
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

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
Total Assets	\$ 186,407	\$ (10,171)	\$ 196,577	\$ 6,006	\$ 190,571
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
Total Liabilities	\$ 293,843	\$ 18,337	\$ 275,506	\$ (8,849)	\$ 284,355
Deferred inflow of resources	\$ 11,980	\$ (1,633)	\$ 13,613	\$ 9,201	\$ 4,412
Net investment in capital assets	\$ 504	\$ (138)	\$ 641	\$ (178)	\$ 819
Unrestricted Net Position (Deficit)	(82,444)	(5,886)	(76,558)	3,940	(80,498)
Total Net Position (Deficit)	\$ (81,940)		\$ (75,916)		\$ (79,679)

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>				
Revenues					
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
Total Revenues	\$ 1,311,613	\$ (28,723)	\$ 1,340,336	\$ 66,411	\$ 1,273,925
Costs and Expenses					
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
Total Costs and Expenses	\$ 964,430	\$ 3,157	\$ 961,274	\$ 31,086	\$ 930,188
Changes in Net Position					
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
Total Change in Net Position	\$ (6,024)		\$ 3,763		\$ (6,292)
Total Net Position (Deficit), beginning as restated	\$ (75,916)		\$ (79,679)		\$ (73,387)
Total Net Position (Deficit), ending balance	\$ (81,940)		\$ (75,916)		\$ (79,679)

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)		
SALES								
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	
Total Sales	\$1,305,284	\$ (28,627)	-2.1%	\$ 1,333,911	\$ 66,320	5.2%	\$ 1,267,591	
RELATED EXPENSES								
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

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
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
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
<i>Total Current Assets</i>	\$ 56,359,264	\$ 64,094,967
NONCURRENT ASSETS		
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
<i>Total Noncurrent Assets</i>	\$ 130,047,364	\$ 132,482,231
<i>Total Assets</i>	\$ 186,406,628	\$ 196,577,198
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pensions	\$ 17,191,401	\$ 12,911,333
Deferred amount for OPEB	20,284,815	3,714,307
<i>Total Deferred Outflows of Resources</i>	\$ 37,476,216	\$ 16,625,640

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

	June 30	
	2020	2019
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
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
Total Current Liabilities	\$ 46,121,732	\$ 56,561,827
LONG-TERM LIABILITIES		
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
Total Long-Term Liabilities	\$ 247,721,079	\$ 218,944,153
Total Liabilities	\$ 293,842,811	\$ 275,505,980
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on pensions	\$ 3,479,159	\$ 5,228,564
Deferred amount for OPEB	8,501,032	8,384,848
Total Deferred Inflows of Resources	\$ 11,980,191	\$ 13,613,412
NET POSITION (DEFICIT)		
Net investment in capital assets	\$ 503,780	\$ 641,288
Unrestricted	(82,443,938)	(76,557,842)
Total Net Position (Deficit)	\$ (81,940,158)	\$ (75,916,554)

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

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2020 AND 2019

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

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

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>
June 30, 2020		
Annuity contracts (at present value discounted at approximately 4.5%)	\$ 125,196,099	\$ 125,196,099
June 30, 2019		
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>
Insurance Company		
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
Capital Assets:				
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>	\$ 6,113,293	\$ 104,997	\$ -	\$ 6,218,290
Accumulated Depreciation				
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>	\$ 5,472,005	\$ 242,505	\$ -	\$ 5,714,510
Capital Assets, Net	\$ 641,288	\$ (137,508)	\$ -	\$ 503,780

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital Assets:				
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>	\$ 6,019,307	\$ 93,986	\$ -	\$ 6,113,293
Accumulated Depreciation				
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>	\$ 5,200,193	\$ 271,812	\$ -	\$ 5,472,005
Capital Assets, Net	\$ 819,114	\$ (177,826)	\$ -	\$ 641,288

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
	\$ 125,817,870	\$ 110,685,573

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

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:

	<u>2020</u>	<u>2019</u>
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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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:

Years Ending June 30,	
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

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	—
	\$ 20,284,815	\$ 8,501,032

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	—
	\$ 3,714,307	\$ 8,384,848

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:

Years Ending June 30	
2021	\$ 1,780,835
2022	1,780,828
2023	1,812,603
2024	2,842,372
2025	788,659
	\$ 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%
	100%	

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

NOTE 9 – LEASE COMMITMENTS (CONTINUED)

Future payments for the aforementioned leases are summarized as follows:

Years Ending June 30		
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	0.26113%	0.23339%	0.25560%	0.24243%	0.24525%	0.27865%
Lottery's proportionate share of the net pension liability	\$59,569,843	\$ 50,615,060	\$ 53,857,469	\$55,669,017	\$40,525,323	\$44,624,031
Lottery's covered payroll	\$10,468,988	\$ 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	569.01%	508.86%	527.99%	530.67%	403.93%	477.31%
Plan fiduciary net position as a percentage of the total pension liability	36.78%	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)

Last Ten Fiscal Years	2020	2019	2018	2017	2016
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%

Last Ten Fiscal Years (continued)	2015	2014	2013	2012	2011
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>Pre-Retirement: RP-2014 White Collar Employee Mortality Table projected to 2020 with Scale BB at 60% for males and 55% for females</p> <p>Healthy: RP-2014 White Collar Mortality Table projected to 2020 by Scale BB at 100% for males and 95% for females</p> <p>Disabled: 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
Net prize expense	\$ 521,321	\$ 38,060	\$ 36,212	\$ 34,621	\$ 24,802	\$ 18,223
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
Total direct costs	\$ 583,864	\$ 43,512	\$ 41,567	\$ 38,890	\$ 28,601	\$ 20,407
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%
Net prize expense	68.9%	51.0%	48.7%	60.1%	47.1%	58.8%
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%
Total direct costs	77.1%	58.3%	55.9%	67.5%	54.3%	65.9%
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	–	–	–
Net prize expense	\$ 508,652	\$ 36,740	\$ 28,942	\$ 32,044	\$ 23,057	\$ 18,332
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
Total direct costs	\$ 570,027	\$ 41,987	\$ 34,128	\$ 36,057	\$ 26,654	\$ 20,752
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
Net sales	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%
Net prize expense	69.1%	50.8%	39.8%	58.8%	45.8%	52.3%
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%
Total direct costs	77.4%	58.1%	47.0%	66.2%	53.0%	59.2%
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
SALES				
OPERATING REVENUE	\$ 1,308,206	\$ 1,331,149	\$ (22,943)	(1.7%)
Less sales returns, cancellations and promotions	(2,922)	0	(2,922)	–
Total operating revenue	\$ 1,305,284	\$ 1,331,149	\$ (25,865)	\$ (1.9%)
COST OF SALES AND OPERATING EXPENSES				
COST OF SALES				
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%
Total cost of sales	\$ 927,124	\$ 939,986	\$ (12,862)	(1.4%)
OPERATING EXPENSES				
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%)
Total operating expenses	\$ 31,567	\$ 27,278	\$ 4,289	15.7%
OTHER OPERATING REVENUE	\$ 120	\$ 37	\$ 83	224.3%
Operating income	\$ 346,713	\$ 363,922	\$ (17,209)	(4.7%)
NONOPERATING REVENUES (EXPENSES)				
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%
Total nonoperating revenues	\$ 469	\$ 383	\$ 86	22.5%
CHANGE IN NET POSITION BEFORE				
PAYMENTS TO STATE FUNDS	\$ 347,182	\$ 364,305	\$ (17,123)	(4.7%)
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%)
Change in net position	\$ (6,024)	\$ 0	\$ (6,024)	N/A

