



CT Lottery



\$64.3 MILLION
→ PAID TO LOCAL RETAILERS

\$707.7 MILLION
→ PAID TO PLAYERS

2015 ANNUAL REPORT

FOR YEAR ENDING **JUNE 30, 2015**
CONNECTICUT LOTTERY CORPORATION

CTLOTTERY.ORG

2015 ANNUAL REPORT

Fiscal Year Ended June 30, 2015



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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 30, 2016

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, 2015.

This report includes six sections: the introductory section, the financial section, the compliance section, required supplementary information section, supplemental schedules and the statistical section. 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 2015, 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 concerning the Lottery’s revenues and expenses.

Responsibility for the accuracy of the financial data, as well as the completeness and fairness of the presentation, including all disclosures, rests with management of the CLC. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the financial position, results of operations, and cash flows of the CLC. 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.

The CLC is considered a component unit of the State of Connecticut for financial reporting purposes. With more than forty-three years of continuous operation, the CLC is one of the oldest lotteries in the United States. From its inception to June 30, 2015, the Lottery has generated total sales of approximately \$25.9 billion and has paid approximately \$8.5 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.

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. A thirteen-member board of directors governs the CLC, eleven of whom are appointed by the Governor and legislative leadership, and two of whom, the State Treasurer and the Secretary of the Office of Policy and Management, serve in an ex-officio capacity.

HISTORICAL HIGHLIGHTS

June 1971: To generate revenue for the state, Governor Thomas J. Meskill signs Public Act No. 865 to create the Connecticut State Lottery.

February 1972: The Connecticut State Lottery begins, the fourth in the nation. Sales commence at approximately 3,000 retailer locations statewide, offering one game called “The Lottery.” Tickets cost 50¢ each with a weekly drawing Top Prize: \$5,000.

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

March 1977: “The Daily Numbers” game begins: match three digits, or variations on the combination. Top Prize: \$2,500. Drawings are held daily.

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

November 1983: “Lotto” is introduced. For \$1, players choose 6 numbers for a chance to win a minimum jackpot of \$1,000,000.

April 1992: “Cash Lotto” is launched. Players select 5 numbers from 1 to 35. Top Prize: \$100,000.

November 1995: Connecticut joins the multi-state draw game, “Powerball®,” which now features a double matrix and a minimum jackpot prize of \$5,000,000. Drawings are held twice weekly.

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

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

March 2009: “Lucky-4-Life” draw game begins. The game includes a double matrix and initially offers a top prize of \$2,000 a week for life. Drawings are held twice weekly.

January 2010: Connecticut joins the multi-state draw game, “Mega Millions® with Megaplier,” which includes a double matrix and now features a minimum jackpot prize of \$12,000,000. Drawings are held twice weekly.

October 2010: “Super Draw” is launched. At launch, this game guarantees a top prize winner from a limited pool of tickets sold. One drawing is held at the completion of the sales period.

February 2011: The Connecticut Lottery Corporation becomes a member of the World Lottery Association and meets 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, is claimed by the Putnam Avenue Family Trust.

January 2012: Powerball® is revised: a new matrix, higher minimum jackpots, more prizes of \$1,000,000, and a new price point of \$2. Drawings are held twice weekly.

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

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

July 2013: “50/50 Super Draw” launches. One winning ticket receives 50% of the total ticket sales generated during the game’s limited time availability.

September 2013: “Lucky for Life” adds a second “for life” prize to the game. Top Prize: \$1,000 a day for life and the Second Prize: \$25,000 a year for life.

May 2014: “5 Card Cash” launches. Players can win instantly, up to \$5,555, and can also win up to \$255,555 in the game’s daily drawing.

January 2015: “Lucky for Life,” the game of a lifetime, becomes a national game with a total of 16 states.

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 9 spots on their play grid. Top Prize: \$50,000. Drawings are held daily.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

In fiscal 2015, the CLC generated \$1.143 billion in sales revenue and returned a record sum of \$319.7 million to the General Fund. New game launches this fiscal year included Lucky Links with 2XPower drawn twice daily, both day and night. Overall sales revenue increased \$31.6 million, or 2.8%, from the prior fiscal year. Revenue from multi-state games declined \$25.0 million from the prior year due to lower average jackpot sizes, which negatively impact player participation.

