

2017 ANNUAL REPORT



FISCAL YEAR ENDED JUNE 30, 2017

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Fiscal Year Ended June 30, 2017



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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 22, 2018

The Honorable Dannel P. Malloy, 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, 2017.

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

The CLC is a component unit of the State of Connecticut for financial reporting purposes. With more than forty-five years of continuous operation, the CLC is one of the oldest lotteries in the United States. From its inception to June 30, 2017, the Lottery has generated total sales of approximately \$28.3 billion and has contributed approximately \$9.2 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 2017, 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”). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The CLC’s MD&A can be found immediately following the report of the independent auditors in the financial section.

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.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

In fiscal 2017, the CLC generated \$1.216 billion in sales revenue and delivered \$330.0 million to the General Fund. Sales revenue decreased \$14.5 million, or 1.2%, from the prior fiscal year. All lottery games experienced lower sales volumes except for KENO. Sales revenue declined primarily related to lower sales on the instant ticket portfolio and lower Powerball® sales, partially offset by a full year of KENO sales revenue. For comparison purposes, KENO commenced sales in April 2016 and was offered for sale for 68 days in 2016 versus the full year in 2017.

Total cost of sales, including prizes and commissions, was \$855.8 million in fiscal 2017 compared to \$859.9 million in fiscal 2016. Operating expenses were \$24.6 million for fiscal 2017 compared to \$19.4 million in fiscal 2016. Payments to the state's General Fund totaled \$330.0 million in fiscal 2017, a decrease of \$7.5 million from the prior fiscal year total of \$337.5 million. For a more complete overview of the financial highlights of fiscal 2017, including comparisons with the results of the prior fiscal year, please read Management’s Discussion and Analysis included in the financial section of this report.

FINANCIAL OPERATIONS

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

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

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

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

- Regulated by the Department of Consumer Protection who executes 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 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.

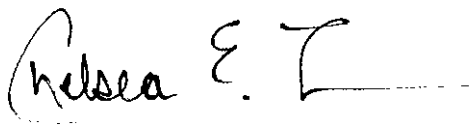
RISK MANAGEMENT: The CLC is exposed to various risks of loss related to thefts, damage or destruction of assets, injuries and natural disasters, for which it carries appropriate insurance through individual policies.

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 2017 and 2016 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,

A handwritten signature in black ink that reads "Chelsea E. Turner". The signature is written in a cursive style with a horizontal line extending to the right.

Chelsea E. Turner
Interim President & CEO



STATE OF CONNECTICUT LIST OF PRINCIPAL STATE OFFICERS, AS OF JUNE 30, 2017

DANNEL P. MALLOY, Governor
NANCY WYMAN, Lieutenant Governor

Denise W. Merrill	Secretary of the State
Denise L. Nappier	State Treasurer
Kevin Lembo	State Comptroller
George Jepson	Attorney General



CONNECTICUT LOTTERY CORPORATION BOARD OF DIRECTORS, AS OF JUNE 30, 2017

Benjamin Barnes	Secretary, Office of Policy and Management
Robert S. Dakers	Designee of Secretary, Office of Policy and Management
Denise L. Nappier	State Treasurer
Robert C. Morgan	Designee of State Treasurer
Patrick M. Birney	Vice Chairperson
Meghan Culmo	
James J. Heckman	
Michael J. Janusko	
Margaret L. Morton	
Natasha M. Pierre	
Michael P. Thompson	
Diane Winston	



CONNECTICUT LOTTERY CORPORATION

ORGANIZATIONAL CHART, AS OF JUNE 30, 2017

ADMINISTRATION

Chelsea E. Turner	Interim President & Chief Executive Officer
Michael J. Hunter	Chief Operations Officer
Paul A. Granato	Chief Financial Officer
Matthew Stone	General Counsel
Jane M. Rooney	Director of Human Resources
Alfred W. DuPuis, Jr.	Director of Security
Theresa Scott	Interim Director of Sales
Kendra Eckhart	Interim Director of Marketing

MANAGEMENT BY DEPARTMENT

MARKETING & SALES

Linda Tarnowski	Director of Communications & Public Relations
Carlos Rodriguez	Director of Lottery Games
Thomas J. Trella	Director of Portfolio, Strategy & Analysis

INFORMATION TECHNOLOGY & RETAILER RELATIONS

Steven Wagner	Director of Information Technology
Steven J. Fox	Manager of Vendor Compliance
John J. Gasparini	IS Manager of Application & Internet Development
Solomon Ramsey	Director of Recruitment & Retailer Relations

FINANCE & COLLECTIONS

Barry L. Sheftel	Lottery Financial Manager
Barbara Petano	Lottery Financial Manager

LEGAL

Andrew E. Walter	Counsel
Jeff Yue	Counsel

HUMAN RESOURCES & TRANSPORTATION

Jennifer Hunter	Assistant Director of Human Resources
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SECURITY

Deborah Davis	Assistant Director of Security
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SCRATCH GAMES

FISCAL YEAR 2017 STATISTICS:



\$144,232,958 in General Fund payments

59.2% of total net sales

43.7% of General Fund payments

Scratch games are easy to play and provide players with instant entertainment. By removing the scratch-off coating on the ticket face, players can discover in an instant if they've won and the amount of their prize.

There's a play style for everyone – from the crossword action of “Cashword” to the excitement of revealing an “X” game prize multiplier, like those found in “10X Cash,” “20X Cash” and “30X Cash” scratch games. Depending upon the game, players may need to match numbers, symbols or dollar amounts, spell words, or reveal a Bonus Prize.

This year, many scratch games were released that all have unique designs that attract many different players. “Foxwoods® High Roller” featured a sleek design with 25 Second Chance prizes drawings. From the vibrant colors of “Foxwoods® High Roller” to the classy shine of “Gold Premium Play”, everyone can find a game that is fun to play and pleasing to the eye.

Scratch ticket prices range from \$1 to \$30, with set prizes from a FREE \$1 scratch ticket up to \$3,000,000! With such a variety of games, it's easy to see why scratch games are the play of choice for many consumers.

DAILY GAMES

FISCAL YEAR 2017 STATISTICS:

\$100,692,208 in General Fund payments



Play3 Day:

4.2% of total net sales

6.6% of General Fund Payments



Play3 Night:

5.8% of total net sales

9.3% of General Fund Payments



Play4 Day:

3.9% of total net sales

7.2% of General Fund Payments



Play4 Night:

5.8% of total net sales

7.4% of General Fund Payments

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

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

LUCKY LINKS WITH 2XPOWER™

FISCAL YEAR 2017 STATISTICS:



\$1,423,890 in General Fund payments

0.6% of total net sales

0.4% of General Fund payments

On April 26, 2015, the CT Lottery introduced a whole new way to play with the launch of the Lucky Links with 2XPOWER Day and Night draw game. The first drawings were held on April 27th. Lucky Links with 2XPOWER tickets cost \$3. A ticket without 2XPOWER is \$2. Tickets are “Quick Pick” only, so no play slips are needed.

What makes Lucky Links with 2XPOWER unique is the “play grid” printed on each ticket. The 9-spot grid contains 8 differently numbered spots which are then compared to the numbers drawn by the CT Lottery. A “\$” in the middle of the grid is a “free spot” that is used to form lines.

A win occurs when at least 2 lines are made on the play grid. The maximum number of lines that can be made on a ticket is 8. Prizes range from \$5 up to \$50,000 in each drawing. By adding the “2XPOWER” multiplying feature to a ticket, some of the game’s prizes can be doubled.

CASH5

FISCAL YEAR 2017 STATISTICS:



\$8,641,153 in General Fund payments

2.5% of total net sales

2.6% of General Fund payments

“Cash5” is Connecticut’s daily draw game with a chance to win up to \$100,000. For \$1, players get to choose 5 different numbers between 1 and 35. By adding the “Kicker” feature for just \$.50, players increase their chance to win more often and win more prize levels. Prizes can be won seven different ways and range from \$2 up to \$100,000 per ticket. With more than 1,000,000 winning tickets sold in this game each year, Cash5 is a proven favorite with Connecticut’s players.

FISCAL YEAR 2017 STATISTICS:



\$6,471,923 in General Fund payments

1.5% of total net sales

2.0% of General Fund payments

Drawn on Tuesday and Friday nights, the “Lotto” game has been a part of Connecticut’s play of choice since November 1983. Tickets cost \$1 per play. On March 10, 2013, Classic Lotto was given a new name, simply called LOTTO! Twice each week, players can win up to \$1,000,000 (or more) with Lotto. Lotto initially began with a 6-of-36 matrix, and today sports a 6-of-44 mix. Although the game has gone through several enhancements over the years, it’s still the game that is most associated with the Lottery. Jackpot winners may choose to receive their prize money in either twenty-one equal annual installments or in a cash lump sum.

FISCAL YEAR 2017 STATISTICS:



\$16,026,364 in General Fund payments

5.9% of total net sales

4.9% of General Fund payments

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

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

FISCAL YEAR 2017 STATISTICS:

CONNECTICUT



\$35,967,528 in General Fund payments

6.5% of total net sales

10.9% of General Fund payments

The current format of Powerball began in January 2012, with 59 white balls and 35 red balls, and a starting jackpot of \$40 million. The cost of a basic ticket is \$2. A jackpot win requires matching five white balls and one red ball (“Match 5+1”) to the winning numbers drawn from the two pools of numbers.

On January 22, 2014, the variable Power Play® multiplier returned to the game, replacing the “set prize” Power Play feature. When players activate Power Play on their tickets for an additional \$1 per play, winners can receive 2 times, 3 times, 4 times or 5 times the prize amount won from the second through the seventh prize levels of the game. With Power Play, the \$1,000,000 “Match 5” prize is always \$2,000,000. On October 4, 2015, the game matrix changed; the number of white balls increased to 69, while the red balls decreased to 26. The Power Play option also added the 10 times multiplier in play when the jackpot is \$150 million or less. Powerball drawings are held twice weekly, on Wednesday and Saturday nights.

MEGA MILLIONS®

FISCAL YEAR 2017 STATISTICS:



\$11,286,005 in General Fund payments

2.4% of total net sales

3.4% of General Fund payments

On January 31, 2010, the CT Lottery joined the “Mega Millions” game. Mega Millions with Megaplier broke all previous records for the largest jackpot ever won in North American history on March 30, 2012, when a \$656 million prize was split between three winning tickets sold in Kansas, Illinois and Maryland.

On October 19, 2013, the Mega Millions matrix changed and added several new game features, all for the same \$1 basic ticket price. Jackpots in the game started at \$15,000,000 and grew by at least \$5,000,000 after each drawing in which the jackpot is not won; the second prize increased to \$1,000,000 for matching the first five numbers, and the Megaplier® multiplier option was expanded to include a 5X multiplier.

Purchasers may pick six numbers from two separate pools of numbers – 5 of 75 white balls and 1 of 15 yellow balls selected during each drawing of the game, or play the easy way by asking for a “Quick Pick.” The jackpot is won by matching all 6 numbers drawn. Besides the jackpot, there are eight other ways to win prizes in the game.

By choosing to activate the Megaplier feature for an additional \$1 per play, players can increase the value of their prize by as much as 2, 3, 4 or 5 times. With Megaplier, players that correctly match five white ball numbers can now win up to \$5,000,000! Drawings are held twice weekly on Tuesday and Friday nights.

FISCAL YEAR 2017 STATISTICS:



\$5,257,971 in General Fund payments

1.7% of total net sales

1.6% of General Fund payments

New England's "Lucky for Life" regional draw game began on March 11, 2012, with tickets sold for \$2 each in Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont and Maine. Lucky features a popular "For Life" top prize worth up to \$1,000 a week, paid every week, for the rest of a winner's natural life with a guaranteed 20-year minimum payout of \$7,300,000.

On September 17, 2013, the Lucky for Life game matrix changed. For the same \$2 ticket price, Players pick from two separate pools of numbers – 5 of 43 balls and one "Lucky Ball" number between 1 and 43, or ask for a "Quick Pick." The top prize is won by matching all six numbers drawn. There are also 9 other ways to win prizes in the game.



On January 27, 2015, Lucky for Life expanded to 14 states across the country and since then has expanded to 25 states across the country offering a top prize of \$7,000 a Week for Life and a 2nd prize of \$25,000 a Year for Life. An additional 11 states have been added for a total of 25 participating lotteries; with two additional lotteries anticipating joining in 2017.

