas that interest them outside of work. Examples include: volunteering on a board, becoming a “Big Brother” or “Big Sister,” coaching or leading children’s extracurricular activities, and various forms of community service. The CLC believes that its employees have many skills and talents that can be shared and help benefit local communities.



# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**The Connecticut Lottery Corporation**  
**Rocky Hill, Connecticut**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Connecticut Lottery Corporation (the Lottery), a component unit of the State of Connecticut, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise of the Lottery's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lottery as of June 30, 2020 and 2019, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 auditing standards generally accepted in the United States of America, 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***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The schedules of profit margins by game type are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of profit margins by game type for the years ended June 30, 2020 and 2019 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of profit margins by game type for the years ended June 30, 2020 and 2019 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020 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 the Lottery's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
October 21, 2020



## CONNECTICUT LOTTERY CORPORATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2020 AND 2019

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The following Management's Discussion and Analysis (MD&A) provides an overview of the Connecticut Lottery Corporation's (the Lottery) financial performance for the fiscal years ended June 30, 2020 and 2019. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to financial statements.

#### FINANCIAL STATEMENTS PRESENTED IN THIS REPORT

The Lottery is a quasi-public corporation of the State of Connecticut (the State) created to generate revenues for the State's General Fund through the operation of a lottery. The Lottery activities are accounted for as an enterprise fund using the accrual basis of accounting, similar to a private business entity.

The financial statements are comprised of three components:

- **Statements of Net Position (Deficit)** reflect the Lottery's financial position as of June 30, 2020 and 2019.
- **Statements of Revenues, Expenses, and Changes in Net Position (Deficit)** report the revenues and expenses for the periods June 30, 2020 and 2019.
- **Statements of Cash Flows** reconcile the changes in cash and cash equivalents with the activities of the Lottery for the periods presented. The activities are classified as to operating, investing, capital financing and noncapital financing.

Notes to the financial statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

#### FINANCIAL HIGHLIGHTS OF FISCAL 2020

- Sales revenue totaled \$1.305 billion, down \$28.6 million or -2.1% compared to the prior year. Cost of sales (including prizes and commissions) totaled \$927.1 million down \$3.5 million or -0.4% compared to the prior fiscal year. Operating expenses were \$31.6 million, up \$6.8 million or 27.4% compared to the same period a year earlier, related to an increase in pension and other post employment benefit (OPEB) expenses. Transfers to the State's General Fund amounted to \$347.7 million, down \$22.3 million or -6.0% from the same period a year earlier.

#### FINANCIAL HIGHLIGHTS OF FISCAL 2019

- Sales revenue totaled \$1.334 billion, up \$66.3 million or 5.2% compared to the prior year. Cost of sales (including prizes and commissions) totaled \$930.6 million up \$32.1 million or 3.6% compared to the prior fiscal year. Operating expenses were \$24.8 million, down \$1.0 million or -3.7% compared to the same period a year earlier. Transfers to the State's General Fund amounted to \$370.0 million, up \$25.0 million or 7.2% from the same period a year earlier.

## CONNECTICUT LOTTERY CORPORATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2020 AND 2019

#### CONDENSED FINANCIAL INFORMATION

##### *Net Position (Deficit) and Changes in Net Position (Deficit)*

Net position (deficit) represents the assets of the Lottery plus the deferred outflows of resources less the liabilities owed to third parties and the deferred inflows of resources.

The table below lists the key components of net position (deficit). The net position is negative due to the recognition of the Lottery's share of the net pension liability and other post employment benefits liability included in long term liabilities. The change in net position does not reflect the results of the Lottery's operating activities.

	2020	Increase (Decrease)	2019	Increase (Decrease)	2018
	(in thousands)				
Current assets	\$ 56,359	\$ (7,736)	\$ 64,095	\$ 1,499	\$ 62,596
Investments and other non-current assets	129,544	(2,297)	131,841	4,685	127,156
Capital assets (net of accumulated depreciation)	504	(138)	641	(178)	819
<b>Total Assets</b>	<b>\$ 186,407</b>	<b>\$ (10,171)</b>	<b>\$ 196,577</b>	<b>\$ 6,006</b>	<b>\$ 190,571</b>
Deferred outflow of resources	\$ 37,476	\$ 20,851	\$ 16,626	\$ (1,890)	\$ 18,516
Current liabilities	\$ 46,122	\$ (10,440)	\$ 56,562	\$ (82)	\$ 56,644
Long-term liabilities	247,721	28,777	218,944	(8,767)	227,711
<b>Total Liabilities</b>	<b>\$ 293,843</b>	<b>\$ 18,337</b>	<b>\$ 275,506</b>	<b>\$ (8,849)</b>	<b>\$ 284,355</b>
Deferred inflow of resources	\$ 11,980	\$ (1,633)	\$ 13,613	\$ 9,201	\$ 4,412
Net investment in capital assets	\$ 504	\$ (138)	\$ 641	\$ (178)	\$ 819
<b>Unrestricted Net Position (Deficit)</b>	<b>(82,444)</b>	<b>(5,886)</b>	<b>(76,558)</b>	<b>3,940</b>	<b>(80,498)</b>
<b>Total Net Position (Deficit)</b>	<b>\$ (81,940)</b>		<b>\$ (75,916)</b>		<b>\$ (79,679)</b>

# CONNECTICUT LOTTERY CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2020 AND 2019

### CONDENSED FINANCIAL INFORMATION (CONTINUED)

Listed below is a summary of the key components of revenues, expenses and changes in net position.

	2020	Increase (Decrease)	2019	Increase (Decrease)	2018
	<i>(in thousands)</i>				
<b>Revenues</b>					
Total operating revenues, net	\$ 1,305,284	\$ (28,627)	\$ 1,333,911	\$ 66,320	\$ 1,267,591
Other operating income	120	58	61	21	40
Nonoperating revenues					
Interest income	6,200	(147)	6,348	61	6,287
Other	9	(7)	16	9	7
<b>Total Revenues</b>	<b>\$ 1,311,613</b>	<b>\$ (28,723)</b>	<b>\$ 1,340,336</b>	<b>\$ 66,411</b>	<b>\$ 1,273,925</b>
<b>Costs and Expenses</b>					
Total cost of sales	\$ 927,124	\$ (3,509)	\$ 930,633	\$ 32,085	\$ 898,548
Total operating expenses	31,566	6,791	24,775	(961)	25,736
Nonoperating expense					
Interest expense	5,740	(126)	5,866	(38)	5,904
<b>Total Costs and Expenses</b>	<b>\$ 964,430</b>	<b>\$ 3,157</b>	<b>\$ 961,274</b>	<b>\$ 31,086</b>	<b>\$ 930,188</b>
<b>Changes in Net Position</b>					
Change in Net Position before contributions to State Funds	\$ 347,183	\$ (31,879)	\$ 379,062	\$ 35,324	\$ 343,738
Payment to General Fund	347,700	(22,300)	370,000	25,000	345,000
Payment to Chronic Gamblers' Fund	2,300	–	2,300	–	2,300
Payment to Office of Policy and Management	3,206	207	2,999	269	2,730
<b>Total Change in Net Position</b>	<b>\$ (6,024)</b>		<b>\$ 3,763</b>		<b>\$ (6,292)</b>
<b>Total Net Position (Deficit), beginning as restated</b>	<b>\$ (75,916)</b>		<b>\$ (79,679)</b>		<b>\$ (73,387)</b>
<b>Total Net Position (Deficit), ending balance</b>	<b>\$ (81,940)</b>		<b>\$ (75,916)</b>		<b>\$ (79,679)</b>

## **OVERVIEW OF FINANCIAL POSITION**

Total assets were \$186.4 million as of June 30, 2020, a decrease of \$10.2 million compared to the prior fiscal year. Current assets totaled \$56.4 million comprised primarily of cash and cash equivalents of \$9.5 million, accounts receivable of \$37.1 million, and investments for prize payments (at present value) and prize reserves. Investments for prize payments consist of annuity contracts from qualified life insurance companies in equal amounts and with the same maturities as the prizes payable to the lottery winners. The annuity contracts provide payments required to meet the obligations of Lottery prize disbursements.

The Lottery also reported \$5.2 million in other assets relating to upfront Lottery leased equipment and costs incurred that will be amortized over the life of its gaming contract that expires in April 2023.

Total liabilities were \$293.8 million as of June 30, 2020, an increase of \$18.3 million from the prior fiscal year. Current liabilities due within one year totaled \$46.1 million primarily related to prizes, annuity prize payments, and accounts payable and accrued expenses. Long-term liabilities totaled \$247.7 million and included long-term annuities payable to lottery winners with prizes payable over several years. Other long-term liabilities include the net pension liability and net other post-employment benefits (OPEB) liability which is the Lottery's proportionate share of the State of CT net pension liability and net OPEB liability and deferred rent.

Deferred outflows of resources totaled \$37.5 million and deferred inflows of resources totaled \$12.0 million as of June 30, 2020. Deferred outflows of resources reflect the net impact of Lottery contributions made to the State Employees' Retirement System (SERS) pension and OPEB plans subsequent to the measurement date, the net impact of the difference between expected and actual experience, the net difference between projected and actual earnings on pension plan investments, and changes in actuarial assumptions. Deferred inflows are recognized for changes in the Lottery's proportionate share of the State's pension and OPEB liabilities.

Total assets were \$196.6 million as of June 30, 2019, an increase of \$6.0 million compared to the prior fiscal year. Current assets totaled \$64.1 million comprised primarily of cash and cash equivalents of \$20.9 million, accounts receivable of \$30.5 million, and investments for prize payments of \$5.4 million. Noncurrent assets totaled \$132.5 million, consisting primarily of investments for prize payments (at present value) and prize reserves. Investments for prize payments consist of annuity contracts from qualified life insurance companies in equal amounts and with the same maturities as the prizes payable to the lottery winners. The annuity contracts provide payments required to meet the obligations of Lottery prize disbursements.

The Lottery also reported \$7 million in other assets relating to upfront Lottery leased equipment and costs incurred that will be amortized over the remaining life of the gaming contract.

Total liabilities were \$275.5 million as of June 30, 2019 a decrease of \$8.8 million from the prior fiscal year. Current liabilities due within one year totaled \$56.6 million primarily related to prizes, annuity prize payments, and accounts payable and accrued expenses. Long-term liabilities totaled \$218.9 million and included long-term annuities payable to lottery winners with prizes payable over several years. Other long-term liabilities include the net pension liability and net OPEB liability which is the Lottery's proportionate share of the State of CT net pension liability and net OPEB liability and deferred rent.

## CONNECTICUT LOTTERY CORPORATION

### MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2020 AND 2019

#### OVERVIEW OF FINANCIAL POSITION (CONTINUED)

Deferred outflows of resources totaled \$16.6 million and deferred inflows of resources totaled \$13.6 million as of June 30, 2019. Deferred outflows of resources reflect the net impact of Lottery contributions made to the State Employees' Retirement System (SERS) pension and OPEB plans subsequent to the measurement date, the net impact of the difference between expected and actual experience, the net difference between projected and actual earnings on pension plan investments, and changes in actuarial assumptions. Deferred inflows are recognized for changes in the Lottery's proportionate share of the State's pension and OPEB liabilities.

Sales revenue and the related expenses are detailed in the table below:

	2020	\$	%	2019	\$	%	2018	
	<i>(in thousands)</i>							
		Increase (Decrease)				Increase (Decrease)		
<b>SALES</b>								
Instant games	\$ 756,968	\$ 20,525	2.8%	\$ 736,443	\$ 5,751	0.8%	\$ 730,692	
Daily number games	259,253	9,556	3.8%	249,697	7,212	3.0%	242,485	
Multi-State games*	105,551	(67,401)	-39.0%	172,952	23,082	15.4%	149,870	
Keno	115,450	12,527	12.2%	102,923	16,495	19.1%	86,428	
Lotto	30,977	(4,055)	-11.6%	35,032	16,218	86.2%	18,814	
Cash5	31,214	46	0.1%	31,168	(46)	-0.1%	31,214	
Lucky Links	5,871	175	3.1%	5,696	(246)	-4.1%	5,942	
CT Super Draw	–	–	–	–	(2,146)	0.0%	2,146	
<b>Total Sales</b>	<b>\$1,305,284</b>	<b>\$ (28,627)</b>	<b>-2.1%</b>	<b>\$ 1,333,911</b>	<b>\$ 66,320</b>	<b>5.2%</b>	<b>\$ 1,267,591</b>	
<b>RELATED EXPENSES</b>								
Prize expense	\$ 822,243	\$ (620)	-0.1%	\$ 822,863	\$ 30,273	3.8%	\$ 792,590	
Retailer commissions	72,895	(1,400)	1.9%	74,295	3,472	4.9%	70,823	
Gaming systems	14,752	1,210	8.9%	13,542	(166)	-1.2%	13,708	
Marketing and advertising	10,399	(2,097)	-16.8	12,496	(280)	-2.2%	12,776	
Production expenses	6,835	(601)	-8.1%	7,436	(1,215)	-14.0%	8,651	

\*Includes sales from Powerball, Mega Millions and Lucky for Life games.

Total sales revenue for the fiscal year 2020 amounted to \$1,305.3 million, down \$28.6 million, or -2.1%, from the prior fiscal year. Sales revenue for the portfolio of instant games totaled \$757.0, up \$20.5 million, or 2.8%, from the prior fiscal year. The daily number games contributed \$259.3 million of sales revenue, up \$9.6 million or 3.8% from the prior fiscal year. Keno revenue provided \$115.5 million, an increase of \$12.5 million or 12.2%.

The sales revenue for multi-state games equaled \$105.6 million, a decrease of \$67.4 million or -39.0% from the prior fiscal year. In October 2018, both Powerball and Mega Millions had record breaking jackpots and sales were \$34.7 million higher in October of 2019. Additionally, multi-state games experienced a decrease due to lower jackpot amounts and low interest rates which negatively impacted jackpot growth.

