

2021

ANNUAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2021

\$418
MILLION

A **RECORD-BREAKING**
CONTRIBUTION TO
THE GENERAL FUND

\$1.5
BILLION

IN **TOTAL SALES REVENUE**
FROM LOTTERY GAMES

\$929
MILLION

PLAYERS WON MORE THAN
\$929 MILLION IN PRIZE MONEY

\$83
MILLION

RETAILERS EARNED MORE THAN
\$83 MILLION IN COMMISSIONS

\$10
BILLION

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



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2021 ANNUAL REPORT

Fiscal Year Ended June 30, 2021



CTLOTTERY.ORG

CONNECTICUT LOTTERY CORPORATION

(A Component Unit of the State of Connecticut)

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MISSION STATEMENT

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

VISION STATEMENT

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



INTRODUCTORY SECTION



December 31, 2021

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

We are pleased to transmit to you the Annual Report of the Connecticut Lottery Corporation (“CLC” or “Lottery”) for the fiscal year ended June 30, 2021.

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

The CLC is a component unit of the State of Connecticut for financial reporting purposes. In February we will celebrate our 50th anniversary of continuous operation, making the CLC one of the oldest lotteries in the United States. From its inception to June 30, 2021, the Lottery has generated total sales of approximately \$33.7 billion and has contributed approximately \$10.7 billion to the state’s General Fund. The General Fund is used to fund a wide variety of state services that benefit Connecticut residents, including health and hospitals, education, and public safety.

Six categories comprise this report: introduction, financial, compliance, required supplemental information, supplemental schedules and statistics. The introductory section includes this transmittal letter, a list of officials, an organizational chart, current lottery games and significant events of the past fiscal year. The financial section begins with the report of independent auditors, followed by management’s discussion and analysis of fiscal 2021, the comparative financial statements of the CLC, the related notes to the financial statements, compliance section, required supplemental information and supplemental schedules. The statistical section, which is unaudited, provides additional information regarding Lottery revenue and expenses.

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

In fiscal 2021, the CLC generated \$1.498 billion in sales revenue and delivered \$418.0 million to the General Fund. Sales revenue increased \$192.5 million, or 14.7%, from the prior fiscal year. The increase in sales revenue is primarily related to increases in the instant ticket portfolio, up \$80.7 million from prior year. The multi-state games of Powerball and Mega Millions also had strong results from prior year, up \$33.2 million, and the daily draw games had increases of \$35.0 million. Keno revenue increased \$20.5 million. On July 20, 2020, the CT Lottery launched “Fast Play,” which added \$37.1 million in revenue for the fiscal year. FastPlay games offer instant cash prizes and rolling progressive jackpots. Fast Play games are like instant (scratch) games, but are printed on-demand from terminals or self-serve vending machine. All other games had modest changes from prior year results.

Total cost of sales, including prizes and commissions, was \$1.046 billion in fiscal 2021 compared to \$927.1 million in fiscal 2020. Cost of sales vary proportionally with the change in total sales, with prize expense the largest contributor. Prize expense related to our lottery games amounted to \$929.8 million and was the highest total prizes paid out in one single year. Operating expenses were \$31.0 million for fiscal 2021 compared to \$31.6 million in fiscal 2020. Payments to the state's General Fund totaled \$418.0 million in fiscal 2021, an increase of \$70.3 million from the prior fiscal year total of \$347.7 million. For a more complete overview of the financial highlights of fiscal 2021, including comparisons with the results of the prior fiscal year, please read Management’s Discussion and Analysis included in the financial section of this report.

FINANCIAL OPERATIONS

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDIT: Connecticut statutes require an annual financial audit of the CLC by independent auditors. The audits of the CLC's financial statements for fiscal years 2021 and 2020 have been completed in conformity with generally accepted auditing standards. The unmodified opinion of the independent auditors on the CLC financial statements is included in the financial section of this report.

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

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

Respectfully Submitted,



Gregory H. Smith

President & CEO

HISTORICAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

October 2018: Mega Millions® reached a record \$1,573,000 jackpot; there was one winning ticket sold in South Carolina.

July 2019: The CT Lottery sets a new record of \$345 million for a one-year contribution to the state’s General Fund for fiscal year 2018, record commissions to CT Lottery Retailers of \$70 million and record prizes to Lottery winners of \$792 million.

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

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

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

July 20, 2020: CT Lottery introduces Fast Play, an exciting new category of games with instant cash prizes and progressive jackpots!

Feb, 2021: CT Lottery adds the Wild Ball feature to its popular Play3 and Play4 day and night games.

June 2021: CT Lottery sales grow by \$193 million over prior year leading to a record \$418 million for a one-year contribution to the state’s General Fund for fiscal year 2021.



STATE OF CONNECTICUT

LIST OF PRINCIPAL STATE OFFICERS, AS OF JUNE 30, 2021

NED LAMONT, Governor
SUSAN BYSIEWICZ, Lieutenant Governor

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



CONNECTICUT LOTTERY CORPORATION

BOARD OF DIRECTORS, AS OF JUNE 30, 2021

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



CONNECTICUT LOTTERY CORPORATION

ORGANIZATIONAL CHART, AS OF JUNE 30, 2021

ADMINISTRATION

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



CONNECTICUT LOTTERY CORPORATION

ORGANIZATIONAL CHART, AS OF JUNE 30, 2021

MANAGEMENT BY DEPARTMENT

SALES

Diane Geary
Sharon Drummey

Sales Manager
Asst. Sales Manager

MARKETING

Linda Tarnowski
Carlos Rodriguez
Thomas J. Trella
Tara Chozet
Kendra Eckhart
Nicole Nearing

Director of Advertising
Director of Lottery Games
Director of Lottery Games
Director of Public Relations & Social Media
Lottery Product Manager
Lottery Product Manager

INFORMATION TECHNOLOGY

Steven Wagner
Aubrey Braithwaite
John J. Gasparini
Steven J. Fox
Bryan Figueroa

Director of Information Technology
IT Manager
IS Manager of Application & Internet Development
Manager of Vendor Compliance
Asst. Manager of Vendor Compliance

RETAILER RELATIONS

Solomon Ramsey

Director of Recruitment & Retailer Relations

FINANCE & COLLECTIONS

Barbara Petano
David Perlot

Lottery Financial Manager
Lottery Financial Manager

HUMAN RESOURCES & TRANSPORTATION

Tammy Morganti
Irena Baj-Wright

Human Resources Manager
Human Resources Specialist

SECURITY

Deborah Davis
Christina Cassone
Kathy Shumaker

Assistant Director of Security
Lottery Drawing Manager
Security and Compliance Manager

ADMINISTRATION & OPERATIONS

Suzanne Colley
Nelson Bakken

Director of Operations
Warehouse Manager

SPORTS BETTING

Andrew Walter

Director of Legal & Business Affairs

LEGAL

Angelica Mack
Jeff Yue

Counsel
Counsel

GOVERNMENT RELATIONS

Chris Davis

Government Relations and Responsible Gaming Manager

SCRATCH GAMES

FISCAL YEAR 2021 STATISTICS:



\$837,705,062 in General Fund payments

55.9% of total net sales

40.2% of General Fund payments

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

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

The CT Lottery released a variety of scratch games this year, all with unique designs that attract different types of players. A variety of scratch games was released this year, all with unique designs that attract different types of players. Multiplier games like Mega Multiplier, Money Multiplier, Big Money Multiplier and Payday Multiplier were popular games among players. HOT sellers Red Hot Riches and 7s on Fire turned up the heat at retail and kept sales sizzling at a record pace.

DAILY GAMES

FISCAL YEAR 2021 STATISTICS:

\$136,401,362 in General Fund payments



Play3 Day:

4.5% of total net sales

6.5% of General Fund payments



Play3 Night:

5.6% of total net sales

9.5% of General Fund payments



Play4 Day:

4.0% of total net sales

5.9% of General Fund payments



Play4 Night:

5.5% of total net sales

10.7% of General Fund payments

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

To play, players select three (Play3) or four numbers (Play4) from 0 to 9, choose a wager style, and pick a wager between \$.50 and \$5 per play. Prizes are based on the wager style and wager amount, and range from \$25, up to \$25,000 per play.

On Feb. 22, 2021, the CT Lottery added on the new "Wild Ball" feature to its Play3 and Play4 games. The Wild Ball is an extra number drawn by the CT Lottery at each drawing that a player can use to replace any one of the numbers drawn by the CT Lottery to create more chances for the player to win. Adding the Wild Ball feature doubles the cost of a Play3/Play4 wager.

CASH5

FISCAL YEAR 2021 STATISTICS:



\$11,227,932 in General Fund payments

2.2% of total net sales

2.7% of General Fund payments

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

LOTTO®

FISCAL YEAR 2021 STATISTICS:



\$6,715,302 in General Fund payments

1.4% of total net sales

1.6% of General Fund payments

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

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

FISCAL YEAR 2021 STATISTICS:

\$34,115,641 in General Fund payments

9.1% of total net sales

8.2% of General Fund payments

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

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

FAST PLAY

FISCAL YEAR 2021 STATISTICS:

\$7,694,515 in General Fund payments

2.5% of total net sales

1.8% of General Fund payments

On July 20, 2020, the CT Lottery launched "Fast Play," a new category of games offering instant cash prizes and rolling progressive jackpots. Fast Play games are like instant (scratch) games, but are printed on-demand from a CT Lottery retailer terminal or self-serve CT Lottery vending machine. There are no numbers to pick, no playslip needed and no drawings.

Each Fast Play Progressive game series (or family) shares the same name, appearance and playstyle, but are available at different price points. The price of the ticket sold determines the percentage of the progressive jackpot won. Each game in a family contributes to one progressive jackpot that grows with ticket sales, until someone wins. To win a progressive jackpot, the "PROGRESSIVE TOP PRIZE" symbol must show as the prize symbol in a GAME with three matching YOUR NUMBERS.

- Fast Play "Jumbo Bucks Progressive" launched on July 20, 2020.
- Fast Play "Cash Blast Progressive" launched on October 5, 2020.
- Fast Play "Hot Ticket Progressive" launched on January 25, 2021.