Players pick from two different pools of numbers – 5 numbers between 1 and 48 inclusive, and one "Lucky Ball" number between 1 and 18 inclusive. Drawings are held twice weekly, on Monday and Thursday nights.

95-Year-Old Grandmother Lands \$30,000 Lottery Prize

August 04, 2016 — Ursula McCafferty of North Canaan might be one of the luckiest grandmothers around as she won \$30,000 on “3X The Cash 6th Edition”. Retired McCafferty spends much of her free time with family and enjoys going to play scratch games because she’s “... a people person and my cat doesn’t give me much attention,” McCafferty laughed with Lottery officials.

When talking about her big win, McCafferty said, “I didn’t believe it—I didn’t think it was real. I called [McCafferty’s daughter] and left a message saying ‘I don’t know what to do!’” They soon realized a trip down to CT Lottery headquarters in Rocky Hill was the next step in claiming the top prize.

As a grandmother to twelve grandchildren, McCafferty plans to share her winnings with family and treat herself to something new. “I’ll give everyone a little bit and get a decent phone—something where you can actually see pictures,” McCafferty said with a beaming smile.

**Retailer: Super Stop & Shop #677, 11 East Main Street
Route 44, North Canaan**



First-Time Lottery KENO Winner Goes Car Shopping

August 27, 2016 — Mallory Saunders of Waterford was looking for a new game to play. “I wanted to try something different,” Saunders told Lottery officials. In Saunders’ case, beginner’s luck may be real as she was delighted to claim a \$10,000 KENO prize on her very first play!

When asked how she felt about winning, Saunders laughed and said, “Debt free!” The retailer asked Saunders if she wanted to try KENO since she had never played before. “I used birthdays, asked a stranger to pick a number, he picked 53, and I asked the retailer owner to pick a number,” Saunders explained.

The first-time winner looks to use her winnings for different bills and expenses. “I’ll pay my rent and buy a new car,” Saunders said excitedly. Saunders told Lottery officials that she was going car shopping after leaving the CT Lottery headquarters in Rocky Hill.

Saunders won \$5,000 for matching 8 out of 10 numbers on her \$10 ticket in game #37583. Since the Bonus Multiplier was 2X, Saunders’ prize was automatically multiplied to \$10,000.

Retailer: Veterans Convenience, 528 Gold Star Highway, Groton



Lucky Stamford Woman Hops Back in Line for Chance \$10,000 Lottery Win

October 14, 2016 — It was a casual visit to the grocery store for Michele Sukatski of Stamford when she bought a winning ticket worth \$10,000! While waiting in a lengthy line to buy a “10X The Cash 11th Edition” ticket, Sukatski actually left for a short while. However, Sukatski soon returned to wait in line as a fellow customer was kind enough to let her back into same spot she was in before. Sukatski told Lottery officials that getting back in line really paid off!

After bringing the ticket home to play, Sukatski was ecstatic when she revealed her top prize. “I did a double take, stood up—walked around the coffee table saying, ‘Oh my God, Oh my God! I called my fiancé. He asked, ‘Is this \$2,000?’ I said, ‘Multiply that by 5!’”.

Summing up her winning experience, Sukatski smiled ear to ear and stated, “I got lucky.”

Retailer: Super Stop & Shop #646, 1937 W Main Street, Stamford



Math Professor Wins Powerball® After Lecturing on Lottery Probability

November 07, 2016 — Math Professor, Nicholas Kapoor of Monroe, was giving a lecture to students on probability and odds. To help his class understand the concept of chance, Kapoor used Powerball® as a real life example explaining the odds of winning.

“Somebody is going to win,” the professor told his class. Two days later, that “Somebody” turned out to be Kapoor with a winning \$100,000 Powerball ticket!

“The professor side of me sticks to the numbers—but the winner in me says, ‘It’s Luck,’” a joyful Kapoor told Lottery officials.

The winning Powerball numbers on October 5, 2016 were -- 8 – 18 – 27 – 29 – 60. The Powerball number was 15 and the Power Play® multiplier was 2. Kapoor’s Powerball “Quick Pick” ticket matched four of the five numbers drawn, plus the Powerball number. Because his Powerball ticket was Power Played for an extra \$1 at the time of purchase, Kapoor’s \$50,000 prize was automatically doubled to \$100,000.

When asked if his lecture will change now that he won Powerball, Kapoor simply chuckled and gazed at his prize before posing for his winner picture. Irony certainly is a funny thing.

Retailer: Huntington Center Gulf, 20 Huntington Street, Shelton



Motivated by Lucky Fortune Cookie Numbers, Bristol Woman Wins Cash5 Top Prize

February 02, 2017 — It's not every day a Lottery winner inspires another. Linda Llantín of Bristol, was encouraged by a recent "Cash5" winner and went out to win \$100,000 herself! "I tried what [Cash5 winner, Michael Petro] did," Llantín said with a smile.

Michael Petro was a Cash5 winner who won the top prize of \$100,000 using numbers from his fortune cookie. Llantín also found a fortune cookie and wrote down the numbers. "I saw the [Fortune Cookie story] and said, 'You know what? I'll play these numbers and get a Quick Pick too!'"

Llantín's fortune cookie numbers didn't match but her Quick Pick numbers did! Her winning numbers drawn on January 27, 2017: 2 – 4 – 6 – 30 – 33. In total, 4,011 winning tickets were sold statewide, with prizes ranging in value from \$2 to \$100,000 each.

The Bristol resident told Lottery officials that she plans to put a down payment on a house with her newfound winnings. Other than planning for the future, Llantín has no plans for celebration yet, but is looking forward to her Monday night tradition of a steak dinner with her loved ones.

Retailer: My Storz LLC, 510 Farmington Avenue, Bristol



Marlborough Resident Replays Numbers for a \$25,000 a Year for Life Prize

April 13, 2017 — "Simply amazing!" Arthur Scherp beamed as he claimed a *\$25,000 a Year for Life* prize! Scherp had played his numbers in previous drawings and decided to "Replay" his ticket with the same numbers and wager amount. It wasn't until the following evening that the happy winner saw his numbers at a local gas station.

The winning Lucky for Life numbers on April 3, 2017 were -- 10 – 17 – 32 – 35 – 47; the Lucky Ball number was 14. Scherp's numbers matched 5 numbers but missed matching the Lucky Ball resulting in a *\$25,000 a Year for Life* prize! Scherp took the lump sum option valued at \$390,003.

"I immediately left to verify [the winning numbers] on the website. I said, 'This is a good problem to have,'" Scherp chuckled. Scherp and his wife are both excited to invest the winnings and pay off some bills.

Retailer: Food Bag #504, 327 S Main Street, Colchester



Psychic's Prediction Comes True for CT Lottery's Newest Millionaire

May 09, 2017 — Years ago, Carolyn O'Brien saw a psychic to have her fortune read. A bit skeptical at first, O'Brien didn't know what to think of the fortune telling. The New Milford resident was almost out the door when the psychic suddenly grabbed her arm, asking her to wait. "She grabbed my arm and said, 'I see you with a check in your hand cheering 'I did it!'"

Eerily enough, the prediction was correct as O'Brien won the \$3,000,000 prize on a "\$3,000,000 Royale" instant ticket! "Everything she told me has come true," said the newly crowned millionaire. O'Brien decided to take the lump sum option.

O'Brien and her husband Reid, were driving to see their son at school. "I played it in the car and started screaming and dancing! We pulled the car over cheering and I started sobbing like a baby," laughed O'Brien.

A relieved O'Brien said, "The pressure is off. We're going to pay off our kids' college tuitions, the mortgage and invest! You don't make this stuff up!" With less to stress about, O'Brien is ecstatic to spend more time with her dog, named Shea. "I've only had one 'mani-pedi' in my life—now Shea and I are going!"

As O'Brien was leaving CT Lottery headquarters, she threw on her sunglasses with her check in hand. She smiled and shouted, "BEST DAY EVER—I DID IT!"

Retailer: AARI Foods Inc., 210 New Milford Turnpike, New Preston



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. Employees throughout the organization support these efforts. The CLC's quarterly corporate responsibility newsletter, *Chatter That Matters™*, reports on its wide variety of efforts. Highlights from fiscal 2017 issues of the newsletter are provided here.

Responsible Gambling

- **GameSense:** The CLC became the first U.S. lottery to become a licensee of the British Columbia Lottery Corporation's (BCLC's) GameSense brand. A comprehensive campaign was rolled out in 2016 in conjunction with the introduction of KENO in Connecticut's marketplace. GameSense is an innovative and fresh approach to RG, supported by the RG community. The brand encourages players to use their GameSense, or, common sense, when gambling, with messages such as "don't chase your losses," "know when to take a break," and, "set a limit." It educates players about RG and is designed to reach players *before* they develop a problem with gambling. Further, the campaign injects humor to grab people's attention and reinforce the message that too much gambling can be a problem. The CLC routinely weaves GameSense into its marketing efforts.
- **Holiday Responsible Gambling Campaign:** For the ninth 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 second year in a row, the CLC partnered with Connecticut Children's Medical Center to collect toys for children who receive hospital care and to promote the message "Do a 'Lotto' Good, Give a Toy! Give a child a toy, not a ticket." The CLC collected hundreds of toys for Connecticut Children's Medical Center and raised awareness about responsible gambling at the same time.
- **Problem Gambling Awareness Month (PGAM):** March is PGAM. This past year's efforts included: a comprehensive calendar of events about responsible gambling for the entire month of March. This included a Board resolution, messaging on billboards and at retail locations, GameSense Public Service Announcements and marketing materials, social media messaging, an educational display created by employees, state employee pay inserts, employee and retailer training and a fundraiser to support the CT Council on Problem Gambling.
- **School Initiatives:** The CLC promoted the Problem Gambling Helpline number to parents and educators through the CT Association of Boards of Education's magazine, *The Advisor*.
- **CT Partnership for Responsible Gambling:** "The Partnership" is a seventeen-year coalition between the CLC, the Department of Mental Health and Addiction Services' Problem Gambling Division, and the CT Council on Responsible Gambling (CCPG). The CLC actively participates in quarterly meetings where information is exchanged and initiatives are proposed.
- **Gambling Awareness for All CT ("GFACT"):** This group meets quarterly and provides an opportunity for responsible gambling advocates, mental health clinicians and lottery industry representatives to exchange information and learn more about how problem gambling affects vulnerable populations such as the elderly, minorities, women and youth.

- **National Association of State and Provincial Lotteries (NASPL) Responsible Gambling Committee:** CLC is a member of the NASPL Responsible Gambling Committee which focuses on encouraging lotteries to go through a new NCPG-NASPL responsible gambling accreditation process, participating in the NCPG-McGill responsible gambling holiday campaign, and facilitating a responsible gambling track at NASPL's professional development conference.
- **NCPG and CCPG:** The CLC annually sponsors and participates in both the NCPG and CCPG conferences. Additionally, the CLC was part of the planning committee for the 2016 NCPG Annual Conference.

Pro Business Initiatives and Supplier Diversity

- **Greater New England Minority Supplier Development Council (GNEMSDC) Tradeshow:** The CLC participated in this tradeshow, which is the largest in New England for diverse suppliers. The event was held at the CT Convention Center.
- **United States Small Business Administration (SBA) Matchmaker Conference:** CLC employees participated in the SBA's Matchmaker at the University of Hartford.
- **GNEMSDC and Women's Business Enterprise National Council (WBENC) Membership:** The CLC regularly attends and participates in regional GNEMSDC and WBENC meetings and events, and, this year, CLC's Associate Fiscal Administrative Officer, Janice Beckner received the "Buyer of the Year" award from GNEMSDC. The CLC was also nominated for "Corporation of the Year".

Inclusion

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

Green Initiatives

- **Recycling:** The CLC continues to use 100% recyclable paper envelopes for all instant ticket shipping. The vast majority of CLC's instant tickets are printed on 100% recyclable paper. In addition, the CLC recycles instant ticket dispensers by refurbishing them and reusing them when possible. This initiative has saved hundreds of thousands of dollars over time. The CLC utilizes a specialized electronic recycling vendor to dispose of computers, monitors, printers, signs and other electronic equipment. The CLC also recycles pallet crates, paper, aluminum cans and batteries.
- **Clean Air:** The CLC participates 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.