## **OVERVIEW OF FINANCIAL POSITION (CONTINUED)**

Lotto revenue totaled \$31.0 million, down \$4.1 million or (11.6%). Lotto sales decreased year over year chiefly due to the lack of a rising Lotto jackpot, which is generally synonymous with increased sales. Cash 5 revenue totaled \$31.2 million and Lucky Links revenue totaled \$5.9 million, essentially flat with the prior year revenue. The Lucky Links game ended on June 30, 2020.

Most costs and expenses that comprise total cost of sales vary proportionally with the change in total sales. Prize expense, retailer commissions, gaming systems and production expenses are included in this classification.

Prize expense for the instant ticket portfolio is predetermined since the instant ticket prize structure is developed using certain parameters, including the number and value of winning tickets. Prize expense for online draw games is designed with a specific prize structure, however, prize expense fluctuates due to variable payouts on the selection of winning numbers from random drawings.

Total prize expense for the period ending June 30, 2020 amounted to \$822.2 million compared to \$822.9 million in the prior year. The prize expense increased as a percentage of sales from 61.7% to 63.0%. The increase is due in part to the Lotto jackpot prize which was won five times in FY 2020, exceeding the statistical payout for this game. In addition, FY20 had a higher percentage of instant ticket sales and instant tickets have a higher prize percentage payout among the portfolio of lottery games.

Retailer commissions totaled \$72.9 million compared to \$74.3 million in the prior year. Retailers earn selling and cashing commissions and are eligible for various incentive compensation throughout the year to promote selected games and activities.

Gaming system and network administration expenses totaled \$14.8 million compared to \$13.5 million in the prior year. Marketing and advertising expenses totaled \$10.4 million for fiscal year 2020 compared to \$12.5 million in the prior year. Marketing and advertising expenses are incurred to support the mission of maximizing returns to the General Fund. Marketing and advertising encompass all major media including, television, radio and digital as well as lottery designed point of sale advertisements. Production expenses were \$6.8 million compared to \$7.4 million in the prior year. Production expenses are chiefly related to the design, delivery and distribution of instant tickets.

Operating expenses totaled \$31.6 million for the year ending June 30, 2020, compared to \$24.8 million in the prior year. Operating expenses are mainly comprised of salaries and benefits and other operating expenses. Increase is related to pension and OPEB expenses.

Nonoperating revenues and expenses are primarily comprised of interest income and interest expense related to the annuity contracts. Annuity contracts provide payments required to meet the obligations of Lottery prize disbursements.

The total payments to the State's General Fund totaled \$347.7 million compared to \$370.0 million in the prior year. Payments to the General Fund reflect the net earnings of the Lottery that are available for transfer. The Lottery also transfers statutorily required payments to the Chronic Gamblers Fund of \$2.3 million annually. The Lottery reimburses the Office of Policy and Management to compensate the Department of Consumer Protection for the reasonable and necessary costs for regulatory oversight. Regulatory costs totaled \$3.2 million for the year ending June 30, 2020, and \$3.0 million for the prior year.

# CONNECTICUT LOTTERY CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2020 AND 2019

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### BUDGETARY COMPARISONS

The Lottery's management prepares an annual budget that is reviewed and approved by its Board of Directors. The budget reflects management's expectation for results of operations based upon market trends and business strategies employed by the Lottery to maximize the payments to the State's General Fund. As a quasi-public corporation, the Lottery's annual budget does not require legislative approval and is not part of the State's legislatively enacted budget. Therefore, no budgetary statement is included in the audited financial statements.

### CAPITAL ASSETS AND LONG-TERM DEBT

The Lottery leases office and warehouse facilities under long-term operating leases. Capital assets consist of leasehold improvements to facilities, computer equipment and office furniture and equipment. Capital assets are not a significant portion of Lottery's total assets.

The Lottery has acquired capital assets with proceeds from operations and has not used financing from long-term debt. The Lottery has no long-term liabilities other than the long-term annuities payable to lottery winners, net pension liability, net OPEB liability, and deferred rent. For more detailed information on capital asset activity and long-term liabilities, please review the disclosures included in the notes to the financial statements.

### CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared COVID-19 a health pandemic. Governor Ned Lamont instituted stay-at-home orders as well as temporary restrictions on businesses, public and private. The Lottery was deemed an essential business, and remained in operation to raise funds for the State of CT general fund. The Lottery transitioned to only essential services and began teleworking where possible. Some of our retail partners were negatively impacted by the restrictions. The combined impact of reduced work by Lottery staff and the retailer restrictions led to a decline of approximately 20% in revenues during the months of March and April. As restrictions eased, sales in May and June rebounded, almost offsetting the decline. In March the Lottery extended prize claim periods from 180 to 270 days through August 2020 and will revert back to 180-day claim period by November 2020.

All Lottery employees were paid full regular wages during the months impacted by the pandemic, whether working fulltime or not, except when they chose to use accrued benefit time. Some essential services, normally performed by Lottery staff, were performed by vendors until modified processes could be instituted, allowing the services to revert back to the Lottery staff.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Lottery's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

CT Lottery Corporation  
c/o Finance Department  
777 Brook Street  
Rocky Hill, Connecticut 06067

**CONNECTICUT LOTTERY CORPORATION**  
**STATEMENTS OF NET POSITION (DEFICIT)**

	June 30	
	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,461,073	\$ 20,880,599
Accounts receivable, net of allowance for doubtful accounts of \$500,000 in 2020 and 2019	37,113,594	30,547,825
Investments for prize payments, at net present value	4,704,003	5,402,978
Accrued interest receivable	1,079,190	1,205,710
Ticket inventory, net of allowance of \$529,000 in 2020 and \$759,000 in 2019	1,797,125	3,788,220
Prepaid expenses	2,204,279	2,269,635
	<b>Total Current Assets</b>	<b>\$ 64,094,967</b>
<b>NONCURRENT ASSETS</b>		
Investments for prize payments at present value	\$ 120,492,096	\$ 120,913,070
Prize reserves held by Multi-State Lottery Association	6,043,363	6,200,819
Capital assets, net	503,780	641,288
Prepaid expenses	3,008,125	4,727,054
	<b>Total Noncurrent Assets</b>	<b>\$ 132,482,231</b>
	<b>Total Assets</b>	<b>\$ 196,577,198</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount for pensions	\$ 17,191,401	\$ 12,911,333
Deferred amount for OPEB	20,284,815	3,714,307
	<b>Total Deferred Outflows of Resources</b>	<b>\$ 16,625,640</b>

*The accompanying notes are an integral part of these financial statements.*

	June 30	
	2020	2019
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Annuities payable, at net present value	\$ 5,325,774	\$ 5,969,129
Prizes payable	28,049,438	38,486,982
Accrued interest payable	1,079,190	1,205,710
Accounts payable and accrued expenses	9,159,161	8,861,591
Due to regional game states	1,050,269	590,757
Due to Multi-State Lottery Association	654,643	675,033
Unearned revenue	803,257	772,625
<i>Total Current Liabilities</i>	<b>\$ 46,121,732</b>	<b>\$ 56,561,827</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term annuities payable, at net present value	\$ 120,492,096	\$ 120,913,070
Deferred rent	255,891	341,189
Net pension liability	59,569,843	50,615,060
Net OPEB liability	67,403,249	47,074,834
<i>Total Long-Term Liabilities</i>	<b>\$ 247,721,079</b>	<b>\$ 218,944,153</b>
<i>Total Liabilities</i>	<b>\$ 293,842,811</b>	<b>\$ 275,505,980</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred amount on pensions	\$ 3,479,159	\$ 5,228,564
Deferred amount for OPEB	8,501,032	8,384,848
<i>Total Deferred Inflows of Resources</i>	<b>\$ 11,980,191</b>	<b>\$ 13,613,412</b>
<b>NET POSITION (DEFICIT)</b>		
Net investment in capital assets	\$ 503,780	\$ 641,288
Unrestricted	(82,443,938)	(76,557,842)
<i>Total Net Position (Deficit)</i>	<b>\$ (81,940,158)</b>	<b>\$ (75,916,554)</b>

*The accompanying notes are an integral part of these financial statements.*

**CONNECTICUT LOTTERY CORPORATION**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)**

	Years ended June 30	
	2020	2019
<b>OPERATING REVENUES – GAME SALES</b>		
Instant	\$ 756,968,939	\$ 736,442,882
Online	445,653,200	427,179,133
Multi-State	105,583,570	174,940,859
	<b>\$ 1,308,205,709</b>	<b>\$ 1,338,562,874</b>
Less sales returns, cancellations and promotions	(2,921,552)	(4,651,591)
	<b>Total Operating Revenues</b>	<b>\$ 1,305,284,157</b>
		<b>\$ 1,333,911,283</b>
<b>COST OF SALES</b>		
Prize expense	\$ 822,242,533	\$ 822,863,178
Retailer commissions	72,895,410	74,294,705
Gaming systems	14,751,846	13,542,231
Marketing and advertising	10,399,343	12,496,280
Production expenses	6,834,731	7,436,174
	<b>Total Cost of Sales</b>	<b>\$ 927,123,863</b>
		<b>\$ 930,632,568</b>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	\$ 27,337,556	\$ 20,758,603
Other operating expenses	3,961,871	3,622,722
Depreciation and amortization	242,502	271,812
Bad debt expense	24,280	121,884
	<b>Total Operating Expenses</b>	<b>\$ 31,566,209</b>
		<b>\$ 24,775,021</b>
<b>OTHER OPERATING INCOME</b>	<b>\$ 119,619</b>	<b>\$ 61,211</b>
	<b>Operating Income</b>	<b>\$ 346,713,704</b>
		<b>\$ 378,564,905</b>

*The accompanying notes are an integral part of these financial statements.*

	Years ended June 30	
	2020	2019
NON-OPERATING REVENUES (EXPENSES)		
Interest income from investments on annuities	\$ 5,740,402	\$ 5,866,384
Interest income	460,058	481,218
Interest expense on annuity payments	(5,740,402)	(5,866,384)
Annuity assignment	9,000	16,000
<b>Total Nonoperating Revenues</b>	<b>\$ 469,058</b>	<b>\$ 497,218</b>
CHANGE IN NET POSITION AVAILABLE BEFORE PAYMENTS TO THE STATE OF CONNECTICUT FUNDS	<b>\$ 347,182,762</b>	<b>\$ 379,062,123</b>
NONOPERATING PAYMENTS TO THE STATE OF CONNECTICUT FUNDS		
General Fund	\$ 347,700,000	\$ 370,000,000
Office of Policy and Management	3,206,366	2,999,454
Chronic Gamblers' Fund	2,300,000	2,300,000
<b>Change in Net Position (Deficit)</b>	<b>\$ (6,023,604)</b>	<b>\$ 3,762,669</b>
TOTAL NET POSITION (DEFICIT), beginning of year	<b>\$ (75,916,554)</b>	<b>\$ (79,679,223)</b>
TOTAL NET POSITION (DEFICIT), end of year	<b>\$ (81,940,158)</b>	<b>\$ (75,916,554)</b>

*The accompanying notes are an integral part of these financial statements.*

# CONNECTICUT LOTTERY CORPORATION

## STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from sale of game tickets	\$ 1,298,724,740	\$ 1,330,576,569
Receipts from other operating income	119,619	61,211
Payments for prizes	(832,083,499)	(823,963,315)
Payments to retailers	(72,895,410)	(74,294,705)
Payments to suppliers	(27,912,970)	(34,755,782)
Payments to employees	(20,538,155)	(20,215,772)
Payments for other expenses	(4,047,169)	(3,708,019)
<i>Net Cash Provided by Operating Activities</i>	<b>\$ 341,367,156</b>	<b>\$ 373,700,187</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts of principal from annuities	\$ 6,106,452	\$ 6,566,549
Receipts of interest from annuities	5,866,922	5,986,008
Receipt of interest from cash equivalents	460,058	481,218
Purchase of insurance annuities	(4,986,503)	(7,662,682)
<i>Net Cash Provided by Investing Activities</i>	<b>\$ 7,446,929</b>	<b>\$ 5,371,093</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	\$ (104,994)	\$ (93,986)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payment of principal on long-term annuities	\$ (6,050,832)	\$ (6,488,342)
Payment of interest on long-term annuities payable	(5,866,922)	(5,986,008)
Annuity assignment	9,000	16,000
Payments to the State of Connecticut	(347,700,000)	(370,000,000)
Payments to Office of Policy and Management	(3,206,366)	(2,999,454)
Payments to the Chronic Gamblers' Fund	(2,300,000)	(2,300,000)
Receipts from annuities	4,986,503	7,662,682
<i>Net Cash Used in Noncapital Financing Activities</i>	<b>\$ (360,128,617)</b>	<b>\$ (380,095,122)</b>

*The accompanying notes are an integral part of these financial statements.*

	Years ended June 30	
	2020	2019
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (11,419,526)	\$ (1,117,828)
CASH AND CASH EQUIVALENTS – Beginning of year	20,880,599	21,998,427
CASH AND CASH EQUIVALENTS – End of year	\$ 9,461,073	\$ 20,880,599
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 346,713,704	\$ 378,564,905
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	242,502	271,812
Bad debt expense	24,280	121,884
Deferrals of pension and OPEB expense	6,799,401	542,831
Changes in operating assets and liabilities:		
Accounts receivable	(6,590,049)	(3,487,732)
Accounts payable and accrued expenses	297,570	695,238
Ticket inventory	1,991,095	798,564
Prepaid expenses	65,356	(940,702)
Prize reserves	157,456	(982,794)
Prizes payable	(10,437,544)	920,631
Due to Multi-State Lottery Association	(20,390)	(797,982)
Due to regional game states	459,512	(239,992)
Unearned revenue	30,632	153,018
Deferred rent liability	(85,298)	(85,297)
Prepaid expenses - long term	1,718,929	(1,834,197)
<b><i>Net Cash Provided by Operating Activities</i></b>	<b>\$ 341,367,156</b>	<b>\$ 373,700,187</b>

*The accompanying notes are an integral part of these financial statements.*

# CONNECTICUT LOTTERY CORPORATION

## NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

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### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

#### REPORTING ENTITY

The Connecticut Lottery Corporation (the Lottery), a body politic and corporate, constituting a public instrumentality and political subdivision of the State of Connecticut (the State), was created by Public Act 96-212 on July 1, 1996, for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery. The Lottery is governed by a thirteen-member board with eleven directors appointed by the Governor and Legislature plus two ex-officio members, the State Treasurer and the Secretary of the Office of Policy and Management. The Lottery is administered by a President appointed by the Board of Directors.