All three Fast Play games had a starting jackpot of \$5,000, with ticket prices at the \$1, \$2, and \$5 price points. The \$1 ticket won 20% of the jackpot; the \$2 ticket won 40% of the jackpot, and the \$5 ticket won 100% of the jackpot.

POWERBALL®

FISCAL YEAR 2021 STATISTICS:



\$26,676,879 in General Fund payments

4.3% of total net sales

6.4% of General Fund payments

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

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

Jackpots start at \$20 million and grow by a minimum of \$10 million per drawing until won. The jackpot is won by matching all six numbers drawn. Besides the jackpot, there are eight other prize levels. Jackpot winners may opt to receive their prize money in 30 annual payments or in a cash lump sum. Players who correctly match five white ball numbers with Power Play automatically win \$2,000,000.

MEGA MILLIONS®

FISCAL YEAR 2021 STATISTICS:



\$23,529,232 in General Fund payments

3.8% of total net sales

5.6% of General Fund payments

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

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

Jackpots start at \$20 million and grow by a minimum of \$5 million per drawing until won. The jackpot is won by matching all six numbers drawn. Besides the jackpot, there are eight other prize levels. Jackpot winners may opt to receive their prize money in 30 annual (graduated) payments or in a cash lump sum.

FISCAL YEAR 2021 STATISTICS:



\$3,740,615 in General Fund payments

1.2% of total net sales

0.9% of General Fund payments

[LFL – New England's Game]

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

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

[LFL – The Game of a Lifetime]

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

CONNECTICUT LOTTERY CORPORATION

LOOK WHO'S WINNING!

\$30,000 Top Prize Winning Scratch Ticket is the Real Deal

Mike Soulier of Burlington said his daughter thought his "30X Cash" scratch ticket was a fake when she saw he won \$30,000 on Father's Day. Mike couldn't believe it himself. "I thought it was a \$30 winner at first, but it turned out to be a little bit more."

Retailer: Gala News, Bristol



Family's Favorite Game Serves Up a \$100,000 Top Prize

Richard Howe of Manchester enjoys playing Cash5 daily with his family. In fact, it's their favorite game! On June 14, Richard purchased a Cash5 "Quick Pick" ticket, which also happened to mark the one-year anniversary of his mother's passing. As maybe only fate would have it that night, the winning numbers 5 - 7 - 10 - 13 and 27 were drawn and matched the numbers printed on his ticket for the game's \$100,000 top prize. Richard, who's worked in the restaurant business his whole life, plans to take a vacation with his prize money and buy a food truck that will serve cheesesteaks, sausage and peppers grinders, grilled cheeses and more.

Retailer: Ayaan Food & Fuel, Manchester



CONNECTICUT LOTTERY CORPORATION

LOOK WHO'S WINNING!

Birthday Comes Six Months Early with \$7,604 Play4 Night Win

Jenella Ross of West Hartford said her favorite Play4 Night number is her birthday, Dec. 9. She didn't win when she played in Virginia the week before, but 1-2-0-9 came in straight when she played in Connecticut on June 9, 2021. Claiming \$5,000 on one ticket and \$2,604 on another, Jenella celebrated her birthday six months early with a total prize win worth \$7,604.

Retailer: Hartford Mart, Hartford



What's your favorite number to play?

Brian Mari of West Haven had a hunch about yesterday's date, so he played the Play4 number 6-8-2-1 last night. "After the cat woke me up early this morning, I checked the Lottery's website and couldn't believe my eyes." Sure enough, Brian's number came in Straight on June 8, 2021, for a total prize win on five tickets worth \$22,604.

Retailer: Cardsmart, Milford



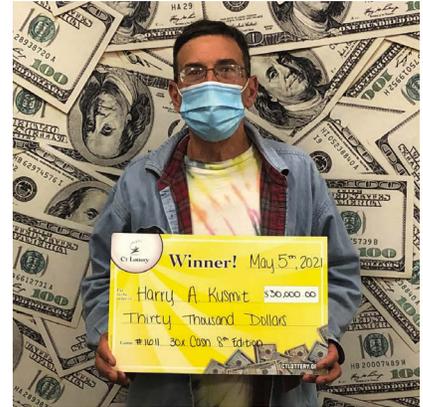
CONNECTICUT LOTTERY CORPORATION

LOOK WHO'S WINNING!

A "Good Sign" Leads Northford Man to a \$30,000 Prize Win

Harry Kusmit of Northford recently had heart surgery, so he thought it was "good sign" that the "30X Cash 8th Edition" scratch ticket he purchased had a HEART symbol on it. While the HEART symbol wasn't a match for the game's \$100 BONUS prize, Harry won the \$30,000 top prize instead.

Retailer: Krauszer's Food Stores, North Haven



New Britain Woman Claims Fast Play "Cash Blast" Progressive Jackpot

Giuseppina Sanseverino of New Britain was the fourth lucky winner in the Fast Play "Cash Blast Progressive" jackpot game to purchase a lottery terminal ticket with three matching "YOUR NUMBERS" and a "PROGRESSIVE TOP PRIZE" symbol. Because she purchased the game's \$5 ticket, she claimed 100% of the \$79,172 jackpot — the largest prize she had ever won.

Retailer: Azeela 2, Plainville



CORPORATE RESPONSIBILITY

The CLC's commitment to corporate responsibility is firmly rooted in five primary areas: Responsible Gambling (RG); Pro Business Initiatives and Supplier Diversity; Inclusion; Green Initiatives; and Employee Engagement/Community Involvement. Employees throughout the organization support these efforts in various ways. The CLC's corporate responsibility newsletter, Chatter That Matters™, written by employees, helps to keep coworkers and stakeholders informed about the Lottery's efforts to promote these initiatives. Highlights from fiscal 2021 are listed below:

Responsible Gambling (RG)

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

CORPORATE RESPONSIBILITY

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

Pro Business Initiatives and Supplier Diversity

- **Greater New England Minority Supplier Development Council (GNEMSDC) Membership:** CLC is an active member of GNEMSDC and we participate in quarterly meetings, attend the annual gala, and exhibit at their annual tradeshow. In April 2019, we hosted a match-making event that was well attended and well received. The Hartford, the Walt Disney Company, the University of Connecticut, GNK Aerospace, ABT Associates and Stanley Black & Decker all participated, and many local and minority suppliers attended.
- **GNEMSDC 2020 Nomination. GBG – The Corporate Gift Source, nominated the CLC for the Local Corporation of the Year award. GBG is a certified “Economically disadvantaged Women Owned Small Business” and a long time CLC vendor.**
- **United States Small Business Administration (SBA) Matchmaker Conference:** CLC employees participated in the SBA's Matchmaker at the University of Hartford.
- **Women's Business Enterprise National Council (WBENC) Membership:** The CLC regularly attends and participates in meetings and events.

Inclusion

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

Green Initiatives

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

CORPORATE RESPONSIBILITY

Employee Engagement

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



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Connecticut Lottery Corporation (the Lottery), a component unit of the State of Connecticut, as of and for the year ended June 30, 2021 and 2020, 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 auditor considers 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 opinion.



Opinion

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, 2021 and 2020, 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

The financial statements as of June 30, 2020 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C.'s report dated October 21, 2020 expressed an unmodified opinion on those statements.

Our audit for the year ended June 30, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lottery basic financial statements. The schedule of profit margins by type for the year ended June 30, 2021 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of profit margins by type for the year ended June 30, 2021 has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2021, 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 schedule of profit margins by type is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

The Prior Year, June 30, 2020 schedule of profit margins was subjected to the auditing procedures applied in the June 30, 2020 audit of the financial statements by Blum, Shapiro & Company, P.C., whose report on such information stated that it was fairly stated in all material respects in relation to the June 30, 2020 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 November 5, 2021 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
West Hartford, Connecticut
November 5, 2021

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2021 AND 2020

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, 2021 and 2020. 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, 2021 and 2020.
- **Statements of Revenues, Expenses, and Changes in Net Position (Deficit)** report the revenues and expenses for the periods June 30, 2021 and 2020.
- **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 2021

- Sales revenue totaled \$1.498 billion, up \$192 million or 14.7% compared to the prior year. Cost of sales (including prizes and commissions) totaled \$1.046 billion, up \$119 million or 12.8% compared to the prior fiscal year. Operating expenses were \$30.9 million, down \$606 million or -1.92% compared to the same period a year earlier. Transfers to the State's General Fund totaled \$418 million, up \$70.3 million or 20.2%. The General Fund transfer was highest ever in the history of the CT Lottery.

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. 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.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2021 AND 2020

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.

	2021	Increase (Decrease)	2020	Increase (Decrease)	2019
	(in thousands)				
Current assets	\$ 58,324	\$ 1,965	\$ 56,359	\$ (7,736)	\$ 64,095
Investments and other noncurrent assets	128,796	(748)	129,544	(2,297)	131,841
Capital assets (net of accumulated depreciation)	408	(96)	504	(138)	641
Total Assets	\$ 187,527	1,121	186,407	(10,171)	\$ 196,577
Deferred outflow of resources	\$ 34,355	\$ (3,121)	37,476	20,851	\$ 16,626
Current liabilities	42,018	(4,104)	46,122	(10,440)	\$ 56,562
Long-term liabilities	246,681	(1,040)	247,721	28,777	218,944
Total Liabilities	\$ 288,699	\$ (5,144)	\$ 293,843	\$ 18,337	\$ 275,506
Deferred inflow of resources	\$ 17,326	\$ 5,346	\$ 11,980	\$ (1,633)	\$ 13,613
Net investment in capital assets	\$ 408	\$ (96)	\$ 504	\$ (138)	\$ 641
Unrestricted Net Position (Deficit)	(84,550)	(2,106)	(82,444)	(5,886)	(76,558)
Total Net Position (Deficit)	\$ (84,142)		\$ (81,940)		\$ (75,916)