Employee Engagement

- **Supporting Good Causes of Connecticut:** The CLC 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," and coaching or leading children's extracurricular activities. 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

Management and Board of Directors
Connecticut Lottery Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Connecticut Lottery Corporation (the Lottery), a component unit of the State of Connecticut, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lottery as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Lottery's Proportionate Share of the Net Pension Liability, and the Schedule of the Lottery's Contributions to the State Employees' Retirement System (SERS), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The Schedule of Profit Margins by Game Type is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Schedule of Profit Margins by Game Type for the years ended June 30, 2017 and 2016 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Profit Margins by Game Type for the years ended June 30, 2017 and 2016 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT

October 5, 2017

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2017 AND 2016

The following Management's Discussion and Analysis (MD&A) provides an overview of the Connecticut Lottery Corporation's (the Lottery) financial performance for the fiscal years ended June 30, 2017 and 2016. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to financial statements.

FINANCIAL STATEMENTS PRESENTED IN THIS REPORT

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

The financial statements are comprised of three components:

- **Statements of Net Position (Deficit)** reflect the Lottery's financial position as of June 30, 2017 and 2016.
- **Statements of Revenue, Expenses, and Changes in Net Position (Deficit)** report the revenues and expenses for the years ended June 30, 2017 and 2016.
- **Statements of Cash Flows** reconcile the changes in cash and cash equivalents with the activities of the Lottery for the years presented. The activities are classified as to operating, investing, capital financing and non-capital 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 2017

- Sales revenue totaled \$1.216 billion, down \$14.5 million or 1.2% compared to the prior year. Costs of sales (including prizes and commissions) totaled \$855.8 million, down \$4.1 million or 0.5% compared to the prior fiscal year. Operating expenses were \$24.6 million, up \$5.2 million or 26.8% compared to the same period a year earlier. Transfers to the State's General Fund amounted to \$330.0 million, down \$7.5 million or 2.2% from the same period a year earlier.

FINANCIAL HIGHLIGHTS OF FISCAL 2016

- Sales revenue totaled \$1.231 billion, up \$86.8 million or 7.6% compared to the prior year. Costs of sales (including prizes and commissions) totaled \$859.9 million, up \$59.6 million or 7.5% compared to the prior fiscal year. Operating expenses were \$19.4 million, up \$1.8 million or 8.5% compared to the same period a year earlier. Transfers to the State's General Fund amounted to \$337.5 million, up \$17.8 million or 5.6% from the same period a year earlier.

CONNECTICUT LOTTERY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2017 AND 2016

CONDENSED FINANCIAL INFORMATION

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

Net position (deficit) represents the assets of the Lottery plus the deferred inflows of resources less the liabilities owed to third parties and the deferred outflows of resources. The net position (deficit) is restricted for promotional purposes, augmenting prizes or increasing payments to the State's General Fund.

Listed below is a summary of the key components of net position (deficit). The net position is negative due to the recognition of the Lottery's share of the net pension liability included in long term liabilities. The change in net position does not reflect the results of the Lottery's operating activities.

	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
	<i>(in thousands)</i>				
Current assets	\$ 58,354	\$ (1,921)	\$ 60,275	\$ 2,664	\$ 57,611
Investments and other non-current assets	125,730	(1,367)	127,097	2,713	124,384
Capital assets (net of accumulated depreciation)	865	(6)	871	(309)	1,180
Total Assets	184,949	(3,294)	188,243	5,068	183,175
Deferred outflow of resources	17,674	13,113	4,561	2,380	2,181
Current liabilities	47,955	(2,630)	50,585	(3,266)	53,851
Long-term liabilities	175,184	11,892	163,292	(1,273)	164,565
Total Liabilities	223,139	9,262	213,877	(4,539)	218,416
Deferred inflow of resources	3,991	(582)	4,573	2,979	1,594
Net investment in capital assets	865	(6)	871	(309)	1,180
Unrestricted Net Position (Deficit)	(25,372)	1,145	(26,517)	9,317	(35,834)
Total Net Position (Deficit)	\$ (24,507)		\$ (25,646)		\$ (34,654)

CONNECTICUT LOTTERY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2017 AND 2016

CONDENSED FINANCIAL INFORMATION (CONTINUED)

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

	2017	Increase (Decrease)	2016	Increase (Decrease)	2015
	<i>(in thousands)</i>				
Revenues					
Total operating revenues, net	\$ 1,216,262	\$ (14,507)	\$1,230,769	\$ 86,796	\$1,143,973
Other operating income	124	67	57	7	50
Non-operating revenues					
Interest income	6,366	(231)	6,597	(588)	7,185
Other	7	(3)	10	1	9
Total Revenues	1,222,759	(14,674)	1,237,433	86,216	1,151,217
Costs and Expenses					
Total cost of sales	855,783	(4,082)	859,865	59,628	800,237
Total operating expenses	24,644	5,215	19,429	(1,810)	21,239
Non-operating expense					
Interest expense	6,209	(353)	6,562	(595)	7,157
Total Costs and Expenses	886,636	780	885,856	57,223	828,633
Changes in Net Position					
Change in Net Position before contributions to State Funds	336,123	(15,454)	351,577	28,994	322,583
Payment to General Fund	330,000	(7,500)	337,500	17,800	319,700
Payment to Chronic Gamblers' Fund	2,300	--	2,300	-	2,300
Payment to Office of Policy and Management	2,685	(84)	2,769	348	2,421
Total Change in Net Position	1,138		9,009		(1,838)
Total Net Position (Deficit), beginning as previously stated	(25,646)		(34,654)		11,475
Cumulative effect of implementing GASB 68 and 71	-		-		(44,291)
Total Net Position (Deficit), beginning as restated	(25,646)		(34,654)		(32,816)
Total Net Position (Deficit), ending balance	\$ (24,507)		\$ (25,646)		\$ (34,654)

OVERVIEW OF FINANCIAL POSITION

Total assets were \$184.9 million as of June 30, 2017, a decrease of \$3.3 million compared to the prior fiscal year. Current assets totaled \$58.4 million, comprised primarily of cash and cash equivalents of \$19.2 million, accounts receivable of \$27.4 million, and investments for prize payments of \$5.7 million. Noncurrent assets totaled \$126.6 million, consisting primarily of investments for prize payments (at present value) and prize reserves. The Lottery reported \$1.9 million in other assets relating to up front equipment lease costs incurred in conjunction with the implementation of Keno that will be amortized over the remaining life of the gaming contract.

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 \$223.1 million as of June 30, 2017 an increase of \$9.3 million from the prior fiscal year. Current liabilities due within one year totaled \$48.0 million primarily related to prizes, annuity prize payments, and accounts payable and accrued expenses. Long-term liabilities totaled \$175.2 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 which is the Lottery's proportionate share of the State of CT net pension liability and deferred rent.

Deferred outflows of resources totaled \$17.7 million and deferred inflows of resources totaled \$4.0 million as of June 30, 2017. Deferred outflows of resources reflects the net impact of Lottery contributions made to the State Employees' Retirement System (SERS) subsequent to the measurement date, the net impact of the difference between expected and actual experience, the net difference between projected and actual earnings on pension plan investments, and changes in actuarial assumptions. Deferred inflows are recognized for changes in the Lottery's proportionate share of the State's pension liability.

Total assets were \$188.2 million as of June 30, 2016, an increase of \$5.1 million compared to the prior fiscal year. Current assets totaled \$60.3 million, comprised primarily of cash and cash equivalents of \$19.3 million, accounts receivable of \$27.1 million, and investments for prize payments of \$8.1 million. Noncurrent assets totaled \$128.0 million, consisting primarily of investments for prize payments (at present value) and prize reserves.

Total liabilities were \$213.9 million as of June 30, 2016 a decrease of \$4.5 million from the prior fiscal year. Current liabilities due within one year totaled \$50.6 million primarily related to prizes, annuity prize payments, and other accrued expenses. Long-term liabilities totaled \$163.3 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, which is the Lottery's proportionate share of the State of CT net pension liability.

CONNECTICUT LOTTERY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2017 AND 2016

OVERVIEW OF FINANCIAL POSITION (CONTINUED)

Deferred outflows of resources totaled \$4.6 million and deferred inflows of resources totaled \$4.6 million as of June 30, 2016. Deferred outflows of resources were recorded for the net difference between the projected and actual investment earnings on pension plan investments and for contributions made to SERS subsequent to the measurement date. Deferred inflows were recognized for changes in the Lottery's proportionate share of the State's pension liability.

	2017	\$	%	2016	\$	%	2015
	Increase (Decrease)			Increase (Decrease)			
	<i>(in thousands)</i>						
SALES							
Instant games	\$ 720,624	\$(21,672)	(2.9)%	\$ 742,296	\$ 54,329	7.9%	\$ 687,967
Daily number games	240,083	(4,979)	(2.0)	245,062	13,308	5.7	231,754
Multi-State games*	128,131	(29,253)	(18.6)	157,384	36,989	30.7	120,395
Keno	72,182	59,738	480.1	12,444	12,444	N/A	–
Lotto	18,305	(1,124)	(5.8)	19,429	(714)	(3.5)	20,143
Cash5	30,079	(915)	(3.0)	30,994	(226)	(0.7)	31,220
Lucky Links	6,858	(3,195)	(31.8)	10,053	6,777	206.9	3,276
5 Card Cash	–	(13,107)	(100.0)	13,107	(33,215)	(71.7)	46,322
CT Super Draw	–	–	N/A	–	(2,896)	(100.0)	2,896
Total Sales	\$1,216,262	\$(14,507)	(1.2)%	\$ 1,230,769	\$ 86,796	7.6%	\$ 1,143,973

RELATED EXPENSES

Prize expense	\$ 756,289	\$ (3,980)	(0.5)%	\$ 760,269	\$ 52,533	7.4%	\$ 707,736
Retailer commissions	67,984	(704)	(1.0)	68,688	4,419	6.9	64,269
Gaming systems	12,521	1,069	9.3	11,452	952	9.1	10,500
Marketing and advertising	12,066	(334)	(2.7)	12,400	1,199	10.7	11,201
Production expenses	6,923	(134)	(1.9)	7,057	526	8.1	6,531

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

Total sales revenue for the fiscal year 2017 amounted to \$1,216.3 million, down \$14.5 million, or -1.2%, from the prior fiscal year. All games experienced lower sales volume except for Keno. For comparison purposes, Keno commenced sales in April 2016 and was offered for sale for 68 days during 2016 versus the full year in 2017. Sales revenue for the portfolio of instant games totaled \$720.6, down \$21.7 million, or -2.9%, from the prior fiscal year. The daily number games contributed \$240.1 million of sales revenue, down \$5.0 million or -2.0% from the prior fiscal year. The sales revenue for multi-state games equaled \$128.1 million, a decrease of \$29.3 million or 18.6% from the prior fiscal year. All other game sales totaled \$55.2 million, down \$18.4 million or 25.0%, from the prior fiscal year.

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.

OVERVIEW OF FINANCIAL POSITION (CONTINUED)

Prize expense for the instant ticket portfolio is preset since the instant ticket prize structure is developed using certain parameters, including the number and value of winning tickets. Prize expense for online draw games is designed with a specific prize structure, however, prize expense fluctuates due to variable payouts on the selection of winning numbers from random drawings. Total prize expense for the period ending June 30, 2017 amounted to \$756.3 million compared to \$760.3 million in the prior year. The decline is chiefly related to the lower sales revenue.

Retailer commissions totaled \$68.0 million compared to \$68.9 million in the prior year. Retailers earn selling and cashing commissions and are eligible for various incentive compensation throughout the year to promote selected games and activities.

Gaming system and network administration expenses totaled \$12.5 million compared to \$11.5 million in the prior year. Production expenses were \$6.9 million compared to \$7.1 million in the prior year. Production expenses are chiefly related to the design, delivery and distribution of instant tickets.

Marketing and advertising expenses totaled \$12.1 million for fiscal year 2017 compared to \$12.4 million in the prior year. Marketing and advertising expenses are incurred to support the mission of maximizing returns to the General Fund. Marketing and advertising encompass all major media including, television, radio and digital as well as lottery designed point of sale.

Operating expenses totaled \$24.6 million for the year ending June 30, 2017, compared to \$19.4 million in the prior year. Operating expenses are mainly comprised of salaries and benefits and other operating expenses.

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

The total payments to the State's General Fund totaled \$330.0 million compared to \$337.5 million in the prior year. Payments to the General Fund reflect the net earnings of the Lottery that are available for transfer. The Lottery also makes required payments to the Chronic Gamblers Fund of \$2.3 million annually. The Lottery reimburses the Office of Policy and Management to compensate the Department of Consumer Protection for the reasonable and necessary costs for regulatory oversight. Regulatory costs totaled \$2.7 million and \$2.8 million for fiscal year 2017 and 2016, respectively.