For financial reporting purposes, the Lottery is considered a component unit of the State of Connecticut. Additional disclosures related to Connecticut's self-insurance funds, unemployment insurance compensation, state pension plans, post-employment benefits and workers' compensation benefits are included in the State of Connecticut's Comprehensive Annual Financial Report.

These financial statements include all Lottery activity and do not include any activity related to any other state agency or fund.

#### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting methods and procedures adopted by the Lottery conform to U.S. generally accepted accounting principles (GAAP) for governmental enterprise funds. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges (sales).

The Lottery's activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. In its accounting and financial reporting, the Lottery follows the pronouncements of the Governmental Accounting Standards Board (GASB). All assets, and liabilities, net position, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded when the related liability is incurred.

#### SIGNIFICANT ACCOUNTING POLICIES

**Cash and Cash Equivalents** — The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities. Short-term investments of surplus cash are recorded at cost plus accrued interest, which approximate fair value. For purposes of reporting cash flows, cash and cash equivalents include all cash accounts, deposits with the State Treasurer's Short-Term Investment Fund (STIF), and investments with an original maturity of three months or less when purchased.

# CONNECTICUT LOTTERY CORPORATION

## NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

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### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Investments for Prize Payments** — Investments for prize payments are recorded based on the present value of an annuity contract at terms to yield a series of future payments required to meet the obligations of the Lottery for prize disbursements. The Lottery purchases annuity contracts from insurance companies to fund its liability for installment prize awards. An annuity contract represents an obligation by an insurance company to provide a series of payments over future periods. Annuity contracts are subject to credit risk. The Lottery seeks to control its exposure to such credit risk by purchasing annuity contracts only from insurance companies that meet certain minimum standards. Such standards include a minimum required credit rating from one of three rating agencies. Due to the long-term nature of these contracts, the credit quality of the issuer is subject to change. Amounts recorded as prize expense reflect the cost of the annuity contracts necessary to satisfy both installment prize awards and single payment awards.

**Accounts Receivable** — Accounts receivable are reported at their gross amount, reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on an analysis of delinquent accounts which considers both qualitative and quantitative factors affecting the collectability of past due balances.

**Ticket Inventory** — Instant game tickets are purchased from printing vendors. Unsold tickets are held in inventory and valued at the lower of cost or net realizable value using the specific identification method. Inventories are reported at their gross amount, reduced by the estimated portion that is provided for scrapped instant inventory tickets. The cost of tickets is recorded as cost of sales. The cost of unissued tickets and returned tickets are written off at year end as an adjustment to inventory.

**Capital Assets** — The capitalization threshold for the purchase of equipment and leasehold improvements is \$5,000. Capital assets are reported at cost and are depreciated using the straight-line method over the following estimated useful lives:

Computer equipment	5 years
Furniture and equipment	10 years
Leasehold improvements	*remainder of lease term

\*The lease at 777 Brook Street, Rocky Hill, Connecticut, expires in May 2023.

**Prizes Payable** — Prizes payable represents the difference between the prize liability and the actual prizes redeemed. The Lottery honors winning lottery tickets for up to 180 days after the drawing in which the prizes are won for draw game prizes or the official end of game for instant game prizes. After 180 days, the liability is extinguished and the related income is categorized as an unclaimed prize (see Unclaimed Prizes).

**Pension** — The Lottery's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources and expense associated with the Lottery's requirement to contribute to the Connecticut State Employees Retirement System (SERS) have been determined on the same basis as they are reported by SERS. Contributions made to SERS after the measurement date and prior to the Lottery's fiscal year end are reported as deferred outflows of resources.

**NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Other Post Employment Benefit** — The Lottery’s proportionate share of the net OPEB liability, deferred outflows of resources, deferred inflows of resources and expense associated with the Lottery’s requirement to contribute to the State of Connecticut Other Post Employment Benefits Program has been determined on the same basis as they are reported by the State of Connecticut Other Post Employment Benefits Program. Contributions made to the State of Connecticut Other Post Employment Benefits Program after the measurement date and prior to the Lottery’s fiscal year end are reported as deferred outflows of resources.

**Deferred Outflows/Inflows of Resources** — In addition to assets, the Lottery presents a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources (expense) until then. The Lottery reports deferred outflows related to pension and OPEB in the statement of net position, which result from differences between expected and actual experience, changes in assumptions or other inputs and contributions after the measurement date. These amounts are deferred and included in pension expense and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits.

In addition to liabilities, the Lottery presents a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Lottery reports deferred inflows of resources related to pension and OPEB in the statement of net position, which result from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits.

**Compensated Absences**

Under the terms of its various union contracts, Lottery employees are granted vacation in varying amounts based on length of service. Certain employees may carry over a limited number of unused vacation days to subsequent years and, in the event of termination or resignation, these employees are compensated for accumulated vacation.

Under the terms of its various union contracts, Lottery employees are granted sick leave in varying amounts. Laid-off employees may retain accrued sick leave provided they return to service on a permanent basis. An employee who has resigned from service in good standing and is re-employed within one year from resignation shall also retain sick leave accrued to their credit as of the effective date of their resignation.

**Revenue Recognition**

- **Instant game tickets** – Packs of instant games are consigned to retail sales agents, and revenue is recognized when the pack is sold. For any partial packs at year end, the Lottery estimates 50% of the tickets within these packs have been sold and recognizes that proportionate share of the tickets as revenue.
- **Draw game tickets** – Tickets for draw games are sold through electronic terminals at retail sales locations, and revenue is recognized on the date of the drawing, with the exception of the CT Super Draw game. Revenue for the CT Super Draw game is recognized as tickets are sold by the retail agents.

## CONNECTICUT LOTTERY CORPORATION

### NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

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#### NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Operating and Non-operating Revenues and Expenses** — Operating revenues are primarily derived from sales of Lottery tickets. Operating expenses include the costs and expenses incurred in the sale of the Lottery's game offerings. Nonoperating revenues are generally derived from interest earned on annuity contracts and accumulated cash balances. Nonoperating expenses are primarily derived from interest expense from long-term annuity payments.

**Prize Expense** — Prize expense for instant games is recognized at the time of sale based on the predetermined prize structure for each game and is periodically adjusted to actual as known. Prize expense for draw games is recognized at the time of actual drawings, with the exception of the CT Super Draw game. Prize expense for the CT Super Draw game is recognized based upon the relationship of the predetermined prize structure to the number of actual tickets sold in order to properly match revenues and expenses.

Prizes may be claimed up to 180 days after the official end of the game for instant games and up to 180 days after the draw date for draw games. Because winning tickets may be lost, destroyed or not redeemed for other reasons, there will be differences between amounts accrued and the amounts actually paid for prizes. Those differences are recognized as a reduction of prize expense 181 days after the end of the instant game or drawing date, as appropriate (see Unclaimed Prizes). Powerball and Mega Millions prize expense is recognized in accordance with the Multi-State Lottery Association agreement (see Note 6).

**Unclaimed Prizes** — As noted above, prizes must be claimed within 180 days from the date of the official end of the game for instant games and date of the drawing for draw games. Any prizes not claimed within this period are classified as unclaimed. In accordance with Connecticut General Statutes Section 12-806, the Lottery may retain unclaimed prize funds as additional revenue for the State, for promotions used to increase sales or to return to the participants in a manner designed to increase sales.

**Prize Payments** — Connecticut General Statutes Section 12-812 states that the aggregate amount of prizes shall not be less than 45% of sales unless required by the terms of any agreement entered into for multi-state lottery games. For the fiscal years ended June 30, 2020 and 2019, the prize expense amounted to 63.0% and 61.7% of Lottery sales, respectively.

**Marketing, Advertising and Promotion** — The Lottery expenses the costs of marketing, advertising and promotion as they are incurred.

**Payments to the State of Connecticut** — The Lottery transfers excess funds from operations to contribute to the general revenues of the State of Connecticut. By statute, the Lottery also reimburses the Office of Policy and Management for the expenses incurred by the Department of Consumer Protection for the costs of regulation and provides funds for the Chronic Gamblers' Treatment Rehabilitation account.

**Retailer Commissions** — Retailers earn commissions at the rate of 5% of lottery ticket sales and 1% of lottery tickets cashed. Retailers may earn additional compensation through product promotions offered by the Lottery.

**NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Net Position* — Net position is negative as a result of recognition of the prorated share of the State of Connecticut obligation for pensions and other post employment benefits. Net investment in capital assets represents resources net of accumulated depreciation invested in capital assets.

*Use of Estimates in Preparation of Financial Statements* — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – CASH, CASH EQUIVALENTS AND CREDIT RISK**

In accordance with Chapter 229a and Sections 3-20 and 3-27a of the Connecticut General Statutes (C.G.S.), excess funds of the Lottery may be deposited with the treasurer in such fund or funds of the State as appropriate or at the direction of the treasurer in a commercial bank or trust company with or without security to the credit of such fund or funds, or may be invested by, or at the discretion of the treasurer in bonds or obligations of, or guaranteed by, the State or the United States, or paper, savings accounts and bank acceptances, in the obligations of any state of the United States or any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State Commissioner of Banking, and applicable to such obligations, in the obligations of any regional school district in this State or any metropolitan district in this State, provided that at the time of investment such obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or any rating service recognized by the State Commissioner of Banking, and applicable to such obligations, or in any fund in which a trustee may invest pursuant to C.G.S. Section 36a-353.

At June 30, 2020 and 2019, the carrying amounts of the Lottery's deposits were \$3,413,952 and \$2,075,907, respectively. Bank deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2020, the Lottery's bank balance was \$3,842,940. Of this amount, \$250,000 was covered by the FDIC and \$3,592,940 was collateralized with securities held by the pledging financial institution at the Federal Reserve Bank under the name of the State Commissioner of Banking.

At June 30, 2020 and 2019, the Lottery also had uninsured and uncollateralized investments of \$6,014,523 and \$18,739,880, respectively, in STIF. Cash invested in STIF is classified as pooled investments and, therefore, not categorized by risk type. STIF is an investment pool of high-quality, short-term money market instruments. Operated in a manner similar to money-market mutual funds, STIF is rated AAA by Standard & Poor's and has an average maturity of under 60 days. STIF serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities and other political subdivisions of the State.

The Lottery's daily bank investments and short-term STIF investments are invested in highly liquid, short-term assets that create no interest rate risk for the Lottery. The weighted average maturity of the underlying assets within the STIF investments is 16 days as of June 30, 2020 and 43 days as of June 30, 2019. The Lottery's stated policy is to invest in highly liquid, short-term assets.

# CONNECTICUT LOTTERY CORPORATION

## NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

### NOTE 3 - INVESTMENTS AND CREDIT RISK

In accordance with GASB 72, the Lottery categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 - Inputs are quoted prices for identical investments in active markets.

Level 2 - Observable inputs other than quoted market prices.

Level 3 - Unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement.

The Lottery's investments in the annuity contracts and the corresponding annuities payable are reported at their net present value, which is calculated by discounting the future cash inflows (for investments) and outflows (for annuities payable) back to year end and are categorized as Level 2 instruments.

The Lottery had the following investments as of June 30, 2020 and 2019:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<b>June 30, 2020</b>		
Annuity contracts (at present value discounted at approximately 4.5%)	\$ 125,196,099	\$ 125,196,099
<b>June 30, 2019</b>		
Annuity contracts (at present value discounted at approximately 4.6%)	\$ 126,316,048	\$ 126,316,048

The Lottery has uncollateralized annuities with the following insurance companies that represent more than 5% of the outstanding total as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
<b>Insurance Company</b>		
Ohio National Life Insurance	\$ 45,397,795	\$ 47,210,777
Metropolitan Life Insurance	41,239,223	38,245,326
Savings Bank Life Insurance Co. of Massachusetts	25,853,868	26,274,348
John Hancock Life Insurance	-	6,551,977

As of June 30, 2020 and 2019, the Lottery's investments with the above institutions had ratings by A.M. Best Company ranging between A+ and A++.

All annuity contracts are purchased through a formal proposal process administered by the Lottery. Insurance company qualifications are reviewed by the Connecticut Insurance Department.

Due to the matching of the terms of the annuity prize liabilities and the related long-term investments, no interest rate risk results from these long-term investments, and therefore, the Lottery maintains no stated policy regarding interest rate risk on long-term investments.

