



2022

ANNUAL REPORT

FISCAL YEAR ENDED JUNE 30, 2022

CONTRIBUTION TO THE
GENERAL FUND:
\$402 MILLION!

RETAILERS EARNED
\$84 MILLION
IN COMMISSIONS

SALES REVENUE
TOTALLED
\$1.6 BILLION!

PLAYERS WON MORE THAN
\$1 BILLION
IN PRIZE MONEY

2022 ANNUAL REPORT

Fiscal Year Ended June 30, 2022



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



March 2, 2023

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, 2022.

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 celebrated our 50th anniversary of continuous operation, making the CLC one of the oldest lotteries in the United States. From its inception to June 30, 2022, the Lottery generated total sales of approximately \$35.3 billion and contributed approximately \$11.1 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 2022, 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 2022, the CLC generated \$1.603 billion in sales revenue and delivered \$402.2 million to the General Fund. Sales revenue increased \$105.5 million, or 7.0%, from the prior fiscal year. The increase in sales revenue is primarily related to the addition of Sports Betting, launched in October of 2022, with partial-year sales in excess of \$151 million. The multi-state game of Powerball® also had strong results from prior year, up \$15.8 million. Keno revenue increased \$5.9 million. Lucky for Life® saw an increase of \$12.8 million, or 71.8% increase. All other games had modest changes from prior-year results.

Total cost of sales, including prizes and commissions, was \$1.165 billion in fiscal 2022 compared to \$1.046 billion in fiscal 2021. Cost of sales vary proportionally with the change in total sales, with prize expense the largest contributor. Prize expense related to all lottery games amounted to \$1.041 billion and was the highest total prizes paid out in one single year. Operating expenses were \$27.9 million for fiscal 2022 compared to \$31.0 million in fiscal 2021. Payments to the state's General Fund totaled \$402.2 million in fiscal 2022, a decrease of \$15.8 million from the prior fiscal year total of \$418.0 million. For a more complete overview of the financial highlights of fiscal 2022, 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, which 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 2022 and 2021 have been completed in conformity with generally accepted auditing standards. The unmodified opinion of the independent auditors on the CLC financial statements is included in the financial section of this report.

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

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

Respectfully Submitted,



Gregory H. Smith

President & CEO

HISTORICAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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 2021: Lucky for Life® expands drawings from two to seven days per week.

August 2021: CLC announces partnership with Rush Street Interactive to operate the CLC’s online and retail sportsbook.

August 2021: Powerball® moves to three nights per week (Mon, Wed, Sat).

October 2021: The CLC debuts its retail PlaySugarHouse sportsbook, in partnership with Sportech, at Sports Haven, in New Haven, CT. Two other locations – Bobby V’s in Stamford and Windsor Locks – opened the following week.

November 2021: The Connecticut Lottery Corporation hosted its 8th Annual “Give a Child a Toy, Not a Ticket” toy drive and public service campaign to benefit Connecticut Children’s. The campaign serves to remind adults that lottery tickets are not suitable gifts for children. The 2021 toy drive was the CLC’s most successful, with more than 15,000 toys donated to the patients of Connecticut Children’s.

February 2022: Connecticut had its first Powerball® jackpot winner since 2012, with a \$185.3 million winner, sold in Cheshire, CT.

February 15, 2022: The Connecticut Lottery Corporation celebrated “50 Years of Winning” on its Golden Anniversary. Governor Ned Lamont proclaimed the day, “Connecticut Lottery Day,” in the state.



STATE OF CONNECTICUT

LIST OF PRINCIPAL STATE OFFICERS, AS OF JUNE 30, 2022

NED LAMONT, Governor
SUSAN BYSIEWICZ, Lieutenant Governor

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



CONNECTICUT LOTTERY CORPORATION

BOARD OF DIRECTORS, AS OF JUNE 30, 2022

Robert T. Simmelkjaer II	Chairperson of the Board (Appointee of Governor)
Wilfred J. Blanchette, Jr.	Vice Chairperson of the Board (Appointee of Governor)
John R. Flores	Office of the State Treasurer (Designee of ex-officio member, Shawn T. Wooden, State Treasurer)
Matthew Daskal	Office of Policy and Management (Designee of ex-officio member, Jeffrey R. Beckham, Secretary, OPM)
Michael Cicchetti	(Appointee of Senate Minority Leader)
Meghan Culmo	(Appointee of House Majority Leader)
Steven L. Ezzes	(Appointee of Governor)
Ajay Gupta	(Appointee of Governor)
James Heckman	(Appointee of House Minority Leader)
Manny Langella	(Appointee of Senate Majority Leader)
Andrew Meehan	(Appointee of Speaker of the House)
Margaret Morton	(Appointee of Governor)
Vacant	(Appointee of President Pro-Tempore)



CONNECTICUT LOTTERY CORPORATION

ORGANIZATIONAL CHART, AS OF JUNE 30, 2022

ADMINISTRATION

Greg Smith	President & CEO
Anmarie Daigle	Executive Secretary
Lauren Perrotti	Senior Director of Operations
Paul A. Granato	Chief Financial Officer
Melissa Durso	General Counsel
Jodi Ganzer	Director of Human Resources
Mark Walerysiak	Director of Security
Pete Donahue	Senior Director of Sales & Marketing



CONNECTICUT LOTTERY CORPORATION

ORGANIZATIONAL CHART, AS OF JUNE 30, 2022

MANAGEMENT BY DEPARTMENT

SALES

Diane Geary
Sharon Drummey

Sales Manager
Asst. Sales Manager

MARKETING

Linda Tarnowski
Carlos Rodriguez
Tom Trella
Tara Chozet
Kendra Eckhart
Nicole Nearing
Rebecca Lambert

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

FINANCE & COLLECTIONS

Barbara Petano
David Perlot

Lottery Financial Manager
Lottery Financial Manager

HUMAN RESOURCES & TRANSPORTATION

Tammy Morganti
Irena Baj-Wright
Jenean McCalla

Human Resources Manager
Human Resources Manager
Human Resources Assistant

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
Catherine Martorella
Cara Watts

Director of Legal & Business Affairs
Lottery Financial Manager
Compliance Manager

LEGAL

Angelica Mack
Jeff Yue

Counsel
Counsel

GOVERNMENT RELATIONS

Chris Davis

Government Relations and Responsible Gaming Manager

SCRATCH GAMES

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: **\$801,290,360**

% of Total FY '22 Lottery Sales: **50%**

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

There are a variety of playstyles that appeal to many different groups, from Bingo to the crossword action of "Ca\$hword" to the excitement of multiplying a prize by revealing an "X" in our "10X Cash," "20X Cash," and "30X Cash" scratch games. Depending on 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 wide variety of games and playstyles, it's easy to see why scratch games are the game of choice for most players.

A variety of scratch games were released this year, all with unique designs that attracted different types of players. Some of the highlights of our scratch game line-up included "200X", where players could multiply their winnings by up to 200 times. We also offered our "50th Anniversary" family that included a 2nd Chance Promotion with an opportunity to enter all non-winning tickets into drawings for big cash prizes; plus 50 lucky winners and their guests attended the Lottery's 50th Anniversary event, and we awarded an additional \$200,000 in cash and prizes! We plan to offer more 2nd Chance games and promotions in the future.

FAST PLAY

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: **\$38,684,135**

% of Total FY '22 Lottery Sales: **2.4%**

In July 2020, the CT Lottery launched "Fast Play," a new category of instant games. Fast Play games are like 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.

There are two types of Fast Play games: progressive games, where all games in a progressive family contribute to a rolling progressive jackpot and reset to a base amount when hit; and stand-alone, set top-prize games. Both are available in a variety of playstyles and themes just like traditional instant tickets.

FY '22 featured a record progressive jackpot of \$252,454. The jackpot was won on a \$10 Super 7's Progressive ticket. The previous record also occurred in FY '22 on a \$5 Hot Ticket Progressive ticket that won \$171,383.

DAILY NUMBERS GAMES

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: ***\$140,352,747***

% of Total FY '22 Lottery Sales: **8.8%**



Total FY '22 Sales: ***\$134,027,008***

% of Total FY '22 Lottery Sales: **8.3%**

Our Daily Numbers games give our players the opportunity to play their favorite three- and four-digit numbers, twice per day (Day & Night).

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

In February 2021, the CT Lottery added the "Wild Ball" feature to both 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 initial numbers drawn to create more chances to win. Adding the Wild Ball feature doubles the cost of a Play3/Play4 wager.

CASH5

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: ***\$29,054,680***

% of Total FY '22 Lottery Sales: **1.8%**

"Cash5" is Connecticut's nightly pari-mutuel 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 activating the "Kicker" number for an additional \$.50, players increase their chances to win. The top prize is won by matching all five numbers drawn, plus there are six additional prize levels in the game. With more than 1,000,000 winning Cash5 tickets sold each year and \$15 million+ awarded in prizes on average, Cash5 continues to be a Connecticut favorite.

LOTTO!

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: ***\$16,572,142***

% of Total FY '22 Lottery Sales: **1%**

Since November 1983, "Lotto!" has been a staple of our product mix. Lotto! is another Connecticut-only game in our portfolio and 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 they can have the numbers selected for them by choosing the "Quick Pick" option. Jackpots start at \$1,000,000 and grow until won. The jackpot is won by matching all six numbers drawn. Besides the jackpot, there are three other prize levels. Jackpot winners may opt to receive their prize money in 21, equal, annual installments or in a cash lump sum.

KENO

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: ***\$141,929,432***

% of Total FY '22 Lottery Sales: **8.9%**

"Keno" launched in April 2016, offering players "On the Spot Fun®" seven days a week, with lots of ways to play and win. Keno is drawn every four minutes, and players can win up to \$1,000,000. Winning combinations happen by matching some, none or all of their numbers (spots). 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 provides winners with a chance to multiply their prize by 2, 3, 4, 5, or 10 times! Adding the BONUS MULTIPLIER doubles the cost of a Keno ticket.

In addition to over \$93 million in prizes, FY '22 featured a \$400,000 win and two \$100,000 Keno wins!

POWERBALL®

FISCAL YEAR 2022 STATISTICS:

CONNECTICUT



Total FY '22 Sales: **\$79,968,877**

% of Total FY '22 Lottery Sales: **5%**

The CT Lottery joined the multi-state "Powerball®" game in November 1995. Drawings are now held Monday, Wednesday and Saturday nights (Monday night was added in August of 2021). Each play costs \$2. Players can add the Power Play® feature on their ticket for an additional \$1 per play giving them the chance to double the \$1,000,000 Match 5 prize or multiply any non-jackpot prize by 2, 3, 4, 5 times or 10 times the prize amount won. The 10x multiplier is only in play when the advertised jackpot annuity is \$150 million or less.

Powerball® uses a double matrix: players pick five different "white" ball numbers from 1 to 69, and one "red" Powerball® number from 1 to 26. Players can use a playslip to pick their numbers or select "Quick Pick."

Jackpots start at \$20 million and grow each drawing until won. The jackpot is won by matching all six numbers drawn (5 + 1). In addition to the jackpot, there are eight other prize levels. Jackpot winners may opt to receive their prize money as a 30-year annuity or as a lump sum. Players who correctly match five white ball numbers (5 + 0) with Power Play® automatically win \$2,000,000.

In FY '22, CT had a \$185.3 million jackpot winner!

MEGA MILLIONS®

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: **\$39,652,319**

% of Total FY '22 Lottery Sales: **2.5%**

The CT Lottery joined the multi-state "Mega Millions®" game in January 2010. Drawings are held Tuesday and Friday nights. Each play costs \$2. When players activate the Megaplier® feature on their ticket for an additional \$1 per play, players that win can multiply their non-jackpot prizes by 2, 3, 4 or 5 times the prize amount won.

Mega Millions® uses a double matrix: players pick five different "white" ball numbers from 1 to 70, and one "yellow" Mega Ball number from 1 to 25. Players can use a playslip to pick their numbers or select "Quick Pick."

Jackpots start at \$20 million and grow each drawing until won. The jackpot is won by matching all six numbers drawn (5 + 1). In addition to the jackpot, there are eight other prize levels. Jackpot winners may opt to receive their prize money in 30-year annuity or as a lump sum.

LUCKY FOR LIFE®

FISCAL YEAR 2022 STATISTICS:



Total FY '22 Sales: ***\$30,514,784***

% of Total FY '22 Lottery Sales: **1.9%**

The "Lucky for Life®" game began in 2009 as a Connecticut-only draw game designed to offer a "for-life" prize that was previously only offered in scratch games. Five other New England states joined Connecticut in 2012 to form a multi-state game that offered a top prize of \$1,000 a day for life!

Due to the popularity of the "for life" prize on a draw game, Lucky for Life® continued to add states over the years and enhance the prize structure. The Lucky for Life® game added a \$25,000 a year for life prize, making it the only draw game with two "for life" prizes.