BUDGETARY COMPARISONS

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

CAPITAL ASSETS AND LONG-TERM DEBT

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

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Lottery's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Finance Department, 777 Brook Street, Rocky Hill, Connecticut 06067.

CONNECTICUT LOTTERY CORPORATION
STATEMENTS OF NET POSITION (DEFICIT)

	June 30	
	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,245,128	\$ 19,276,750
Accounts receivable, net of allowance for doubtful accounts of \$500,000 and \$530,000, respectively	27,354,061	27,063,324
Investments for prize payments at net present value	5,651,375	8,070,640
Accrued interest receivable	1,457,709	1,641,480
Ticket inventory, net of allowance of \$714,000 and \$578,000, respectively	3,655,199	3,211,568
Prepaid expenses	990,634	1,011,722
	Total Current Assets	60,275,484
NONCURRENT ASSETS		
Investments for prize payments at present value	\$ 119,049,872	122,262,516
Prize reserves held by Multi-State Lottery Association	4,665,670	4,634,376
Capital assets, net	864,818	870,695
Advances to high-tier claim centers	150,000	200,000
Other assets	1,864,286	–
	Total Noncurrent Assets	127,967,587
	Total Assets	\$ 188,243,071
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pensions	\$ 17,674,192	\$ 4,561,278

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

	June 30	
	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Annuities payable, at net present value	\$ 6,384,423	\$ 8,740,890
Prizes payable	29,802,436	28,653,715
Accrued interest payable	1,457,709	1,641,480
Accounts payable and accrued expenses	7,941,990	8,498,055
Due to regional game states	605,911	516,867
Due to Multi-State Lottery Association	1,002,621	1,481,912
Unearned revenue	759,765	1,051,983
<i>Total Current Liabilities</i>	47,954,855	50,584,902
LONG-TERM LIABILITIES		
Long-term annuities payable, at net present value	119,049,872	122,262,516
Deferred rent	465,533	504,580
Net pension liability	55,669,017	40,525,323
<i>Total Long-Term Liabilities</i>	175,184,422	163,292,419
<i>Total Liabilities</i>	223,139,277	213,877,321
DEFERRED INFLOWS OF RESOURCES		
Deferred amount on pensions	3,990,801	4,573,016
NET POSITION (DEFICIT)		
Net investment in capital assets	864,818	870,695
Unrestricted	(25,371,952)	(26,516,683)
<i>Total Net Position (Deficit)</i>	\$ (24,507,134)	\$ (25,645,988)

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

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

	Years ended June 30	
	2017	2016
OPERATING REVENUES – GAME SALES		
Instant	\$ 720,624,413	\$ 742,295,793
Online	370,158,304	333,870,164
Multi-State	128,173,556	157,415,902
	1,218,956,273	1,233,581,859
Less sales returns, cancellations and promotions	(2,694,252)	(2,812,460)
	<i>Total Operating Revenues</i>	1,216,262,021
		1,230,769,399
COST OF SALES		
Prize expense	756,288,867	760,268,663
Retailer commissions	67,983,529	68,687,557
Gaming systems	12,521,393	11,451,530
Marketing and advertising	12,066,305	12,399,618
Production expenses	6,922,504	7,057,214
	<i>Total Cost of Sales</i>	855,782,598
		859,864,582
OPERATING EXPENSES		
Salaries and benefits	20,414,333	15,635,740
Other operating expenses	3,883,699	3,250,916
Depreciation and amortization	298,689	349,783
Bad debt expense	46,953	192,998
	<i>Total Operating Expenses</i>	24,643,674
		19,429,437
OTHER OPERATING INCOME		
	124,283	57,448
	<i>Operating Income</i>	335,960,032
		351,532,828

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

	Years ended June 30	
	2017	2016
NON-OPERATING REVENUES (EXPENSES)		
Interest income from investments on annuities	\$ 6,209,137	\$ 6,561,626
Interest income	157,004	35,038
Interest expense on annuity payments	(6,209,137)	(6,561,626)
Annuity assignment	7,000	9,500
<i>Total Non-operating Revenues</i>	164,004	44,538
CHANGE IN NET POSITION BEFORE PAYMENTS TO THE STATE OF CONNECTICUT		
	336,124,036	351,577,366
NON-OPERATING PAYMENTS TO THE STATE OF CONNECTICUT		
General Fund	330,000,000	337,500,000
Office of Policy and Management	2,685,182	2,768,842
Chronic Gamblers' Fund	2,300,000	2,300,000
<i>Change in Net Position (Deficit)</i>	1,138,854	9,008,524
TOTAL NET POSITION (DEFICIT), beginning balance	(25,645,988)	(34,654,512)
TOTAL NET POSITION (DEFICIT), ending balance	\$ (24,507,134)	\$ (25,645,988)

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

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from sale of game tickets	\$1,215,632,114	\$ 1,234,900,173
Receipts from other operating income	124,283	57,448
Payments for prizes	(755,561,689)	(756,622,190)
Payments to retailers	(67,983,529)	(68,687,557)
Payments to suppliers	(34,353,095)	(35,976,697)
Payments to employees	(18,965,768)	(19,135,085)
Payments for other expenses	(3,872,746)	(3,030,635)
<i>Net Cash Provided by Operating Activities</i>	335,019,570	351,505,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of principal from annuities	8,865,708	10,900,902
Receipts of interest from annuities	6,392,909	6,802,139
Receipt of interest from cash equivalents	157,004	35,038
Purchase of insurance annuities	(2,378,794)	(10,174,261)
<i>Net Cash Provided by Investing Activities</i>	13,036,827	7,563,818
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	–	2,719
Purchases of capital assets	(292,812)	(43,479)
<i>Net Cash Used in Capital Financing Activities</i>	(292,812)	(40,760)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Payment of principal on long-term annuities	(8,802,910)	(10,738,310)
Payment of interest on long-term annuities payable	(6,392,909)	(6,802,141)
Annuity assignment	7,000	9,500
Payments to the State of Connecticut	(330,000,000)	(337,500,000)
Payments to Office of Policy and Management	(2,685,182)	(2,768,842)
Payments to the Chronic Gamblers' Fund	(2,300,000)	(2,300,000)
Receipts from annuities	2,378,794	10,174,261
<i>Net Cash Used in Non-capital Financing Activities</i>	\$ (347,795,207)	\$ (349,925,532)

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

	Years ended June 30	
	2017	2016
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (31,622)	\$ 9,102,983
CASH AND CASH EQUIVALENTS – Beginning	19,276,750	10,173,767
CASH AND CASH EQUIVALENTS – Ending	\$ 19,245,128	\$ 19,276,750
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 335,960,032	\$ 351,532,828
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	298,689	349,784
Bad debt expense	46,953	192,998
Non-cash portion of pension expense	1,448,565	(3,499,345)
Changes in operating assets and liabilities:		
Accounts receivable	(337,690)	3,852,562
Ticket inventory	(443,631)	(180,740)
Prepaid expenses	21,088	(552,413)
Prize reserves	(31,294)	101,756
Advances to high-tier claim centers	50,000	50,000
Deferred expenses	(1,864,286)	209,328
Prizes payable	1,148,721	2,416,851
Accounts payable and accrued expenses	(556,065)	(4,335,183)
Due to regional game states	89,044	149,574
Due to Multi-State Lottery Association	(479,291)	978,290
Unearned revenue	(292,218)	278,214
Deferred rent liability	(39,047)	(39,047)
<i>Net Cash Provided by Operating Activities</i>	\$ 335,019,570	\$ 351,505,457

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

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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.

NOTE 1 - NATURE OF BUSINESS 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:

Leasehold improvements	10 years
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 outflow of resources, deferred inflows of resources and expense associated with the Lottery's requirement to contribute to the Connecticut State Employees Retirement System (SERS) have been determined on the same basis as they are reported by SERS. Contributions made to SERS after the measurement date and prior to the Lottery's fiscal year end are reported as deferred outflows of resources.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Revenue Recognition

- *Instant game tickets* – Packs of instant games are consigned to retail sales agents and revenue is recognized when the pack is sold. For any partial packs at year end, the Lottery estimates 50% of the tickets within these packs have been sold and recognizes these 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 is recognized as tickets are sold by the retail agents.

Operating and Non-operating Revenues and Expenses — Operating revenues are primarily derived from sales of Lottery tickets. Operating expenses include the costs and expenses incurred in the sale of the Lottery's game offerings. Non-operating revenues are generally derived from interest earned on annuity contracts and accumulated cash balances. Non-operating expenses are primarily derived from interest expenses 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 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. Those differences, called unclaimed prizes, are recognized as a reduction of expense 181 days after the end of the instant game or drawing date, as appropriate (see Unclaimed Prizes). Powerball and MegaMillions prize expense is recognized in accordance with the Multi-State Lottery Association agreement (see Note 6).

Unclaimed Prizes — As noted above, prizes must be claimed within 180 days from the date of the official end of the game for instant games and date of the drawing for draw games. Any prizes not claimed within this period are classified as unclaimed. In accordance with Public Act 96-212, 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.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prize Payments — Public Act 96-212 states a minimum of 45% of gross annual revenue must be paid as prizes. For the fiscal years ended June 30, 2017 and 2016, the prize expense amounted to 62.2% and 61.8% 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 to contribute to the general revenues of the State of Connecticut. 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 — Commissions are generally computed as 5% of ticket sales plus 1% of tickets cashed. Retailers may earn additional compensation through product promotions offered by the Lottery.

Net Position — Net position represents amounts set aside by statute for future use to return to participants as increased prize pools, promotional programs or payment to the State's General Fund. Net investment in capital assets represents resources, net of accumulated depreciation, invested in capital assets.

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

Recently Adopted Accounting Pronouncements — In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements with periods beginning after June 15, 2015 and the adoption of this standard did not have a material impact on the Lottery's financial statements. The required disclosures can be found in Note 3 and have been applied retrospectively for all periods presented in the accompanying financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements with periods beginning after June 15, 2016. The adoption of this standard did not have a material impact on the Lottery's financial statements.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements (Continued)

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this statement are effective for financial statements with periods beginning after June 15, 2016. The adoption of this standard did not have a material impact on the Lottery’s financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions of this Statement are effective for financial statements with periods beginning after June 15, 2015. The adoption of this standard did not have a material impact on the Lottery’s financial statements.

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local Governmental employers whose employees are provided with such pensions. The provisions of this statement are effective for financial statements with periods beginning after December 15, 2015. The adoption of this standard did not have a material impact on the Lottery’s financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address for certain external investment pools and their participants, the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. The provisions of this statement are effective for financial statements with periods beginning after December 15, 2015. The adoption of this standard did not have a material impact on the Lottery’s financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of this statement are effective for financial statements with periods beginning after June 15, 2016. The adoption of this standard did not have a material impact on the Lottery’s financial statements.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncements — In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions of this statement are effective for financial statements with periods beginning after June 15, 2017. The Lottery is currently evaluating the impact this standard will have on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement are effective for reporting periods beginning after December 15, 2019. The Lottery is currently evaluating the impact this standard will have on its financial statements.

Subsequent Events — The Lottery has evaluated subsequent events through October 5, 2017, the date the financial statements were available to be issued, and determined no adjustments to or disclosures in the financial statements are required.

NOTE 2 - CASH, CASH EQUIVALENTS AND CREDIT RISK

Cash and cash equivalents are as follows at June 30:

	June 30	
	2017	2016
Cash in financial institutions	\$ 2,978,291	\$ 4,492,187
Short-Term Investment Fund	16,245,966	13,964,990
Short-Term Investment Fund – retailer security deposits	–	797,686
Cash in transit	12,571	13,887
Petty cash	8,300	8,000
	\$ 19,245,128	\$ 19,276,750

NOTE 2 - CASH, CASH EQUIVALENTS AND CREDIT RISK (CONTINUED)

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, 2017 and 2016, the carrying amounts of the Lottery's deposits were \$2,978,291 and \$4,492,187, respectively. Bank deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2017, the Lottery's bank balance was \$3,782,826. Of this amount \$250,000 was covered by the FDIC and \$3,532,826 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, 2017 and 2016, the Lottery also had uninsured and uncollateralized investments of \$16,245,966 and \$14,762,676, respectively, in the STIF. Cash invested in the STIF is classified as pooled investments and, therefore, not categorized by risk type. The 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 AAAM by Standard & Poor's, and has an average maturity of under 60 days. STIF serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, municipalities, and other political subdivisions of the State.