Total cost of sales, including prizes, was \$800.2 million in fiscal 2015 compared to \$759.6 million in fiscal 2014. Operating expenses were \$21.2 million for fiscal 2015 compared to \$20.8 million in fiscal 2014. Payments to the State's General Fund totaled \$319.7 million in fiscal 2015, an increase of \$200,000 from the prior fiscal year total of \$319.5 million. For a more complete overview of the financial highlights of fiscal 2015, 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

ENTERPRISE OPERATION: The CLC operates as an enterprise activity. 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:

- Specialized security staff;
- Limited access to facilities;
- Background checks on 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.

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	"Aa2"
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 3,000 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 Treasurer of the State of Connecticut invests excess cash in a short-term investment fund. This fund is an investment pool of high-quality, short-term money market instruments for state and local governments. The CLC invests its excess cash in short-term investments in this fund.

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 adequate 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 2015 and 2014 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.

FUTURE PROJECTS

In fiscal 2016, the CLC will offer enhancements to the multi-state game of Powerball and will continue to offer a variety of instant games. The CLC anticipates that Keno will be offered for sale at all retail locations, including bars and restaurants, in the spring of 2016. These initiatives are expected to promote steady growth and increase transfers to the General Fund.

The CLC will continue to foster its Corporate Responsibility programs that focus on responsible gambling and workplace supplier inclusion, as well as pro-business and green initiatives. While the CLC is not currently authorized to engage in traditional e-commerce, it will continue to look for ways to leverage technology to bring lottery products to existing and new customers in a manner that is both responsible and responsive to changing demographics and buying patterns. As the CLC looks to the future, it will continue to work with its brick and mortar retailers across this state who provide a valuable and reliable partnership for the sale of lottery tickets.

ECONOMIC CONDITIONS

The economic environment continued its improvement from the prior year due to a stronger job market, decrease in the unemployment rate to 5.7% and continued low energy prices. For just the third time (2011 and 2010) in the past 40 years, there will be no cost of living adjustment for millions of Social Security recipients, disabled veterans and federal retirees due to the very low inflation rate primarily resulting from oil and gas prices. Overall consumer prices have fallen since last year, and fuel prices are down by 23% from a year ago.

The Federal Reserve raised interest rates slightly in December 2015. Federal officials are monitoring the domestic job growth as well as confirming that inflation is rising to a 2% target before taking further action.

Management will continue to monitor economic developments and will re-evaluate its business plans and products accordingly. The CLC reported record sales and record General Fund transfers during fiscal 2015. We believe that this is the result, in part, of further improvement in the economy, increased economic certainty and lower energy prices. Our lottery players will evaluate their own current financial condition and continue to adjust their spending habits to the evolving economic climate.

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,



Anne M. Noble
President & CEO



STATE OF CONNECTICUT

LIST OF PRINCIPAL STATE OFFICERS, AS OF JUNE 30, 2015

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 Jepsen	Attorney General



CONNECTICUT LOTTERY CORPORATION

BOARD OF DIRECTORS, AS OF JUNE 30, 2015

Frank A. Farricker, Chairperson

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
Steven A. Bafundo	
James N. Farrell	
Margaret L. Morton	
Natasha M. Pierre	
Michael P. Thompson	
Jennifer J. Hamilton	
Kia D. Floyd	
Meghan Culmo	
Diane Winston	



CONNECTICUT LOTTERY CORPORATION

ORGANIZATIONAL CHART, AS OF JUNE 30, 2015

EXECUTIVE

Anne M. Noble	President & Chief Executive Officer
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OPERATIONS & ADMINISTRATION

Michael J. Hunter	Chief Information Officer
Steven Wagner	Director, Information Technology
John J. Gasparini	Manager, Application & Internet Development
Steven J. Fox	Manager, Vendor Compliance
Solomon Ramsey	Director, Recruitment & Retailer Relations

MARKETING & SALES

Diane Patterson	Vice President, Marketing & Sales
Linda Tarnowski	Director, Communications & Public Relations
Carlos Rodriguez	Director, Lottery Games
Thomas J. Trella	Director, Portfolio, Strategy & Analysis
Joel Kalinowski	Director, Social Media
Theresa Scott	Director, Lottery Sales Operations

FINANCE

Paul A. Granato	Chief Financial Officer
Barry L. Sheftel	Lottery Financial Manager

GOVERNMENT AFFAIRS

Chelsea E. Turner	Director, Government, Regulatory & Operational Affairs
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LEGAL

Lana Glovach	General Counsel
Andrew E. Walter	Counsel

HUMAN RESOURCES

Jane M. Rooney	Director, Human Resources
Jennifer Hunter	Assistant Director, Human Resources