Lucky for Life® currently includes 23 states and is now drawn every night. Lucky for Life® uses a double matrix: players pick five different "white" ball numbers from 1 to 48, and one "yellow" Lucky Ball number from 1 to 18. Players can use a playslip to pick their numbers or select "Quick Pick."

The "\$365,000 a year for life" top prize is won by matching all six numbers drawn (5 +1), and the "\$25,000 a year for life" second prize is won by matching all five "white" ball numbers (5+ 0).

In FY '22 – CT had 10, "\$25,000 a year for life" prize winners!

SPORTS BETTING - STARTED OCTOBER 2021

FISCAL YEAR 2022 STATISTICS*:



CT Lottery

PLAYSUGARHOUSE.COM
SPORTSBOOK

Retail: **\$56,239,315** **37%**

Online: **\$94,944,703** **63%**

Total: **\$151,184,018**

% of Total FY '22 Lottery Sales: **9.4%**

**Totals reflect October 2021 through June 30, 2022 and not a full fiscal year.*

CLC launched sports betting in October 2021 after selecting Rush Street Interactive (RSI) as our sports betting operator. Online sports wagering began on October 19, and our first retail sports betting venue opened on October 25.

CLC also partnered with Connecticut-based Sportech to offer sports betting at many of Sportech's OTB locations, including Bobby V's locations in Stamford and Windsor Locks, Sports Haven in New Haven and several other Winners locations. CLC will be adding more retail locations in 2023.

In Connecticut, patrons showed strong interest in the four major sports leagues – NFL, MLB, NBA & NHL; MLB was the league most players wagered on, both online and at retail. There was also good customer interest in college sports and professional golf and tennis. For online sports betting through PlaySugarHouse.com and the PlaySugarHouse app, approximately 87% of wagers were placed via a mobile device versus 13% desktop.

CONNECTICUT LOTTERY CORPORATION

LOOK WHO'S WINNING!

Serendipity Strikes Mother-Daughter Duo with a \$10,000 Top Prize Win!

Terry Lionheart and her daughter, Amy, live in Danbury, where they go food shopping together at the supermarket. After a long day at work recently, Amy said she was just too tired to take them food shopping, so Terry chose to head out solo to a nearby bodega for a couple of needed groceries. Right nearby was Tropical Deli—a place where Terry always wanted to buy scratch tickets but had never stopped before.

“I bought one last 10X Cash (15th Edition) ticket and brought it home. Normally, I scratch them as soon as I get them, but for some reason, I didn't play it until the next day over breakfast. I scratched row two and won \$2,000, and a couple of rows later, I won another \$8,000!”

The timing of the \$10,000 prize couldn't be better. All of the money will go into the new house Amy bought, just for the two of them.

Retailer: Tropical Deli, Danbury



Hamden Man's Traffic Delay Results in "Super 7s" \$252,454 Progressive Jackpot Win

Ray Giordano of Hamden got stuck in traffic on Saturday, while on the way to get his boat ready for the water. When he finally got off the highway, Ray made his usual stop for a couple bottles of water, a package of Pop-Tarts, and a Fast Play “Super 7s” Progressive ticket.

“I walked back to my car and started checking my ticket. When I got to the third line and saw the Progressive Jackpot symbol and three (matching) numbers, I thought, “This can't be! I'd won the jackpot! For once, hitting traffic did something good for me,” said Ray with a laugh. “Everything I've been wanting to do on the house, I'm going to do. I'll put the rest in the bank until I figure out how to invest it.

Retailer: Henny Penny Mystic 25, Mystic



CONNECTICUT LOTTERY CORPORATION

LOOK WHO'S WINNING!

Traveling Nurse Scoops Up \$10,000 While Passing Through the State

Elizabeth Robertson, a traveling nurse from Lake Charles, LA, was passing through Connecticut with her husband when they got off the parkway for a cup of coffee and a "30X Cash 9th Edition" scratch ticket. "I was scratching my ticket while my husband was driving. I said, 'Bae, I think I won!'"

Just to be sure, they made a stop at a different gas station to scan the ticket again and check the total amount of the prize. It was a cool \$10,000. "This is the highest ticket I ever won on, and it came at just the right time. We're in the process of buying a house, so this will go right toward the down payment."

Retailer: Alltown South Orange #829, Orange



Litchfield Couple Celebrates \$100,000 Cash5 Win with Dinner and a Wedding Proposal

On Dec. 14, Tom Heltzel of Litchfield stopped at Cumberland Farms #4590 in Torrington, and bought a Quick Pick for each of the day's draw games. The next morning, Tom visited the same retailer and checked his tickets for winners.

"None of them were winners—until I got to the last ticket, Cash5. My eyes are not as good as they used to be, so I had to take another look when I saw 'Winner \$100,000' on the ticket checker. I never saw so many zeros!"

To celebrate his \$100,000 win, Tom took his girlfriend, Karen, out for a delicious dinner and topped-off the evening with a wedding proposal! (P.S. She said, YES!)

Retailer: Cumberland Farms #4590, Torrington



CONNECTICUT LOTTERY CORPORATION

LOOK WHO'S WINNING!

Branford Couple Celebrates 41st Wedding Anniversary with \$10,000 Prize Win

What's the appropriate gift to commemorate 41 years of marriage? For Michael Daniele, Sr., of Branford, it was a trip to Boston with his wife, Bernadette, topped off with a \$10,000 prize-winning "\$100,000 Cashword 11" scratch ticket.

"My husband bought the ticket and put it in my anniversary card, but I didn't play it until after we got back home. The next day, I played the ticket at work. When I saw that I won \$10,000, I couldn't believe it!"

Retailer: Patco Handy Stop, North Branford



Windsor Resident Claims "Mega Multiplier" Scratch Game's \$1,000,000 Top Prize

Scratching off the "Mega Multiplier" ticket's barcode, Chris Wujek of Windsor checked it with a ticket checker and got a message that he had never seen before. Thinking he might have won the game's \$100,000 prize, Chris handed the store owner his ticket to scan with the lottery terminal. After a moment, Chris heard the owner say, "You didn't win \$100,000, but you won \$1,000,000!"

Instead of choosing the game's \$1,000,000 annuity prize, Chris claimed the \$785,000 cash option. "I've been wanting a Corvette, so next summer we'll be getting a nice, new toy, and taking a vacation to Puerto Rico or Aruba. We haven't been on a vacation in five years!"

Retailer: Deerfield Package Store, Windsor



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 2022 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.

- **New Statewide Responsible Gambling Campaign Launched:** In coordination with the expansion of gaming in Connecticut, CT Lottery was proud to partner with the Connecticut Council on Problem Gambling, Foxwoods, Mohegan Sun, and Sportech to launch a new statewide responsible gambling campaign, *Responsible Play – The CT Way*. The campaign is a unified approach by Connecticut's key stakeholders in the gaming and problem gambling communities to increase awareness of responsible gambling initiatives and provide resources to those in need. The new logo and messaging is now featured across all gaming operators in Connecticut to provide a common, identifiable resource for responsible gambling information and problem gambling resources. For more information about this new campaign and for some helpful responsible gambling tips, please visit www.ResponsiblePlayCT.org.
- **Achieving the Highest Level of Responsible Gambling Program Certification:** In order to best implement our RG efforts, CT Lottery participates in the North American Association of State and Provincial Lotteries (NASPL) - National Council on Problem Gambling (NCPG) responsible gambling standards verification program. In late 2021, CLC was certified by NASPL - NCPG at its highest certification, the Sustaining Level, making the CLC one of the only lotteries in North America to reach this level of achievement.
- **Holiday Responsible Gambling Campaign:** For the 13th 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 eighth year, 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 thousands of toys for Connecticut Children's and raised awareness about RG at the same time. The National Council on Problem Gambling also awarded the CLC with their 2022 Gift Responsibly Campaign Award as the best Gift Responsibly campaign in North America for the 2021 holiday season.
- **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, 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 more than 20-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.
- **NCPG and CCPG:** The CLC annually sponsors and participates in both the NCPG and CCPG conferences.

CORPORATE RESPONSIBILITY

Pro Business Initiatives and Supplier Diversity

- The CLC has incorporated supplier diversity as an important business strategy. These strategies are accomplished in a variety of ways, including but not limited to: employee training, trade events, and open house meet & greets. In 2013 the CLC's Newsletter, Chatter That Matters® was launched. This newsletter highlights the CLC's commitment to Corporate Responsibility and features articles on Supplier Diversity & Inclusion, Responsible Gambling, Pro Business, Green Initiatives, and Employee Engagement.
- **Greater New England Minority Supplier Development Council (GNEMSDC) Membership:** The CLC has proudly sponsored the Greater New England Minority Supplier Development Council since 2011 and to this day continues to collaborate with the organization as an active member. Procurement participates in quarterly meetings and the annual gala. Additionally, the Purchasing team as well as many members of the Sales Department attend the GNEMSDC's annual business Trade Show. In April 2019, we hosted a matchmaking 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 nearly 75 local and minority suppliers attended.

In 2018, GNEMSDC awarded the CLC "Local Corporation of the Year." The Local Corporation of the Year award goes to a corporation that displays strong support for Minority Business Enterprises (MBEs) as a community.

GNEMSDC 2021 Nomination. GBG – The Corporate Gift Source nominated and the GNEMSDC awarded CLC's Director of Operations Suzanne Colley "Buyer of the Year." GBG is a certified "Economically disadvantaged Women Owned Small Business" and a long time CLC vendor. The award recognizes an individual's dedication and commitment throughout the year towards supplier diversity.

- **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, events, and sponsorship opportunities.

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.

CORPORATE RESPONSIBILITY

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.

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

Board of Directors
The Connecticut Lottery Corporation
(A Component Unit of the State of Connecticut)
Rocky Hill, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Connecticut Lottery Corporation, a component unit of the State of Connecticut, as of and for the years ended June 30, 2022, and 2021 and the related notes to the financial statements, which collectively comprise The Connecticut Lottery Corporation's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and OPEB schedules, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Connecticut Lottery Corporation's basic financial statements. The schedule of profit margins by type, the combining statements of net position and the combining statements of revenues, expenses, and changes in net position 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 information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of profit margins by type, the combining statements of net position, and the combining statements of revenues, expenses, and changes in net position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022, on our consideration of The Connecticut Lottery Corporation'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 Connecticut Lottery Corporation'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 Connecticut Lottery Corporation's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP
West Hartford, Connecticut
November 22, 2022

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEARS ENDED JUNE 30, 2022 AND 2021

The following Management's Discussion and Analysis (MD&A) provides an overview of the Connecticut Lottery Corporation's (the Corporation) financial performance for the fiscal years ended June 30, 2022 and 2021. 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 CT Lottery Corporation 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, and subsequently in 2021, the operation of sports wagering. The Corporation's 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 Corporation's financial position as of June 30, 2022 and 2021.
- **Statements of Revenues, Expenses, and Changes in Net Position (Deficit)** report the revenues and expenses for the periods June 30, 2022 and 2021.
- **Statements of Cash Flows** reconcile the changes in cash and cash equivalents with the activities of the Corporation 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 2022

- Sales revenue, which includes lottery and sports wagering, totaled \$1.603 billion, up \$105 million or 7% compared to the prior year. Cost of sales (including prizes and commissions) totaled \$1.165 billion, up \$119 million or 11.4% compared to the prior fiscal year. Operating expenses were \$28.0 million, down \$3 million or -11.1% compared to the same period a year earlier. Transfers to the State's General Fund totaled \$402.2 million, down \$15.7 million or -3.9%. The General Fund transfer was second-highest ever in the history of the Corporation.

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 \$31.1 million, down \$0.4 million or -1.4% 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 Corporation.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEARS ENDED JUNE 30, 2022 AND 2021

CONDENSED FINANCIAL INFORMATION

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

Net position (deficit) represents the assets of the Corporation 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 Corporation'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 operating activities.