The Lottery's daily bank investments and short-term STIF investments are invested in highly liquid, short-term assets that create no interest rate risk for the Lottery. The weighted average maturity of the underlying assets within the STIF investments is 35 days. The Lottery's stated policy is to invest in highly liquid, short-term assets.

NOTE 3 - INVESTMENTS AND CREDIT RISK

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

- Level 1 - Inputs are quoted prices for identical investments in active markets.
- Level 2 - Observable inputs other than quoted market prices.
- Level 3 - Unobservable inputs.

NOTE 3 - INVESTMENTS AND CREDIT RISK (CONTINUED)

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:

	Carrying Amount	Fair Value
June 30, 2017		
Annuity contracts (at present value, discounted at approximately 4.8% per annum)	\$ 124,701,247	\$ 124,701,247
June 30, 2016		
Annuity contracts (at present value, discounted at approximately 4.9% per annum)	\$ 130,333,156	\$ 130,333,156

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

Insurance Company	June 30	
	2017	2016
Ohio National Life Insurance	\$ 39,206,959	\$ 39,327,308
Metropolitan Life Insurance	38,515,100	35,892,348
Savings Bank Life Insurance Co. of Massachusetts	27,029,798	25,912,095
John Hancock Life Insurance	10,543,389	12,390,832

As of June 30, 2017 and 2016, 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, 2017 AND 2016

NOTE 4 - CAPITAL ASSETS

A summary of capital assets is presented below:

	Leasehold Improvements	Computer Equipment	Furniture and Equipment	Total
Asset Cost				
Balance, June 30, 2015	\$ 1,074,014	\$ 1,601,401	\$ 3,002,730	\$ 5,678,145
Capital additions	13,377	30,103	–	43,480
Disposals	(12,061)	–	(64,430)	(76,491)
Balance, June 30, 2016	1,075,330	1,631,504	2,938,300	5,645,134
Capital additions	66,251	226,561	–	292,812
Disposals	–	(12,276)	(165,506)	(177,782)
Balance, June 30, 2017	\$ 1,141,581	\$ 1,845,789	\$ 2,772,794	\$ 5,760,164
Accumulated Depreciation				
Balance, June 30, 2015	\$ (702,800)	\$ (1,445,209)	\$ (2,350,419)	\$ (4,498,428)
Depreciation	(129,267)	(44,770)	(175,450)	(349,487)
Disposals	9,266	–	64,210	73,476
Balance, June 30, 2016	(822,801)	(1,489,979)	(2,461,659)	(4,774,439)
Depreciation	(97,970)	(80,073)	(120,646)	(298,689)
Disposals	–	12,276	165,506	177,782
Balance, June 30, 2017	\$ (920,771)	\$ (1,557,776)	\$ (2,416,799)	\$ (4,895,346)
Net Book Value	\$ 220,810	\$ 288,013	\$ 355,995	\$ 864,818

The net book value of capital assets was \$864,818 and \$870,695 as of June 30, 2017 and 2016, respectively.

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2017 AND 2016

NOTE 5 - LONG-TERM OBLIGATIONS

Long-term payment requirements for annuities payable represent the largest class of long-term liabilities for the Lottery. Activity for the last two fiscal years is presented below:

	Beginning Balance		Additions		Reductions		Ending Balance		Amounts Due Within One Year
Activity for fiscal 2017	\$ 131,003,406	\$	3,233,801	\$	(8,802,912)	\$	125,434,295	\$	6,384,423
Activity for fiscal 2016	\$ 130,652,276	\$	11,089,441	\$	(10,738,311)	\$	131,003,406	\$	8,740,890

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

Year ending June 30	Principal	Interest
2018	\$ 6,384,423	\$ 6,009,665
2019	5,743,855	5,687,813
2020	5,085,347	5,352,912
2021	4,378,563	5,060,506
2022	3,994,416	4,819,129
2023 - 2027	18,475,487	21,227,342
2028 - 2032	16,852,787	16,967,213
2033 - 2037	12,949,634	13,305,366
2038 - 2042	11,677,778	10,378,222
2043 - 2047	9,750,144	7,763,856
2048 - 2052	7,766,056	5,798,444
2053 - 2057	7,632,726	3,988,274
2058 - 2062	6,590,776	2,356,224
2063 - 2067	4,590,866	1,165,134
2068 - 2072	2,917,901	451,099
2073 - 2077	638,552	56,448
2078	4,984	16
	\$ 125,434,295	\$ 110,387,663

This debt represents periodic payments owed to lottery prize winners and is fully funded by investments in annuity contracts. Amounts due after 2037 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.

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 the full prize payment over future installments. If the winner selects the installment payments, MUSL purchases securities to fund the prize for MUSL members or the Mega Millions group purchases securities 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 with the initial payment being made in cash, to be followed by the remaining payments paid in cash 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, 2017 and 2016, were as follows:

	2017	2016
Prize reserves held by MUSL	\$ 4,665,670	\$ 4,634,376
Prize liability due to MUSL	1,002,621	1,481,912

NOTE 7 - PENSION PLAN

All employees of the Lottery participate in the SERS, which is administered by the State Employees' Retirement Commission. The Lottery has no liability for pension costs other than the required annual contribution. In addition, an actuarial study was performed 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.

NOTE 7 - PENSION PLAN (CONTINUED)

Plan Description — Eligible employees of the Authority participate in the State Employees' Retirement System (SERS). 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.

Benefits Provided — The Plan provides retirement, disability and death benefits. Employees are covered under one of four 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 63 with 25 years of service, or at age 65 with 10 years of service, or at age 70 with 5 years of service, or at age 55 with 10 years of service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of one and one-third percent of the average annual earnings plus one-half of one percent 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 one and five-eighths percent.

For 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 one and one-third percent of the average annual earnings plus one-half of one percent 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 one and five-eighths percent.

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

The 2011 State Employee' 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. 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.

NOTE 7 - PENSION PLAN (CONTINUED)

Contributions Made — The Lottery’s contribution is determined by applying a State mandated percentage to eligible salaries and wages. The mandated rate was 54.99%, 53.58% and 50.50%, during fiscal years 2017, 2016 and 2015, respectively. The contributions made compared to covered payroll follows:

	2017	2016	2015
Total payroll covered by SERS	\$ 10,200,510	\$ 10,490,319	\$ 10,032,666
By employees	161,445	149,488	138,906
Percent of current year covered	1.58%	1.43%	1.38%
By the Lottery	5,875,300	5,455,667	4,971,190
Percent of current year covered	57.60%	52.01%	49.55%

The actual percentages are slightly different than those mandated as a result of payrolls at the beginning and end of fiscal years which include differing mandated percentages.

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

At June 30, 2017 and 2016, the Lottery reported a liability of \$55,669,017 and \$40,525,323 for its proportionate share of the net pension liability, which was measured as of June 30, 2016 and June 30, 2015, 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, 2017 and 2016, the SERS contribution rate was 43.69% and 43.42%, respectively. As of June 30, 2017 and 2016, the Lottery’s proportionate share was 0.24243% and 0.24525%, respectively.

For the year ended June 30, 2017 and 2016, the Lottery recognized pension expense of \$4,991,096 and \$2,238,185, respectively. Pension expense is reported in the Lottery’s financial statements as part of salaries and benefits expense.

NOTE 7 - PENSION PLAN (CONTINUED)

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

At June 30, 2017, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 1,546,461	\$ —
Net difference between projected and actual earnings on pension plan investments	1,745,712	—
Change of assumptions	9,925,416	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	(3,990,801)
Lottery contributions subsequent to the measurement date	4,456,603	—
	<u>\$17,674,192</u>	<u>\$ (3,990,801)</u>

At June 30, 2016, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 6,381	\$ —
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	(4,573,016)
Lottery contributions subsequent to the measurement date	4,554,897	—
	<u>\$ 4,561,278</u>	<u>\$ (4,573,016)</u>

NOTE 7 - PENSION PLAN (CONTINUED)

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

Deferred outflows of resources related to pensions resulting from the Lottery's contributions subsequent to the measurement date of \$4,456,603 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30,</u>	
2018	\$ 1,705,721
2019	1,705,721
2020	2,052,357
2021	2,051,841
2022	1,711,148
	<u>\$ 9,226,788</u>

Actuarial Methods and Assumptions — The total pension liability for the year ended June 30, 2017 was determined based on the actuarial valuation report prepared as of June 30, 2016. The previous report, which was utilized for the year ended June 30, 2016, was prepared as of June 30, 2014. The following actuarial assumptions are summarized below as of June 30:

	<u>2017</u>	<u>2016</u>
Inflation	2.50%	2.75%
Salary increase, including inflation	3.50% - 19.50%	4.00% - 20.00%
Investment rate of return, net of investment expense, including inflation	6.90%	8.00%
Cost of living adjustment	0.00%	2.30% - 3.60%

The RP-2014 White Collar Mortality Table projected to 2020 by scale BB at 100% for males and 95% for females is used for the period after service retirement and for dependent beneficiaries. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2015.

Rates of withdrawal, disability retirement, service retirement and mortality were adjusted to more closely reflect actual and anticipated experience. The analysis and basis for these changes are included in the latest Experience Investigation for the five-year period ending June 30, 2015.

Economic assumptions (assumed rates of inflation and investment return), the actuarial cost method, and the UAAL amortization methodology were changed in accordance with Memorandum of Agreement (MOU) between the State and State Employee Bargaining Agent Coalition (SEBAC) effective December 8, 2016.

NOTE 7 - PENSION PLAN (CONTINUED)

Discount Rate — The discount rate used to measure the total pension liability was the long term expected rate of return on investments of 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 2116.

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
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Market (Non-U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Fixed income (Core)	8.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bond	4.0%	3.7%
Inflation linked bonds	5.0%	1.0%
Cash	4.0%	0.4%

NOTE 7 - PENSION PLAN (CONTINUED)

Sensitivity of the Lottery's 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 discount rate of 6.90%, as well as the proportionate share of the net pension liability using a 1% increase or decrease from the current discount rate. In fiscal year 2016, the discount rate was 8.00%.

	1% Decrease	Discount Rate	1% Increase
June 30, 2017	\$ 66,062,413	\$ 55,669,017	\$ 47,019,332
	1% Decrease	Discount Rate	1% Increase
June 30, 2016	\$ 48,206,038	\$ 40,525,323	\$ 34,054,427

NOTE 8 - POST EMPLOYMENT BENEFITS

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

Currently, 35 retirees meet those eligibility requirements. When employees retire, the State pays up to 100% of their health care insurance premium cost (including dependent's coverage) depending upon the plan. The State currently pays up to 20% of the cost for retiree dental insurance (including dependent's coverage) depending upon the plan. In addition, the State pays 100% of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance, continued at no cost to the retiree, is determined based on the number of years of service that the retiree had with the State at time of retirement as follows: a) if the retiree had 25 years or more of service, the amount of insurance will be one-half of the amount of insurance for which the retiree was insured immediately prior to retirement, but the reduced amount cannot be less than \$10,000; (b) if the retiree had less than 25 years of service, the amount of insurance will be the proportionate amount that such years of service is to 25, rounded to the nearest \$100. The State finances the cost of post-employment health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

In accordance with the Revised State Employee Bargaining Agent Coalition (SEBAC) 2011 Agreement between the State of Connecticut and the SEBAC, all employees shall pay the 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.

NOTE 9 - LEASE COMMITMENTS

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

The Lottery leases office and warehouse facilities under operating leases. These leases began on July 1, 2014, and expire on June 30, 2018. The combined rental amount for these facilities is \$5,896 per month.

The Lottery leases equipment and instant ticket vending machines under non-cancellable operating leases expiring on various dates through March 2023. All equipment lease obligations are payable in monthly installments. Similar to all Lottery equipment operated by our retailers, Keno terminals and monitors are leased through Scientific Games, our primary gaming system vendor. The Lottery makes up-front payments to our vendor through April 2018, which allows the Lottery to utilize the Keno equipment until the end of our lease term in April 2023. As of June 30, 2017, the Lottery recorded \$2,635,714 of prepaid expenses related to the lease of the Keno terminals and monitors, of which \$1,864,286 is long term and recorded as other assets in the accompanying statements of net positions. No such amounts were recorded as of June 30, 2016.

Total lease expense for facilities and equipment was \$2,056,711 and \$1,465,012 for the fiscal years ended June 30, 2017 and 2016, respectively.