CONNECTICUT LOTTERY CORPORATION

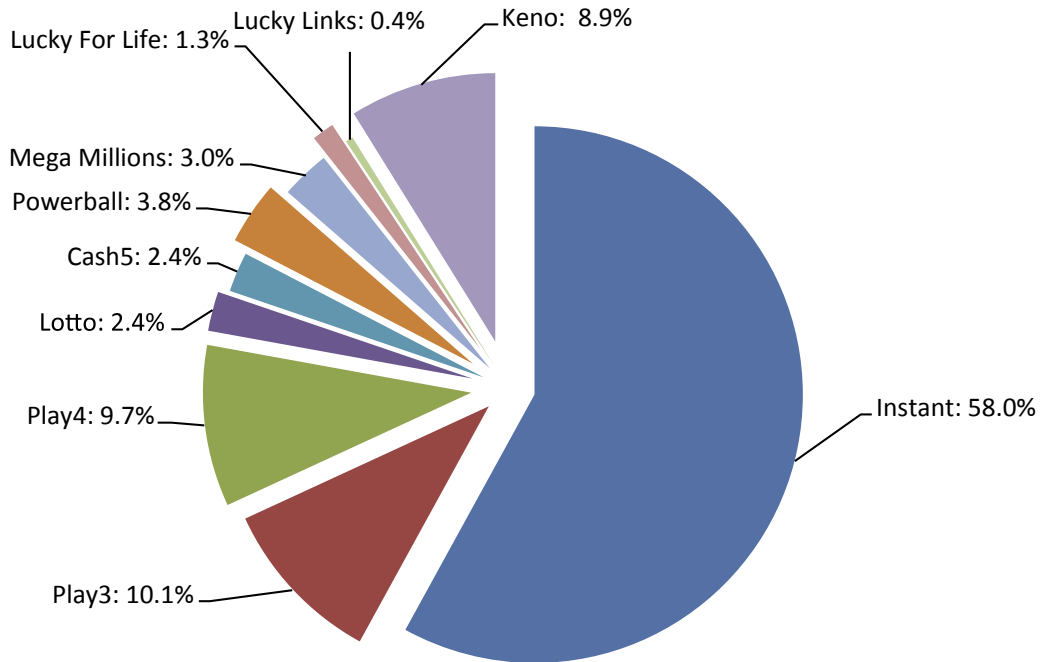
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY GAME TYPE (\$000s), YEAR ENDED JUNE 30, 2020

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day	Lotto
SALES						
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)
Total operating revenue	\$ 756,968	\$ 74,605	\$ 74,326	\$ 57,636	\$ 52,685	\$ 30,977
COST OF SALES AND OPERATING EXPENSES						
COST OF SALES						
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
Total cost of sales	\$ 583,863	\$ 43,513	\$ 41,565	\$ 38,890	\$ 28,600	\$ 20,407
OPERATING EXPENSES						
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
Total operating expenses	\$ 19,439	\$ 941	\$ 1,254	\$ 863	\$ 1,174	\$ 940
OTHER OPERATING INCOME	\$ 71	\$ 7	\$ 7	\$ 5	\$ 5	\$ 2
Operating income	\$ 153,737	\$ 30,158	\$ 31,514	\$ 17,888	\$ 22,916	\$ 9,632
NON-OPERATING REVENUES (EXPENSES)						
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
Total non-operating revenues	\$ 184	\$ 17	\$ 17	\$ 13	\$ 12	\$ 10
CHANGE IN NET POSITION BEFORE PAYMENTS TO STATE FUNDS						
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
Change in net position	\$ (4,043)	\$ (448)	\$ (612)	\$ 722	\$ (672)	\$ 217

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)