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2021 AND 2020

CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

	2021	Increase (Decrease)	2020	Increase (Decrease)	2019
	<i>(in thousands)</i>				
Revenues					
Total operating revenues, net	\$ 1,497,770	\$ 192,486	\$ 1,305,284	\$ (28,627)	\$ 1,333,911
Other operating income	56	(64)	120	58	61
Nonoperating revenues					
Interest income	6,048	(153)	6,200	(147)	6,348
Other	82	73	9	(7)	16
Total Revenues	\$ 1,503,955	\$ 192,342	\$ 1,311,613	\$ (28,723)	\$ 1,340,336
Costs and Expenses					
Total cost of sales	\$ 1,046,100	\$ 118,977	\$ 927,124	\$ (3,509)	\$ 930,633
Total operating expenses	30,960	(606)	31,566	6,791	24,775
Nonoperating expense					
Interest expense	5,575	(165)	5,740	(126)	5,866
Total Costs and Expenses	\$ 1,082,636	\$ 118,205	\$ 964,430	\$ 3,157	\$ 961,274
Changes in Net Position					
Change in Net Position before contributions to State Funds	\$ 421,319	\$ 74,136	\$ 347,183	\$ (31,879)	\$ 379,062
Payment to General Fund	418,000	70,300	347,700	(22,300)	370,000
Payment to Chronic Gamblers' Fund	2,300	-	2,300	-	2,300
Payment to Office of Policy and Management	3,222	15	3,206	207	2,999
Total Change in Net Position	(2,203)		(6,024)		3,763
Total Net Position (Deficit), beginning balance	\$ (81,940)		\$ (75,916)		\$ (79,679)
Total Net Position (Deficit), ending balance	\$ (84,142)		\$ (81,940)		\$ (75,916)

OVERVIEW OF FINANCIAL POSITION

Total assets were \$187.5 million as of June 30, 2021, an increase of \$1.1 million compared to the prior fiscal year. Current assets totaled \$58.3 million comprised primarily of cash and cash equivalents of \$25.0 million, accounts receivable of \$24.2 million, and investments for prize payments of \$4.2 million. Noncurrent assets totaled \$129.2 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 \$3.0 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 \$288.7 million as of June 30, 2021 a decrease of \$5.1 million from the prior fiscal year. Current liabilities due within one year totaled \$42.0 million primarily related to prizes, annuity prize payments, and accounts payable and accrued expenses. Long-term liabilities totaled \$246.7 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 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 \$34.4 million and deferred inflows of resources totaled \$17.3 million as of June 30, 2021. 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 \$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 remaining life of the gaming contract.

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.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2021 AND 2020

OVERVIEW OF FINANCIAL POSITION (CONTINUED)

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.

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

	2021	\$	%	2020	\$	%	2019
	<i>(in thousands)</i>						
			Increase (Decrease)			Increase (Decrease)	
SALES							
Instant games	\$ 837,705	\$ 80,737	10.7%	\$ 756,968	\$ 20,525	2.8%	\$ 736,443
Daily number games	294,170	34,917	13.5%	259,253	9,556	3.8%	249,697
Multi-State games*	139,032	33,481	31.7%	105,551	(67,401)	-39.0%	172,952
Keno	136,004	20,554	17.8%	115,450	12,527	12.2%	102,923
Lotto	20,636	(10,341)	-33.4%	30,977	(4,055)	-11.6%	35,032
Cash5	33,133	1,919	6.1%	31,214	46	0.1%	31,168
Fast Play	37,090	37,090	0.0%	-	-	0.0%	-
Lucky Links	-	(5,871)	-100.0%	5,871	175	3.1%	5,696
Total Sales	\$1,497,770	\$ 192,486	14.7%	\$ 1,305,284	\$ (28,627)	- 2.1%	\$ 1,333,911
RELATED EXPENSES							
Prize expense	\$ 929,753	\$ 107,510	13.1%	\$ 822,243	\$ (620)	-0.1%	\$ 822,863
Retailer commissions	83,607	10,712	14.7%	72,895	(1,400)	-1.9%	74,295
Gaming systems	15,370	618	4.2%	14,752	1,210	8.9%	13,542
Marketing and advertising	10,603	204	2.0%	10,399	(2,097)	-16.8%	12,496
Production expenses	6,767	(68)	-1.0%	6,835	(601)	-8.1%	7,436

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

Total sales revenue for the fiscal year 2021 amounted to \$1,497.8 million, up \$192.5 million, or 14.7%, from the prior fiscal year. Sales revenue for the portfolio of instant games totaled \$837.7, up \$80.7 million, or 10.7%, from the prior fiscal year. The daily number games contributed \$294.2 million of sales revenue, up \$34.9 million or 13.5% from the prior fiscal year. The sales revenue for multi-state games equaled \$139.0 million, an increase of \$33.5 million or 31.7% from the prior fiscal year. Keno revenue provided \$136.0 million, an increase of \$20.6 million or 17.8%. Lotto revenue totaled \$20.6 million, down \$10.3 million or -33.4%. The prior year Lotto sales were impacted by a larger jackpot, which positively influenced sales. Cash 5 revenue totaled \$33.1 million. The Lucky Links game ended on June 30, 2020.

OVERVIEW OF FINANCIAL POSITION (CONTINUED)

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, 2021 amounted to \$929.8 million compared to \$822.2 million in the prior year. The prize expense decreased as a percentage of sales from 63.0% to 62.1%.

Retailer commissions totaled \$83.6 million compared to \$72.9 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 \$15.4 million compared to \$14.8 million in the prior year. Marketing and advertising expenses totaled \$10.6 million for fiscal year 2021 compared to \$10.4 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 \$6.8 million in the prior year. Production expenses are chiefly related to the design, delivery and distribution of instant tickets.

Operating expenses totaled \$31.0 million for the year ending June 30, 2021, compared to \$31.6 million in the prior year. Operating expenses are mainly comprised of salaries and benefits and other operating expenses.

Non-operating 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 \$418.0 million compared to \$347.7 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, 2021, and \$3.2 million for the prior year.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2021 AND 2020

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.

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	
	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,980,751	\$ 9,461,073
Accounts receivable, net of allowance for doubtful accounts of \$293,170 in 2021 and \$500,000 in 2020	24,218,681	37,113,594
Investments for prize payments, at net present value	4,229,822	4,704,003
Accrued interest receivable	995,070	1,079,190
Ticket inventory, net of allowance of \$179,641 in 2021 and \$529,000 in 2020	715,956	1,797,125
Prepaid expenses	3,183,355	2,204,279
	Total Current Assets	\$ 58,323,835
	\$	\$ 56,359,264
NONCURRENT ASSETS		
Investments for prize payments at present value	\$ 122,139,650	\$ 120,492,096
Prize reserves held by Multi-State Lottery Association	5,366,709	6,043,363
Capital assets, net	408,003	503,780
Prepaid expenses	1,289,197	3,008,125
	Total Noncurrent Assets	\$ 129,203,559
	\$	\$ 130,047,364
	Total Assets	\$ 187,527,394
	\$	\$ 186,406,628
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension	\$ 14,121,895	\$ 17,191,401
Deferred amount for OPEB	20,233,302	20,284,815
	Total Deferred Outflows of Resources	\$ 34,355,197
	\$	\$ 37,476,216

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

	June 30	
	2021	2020
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Annuities payable, at net present value	\$ 4,901,063	5,325,774
Prizes payable	26,594,310	28,049,438
Accrued interest payable	995,070	1,079,190
Accounts payable and accrued expenses	7,594,777	9,159,161
Due to regional game states	648,963	1,050,269
Due to Multi-State Lottery Association	645,182	654,643
Unearned revenue	638,849	803,257
<i>Total Current Liabilities</i>	\$ 42,018,214	\$ 46,121,732
LONG-TERM LIABILITIES		
Long-term annuities payable, at net present value	\$ 121,950,161	\$ 120,492,096
Deferred rent	170,594	255,891
Net pension liability	57,434,854	59,569,843
Net OPEB liability	67,125,223	67,403,249
<i>Total Long-Term Liabilities</i>	\$ 246,680,832	\$ 247,721,079
<i>Total Liabilities</i>	\$ 288,699,046	\$ 293,842,811
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on pension	\$ 4,948,767	\$ 3,479,159
Deferred amount for OPEB	12,377,730	8,501,032
<i>Total Deferred Inflows of Resources</i>	\$ 17,326,497	\$ 11,980,191
NET POSITION (DEFICIT)		
Net investment in capital assets	\$ 408,003	\$ 503,780
Unrestricted	(84,550,955)	(82,443,938)
<i>Total Net Position (Deficit)</i>	\$ (84,142,952)	\$ (81,940,158)

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

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

	Years ended June 30	
	2021	2020
OPERATING REVENUES – GAME SALES		
Instant	\$ 837,705,806	\$ 756,968,939
Online	524,103,228	445,653,200
Multi-State	139,063,267	105,583,570
	\$ 1,500,872,301	\$ 1,308,205,709
Less sales returns, cancellations and promotions	(3,102,222)	(2,921,552)
	Total Operating Revenues	\$ 1,497,770,079
		\$ 1,305,284,157
COST OF SALES		
Prize expense	\$ 929,753,347	\$ 822,242,533
Retailer commissions	83,606,718	72,895,410
Gaming systems	15,369,646	14,751,846
Marketing and advertising	10,602,757	10,399,343
Production expenses	6,767,916	6,834,731
	Total Cost of Sales	\$ 1,046,100,384
		\$ 927,123,863
OPERATING EXPENSES		
Salaries and benefits	\$ 27,227,998	\$ 27,337,556
Other operating expenses	3,673,002	3,961,871
Depreciation and amortization	176,740	242,502
Bad debt expense	(117,543)	24,280
	Total Operating Expenses	\$ 30,960,197
		\$ 31,566,209
OTHER OPERATING INCOME		
	\$ 55,635	\$ 119,619
	Operating Income	\$ 420,765,133
		\$ 346,713,704

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

	Years ended June 30	
	2021	2020
NON-OPERATING REVENUES (EXPENSES)		
Interest income from investments on annuities	\$ 5,575,279	\$ 5,740,402
Interest income	472,318	460,058
Interest expense on annuity payments	(5,575,279)	(5,740,402)
Other - Settlement	75,000	
Annuity assignment	6,500	9,000
Total Nonoperating Revenues	\$ 553,818	\$ 469,058
CHANGE IN NET POSITION AVAILABLE BEFORE PAYMENTS TO STATE FUNDS	\$ 421,318,951	\$ 347,182,762
NONOPERATING PAYMENTS TO THE STATE OF CONNECTICUT FUNDS		
General Fund	\$ 418,000,000	\$ 347,700,000
Office of Policy and Management	3,221,745	3,206,366
Chronic Gamblers' Fund	2,300,000	2,300,000
Change in Net Position (Deficit)	\$ (2,202,794)	\$ (6,023,604)
TOTAL NET POSITION (DEFICIT), beginning of year	\$ (81,940,158)	\$ (75,916,554)
TOTAL NET POSITION (DEFICIT), end of year	\$ (84,142,952)	\$ (81,940,158)