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

**NOTE 4 - CAPITAL ASSETS**

A summary of capital assets is presented below:

	Balance July 1, 2019	Additions	Adjustments/ Deletions	Balance June 30, 2020
<b>Capital Assets:</b>				
Computer equipment	\$ 2,053,579	\$ 59,409	\$ 59,486	\$ 2,172,474
Furniture and equipment	2,772,794			2,772,794
Leasehold improvements	1,286,920	45,588	(59,486)	1,273,022
<i>Total capital assets</i>	<b>\$ 6,113,293</b>	<b>\$ 104,997</b>	<b>\$ -</b>	<b>\$ 6,218,290</b>
<b>Accumulated Depreciation</b>				
Computer equipment	\$ 1,746,391	\$ 120,616		\$ 1,867,007
Furniture and equipment	2,655,847	85,129		2,740,976
Leasehold improvements	1,069,767	36,760		1,106,527
<i>Total accumulated depreciation</i>	<b>\$ 5,472,005</b>	<b>\$ 242,505</b>	<b>\$ -</b>	<b>\$ 5,714,510</b>
<b>Capital Assets, Net</b>	<b>\$ 641,288</b>	<b>\$ (137,508)</b>	<b>\$ -</b>	<b>\$ 503,780</b>

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<b>Capital Assets:</b>				
Computer equipment	\$ 2,019,079	\$ 34,500		\$ 2,053,579
Furniture and equipment	2,772,794			2,772,794
Leasehold improvements	1,227,434	59,486		1,286,920
<i>Total capital assets</i>	<b>\$ 6,019,307</b>	<b>\$ 93,986</b>	<b>\$ -</b>	<b>\$ 6,113,293</b>
<b>Accumulated Depreciation</b>				
Computer equipment	\$ 1,638,888	\$ 107,503		\$ 1,746,391
Furniture and equipment	2,537,165	118,682		2,655,847
Leasehold improvements	1,024,140	45,627		1,069,767
<i>Total accumulated depreciation</i>	<b>\$ 5,200,193</b>	<b>\$ 271,812</b>	<b>\$ -</b>	<b>\$ 5,472,005</b>
<b>Capital Assets, Net</b>	<b>\$ 819,114</b>	<b>\$ (177,826)</b>	<b>\$ -</b>	<b>\$ 641,288</b>

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

**NOTE 5 - LONG-TERM OBLIGATIONS**

Long-term payment requirements for annuities payable for the last two fiscal years as follows:

	Beginning Balance		Additions		Reductions		Ending Balance		Amounts Due Within One Year
Activity for Fiscal Year 2020	\$ 126,882,199	\$	4,986,503	\$	(6,050,832)	\$	125,817,870	\$	5,325,774
Activity for fiscal year 2019	\$ 125,707,858	\$	7,662,683	\$	(6,488,342)	\$	126,882,199	\$	5,969,129

Presented below is a summary of long-term payment requirements for annuities payable to maturity:

Year ending June 30	Principal	Interest
2021	\$ 5,325,774	\$ 4,882,295
2022	4,195,097	5,387,448
2023	4,272,786	5,174,997
2024	3,730,930	4,962,641
2025	3,846,581	4,790,990
2026 - 2030	18,651,743	21,228,161
2031 - 2035	16,465,682	17,005,318
2036 - 2040	13,365,787	13,625,213
2041 - 2045	12,061,166	10,611,834
2046 - 2050	9,486,740	8,162,760
2051 - 2055	8,968,163	6,116,837
2056 - 2060	8,447,059	4,178,941
2061 - 2065	6,863,731	2,542,769
2066 - 2070	5,737,190	1,336,810
2071 - 2075	2,734,008	515,992
2076 - 2080	1,372,542	152,458
2081 - 2083	292,891	10,109
	<b>\$ 125,817,870</b>	<b>\$ 110,685,573</b>

This debt represents periodic payments owed to lottery prize winners and is fully funded by investments in annuity contracts. Amounts due after 2040 represent estimates of long-term liabilities related to prizes payable over the recipients' natural lives.

As noted in Note 3 regarding investments, the annuity contracts used to fund periodic payments to prize winners match the amounts and terms of the annuity prize liabilities. Therefore, no interest rate risk results from the long-term debt, and the Lottery maintains no stated policy regarding interest rate risk on debt.

## CONNECTICUT LOTTERY CORPORATION

### NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

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#### NOTE 6 – PARTICIPATION IN MULTI-STATE LOTTERY ASSOCIATION

The Lottery is a member of the Multi-State Lottery Association (MUSL) which operates games on behalf of participating state lotteries. The Lottery participates in the multi-state games of Powerball, Mega Millions and Lucky for Life lottery games.

Each lottery that is a member of MUSL and participates in a multi-state game sells game tickets through its retailers. The Lottery transfers amounts equivalent to its share of the estimated grand prize for Powerball and Mega Millions to MUSL, and those funds are held in trust. The Lottery transfers amounts equivalent to its share for lifetime prizes to MUSL for the Lucky for Life game. Lower-tier prizes are paid directly to the winners by each member lottery.

When winning grand prize tickets are drawn in Powerball and Mega Millions, the winner has the option of selecting a discounted lump-sum cash payment or installment payments that increase 5% annually over 30 years. If the winner selects the installment payments, MUSL purchases securities maturing over 30 years to fund the prize for MUSL members or the Mega Millions group purchases securities maturing over 30 years if the prize winner(s) is from a Mega Millions state. The annuity installments are paid to the Lottery, which in turn pays the winners their annual installments. All such prizes are paid annually as the securities are redeemed.

As part of the agreement with MUSL, the Lottery is required to deposit with MUSL additional amounts held as prize reserve funds. Prize reserve funds serve as a contingency reserve to protect MUSL members from unforeseen prize liabilities, and the money in this reserve fund is to be used at the discretion of the MUSL Board of Directors. The prize reserve fund monies are refundable in full to the Lottery if MUSL disbands or if the Lottery leaves MUSL. Members leaving MUSL must wait one year before receiving their remaining share, if any, of the prize reserve funds. These amounts earn investment income at market rates, which is used to offset the Lottery's share of MUSL operating expenses for the year.

Balances at June 30, 2020 and 2019, were as follows:

	2020	2019
Prize reserves held by MUSL	\$ 6,043,363	\$ 6,200,819
Prize liability due to MUSL	654,643	675,033

#### NOTE 7 – PENSION PLAN

All employees of the Lottery participate in the SERS, which is administered by the State Employees' Retirement Commission. In addition, an actuarial study was performed, as of June 30, 2019, on the plan as a whole and does not separate information for employees of the Lottery. Therefore, certain pension disclosures otherwise required pursuant to GAAP are omitted. Information on the total plan funding status and progress, contribution required and trend information can be found in the State of Connecticut's comprehensive annual financial report.

**Plan Description** — SERS is the single-employer defined benefit pension plan of the State of Connecticut's primary government and its component units, covering substantially all of the full-time employees who are not eligible for another State-sponsored retirement plan. The plan is administered by the State Employees' Retirement Commission and governed by Sections 5-152 to 5-192 of the Connecticut General Statutes.

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Benefits Provided** — The Plan provides retirement, disability and death benefits. Employees are covered under one of five tiers, depending on when they were hired. Tier I employees who retire at or after age 65 with 10 years of credited service or at or after age 55 with 25 years of service are eligible for an annual retirement benefit payable monthly for life, in an amount of 2% of the annual average earnings (which are based on the three highest years of service), subject to adjustment on receipt of social security benefits. Employees at age 55 with 10 years but less than 25 years of service, or at age 70 with 5 years of service, are entitled to a reduced benefit.

Tier II and Tier IIA employees who retire at or after age 60 with 25 years of service, or at age 65 with 10 years of service, or at age 70 with 5 years of service, are entitled to an annual retirement benefit payable monthly for life, in an amount of 1.33% of the average annual earnings (which are based on the three highest years of service) plus 5% of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at 1.625%. Employees at age 55 with 10 years of credited service, are entitled to a reduced benefit.

Tier III employees' full retirement benefits are attained at age 63 with 25 years of service, or at age 65 with 10 years of service and are payable monthly for life in an amount equal to 1.33% of the average annual earnings (which are based on the three highest years of service) plus 5% of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at 1.625%. Employees at age 58 with 10 years of service are entitled to a reduced benefit.

The SERS Tier IV consists of a defined benefit (DB) and defined contribution (DC) plan. Tier IV employees full retirement benefits under the DB plan is attained at age 63 with 25 years of service, or at age 65 with 10 years of service and are payable monthly for life in an amount of 1.30% of the average annual earnings (which are based on the five highest years of service). Employees at age 58 with 10 years of service are entitled to a reduced benefit. Employees pay a mandatory 1.0% into the DC plan and the State contributes 1.0% to the account. Employee contributions are vested immediately; employer contributions are 100% vested after completing three years of service.

All Tier I, Tier II, Tier IIA and Tier III members are vested after ten years of service, and each plan provides for death and disability benefits.

The 2011 State Employees Bargaining Agent Coalition (SEBAC) Agreement changed the benefit multiplier for the portion of the benefit below the breakpoint from 1.33% to 1.40%. This change was made effective for all active members who retire on or after July 1, 2013 in Tier II, IIA and III. Additionally, Tier II and Tier IIA normal retirement eligibility increases to age 63 and 25 years of benefit service or age 65 and 10 years of benefit service, and age 58 and 10 years of benefit service for early retirement effective July 1, 2022. A one-time decision was granted to members not eligible to retire by July 1, 2022 to elect to maintain the same normal retirement eligibility applicable to members who retire before July 1, 2022. Employees who elected by July 1, 2013 to maintain their eligibility are required to make additional employee contributions for the length of their remaining active service with SERS. The additional contribution was up to 0.72% of pensionable earnings.

The 2017 SEBAC Agreement included the addition of the SERS Tier IV for employees hired on or after July 1, 2017. The Tier IV plan includes both DB and DC structure.

# CONNECTICUT LOTTERY CORPORATION

## NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

### NOTE 7 – PENSION PLAN (CONTINUED)

**Contributions Made** — The Lottery’s contributions to the plan were \$3,913,670 and \$4,121,233 for the fiscal years ended June 30, 2020 and 2019, respectively.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources** — GASB 68 requires the Lottery to recognize a net pension liability for the difference between the present value of the projected benefits for past service known as the total pension liability (TPL) and the restricted resources held in trust for the payment of pension benefits, known as the fiduciary net position (FNP). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the FNP of SERS and additions to/deductions from SERS FNP have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

At June 30, 2020 and 2019, the Lottery reported a liability of \$59,569,843 and \$50,615,060, respectively, for its proportionate share of the net pension liability, which was measured as of June 30, 2020 and 2019, respectively. The total pension liability used to calculate the net pension liability was determined by actuarial valuation as of the measurement dates based on actuarial experience studies.

The Lottery’s allocation of the net pension liability was based on total covered payroll multiplied by the SERS contribution rate at each measurement date. For the years ended June 30, 2020 and 2019, the SERS contribution rate was 60.83% and 62.25%, respectively. As of June 30, 2020 and 2019, the Lottery’s proportionate share was 0.261131% and 0.23339%, respectively.

For the year ended June 30, 2020 and 2019, the Lottery recognized pension expense of \$6,839,243 and \$4,953,966, respectively. Pension expense is reported in the Lottery’s financial statements as part of salaries and benefits expense.

At June 30, 2020, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between expected and actual experience	\$ 4,047,280	\$ –
Net difference between projected and actual earnings on pension plan investments	–	141,742
Change of assumptions	3,910,262	–
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,320,189	3,337,417
Lottery contributions subsequent to the measurement date	3,913,670	–
	<u>\$ 17,191,401</u>	<u>\$ 3,479,159</u>

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

**NOTE 7 – PENSION PLAN (CONTINUED)**

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)*

At June 30, 2019, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 1,786,528	\$ –
Net difference between projected and actual earnings on pension plan investments	–	158,691
Change of assumptions	5,515,079	–
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,488,493	5,069,873
Lottery contributions subsequent to the measurement date	4,121,233	–
	<u>\$ 12,911,333</u>	<u>\$ 5,228,564</u>

Amounts reported as deferred outflows of resources related to Lottery contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years Ending June 30,</b>	
2021	\$ 3,359,207
2022	2,936,100
2023	1,349,059
2024	1,284,856
2025	869,350
	<u>\$ 9,798,572</u>

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

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**NOTE 7 – PENSION PLAN (CONTINUED)**

**Actuarial Methods and Assumptions** — The total pension liability for the year ended June 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of June 30, 2019. The following actuarial assumptions are summarized below as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Inflation	2.50%	2.50%
Salary increase, including inflation	3.50% - 19.50%	3.50% - 19.50%
Investment rate of return, net of investment expense, including inflation	6.90%	6.90%

The RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females is used for the period after disability. The projection of the mortality rates with Scale BB provide a sufficient margin in the assumed rates for mortality to allow for improvement in mortality experience.

**Discount Rate** — The discount rate used to measure the total pension liability was the long-term expected rate of return, 6.90%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rates and that employer contributions will be made equal to the difference between the projected actuarially determined contribution and member contributions. Projected future benefit payments for all current plan members were projected through the year 2139.

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

**NOTE 7 – PENSION PLAN (CONTINUED)**

**Expected Rate of Return on Investments** — The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20.0%	5.6%
Developed market int. stock	11.0%	6.0%
Emerging market int. stock	9.0%	7.9%
Core fixed income	16.0%	2.1%
Inflation linked bonds	5.0%	1.1%
Emerging market debt	5.0%	2.7%
High yield bonds	6.0%	4.0%
Real estate	10.0%	4.5%
Private equity	10.0%	7.3%
Alternative investments	7.0%	2.9%
Cash	1.0%	0.4%
	100%	

**Sensitivity of the Proportionate Share of Net Pension Liability to Changes in Discount Rates** — The following presents the Lottery’s proportionate share of the net pension liability calculated using the current discount rate for the years ended June 30, 2020 and 2019, as well as what the proportionate share of the liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
Net Pension Liability			
June 30, 2020	\$ 71,142,245	\$ 59,569,843	\$ 49,916,603
June 30, 2019	\$ 60,399,387	\$ 50,615,060	\$ 42,451,099

**NOTE 8 - POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 7, the State provides post employment health care and life insurance benefits in accordance with State statutes, Sections 5-257(d) and 5-259(a), to all eligible employees who retire from the State, including employees of the Lottery.

**Plan Description** — Currently, 40 retirees meet those eligibility requirements. When employees retire, the State pays up to 100% of their health care insurance premium cost (including dependent's coverage) depending upon the plan. The State currently pays up to 20% of the cost for retiree dental insurance (including dependent's coverage) depending upon the plan. In addition, the State pays 100% of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance, continued at no cost to the retiree, is determined based on the number of years of service that the retiree had with the State at time of retirement as follows: (a) if the retiree had 25 years or more of service, the amount of insurance will be one-half of the amount of insurance for which the retiree was insured immediately prior to retirement, but the reduced amount cannot be less than \$10,000; (b) if the retiree had less than 25 years of service, the amount of insurance will be the proportionate amount that such years of service is to 25, rounded to the nearest \$100. The State finances the cost of post employment health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

In accordance with the Revised SEBAC 2011 Agreement between the State of Connecticut and SEBAC, all employees shall pay the three percent (3%) retiree health care insurance contribution for a period of ten (10) years or retirement, whichever is sooner. In addition, participants of Tier III shall be required to have fifteen (15) years of actual State service to be eligible for retirement health insurance. Deferred vested retirees who are eligible for retiree health insurance shall be required to meet the rule of seventy-five (75), which is the combination of age and actual State service equaling seventy-five (75) in order to begin receiving retiree health insurance based on applicable SEBAC agreement.