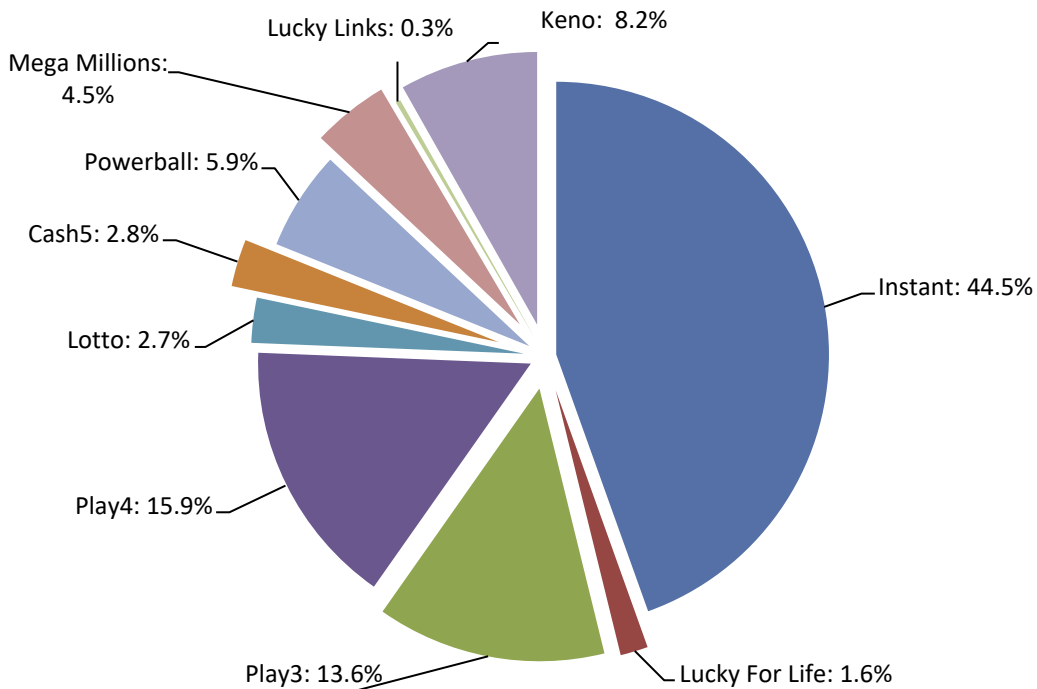
REVENUE BY GAME

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



GENERAL FUND PAYMENTS BY GAME

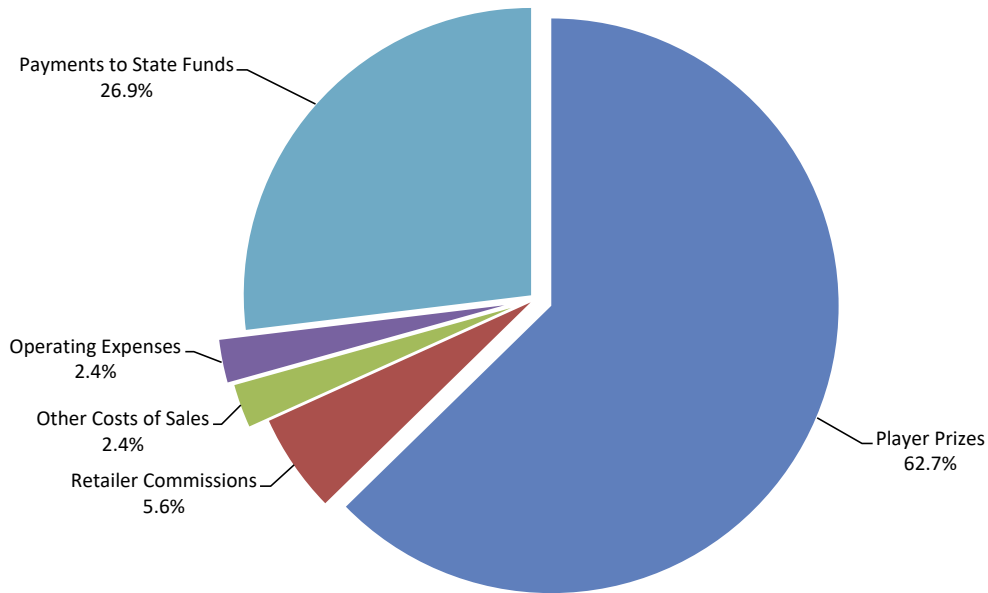
FISCAL YEAR 2020 TOTAL PAYMENTS: \$347,700,000