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

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from sale of game tickets	\$ 1,510,618,127	\$ 1,298,724,740
Receipts from other operating income	55,635	119,619
Payments for prizes	(930,942,588)	(832,083,499)
Payments to retailers	(83,606,718)	(72,895,410)
Payments to suppliers	(32,483,882)	(27,912,970)
Payments to employees	(21,173,688)	(20,538,155)
Payments for other expenses	(3,758,299)	(4,047,169)
<i>Net Cash Provided by Operating Activities</i>	\$ 438,708,587	\$ 341,367,156
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of principal from annuities	\$ 5,992,875	\$ 6,106,452
Receipts of interest from annuities	5,659,399	5,866,922
Receipt of interest from cash equivalents	472,318	460,058
Purchase of insurance annuities	(7,166,248)	(4,986,503)
<i>Net Cash Provided by Investing Activities</i>	4,958,344	\$ 7,446,929
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(80,963)	\$ (104,994)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment of principal on long-term annuities	\$ (6,132,894)	\$ (6,050,832)
Payment of interest on long-term annuities payable	(5,659,399)	(5,866,922)
Annuity assignment	6,500	9,000
Payments to the State of Connecticut	(418,000,000)	(347,700,000)
Payments to Office of Policy and Management	(3,221,745)	(3,206,366)
Payments to the Chronic Gamblers' Fund	(2,300,000)	(2,300,000)
Receipts from annuities	7,166,248	4,986,503
Receipt from settlement	75,000	
<i>Net Cash Used in Noncapital Financing Activities</i>	\$ (428,066,290)	\$ (360,128,617)

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

	Years ended June 30	
	2021	2020
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ 15,519,678	\$ (11,419,526)
CASH AND CASH EQUIVALENTS – Beginning of year	9,461,073	20,880,599
CASH AND CASH EQUIVALENTS – End of year	\$ 24,980,751	\$ 9,461,073
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 420,765,133	\$ 346,713,704
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	176,740	242,502
Bad debt expense	(117,543)	24,280
Deferrals of pension and OPEB expense	6,054,310	6,799,401
Changes in operating assets and liabilities:		
Accounts receivable	13,012,456	(6,590,049)
Accounts payable and accrued expenses	(1,564,384)	297,570
Ticket inventory	1,081,169	1,991,095
Prepaid expenses	(979,276)	65,356
Prize reserves	676,654	157,456
Prizes payable	(1,455,128)	(10,437,544)
Due to Multi-State Lottery Association	(9,461)	(20,390)
Due to regional game states	(401,306)	459,512
Unearned revenue	(164,408)	30,632
Deferred rent liability	(85,297)	(85,298)
Prepaid expenses - long term	1,718,928	1,718,929
<i>Net Cash Provided by Operating Activities</i>	\$ 438,708,587	\$ 341,367,156

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

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

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, deferred outflows of resources, liabilities, deferred inflows of resources and 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, 2021 AND 2020

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.

Compensated absences are included in the accounts payable and accrued expenses line item on the balance sheet.

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, 2021 AND 2020

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, 2021 and 2020, the prize expense amounted to 62.1% and 63.0% 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, 2021 and 2020, the carrying amounts of the Lottery's deposits were \$9,417,477 and \$3,413,952, respectively. Bank deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2021, the Lottery's bank balance was \$10,629,233. Of this amount, \$250,000 was covered by the FDIC and \$10,379,233 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, 2021 and 2020, the Lottery also had uninsured and uncollateralized investments of \$15,547,774, and \$6,014,523, 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 31 days as of June 30, 2021 and 16 days as of June 30, 2020. The Lottery's stated policy is to invest in highly liquid, short-term assets.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

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, 2021 and 2020:

	<u>Carrying Amount</u>	<u>Fair Value</u>
June 30, 2021		
Annuity contracts (at present value discounted at approximately 4.5%)	\$ 126,369,472	\$ 126,369,472
June 30, 2020		
Annuity contracts (at present value discounted at approximately 4.6%)	\$ 125,196,099	\$ 125,196,099

The Lottery has uncollateralized annuities with the following insurance companies that represent more than 5% of the outstanding total as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Insurance Company		
Ohio National Life Insurance	\$ 42,862,983	\$ 45,397,795
Metropolitan Life Insurance	46,949,122	41,239,223
Savings Bank Life Insurance Co. of Massachusetts	25,441,114	25,853,868

As of June 30, 2021 and 2020, 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, 2021 AND 2020

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is presented below:

	Balance July 1, 2020	Additions	Adjustments/ Deletions	Balance June 30, 2021
Capital Assets:				
Computer equipment	\$ 2,172,474	\$ 16,800	\$	\$ 2,189,274
Furniture and equipment	2,772,794	27,495		2,800,289
Leasehold improvements	1,273,022	36,668		1,309,690
<i>Total capital assets</i>	\$ 6,218,290	\$ 80,963	\$ -	\$ 6,299,253
Accumulated Depreciation				
Computer equipment	\$ 1,867,007	\$ 106,217		\$ 1,973,224
Furniture and equipment	2,740,976	29,056		2,770,032
Leasehold improvements	1,106,527	41,467		1,147,994
<i>Total accumulated depreciation</i>	\$ 5,714,510	\$ 176,740	\$ -	\$ 5,891,250
Capital Assets, Net	\$ 503,780	\$ (95,777)	\$ -	\$ 408,003

	Balance July 1, 2019	Additions	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

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

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 2021	\$ 125,817,870	\$	7,166,248	\$	(6,132,894)	\$	126,851,224	\$	4,901,063
Activity for fiscal year 2020	\$ 126,882,199	\$	4,986,503	\$	(6,050,832)	\$	125,817,870	\$	5,325,774

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

Year ending June 30	Principal	Interest
2022	\$ 4,901,063	\$ 4,776,482
2023	4,288,629	5,254,154
2024	3,743,058	5,045,513
2025	3,854,649	4,877,922
2026	3,976,093	4,696,478
2027 - 2031	18,284,038	20,888,295
2032 - 2036	16,016,815	16,897,185
2037 - 2041	13,799,062	13,563,938
2042 - 2046	12,285,798	10,570,202
2047 - 2051	9,972,531	8,171,969
2052 - 2056	9,394,899	6,072,101
2057 - 2061	8,871,667	4,106,833
2062 - 2066	7,244,999	2,489,001
2067 - 2071	5,720,039	1,267,961
2072 - 2076	2,725,908	509,092
2077 - 2081	1,555,974	144,026
2082 - 2084	216,002	3,393
	\$ 126,851,224	\$ 109,334,545

This debt represents periodic payments owed to lottery prize winners and is fully funded by investments in annuity contracts. Amounts due after 2041 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, 2021 AND 2020

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, 2021 and 2020, were as follows:

	2021	2020
Prize reserves held by MUSL	\$ 5,366,709	\$ 6,043,363
Prize liability due to MUSL	645,182	654,643

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, 2020, 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 five 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, 2021 AND 2020

NOTE 7 – PENSION PLAN (CONTINUED)

Contributions Made — The Lottery’s contributions to the plan were \$3,913,419 and \$3,913,670 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Lottery reported a liability of \$57,434,854 and \$59,569,843, respectively, for its proportionate share of the net pension liability, which was measured as of June 30, 2021 and 2020, 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, 2021 and 2020, the SERS contribution rate was 65.64% and 60.83%, respectively. As of June 30, 2021 and 2020, the Lottery’s proportionate share was 0.24212% and 0.261131%, respectively.

For the year ended June 30, 2021 and 2020, the Lottery recognized pension expense of \$6,942,580 and \$6,839,243, respectively. Pension expense is reported in the Lottery’s financial statements as part of salaries and benefits expense.

At June 30, 2021, 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	\$ 3,099,862	\$ —
Net difference between projected and actual earnings on pension plan investments	968,088	—
Change of assumptions	1,529,872	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,985,362	4,948,767
Lottery contributions subsequent to the measurement date	4,538,711	—
	<u>\$ 14,121,895</u>	<u>\$ 4,948,767</u>

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

NOTE 7 – PENSION PLAN (CONTINUED)

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

At June 30, 2020, 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	\$ 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>

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	
2022	\$ 2,466,950
2023	989,052
2024	928,405
2025	546,725
2026	(296,715)
	<u>\$ 4,634,417</u>

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

NOTE 7 – PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions — The total pension liability for the year ended June 30, 2021 was determined based on the annual actuarial funding valuation report prepared as of June 30, 2020. The following actuarial assumptions are summarized below as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</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, 2021 AND 2020

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, 2021 and 2020, 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, 2021	\$ 68,236,910	\$ 57,434,854	\$ 48,407,204
June 30, 2020	\$ 71,142,245	\$ 59,569,843	\$ 49,916,603

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 \$2,590,825 and \$2,778,486 for the fiscal years ended June 30, 2021 and 2020, 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, 2021 and 2020, the Lottery reported a liability of \$67,125,223 and \$67,403,249, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability as of June 30, 2021 was measured as of June 30, 2020, 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, 2021 and 2020, the rate was 33.49% and 38.43%, respectively. As of June 30, 2021 and 2020, the Lottery's proportion was 0.28514% and 0.32590%, respectively.

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

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, 2021 and 2020, the Lottery recognized OPEB expense of \$5,935,346 and \$6,341,942, respectively. OPEB expense is reported in the Lottery's financial statements as part of salaries and benefits expense.

At June 30, 2021, 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	\$ —	\$ 1,549,415
Net difference between projected and actual earnings on OPEB plan investments	132,362	—
Change of assumptions	11,142,108	1,303,519
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,368,007	9,524,796
Lottery contributions subsequent to the measurement date	2,590,825	—
	\$ 20,233,302	\$ 12,377,730

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

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

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	
2022	\$ 1,316,766
2023	1,324,262
2024	2,307,116
2025	399,288
2026	(82,685)
	\$ 5,264,747

Actuarial Methods and Assumptions — The total OPEB liability in the June 30, 2020 actuarial valuation was determined using data as of June 30, 2019. The key actuarial assumptions are summarized below:

Salary increase	3.25% to 4.50% varying by years of service and retirement system, including inflation
Discount rate	2.38%
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, 2021 was 2.38%. 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 (2.21% as of June 30, 2020 and 3.50% as of June 30, 2019). The blending is based on the sufficiency of projected assets to make projected benefit payments.