SECURITY

Alfred W. DuPuis, Jr.	Director, Security
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SCRATCH GAMES

FISCAL YEAR 2015 STATISTICS:



\$142.9 million in General Fund payments

40 scratch games launched

60.1% of total net sales

44.7% 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, beat the dealer's card, or reveal a Bonus Prize. 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 2015 STATISTICS:



\$101.0 million in General Fund payments

Play3 Day:

4.5% of total net sales

7.2% of General Fund payments



Play4 Day:

3.8% of total net sales

5.1% of General Fund payments



Play3 Night:

6.3% of total net sales

9.4% of General Fund payments



Play4 Night:

5.7% of total net sales

9.9% 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.

5 CARD CASH®

FISCAL YEAR 2015 STATISTICS:



\$6.3 million in General Fund payments

4.0% of total net sales

2.0% of General Fund payments

5 Card Cash offers players two chances to win on the same ticket by combining an “Instant Win” with a daily Drawing.

Each \$2 play includes a hand of 5 randomly selected playing card symbols from a standard deck of 52 cards. Players can win instantly if the hand on their ticket matches one of the 10 winning hands for the game, up to \$5,555. Players can win again, up to \$255,555, if 3 or more of their cards match those drawn in the daily Drawing.

LUCKY LINKS WITH 2X POWER™

FISCAL YEAR 2015 STATISTICS:



\$0.6 million in General Fund payments

0.3% of total net sales

0.2% 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 playslips 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.

FISCAL YEAR 2015 STATISTICS:



\$12.0 million in General Fund payments

2.7% of total net sales

3.8% 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.

LOTTO®

FISCAL YEAR 2015 STATISTICS:



\$7.2 million in General Fund payments

1.8% of total net sales

2.2% 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.

POWERBALL®

FISCAL YEAR 2015 STATISTICS:



\$27.6 million in General Fund payments

5.8% of total net sales

8.6% 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 5 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 ticket 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. Powerball drawings are held twice weekly, on Wednesday and Saturday nights.

FISCAL YEAR 2015 STATISTICS:



\$12.6 million in General Fund payments

2.8% of total net sales

4.0% 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 now start at \$15,000,000 and grow 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.

CONNECTICUT SUPER DRAW

FISCAL YEAR 2015 STATISTICS:



\$0.4 million in General Fund payments

0.3% of total net sales

0.1% of General Fund payments

Ticket sales for Connecticut’s “Super Draw” game began on October 1, 2010. Unlike daily or weekly draw games, Super Draw is only offered periodically. Sales are limited to a specific period of time, generally 3 months or less, and may or may not offer a finite number of tickets for sale. Ticket prices may also vary and have been set at \$10 or \$5.

Since the game’s introduction, thirteen Super Draw games have been held in Connecticut, including four in fiscal year 2015:

- Summertime Super Draw (drawing July 6, 2014, top prize \$1,000,000, ticket price \$10)
- New Year’s Super Draw (drawing January 1, 2015, top prize \$1,000,000, ticket price \$10)
- 50/50 Super Draw (drawing February 1, 2015, top prize 50% of sales, ticket price \$5)
- 50/50 Super Draw (drawing March 18, 2015, top prize 50% of sales, ticket price \$5)

FISCAL YEAR 2015 STATISTICS:



\$9.1 million in General Fund payments

1.9% of total net sales

2.8% 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 16 states across the country offering a top prize of \$1,000 a day for life and a 2nd prize of \$25,000 a year for life. Players pick from two separate pools of numbers – 5 of 48 balls, and one "Lucky Ball" number between 1 and 18. The "new" Lucky for Life - The Game of a Lifetime™ features larger prize amounts and improved odds. Drawings are held twice weekly, on Monday and Thursday nights.

CONNECTICUT LOTTERY CORPORATION

LOOK WHO'S WINNING!

West Hartland Man Gets “Lucky” and Wins \$25,000 a Year for Life

July 10, 2014 -- In a single moment, one small decision can change a life forever. Take Jeff Clapp of West Hartland, for instance. He found a lottery retailer, picked up a Lucky for Life lottery draw game ticket, and two days later—he was \$25,000 a year, every year, for life richer.

“I thought I only matched four numbers for \$150, but when I looked again, I saw that I matched another...the number 1. I had five numbers—and won \$25,000 a year for life,” said Clapp.