	2022	Increase (Decrease)	2021	Increase (Decrease)	2020
	<i>(in thousands)</i>				
Current assets	\$ 60,519	\$ 2,195	\$ 58,324	\$ 1,965	\$ 56,359
Investments and other noncurrent assets	124,179	(4,617)	128,796	(748)	129,544
Capital assets (net of accumulated depreciation)	461	215	246	(258)	504
Total Assets	\$ 185,159	\$ (2,207)	\$ 187,366	\$ 960	\$ 186,407
Deferred outflow of resources	\$ 29,445	\$ (4,910)	\$ 34,355	\$ (3,121)	\$ 37,476
Current liabilities	\$ 43,108	\$ 1,090	\$ 42,018	\$ (4,104)	\$ 46,122
Long-term liabilities	225,213	(21,468)	246,681	(1,040)	247,721
Total Liabilities	\$ 268,321	\$ (20,378)	\$ 288,699	\$ (5,144)	\$ 293,843
Deferred inflow of resources	\$ 29,922	\$ 12,595	\$ 17,326	\$ 5,346	\$ 11,980
Investment in capital assets	\$ 461	\$ 215	\$ 246	\$ (258)	\$ 504
Unrestricted Net Position	(84,099)	451	(84,551)	(2,107)	(82,444)
Total Net Position (Deficit)	\$ (83,638)		\$ (84,304)		\$ (81,940)

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEARS ENDED JUNE 30, 2022 AND 2021

CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

	2022	Increase (Decrease)	2021	Increase (Decrease)	2020
<i>(in thousands)</i>					
Revenues					
Total operating revenues, net	\$ 1,603,231	\$ 105,460	\$ 1,497,770	\$ 192,486	\$ 1,305,284
Other operating income	825	770	56	(64)	120
Nonoperating revenues					
Interest income	5,448	(600)	6,048	(153)	6,200
Other	6	(76)	82	73	9
Total Revenues	\$ 1,609,509	\$ 105,554	\$ 1,503,955	\$ 192,342	\$ 1,311,613
Costs and Expenses					
Total cost of sales	\$ 1,165,322	\$ 119,222	\$ 1,046,100	\$ 118,977	\$ 927,124
Total operating expenses	28,043	(3,079)	31,122	(444)	31,566
Nonoperating expense					
Interest expense	5,399	(177)	5,575	(165)	5,740
Total Costs and Expenses	\$ 1,198,764	\$ 115,966	\$ 1,082,798	\$ 118,367	\$ 964,430
Changes in Net Position					
Change in Net Position before contributions to State Funds	\$ 410,745	\$ (10,412)	\$ 421,157	\$ 73,974	\$ 347,183
Payment to General Fund	402,244	(15,756)	418,000	70,300	347,700
Payment to Chronic Gamblers' Fund	3,050	750	2,300	-	2,300
Payment to Office of Policy and Management	4,785	1,563	3,222	15	3,206
Total Change in Net Position	\$ 666		\$ (2,364)		\$ (6,024)
Total Net Position (Deficit), beginning balance	\$ (84,304)		\$ (81,940)		\$ (75,916)
Total Net Position (Deficit), ending balance	\$ (83,638)		\$ (84,304)		\$ (81,940)

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEARS ENDED JUNE 30, 2022 AND 2021

OVERVIEW OF FINANCIAL POSITION

Total assets were \$185.1 million as of June 30, 2022, a decrease of \$2.2 million compared to the prior fiscal year. Current assets totaled \$60.5 million comprised primarily of cash and cash equivalents of \$22.6 million, accounts receivable of \$31.2 million, and investments for prize payments of \$4.2 million. Noncurrent assets totaled \$124.2 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.

Total liabilities were \$268.3 million as of June 30, 2022 a decrease of \$20.4 million from the prior fiscal year. Current liabilities due within one year totaled \$43.1 million primarily related to prizes, annuity prize payments, and accounts payable and accrued expenses. Long-term liabilities totaled \$225.2 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 Corporation's proportionate share of the State of CT net pension liability and net OPEB liability and deferred rent.

Deferred outflows of resources totaled \$29.4 million and deferred inflows of resources totaled \$29.9 million as of June 30, 2022. Deferred outflows of resources reflect the net impact of the Corporation's 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 Corporation's proportionate share of the State's pension and OPEB liabilities.

Total assets were \$187.4 million as of June 30, 2021, an increase of \$1.0 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 \$128.8 million, consisting primarily of investments for lottery prize payments (at present value) and prize reserves. Investments for lottery 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 Corporation also reported \$2.8 million in prepaid expenses relating to lottery equipment and costs incurred that will be amortized over the remaining life of the lottery system 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 Corporation'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 the Corporation's 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 Corporation's proportionate share of the State's pension and OPEB liabilities.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEARS ENDED JUNE 30, 2022 AND 2021

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

	2022	\$	%	2021	\$	%	2020	
				<i>(in thousands)</i>				
		Increase (Decrease)				Increase (Decrease)		
SALES								
Instant games	\$ 801,290	\$ (36,415)	(4.3)%	\$ 837,705	\$ 80,737	10.7%	\$ 756,968	
Daily number games	274,380	(19,790)	(6.7)	294,170	34,917	13.5	259,253	
Multi-State games*	150,136	11,104	8.0	139,032	33,481	31.7	105,551	
Keno	141,930	5,926	4.4	136,004	20,554	17.8	115,450	
Lotto!	16,572	(4,064)	(19.7)	20,636	(10,341)	(33.4)	30,977	
Cash5	29,055	(4,078)	(12.3)	33,133	1,919	6.1	31,214	
Fast Play	38,684	1,594	4.3	37,090	37,090	–	–	
Lucky Links	–	–	–	–	(5,871)	(100.0)	5,871	
Sports Betting	151,184	151,184	100.0	–	–	–	–	
Total Sales	\$1,603,231	\$ 105,461	7.0%	\$ 1,497,770	\$ 192,486	14.7%	\$ 1,305,284	

RELATED EXPENSES

Prize expense	\$1,041,156	\$ 111,403	12.0%	\$ 929,753	\$ 107,510	13.1%	\$ 822,243
Retailer commissions	84,384	777	0.9	83,607	10,712	14.7	72,895
Gaming systems	15,326	(44)	(0.3)	15,370	618	4.2	14,752
Marketing and advertising	14,603	4,000	37.7	10,603	204	2.0	10,399
Production expenses	9,853	3,086	45.6	6,767	(68)	(1.0)	6,835

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

Total sales revenue for the fiscal year 2022, which includes lottery and sports wagering, amounted to \$1,603.2 million, up \$105.5 million, or 7.0%, from the prior fiscal year. Sales revenue for the portfolio of instant games totaled \$801.3, down \$36.4 million, or -4.3%, from the prior fiscal year. The daily number games contributed \$274.4 million of sales revenue, down \$19.8 million or -6.7% from the prior fiscal year. The sales revenue for multi-state games equaled \$150.1 million, an increase of \$11.1 million or 8.0% from the prior fiscal year. Keno revenue provided \$141.9 million, an increase of \$5.9 million or 4.4%.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEARS ENDED JUNE 30, 2022 AND 2021

OVERVIEW OF FINANCIAL POSITION (CONTINUED)

Lotto! revenue totaled \$16.6 million, down \$4.0 million or -19.7%. Cash5 revenue totaled \$29.1 million. The Lucky Links game ended on June 30, 2020.

Sports Betting revenue, new to the Lottery in FY 2022, totaled \$151.0 million.

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 each online draw game is designed with a specific prize structure, however, prize expense fluctuates due to variable payouts on the selection of winning numbers from random drawings.

Prize expense for sports wagering is much higher than lottery as an industry norm, generally totaling 90-95% of sales. The amount of wagers on an event and the resulting score can create large swings in prize payout. The same holds true for parlay wagers (wagers placed on multiple outcomes).

Total prize expense for the period ended June 30, 2022 amounted to \$1.041.2 million compared to \$929.8 million in the prior year. The prize expense increased as a percentage of sales from 62.1% to 64.9%, largely due to the higher payout ratio in sports wagering.

Retailer commissions totaled \$84.4 million compared to \$83.6 million in the prior year. Retailers earn lottery selling and cashing commissions and are eligible for various incentive compensation throughout the year to promote selected games and activities. Sports wagering retailers normally earn a revenue share based on either gross sales or gross gaming revenue (sales less prizes).

Gaming system and network administration expenses totaled \$15.3 million compared to \$15.4 million in the prior year. Marketing and advertising expenses totaled \$14.6 million for fiscal year 2022 compared to \$10.6 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 \$9.9 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 \$28.0 million for the year ending June 30, 2022, compared to \$31.0 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 \$402.2 million compared to \$418.0 million in the prior year. Payments to the General Fund reflect the net earnings of the Corporation that are available for transfer. The Corporation also transfers statutorily required payments to the Chronic Gamblers Fund of \$3.3 million annually. Due to partial year of sports wagering, the transfer this year was \$3.1 million. The Corporation reimburses the Office of Policy and Management to compensate the Department of Consumer Protection for the costs for regulatory oversight. Regulatory costs totaled \$4.8 million for the year ending June 30, 2022 (\$3.4 million for lottery plus a prorated \$1.4 million for sports wagering), and \$3.2 million for the prior year.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, YEARS ENDED JUNE 30, 2022 AND 2021

BUDGETARY COMPARISONS

The Corporation'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 Corporation to maximize the payments to the State's General Fund. As a quasi-public corporation, the 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 Corporation leases office and warehouse facilities under long-term operating leases. Capital assets consist of computer equipment and office furniture and equipment. Capital assets are not a significant portion of total assets.

The Corporation 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 Corporation'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

COMBINED STATEMENTS OF NET POSITION

	Lottery	Sports Betting	Eliminations	Combined
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 22,590,309	\$ 1,525,197	\$ –	\$ 24,115,506
Accounts receivable, net of allowance for doubtful accounts of \$341,636 in 2022 and \$293,170 in 2021	27,455,400	255,591	–	27,710,991
Investments for prize payments, at net present value	4,158,977	–	–	4,158,977
Accrued interest receivable	945,886	–	–	945,886
Intercompany Receivable	3,778,880	–	(3,778,880)	–
Ticket inventory, net of allowance of \$128,322 in 2022 and \$179,641 in 2021	767,674	–	–	767,674
Prepaid expenses	2,484,520	335,601	–	2,820,121
Total Current Assets	\$ 62,181,646	\$ 2,116,389	\$ (3,778,880)	\$ 60,519,155
NONCURRENT ASSETS				
Investments for prize payments at present value	\$ 119,031,881	\$ –	\$ –	\$ 119,031,881
Prize reserves held by Multi-State Lottery Association	5,146,888	–	–	5,146,888
Capital assets, net	461,121	–	–	461,121
Prepaid expenses	–	–	–	–
Total Noncurrent Assets	\$ 124,639,890	\$ –	\$ –	\$ 124,639,890
Total Assets	\$ 186,821,536	\$ 2,116,389	\$ (3,778,880)	\$ 185,159,045
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount for pension	\$ 14,101,808	\$ (558)	\$ –	\$ 14,101,250
Deferred amount for OPEB	15,475,880	(132,016)	–	15,343,864
Total Deferred Outflows of Resources	\$ 29,577,688	\$ (132,574)	\$ –	\$ 29,445,114

	Lottery	Sports Betting	Eliminations	Combined
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Annuities payable, at net present value	\$ 4,913,588	\$ –	\$ –	\$ 4,913,588
Prizes payable	23,449,327	539,528	–	23,988,855
Accrued interest payable	945,886	–	–	945,886
Accounts payable and accrued expenses	–	3,778,880	(3,778,880)	–
Intercompany Receivable	9,471,882	765,434	–	10,237,316
Due to regional game states	608,760	–	–	608,760
Due to Multi-State Lottery Association	1,332,916	–	–	1,332,916
Unearned revenue	913,122	167,437	–	1,080,559
Total Current Liabilities	\$ 41,635,481	\$ 5,251,279	\$ (3,778,880)	\$ 43,107,880
LONG-TERM LIABILITIES				
Long-term annuities payable, at net present value	\$ 119,031,881	\$ –	\$ –	\$ 119,031,881
Deferred rent	85,297	–	–	85,297
Net pension liability	101,084	(92,510)	–	54,008,574
Net OPEB liability	52,493,097	(406,030)	–	52,087,067
Total Long-Term Liabilities	\$ 225,711,359	\$ (498,540)	\$ –	\$ 225,212,819
Total Liabilities	\$ 267,346,840	\$ 4,752,739	\$ (3,778,880)	\$ 268,320,699
DEFERRED INFLOWS OF RESOURCES				
Deferred amount on pension	\$ 7,360,876	\$ 66,935	\$ –	\$ 7,427,811
Deferred amount for OPEB	22,220,953	273,141	–	22,494,094
Total Deferred Inflows of Resources	\$ 29,581,829	\$ 340,076	\$ –	\$ 29,921,905
NET POSITION				
Net investment in capital assets	\$ 461,121	\$ –	\$ –	\$ 461,121
Unrestricted	(80,990,566)	(3,109,000)	–	(84,099,566)
Total Net Position (Deficit)	\$ (80,529,445)	\$ (3,109,000)	\$ –	\$ (83,638,445)