Future payments for the aforementioned leases are summarized as follows:

Years Ending June 30,	
2018	\$ 3,502,750
2019	1,041,410
2020	1,041,410
2021	1,040,758
2022	1,040,628
Thereafter	1,040,628
	\$ 8,707,584

NOTE 10 - RISK MANAGEMENT

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

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

NOTE 10 – RISK MANAGEMENT (CONTINUED)

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, 2017 and 2016, there were no claims or settlements that have exceeded insurance coverage.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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



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*

Management and Board of Directors
Connecticut Lottery Corporation

We have audited, in accordance with auditing standards generally accepted in the United States 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 (the Lottery), a component unit of the State of Connecticut, which comprise the statement of net position (deficit) as of June 30, 2017, and the related statements of revenues and expenses and changes in net position (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lottery's internal control over financial reporting (internal control) to determine the 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 Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on 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.

Marcum LLP

Hartford, CT
October 5, 2017



REQUIRED SUPPLEMENTARY INFORMATION

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

Last Three Fiscal Years	2017	2016	2015
Lottery's portion of the net pension liability	0.24243%	0.24525%	0.27865%
Lottery's proportionate share of the net pension liability	\$ 55,669,017	\$ 40,525,323	\$ 44,624,031
Lottery's covered-employee payroll	\$ 10,200,510	\$ 10,490,319	\$ 10,032,666
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	545.75%	386.31%	444.79%
Plan fiduciary net position as a percentage of the total pension liability	31.69%	39.23%	39.54%

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 Seven Fiscal Years	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$4,456,603	\$ 4,233,893	\$ 3,803,384	\$ 3,401,159	\$ 2,752,875	\$ 2,482,079	\$ 2,288,551
Contributions in relation to the contractually required contribution	4,456,603	4,233,893	3,803,384	3,401,159	2,752,875	2,482,079	2,288,551
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	10,200,510	10,490,319	10,032,666	9,348,981	9,055,510	8,989,782	8,897,944
Contributions as a percentage of covered-employee payroll	43.69%	40.36%	37.91%	36.38%	30.40%	27.61%	25.72%

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.

Additionally, the prior fiscal year 2016 amounts disclosed in this schedule have been updated from the previously report \$4,554,897 to reflect revised calculations included in the June 30, 2016 SERS actuarial report.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two after the valuation date (June 30, 2016 contributions are based on June 30, 2014 valuation.). The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule.

Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of pay, closed
Single equivalent amortization period	17 years
Asset valuation method	5-year smoothed market
Inflation	3.75 percent
Salary increase	4.00-20.00 percent, including inflation
Investment rate of return	8.00 percent, net of investment related expense



SUPPLEMENTAL SCHEDULES

CONNECTICUT LOTTERY CORPORATION
SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2017

PROFIT CONTRIBUTIONS (\$ in 000s)

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
NET SALES	\$ 720,624	\$ 70,238	\$ 70,423	\$ 51,522	\$ 47,900
DIRECT COSTS					
Gross prize expense	500,987	33,877	40,369	25,272	20,125
Unclaimed prize credit	(3,115)	(502)	(708)	(286)	(388)
Use of unclaimed prize reserve	2	–	3	–	5
<i>Net prize expense</i>	497,874	33,375	39,664	24,986	19,742
Retailer commissions	41,108	3,862	3,843	2,837	2,567
On-line systems	6,653	647	648	474	441
Marketing, advertising and promotion	5,719	452	452	337	313
Production expenses	6,378	54	54	53	53
<i>Total direct costs</i>	557,732	38,390	44,661	28,687	23,116
GROSS PROFIT	\$ 162,892	\$ 31,848	\$ 25,762	\$ 22,835	\$ 24,784

PROFIT MARGIN (% OF NET SALES)

<i>Net sales</i>	100.0%	100.0%	100.0%	100.0%	100.0%
DIRECT COSTS					
Gross prize expense	69.5%	48.2%	57.3%	49.1%	42.0%
Unclaimed prize credit	(0.4)%	(0.7)%	(1.0)%	(0.6)%	(0.8)%
Use of unclaimed prize reserve	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Net prize expense</i>	69.1%	47.5%	56.3%	48.5%	41.2%
Retailer commissions	5.7%	5.5%	5.5%	5.5%	5.4%
On-line systems	0.9%	0.9%	0.9%	0.9%	0.9%
Marketing, advertising and promotion	0.8%	0.6%	0.6%	0.7%	0.7%
Production expenses	0.9%	0.1%	0.1%	0.1%	0.1%
<i>Total direct costs</i>	77.4%	54.7%	63.4%	55.7%	48.3%
GROSS PROFIT	22.6%	45.3%	36.6%	44.3%	51.7%

Lotto	Cash5	Powerball	Mega Millions	Lucky for Life	5 Card Cash	Lucky Links	Keno	Total
\$ 18,305	\$ 30,079	\$ 78,619	\$ 29,107	\$ 20,405	\$ -	\$ 6,858	\$ 72,182	\$ 1,216,262
9,729	18,101	39,302	14,730	13,201	(107)	4,432	46,607	766,625
(170)	(374)	(3,796)	(440)	(454)	75	(118)	(230)	(10,506)
160	-	-	-	-	-	-	-	170
9,719	17,727	35,506	14,290	12,747	(32)	4,314	46,377	756,289
963	1,692	4,038	1,487	1,116	-	385	4,086	67,984
168	277	727	268	188	-	63	1,967	12,521
146	803	1,097	751	98	-	47	1,851	12,066
16	66	72	25	44	-	107	1	6,923
11,012	20,565	41,440	16,821	14,193	(32)	4,916	54,282	855,783
\$ 7,293	\$ 9,514	\$ 37,179	\$ 12,286	\$ 6,212	\$ 32	\$ 1,942	\$ 17,900	\$ 360,479
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
53.1%	60.2%	50.0%	50.6%	64.7%	0.0%	64.6%	64.6%	63.0%
(0.9)%	(1.2)%	(4.8)%	(1.5)%	(2.2)%	0.0%	(1.7)%	(0.3)%	(0.9)%
0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
53.1%	58.9%	45.2%	49.1%	62.5%	0.0%	62.9%	64.3%	62.2%
5.3%	5.6%	5.1%	5.1%	5.5%	0.0%	5.6%	5.7%	5.6%
0.9%	0.9%	0.9%	0.9%	0.9%	0.0%	0.9%	2.7%	1.0%
0.8%	2.7%	1.4%	2.6%	0.5%	0.0%	0.7%	2.6%	1.0%
0.1%	0.2%	0.1%	0.1%	0.2%	0.0%	1.6%	0.0%	0.6%
60.2%	68.4%	52.7%	57.8%	69.6%	0.0%	71.7%	75.2%	70.4%
39.8%	31.6%	47.3%	42.2%	30.4%	100.0%	28.3%	24.8%	29.6%

CONNECTICUT LOTTERY CORPORATION
SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2016

PROFIT CONTRIBUTIONS (\$ in 000s)

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
NET SALES	\$ 742,296	\$ 74,016	\$ 69,493	\$ 54,198	\$ 47,355
DIRECT COSTS					
Gross prize expense	516,352	32,952	30,394	30,866	26,644
Unclaimed prize credit	(4,910)	(523)	(682)	(334)	(443)
Use of unclaimed prize reserve	—	—	—	1	5
<i>Net prize expense</i>	511,442	32,429	29,712	30,533	26,206
Retailer commissions	42,365	4,029	3,716	3,021	2,579
On-line systems	6,743	673	631	491	429
Marketing, advertising and promotion	5,800	539	510	390	341
Production expenses	6,429	46	46	45	45
<i>Total direct costs</i>	572,779	37,716	34,615	34,480	29,600
GROSS PROFIT	\$ 169,517	\$ 36,300	\$ 34,878	\$ 19,718	\$ 17,755

PROFIT MARGIN (% OF NET SALES)

<i>Net sales</i>	100.0%	100.0%	100.0%	100.0%	100.0%
DIRECT COSTS					
Gross prize expense	69.6%	44.5%	43.7%	57.0%	56.3%
Unclaimed prize credit	(0.7)%	(0.7)%	(1.0)%	(0.6)%	(0.9)%
Use of unclaimed prize reserve	0.0%	0.0%	0.0%	0.0%	0.0%
<i>Net prize expense</i>	68.9%	43.8%	42.7%	56.4%	55.4%
Retailer commissions	5.7%	5.4%	5.3%	5.6%	5.4%
On-line systems	0.9%	0.9%	0.9%	0.9%	0.9%
Marketing, advertising and promotion	0.8%	0.7%	0.7%	0.7%	0.7%
Production expenses	0.9%	0.1%	0.1%	0.1%	0.1%
<i>Total direct costs</i>	77.2%	50.9%	49.7%	63.7%	62.5%
GROSS PROFIT	22.8%	49.1%	50.3%	36.3%	37.5%

Lotto	Cash5	Powerball	Mega Millions	Lucky for Life	5 Card Cash	Lucky Links	Keno	Total
\$ 19,429	\$ 30,994	\$ 106,270	\$ 21,709	\$ 29,405	\$ 13,107	\$ 10,053	\$ 12,444	\$ 1,230,769
10,286	16,975	53,142	14,748	12,463	10,962	6,325	8,217	770,326
(186)	(309)	(1,791)	(381)	(464)	(407)	(163)	–	(10,593)
530	–	–	–	–	–	–	–	536
10,630	16,666	51,351	14,367	11,999	10,555	6,162	8,217	760,269
1,035	1,720	5,444	1,539	1,176	760	607	697	68,688
177	281	962	271	193	123	90	388	11,452
187	226	1,230	706	545	274	86	1,566	12,400
14	46	64	18	50	45	83	125	7,056
12,043	18,939	59,051	16,901	13,963	11,757	7,028	10,993	859,865
\$ 7,386	\$ 12,055	\$ 47,219	\$ 4,808	\$ 15,442	\$ 1,350	\$ 3,025	\$ 1,451	\$ 370,904
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
52.9%	54.8%	50.0%	67.9%	42.4%	83.6%	62.9%	66.0%	62.6%
(1.0)%	(1.0)%	(1.7)%	(1.8)%	(1.6)%	(3.1)%	(1.6)%	0.0%	(0.9)%
2.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
54.6%	53.8%	48.3%	66.1%	40.8%	80.5%	61.3%	66.0%	61.7%
5.3%	5.5%	5.1%	7.1%	4.0%	5.8%	6.0%	5.6%	5.6%
0.9%	0.9%	0.9%	1.2%	0.7%	0.9%	0.9%	3.1%	0.9%
1.0%	0.7%	1.2%	3.3%	1.9%	2.1%	0.9%	12.6%	1.0%
0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.8%	1.0%	0.6%
61.9%	61.0%	55.6%	77.8%	47.6%	89.6%	69.9%	88.3%	69.8%
38.1%	39.0%	44.4%	22.2%	52.4%	10.4%	30.1%	11.7%	30.2%



STATISTICAL SECTION

CONNECTICUT LOTTERY CORPORATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION ACTUAL VS. BUDGET (\$000s), YEAR ENDED JUNE 30, 2017

	Actual	Budget	Over/(Under) Budget	% Change
SALES				
OPERATING REVENUE	\$ 1,218,956	\$ 1,246,000	\$ (27,044)	(2.2)%
Less sales returns, cancellations and promotion	(2,694)	0	(2,694)	–
Total operating revenue	1,216,262	1,246,000	(29,738)	(2.4)%
COST OF SALES AND OPERATING EXPENSES				
COST OF SALES				
Prize expense	756,289	774,207	(17,918)	(2.3)%
Retailer commissions	67,984	69,879	(1,895)	(2.7)%
Gaming systems	12,521	12,814	(293)	(2.3)%
Marketing, advertising, and promotion	12,066	13,402	(1,336)	(10.0)%
Production expenses	6,923	7,693	(770)	(10.0)%
Total cost of sales	855,783	877,995	(22,212)	(2.5)%
OPERATING EXPENSES				
Salaries and benefits	20,414	20,744	(330)	(1.6)%
Other operating expenses	3,884	3,612	272	7.5%
Depreciation and amortization	299	385	(86)	(22.3)%
Bad debt expense	47	200	(153)	(76.5)%
Total operating expenses	24,644	24,941	(297)	(1.2)%
OTHER OPERATING REVENUE	124	38	86	226.3%
Operating income	335,960	343,102	(7,143)	(2.1)%
NON-OPERATING REVENUES (EXPENSES)				
Interest income from investments on annuities	6,209	0	6,209	–
Interest income	157	18	139	772.2%
Interest expense on annuity payments	(6,209)	0	(6,209)	–
Annuity assignment	7	2	5	250.0%
Total non-operating revenues	164	20	144	720.0%
CHANGE IN NET POSITION BEFORE				
PAYMENTS TO STATE FUNDS	336,124	343,122	(6,998)	(2.0)%
Payments to Chronic Gamblers' Fund	2,300	2,300	0	0.0%
Payments to Office of Policy and Management	2,685	2,685	0	0.0%
Payments to State's General Fund	330,000	338,136	(8,136)	(2.4)%
Change in net position	\$ 1,139	\$ –	\$ 1,139	N/A

