

ANNUAL REPORT | FISCAL YEAR 2017

2017



The Vermont Education Fund receives 100% of Lottery profits.

2017 marks the Vermont Lottery's 39th year, one that ends four decades of changes and fun, prizes and funding to Vermont's Education Fund.

From the introduction of instant tickets in 1978 to Tri-State Megabucks in 1985, Powerball in 2003, Mega Millions in 2010 and Fast Play Pro in 2014, the Vermont Lottery has kept the fun and surprises rolling, specifically benefiting K-12 education in Vermont since 1999.

Players now have an extra opportunity to win online with our 2nd Chance games and by using their mobile devices.

As game styles and technology used to play these games improves, this past year also brought some significant changes to the Vermont Lottery. We said goodbye to Executive Director Greg Smith and long-time Commission Chair, Martha O'Connor, both of whom had provided years of dedicated service to the Vermont Lottery.

Governor Scott appointed Sabina Haskell as the new Commission Chair and Danny Rachek was named as the new Executive Director to continue the Lottery's mission.

The Vermont Lottery continues to offer a wide variety of instant games that are fun and give our players the best chances to win; last year alone we awarded more than \$79 million in prizes. Our instant ticket game sales increased more than 3%. These tickets sales, along with our online (or draw) games, earned our 630-plus agents, over \$7 million in commissions.

Since its inception, the Vermont Lottery has contributed over \$616 million to the state's General and Education Fund. In cooperation with the Agency of Education, we also funded and awarded an Educate and Innovate Grant to the Westminster Center School. The Lottery purchased 20 iPads and a charging cart for the students and faculty to use to complete an educational project with the Westminster Historical Society. This is another way that the Vermont Lottery profits enhance the education efforts in Vermont.

The staff and the commissioners of the Vermont Lottery are proud of our past contributions to the Education Fund and, as we celebrate our 40th year, we will look for additional fun and responsible ways to increase future contributions.

Daniel Rachek
Executive Director

Sabina Haskell
Chair, Vermont Lottery Commission

Commissioners



Sabina Haskell
Chair
Burlington
Term Expires
02/20



Ed Flanagan
Montpelier
Term Expires
02/19



Michael Consejo
Sheldon Springs
Term Expires
02/18



Susan Popowski
Northfield
Term Expires
02/20



Robert Campo
Barre
Term Expires
02/20

History

Public Act No. 82 was enacted by the 1977 General Assembly establishing the Vermont Lottery Commission. The first Lottery ticket, Green Mountain Game, went on sale to the public February 14, 1978. Since the Lottery's inception, all profits generated by the Vermont Lottery were dedicated for use by the state's General Fund. In July 1998, the Vermont Legislature mandated that all profits from the Lottery go to the state's Education Fund. The Vermont Lottery is run by a small, efficient staff of 21 full-time employees and five Commissioners. It is still one of the smallest staffs of any lottery in the United States, yet generated over \$122 million in revenue during FY17.

Products

In FY17, the Vermont Lottery offered 10 games for sale: Instant Tickets, Powerball, Mega Millions, Lucky for Life; and the Tri-State games Megabucks, Fast Play, Fast Play Pro, Pick 3, Pick 4 and Gimme 5. A few of these had changes to their prizes, odds and rules implemented this year, and more may have changes planned for next year. We believe that making periodic changes to games causes them to be more appealing to current and potential players. These changes are thoroughly reviewed by mathematicians, lottery game technicians, market research groups and each state lottery that offers the games to ensure integrity and ease of play. The variety of games, prices, prize levels, odds of winning, and themes allows us to provide games that appeal to a broad demographic mix.

Lottery Agents

In FY17, there were over 630 Lottery agents in Vermont who sold online games and Instant Tickets. Agents received a commission of 6% of their total Powerball, Mega Millions and Lucky for Life sales and 5.75% of all other Lottery product sales. In addition, agents received a 1% bonus for selling winning tickets of \$500 and up (agent bonus capped at \$30,000). In FY17, the commissions and bonuses paid to agents were \$7.49 million.