CONNECTICUT LOTTERY CORPORATION

COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Lottery	Sports Betting	Eliminations	Combined
OPERATING REVENUES –				
GAME SALES				
Instant	\$ 801,291,947	\$ –	\$ –	\$ 801,291,947
Online	503,571,486	–	–	503,571,486
Sports Betting	–	151,799,958	–	151,799,958
Multi-State	150,264,256	–	–	150,264,256
Total	\$ 1,455,127,689	\$ 151,799,958	\$ –	\$ 1,606,927,647
Less sales returns, cancellations and promotions	(3,081,206)	(615,940)	–	(3,697,146)
Total Operating Revenues	\$ 1,452,046,483	\$ 151,184,018	\$ –	\$ 1,603,230,501
COST OF SALES				
Prize expense	\$ 900,028,446	\$ 141,127,984	\$ –	\$ 1,041,156,430
Retailer commissions	81,143,051	3,240,460	–	84,383,511
Gaming systems	15,326,040	–	–	15,326,040
Marketing and advertising	12,708,439	1,894,650	–	14,603,089
Production expenses	6,320,860	3,532,308	–	9,853,168
Total Cost of Sales	\$ 1,015,526,836	\$ 149,795,402	\$ –	\$ 1,165,322,238
OPERATING EXPENSES				
Salaries and benefits	\$ 21,918,813	\$ 604,479	\$ –	\$ 22,523,292
Other operating expenses	4,783,613	557,981	–	5,341,594
Depreciation and amortization	110,902	–	–	110,902
Bad debt expense	67,033	–	–	67,033
Total Operating Expenses	\$ 26,880,361	\$ 1,162,460	\$ –	\$ 28,042,821
OTHER OPERATING INCOME	\$ 825,221	\$ –	\$ –	\$ 825,221
Operating Income	\$ 410,464,507	\$ 226,156	\$ –	\$ 410,690,633

	Lottery	Sports Betting	Eliminations	Combined
NON-OPERATING REVENUES (EXPENSES)				
Interest income from investments on annuities	\$ 5,398,518	\$ –	\$ –	\$ 5,398,518
Interest income	49,226	–	–	49,226
Interest expense on annuity payments	(5,398,518)	–	–	(5,398,518)
Annuity assignment	5,500	–	–	5,500
<i>Total Nonoperating Revenues</i>	\$ 54,726	\$ –	\$ –	\$ 54,726
CHANGE IN NET POSITION AVAILABLE BEFORE PAYMENTS TO STATE FUNDS				
	\$ 410,519,233	\$ 226,156	\$ –	\$ 410,745,389
PAYMENTS TO STATE FUNDS				
General Fund	\$ 401,002,787	\$ 1,241,428	\$ –	\$ 402,244,215
Office of Policy and Management	3,441,243	1,343,728	–	4,784,971
Chronic Gamblers' Fund	2,300,000	750,000	–	3,050,000
<i>Total Payments to State Funds</i>	\$ 406,744,030	\$ 3,335,156	\$ –	\$ 410,079,186
CHANGE IN NET POSITION (DEFICIT)				
	\$ 3,775,203	\$ (3,109,000)	\$ –	\$ 666,203
NET DEFICIT, BEGINNING OF YEAR				
	\$ (84,304,648)	\$ –	\$ –	\$ (84,304,648)
NET DEFICIT, END OF YEAR				
	\$ (80,529,445)	\$ (3,109,000)	\$ –	\$ (83,638,445)

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF NET POSITION (DEFECIT)

	June 30	
	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,115,506	\$ 24,980,751
Accounts receivable, net of allowance for doubtful accounts of \$341,636 in 2022 and \$293,170 in 2021	27,710,991	24,218,681
Investments for prize payments, at net present value	4,158,977	4,229,822
Accrued interest receivable	945,886	995,070
Ticket inventory, net of allowance of \$128,322 in 2022 and \$179,641 in 2021	767,674	715,956
Prepaid expenses	2,820,121	3,183,555
	Total Current Assets	\$ 58,323,835
NONCURRENT ASSETS		
Investments for prize payments at present value	\$ 119,031,881	\$ 122,139,650
Prize reserves held by Multi-State Lottery Association	5,146,888	5,366,709
Capital assets, net	461,121	246,307
Prepaid expenses	-	1,289,197
	Total Noncurrent Assets	\$ 129,041,863
	Total Assets	\$ 187,365,698
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pension	\$ 14,101,250	\$ 14,121,895
Deferred amount for OPEB	15,343,864	20,233,302
	Total Deferred Outflows of Resources	\$ 34,355,197

See accompanying Notes to Financial Statements.

	June 30	
	2022	2021
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Annuities payable, at net present value	\$ 4,913,588	\$ 4,901,063
Prizes payable	23,988,855	26,594,310
Accrued interest payable	945,886	995,070
Accounts payable and accrued expenses	10,237,316	7,594,777
Due to regional game states	608,760	648,963
Due to Multi-State Lottery Association	1,332,916	645,182
Unearned revenue	1,080,559	638,849
Total Current Liabilities	\$ 43,107,880	\$ 42,018,214
LONG-TERM LIABILITIES		
Long-term annuities payable, at net present value	\$ 119,031,881	\$ 121,950,161
Deferred rent	85,297	170,594
Net pension liability	54,008,574	57,434,854
Net OPEB liability	52,087,067	67,125,223
Total Long-Term Liabilities	\$ 225,212,819	\$ 246,680,832
Total Liabilities	\$ 268,320,699	\$ 288,699,046
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on pension	\$ 7,427,811	\$ 4,948,767
Deferred amount for OPEB	22,494,094	12,377,730
Total Deferred Inflows of Resources	\$ 29,921,905	\$ 17,326,497
NET POSITION		
Net investment in capital assets	\$ 461,121	\$ 246,307
Unrestricted	(84,099,566)	(84,550,955)
Total Net Position (Deficit)	\$ (83,638,445)	\$ (84,304,648)

See accompanying Notes to Financial Statements.

CONNECTICUT LOTTERY CORPORATION

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

	Years ended June 30	
	2022	2021
OPERATING REVENUES – GAME SALES		
Instant	\$ 801,291,947	\$ 837,705,806
Online	503,571,486	524,103,228
Sports Betting	151,799,958	-
Multi-State	150,264,256	139,063,267
Total	\$ 1,606,927,647	\$ 1,500,872,301
Less sales returns, cancellations and promotions	(3,697,146)	(3,102,222)
Total Operating Revenues	\$ 1,603,230,501	\$ 1,497,770,079
COST OF SALES		
Prize expense	\$ 1,041,156,430	\$ 929,753,347
Retailer commissions	84,383,511	83,606,718
Gaming systems	15,326,040	15,369,646
Marketing and advertising	14,603,089	10,602,757
Production expenses	9,853,168	6,767,916
Total Cost of Sales	\$ 1,165,322,238	\$ 1,046,100,384
OPERATING EXPENSES		
Salaries and benefits	\$ 22,523,292	\$ 27,227,998
Other operating expenses	5,341,594	3,834,698
Depreciation and amortization	110,902	176,740
Bad debt expense	67,033	(117,543)
Total Operating Expenses	\$ 28,042,821	\$ 31,121,893
OTHER OPERATING INCOME	\$ 825,221	\$ 55,635
Operating Income	\$ 410,690,663	\$ 420,603,437

See accompanying Notes to Financial Statements.

	Years ended June 30	
	2022	2021
NON-OPERATING REVENUES (EXPENSES)		
Interest income from investments on annuities	\$ 5,398,518	\$ 5,575,279
Interest income	49,226	472,318
Interest expense on annuity payments	(5,398,518)	(5,575,279)
Other - Settlement	-	75,000
Annuity assignment	5,500	6,500
<i>Total Nonoperating Revenues</i>	\$ 54,726	\$ 553,818
CHANGE IN NET POSITION AVAILABLE BEFORE PAYMENTS TO STATE FUNDS	\$ 410,745,389	\$ 421,157,255
NONOPERATING PAYMENTS TO THE STATE OF CONNECTICUT FUNDS		
General Fund	\$ 402,244,215	\$ 418,000,000
Office of Policy and Management	4,784,971	3,221,745
Chronic Gamblers' Fund	3,050,000	2,300,000
<i>Total Payments to State Funds</i>	\$ 410,079,186	\$ 423,521,745
CHANGE IN NET POSITION (DEFICIT)	\$ 666,203	\$ (2,364,490)
NET DEFICIT, BEGINNING OF YEAR	\$ (84,304,648)	\$ (81,940,158)
NET DEFICIT, END OF YEAR	\$ (83,638,445)	\$ (84,304,648)

See accompanying Notes to Financial Statements.

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from sale of game tickets	\$ 1,600,112,868	\$ 1,510,618,127
Receipts from other operating income	825,221	55,635
Payments for prizes	(1,042,894,533)	(930,942,588)
Payments to retailers	(84,383,511)	(83,606,718)
Payments to suppliers	(35,538,845)	(32,483,882)
Payments to employees	(23,482,237)	(21,173,688)
Payments for other expenses	(5,426,891)	(3,919,995)
<i>Net Cash Provided by Operating Activities</i>	\$ 409,212,072	\$ 438,546,891
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of principal from annuities	\$ 4,634,711	\$ 5,992,875
Receipts of interest from annuities	5,447,702	5,659,399
Receipt of interest from cash equivalents	49,226	472,318
Purchase of insurance annuities	(1,456,098)	(7,166,248)
<i>Net Cash Provided by Investing Activities</i>	\$ 8,675,541	\$ 4,958,344
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Disposals (Purchases) of Capital Assets	\$ (325,716)	\$ 80,733
<i>Net Cash Provided (Used) by Capital Financing Activities</i>	\$ (325,716)	\$ 80,733
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment of principal on long-term annuities	\$ (4,361,852)	\$ (6,132,894)
Payment of interest on long-term annuities payable	(5,447,702)	(5,659,399)
Annuity assignment	5,500	6,500
Payments to the State of Connecticut	(402,244,215)	(418,000,000)
Payments to Office of Policy and Management	(4,784,971)	(3,221,745)
Payments to the Chronic Gamblers' Fund	(3,050,000)	(2,300,000)
Receipts from annuities	1,456,098	7,166,248
Receipt from settlement	-	75,000
<i>Net Cash Used in Noncapital Financing Activities</i>	\$ (418,427,142)	\$ (428,066,290)

See accompanying Notes to Financial Statements.

	Years ended June 30	
	2022	2021
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (865,245)	\$ 15,519,678
CASH AND CASH EQUIVALENTS – Beginning of year	24,980,751	9,461,073
CASH AND CASH EQUIVALENTS – End of year	\$ 24,115,506	\$ 24,980,751
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 410,690,663	\$ 420,603,437
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	110,902	176,740
Bad debt expense	67,033	(117,543)
Deferrals of pension and OPEB expense	(958,945)	6,054,310
Changes in operating assets and liabilities:		
Accounts receivable	(3,559,343)	13,012,456
Accounts payable and accrued expenses	2,642,539	(1,564,384)
Ticket inventory	(51,718)	1,081,169
Prepaid expenses	363,434	(979,276)
Prize reserves	219,821	676,654
Prizes payable	(2,605,455)	(1,455,128)
Due to Multi-State Lottery Association	687,734	(9,461)
Due to regional game states	(40,203)	(401,306)
Unearned revenue	441,710	(164,408)
Deferred rent liability	(85,297)	(85,297)
Prepaid expenses - long term	1,289,197	1,718,928
<i>Net Cash Provided by Operating Activities</i>	\$ 409,212,072	\$ 438,546,891

See accompanying Notes to Financial Statements.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE I - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Connecticut Lottery Corporation (A Component Unit of the State of Connecticut) (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, 2022 AND 2021

NOTE I - 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

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.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE I – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment 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 Postemployment Benefits Program has been determined on the same basis as they are reported by the State of Connecticut Other Postemployment Benefits Program. Contributions made to the State of Connecticut Other Postemployment 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.
- **Sports Betting** – Revenue from sports betting is generated by online sales placed through an internet software application or in person via kiosks and by teller at retail locations. Revenue is recognized by events when completed. (For example: When a wager is placed in October for an NFL team to win the Super Bowl, it is unearned revenue until the event is completed.)

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE I - OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating and Nonoperating 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).

Prize expense for sports betting is recognized when a sporting event concludes and an outcome determined.

Prizes for Online Sports Betting are considered claimed at the conclusion of the sporting event and outcome determined. There are no unclaimed Prizes for Online Sports Betting.

Prizes for Retail Sports Betting may be claimed up to 180 days after the sporting event is officially considered settled. 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 sporting event, as appropriate (see Unclaimed Prizes).

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. There are no unclaimed prizes for sports betting. 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, 2022 and 2021, 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. Sports Betting Retailers are paid a revenue share which may differ by location.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

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 postemployment benefits. Net investment in capital assets represents resources net of accumulated depreciation invested in capital assets, less any outstanding balances of debt that are attributable to the acquisition, construction or improvement of those 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.