The winning numbers drawn on July 7 were 1-17-21-25-27 and Lucky Ball number 19. Clapp’s Lucky “Quick Pick” ticket missed the Lucky Ball number, but his five number match rewarded him with the game’s second highest “For Life” prize.

Jeff and his wife, Denise, opted to collect his \$25,000 a year for life prize in a one-time cash lump-sum of \$390,000. “Taking the lump sum made the most sense for us. We’re going to pay off some bills, but also do some fun stuff. I’m looking at getting a new vehicle for myself, and for Denise—a new diamond ring,” Jeff said.

Retailer: Stop & Shop #625, 200 New Hartford Road, Winsted



Guiselle Elizondo of Sherman Claims “Lucky Links with 2XPOWER” \$50,000 Top Prize

May 28, 2015 – The Lucky Links with 2XPOWER Day game created a \$50,000 top prize winner, Guiselle Elizondo from Sherman, on May 27th. While Elizondo was cheerfully accepting her prize check at Lottery headquarters, another \$50,000 top prize was won in the day drawing for May 28th. That’s two Lucky Links with 2XPOWER top prize winning tickets sold in two days!

The winning Lucky Links Day numbers on May 27 were 1-5-6-7-8-12-13-16. The “Quick Pick” numbers on Elizondo’s “play grid” were a perfect match to the winning numbers drawn, which created 8 winning numbers for the game’s \$50,000 top prize.

“I have bought a ticket every day since the game began,” Elizondo told Lottery officials. “When I checked my ticket in the ticket checker and saw I won, I started crying—I was so happy! Now, I will save money for the future.”

Retailer: East Street Citgo, 4 East Street, New Milford



Manchester Resident Wins “Lotto” Jackpot for \$3,600,000

July 23, 2014 -- Bright and early one morning, William “Bill” Carter of Manchester stopped at a local convenience store to put gas in his truck and to pick up some cold drinks for his cooler. He handed the clerk a \$10 bill for the tank and then scanned his Lotto® “Quick Pick” ticket for the July 22nd drawing in a nearby Ticket Checker.

“I almost hit the floor when the ticket checker said JACKPOT WINNER,” Carter told Lottery officials. “I was so excited that I left the store without getting gas!” After driving to work and confirming with his boss that his ticket was indeed a winning one, Carter arrived at CT Lottery headquarters to claim the jackpot prize in a cash lump-sum for \$2,979,567 (before taxes).

When asked of his plans for such a life-changing lottery prize win, 51-year-old Carter was quick to respond. “I’m going to buy a house and a new truck—my truck has 180,000 miles on it and four bald tires. Most importantly, I’m going to take care of my three kids and three grandchildren.”

Retailer: Fast Mart #308, 506 Talcottville Road, Vernon



Plainville Landscaper Quadruples His Powerball Prize and Wins \$40,000

June 9, 2015 -- Bill Costello of Plainville didn’t actually purchase a Powerball® ticket for the June 6th drawing, but he still managed to win a \$40,000 prize on that date thanks to his father’s Powerball with Power Play® “Advance Action” purchase.

“We’re always busy at the shop, so my father is the one who buys the tickets for me,” said Costello, a landscaping company owner. “Last night, he checked the winning numbers on the computer and thought I won \$10,000, but when he got to the store and checked the ticket, it was really \$40,000. When he told me later, I figured he was probably wrong,” Costello said. “This morning, I went out to get coffee and checked the ticket in the ticket checker. It said, ‘CONGRATULATIONS \$40,000 WINNER,’ I didn’t believe it. It still hasn’t hit me yet!”

The winning Powerball numbers on June 6, 2015 were 8 - 13 - 18 - 27 - 43. The Powerball number was 15 with the Power Play multiplier, 4. Costello’s “Quick Pick” ticket matched 4 of the 5 numbers drawn, plus the Powerball number. Because his ticket was Power Played, Costello’s \$10,000 prize was quadrupled to \$40,000.

“This prize is going right to the bank. I’m putting an addition on my house where my father will live, and this will definitely help to pay some of it.”

Retailer: ShopRite of Southington, 750 Queen Street, Southington



Waterbury's "Baker's Dozen +3" Claim Mega Millions® \$1,000,000 Prize!

February 10, 2015 -- What's better than getting an extra donut with the dozen you ordered at the bakery? Discovering that the Mega Millions ticket purchased by you and your fellow coworkers is a \$1,000,000 prize winner!

