



ANNUAL REPORT | FISCAL YEAR 2018

**THE VERMONT EDUCATION FUND
RECEIVES 100% OF LOTTERY PROFITS.**

2018 marked the Vermont Lottery's 40th Anniversary celebrating four decades of entertainment, prizes for our customers and funding to the state's General Fund and the Vermont Education Fund.

From the introduction of instant tickets in 1978, 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 continue to have an extra opportunity to win online with our 2nd Chance program, games and by using their mobile devices.

Just as game styles are constantly changing and new technology is used to improve the player experience, this past year also brought some significant changes to the Vermont Lottery itself. By Executive Order and legislative action, the Department of Liquor Control and the Vermont Lottery Commission combined to create the Department of Liquor and Lottery (DLL).

This organizational change strengthens the Vermont Lottery, allowing us to continue to offer a wide variety of instant games that are entertaining and give our players the best chances to win; last year alone we awarded more than \$87 million in prizes. Our instant ticket game sales increased 5.95%. These ticket sales, along with sales from our online (or draw) games, earned our 610-plus agents, over \$8 million in commissions.

Since its inception, the Vermont Lottery has contributed over \$643 million to the state's General and Education Fund. In cooperation with the Agency of Education, we also fund and award an Educate and Innovate Grant. We've revamped the program a little and, in the spring of 2019, we will be awarding two schools funds and equipment to start or embellish new or existing Maker Spaces. This is another way that the Vermont Lottery profits enhance the education efforts in Vermont.

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

Commissioners



Sabina Haskell
Chair
Burlington
Term Expires
06/18



Ed Flanagan
Montpelier
Term Expires
06/18



Michael Consejo
Sheldon Springs
Term Expires
06/18



Susan Popowski
Northfield
Term Expires
06/18



Robert Campo
Barre
Term Expires
06/18

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 through FY18, five Commissioners. It is one of the smallest staffs of any lottery in the United States yet generated over \$132 million in revenue during FY18.

Products

In FY18, 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 the coming years. 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 FY18, there were over 610 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 FY18, the commissions and bonuses paid to agents were \$8.1 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

FY18 ended with overall revenue of \$132,415,641. The total profit contributed to the state's Education Fund was \$27.1 million. In addition to the profits to the Education Fund, \$87.4 million was returned to players in the form of prizes, and \$8.1 million was paid to Lottery agents as commissions and bonuses on sales.

Sales

Total FY18 sales equaled \$132,420,000. The following shows ticket sales by game:

	2018	2017
Instant games	\$ 101,999,595	\$ 96,248,375
Draw Games:		
Powerball	10,178,680	9,133,647
Mega Millions	4,532,043	3,441,679
Lucky for Life	1,739,936	1,775,788
Megabucks Plus	4,372,204	3,963,630
Pick 3	1,257,533	1,320,610
Pick4	1,197,819	1,240,755
Gimme 5	675,455	731,642
Fast Play	6,466,735	4,513,937
Total sales	<u>\$ 132,420,000</u>	<u>\$ 122,370,063</u>

Operating Expenses

Administrative costs for the Lottery were \$3,026,439 an increase of \$58,496 from FY17. 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 FY18 was \$8,752,968, a decrease of less than 1% under FY17. This includes the administrative costs of \$3,026,439 mentioned above

Tri-State Expenses

The Tri-State operating, communications and facilities management costs totaled \$957,901, an increase of \$39,381 from FY17.

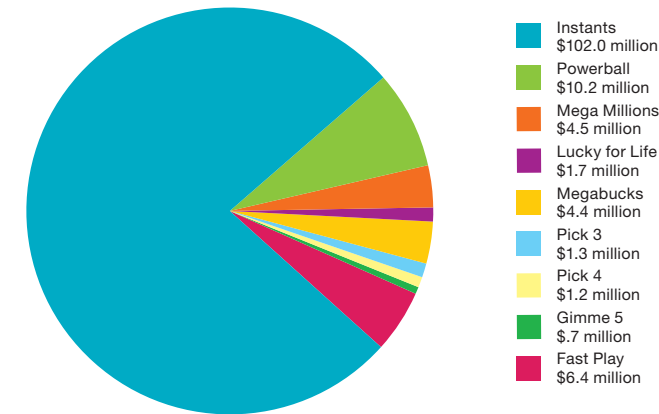
Prizes and Commissions

The total prizes paid to players in FY18 were \$87,436,351 and the total commissions and bonuses paid to agents were \$8,114,578.