Adoption of New Accounting Standards — In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Entity adopted the requirements of the guidance effective July 1, 2020. There was no material impact on the entity's net position and changes in net position as a result of adoption of this standard.

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, 2022 and 2021, the carrying amounts of the Lottery's deposits were \$7,476,421 and \$9,417,477, respectively. Bank deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2022, the Lottery's bank balance was \$6,132,804. Of this amount, \$250,000 was covered by the FDIC and \$5,882,804 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, 2022 and 2021, the Lottery also had uninsured and uncollateralized investments of \$16,623,585 and \$15,547,774, 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.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

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 29 days as of June 30, 2022, and 31 days as of June 30, 2021. The Lottery's stated policy is to invest in highly liquid, short-term assets.

NOTE 3 - INVESTMENTS AND CREDIT RISK

In accordance with GASB Statement 72, *Fair Value Measurement and Application*, 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, 2022 and 2021:

	<u>Carrying Amount</u>	<u>Fair Value</u>
June 30, 2022		
Annuity contracts (at present value discounted at approximately 4.3%)	\$ 123,190,858	\$ 123,190,858
June 30, 2021		
Annuity contracts (at present value discounted at approximately 4.4%)	\$ 126,369,472	\$ 126,369,472

The Lottery has uncollateralized annuities with the following insurance companies that represent more than 5% of the outstanding total as follows at June 30, 2022 and 2021:

Insurance Company	<u>2022</u>	<u>2021</u>
Ohio National Life Insurance	\$ 40,995,667	\$ 42,862,983
Metropolitan Life Insurance	47,043,628	46,949,122
Savings Bank Life Insurance Co. of Massachusetts	25,015,250	25,441,114

As of June 30, 2022 and 2021, 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, 2022 AND 2021

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is presented below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital Assets:				
Computer equipment	\$ 2,189,274	\$ 325,716	\$	\$ 2,514,990
Furniture and equipment	2,800,289			2,800,289
Total capital assets	\$ 4,989,563	\$ 325,716	\$ -	\$ 5,315,279
Accumulated Depreciation				
Computer equipment	\$ 1,973,224	\$ 103,011		\$ 2,076,235
Furniture and equipment	2,770,032	7,891		2,777,923
Total accumulated depreciation	\$ 4,743,256	\$ 110,902	\$ -	\$ 4,854,158
Capital Assets, Net	\$ 246,307	\$ 214,814	\$ -	\$ 461,121

	Balance July 1, 2020	Additions	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
Total capital assets	\$ 4,945,268	\$ 44,295	\$ -	\$ 4,989,563
Accumulated Depreciation				
Computer equipment	\$ 1,867,007	\$ 106,217	\$	\$ 1,973,224
Furniture and equipment	2,740,976	29,056		2,770,032
Total accumulated depreciation	\$ 4,607,983	\$ 135,273	\$ -	\$ 4,743,256
Capital Assets, Net	\$ 337,285	\$ (90,978)	\$ -	\$ 246,307

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 5 - LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Activity for Fiscal Year 2022	\$ 126,851,224	\$ 1,456,098	\$ (4,361,853)	\$ 123,945,469	\$ 4,913,588
Activity for Fiscal Year 2021	\$ 125,817,870	\$ 7,166,248	\$ (6,132,894)	\$ 126,851,224	\$ 4,901,063

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

Year ending June 30	Principal	Interest
2023	\$ 4,913,588	\$ 4,626,218
2024	3,694,019	5,091,576
2025	3,802,423	4,927,173
2026	3,920,480	4,749,117
2027	3,708,397	4,574,963
2028 - 2032	18,051,333	20,373,817
2033 - 2037	15,050,052	16,540,123
2038 - 2042	13,649,542	13,311,658
2043 - 2047	12,019,081	10,375,144
2048 - 2052	10,057,144	8,032,606
2053 - 2057	9,636,527	5,889,748
2058 - 2062	8,914,569	3,920,231
2063 - 2067	7,303,920	2,332,405
2068 - 2072	5,507,312	1,107,038
2073 - 2077	2,454,102	426,273
2078 - 2082	1,243,321	107,079
2083 - 2084	19,659	2,424
	\$ 123,945,469	\$ 106,387,593

This debt represents periodic payments owed to lottery prize winners and is fully funded by investments in annuity contracts. Amounts due after 2042 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, 2022 AND 2021

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, 2022 and 2021, were as follows:

	2022	2021
Prize reserves held by MUSL	\$ 5,146,888	\$ 5,366,709
Prize liability due to MUSL	1,332,916	645,182

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, 2021, 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.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

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 10 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, 2022 AND 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Contributions Made — The Lottery’s contributions to the plan were \$4,538,600 and \$3,913,419 for the fiscal years ended June 30, 2022 and 2021, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources — GASB Statement 68, *Accounting and Financial Reporting for Pensions*, 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, 2022 and 2021, the Lottery reported a liability of \$54,008,574 and \$57,434,854, respectively, for its proportionate share of the net pension liability, which was measured as of June 30, 2022 and 2021, 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, 2022 and 2021, the SERS contribution rate was 69.07% and 65.64%, respectively. As of June 30, 2022 and 2021, the Lottery’s proportionate share was 0.25399% and 0.24212%, respectively.

For the years ended June 30, 2022 and 2021, the Lottery recognized pension expense of \$4,722,215 and \$6,942,580, respectively. Pension expense is reported in the Lottery’s financial statements as part of salaries and benefits expense.

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

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 3,736,755	\$ —
Net difference between projected and actual earnings on pension plan investments	—	3,808,254
Change of assumptions	—	99,540
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,715,585	3,520,017
Lottery contributions subsequent to the measurement date	5,648,910	—
	<u>\$ 14,101,250</u>	<u>\$ 7,427,811</u>

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 7 – PENSION PLAN (CONTINUED)

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

	2021	
	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	–
	\$ 14,121,895	\$ 4,948,767

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	
2023	\$ 655,457
2024	592,589
2025	189,784
2026	(685,483)
2027	272,182
	\$ 1,024,529

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions — The total pension liability for the year ended June 30, 2022 was determined based on the annual actuarial funding valuation report prepared as of June 30, 2021. The following actuarial assumptions are summarized below as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Inflation	2.50%	2.50%
Salary increase, including inflation	3.00% - 11.50%	3.50% - 19.50%
Investment rate of return, net of investment expense, including inflation	6.90%	6.90%

The Pub-2010 Mortality Tables projected generationally with scale MP-2020:

Non-Hazardous

- Service Retirees: General, Above-Median, Healthy Retiree.
- Disabled Retirees: General, Disabled Retiree.
- Beneficiaries: General, Above-Median Contingent Annuitant.
- Active Employees: General, Above-Median, Employee.

Hazardous

- Service Retirees: Public Safety, Above-Median, Healthy Retiree.
- Disabled Retirees: Public Safety, Disabled Retiree.
- Beneficiaries: Public Safety, Above-Median Contingent Annuitant.
- Active Employees: Public Safety, Above-Median, Employee.

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 2124.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

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%	5.4%
Developed Market International Stock	11.0	6.4
Emerging Market International Stock	9.0	8.6
Core Fixed Income	13.0	0.8
Emerging Market Debt	5.0	3.8
High Yield Bonds	3.0	3.4
Real Estate	19.0	5.2
Private Equity	10.0	9.4
Private Credit	5.0	6.5
Alternative Investments	3.0	3.1
Liquidity Fund	2.0	(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, as well as what the proportionate share of the liability would be if it were calculated using a discount rate that is 1% lower or 1% higher:

	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Net Pension Liability			
June 30, 2022	\$ 65,635,164	\$ 54,008,574	\$44,313,491
June 30, 2021	\$ 68,236,910	\$ 57,434,854	\$48,407,204

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 8 - POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the State provides postemployment 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; or (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 postemployment 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 \$2,733,688 and \$2,590,825 for the fiscal years ended June 30, 2022 and 2021, respectively.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources — GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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, 2022 and 2021, the Lottery reported a liability of \$52,087,067 and \$67,125,223, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability as of June 30, 2022, was measured as of June 30, 2021, 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, 2022 and 2021, the rate was 29.93% and 33.49%, respectively. As of June 30, 2022 and 2021, the Lottery's proportion was 0.26674% and 0.28514%, respectively.

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 8 - POSTEMPLOYMENT BENEFITS (CONTINUED)

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

For the years ended June 30, 2022 and 2021, the Lottery recognized OPEB expense of \$2,425,978 and \$5,935,346, respectively. OPEB expense is reported in the Lottery's financial statements as part of salaries and benefits expense.

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

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 837,106	\$ 1,027,771
Net difference between projected and actual earnings on OPEB plan investments	–	485,153
Change of assumptions	7,539,200	11,226,482
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,233,870	9,754,688
Lottery contributions subsequent to the measurement date	2,733,688	–
	<u>\$ 15,343,864</u>	<u>\$ 22,494,094</u>

	2021	
	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	–
	<u>\$ 20,233,302</u>	<u>\$ 12,377,730</u>

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 8 – POSTEMPLOYMENT 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:

Year Ending June 30	Amount
2023	\$ (2,047,369)
2024	(1,085,703)
2025	(2,927,647)
2026	(3,329,641)
2027	(493,558)
	\$ (9,883,918)

Actuarial Methods and Assumptions — The total OPEB liability in the June 30, 2021 actuarial valuation was determined using data as of June 30, 2020. The key actuarial assumptions are summarized below:

Salary increase	3.00% to 11.50% varying by years of service and retirement system, including inflation
Discount rate	2.31%
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 —

Non-Hazardous

- Preretirement: Pub-2010 General, Above-Median, Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020
- Healthy: Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020
- Disabled: Pub-2010 General, Above-Median, Disabled Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020
- Contingent: Pub-2010 General, Above-Median, Contingent Annuitant Headcount-weighted Mortality Table projected generationally using Scale MP-2020

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 8 - POSTEMPLOYMENT BENEFITS (CONTINUED)

Hazardous

- Preretirement: Pub-2010 General, Above-Median, Employee Headcount-weighted Mortality Table projected generationally using Scale MP-2020
- Healthy: Pub-2010 General, Above-Median, Healthy Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020
- Disabled: Pub-2010 General, Above-Median, Disabled Retiree Headcount-weighted Mortality Table projected generationally using Scale MP-2020
- Contingent: Pub-2010 General, Above-Median, Contingent Annuitant Headcount-weighted Mortality Table projected generationally using Scale MP-2020

Discount Rate — The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.31%. 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 (2.16% as of June 30, 2021, and 2.21% as of June 30, 2020). The blending is based on the sufficiency of projected assets to make projected benefit payments.

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%	5.4%
Developed Market International Stock	11.0	6.4
Emerging Market International Stock	9.0	8.6
Core Fixed Income	13.0	0.8
Emerging Market Debt	5.0	3.8
High Yield Bonds	3.0	3.4
Real Estate	19.0	5.2
Private Equity	10.0	9.4
Private Credit	5.0	6.5
Alternative Investments	3.0	3.1
Liquidity Fund	2.0	(0.4)
	100%	

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 8 - POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 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% lower or 1% higher than the current discount rate:

	1% Decrease (1.31%)	Discount Rate (2.31%)	1% Increase (3.31%)
Net OPEB Liability			
June 30, 2022	\$ 61,825,757	\$ 52,087,067	\$ 44,353,360
	1% Decrease (1.38%)	Discount Rate (2.38%)	1% Increase (3.58%)
Net OPEB Liability			
June 30, 2021	\$ 78,958,736	\$ 67,125,223	\$ 57,612,484

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% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability			
June 30, 2022	\$ 43,783,494	\$ 52,087,067	\$ 62,835,069
June 30, 2021	\$ 56,272,861	\$ 67,125,223	\$ 81,081,181

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2022 AND 2021

NOTE 9 - 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, 2022, 2021, and 2020, there were no claims or settlements that have exceeded insurance coverage.

NOTE 10 - 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 Eight Fiscal Years*	2021	2020	2019	2018
Lottery's portion of the net pension liability	0.25399 %	0.24212 %	0.26113 %	0.23339 %
Lottery's proportionate share of the net pension liability	\$ 54,008,574	\$ 57,434,854	\$ 59,569,843	\$ 50,615,060
Lottery's covered payroll	\$ 10,810,715	\$ 10,671,908	\$ 10,468,988	\$ 9,946,740
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	499.58 %	538.19 %	569.01 %	508.86 %
Plan fiduciary net position as a percentage of the total pension liability	44.55 %	35.84 %	36.78 %	36.62 %
Last Eight Fiscal Years (continued)*	2017	2016	2015	2014
Lottery's portion of the net pension liability	0.25560 %	0.24243 %	0.24525 %	0.27865 %
Lottery's proportionate share of the net pension liability	\$ 53,857,469	\$ 55,669,017	\$ 40,525,323	\$ 44,624,031
Lottery's covered payroll	\$ 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	527.99 %	530.67 %	403.93 %	477.31 %
Plan fiduciary net position as a percentage of the total pension liability	36.25 %	31.69 %	39.23 %	39.54 %

Notes to Schedule

Change of benefit items None

Assumption changes since prior valuation:

- Wage Inflation assumed rate changed from 3.50% to 3.00%
- Assumed Salary Scale changed to reflect experience in above with age inflation rates of increase.
- Assumed rates of mortality have been revised to the Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale.
- Assumed rates of withdrawal, disability, and retirement have been adjusted to reflect experience more closely.