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

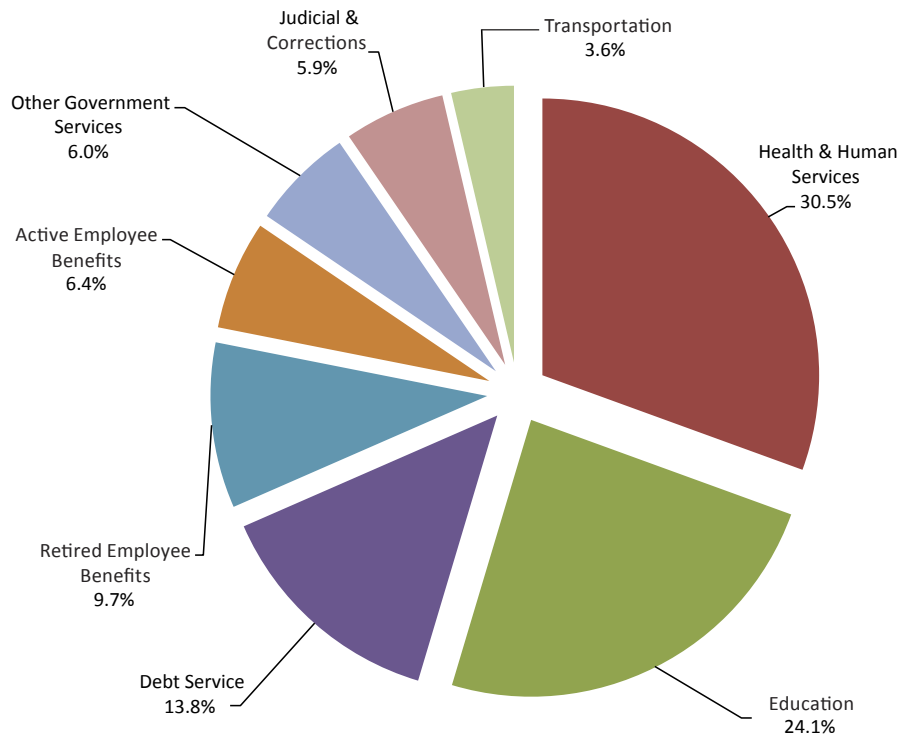
FISCAL YEAR 2020 TOTAL SALES: \$1,305,284,158