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

NOTE 8 – POST EMPLOYMENT BENEFITS (CONTINUED)

Expected Rate of Return on Investments — The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

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

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

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rates — The following presents the Lottery’s proportionate share of the net OPEB liability for the years ended June 30, 2021 and 2020, 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 1.38%	Discount Rate 2.38%	1% Increase 3.38%
Net OPEB Liability			
June 30, 2021	\$ 78,958,736	\$ 67,125,223	\$ 57,612,484
June 30, 2020	78,446,867	67,403,249	58,438,322

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

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, 2021	\$ 56,272,861	\$ 67,125,223	\$ 81,081,181
June 30, 2020	57,781,285	67,403,249	79,547,955

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 extensions have been executed through June 30, 2022 at a combined rental amount of \$6,418 per month.

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, 2021 and 2020, the Lottery recorded \$1,350,000 and \$2,121,428, respectively, of prepaid expenses related to the lease of the Keno terminals and monitors, of which \$578,572 and \$1,350,000 is long term and recorded as noncurrent assets in the accompanying statements of net position.

Total lease expense for facilities and equipment was \$4,726,805 and \$4,713,759 for the fiscal years ended June 30, 2021 and 2020, respectively.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2021 AND 2020

NOTE 9 – LEASE COMMITMENTS (CONTINUED)

Future payments for the aforementioned leases are summarized as follows:

Years Ending June 30		
2022	\$	2,922,098
2023		2,322,126
	\$	5,244,224

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, 2021 and 2020, 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.



REQUIRED SUPPLEMENTARY INFORMATION

CONNECTICUT LOTTERY CORPORATION

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

Last Seven Fiscal Years	2021	2020	2019	2018	2017	2016	2015
Lottery's portion of the net pension liability	0.24212%	0.26113%	0.23339%	0.25560%	0.24243%	0.24525%	0.27865%
Lottery's proportionate share of the net pension liability	\$57,434,854	\$59,569,843	\$50,615,060	\$53,857,469	\$55,669,017	\$40,525,323	\$44,624,031
Lottery's covered payroll	\$10,671,908	\$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	538.19%	569.01%	508.86%	527.99%	530.67%	403.93%	477.31%
Plan fiduciary net position as a percentage of the total pension liability	35.84%	36.78%	36.62%	36.25%	31.69%	39.23%	39.54%

Notes to Schedule

Change of benefit terms None

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	2021	2020	2019	2018	2017
Contractually required contribution	\$ 3,913,419	\$ 3,913,670	\$ 4,121,233	\$ 3,368,200	\$ 4,456,603
Contributions in relation to the contractually required contribution	3,913,419	3,913,670	4,121,233	3,368,200	4,456,603
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$10,810,715	\$10,671,908	\$10,468,988	\$ 9,946,740	\$10,200,510
Contributions as a percentage of covered-employee payroll	36.20%	36.67%	39.37%	33.86%	43.69%

Last Ten Fiscal Years (continued)	2016	2015	2014	2013	2012
Contractually required contribution	\$ 4,233,893	\$ 3,803,384	\$ 3,401,159	\$ 2,752,875	\$ 2,482,079
Contributions in relation to the contractually required contribution	4,233,893	3,803,384	3,401,159	2,752,875	2,482,079
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$10,490,319	\$10,032,666	\$ 9,348,981	\$ 9,055,510	\$ 8,989,782
Contributions as a percentage of covered-employee payroll	40.36%	37.91%	36.38%	30.40%	27.61%

Notes to Schedule

Valuation date:	June 30, 2020
Measurement date:	June 30, 2021

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	27.9 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 Five Fiscal Years	2021	2020	2019	2018	2017
Lottery's portion of the net OPEB liability	0.28514%	0.32590%	0.27267%	0.31321%	0.30441%
Lottery's proportionate share of the net OPEB liability	\$ 67,125,223	\$ 67,403,249	\$ 47,074,834	\$ 54,381,510	\$ 52,487,844
Lottery's covered-employee payroll	\$ 10,671,908	\$ 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	628.99%	643.84%	473.27%	533.13%	500.35%
Plan fiduciary net position as a percentage of the total OPEB liability	6.13%	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 2.38% as of June 30, 2020.
- The trends for Medicare-eligible retiree costs were updated to reflect final negotiated change in Medicare Advantage rates for calendar year

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 Six Fiscal Years	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,590,825	\$ 2,778,486	\$ 2,756,875	\$ 2,474,845	\$ 2,090,376	\$ 1,221,774
Contributions in relation to the contractually required contribution	2,590,825	2,778,486	2,756,875	2,474,845	2,090,376	1,221,774
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$10,810,715	\$ 10,671,908	\$ 10,468,988	\$ 9,946,740	\$10,200,510	\$10,490,319
Contributions as a percentage of covered-employee payroll	23.97%	26.04%	26.33%	24.88%	20.49%	11.65%

Notes to Schedule

Valuation date: Actuarially determined contribution for fiscal year ending June 30, 2020 was determined with the June 30, 2019 actuarial valuation.

Measurement date: June 30, 2020

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	18 years as of June 30, 2020
Asset valuation method	Market value
Payroll growth rate	3.50%
Investment rate of return	6.90%

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, 2021, 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 November 5, 2021.

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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP
West Hartford, Connecticut
November 5, 2021



SUPPLEMENTAL SCHEDULES

CONNECTICUT LOTTERY CORPORATION

SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2021

PROFIT CONTRIBUTIONS (\$ in 000s)

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day	Lotto
NET SALES	\$ 837,705	\$ 84,197	\$ 83,524	\$ 66,705	\$ 59,744	\$ 20,636
DIRECT COSTS						
Gross prize expense	\$ 589,904	\$ 38,060	\$ 32,750	\$ 34,425	\$ 30,328	\$ 10,920
Unclaimed prize credit	(7,820)	(825)	(1,285)	(566)	(616)	(283)
Use of unclaimed prize reserve	28	–	–	–	–	771
Net prize expense	\$ 582,112	\$ 37,235	\$ 31,465	\$ 33,859	\$ 29,712	\$ 11,408
Retailer commissions	\$ 47,685	\$ 4,586	\$ 4,439	\$ 3,679	\$ 3,229	\$ 1,084
Online systems	7,627	765	759	606	543	188
Marketing, advertising and promotion	5,450	553	551	438	394	140
Production expenses	6,039	89	89	86	84	26
Total direct costs	\$ 648,913	\$ 43,228	\$ 37,303	\$ 38,668	\$ 33,962	\$ 12,846
GROSS PROFIT	\$ 188,792	\$ 40,969	\$ 46,221	\$ 28,037	\$ 25,782	\$ 7,790

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	70.4%	45.2%	39.2%	51.6%	50.8%	52.9%
Unclaimed prize credit	-0.9%	-1.0%	-1.5%	-0.8%	-1.0%	-1.4%
Use of unclaimed prize reserve	0.0%	0.0%	0.0%	0.0%	0.0%	3.7%
Net prize expense	69.5%	44.2%	37.7%	50.8%	49.7%	55.3%
Retailer commissions	5.7%	5.4%	5.3%	5.5%	5.4%	5.3%
Online systems	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Marketing, advertising and promotion	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Production expenses	0.7%	0.1%	0.1%	0.1%	0.1%	0.1%
Total direct costs	77.5%	51.3%	44.7%	58.0%	56.8%	62.3%
GROSS PROFIT	22.5%	48.7%	55.3%	42.0%	43.2%	37.7%

Cash5	Powerball	Mega Millions	Lucky for Life	Lucky Links	Keno	Fast Play	Total
\$ 33,133	\$ 64,193	\$ 57,075	\$ 17,764	\$ –	\$ 136,004	\$ 37,090	\$ 1,497,770
\$ 19,373	\$ 32,636	\$ 28,669	\$ 12,123	\$ –	\$ 88,724	\$ 25,896	\$ 943,808
(849)	(702)	(435)	(421)	(58)	(725)	(269)	(14,854)
–	–	–	–	–	–	–	799
\$ 18,524	\$ 31,934	\$ 28,234	\$ 11,702	\$ (58)	\$ 87,999	\$ 25,627	\$ 929,753
\$ 1,847	\$ 3,291	\$ 2,909	\$ 965	\$ –	\$ 7,683	\$ 2,210	\$ 83,607
302	574	510	162		2,993	341	15,370
213	636	676	117		895	540	10,603
89	147	6	60	5	40	7	6,767
\$ 20,975	\$ 36,582	\$ 32,335	\$ 13,006	\$ (53)	\$ 99,610	\$ 28,725	\$ 1,046,100
\$ 12,158	\$ 27,611	\$ 24,740	\$ 4,758	\$ 53	\$ 36,394	\$ 8,365	\$ 451,670
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
58.5%	50.8%	50.2%	68.2%	0.0%	65.2%	69.8%	63.0%
-2.6%	-1.1%	-0.8%	-2.4%	0.0%	-0.5%	-0.7%	-1.0%
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
55.9%	49.7%	49.5%	65.9%	0.0%	64.7%	69.1%	62.1%
5.6%	5.1%	5.1%	5.4%	0.0%	5.6%	6.0%	5.6%
0.9%	0.9%	0.9%	0.9%	0.0%	2.2%	0.9%	1.0%
0.6%	1.0%	1.2%	0.7%	0.0%	0.7%	1.5%	0.7%
0.3%	0.2%	0.0%	0.3%	0.0%	0.0%	0.0%	0.5%
63.3%	57.0%	56.7%	73.2%	0.0%	73.2%	77.4%	69.8%
36.7%	43.0%	43.3%	26.8%	100.0%	26.8%	22.6%	30.2%

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

PROFIT MARGIN (% OF NET SALES)