**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 10 Fiscal Years (see independent auditors report)	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 4,538,600	\$ 3,913,419	\$ 3,913,670	\$ 4,121,233	\$ 3,368,200
Contributions in relation to contractually required contribution	\$ 4,538,600	\$ 3,913,419	\$ 3,913,670	\$ 4,121,233	\$ 3,368,200
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered payroll	\$12,222,917	\$10,810,715	\$10,671,908	\$10,468,988	\$ 9,946,740
Contributions as a percentage of covered payroll	37.13%	36.20%	36.67%	39.37%	33.86%

Last 10 Fiscal Years (continued)	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 4,456,603	\$ 4,233,893	\$ 3,803,384	\$ 3,401,159	\$ 2,752,875
Contributions in relation to contractually required contribution	\$ 4,456,603	\$ 4,233,893	\$ 3,803,384	\$ 3,401,159	\$ 2,752,875
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered payroll	\$10,200,510	\$10,490,319	\$10,032,666	\$ 9,348,981	\$ 9,055,510
Contributions as a percentage of covered payroll	43.69%	40.36%	37.91%	36.38%	30.40%

Notes to Schedule

Valuation date: June 30, 2021

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	26.8 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	Pub-2010 Above Median Mortality Tables (Amount-weighted) projected generationally with MP-2020 improvement scale

CONNECTICUT LOTTERY CORPORATION

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

Last Six Fiscal Years*	2021	2020	2019	2018	2017	2016
Lottery's portion of the net OPEB liability	0.26674 %	0.28514%	0.32590%	0.27267%	0.31321%	0.30441%
Lottery's proportionate share of the net OPEB liability	\$ 52,087,067	\$ 67,125,223	\$67,403,249	\$47,074,834	\$54,381,510	\$52,487,844
Lottery's covered-employee payroll	\$ 10,810,715	\$ 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	481.81%	628.99%	643.84%	473.27%	533.13%	500.35%
Plan fiduciary net position as a percentage of the total OPEB liability	10.12%	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 2.31% as of June 30, 2021.

**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 POSTEMPLOYMENT BENEFIT PROGRAM

Last Seven Fiscal Years*	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$2,733,688	\$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	2,733,688	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	\$12,222,917	\$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	22.37%	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, 2022 was determined with the June 30, 2019 actuarial valuation.

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 growing payroll, closed, 30 years
Remaining amortization period	16 years as of June 30, 2022
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***

Board of Directors
The Connecticut Lottery Corporation
(A Component Unit of the State of Connecticut)
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 Connecticut Lottery Corporation, as of and for the year ended June 30, 2022, 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 22, 2022.

Report on 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 opinion 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 or significant deficiencies may exist that were not identified.



Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP
West Hartford, Connecticut
November 22, 2022



SUPPLEMENTAL SCHEDULES

CONNECTICUT LOTTERY CORPORATION

SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2022

PROFIT CONTRIBUTIONS (\$ in 000s)

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day	Lotto!
NET SALES	\$ 801,290	\$ 78,209	\$ 77,896	\$ 62,144	\$ 56,131	\$ 16,572
DIRECT COSTS						
Gross prize expense	\$ 563,818	\$ 38,921	\$ 35,271	\$ 24,774	\$ 25,286	\$ 8,759
Unclaimed prize credit	(6,585)	(890)	(1,143)	(496)	(614)	(212)
Use of unclaimed prize reserve	1	–	–	–	–	2,478
Net prize expense	\$ 557,234	\$ 38,031	\$ 34,128	\$ 24,278	\$ 24,672	\$ 11,025
Retailer commissions	\$ 45,633	\$ 4,294	\$ 4,145	\$ 3,354	\$ 3,005	\$ 913
Online systems	7,420	725	722	576	520	154
Marketing, advertising and promotions	6,972	685	682	545	491	144
Production expenses	5,631	61	61	117	58	18
Total direct costs	\$ 622,890	\$ 43,796	\$ 39,738	\$ 28,870	\$ 28,746	\$ 12,254
GROSS PROFIT	\$ 178,400	\$ 34,413	\$ 38,158	\$ 33,274	\$ 27,385	\$ 4,318

PROFIT MARGIN (% OF NET SALES)

<i>Net sales</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
DIRECT COSTS						
Gross prize expense	70.4%	49.8%	45.3%	39.9%	45.0%	52.9%
Unclaimed prize credit	(0.8%)	(1.1%)	(1.5%)	(0.8%)	(1.1%)	(1.3%)
Use of unclaimed prize reserve	0.0%	0.0%	0.0%	0.0%	0.0%	15.0%
Net prize expense	69.5%	48.6%	43.8%	39.1%	44.0%	66.5%
Retailer commissions	5.7%	5.5%	5.3%	5.4%	5.4%	5.5%
Online systems	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Marketing, advertising and promotions	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Production expenses	0.7%	0.1%	0.1%	0.2%	0.1%	0.1%
Total direct costs	77.7%	56.0%	51.0%	46.5%	51.2%	73.9%
GROSS PROFIT	22.3%	44.0%	49.0%	53.5%	48.8%	26.1%

Cash5	Powerball®	Mega Millions®	Lucky for Life®	Lucky Links	Keno	Fast Play	Sports Betting	Total
\$ 29,055	\$ 79,969	\$ 39,652	\$ 30,515	\$ –	\$ 141,930	\$ 38,684	\$ 151,184	\$1,603,231
\$ 15,531	\$ 40,075	\$ 19,949	\$ 17,993	\$ –	\$ 93,273	\$ 27,902	\$ 141,128	\$1,052,680
(364)	(1,458)	(755)	(672)	–	(747)	(68)	–	(14,004)
1	–	–	–	–	–	–	–	2,480
\$ 15,168	\$ 38,617	\$ 19,194	\$ 17,321	\$ –	\$ 92,526	\$ 27,824	\$ 141,128	\$ 1,041,156
\$ 1,614	\$ 4,249	\$ 2,042	\$ 1,660	\$ –	\$ 8,023	\$ 2,212	\$ 3,240	\$ 84,384
271	741	366	282	–	3,189	360	–	15,326
247	676	349	269	–	1,312	336	1,895	14,603
53	188	17	90	–	21	6	3,532	9,853
\$ 17,353	\$ 44,471	\$ 21,968	\$ 19,622	\$ –	\$ 105,071	\$ 30,748	149,795	\$1,165,322
\$ 11,702	\$ 35,498	\$ 17,684	\$ 10,893	\$ –	\$ 36,859	\$ 7,936	1,389	\$ 437,909
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
53.5%	50.1%	50.3%	59.0%	0.0%	65.7%	72.1%	93.3%	65.7%
(1.3%)	(1.8%)	(1.9%)	(2.2%)	0.0%	(0.5%)	(0.2%)	0.0%	(0.9%)
0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%
52.2%	48.3%	48.4%	56.8%	0.0%	65.2%	72.0%	93.3%	64.9%
5.6%	5.3%	5.1%	5.4%	0.0%	5.7%	5.7%	2.1%	5.3%
0.9%	0.9%	0.9%	0.9%	0.0%	2.2%	0.9%	0.0%	1.0%
0.9%	0.8%	0.9%	0.9%	0.0%	0.9%	0.9%	1.3%	0.9%
0.2%	0.2%	0.0%	0.3%	0.0%	0.0%	0.0%	2.3%	0.6%
59.7%	55.6%	55.4%	64.3%	0.0%	74.0%	79.5%	99.1%	72.7%
40.3%	44.4%	44.6%	35.7%	100.0%	26.0%	20.5%	0.9%	27.3%

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 promotions	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)

<i>Net sales</i>	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 promotions	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	Sports Betting	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%	0.0%	100.0%
58.5%	50.8%	50.2%	68.2%	0.0%	65.2%	69.8%	0.0%	63.0%
(2.6%)	(1.1%)	(0.8%)	(2.4%)	0.0%	(0.5%)	(0.7%)	0.0%	(1.0%)
0.0%	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%	0.0%	62.1%
5.6%	5.1%	5.1%	5.4%	0.0%	5.6%	6.0%	0.0%	5.6%
0.9%	0.9%	0.9%	0.9%	0.0%	2.2%	0.9%	0.0%	1.0%
0.6%	1.0%	1.2%	0.7%	0.0%	0.7%	1.5%	0.0%	0.7%
0.3%	0.2%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%	0.5%
63.3%	57.0%	56.7%	73.2%	0.0%	73.2%	77.4%	0.0%	69.8%
36.7%	43.0%	43.3%	26.8%	100.0%	26.8%	22.6%	0.0%	30.2%



STATISTICAL SECTION

CONNECTICUT LOTTERY CORPORATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ACTUAL VS. BUDGET (\$000s), YEAR ENDED JUNE 30, 2022

	Actual	Budget	Over/(Under) Budget	% Change
SALES				
OPERATING REVENUE	\$1,606,928	\$ 1,457,000	\$ 149,928	10.3%
Less sales returns, cancellations and promotions	(3,697)	0	(3,697)	–
Total operating revenue	\$1,603,231	\$ 1,457,000	\$ 146,231	10.0%
COST OF SALES AND OPERATING EXPENSES				
COST OF SALES				
Prize expense	\$1,041,156	\$ 918,315	\$ 122,841	13.4%
Retailer commissions	84,384	81,874	2,510	3.1%
Online systems	15,326	16,025	(699)	(4.4%)
Marketing, advertising, and promotions	14,603	12,987	1,616	12.4%
Production expenses	9,853	7,897	1,956	24.8%
Total cost of sales	\$1,165,322	\$ 1,037,098	\$ 128,224	12.4%
OPERATING EXPENSES				
Salaries and benefits	\$ 22,523	\$ 23,098	\$ (575)	(2.5%)
Other operating expenses	5,342	5,536	(194)	(3.5%)
Depreciation and amortization	111	158	(47)	(29.7%)
Bad debt expense	67	75	(8)	(10.7%)
Total operating expenses	\$ 28,043	\$ 28,867	\$ (824)	(2.9%)
OTHER OPERATING REVENUE	\$ 825	\$ 35	\$ 790	2257.1%
Operating income	\$ 410,691	\$ 391,070	\$ 19,621	5.0%
NONOPERATING REVENUES (EXPENSES)				
Interest income from investments on annuities	\$ 5,399	\$ 5,636	\$ (237)	–
Miscellaneous Revenue - Nonoperating	–	–	–	–
Interest income	49	287	(238)	(82.9%)
Interest expense on annuity payments	(5,399)	(5,636)	237	–
Annuity assignment	6	8	(2)	250.0%
Total nonoperating revenues	\$ 55	\$ 295	\$ (240)	(81.4%)
CHANGE IN NET POSITION BEFORE				
PAYMENTS TO STATE FUNDS	\$ 410,746	\$ 391,365	\$ 19,381	5.0%
Payments to Chronic Gamblers' Fund	3,050	2,300	750	32.6%
Payments to Department of Consumer Protection	4,785	3,441	1,344	39.1%
Payments to State's General Fund	402,244	385,623	16,621	4.3%
Change in net position	\$ 667	\$ –	\$ 667	N/A