CONNECTICUT LOTTERY CORPORATION

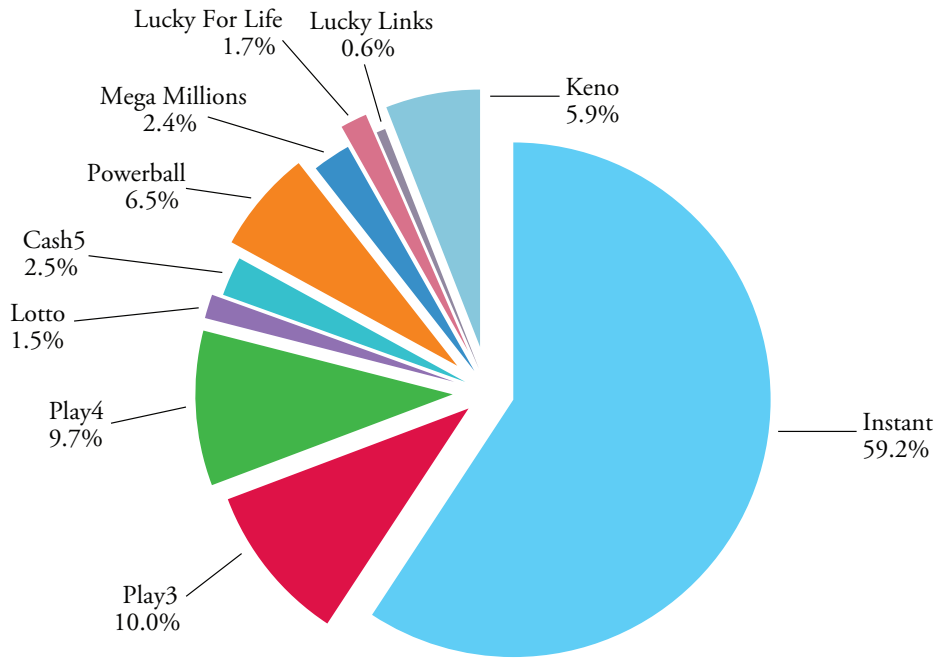
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY GAME TYPE (\$000s), YEAR ENDED JUNE 30, 2017

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
SALES					
OPERATING REVENUE	\$720,624	\$ 71,043	\$ 71,177	\$ 52,062	\$ 48,373
Less sales returns, cancellations and promotion	–	(805)	(754)	(540)	(473)
Total operating revenue	720,624	70,238	70,423	51,522	47,900
COST OF SALES AND OPERATING EXPENSES					
COST OF SALES					
Prize expense	497,874	33,375	39,664	24,986	19,742
Retailer commissions	41,108	3,862	3,843	2,837	2,567
Gaming systems	6,653	647	648	474	441
Marketing, advertising, and promotion	5,719	452	452	337	313
Production expenses	6,378	54	54	53	53
Total cost of sales	557,732	38,390	44,661	28,687	23,116
OPERATING EXPENSES					
Salaries and benefits	12,560	608	810	557	760
Other operating expenses	2,402	117	156	107	146
Depreciation and amortization	185	9	12	8	11
Bad debt expense	27	3	3	2	2
Total operating expenses	15,174	737	981	674	919
OTHER OPERATING INCOME	14	15	15	12	11
Operating income	147,732	31,126	24,796	22,173	23,876
NON-OPERATING REVENUES (EXPENSES)					
Interest income from investments on annuities	3,931	–	–	–	–
Interest income	13	18	18	13	12
Interest expense on annuity payments	(3,931)	–	–	–	–
Annuity assignment	4	–	–	–	–
Total non-operating revenues	17	18	18	13	12
CHANGE IN NET POSITION BEFORE					
PAYMENTS TO STATE FUNDS	147,751	31,143	24,815	22,183	23,887
Payments to Chronic Gamblers' Fund	1,417	137	137	100	93
Payments to Office of Policy and Management	1,617	156	155	115	105
Payments to State's General Fund	144,233	30,747	24,440	21,895	23,610
Change in net position	\$ 484	\$ 103	\$ 83	\$ 73	\$ 79

Lotto	Cash 5	Powerball	Mega Millions	Lucky for Life	5 Card Cash	Lucky Links	Keno	Total
\$ 18,342 (37)	\$ 30,120 (41)	\$ 78,637 (18)	\$ 29,114 (7)	\$ 20,422 (17)	\$ – –	\$ 6,858 –	\$ 72,184 (2)	\$ 1,218,956 (2,694)
18,305	30,079	78,619	29,107	20,405	–	6,858	72,182	1,216,262
9,719	17,727	35,506	14,290	12,747	(32)	4,314	46,377	756,289
963	1,692	4,038	1,487	1,116	–	385	4,086	67,984
168	277	727	268	188	–	63	1,967	12,521
146	803	1,097	751	98	–	47	1,851	12,066
16	66	72	25	44	–	107	1	6,923
11,012	20,565	41,440	16,821	14,193	(32)	4,916	54,282	855,783
608	608	709	709	709	–	405	1,371	20,414
116	116	136	135	144	–	77	232	3,884
9	9	11	11	10	–	6	18	299
1	1	3	1	1	–	–	3	47
734	734	859	856	864	–	488	1,624	24,644
4	7	19	6	4	–	1	16	124
6,563	8,787	36,339	11,436	5,352	32	1,455	16,292	335,960
782	–	–	–	1,496	–	–	–	6,209
4	8	33	13	5	–	2	18	157
(782)	–	–	–	(1,496)	–	–	–	(6,209)
–	–	–	–	3	–	–	–	7
4	8	33	13	8	–	2	18	164
6,569	8,796	36,372	11,450	5,361	31	1,456	16,310	336,124
35	59	116	47	40	–	13	106	2,300
40	66	168	79	45	–	15	124	2,685
6,472	8,641	35,968	11,286	5,258	–	1,424	16,026	330,000
\$ 22	\$ 30	\$ 120	\$ 38	\$ 18	\$ 31	\$ 4	\$ 54	\$ 1,139

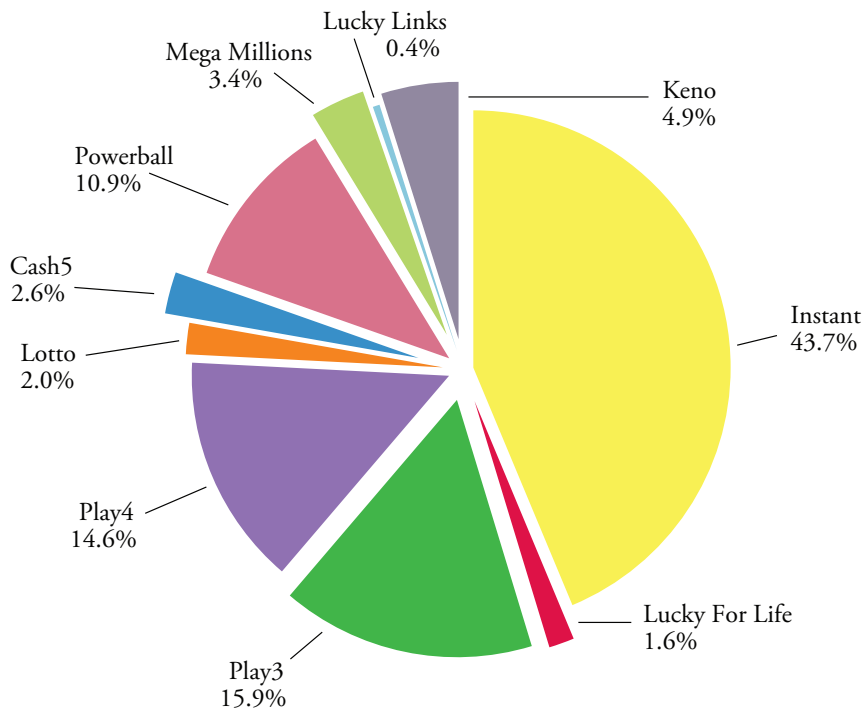
REVENUE BY GAME

FISCAL YEAR 2017 TOTAL SALES: \$1,216,262,021



GENERAL FUND PAYMENTS BY GAME

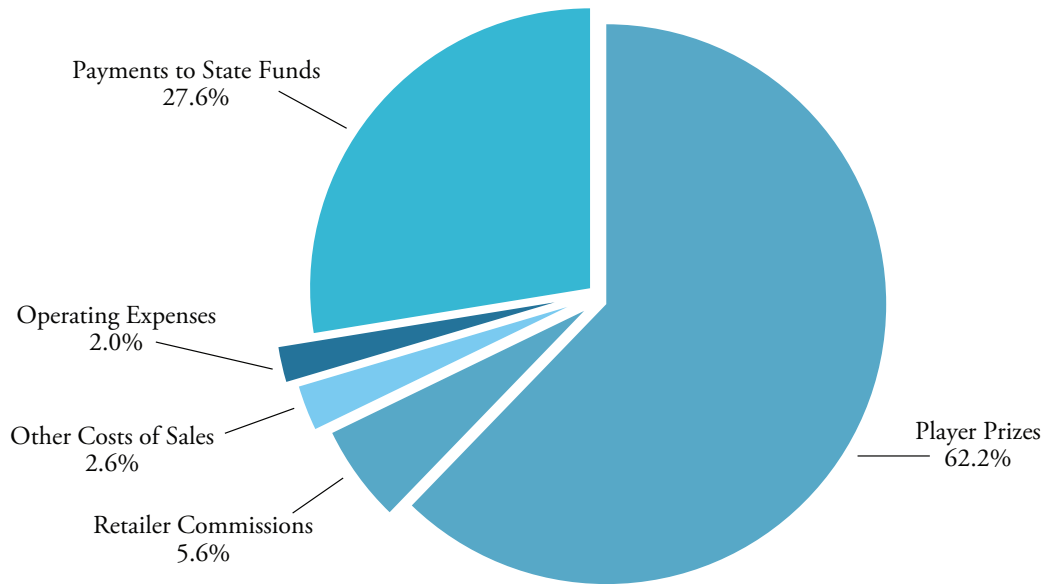
FISCAL YEAR 2017 TOTAL PAYMENTS: \$330,000,000