<i>Net sales</i>	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%
Unclaimed prize credit	-1.2%	-0.6%	-0.7%	-0.5%	-0.5%
Use of unclaimed prize reserve	0.0%	0.0%	0.0%	0.0%	0.0%
Net prize expense	68.9%	51.0%	48.7%	60.1%	47.1%
Retailer commissions	5.7%	5.5%	5.4%	5.6%	5.4%
Online systems	1.0%	1.0%	1.0%	1.0%	1.0%
Marketing, advertising and promotion	0.7%	0.7%	0.7%	0.7%	0.7%
Production expenses	0.8%	0.1%	0.1%	0.1%	0.1%
Total direct costs	77.1%	58.3%	55.9%	67.5%	54.3%
GROSS PROFIT	22.9%	41.7%	44.1%	32.5%	45.7%

Lotto	Cash5	Powerball	Mega Millions	Lucky for Life	Lucky Links	Keno	Total
\$ 30,977	\$ 31,214	\$ 49,533	\$ 38,549	\$ 17,469	\$ 5,871	\$ 115,480	\$ 1,305,284
\$ 16,375 (303) 2,151	\$ 18,512 (244) -	\$ 24,738 (771) -	\$ 19,473 (318) -	\$ 9,415 (242) -	\$ 3,730 (53) -	\$ 75,142 (378) -	\$ 832,915 (12,825) 2,153
\$ 18,223	\$ 18,268	\$ 23,967	\$ 19,155	\$ 9,173	\$ 3,677	\$ 74,764	\$ 822,243
\$ 1,636 305 227 16	\$ 1,742 312 266 53	\$ 2,545 492 973 99	\$ 1,967 386 388 1	\$ 938 174 128 44	\$ 328 59 43 105	\$ 6,500 2,831 889 16	\$ 72,895 14,752 10,399 6,835
\$ 20,407	\$ 20,641	\$ 28,076	\$ 21,897	\$ 10,457	\$ 4,212	\$ 85,000	\$ 927,124
\$ 10,570	\$ 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%
52.9%	59.3%	49.9%	50.5%	53.9%	63.5%	65.1%	63.8%
-1.0%	-0.8%	-1.6%	-0.8%	-1.4%	-0.9%	-0.3%	-1.0%
6.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
58.8%	58.5%	48.4%	49.7%	52.5%	62.6%	64.8%	63.0%
5.3%	5.6%	5.1%	5.1%	5.4%	5.6%	5.6%	5.6%
1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	2.5%	1.1%
0.7%	0.9%	2.0%	1.0%	0.7%	0.7%	0.8%	0.8%
0.1%	0.2%	0.2%	0.0%	0.3%	1.8%	0.0%	0.5%
65.9%	66.1%	56.7%	56.8%	59.9%	71.7%	73.6%	71.0%
34.1%	33.9%	43.3%	43.2%	40.1%	28.3%	26.4%	29.0%



STATISTICAL SECTION

CONNECTICUT LOTTERY CORPORATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ACTUAL VS. BUDGET (\$000s), YEAR ENDED JUNE 30, 2021

	Actual	Budget	Over/(Under) Budget	% Change
SALES				
OPERATING REVENUE	\$ 1,500,872	\$ 1,322,200	\$ 178,672	13.5%
Less sales returns, cancellations and promotions	(3,102)	0	(3,102)	–
Total operating revenue	\$ 1,497,770	\$ 1,322,200	\$ 175,570	13.3%
COST OF SALES AND OPERATING EXPENSES				
COST OF SALES				
Prize expense	\$ 929,753	\$ 829,803	\$ 99,950	12.0%
Retailer commissions	83,607	75,008	8,599	11.5%
Online systems	15,370	14,889	481	3.2%
Marketing, advertising, and promotions	10,603	13,086	(2,483)	(19.0%)
Production expenses	6,768	6,208	560	9.0%
Total cost of sales	\$ 1,046,101	\$ 938,994	\$ 107,107	11.4%
OPERATING EXPENSES				
Salaries and benefits	\$ 27,228	\$ 22,311	\$ 4,917	22.0%
Other operating expenses	3,673	4,498	(825)	(18.3%)
Depreciation and amortization	177	256	(79)	(30.9%)
Bad debt expense	(118)	100	(218)	(218.0%)
Total operating expenses	\$ 30,960	\$ 27,165	\$ 3,795	14.0%
OTHER OPERATING REVENUE	\$ 56	\$ 42	\$ 14	33.3%
Operating income	\$ 420,765	\$ 356,083	\$ 64,682	18.2%
NONOPERATING REVENUES (EXPENSES)				
Interest income from investments on annuities	\$ 5,575	\$ 5,740	\$ (165)	–
Miscellaneous Revenue - Nonoperating	75	0	75	–
Interest income	472	287	185	64.5%
Interest expense on annuity payments	(5,575)	(5,740)	165	–
Annuity assignment	7	8	(1)	250.0%
Total nonoperating revenues	\$ 554	\$ 295	\$ 259	87.8%
CHANGE IN NET POSITION BEFORE				
PAYMENTS TO STATE FUNDS	\$ 421,319	\$ 356,378	\$ 64,941	18.2%
Payments to Chronic Gamblers' Fund	2,300	2,300	0	0.0%
Payments to Department of Consumer Protection	3,222	3,286	(64)	(1.9)%
Payments to State's General Fund	418,000	350,792	67,208	19.2%
Change in net position	\$ (2,203)	\$ –	\$ (2,203)	N/A

CONNECTICUT LOTTERY CORPORATION

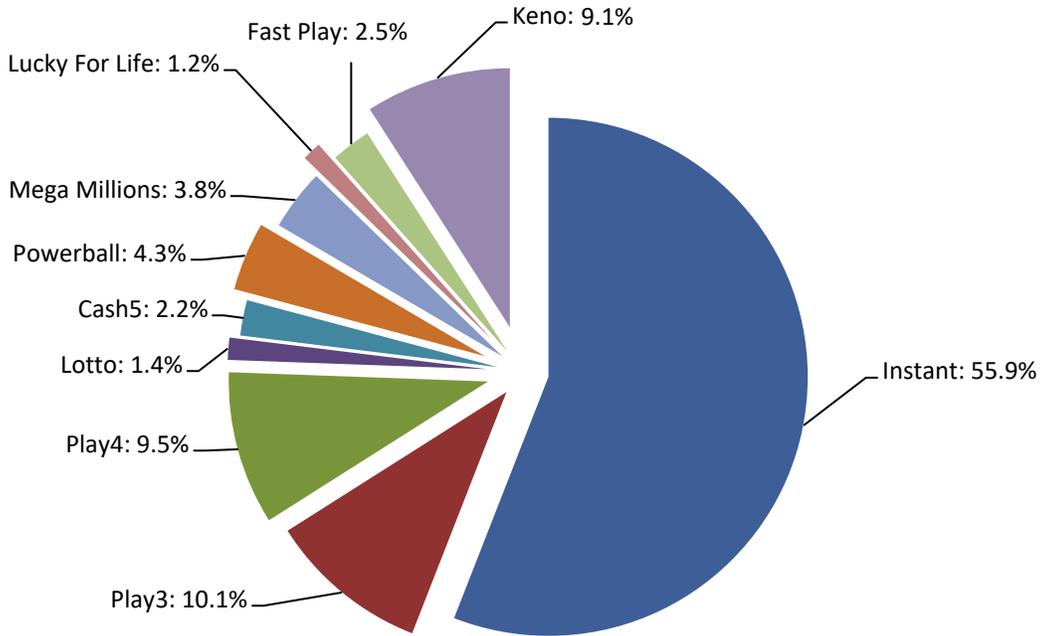
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY GAME TYPE (\$000s), YEAR ENDED JUNE 30, 2021

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
SALES					
OPERATING REVENUE	\$ 837,706	\$ 67,344	\$ 60,307	\$ 85,126	\$ 84,413
Less sales returns, cancellations and promotions	(1)	(639)	(564)	(929)	(889)
Total operating revenue	\$ 837,705	\$ 66,705	\$ 59,743	\$ 84,197	\$ 83,524
COST OF SALES AND OPERATING EXPENSES					
COST OF SALES					
Prize expense	\$ 582,112	\$ 33,859	\$ 29,712	\$ 37,235	\$ 31,465
Retailer commissions	47,685	3,679	3,229	4,586	4,439
Online systems	7,627	606	543	765	759
Marketing, advertising, and promotions	5,450	438	394	553	551
Production expenses	6,039	86	84	89	89
Total cost of sales	\$ 648,913	\$ 38,668	\$ 33,962	\$ 43,228	\$ 37,303
OPERATING EXPENSES					
Salaries and benefits	\$ 16,748	\$ 743	\$ 1,013	\$ 810	\$ 1,081
Other operating expenses	2,214	98	134	107	143
Depreciation and amortization	110	5	7	5	7
Bad debt expense	(68)	(5)	(5)	(6)	(6)
Total operating expenses	\$ 19,004	\$ 841	\$ 1,149	\$ 916	\$ 1,225
OTHER OPERATING INCOME	\$ 34	\$ 2	\$ 2	\$ 3	\$ 3
Operating income	\$ 169,822	\$ 27,198	\$ 24,634	\$ 40,056	\$ 44,999
NON-OPERATING REVENUES (EXPENSES)					
Interest income from investments on annuities	\$ 4,102	\$ 0	\$ 0	\$ 0	\$ 0
Interest income	48	2	3	2	3
Interest expense on annuity payments	10	1	1	1	1
Annuity assignment	(4,102)	0	0	0	0
	5	0	0	0	0
Total non-operating revenues	\$ 63	\$ 3	\$ 4	\$ 3	\$ 4
CHANGE IN NET POSITION BEFORE					
PAYMENTS TO STATE FUNDS	\$ 169,885	\$ 27,201	\$ 24,638	\$ 40,059	\$ 45,003
Payments to Chronic Gamblers' Fund	1,260	100	90	127	126
Payments to Department of Consumer Protection	1,765	140	126	178	177
Payments to State's General Fund	167,846	27,076	24,570	39,872	44,882
Change in net position	\$ (985)	\$ (115)	\$ (147)	\$ (118)	\$ (181)