CONNECTICUT LOTTERY CORPORATION

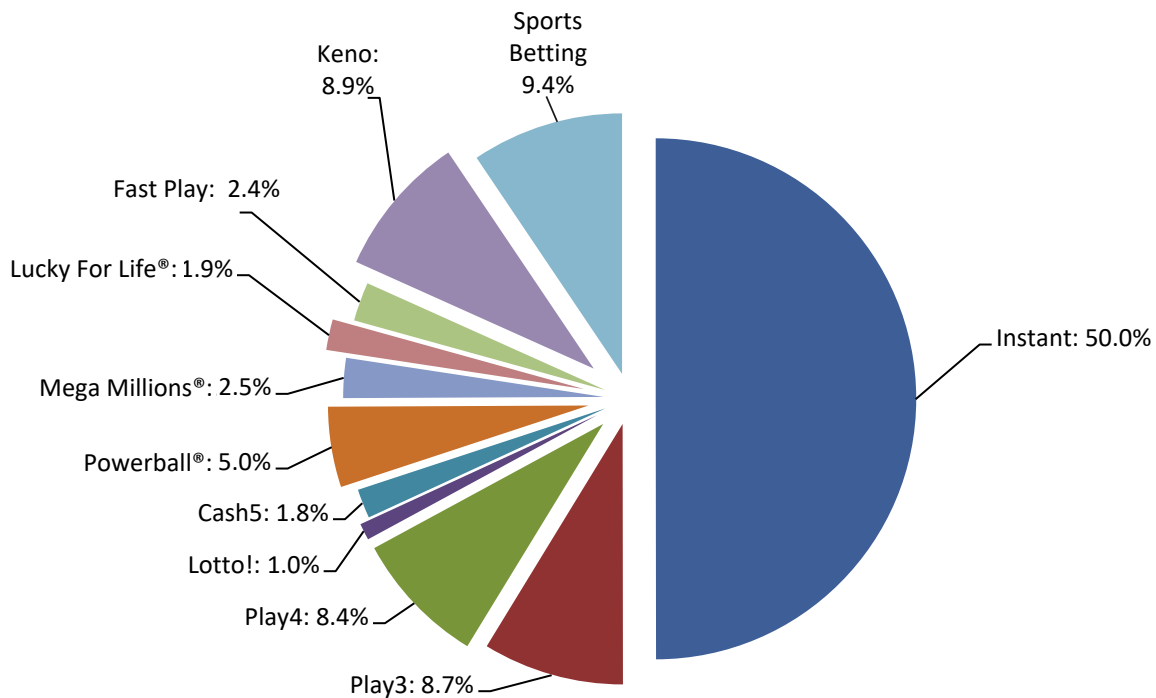
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY GAME TYPE (\$000s), YEAR ENDED JUNE 30, 2022

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
SALES					
OPERATING REVENUE	\$ 801,292	\$ 62,733	\$ 56,672	\$ 79,055	\$ 78,726
Less sales returns, cancellations and promotions	(2)	(590)	(541)	(846)	(831)
Total operating revenue	\$ 801,290	\$ 62,143	\$ 56,131	\$ 78,209	\$ 77,895
COST OF SALES AND OPERATING EXPENSES					
COST OF SALES					
Prize expense	\$ 557,234	\$ 24,278	\$ 24,672	\$ 38,031	\$ 34,128
Retailer commissions	45,633	3,354	3,004	4,293	4,145
Online systems	7,420	576	520	725	722
Marketing, advertising, and promotions	6,972	545	491	685	682
Production expenses	5,631	117	58	61	61
Total cost of sales	\$ 622,890	\$ 28,870	\$ 28,745	\$ 43,795	\$ 39,738
OPERATING EXPENSES					
Salaries and benefits	\$ 13,471	\$ 598	\$ 815	\$ 652	\$ 869
Other operating expenses	2,959	131	179	143	191
Depreciation and amortization	69	3	4	3	4
Bad debt expense	37	3	2	3	3
Total operating expenses	\$ 16,536	\$ 735	\$ 1,000	\$ 801	\$ 1,067
OTHER OPERATING INCOME	\$ 615	\$ 2	\$ 2	\$ 3	\$ 3
Operating income	\$ 162,479	\$ 32,540	\$ 26,388	\$ 33,616	\$ 37,093
NON-OPERATING REVENUES (EXPENSES)					
Interest income from investments on annuities	\$ 3,999	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Revenue - Nonoperating	0	0	0	0	0
Interest income	27	2	2	3	3
Interest expense on annuity payments	(3,999)	0	0	0	0
Annuity assignment	6	0	0	0	0
Total non-operating revenues	\$ 33	\$ 2	\$ 2	\$ 3	\$ 3
CHANGE IN NET POSITION BEFORE					
PAYMENTS TO STATE FUNDS	\$ 162,512	\$ 32,542	\$ 26,390	\$ 33,619	\$ 37,096
Payments to Chronic Gamblers' Fund	1,243	100	90	126	125
Payments to Department of Consumer Protection	1,839	145	132	185	186
Payments to State's General Fund	158,430	31,957	25,769	32,844	36,383
Change in net position	\$ 1,000	\$ 343	\$ 398	\$ 462	\$ 401

Lotto!	Cash5	Powerball®	Mega Millions®	Lucky for Life®	Keno	Fast Play	Sports Betting	Total
\$ 16,591 (19)	\$ 29,086 (31)	\$ 79,988 (21)	\$ 39,662 (11)	\$ 30,611 (97)	\$ 141,929 0	\$ 38,779 (95)	\$ 151,800 (616)	\$ 1,606,924 (3,699)
\$ 16,572	\$ 29,055	\$ 79,967	\$ 39,651	\$ 30,514	\$ 141,929	\$ 38,684	\$ 151,184	\$ 1,603,225
\$ 11,025 913 154 144 18	\$ 15,167 1,614 271 247 53	\$ 38,617 4,249 741 676 188	\$ 19,194 2,042 367 349 17	\$ 17,321 1,660 282 270 90	\$ 92,526 8,023 3,189 1,312 21	\$ 27,834 2,212 360 336 6	\$ 141,128 3,240 0 1,895 3,532	\$ 1,041,155 84,382 15,327 14,604 9,853
\$ 12,254	\$ 17,352	\$ 44,471	\$ 21,969	\$ 19,623	\$ 105,071	\$ 30,748	\$ 149,795	\$ 1,165,321
\$ 652 143 3 1	\$ 652 143 3 1	\$ 760 167 4 3	\$ 760 167 4 2	\$ 760 177 4 1	\$ 1,495 287 7 6	\$ 435 96 2 3	\$ 604 558 0 0	\$ 22,525 5,341 110 65
\$ 799	\$ 799	\$ 934	\$ 933	\$ 942	\$ 1,795	\$ 536	\$ 1,162	\$ 28,041
\$ 48	\$ 1	\$ 3	\$ 1	\$ 140	\$ 5	\$ 2	\$ 0	\$ 825
\$ 3,567	\$ 10,905	\$ 34,565	\$ 16,750	\$ 10,089	\$ 35,068	\$ 7,402	\$ 227	\$ 410,687
\$ 140 0 1 (140) 0	\$ 0 0 1 0 0	\$ 0 0 3 0 0	\$ 0 0 1 0 0	\$ 1,259 0 1 (1,259) 0	\$ 0 0 5 0 0	\$ 0 0 2 0 0	\$ 0 0 0 0 0	\$ 5,397 (1) 52 (5,397) 6
\$ 1	\$ 1	\$ 3	\$ 1	\$ 1	\$ 5	\$ 2	\$ 0	\$ 57
\$ 3,568 27 41 3,425	\$ 10,906 48 70 10,713	\$ 34,568 147 258 33,826	\$ 16,751 63 114 16,393	\$ 10,090 46 68 9,690	\$ 35,073 227 333 34,305	\$ 7,404 59 71 7,268	\$ 227 750 1,344 1,241	\$ 410,744 3,050 4,784 402,244
\$ 76	\$ 74	\$ 337	\$ 182	\$ 182	\$ 209	\$ 7	\$ (3,109)	\$ 666

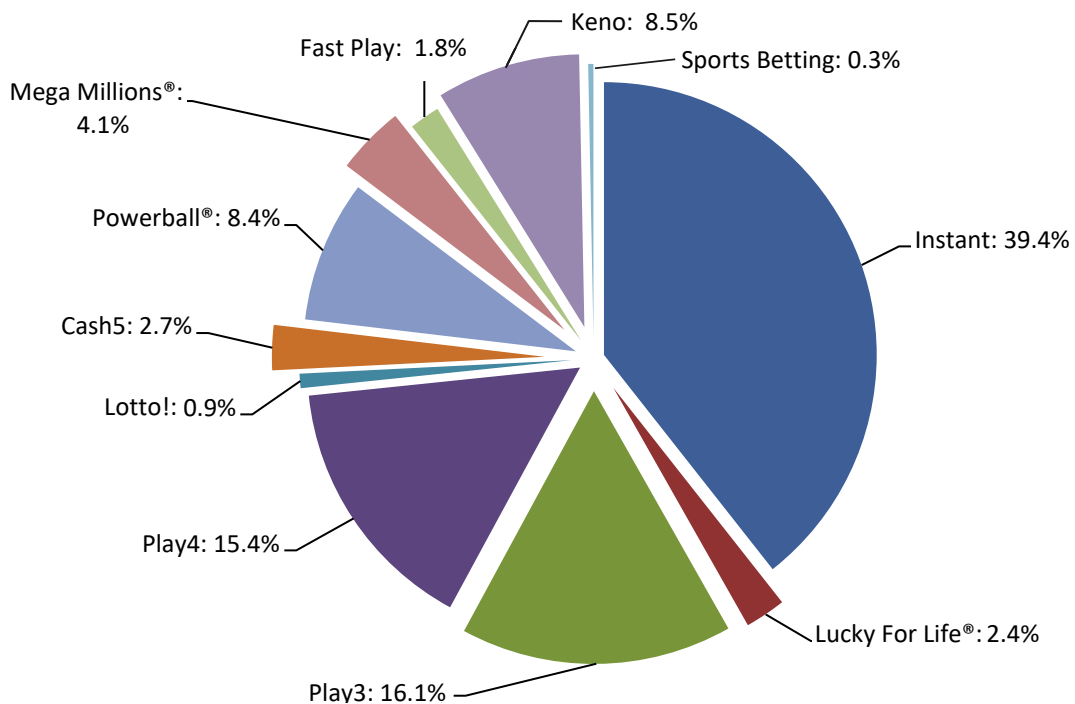
REVENUE BY GAME

FISCAL YEAR 2022 TOTAL SALES: \$1,603,230,502



GENERAL FUND PAYMENTS BY GAME

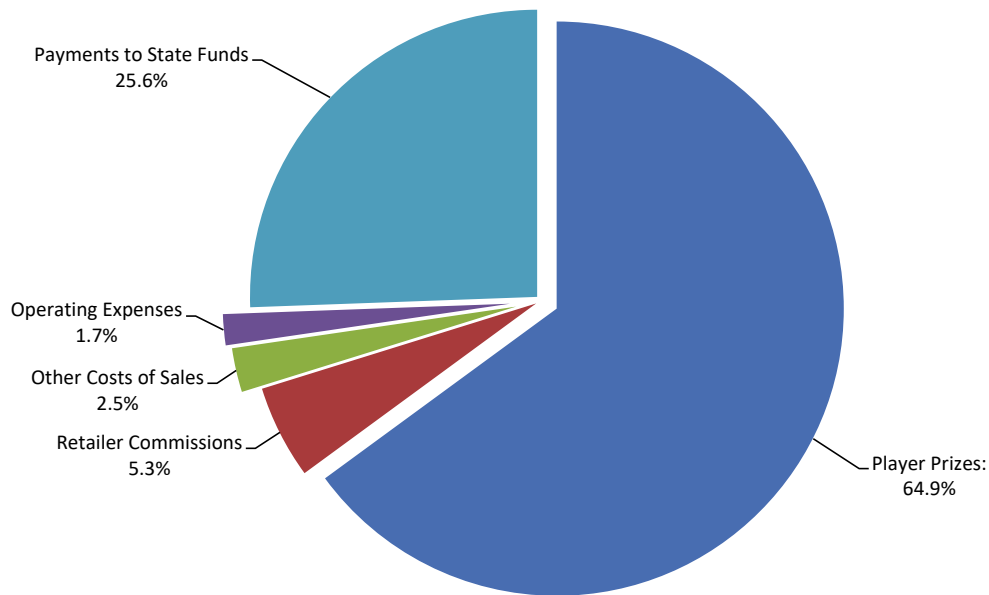
FISCAL YEAR 2022 TOTAL PAYMENTS: \$402,244,215