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

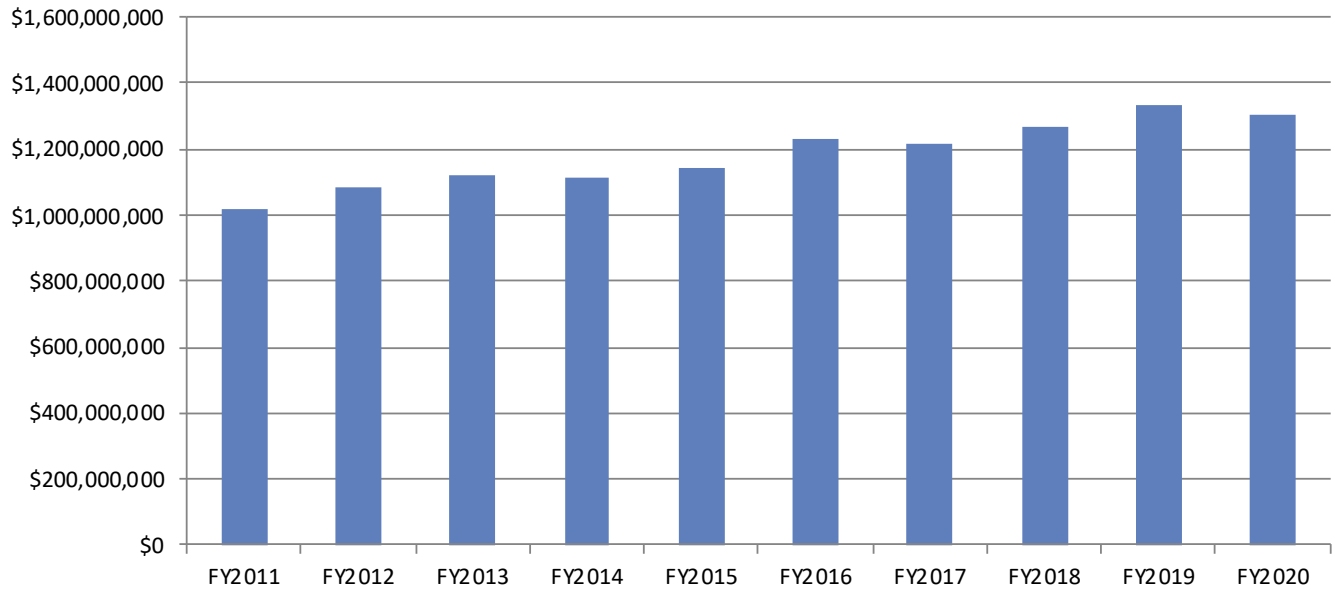
STATE SERVICES SUPPORTED BY LOTTERY PAYMENTS TO THE GENERAL FUND

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

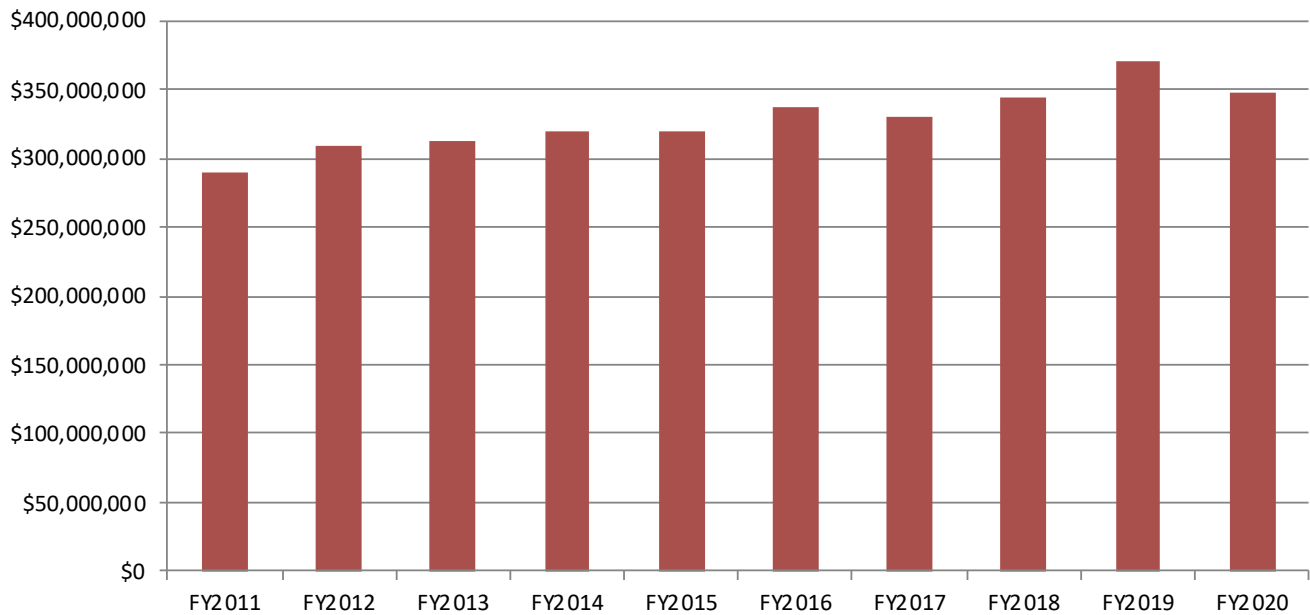


Based on Fiscal Year 2020 General Fund Percentages Appropriated by the Legislature. Source: Connecticut State Budget 2019-2020

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
Operating Revenue				
Instant	\$ 610,568	\$ 653,310	\$ 667,255	\$ 660,230
Daily Games ⁽¹⁾	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 ⁽²⁾	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
Total Operating Revenue	\$ 1,016,614	\$ 1,081,740	\$ 1,122,695	\$ 1,112,405
Costs of Sales				
Prizes	\$ 620,134	\$ 659,898	\$ 699,063	\$ 668,792
Retailer commissions	56,964	60,740	62,765	62,077
Other cost of sales ⁽³⁾	26,129	27,435	27,993	28,695
Total cost of sales	\$ 703,227	\$ 748,073	\$ 789,821	\$ 759,564
PAYMENTS TO STATE'S GENERAL FUND				
	\$ 289,300	\$ 310,000	\$ 312,100	\$ 319,500

⁽¹⁾ "Daily Games" refers to Play3 Day, Play4 Day, Play3 Night and Play4 Night.

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

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

	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
7 Connecticut	3.6	1,333.9	374.0
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
6 Connecticut	3.6	379.1	106.18
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%
9 Connecticut	1,333.9	58.3	4.4%
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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