Responsible Gaming

The Vermont Lottery partners with the Center for Addiction Recognition Treatment Education & Recovery (CARTER) so we may aid Vermonters who need help managing their focus on gambling. We also provide training to the counselors who offer these services throughout Vermont.

The funding provided by the Lottery pays for staffing the 24-hour helpline, website maintenance, training for counselors, literature and event sponsorships. We also create, produce and air TV and radio advertisements all year long. We continue to print the helpline phone number and website address on over 20 million Lottery tickets sold each year.

We encourage everyone who knows somebody struggling with a gambling problem to have them call 1-800-522-4700 or visit problemgambling.vermont.gov so they can learn what options are available.

Results of Operations

FY17 ended with overall revenue of \$122,331,920. The total profit contributed to the state's Education Fund was \$25.5 million. In addition to the profits to the Education Fund, \$79.6 million was returned to players in the form of prizes, and \$7.49 million was paid to Lottery agents as commissions and bonuses on sales.

Sales

Total FY17 sales equaled \$122,370,063. The following shows ticket sales by game:

	2017	2016
Instant games	\$ 96,248,375	\$ 93,242,178
Draw Games:		
Powerball	9,133,647	12,882,472
Mega Millions	3,441,679	3,291,228
Lucky for Life	1,775,788	1,779,688
Megabucks Plus	3,963,630	3,900,898
Pick 3	1,320,610	1,365,836
Pick4	1,240,755	1,245,646
Gimme 5	731,642	762,909
Fast Play	<u>4,513,937</u>	<u>5,790,984</u>
Total sales	<u>\$ 122,370,063</u>	<u>\$ 124,261,839</u>

Operating Expenses

Administrative costs for the Lottery were \$2,967,943 an increase of \$107,149 from FY16. Administrative costs include salaries and benefits, contracted services, equipment, and supplies that were components of the Lottery's annual operating budget appropriation from the Legislature. The budget appropriation came from lottery revenues.

Other operating expenses, dependent on Lottery sales, included Lottery tickets, courier system, agent network expenses and facilities management fees to our gaming vendor (Intralot, Inc.). The total cost of other operations for FY17 was \$8,771,067, a decrease of less than 1% over FY16. This includes the administrative costs of \$2,967,943 mentioned above.

Tri-State Expenses

The Tri-State operating, communications and facilities management costs totaled \$918,520, a decrease of \$322,602 from FY16.

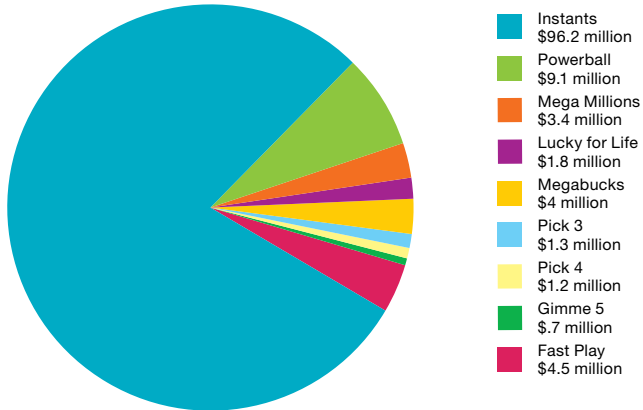
Prizes and Commissions

The total prizes paid to players in FY17 were \$79,648,891 and the total commissions and bonuses paid to agents were \$7,491,647.

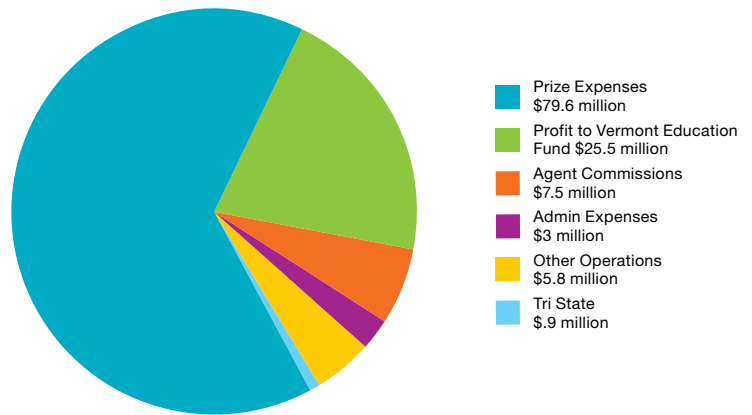
Contribution to Vermont Education Fund

Total profits contributed to the Vermont Education Fund were \$25,501,795

Where the sales were:



Where the money went:



STATEMENTS OF NET POSITION*

June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,127,403	\$ 4,873,782
Accounts receivable, net	2,139,927	2,316,857
Due from the State Education Fund	25,360	5,509
Inventory	854,917	815,521
	<u>8,147,607</u>	<u>8,011,669</u>
PROPERTY AND EQUIPMENT, net	<u>11,515</u>	<u>15,298</u>
OTHER ASSETS		
Investments	1,024,708	1,220,842
Deferred pension outflows	552,039	421,275
	<u>\$ 9,735,869</u>	<u>\$ 9,669,084</u>
Total other assets	<u>\$ 9,735,869</u>	<u>\$ 9,669,084</u>
Total assets	<u>\$ 9,735,869</u>	<u>\$ 9,669,084</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 638,183	\$ 801,805
Accrued payroll and compensated absences	162,489	149,156
Reserve for future and unclaimed prizes	6,006,198	5,738,191
Due to winners, current	116,782	166,438
Deferred revenue	185,819	209,311
	<u>7,109,471</u>	<u>7,064,901</u>
Total current liabilities	<u>7,109,471</u>	<u>7,064,901</u>
NONCURRENT LIABILITIES		
Due to winners, net of current portion	764,495	834,481
Due to state treasurer	300,000	300,000
Deferred pension inflows	191,941	191,321
Net pension liability	1,224,242	1,049,203
	<u>2,480,678</u>	<u>2,375,005</u>
Total noncurrent liabilities	<u>2,480,678</u>	<u>2,375,005</u>
Total liabilities	9,590,149	9,439,906
NET POSITION, unrestricted	<u>145,720</u>	<u>229,178</u>
Total liabilities and net position	<u>\$ 9,735,869</u>	<u>\$ 9,669,084</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*

For the Years Ended June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Ticket sales	\$ 122,370,063	\$124,261,839
Agents' license fees and other receipts	<u>5,296</u>	<u>2,048</u>
Total revenues	122,375,359	124,263,887
OPERATING EXPENSES		
Prize expenses	79,648,891	80,140,728
Agents commissions	7,491,647	7,746,050
Lottery tickets	1,681,752	1,683,440
Ticket dispensers	40,271	34,097
Courier system	158,000	182,990
Facilities management fee - instant	3,430,067	3,114,465
Facilities management fee - online	548,799	655,874
Tri-State expenses	918,520	1,241,122
MUSL expenses	27,693	44,905
Personal services	1,445,524	1,397,209
Retirement expense	186,982	170,131
Advertising	564,959	549,199
Other operating expenses	616,695	607,074
Depreciation	3,783	1,604
Department of Health	<u>150,000</u>	<u>135,577</u>
Total operating expenses	<u>96,913,583</u>	<u>97,704,465</u>
OPERATING INCOME	<u>25,461,776</u>	<u>26,559,422</u>
NON-OPERATING INCOME		
Investment income	<u>(43,439)</u>	<u>52,091</u>
Total non-operating income	<u>(43,439)</u>	<u>52,091</u>
INCOME BEFORE OPERATING TRANSFERS	25,418,337	26,611,513
NET PROFIT TRANSFERRED TO THE EDUCATION FUND	<u>25,501,795</u>	<u>26,410,147</u>
Change in net position	(83,458)	201,366
NET POSITION, beginning of year	229,178	27,812
NET POSITION, end of year	<u>\$ 145,720</u>	<u>\$ 229,178</u>

*A copy of the complete financial statements with Independent Auditor's Reports is available upon request.