Lotto	Cash 5	Powerball	Mega Millions	Lucky for Life	Lucky Links	Keno	Fastplay	Total
\$ 20,656 (19)	\$ 33,164 (31)	\$ 64,208 (15)	\$ 57,084 (10)	\$ 17,770 (6)	\$ - 0	\$ 136,004 0	\$ 37,090 0	\$ 1,500,872 (3,102)
\$ 20,637	\$ 33,133	\$ 64,193	\$ 57,074	\$ 17,764	\$ 0	\$ 136,004	\$ 37,090	\$ 1,497,770
\$ 11,409 1,084 188 139 26	\$ 18,524 1,847 302 213 89	\$ 31,934 3,291 574 636 147	\$ 28,234 2,909 510 676 6	\$ 11,702 965 162 117 60	\$ (58) 0 0 0 5	\$ 87,999 7,683 2,993 895 40	\$ 25,627 2,210 341 540 7	\$ 929,754 83,607 15,370 10,602 6,767
\$ 12,846	\$ 20,975	\$ 36,582	\$ 32,335	\$ 13,006	\$ (53)	\$ 99,610	\$ 28,725	\$ 1,046,100
\$ 810 209 5 (2)	\$ 810 108 5 (3)	\$ 945 125 6 (4)	\$ 945 125 6 (4)	\$ 945 124 6 (1)	\$ 0 0 0 0	\$ 1,836 214 11 (11)	\$ 540 71 4 (2)	\$ 27,228 3,672 177 (117)
\$ 1,022	\$ 920	\$ 1,072	\$ 1,072	\$ 1,074	\$ 0	\$ 2,050	\$ 613	\$ 30,960
\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 0	\$ 5	\$ 2	\$ 56
\$ 6,770	\$ 11,239	\$ 26,540	\$ 23,668	\$ 3,685	\$ 53	\$ 34,349	\$ 7,754	\$ 420,765
\$ 469 2 0 (469) 0	\$ 0 2 0 0 0	\$ 0 3 321 0 0	\$ 0 3 134 0 0	\$ 1,005 3 0 (1,005) 2	\$ 0 0 0 0 0	\$ 0 5 2 0 0	\$ 0 0 0 0 0	\$ 5,575 75 472 (5,575) 7
\$ 2	\$ 2	\$ 324	\$ 137	\$ 5	\$ 0	\$ 7	\$ 0	\$ 554
\$ 6,772 32 44 6,715	\$ 11,241 50 70 11,288	\$ 26,864 114 160 26,677	\$ 23,805 119 167 23,529	\$ 3,690 27 38 3,741	\$ 53 0 0 53	\$ 34,356 201 282 34,116	\$ 7,754 55 77 7,695	\$ 421,319 2,300 3,222 418,000
\$ (22)	\$ (107)	\$ (87)	\$ (10)	\$ (10)	\$ -	\$ (243)	\$ (72)	\$ (2,203)

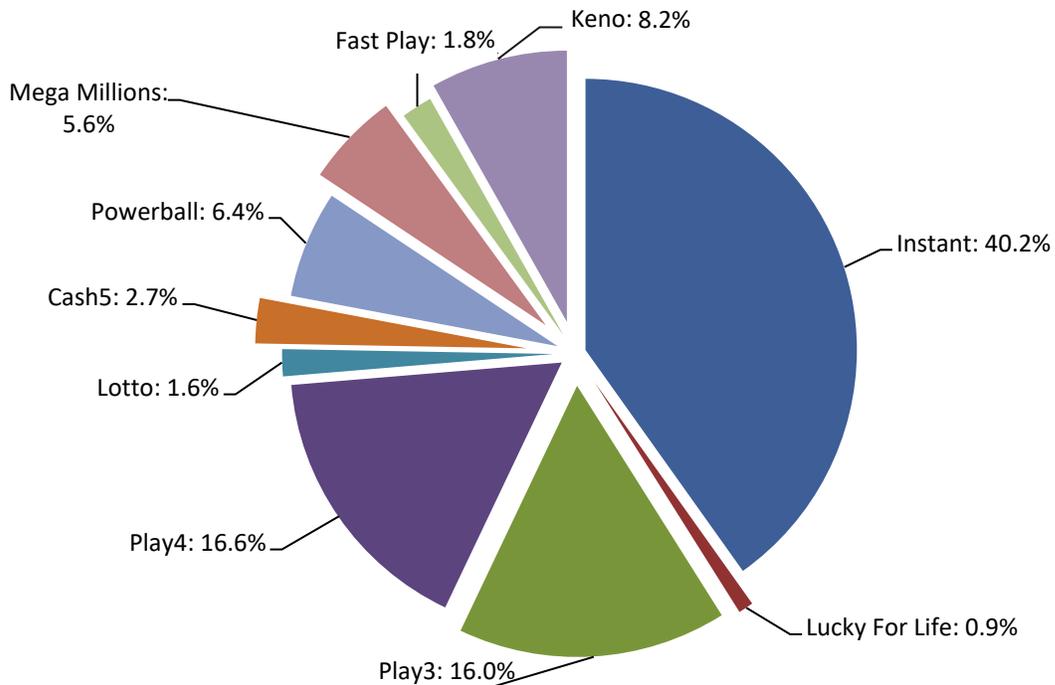
REVENUE BY GAME

FISCAL YEAR 2021 TOTAL SALES: \$1,497,770,080



GENERAL FUND PAYMENTS BY GAME

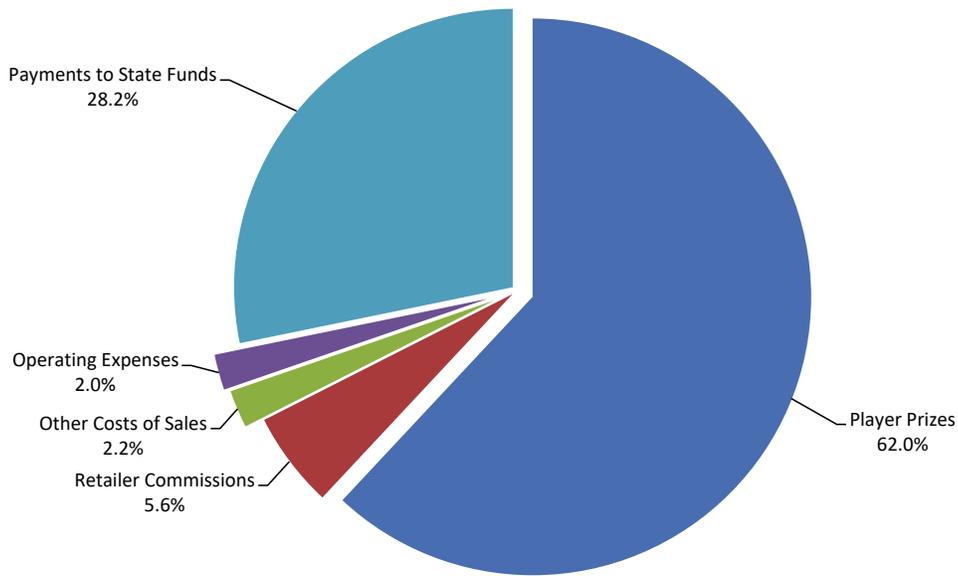
FISCAL YEAR 2021 TOTAL PAYMENTS: \$418,000,000



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

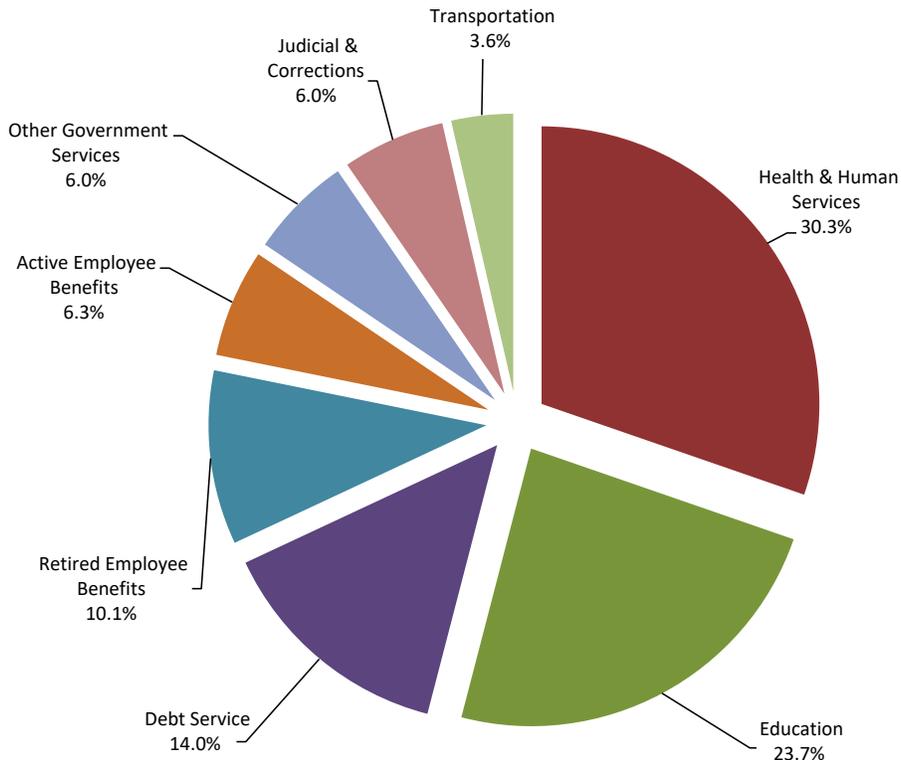
FISCAL YEAR 2021 TOTAL SALES: \$1,498,379,533