**Contributions Made** — The Lottery's contributions to the plan were \$2,778,486 and \$2,756,875 for the fiscal years ended June 30, 2020 and 2019, respectively.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources** — GASB 75 requires the Lottery to recognize a net OPEB liability for the difference between the present value of the projected benefits for the past service known as the total OPEB liability (TOL) and the restricted resources held in trust for the payment of OPEB benefits, known as the fiduciary net position (FNP). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the FNP and additions to/deductions from FNP have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

At June 30, 2020 and 2019, the Lottery reported a liability of \$67,403,249 and \$47,074,834, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability as of June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by the actuarial valuation as of that date based on actuarial experience studies. The Lottery's allocation of the net OPEB liability was based on covered payroll multiplied by the OPEB contribution rate at each measurement date. For the years ended June 30, 2020 and 2019, the rate was 38.43% and 37.06%, respectively. As of June 30, 2020 and 2019, the Lottery's proportion was 0.32590% and 0.27267%, respectively.

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

**NOTE 8 - POST EMPLOYMENT BENEFITS (CONTINUED)**

***OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

For the years ended June 30, 2020 and 2019, the Lottery recognized OPEB expense of \$6,341,942 and \$2,178,435, respectively. OPEB expense is reported in the Lottery's financial statements as part of salaries and benefits expense.

At June 30, 2020, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between expected and actual experience	\$ —	\$ 1,700,901
Net difference between projected and actual earnings on OPEB plan investments	—	\$ 14,624
Change of assumptions	9,004,185	2,232,364
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,502,144	4,553,143
Lottery contributions subsequent to the measurement date	2,778,486	—
	<b>\$ 20,284,815</b>	<b>\$ 8,501,032</b>

At June 30, 2019, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ —	\$ 24,895
Change of assumptions	—	2,619,692
Changes in proportion and differences between employer contributions and proportionate share of contributions	957,432	5,740,261
Lottery contributions subsequent to the measurement date	2,756,875	—
	<b>\$ 3,714,307</b>	<b>\$ 8,384,848</b>

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

**NOTE 8 – POST EMPLOYMENT BENEFITS (CONTINUED)**

***OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)***

Amounts reported as deferred outflows of resources related to Lottery contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Years Ending June 30</b>	
2021	\$ 1,780,835
2022	1,780,828
2023	1,812,603
2024	2,842,372
2025	788,659
	\$ 9,005,297
	9,005,297

***Actuarial Methods and Assumptions*** — The total OPEB liability in the June 30, 2019 actuarial valuation was determined using data as of June 30, 2019. The key actuarial assumptions are summarized below:

Salary increase	3.25% to 19.50% varying by years of service and retirement system, including inflation
Discount rate	3.58%
Investment rate of return	6.90%
Health care trend rates:	
Medical	6.00% graded to 4.50% over 6 years
Prescription Drug	6.00% graded to 4.50% over 6 years
Dental	3.00%
Part B	4.50%
Administrative expense	3.00%

***Mortality Rates***

- *Pre-Retirement* – RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 60% for males and 55% for females.
- *Healthy* – RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females.
- *Disabled* – RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females.

***Discount Rate*** — The discount rate used to measure the total OPEB liability at June 30, 2020 was 3.58%. The discount rate is a blend of the long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher (3.50% as of June 30, 2019 and 3.87% as of June 30, 2018). The blending is based on the sufficiency of projected assets to make projected benefit payments.

**CONNECTICUT LOTTERY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019**

**NOTE 8 – POST EMPLOYMENT BENEFITS (CONTINUED)**

**Expected Rate of Return on Investments** — The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 weighing the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20.0%	5.6%
Developed market international stock	11.0%	6.0%
Emerging markets international stock	9.0%	7.9%
Core fixed income	16.0%	2.1%
Inflation linked bond	5.0%	1.1%
Emerging market debt	5.0%	2.7%
High yield bonds	6.0%	4.0%
Real estate	10.0%	4.5%
Private equity	10.0%	7.3%
Alternative investments	7.0%	2.9%
Cash	1.0%	0.4%
	<u>100%</u>	

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rates** — The following presents the Lottery’s proportionate share of the net OPEB liability for the years ended June 30, 2020 and 2019, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate::

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Net OPEB Liability			
June 30, 2020	\$ 78,446,867	\$ 67,403,249	\$ 58,438,322
June 30, 2019	54,603,370	47,074,834	40,961,180

## CONNECTICUT LOTTERY CORPORATION

### NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

#### NOTE 8 – POST EMPLOYMENT BENEFITS (CONTINUED)

##### *Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

— The following presents the Lottery’s proportionate share of the net OPEB liability, as well as what the proportionate share of the Lottery’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
Net OPEB Liability			
June 30, 2020	\$ 57,781,285	\$ 67,403,249	\$ 79,547,955
June 30, 2019	40,096,852	47,074,834	55,916,947

#### NOTE 9 – LEASE COMMITMENTS

The Lottery offices are located in Rocky Hill, Connecticut, under an operating lease that commenced on April 1, 2008 and extends through June 30, 2023. Monthly rents are approximately \$83,000 from July 1, 2014 through June 30, 2018, and \$87,000 through the end of the term. The Lottery recognizes the lease expense using the straight-line method over the term of the lease arrangement.

The Lottery leases office and warehouse facilities under operating leases. These leases commenced on July 1, 2014 and expired on June 30, 2018. The combined rental amount for these facilities is \$5,896 per month. Extensions have been executed through June 30, 2022 at a combined rental amount of \$6,418 per month.

The Lottery leased instant ticket vending machines under noncancelable operating leases which expired in September 2018. The Lottery leases various office equipment under noncancelable operating leases on various dates through April 2023. All equipment lease obligations are payable in monthly installments.

Similar to all Lottery equipment operated by our retailers, Keno terminals and monitors are leased through Scientific Games, the primary gaming system vendor. The Lottery made up-front payments to the vendor through April 2018, which allows the Lottery to utilize the Keno equipment until the end of the lease term in April 2023.

The Lottery executed a lease for player activated terminals (PATs) in July 2018. The Lottery will make up-front payments to the vendor through December 2018, which allows the Lottery to utilize the PATs until the end of the lease term in April 2023. This contract is coterminous with the gaming system contract.

As of June 30, 2020 and 2019, the Lottery recorded \$2,121,428 and \$2,892,857, respectively, of prepaid expenses related to the lease of the Keno terminals and monitors, of which \$1,350,000 and \$2,121,428 is long term and recorded as other assets in the accompanying statements of net position.

Total lease expense for facilities and equipment was \$4,713,759 and \$3,820,063 for the fiscal years ended June 30, 2020 and 2019, respectively.

## CONNECTICUT LOTTERY CORPORATION

### NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

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#### NOTE 9 – LEASE COMMITMENTS (CONTINUED)

Future payments for the aforementioned leases are summarized as follows:

<b>Years Ending June 30</b>		
2021	\$	2,846,731
2022		2,823,845
2023		2,305,173
	\$	7,975,749

#### NOTE 10 – RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption due to disruption of data processing; unfaithful performance; errors and omissions; injuries to employees; and natural disasters. The Lottery purchases commercial insurance for property losses in excess of \$100,000; losses due to employee dishonesty in excess of \$1,000; errors and omissions, torts, injuries to employees and business interruption due to disruptions of data processing.

Lottery employees participate in three State of Connecticut health plans. For one of these plans, the State is self-insured. This plan is administered by an outside vendor which is responsible for the processing and payment of claims. No separate measurement is made of claims incurred and paid for the Lottery employees. Information regarding the excess of claims incurred over the claims paid for the State as a whole may be found in the comprehensive annual financial report of the State of Connecticut.

Claims expenses and liabilities above amounts covered by insurance are reported when it is probable that a liability has been incurred at the date of the financial statements and the amount of that loss can be reasonably estimated, including an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

During each of the years ended June 30, 2020 and 2019, there were no claims or settlements that have exceeded insurance coverage.

#### NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Lottery is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Lottery.

**NOTE 12 – CORONAVIRUS (COVID19)**

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. On March 10, 2020, the Governor of the State of Connecticut declared a public health emergency and a civil preparedness emergency due to COVID-19.

The Lottery derives its revenues from the sale of instant and draw game tickets. While the Lottery did experience about a 20% decrease in revenues during the months of March and April, sales rebounded in May and June, nearly offsetting the decline as of June 30, 2020. In March, the Lottery extended prize claim periods from 180 days to 270 days through August 2020 and will revert back to a 180-day claim period by November 2020. The situation creates uncertainty about the impact of future revenues that might be generated. In addition, at this time, it is uncertain what the effects of the pandemic will be on the Lottery's health care costs, changes in interest rates and investment valuation.



# REQUIRED SUPPLEMENTARY INFORMATION

## CONNECTICUT LOTTERY CORPORATION

### SCHEDULE OF THE LOTTERY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Six Fiscal Years	2020	2019	2018	2017	2016	2015
Lottery's portion of the net pension liability	<b>0.26113%</b>	0.23339%	0.25560%	0.24243%	0.24525%	0.27865%
Lottery's proportionate share of the net pension liability	<b>\$59,569,843</b>	\$ 50,615,060	\$ 53,857,469	\$55,669,017	\$40,525,323	\$44,624,031
Lottery's covered payroll	<b>\$10,468,988</b>	\$ 9,946,740	\$ 10,200,510	\$10,490,319	\$10,032,666	\$ 9,348,981
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	<b>569.01%</b>	508.86%	527.99%	530.67%	403.93%	477.31%
Plan fiduciary net position as a percentage of the total pension liability	<b>36.78%</b>	36.62%	36.25%	31.69%	39.23%	39.54%

#### Notes to Schedule

- Change of benefit terms
- A 3-year freeze on all salary increases for fiscal years ending 2017, 2018 and 2019
  - The annual COLA for those retiring on or after July 1, 2022 is based on the annual rate of increase in CPI-W from 0.0% to 2.0%, plus 60% of the annual rate of increase in CPI-W from 3.33% to 6.0% plus 75% of the annual rate increase in SPI-W above 6.0% and with a cap on the COLA rate of 7.5%.
  - A COLA moratorium for those retiring on or after July 1, 2022 for the first 30 months of retirement benefits. If rate of increase in CPI-W exceeds an annualized rate of 5.5% during the initial 18-month period of receiving retirement benefits, the COLA provided beginning with the 31st monthly benefit includes an additional adjustment based on the annual COLA rate as determined above using the annualized rate over the 18-month period. The COLA rate applied is reduced by 2.5% and then multiplied by 1.5 to reflect the 18-month period.
  - Increase to all non-Tier IV members' contribution rates by 1.5% of compensation effective July 1, 2017 and an additional 0.5% of compensation effective July 1, 2019.
  - In years where employer contribution increase due to poor asset returns, half the increase is applied to Tier IV member contribution rate of up to 2% in total.
  - Tier IV Hybrid Plan Structure for All New Hires (Non-Hazardous and Hazardous) after July 1, 2017:
    - i. Non-Hazardous has same retirement eligibility as Tier III
    - ii. Non-hazardous benefit multiplier is 1.30% with no breakpoint
    - iii. Hazardous duty requires 25 years of service to retire
    - iv. Employees contribute 3% more than Tier III employees into the DB Plan
    - v. Employers contribute 1% and employees must contribute at least 1% to DC portion of Hybrid Plan

This schedule is presented as required by accounting principles generally accepted in the United States of America; however, until a full 10-year trend is compiled, information is presented for those years available.

## CONNECTICUT LOTTERY CORPORATION

### SCHEDULE OF THE LOTTERY'S CONTRIBUTIONS TO THE STATE EMPLOYEE'S RETIREMENT SYSTEM (SERS)

<b>Last Ten Fiscal Years</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 3,913,670	\$ 4,121,233	\$ 3,368,200	\$ 4,456,603	\$ 4,233,893
Contributions in relation to the contractually required contribution	3,913,670	4,121,233	3,368,200	4,456,603	4,233,893
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$10,671,908	\$10,468,988	\$ 9,946,740	\$10,200,510	\$10,490,319
Contributions as a percentage of covered-employee payroll	36.67%	39.37%	33.86%	43.69%	40.36%

<b>Last Ten Fiscal Years (continued)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Contractually required contribution	\$ 3,803,384	\$ 3,401,159	\$ 2,752,875	\$ 2,482,079	\$ 2,288,551
Contributions in relation to the contractually required contribution	3,803,384	3,401,159	2,752,875	2,482,079	2,288,551
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$10,032,666	\$ 9,348,981	\$ 9,055,510	\$ 8,989,782	\$ 8,897,944
Contributions as a percentage of covered-employee payroll	37.91%	36.38%	30.40%	27.61%	25.72%

#### Notes to Schedule

Valuation date:	June 30, 2018
Measurement date:	June 30, 2019

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, closed 5-year phase into level dollar
Single equivalent amortization period	25.1 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increase	3.50-19.50%, including inflation
Investment rate of return	6.90%, net of investment-related expense
Mortality	The RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females is used for the period after service retirement and for dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females is used for the period after disability.

## CONNECTICUT LOTTERY CORPORATION

### SCHEDULE OF LOTTERY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last Four Fiscal Years	2020	2019	2018	2017
Lottery's portion of the net OPEB liability	0.32590%	0.27267%	0.31321%	0.30441%
Lottery's proportionate share of the net OPEB liability	\$ 67,403,249	\$ 47,074,834	\$ 54,381,510	\$ 52,487,844
Lottery's covered-employee payroll	\$ 10,468,988	\$ 9,946,740	\$ 10,200,510	\$ 10,490,314
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	643.84%	473.27%	533.13%	500.35%
Plan fiduciary net position as a percentage of the total OPEB liability	5.47%	4.69%	3.03%	1.94%

#### *Notes to Schedule*

Assumption changes since prior valuation:

- The discount rate was updated in accordance with GASB statement No. 75 to 3.58% as of June 30, 2019.

This schedule is presented as required by accounting principles generally accepted in the United States of America; however, until a full 10-year trend is compiled, information is presented for those years available.