Over the past four years, 13 employees in the Costco Wholesale Club bakery department plus 3 more who work in other departments, each put \$4 towards the twice weekly purchase of Mega Millions tickets. On January 9, 2015, the group referred to as "The Baker's Dozen + 3" matched the first five Mega Millions numbers drawn 37-49-50-56-57, but missed the Mega Ball number, 8, and won the game's \$1,000,000 prize.

"I looked in the newspaper and saw we had four numbers...then I saw the fifth number match. I couldn't believe it," said Jacqueline Bolduc of Oakdale who works in Costco's bakery department and is the person in charge of buying and checking the tickets. "First, I called Sophie and then Gina. Within hours, the word spread quickly throughout the rest of the group. It was unbelievable."

Retailer: Cumberland Farms #4690, 1588 Watertown Avenue, Waterbury



Enfield Woman Beats 416 Million to 1 Odds, Wins TWO Prizes in TWO Days!

May 22, 2015 -- What are the chances of a single person winning two \$10,000 top prizes, for the same lottery game, from two different retailers, in two days? The odds, quite literally, are a mind-boggling 416 million to 1.

Rita Sharron of Enfield did just that when she played and won the CT Lottery's "10X Cash – 10th Edition" game's \$10,000 top prize—TWICE. Her total prize payout for accomplishing such an amazing feat was a cool \$20,000!

"I was so happy on Monday when I won \$10,000 on '10X Cash'. That night, I called all of my family to share the good news. We were all so excited," Sharron told Lottery officials. "The next day, I stopped at a different retailer and bought another '10X Cash' ticket. When I scratched it and saw that I won \$10,000 again, I was beside myself. I thought, 'Oh my God, I can't believe this. I won another \$10,000!'"

**Retailers: Tony's Little Store, 1436 Enfield Street, Enfield
Smoker's Discount World, 437 Main Street, East Hartford**



CORPORATE SOCIAL RESPONSIBILITY

The Connecticut Lottery Corporation's (CLC) commitment to corporate social responsibility is firmly rooted in four primary areas: (1) responsible gambling, (2) pro-business initiatives and supplier diversity, (3) inclusion and (4) green initiatives. Employees throughout the organization support these efforts. Our quarterly corporate responsibility newsletter, *Chatter That Matters™*, reports on our wide variety of corporate responsibility programs and FY'15, is highlighted below:

Responsible Gambling

- **Holiday Responsible Gambling Campaign:** CLC continued its annual participation in the National Council on Problem Gambling (NCPG) and McGill University's International Centre for Youth Gambling Problems and High-Risk Behaviors' annual campaign to educate the public that lottery tickets are not suitable holiday gifts for children. 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 657 toys for Connecticut Children's Medical Center and raised awareness about responsible gambling at the same time. Other partners in this program included The Travelers, Office of the Early Childhood and The Wooden Toy.
- **Problem Gambling Awareness Month (PGAM):** Year-round efforts were bolstered by extra efforts to raise awareness about problem gambling during March. This included: a Board resolution, a letter from the CLC President to employees, messaging on billboards and at retail locations, airing our television and radio PSAs more frequently, a banner displayed across from the state Capitol, completion of a multi-lingual retailer training video (English, Spanish and Hindi), social media messaging, an educational display created by employees, and state employee pay inserts. In addition, we created and offered employee and retailer online responsible gambling training sessions. The CLC achieved 100% employee participation, and over 1,000 retailers participated, more than double the previous year.
- **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*, and the CT Association of Public School Superintendents' e-mail system.
- **Partnership for Responsible Gambling:** "The Partnership" is a seventeen-year-old coalition between the CLC, the Department of Mental Health and Addiction Services' Problem Gambling Division and the CT Council on Responsible Gambling (CCPG) that meets quarterly to share ideas and collaborate on various initiatives.
- **Gambling Awareness for All CT:** This group, on a quarterly basis, 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.

CORPORATE SOCIAL RESPONSIBILITY

- **Employee Training:** In addition to online responsible gambling training, the CLC presented a training session on responsible gambling and domestic violence. The speakers were:
 - Betty White, a person in recovery;
 - Jeremy Wampler, Director of the CT Department of Mental Health and Addiction Services;
 - Linda Blozie, Training and Prevention Coordinator, CT Coalition Against Domestic Violence.
- **Member of National Association of State and Provincial Lotteries (NASPL) Responsible Gambling Committee:** This committee is focused on developing responsible gambling accreditation standards for U.S. lotteries, developing a speaker's bureau and creating a toolkit for lotteries to use as they develop their responsible gambling programs. The CLC lead and coordinated the toolkit efforts.
- **NCPG and CCPG:** The CLC sponsors and participates in both the NCPG and CCPG conferences. Additionally, the CLC was part of the planning committee for the NCPG Annual Conference. The CLC's newsletter, *Chatter that Matters*™, was selected by the NCPG as the winner of the "Newsletter Award" at their July 12, 2014 conference.
- **La Fleur's:** The CLC was recognized by *La Fleur's*, a lottery trade publication and conference host, with the inaugural "Sustainability Award" for leadership in responsible gambling at the La Fleur's Global Lottery Forum in Toronto, Ontario on June 16, 2015.