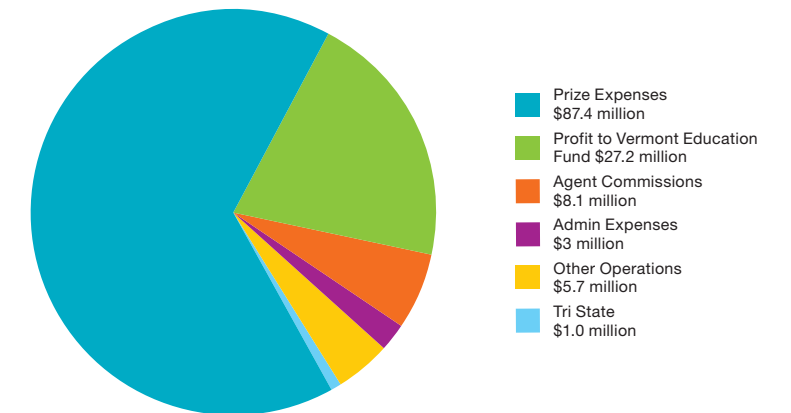
Contribution to Vermont Education Fund

Total profits contributed to the Vermont Education Fund were \$27,153,843

Where the sales were:



Where the money went:



STATEMENTS OF NET POSITION*

June 30, 2018 and 2017

ASSETS	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,841,697	\$ 5,127,403
Accounts receivable, net	2,625,314	2,139,927
Due from the State Education Fund	17,295	25,360
Inventory	777,627	854,917
	<u>7,261,933</u>	<u>8,147,607</u>
Total current assets		
	<u>7,261,933</u>	<u>8,147,607</u>
PROPERTY AND EQUIPMENT, net	<u>25,192</u>	<u>11,515</u>
OTHER ASSETS		
Investments	897,781	1,024,708
Deferred OPEB outflows	66,270	—
Deferred pension outflows	573,854	552,039
	<u>1,538,355</u>	<u>1,576,747</u>
Total other assets		
	<u>\$ 1,538,355</u>	<u>\$ 1,576,747</u>
Total assets	<u>\$ 8,825,480</u>	<u>\$ 9,735,869</u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 718,209	\$ 638,183
Accrued payroll and compensated absences	156,719	162,489
Reserve for future and unclaimed prizes	5,137,884	6,006,190
Due to winners, current	116,769	116,782
Deferred revenue	174,126	185,819
	<u>6,303,707</u>	<u>7,109,471</u>
Total current liabilities		
	<u>6,303,707</u>	<u>7,109,471</u>
NONCURRENT LIABILITIES		
Due to winners, net of current portion	690,325	764,495
Due to state treasurer	300,000	300,000
Deferred OPEB inflows	311,267	—
Deferred pension inflows	191,525	191,941
Net OPEB liability	2,747,714	—
Net pension liability	1,290,158	1,224,242
	<u>5,530,989</u>	<u>2,480,678</u>
Total noncurrent liabilities		
	<u>5,530,989</u>	<u>2,480,678</u>
Total liabilities	11,834,696	9,590,149
NET POSITION, unrestricted	<u>(3,009,216)</u>	<u>145,720</u>
Total liabilities and net position	<u>\$ 8,825,480</u>	<u>\$ 9,735,869</u>

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION*

For the Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Ticket sales	\$ 132,420,000	\$122,370,063
Agents' license fees and other receipts	4,624	5,296
	<u>132,424,624</u>	<u>122,375,359</u>
Total revenues		
	<u>132,424,624</u>	<u>122,375,359</u>
OPERATING EXPENSES		
Prize expenses	87,436,351	79,648,891
Agents' commissions	8,114,578	7,491,647
Lottery tickets	1,581,225	1,681,752
Ticket dispensers	47,464	40,271
Courier system	166,383	158,000
Facilities management fee - instant	3,680,995	3,430,067
Facilities management fee - online	492,698	548,799
Tri-State expenses	957,901	918,520
MUSL expenses	17,823	27,693
Personal services	1,615,551	1,445,524
Retirement expense	188,220	186,982
Advertising	427,232	564,959
Other operating expenses	638,025	616,695
Depreciation	7,411	3,783
Department of Health	150,000	150,000
	<u>105,521,857</u>	<u>96,913,583</u>
Total operating expenses		
	<u>105,521,857</u>	<u>96,913,583</u>
OPERATING INCOME	<u>26,902,767</u>	<u>25,461,776</u>
NON-OPERATING INCOME		
Investment income	(8,983)	(43,439)
	<u>(8,983)</u>	<u>(43,439)</u>
Total non-operating income		
	<u>(8,983)</u>	<u>(43,439)</u>
INCOME BEFORE OPERATING TRANSFERS	26,893,784	25,418,337
NET PROFIT TRANSFERRED TO THE EDUCATION FUND	<u>27,153,843</u>	<u>25,501,795</u>
Change in net position	(260,059)	(83,458)
NET POSITION, beginning of year	145,720	229,178
Prior period adjustment of OPEB liability	(2,894,877)	—
NET POSITION, end of year	<u>\$(3,009,216)</u>	<u>\$ 145,720</u>

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

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