## CONNECTICUT LOTTERY CORPORATION

### SCHEDULE OF LOTTERY'S CONTRIBUTIONS TO THE STATE'S OTHER POST EMPLOYMENT BENEFIT PROGRAM

Last Five Fiscal Years	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,778,486	\$ 2,756,875	\$ 2,474,845	\$ 2,090,376	\$ 1,221,774
Contributions in relation to the contractually required contribution	2,778,486	2,756,875	2,474,845	2,090,376	1,221,774
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$ 10,671,908	\$ 10,468,988	\$ 9,946,740	\$ 10,200,510	\$ 10,490,319
Contributions as a percentage of covered-employee payroll	26.04%	26.33%	24.88%	20.49%	11.65%

#### Notes to Schedule

Valuation date: Actuarially determined contribution for fiscal year ending June 30, 2019 was determined with the June 30, 2017 actuarial valuation.

Measurement date: June 30, 2019

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of growing payroll, closed, 30 years
Remaining amortization period	20 years as of June 30, 2018
Asset valuation method	Market value
Salary increases	3.25% to 19.50% varying by years of service and retirement system.
Mortality	<p><b>Pre-Retirement:</b> RP-2014 White Collar Employee Mortality Table projected to 2020 with Scale BB at 60% for males and 55% for females</p> <p><b>Healthy:</b> RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females</p> <p><b>Disabled:</b> RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females</p>

This schedule is presented as required by accounting principles generally accepted in the United States of America; however, until a full 10-year trend is compiled, information is presented for those years available.





# COMPLIANCE SECTION

**Independent Auditors' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the the Members of the Board of Directors

**The Connecticut Lottery Corporation  
Rocky Hill, Connecticut**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of The Connecticut Lottery Corporation as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Connecticut Lottery Corporation's basic financial statements, and have issued our report thereon dated October 21, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Connecticut Lottery Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Connecticut Lottery Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Connecticut Lottery Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Connecticut Lottery Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Connecticut Lottery Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Connecticut Lottery Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
October 21, 2020





# SUPPLEMENTAL SCHEDULES

## CONNECTICUT LOTTERY CORPORATION

### SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2020

#### PROFIT CONTRIBUTIONS (\$ in 000s)

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day	Lotto
NET SALES	\$ 756,968	\$ 74,605	\$ 74,326	\$ 57,636	\$ 52,686	\$ 30,977
DIRECT COSTS						
Gross prize expense	\$ 530,370	\$ 38,482	\$ 36,729	\$ 34,898	\$ 25,051	\$ 16,375
Unclaimed prize credit	(9,051)	(422)	(517)	(277)	(249)	(303)
Use of unclaimed prize reserve	2	–	–	–	–	2,151
<b>Net prize expense</b>	<b>\$ 521,321</b>	<b>\$ 38,060</b>	<b>\$ 36,212</b>	<b>\$ 34,621</b>	<b>\$ 24,802</b>	<b>\$ 18,223</b>
Retailer commissions	\$ 43,038	\$ 4,112	\$ 4,021	\$ 3,226	\$ 2,842	\$ 1,636
Online systems	7,582	751	748	581	531	305
Marketing, advertising and promotion	5,630	537	534	410	374	227
Production expenses	6,293	52	52	52	52	16
<b>Total direct costs</b>	<b>\$ 583,864</b>	<b>\$ 43,512</b>	<b>\$ 41,567</b>	<b>\$ 38,890</b>	<b>\$ 28,601</b>	<b>\$ 20,407</b>
GROSS PROFIT	\$ 173,104	\$ 31,093	\$ 32,759	\$ 18,746	\$ 24,085	\$ 10,570

#### PROFIT MARGIN (% OF NET SALES)

<i>Net sales</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DIRECT COSTS						
Gross prize expense	70.1%	51.6%	49.4%	60.5%	47.5%	52.9%
Unclaimed prize credit	-1.2%	-0.6%	-0.7%	-0.5%	-0.5%	-1.0%
Use of unclaimed prize reserve	0.0%	0.0%	0.0%	0.0%	0.0%	6.9%
<b>Net prize expense</b>	<b>68.9%</b>	<b>51.0%</b>	<b>48.7%</b>	<b>60.1%</b>	<b>47.1%</b>	<b>58.8%</b>
Retailer commissions	5.7%	5.5%	5.4%	5.6%	5.4%	5.3%
Online systems	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing, advertising and promotion	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Production expenses	0.8%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total direct costs</b>	<b>77.1%</b>	<b>58.3%</b>	<b>55.9%</b>	<b>67.5%</b>	<b>54.3%</b>	<b>65.9%</b>
GROSS PROFIT	22.9%	41.7%	44.1%	32.5%	45.7%	34.1%

Cash5	Powerball	Mega Millions	Lucky for Life	5 Card Cash	Lucky Links	Keno	CT Super Draw	Total
\$ 31,214	\$ 49,533	\$ 38,549	\$ 17,469	\$ -	\$ 5,871	\$ 115,450	\$ -	\$ 1,305,284
\$ 18,512	\$ 24,738	\$ 19,473	\$ 9,415	\$ -	\$ 3,730	\$ 75,142	\$ -	\$ 832,915
(244)	(771)	(318)	(242)	-	(53)	(378)		(12,825)
-	-	-	-	-	-	-		2,153
\$ 18,268	\$ 23,967	\$ 19,155	\$ 9,173	\$ -	\$ 3,677	\$ 74,764	\$ -	\$ 822,243
\$ 1,742	\$ 2,545	\$ 1,967	\$ 938	\$ -	\$ 328	\$ 6,500	\$ -	\$ 72,895
312	492	386	174	-	59	2,831	-	14,752
266	973	388	128	-	43	889	-	10,399
53	99	1	44	-	105	16		6,835
\$ 20,641	\$ 28,076	\$ 21,897	\$ 10,457	\$ -	\$ 4,212	\$ 85,000	\$ -	\$ 927,124
\$ 10,573	\$ 21,457	\$ 16,652	\$ 7,012	\$ -	\$ 1,659	\$ 30,450	\$ -	\$ 378,160
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
59.3%	49.9%	50.5%	53.9%	0.0%	63.5%	65.1%	0.0%	63.8%
-0.8%	-1.6%	-0.8%	-1.4%	0.0%	-0.9%	-0.3%	0.0%	-1.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
58.5%	48.4%	49.7%	52.5%	0.0%	62.6%	64.8%	0.0%	63.0%
5.6%	5.1%	5.1%	5.4%	0.0%	5.6%	5.6%	0.0%	5.6%
1.0%	1.0%	1.0%	1.0%	0.0%	1.0%	2.5%	0.0%	1.1%
0.9%	2.0%	1.0%	0.7%	0.0%	0.7%	0.8%	0.0%	0.8%
0.2%	0.2%	0.0%	0.3%	0.0%	1.8%	0.0%	0.0%	0.5%
66.1%	56.7%	56.8%	59.9%	0.0%	71.7%	73.6%	0.0%	71.0%
33.9%	43.3%	43.2%	40.1%	100.0%	28.3%	26.4%	100.0%	29.0%

**CONNECTICUT LOTTERY CORPORATION**  
**SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2019**

**PROFIT CONTRIBUTIONS (\$ in 000s)**

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day	Lotto
NET SALES	\$ 736,443	\$ 72,253	\$ 72,656	\$ 54,460	\$ 50,328	\$ 35,032
DIRECT COSTS						
Gross prize expense	\$ 516,523	\$ 37,311	\$ 29,791	\$ 32,350	\$ 23,472	\$ 18,537
Unclaimed prize credit	(7,872)	(571)	(852)	(306)	(415)	(205)
Use of unclaimed prize reserve	1	–	3	–	–	–
<b>Net prize expense</b>	<b>\$ 508,652</b>	<b>\$ 36,740</b>	<b>\$ 28,942</b>	<b>\$ 32,044</b>	<b>\$ 23,057</b>	<b>\$ 18,332</b>
Retailer commissions	\$ 42,043	\$ 3,982	\$ 3,854	\$ 3,047	\$ 2,703	\$ 1,787
Online systems	6,583	649	715	490	452	317
Marketing, advertising and promotion	6,039	558	559	421	388	293
Production expenses	6,710	58	58	55	54	23
<b>Total direct costs</b>	<b>\$ 570,027</b>	<b>\$ 41,987</b>	<b>\$ 34,128</b>	<b>\$ 36,057</b>	<b>\$ 26,654</b>	<b>\$ 20,752</b>
GROSS PROFIT	\$ 166,416	\$ 30,266	\$ 38,528	\$ 18,403	\$ 23,674	\$ 14,280

**PROFIT MARGIN (% OF NET SALES)**

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day	Lotto
<b>Net sales</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DIRECT COSTS						
Gross prize expense	70.1%	51.6%	41.0%	59.4%	46.6%	52.9%
Unclaimed prize credit	-1.1%	-0.8%	-1.2%	-0.6%	-0.8%	-0.6%
Use of unclaimed prize reserve	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net prize expense</b>	<b>69.1%</b>	<b>50.8%</b>	<b>39.8%</b>	<b>58.8%</b>	<b>45.8%</b>	<b>52.3%</b>
Retailer commissions	5.7%	5.5%	5.3%	5.6%	5.4%	5.1%
Online systems	0.9%	0.9%	1.0%	0.9%	0.9%	0.9%
Marketing, advertising and promotion	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Production expenses	0.9%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Total direct costs</b>	<b>77.4%</b>	<b>58.1%</b>	<b>47.0%</b>	<b>66.2%</b>	<b>53.0%</b>	<b>59.2%</b>
GROSS PROFIT	22.6%	41.9%	53.0%	33.8%	47.0%	40.8%

Cash5	Powerball	Mega Millions	Lucky for Life	5 Card Cash	Lucky Links	Keno	CT Super Draw	Total
\$ 31,168	\$ 81,446	\$ 72,634	\$ 18,872	\$ -	\$ 5,696	\$ 102,923	\$ -	\$ 1,333,911
\$ 19,794	\$ 40,702	\$ 36,466	\$ 13,052	\$ (30)	\$ 3,680	\$ 66,759	\$ 1	\$ 838,408
(557)	(2,616)	(998)	(547)	-	(72)	(435)	(105)	(15,551)
-	-	-	-	-	-	-	2	6
\$ 19,237	\$ 38,086	\$ 35,468	\$ 12,505	\$ (30)	\$ 3,608	\$ 66,324	\$ (102)	\$ 822,863
\$ 1,759	\$ 4,166	\$ 3,712	\$ 1,137	\$ -	\$ 318	\$ 5,787	\$ -	\$ 74,295
280	725	649	169	-	51	2,462	-	13,542
272	1,458	1,284	169	-	49	1,007	-	12,497
72	211	12	47	-	114	19	3	7,436
\$ 21,620	\$ 44,646	\$ 41,125	\$ 14,027	\$ (30)	\$ 4,140	\$ 75,599	\$ 99	\$ 930,633
\$ 9,548	\$ 36,800	\$ 31,509	\$ 4,845	\$ 30	\$ 1,556	\$ 27,324	\$ (99)	\$ 403,278

100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
63.5%	50.0%	50.2%	69.2%	0.0%	64.6%	64.9%	0.0%	62.9%
-1.8%	-3.2%	-1.4%	-2.9%	0.0%	-1.3%	-0.4%	0.0%	-1.2%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
61.7%	46.8%	48.8%	66.3%	0.0%	63.3%	64.4%	0.0%	61.7%
5.6%	5.1%	5.1%	6.0%	0.0%	5.6%	5.6%	0.0%	5.6%
0.9%	0.9%	0.9%	0.9%	0.0%	0.9%	2.4%	0.0%	1.0%
0.9%	1.8%	1.8%	0.9%	0.0%	0.9%	1.0%	0.0%	0.9%
0.2%	0.3%	0.0%	0.2%	0.0%	2.0%	0.0%	0.0%	0.6%
69.4%	54.8%	56.6%	74.3%	0.0%	72.7%	73.5%	0.0%	69.8%
30.6%	45.2%	43.4%	25.7%	100.0%	27.3%	26.5%	100.0%	30.2%





# STATISTICAL SECTION



# CONNECTICUT LOTTERY CORPORATION

## SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ACTUAL VS. BUDGET (\$000s), YEAR ENDED JUNE 30, 2020

	Actual	Budget	Over/(Under) Budget	% Change
<b>SALES</b>				
OPERATING REVENUE	\$ 1,308,206	\$ 1,331,149	\$ (22,943)	(1.7%)
Less sales returns, cancellations and promotions	(2,922)	0	(2,922)	–
<b>Total operating revenue</b>	<b>\$ 1,305,284</b>	<b>\$ 1,331,149</b>	<b>\$ (25,865)</b>	<b>\$ (1.9%)</b>
<b>COST OF SALES AND OPERATING EXPENSES</b>				
<b>COST OF SALES</b>				
Prize expense	\$ 822,243	\$ 829,624	\$ (7,381)	(0.9%)
Retailer commissions	72,895	74,337	(1,442)	(1.9%)
Online systems	14,752	15,767	(1,015)	(6.4%)
Marketing, advertising, and promotions	10,399	13,600	(3,201)	(23.5%)
Production expenses	6,835	6,658	177	2.7%
<b>Total cost of sales</b>	<b>\$ 927,124</b>	<b>\$ 939,986</b>	<b>\$ (12,862)</b>	<b>(1.4%)</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	\$ 27,338	\$ 22,636	\$ 4,702	20.8%
Other operating expenses	3,962	4,246	(284)	(6.7%)
Depreciation and amortization	243	296	(53)	(17.9%)
Bad debt expense	24	100	(76)	(76.0%)
<b>Total operating expenses</b>	<b>\$ 31,567</b>	<b>\$ 27,278</b>	<b>\$ 4,289</b>	<b>15.7%</b>
OTHER OPERATING REVENUE	\$ 120	\$ 37	\$ 83	224.3%
<b>Operating income</b>	<b>\$ 346,713</b>	<b>\$ 363,922</b>	<b>\$ (17,209)</b>	<b>(4.7%)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income from investments on annuities	\$ 5,740	\$ 0	\$ 5,740	–
Interest income	460	375	85	22.7%
Interest expense on annuity payments	(5,740)	0	(5,740)	–
Annuity assignment	9	8	1	250.0%
<b>Total nonoperating revenues</b>	<b>\$ 469</b>	<b>\$ 383</b>	<b>\$ 86</b>	<b>22.5%</b>
<b>CHANGE IN NET POSITION BEFORE</b>				
<b>PAYMENTS TO STATE FUNDS</b>	<b>\$ 347,182</b>	<b>\$ 364,305</b>	<b>\$ (17,123)</b>	<b>(4.7%)</b>
Payments to Chronic Gamblers' Fund	2,300	2,300	0	0.0%
Payments to Department of Consumer Protection	3,206	3,206	0	0.0%
Payments to State's General Fund	347,700	358,796	(11,096)	(3.1%)
<b>Change in net position</b>	<b>\$ (6,024)</b>	<b>\$ 0</b>	<b>\$ (6,024)</b>	<b>N/A</b>