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

DISTRIBUTION OF EXPENSES AND PAYMENTS AS A PERCENTAGE OF TOTAL REVENUE

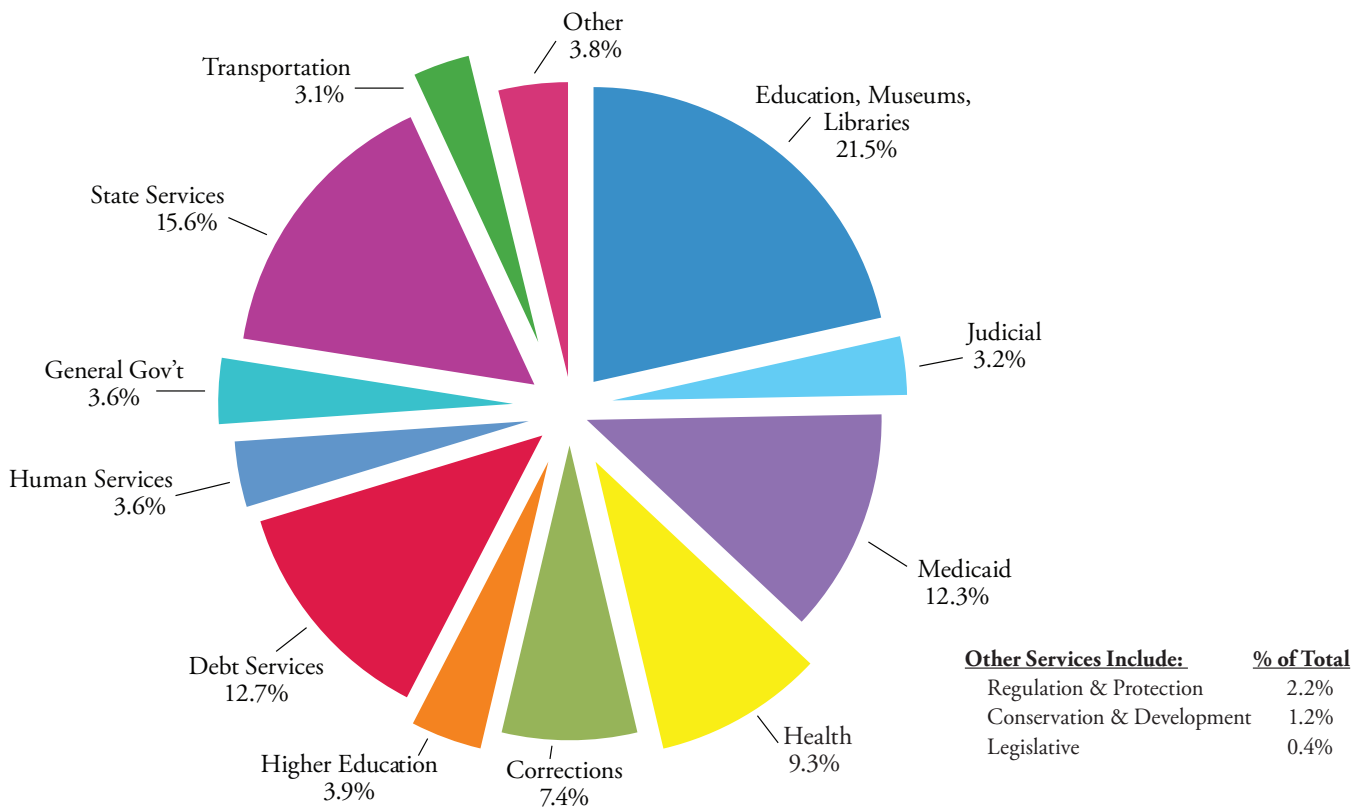
FISCAL YEAR 2017 TOTAL SALES: \$1,216,262,021



Note: Other Cost of Sales comprised of on-line systems, marketing, advertising and promotion and production expenses.

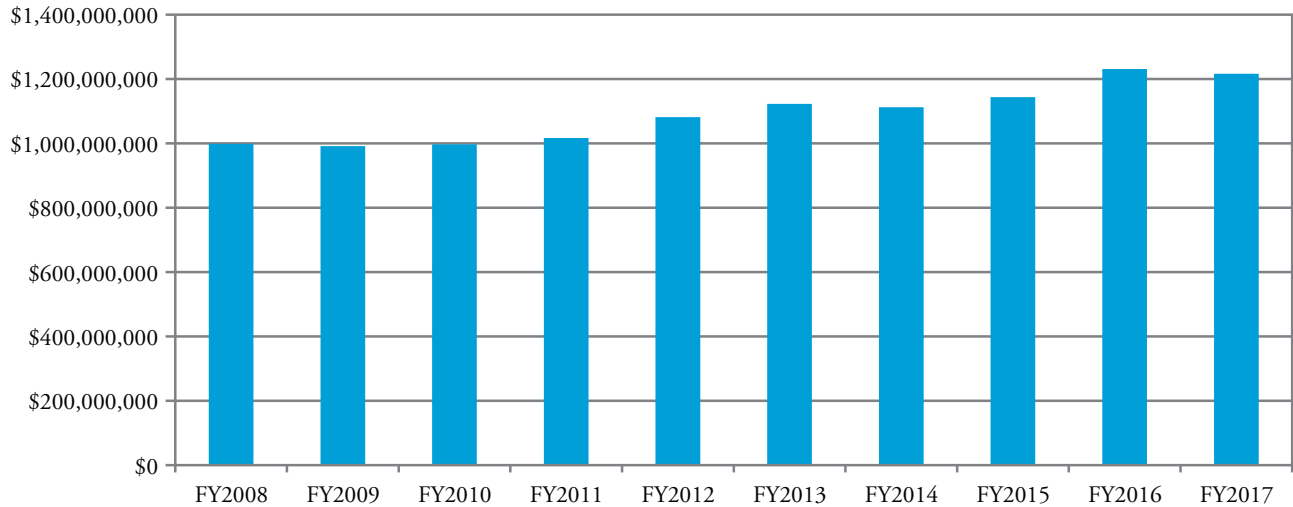
STATE SERVICES SUPPORTED BY LOTTERY PAYMENTS TO THE GENERAL FUND

FISCAL YEAR 2017 PAYMENTS TO THE GENERAL FUND: \$330,000,000

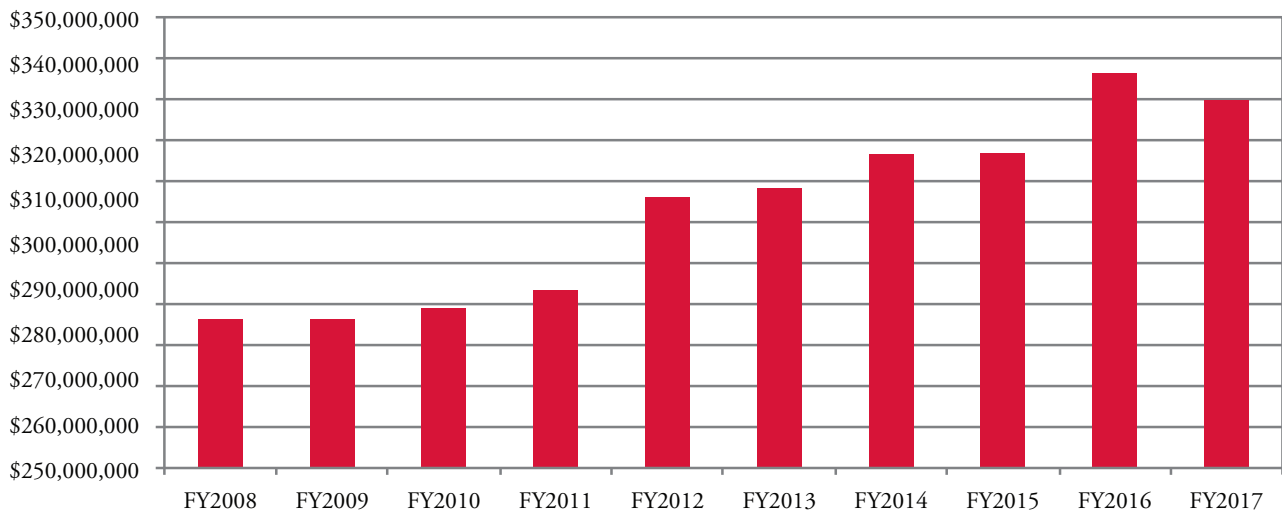


Based on Fiscal Year 2017 General Fund Percentages Appropriated by the Legislature. Source: Connecticut State Budget 2016-2017

REVENUES FOR THE LAST TEN FISCAL YEARS



PAYMENTS TO THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS



CONNECTICUT LOTTERY CORPORATION

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

	2008	2009	2010	2011
Operating Revenue				
Instant	\$ 618,970	\$ 610,013	\$ 593,374	\$ 610,568
Daily Games ⁽¹⁾	207,618	206,343	211,317	225,381
Lotto	32,201	32,942	29,904	24,341
Cash 5	41,159	40,420	35,041	34,243
Powerball	98,200	92,134	85,282	60,280
Mega Millions	–	–	11,231	33,185
Lucky for Life ⁽²⁾	–	9,451	30,698	23,815
CT Super Draw	–	–	–	4,801
5 Card Cash	–	–	–	–
Lucky Links	–	–	–	–
Keno	–	–	–	–
Total Operating Revenue	998,148	991,303	996,847	1,016,614
Cost of Sales				
Prizes	608,218	604,712	608,755	620,134
Retailer commissions	55,950	55,771	55,885	56,964
Other cost of sales ⁽³⁾	28,114	24,933	23,703	26,129
Total cost of sales	692,282	685,416	688,343	703,227
PAYMENTS TO STATE'S GENERAL FUND				
	\$ 283,000	\$ 283,000	\$ 285,500	\$ 289,300

⁽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 on-line systems, marketing, advertising and promotions and production expenses.

2012	2013	2014	2015	2016	2017
\$ 653,310	\$ 667,255	\$ 660,230	\$ 687,967	\$ 742,296	\$ 720,624
220,061	233,619	235,883	231,755	245,062	240,083
27,372	22,149	21,591	20,143	19,429	18,305
33,781	32,565	32,318	31,220	30,994	30,079
74,281	107,383	82,725	66,502	106,271	78,619
40,628	23,728	37,567	32,369	29,406	29,107
26,871	30,432	25,095	21,523	21,709	20,405
5,436	5,564	4,355	2,896	–	–
–	–	12,641	46,322	13,107	–
–	–	–	3,276	10,053	6,858
–	–	–	–	12,444	72,182
1,081,740	1,122,695	1,112,405	1,143,973	1,230,769	1,216,262
659,898	699,063	668,792	707,735	760,269	756,289
60,740	62,765	62,077	64,270	68,688	67,984
27,435	27,993	28,695	28,232	30,908	31,510
748,073	789,821	759,564	800,237	859,865	855,783
\$ 310,000	\$ 312,100	\$ 319,500	\$ 319,700	\$ 337,500	\$ 330,000

CONNECTICUT LOTTERY CORPORATION

COMPARATIVE INDUSTRY STATISTICS

Based upon data published in *La Fleur's 2017 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 2016, included data from lotteries in 44 states plus the District of Columbia (D.C.). Top performing lotteries in key categories are presented below.

A. SALES PER CAPITA - FY 2016:

State/District	Population (Millions)	Ticket Sales (Millions \$)	Sales Per Capita (Dollars)
1 Massachusetts	6.8	\$ 5,223.5	\$ 769.3
2 Georgia	10.3	4,247.9	412.4
3 New York	19.7	7,703.1	391.0
4 New Jersey	8.9	3,321.7	373.2
5 Connecticut	3.6	1,230.8	341.9
6 D.C.	0.7	228.7	326.7
7 Pennsylvania	12.8	4,135.2	323.1
8 South Carolina	5.0	1,600.4	320.1
9 Maryland	6.0	1,905.5	317.6
10 Michigan	9.9	3,104.8	313.6

B. NET INCOME PER CAPITA - FY 2016:

State/District	Population (Millions)	Net Income (Millions \$)	Net Income Per Capita (Dollars)
1 Massachusetts	6.8	\$ 989.5	\$ 145.30
2 New Jersey	8.9	1,027.3	114.91
3 Georgia	10.3	1,107.1	107.38
4 Connecticut	3.6	351.6	98.21
5 Michigan	9.9	889.8	89.61
6 Pennsylvania	12.8	1,121.3	87.74
7 Florida	20.6	1,718.4	83.38
8 South Carolina	5.0	404.4	81.54
9 D.C.	0.7	53.4	78.47
10 Virginia	8.4	588.4	69.96

C. OPERATING EXPENSES* AS PERCENTAGE OF SALES - FY 2016:

State/District	Ticket Sales (Millions \$)	Operating Expenses (Millions \$)	Expense %
1 Massachusetts	\$ 5,223.5	\$ 102.7	2.0%
2 South Carolina	1,600.4	39.5	2.5
3 Florida	6,062.4	168.4	2.8
4 New Jersey	3,321.7	114.0	3.4
5 West Virginia	188.2	7.0	3.7
6 Pennsylvania	4,135.2	156.6	3.8
7 Tennessee	1,511.7	60.8	4.0
8 North Carolina	2,383.6	95.3	4.0
9 Connecticut	1,230.8	50.3	4.1
10 Texas	5,067.5	205.6	4.1
11 Georgia	4,247.9	185.5	4.4
12 Missouri	1,315.6	58.2	4.4
13 Michigan	3,104.6	146.6	4.7
14 Illinois	2,855.5	139.8	4.9
15 Virginia	2,006.9	98.7	4.9

*Operating expenses are comprised of on-line systems, marketing, advertising and promotion, production expenses, salaries and benefits, other operating expenses, depreciation and amortization and bad debt expense.

CONNECTICUT LOTTERY CORPORATION

2017 ANNUAL REPORT



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The 2017 Annual Report is available at
CTLOTTERY.ORG