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

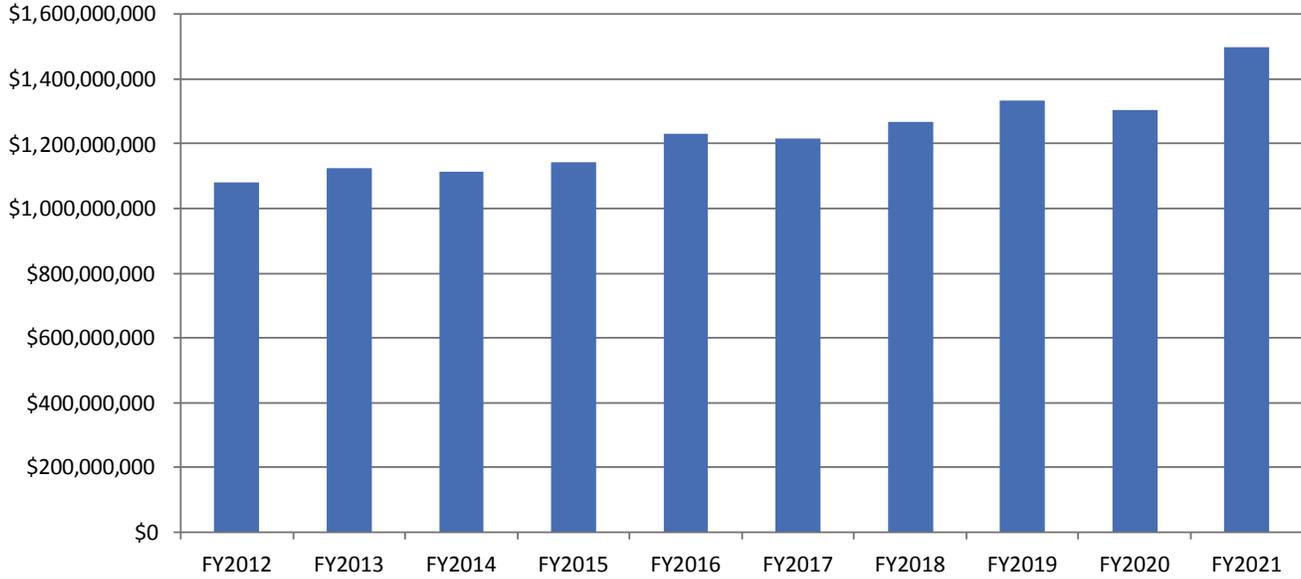
STATE SERVICES SUPPORTED BY LOTTERY PAYMENTS TO THE GENERAL FUND

FISCAL YEAR 2021 PAYMENTS TO THE GENERAL FUND: \$418,000,000

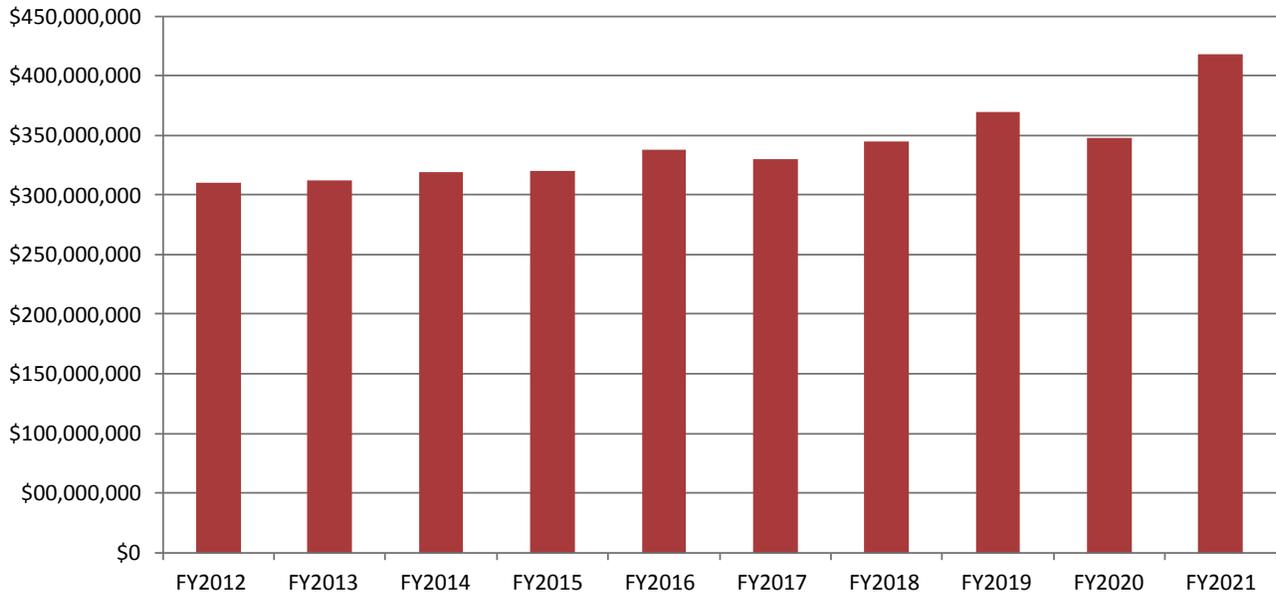


Based on Fiscal Year 2021 General Fund Percentages Appropriated by the Legislature. Source: Connecticut State Budget 2020-2021

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

	2012	2013	2014	2015
Operating Revenue				
Instant	\$ 653,310	\$ 667,255	\$ 660,230	\$ 687,967
Daily Games ⁽¹⁾	220,061	233,619	235,883	231,755
Lotto	27,372	22,149	21,591	20,143
Cash5	33,781	32,565	32,318	31,220
Powerball	74,281	107,383	82,725	66,502
Mega Millions	40,628	23,728	37,567	32,369
Lucky for Life ⁽²⁾	26,871	30,432	25,095	21,523
CT Super Draw	5,436	5,564	4,355	2,896
5 Card Cash	0	0	12,641	46,322
Lucky Links	0	0	0	3,276
Keno	0	0	0	0
Fast Play	0	0	0	0
Total Operating Revenue	\$ 1,081,740	\$ 1,122,695	\$ 1,112,405	\$ 1,143,973
Costs of Sales				
Prizes	\$ 659,898	\$ 699,063	\$ 668,792	\$ 707,735
Retailer commissions	60,740	62,765	62,077	64,270
Other cost of sales ⁽³⁾	27,435	27,993	28,695	28,232
Total cost of sales	\$ 748,073	\$ 789,821	\$ 759,564	\$ 800,237
PAYMENTS TO STATE'S GENERAL FUND				
	\$ 310,000	\$ 312,100	\$ 319,500	\$ 319,700

(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.

2016	2017	2018	2019	2020	2021
\$ 742,296	\$ 720,623	\$ 730,692	\$ 736,443	\$ 756,968	\$ 837,705
245,062	240,083	242,485	249,696	259,252	294,170
19,429	18,305	18,815	35,032	30,977	20,637
30,994	30,079	31,214	31,169	31,214	33,133
106,271	78,619	88,135	81,446	49,533	64,193
29,406	29,107	42,158	72,633	38,549	57,075
21,709	20,405	19,577	18,872	17,469	17,764
0	0	0	0	0	0
13,107	0	2,146	0	0	0
10,053	6,858	5,942	5,696	5,872	0
12,444	72,182	86,428	102,923	115,450	136,004
0	0	0	0	0	37,090
<u>\$ 1,230,769</u>	<u>\$ 1,216,262</u>	<u>\$ 1,267,591</u>	<u>\$ 1,333,911</u>	<u>\$ 1,305,285</u>	<u>\$ 1,497,770</u>
\$ 760,269	\$ 756,289	\$ 792,590	\$ 822,863	\$ 822,243	\$ 929,753
68,688	67,984	70,823	74,295	72,895	83,607
30,908	31,510	35,135	33,474	31,986	32,740
<u>\$ 859,865</u>	<u>\$ 855,783</u>	<u>\$ 898,548</u>	<u>\$ 930,632</u>	<u>\$ 927,124</u>	<u>\$ 1,046,100</u>
<u>\$ 337,500</u>	<u>\$ 330,000</u>	<u>\$ 345,000</u>	<u>\$ 370,000</u>	<u>\$ 347,700</u>	<u>\$ 418,000</u>

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 2020, included data from lotteries in 45 states plus the District of Columbia (D.C.). Top performing lotteries in key categories are presented below.

A. SALES PER CAPITA - FY 2020:

State/District	Population (Millions)	Ticket Sales (Millions \$)	Sales Per Capita (Dollars)
1 Massachusetts	6.9	\$ 5,245.2	\$ 761.0
2 Georgia	10.7	4,636.2	433.0
3 Michigan	10.0	4,247.4	426.0
4 South Carolina	5.2	2,106.4	404.0
5 New York	19.3	7,726.65	400.0
6 New Jersey	8.9	3,288.5	370.0
7 Connecticut	3.6	1,305.3	367.0
8 Maryland	6.1	2,181.9	360.0
9 Pennsylvania	12.8	4,555.1	356.0
10 Florida	21.7	7,505.1	345.0

B. NET INCOME PER CAPITA - FY 2020:

State/District	Population (Millions)	Net Income (Millions \$)	Net Income Per Capita (Dollars)
1 Massachusetts	6.9	\$ 986.9	\$ 143.24
2 New York	19.3	2,323.1	120.12
3 Michigan	10.0	1,189.1	119.27
4 Georgia	10.7	1,249.9	116.70
5 New Jersey	8.9	1,015.7	114.38
6 Connecticut	3.6	347.2	97.52
7 South Carolina	5.2	490.6	93.99
8 Pennsylvania	12.8	1,164.3	91.10
9 Florida	21.7	1,917.9	88.26
10 New Hampshire	1.4	99.3	72.51

C. OPERATING EXPENSES* AS PERCENTAGE OF SALES - FY 2020:

State/District	Ticket Sales (Millions \$)	Operating Expenses (Millions \$)	Expense %
1 Massachusetts	\$ 5,245.2	\$ 104.0	2.0%
2 South Carolina	2,106.4	47.0	2.2%
3 Florida	7,505.1	190.8	2.5%
4 New Jersey	3,288.5	113.4	3.4%
5 Texas	6,704.0	240.3	3.6%
6 Missouri	1,512.7	55.1	3.6%
7 Georgia	4,636.2	178.2	3.8%
8 Tennessee	1,712.2	67.5	3.9%
9 North Carolina	3,016.2	124.0	4.1%
10 Michigan	4,247.4	186.7	4.4%
11 California	6,622.0	316.6	4.8%
12 Connecticut	1,305.3	63.6	4.9%
13 Kentucky	1,203.4	59.3	4.9%
14 Arizona	1,098.0	54.2	4.9%
15 Pennsylvania	4,555.1	231.2	5.1%

CONNECTICUT LOTTERY CORPORATION
2021 ANNUAL REPORT

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THE 2021 ANNUAL REPORT IS AVAILABLE AT
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