# CONNECTICUT LOTTERY CORPORATION

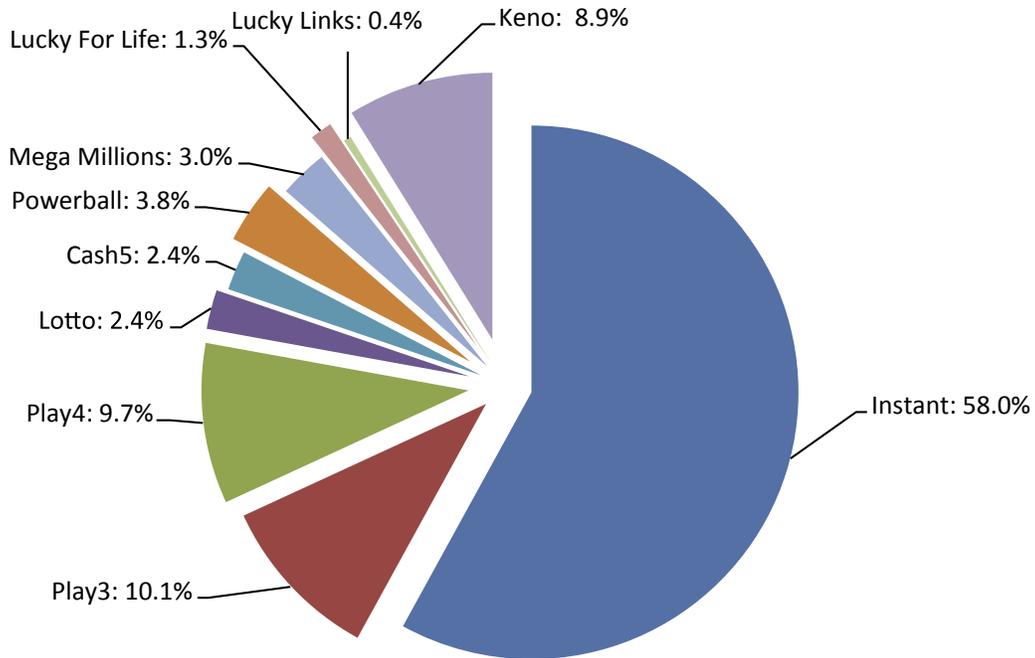
## SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY GAME TYPE (\$000s), YEAR ENDED JUNE 30, 2020

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day	Lotto
<b>SALES</b>						
OPERATING REVENUE	\$ 756,969	\$ 75,478	\$ 75,158	\$ 58,237	\$ 53,223	\$ 30,995
Less sales returns, cancellations and promotions	(1)	(873)	(832)	(601)	(538)	(18)
<b>Total operating revenue</b>	<b>\$ 756,968</b>	<b>\$ 74,605</b>	<b>\$ 74,326</b>	<b>\$ 57,636</b>	<b>\$ 52,685</b>	<b>\$ 30,977</b>
<b>COST OF SALES AND OPERATING EXPENSES</b>						
<b>COST OF SALES</b>						
Prize expense	\$ 521,321	\$ 38,060	\$ 36,212	\$ 34,621	\$ 24,801	\$ 18,223
Retailer commissions	43,038	4,113	4,020	3,226	2,842	1,636
Online systems	7,581	751	747	581	530	305
Marketing, advertising, and promotions	5,630	537	534	410	375	227
Production expenses	6,293	52	52	52	52	16
<b>Total cost of sales</b>	<b>\$ 583,863</b>	<b>\$ 43,513</b>	<b>\$ 41,565</b>	<b>\$ 38,890</b>	<b>\$ 28,600</b>	<b>\$ 20,407</b>
<b>OPERATING EXPENSES</b>						
Salaries and benefits	\$ 16,818	\$ 814	\$ 1,085	\$ 746	\$ 1,017	\$ 814
Other operating expenses	2,451	119	158	109	148	119
Depreciation and amortization	150	7	10	7	9	7
Bad debt expense	20	1	1	1	0	0
<b>Total operating expenses</b>	<b>\$ 19,439</b>	<b>\$ 941</b>	<b>\$ 1,254</b>	<b>\$ 863</b>	<b>\$ 1,174</b>	<b>\$ 940</b>
<b>OTHER OPERATING INCOME</b>	<b>\$ 71</b>	<b>\$ 7</b>	<b>\$ 7</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 2</b>
<b>Operating income</b>	<b>\$ 153,737</b>	<b>\$ 30,158</b>	<b>\$ 31,514</b>	<b>\$ 17,888</b>	<b>\$ 22,916</b>	<b>\$ 9,632</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest income from investments on annuities	\$ 4,137	\$ 0	\$ 0	\$ 0	\$ 0	\$ 280
Interest income	178	17	17	13	12	10
Interest expense on annuity payments	(4,137)	0	0	0	0	(280)
Annuity assignment	6	0	0	0	0	0
<b>Total non-operating revenues</b>	<b>\$ 184</b>	<b>\$ 17</b>	<b>\$ 17</b>	<b>\$ 13</b>	<b>\$ 12</b>	<b>\$ 10</b>
<b>CHANGE IN NET POSITION BEFORE PAYMENTS TO STATE FUNDS</b>						
PAYMENTS TO STATE FUNDS	\$ 153,921	\$ 30,175	\$ 31,531	\$ 17,901	\$ 22,928	\$ 9,642
Payments to Chronic Gamblers' Fund	1,312	131	131	101	92	70
Payments to Department of Consumer Protection	1,829	183	182	140	128	97
Payments to State's General Fund	154,823	30,310	31,829	16,939	23,379	9,259
<b>Change in net position</b>	<b>\$ (4,043)</b>	<b>\$ (448)</b>	<b>\$ (612)</b>	<b>\$ 722</b>	<b>\$ (672)</b>	<b>\$ 217</b>

Cash 5	Powerball	Mega Millions	Lucky for Life	5 Card Cash	Lucky Links	Keno	CT Super Draw	Total
\$ 31,240	\$ 49,549	\$ 38,558	\$ 17,476	\$ 0	\$ 5,872	\$ 115,450	\$ 0	\$ 1,308,205
(26)	(16)	(9)	(7)	0	0	0	0	(2,920)
\$ 31,214	\$ 49,533	\$ 38,549	\$ 17,469	\$ 0	\$ 5,872	\$ 115,450	\$ 0	\$ 1,305,285
\$ 18,268	\$ 23,967	\$ 19,155	\$ 9,173	\$ 0	\$ 3,677	\$ 74,764	\$ 0	\$ 822,243
1,742	2,545	1,967	938	0	328	6,500	0	72,893
312	492	386	174	0	59	2,831	0	14,749
266	973	388	128	0	43	889	0	10,398
53	99	0	44	0	105	16	0	6,833
\$ 20,641	\$ 28,076	\$ 21,896	\$ 10,457	\$ 0	\$ 4,212	\$ 85,000	\$ 0	\$ 927,116
\$ 814	\$ 949	\$ 949	\$ 949	\$ 0	\$ 543	\$ 1,840	\$ 0	\$ 27,337
119	138	138	146	0	79	238	0	3,962
7	8	8	8	0	5	15	0	241
0	0	0	0	0	0	1	0	23
\$ 940	\$ 1,095	\$ 1,095	\$ 1,103	\$ 0	\$ 627	\$ 2,094	\$ 0	\$ 31,563
\$ 3	\$ 4	\$ 4	\$ 1	\$ 0	\$ 1	\$ 10	\$ 0	\$ 121
\$ 9,636	\$ 20,366	\$ 15,562	\$ 5,910	\$ 0	\$ 1,034	\$ 28,366	\$ 0	\$ 346,727
\$ 0	\$ 0	\$ 0	\$ 1,323	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,740
8	87	84	4	0	1	27	0	458
0	0	0	(1,323)	0	0	0	0	(5,740)
0	0	0	4	0	0	0	0	10
\$ 8	\$ 87	\$ 84	\$ 8	\$ 0	\$ 1	\$ 27	\$ 0	\$ 468
\$ 9,644	\$ 20,453	\$ 15,646	\$ 5,918	\$ 0	\$ 1,035	\$ 28,393	\$ 0	\$ 347,195
56	102	62	32	0	11	200	0	2,300
79	143	86	45	0	15	279	0	3,206
9,743	20,439	15,775	5,700	0	998	28,506	0	347,701
\$ (235)	\$ (235)	\$ (281)	\$ (281)	\$ 0	\$ 12	\$ (590)	\$ 0	\$ (6,025)

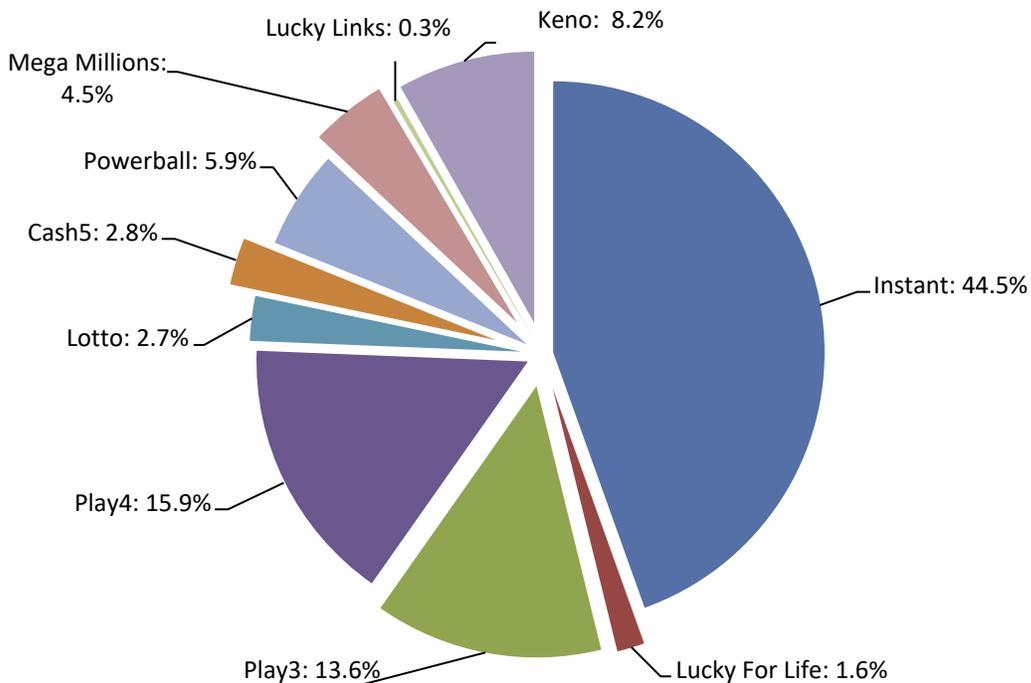
## REVENUE BY GAME

FISCAL YEAR 2020 TOTAL SALES: \$1,305,284,158



## GENERAL FUND PAYMENTS BY GAME

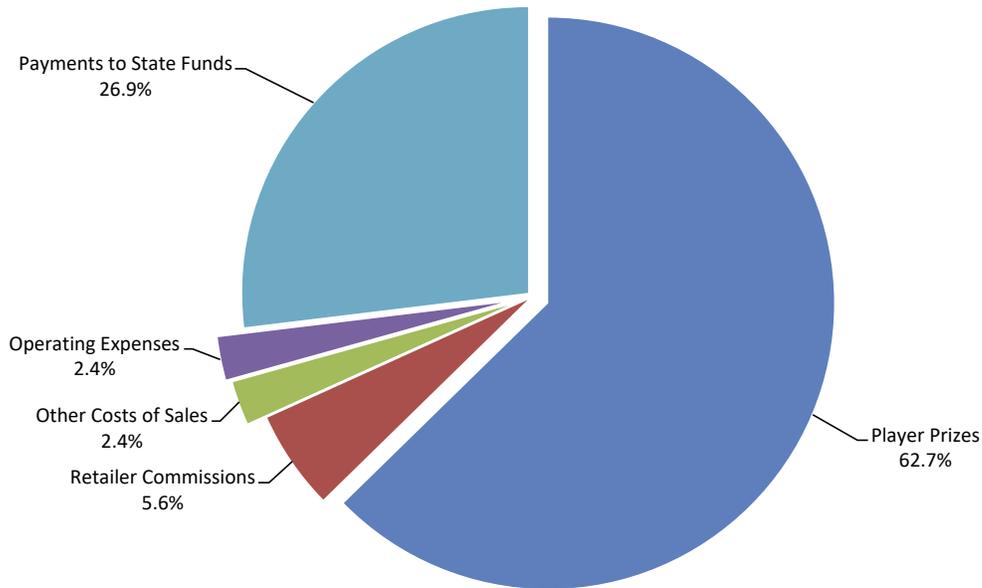
FISCAL YEAR 2020 TOTAL PAYMENTS: \$347,700,000



Note: "Play3" includes Play3 Day and Play3 Night; "Play4" includes Play4 Day and Play4 Night.