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

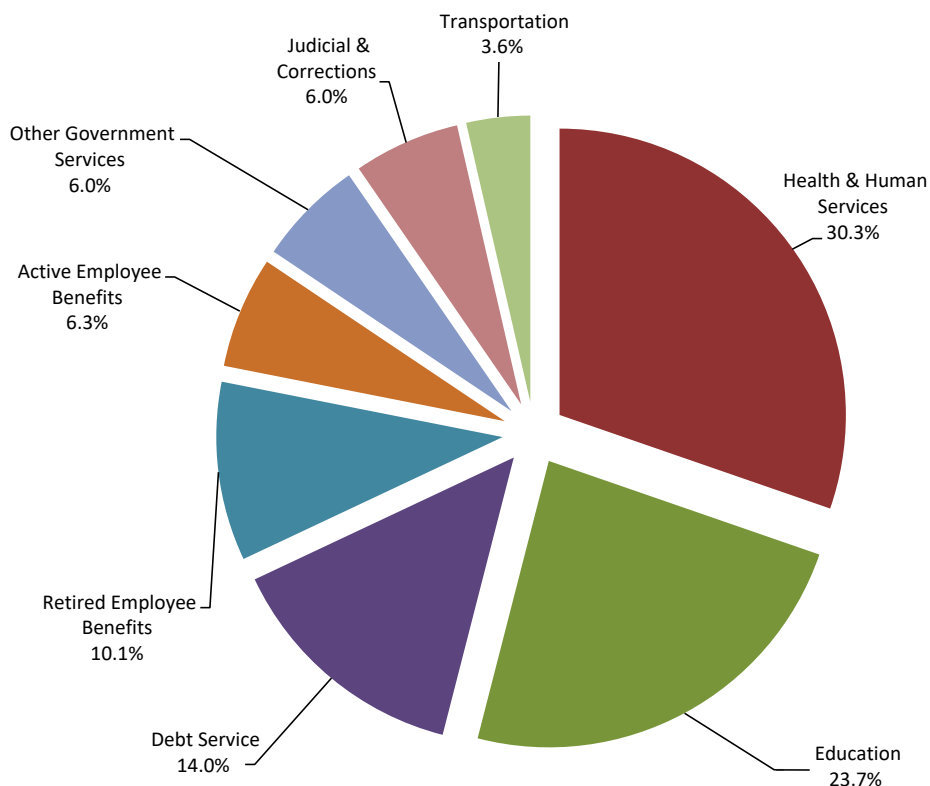
FISCAL YEAR 2022 TOTAL SALES: \$1,603,230,502



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

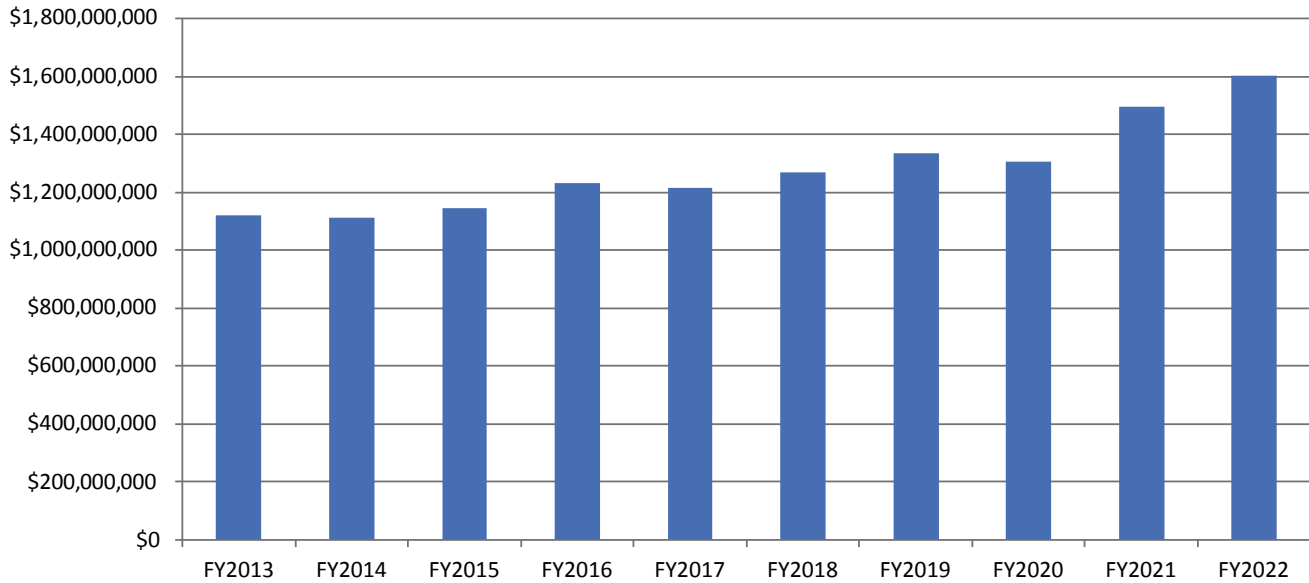
STATE SERVICES SUPPORTED BY LOTTERY PAYMENTS TO THE GENERAL FUND

FISCAL YEAR 2022 PAYMENTS TO THE GENERAL FUND: \$402,244,215

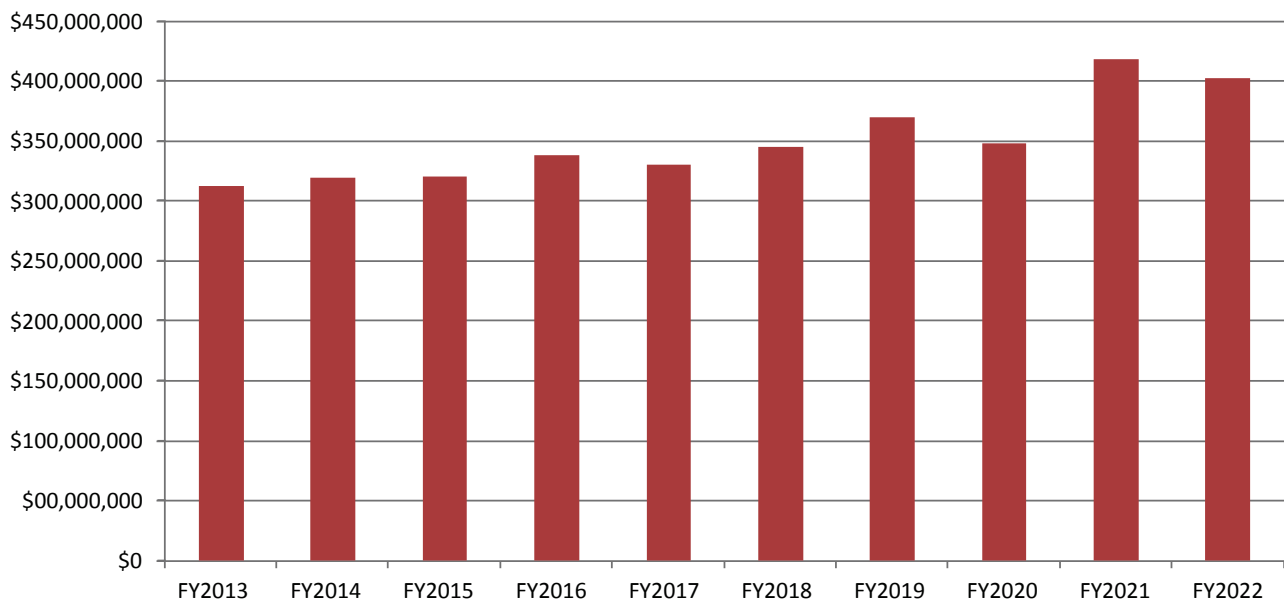


Based on Fiscal Year 2022 General Fund Percentages Appropriated by the Legislature. Source: Connecticut State Budget 2021-2022

REVENUES FOR THE LAST 10 FISCAL YEARS



PAYMENTS TO THE GENERAL FUND FOR THE LAST 10 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 10 FISCAL YEARS

	2013	2014	2015	2016
Operating Revenue				
Instant	\$ 667,255	\$ 660,230	\$ 687,967	\$ 742,296
Daily Games ⁽¹⁾	233,619	235,883	231,755	245,062
Lotto!	22,149	21,591	20,143	19,429
Cash5	32,565	32,318	31,220	30,994
Powerball®	107,383	82,725	66,502	106,271
Mega Millions®	23,728	37,567	32,369	29,406
Lucky for Life ⁽²⁾	30,432	25,095	21,523	21,709
CT Super Draw	5,564	4,355	2,896	0
5 Card Cash	0	12,641	46,322	13,107
Lucky Links	0	0	3,276	10,053
Keno	0	0	0	12,444
Fast Play	0	0	0	0
Sports Betting	0	0	0	0
Total Operating Revenue	\$ 1,122,695	\$ 1,112,405	\$ 1,143,973	\$ 1,230,769
Cost of Sales				
Prizes	\$ 699,063	\$ 668,792	\$ 707,735	\$ 760,269
Retailer commissions	62,765	62,077	64,270	68,688
Other cost of sales ⁽³⁾	27,993	28,695	28,232	30,908
Total cost of sales	\$ 789,821	\$ 759,564	\$ 800,237	\$ 859,865
PAYMENTS TO STATE'S GENERAL FUND				
	\$ 312,100	\$ 319,500	\$ 319,700	\$ 337,500

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

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

"Lucky for Life" began in 2012.

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

	2017	2018	2019	2020	2021	2022
\$	720,623	\$ 730,692	\$ 736,443	\$ 756,968	\$ 837,705	\$ 801,290
	240,083	242,485	249,696	259,252	294,170	274,380
	18,305	18,815	35,032	30,977	20,637	16,572
	30,079	31,214	31,169	31,214	33,133	29,055
	78,619	88,135	81,446	49,533	64,193	79,969
	29,107	42,158	72,633	38,549	57,075	39,652
	20,405	19,577	18,872	17,469	17,764	30,515
	0	0	0	0	0	0
	0	2,146	0	0	0	0
	6,858	5,942	5,696	5,872	0	0
	72,182	86,428	102,923	115,450	136,004	141,929
	0	0	0	0	37,090	38,684
	0	0	0	0	0	151,184
	<u>\$ 1,216,262</u>	<u>\$ 1,267,591</u>	<u>\$ 1,333,910</u>	<u>\$ 1,305,284</u>	<u>\$ 1,497,770</u>	<u>\$ 1,603,231</u>
\$	756,289	\$ 792,590	\$ 822,863	\$ 822,243	\$ 929,753	\$ 1,041,156
	67,984	70,823	74,295	72,895	83,607	84,384
	31,510	35,135	33,474	31,986	32,740	39,782
	<u>\$ 855,783</u>	<u>\$ 898,548</u>	<u>\$ 930,632</u>	<u>\$ 927,124</u>	<u>\$ 1,046,100</u>	<u>\$ 1,165,322</u>
\$	<u>330,000</u>	<u>\$ 345,000</u>	<u>\$ 370,000</u>	<u>\$ 347,700</u>	<u>\$ 418,000</u>	<u>\$ 402,244</u>

CONNECTICUT LOTTERY CORPORATION

COMPARATIVE INDUSTRY STATISTICS

Based upon data published in *La Fleur's 2022 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 2022, 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 2021:

State/District	Population (Millions)	Ticket Sales (Millions \$)	Sales Per Capita (Dollars)
1 Massachusetts	7.0	\$ 5,820.9	\$ 833.0
2 Georgia	10.8	5,634.4	521.7
3 Michigan	10.1	5,046.1	502.1
4 South Carolina	5.2	2,415.8	465.5
5 Maryland	6.2	2,600.6	421.5
6 Pennsylvania	13.0	5,420.0	418.2
7 Florida	21.8	9,076.2	416.7
8 Connecticut	3.6	1,497.8	414.9
9 New Jersey	9.3	3,795.1	409.4
10 Virginia	8.6	3,259.0	377.2

B. NET INCOME PER CAPITA - FY 2021:

State/District	Population (Millions)	Net Income (Millions \$)	Net Income Per Capita (Dollars)
1 Massachusetts	7.0	\$ 1,112.4	\$ 159.36
2 Georgia	10.8	1,535.1	142.14
3 Michigan	10.1	1,417.5	141.04
4 New Jersey	9.3	1,104.0	119.09
5 New York	19.8	2,323.1	117.09
6 Connecticut	3.6	421.3	116.71
7 South Carolina	5.2	605.6	116.68
8 New Hampshire	1.4	144.4	103.88
9 Pennsylvania	13.0	1,325.0	102.23
10 Florida	21.8	2,199.5	100.99

C. OPERATING EXPENSES AS PERCENTAGE OF SALES - FY 2021:

State/District	Ticket Sales (Millions \$)	Operating Expenses (Millions \$)	Expense %
1 Massachusetts	\$ 5,820.9	\$ 99.5	1.7%
2 South Carolina	2,415.8	50.3	2.1%
3 Florida	9,076.2	205.1	2.3%
4 New Jersey	3,795.1	126.1	3.3%
5 Missouri	1,811.5	\$61.7	3.4%
6 Texas	8,107.2	279.6	3.4%
7 Tennessee	1,938.4	72.2	3.7%
8 Georgia	5,634.4	210.1	3.7%
9 North Carolina	3,805.4	147.8	3.9%
10 Michigan	5,046.1	200.7	4.0%
11 California	8,417.9	353.6	4.2%
12 Connecticut	1,497.8	63.7	4.3%
13 Virginia	3,259.0	147.3	4.5%
14 Arizona	1,439.4	65.5	4.6%
15 Pennsylvania	5,420.0	248.9	4.6%

CONNECTICUT LOTTERY CORPORATION 2022 ANNUAL REPORT

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THE 2022 ANNUAL REPORT IS AVAILABLE AT
CTLOTTERY.ORG

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