

Hoosier Lottery

*2012
Annual Report*

The Hoosier Lottery was established in 1989 with a primary objective to maximize revenue for the state in a socially-responsible manner. The Lottery engages in selling products in two categories. The first is the instant category which includes scratch-off games and pull-tab games. The second is the on-line category which includes Hoosier Lotto™, Powerball® with Power Play®, Mega Millions® with Megaplier®, Daily 3™, Daily 4™, Lucky 5™, Mix & Match™, Quick Draw and Tag 6™.

The Hoosier Lottery is organized with the following divisions:

- Accounting (13 employees) – Performs all financial and accounting functions;
- Security (10 employees) – Safeguards the Lottery's integrity, supervises draws and investigates concerns with retailers and customers;
- Administration (22 employees) – Manages human resources, procurement, licensing, customer service and prize payment;
- Information Technology (15 employees) – Oversees information systems, programming, and technical support;
- Internal Controls (3 employees) – Reviews and evaluates internal controls and performs internal audits;
- Sales (90 employees) – Directs all sales operations;
- Marketing (20 employees) – Responsible for the marketing, advertising and public relations.

In fiscal year 2012, the Hoosier Lottery had total sales of \$855 million, which is the largest amount in its 23-year history. This was an increase in revenues of \$64 million over the prior year.

Instant ticket sales set a new record at \$558M, which was an increase of \$38 million or 7 percent in fiscal year 2012. This increase in instant ticket sales was primarily a reflection of continued improvement in product, communication and distribution strategies.

The Hoosier Lottery also had a great year with on-line game sales. Mega Millions had a record jackpot of \$646 million in fiscal year 2012. Powerball and Hoosier Lotto both had larger than average jackpots during fiscal year 2012. The large jackpots led to a \$26 million or a 9 percent increase in on-line sales over the prior year.

Throughout fiscal year 2012 the Hoosier Lottery enjoyed great achievements including a record-breaking year in revenues. The Hoosier Lottery looks forward to continued success in fiscal year 2013.

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 41,774,779	\$ 47,896,357
Investments — current portion	11,815,565	12,024,544
Securities lending collateral	76,034,555	-
Accounts receivable — net	32,481,773	22,112,127
Prepaid expenses	2,693,408	3,768,748
Accrued interest receivable	446	103
Ticket inventory	<u>263,750</u>	<u>401,773</u>
Total current assets	<u>165,064,276</u>	<u>86,203,652</u>
NONCURRENT ASSETS:		
Long-term investments — less current portion	144,697,963	126,761,064
Restricted assets	8,757,087	8,397,985
Capital assets — net	<u>2,399,077</u>	<u>2,354,611</u>
Total noncurrent assets	<u>155,854,127</u>	<u>137,513,660</u>
TOTAL	<u>\$ 320,918,403</u>	<u>\$ 223,717,312</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable:		
State	\$ 8,321,238	\$ 10,659,871
Trade	12,713,345	19,919,057
Securities lending transactions	76,034,555	-
Current portion of prize liability	70,407,568	62,813,388
Deferred revenue	528,295	870,240
Other accrued expenses	<u>1,536,432</u>	<u>1,611,507</u>
Total current liabilities	169,541,433	95,874,063
LONG-TERM LIABILITIES — Prize liability less current portion	<u>124,241,317</u>	<u>122,843,249</u>
Total liabilities	<u>293,782,750</u>	<u>218,717,312</u>
NET ASSETS:		
Unrestricted	24,736,576	2,645,389
Invested in capital assets	<u>2,399,077</u>	<u>2,354,611</u>
Total net assets	<u>27,135,653</u>	<u>5,000,000</u>
TOTAL	<u>\$ 320,918,403</u>	<u>\$ 223,717,312</u>

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Instant ticket sales — net	\$ 557,784,919	\$ 519,307,182
On-line ticket sales	<u>297,799,838</u>	<u>272,139,361</u>
Total operating revenues	<u>855,584,757</u>	<u>791,446,543</u>
OPERATING EXPENSES:		
Direct game expenses:		
Instant game prizes	377,488,962	354,353,552
On-line games prizes	<u>155,472,805</u>	<u>140,162,169</u>
	<u>532,961,767</u>	<u>494,515,721</u>
Indirect game expenses:		
Retailer commissions	60,036,174	56,241,137
Ticket printing costs	9,862,337	9,484,181
Advertising and promotion	11,725,343	11,635,171
On-line professional services	8,691,678	7,581,656
ITVM lease and courier services	<u>2,652,168</u>	<u>2,651,596</u>
	<u>92,967,700</u>	<u>87,593,741</u>
Total game expenses	<u>625,929,467</u>	<u>582,109,462</u>
OTHER OPERATING EXPENSES:		
Salaries, wages, and benefits	13,786,376	13,343,070
General and administrative	<u>5,252,783</u>	<u>4,505,750</u>
Total other operating expenses	<u>19,039,159</u>	<u>17,848,820</u>
Total operating expenses	<u>644,968,626</u>	<u>599,958,282</u>
OPERATING INCOME	<u>210,616,131</u>	<u>191,488,261</u>
NON-OPERATING REVENUES:		
Interest income	65,433	135,975
Net increase (decrease) in fair value of investments	16,549,412	(3,499,418)
Other income - net	<u>156,030</u>	<u>105,551</u>
Total non-operating revenues (expenses) -net	<u>16,770,875</u>	<u>(3,257,892)</u>
NET INCOME PRIOR TO DISTRIBUTIONS	<u>227,387,006</u>	<u>188,230,369</u>
DISTRIBUTIONS:		
Distributions to the State	(196,930,115)	(177,570,498)
Distributions to be paid to the State	<u>(8,321,238)</u>	<u>(10,659,871)</u>
Total distributions	<u>(205,251,353)</u>	<u>(188,230,369)</u>
CHANGES IN NET ASSETS	22,135,653	-
NET ASSETS — Beginning of year	<u>5,000,000</u>	<u>5,000,000</u>
NET ASSETS — Ending of year	<u>\$ 27,135,653</u>	<u>\$ 5,000,000</u>