## DISTRIBUTION OF EXPENSES AND PAYMENTS AS A PERCENTAGE OF TOTAL REVENUE

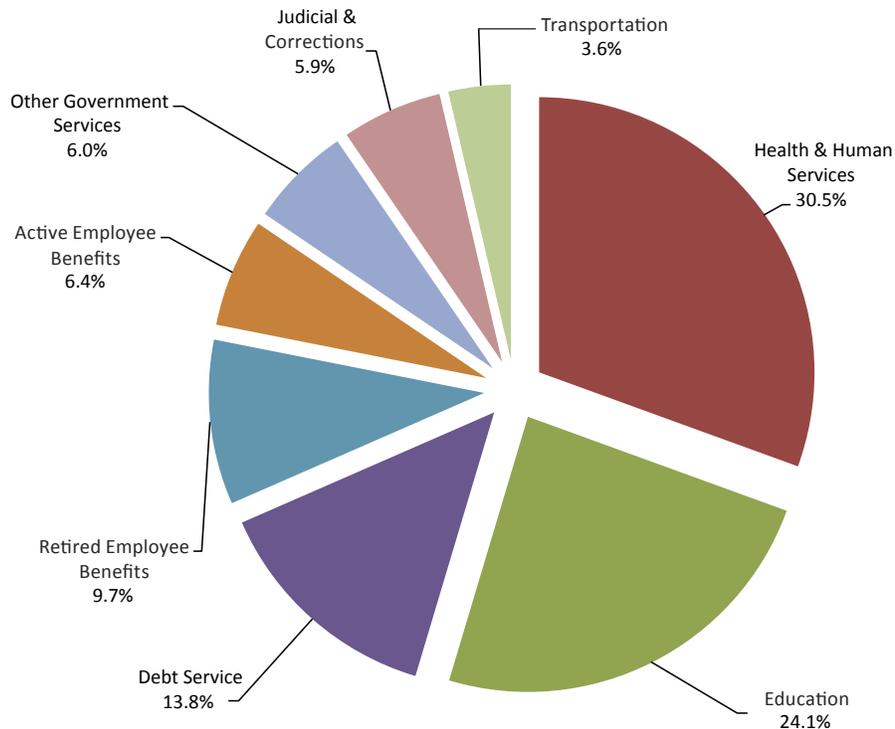
FISCAL YEAR 2020 TOTAL SALES: \$1,305,284,158



Note: Other Cost of Sales comprised of online systems, marketing, advertising and promotions and production expenses.

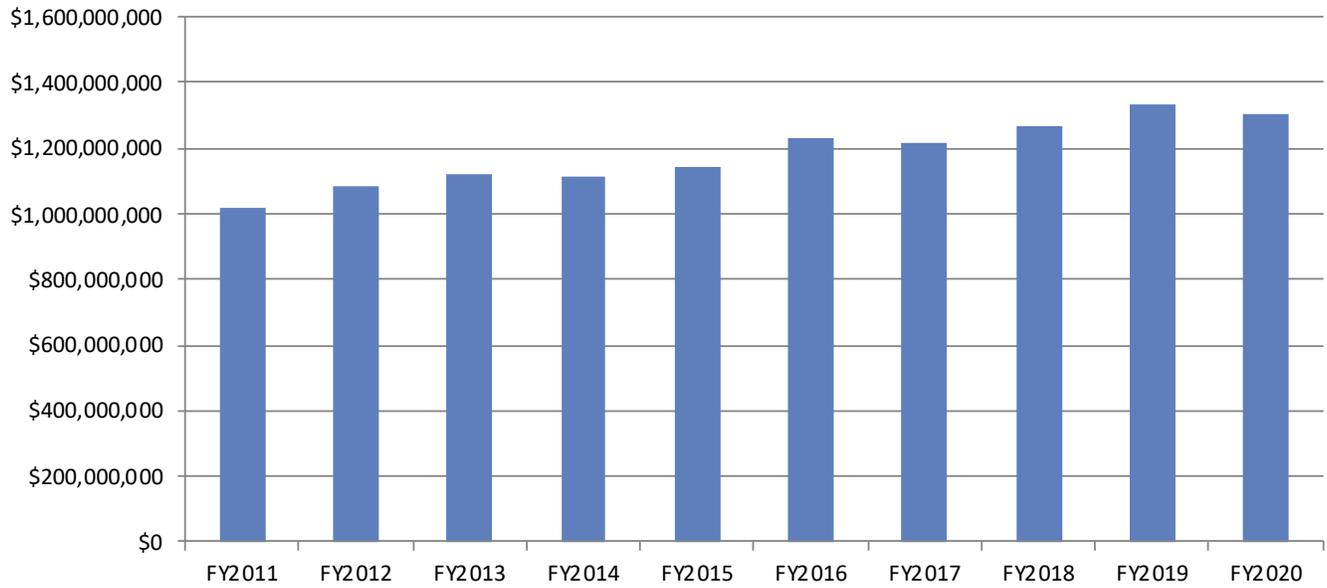
## STATE SERVICES SUPPORTED BY LOTTERY PAYMENTS TO THE GENERAL FUND

FISCAL YEAR 2020 PAYMENTS TO THE GENERAL FUND: \$347,700,000

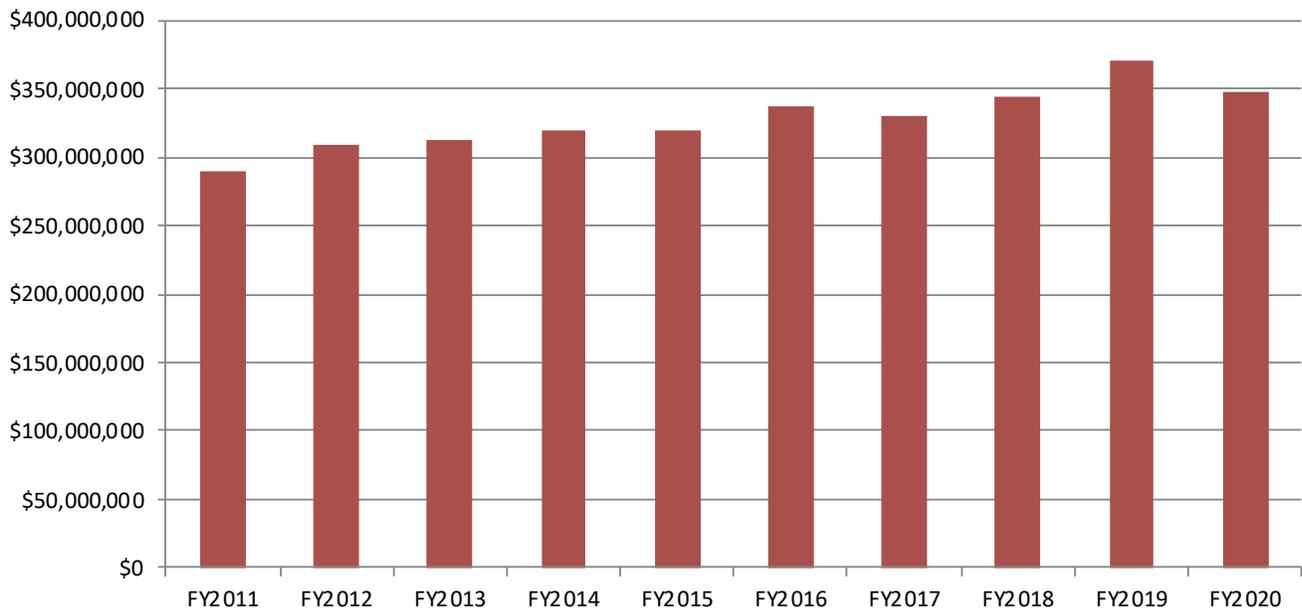


Based on Fiscal Year 2020 General Fund Percentages Appropriated by the Legislature. Source: Connecticut State Budget 2019-2020

## REVENUES FOR THE LAST TEN FISCAL YEARS



## PAYMENTS TO THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS



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# CONNECTICUT LOTTERY CORPORATION

## SCHEDULE OF REVENUES BY GAME TYPE, RELATED EXPENSES AND PAYMENTS TO THE GENERAL FUND (\$000s) FOR THE LAST TEN FISCAL YEARS

	2011	2012	2013	2014
<b>Operating Revenue</b>				
Instant	\$ 610,568	\$ 653,310	\$ 667,255	\$ 660,230
Daily Games <sup>(1)</sup>	225,381	220,061	233,619	235,883
Lotto	24,341	27,372	22,149	21,591
Cash5	34,243	33,781	32,565	32,318
Powerball	60,280	74,281	107,383	82,725
Mega Millions	33,185	40,628	23,728	37,567
Lucky for Life <sup>(2)</sup>	23,815	26,871	30,432	25,095
CT Super Draw	4,801	5,436	5,564	4,355
5 Card Cash	0	0	0	12,641
Lucky Links	0	0	0	0
Keno	0	0	0	0
<b>Total Operating Revenue</b>	<b>\$ 1,016,614</b>	<b>\$ 1,081,740</b>	<b>\$ 1,122,695</b>	<b>\$ 1,112,405</b>
<b>Costs</b>				
Prizes	\$ 620,134	\$ 659,898	\$ 699,063	\$ 668,792
Retailer commissions	56,964	60,740	62,765	62,077
Other cost of sales <sup>(3)</sup>	26,129	27,435	27,993	28,695
<b>Total cost of sales</b>	<b>\$ 703,227</b>	<b>\$ 748,073</b>	<b>\$ 789,821</b>	<b>\$ 759,564</b>
<b>PAYMENTS TO STATE'S GENERAL FUND</b>				
	\$ 289,300	\$ 310,000	\$ 312,100	\$ 319,500

<sup>(1)</sup> "Daily Games" refers to Play3 Day, Play4 Day, Play3 Night and Play4 Night.

<sup>(2)</sup> "Lucky for Life" revenue includes "Lucky-4-Life" revenue for the years 2009 through 2012. "Lucky for Life" began in 2012.

<sup>(3)</sup> "Other Cost of Sales" are comprised of online systems, marketing, advertising and promotions and production expenses.

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	2015	2016	2017	2018	2019	2020
\$	687,967	\$ 742,296	\$ 720,623	\$ 730,692	\$ 736,443	\$ 756,968
	231,755	245,062	240,083	242,485	249,696	259,252
	20,143	19,429	18,305	18,815	35,032	30,977
	31,220	30,994	30,079	31,214	31,169	31,214
	66,502	106,271	78,619	88,135	81,446	49,533
	32,369	29,406	29,107	42,158	72,633	38,549
	21,523	21,709	20,405	19,577	18,872	17,469
	2,896	0	0	0	0	0
	46,322	13,107	0	2,146	0	0
	3,276	10,053	6,858	5,942	5,696	5,872
	0	12,444	72,182	86,428	102,923	115,450
\$	1,143,973	\$ 1,230,769	\$ 1,216,262	\$ 1,267,591	\$ 1,333,911	\$ 1,305,285
\$	707,735	\$ 760,269	\$ 756,289	\$ 792,590	\$ 822,863	\$ 822,243
	64,270	68,688	67,984	70,823	74,295	72,895
	28,232	30,908	31,510	35,135	33,474	31,986
\$	800,237	\$ 859,865	\$ 855,783	\$ 898,548	\$ 930,632	\$ 927,124
\$	319,700	\$ 337,500	\$ 330,000	\$ 345,000	\$ 370,000	\$ 347,700

## CONNECTICUT LOTTERY CORPORATION

### COMPARATIVE INDUSTRY STATISTICS

Based upon data published in *La Fleur's 2020 World Lottery Almanac*, the Connecticut Lottery Corporation ranked highly in key statistics for measurement of operational performance. The data for the latest period available, fiscal 2019, included data from lotteries in 44 states plus the District of Columbia (D.C.). Top performing lotteries in key categories are presented below.

#### A. SALES PER CAPITA - FY 2019:

State/District	Population (Millions)	Ticket Sales (Millions \$)	Sales Per Capita (Dollars)
1 Massachusetts	6.9	\$ 5,492.3	\$ 797.0
2 New York	19.5	8,208.1	422.0
3 Georgia	10.6	4,455.0	420.0
4 New Jersey	8.9	3,548.5	400.0
5 Michigan	10.0	3,884.2	389.0
6 South Carolina	5.2	1,980.9	385.0
<b>7 Connecticut</b>	<b>3.6</b>	<b>1,333.9</b>	<b>374.0</b>
8 Maryland	6.1	2,196.9	363.0
9 Pennsylvania	12.8	4,503.3	352.0
10 Florida	21.5	7,151.2	333.0

#### B. NET INCOME PER CAPITA - FY 2019:

State/District	Population (Millions)	Net Income (Millions \$)	Net Income Per Capita (Dollars)
1 Massachusetts	6.9	\$ 1,104.5	\$ 160.30
2 New Jersey	8.9	1,104.4	124.37
3 New York	19.5	2,323.1	119.44
4 Georgia	10.6	1,215.0	114.40
5 Michigan	10.0	1,084.0	108.51
<b>6 Connecticut</b>	<b>3.6</b>	<b>379.1</b>	<b>106.18</b>
7 South Carolina	5.2	488.6	94.86
8 Florida	21.5	1,963.4	91.41
9 Pennsylvania	12.8	1,132.9	88.51
10 New Hampshire	1.4	106.5	78.33

C. OPERATING EXPENSES\* AS PERCENTAGE OF SALES - FY 2019:

State/District	Ticket Sales (Millions \$)	Operating Expenses (Millions \$)	Expense %
1 Massachusetts	\$5,492.3	\$102.6	1.9%
2 South Carolina	1,980.9	44.5	2.2%
3 Florida	7,151.2	185.4	2.6%
4 Texas	6,251.5	235.1	3.8%
5 North Carolina	2,859.6	109.7	3.8%
6 Tennessee	1,689.7	64.8	3.8%
7 New Jersey	3,548.5	144.1	4.1%
8 Georgia	4,455.0	181.4	4.1%
<b>9 Connecticut</b>	<b>1,333.9</b>	<b>58.3</b>	<b>4.4%</b>
10 Pennsylvania	4,503.3	201.9	4.5%
11 Michigan	3,884.2	178.3	4.6%
12 Missouri	1,466.0	67.4	4.6%
13 California	7,388.1	356.8	4.8%
14 Kentucky	1,129.5	54.7	4.8%
15 Virginia	2,293.6	115.7	5.0%





**CONNECTICUT LOTTERY CORPORATION**  
**2020 ANNUAL REPORT**

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THE 2020 ANNUAL REPORT IS AVAILABLE AT  
**CTLOTTERY.ORG**