The award recognized CLC's leadership during Problem Gambling Awareness Month, extensive employee and retailer training, responsible gambling advertising and communications, player education, stakeholder engagement, and early supporter of "Strikes for Responsible Gaming," an annual event in Washington, D.C. to benefit NCPG.

Pro-Business Initiatives and Supplier Diversity

- **GNEMSDC Tradeshow:** The CLC participated in the GNEMSDC tradeshow, the largest in New England, for diverse suppliers at the CT Convention Center.
- **Second Annual Supplier Diversity Open House:** The CLC held its second annual open house for diverse suppliers in conjunction with the Greater New England Minority Development Council. This year's open house connected interested businesses with our largest vendors.
- **US SBA Matchmaker Conference:** CLC employees participated in the United States Small Business Administration's Matchmaker Conference at the University of Hartford.
- **GNEMSDC and WBENC Membership:** In addition to regularly attending and participating in regional GNEMSDC and WBENC meetings and events, the CLC received nominations from GNEMSDC for its "Buyer of the Year" and "Corporation of the Year" awards.

CORPORATE SOCIAL RESPONSIBILITY

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 signed the American Association of Retired Persons (AARP) Campaign's "Life Reimagined for Work" pledge, which affirms the CLC's commitment to hiring and promoting workers regardless of age.

Green Initiatives

- **Energy Efficiency:** The CLC replaced all its parking lot lights with LEDs in 2014 and is now realizing savings of approximately \$7,000.00 annually. The design and use of lighting within the building is also energy efficient.
- **Recycling:** The CLC continues to use 100% recyclable paper envelopes for all instant ticket packaging.

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.

- **The Environment:** 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.



FINANCIAL SECTION



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Report of Independent Auditors

The 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, 2015 and 2014, 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's 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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Change in Method of Accounting for Pensions

As discussed in Note 2 to the financial statements, the Lottery changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date – an Amendment of GASB Statement No. 68*, both effective July 1, 2014. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that 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 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, 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 purposes 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, 2015 and 2014, 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. In our opinion, the Schedule of Profit Margins by Game Type for the years ended June 30, 2015 and 2014, 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 also have issued our report dated September 17, 2015, 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.

Ernst + Young LLP

September 17, 2015

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2015 AND 2014

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, 2015 and 2014. 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** reflect the Lottery's financial position as of June 30, 2015 and 2014.
- **Statements of Revenues, Expenses, and Changes in Net Position** report the revenues and expenses for the periods June 30, 2015 and 2014.
- **Statements of Cash Flows** reconcile the changes in cash and cash equivalents with the activities of the Lottery for the periods 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 2015

- Transfers to the State's General Fund were \$319.7 million, an increase of \$.2 million, or 0.1%, compared to the prior fiscal year, a new record for the Lottery.
- Total net sales were \$1.144 billion, an increase of \$31.6 million, or 2.8%, from fiscal 2014. Net sales surpassed the billion dollar mark for the fifth consecutive year.

FINANCIAL HIGHLIGHTS OF FISCAL 2014

- Transfers to the State's General Fund were \$319.5 million, an increase of \$7.4 million, or 2.4%, compared to the prior fiscal year, a new record for the Lottery.
- Total net sales were \$1,112.4 million, a decline of \$10.3 million, or 0.9%, from fiscal 2013. Net sales surpassed the billion dollar mark for the fourth consecutive year.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2015 AND 2014

CONDENSED FINANCIAL INFORMATION

Net Position and Changes in Net Position

Net position represents the assets of the Lottery less the liabilities owed to third parties. The net position is restricted for promotional purposes, augmenting prizes or increasing payments to the State's General Fund.

Net position decreased \$46.1 million in fiscal 2015 due to the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) effective July 1, 2014. The impact of this statement resulted in an adjustment to decrease beginning net position by \$46.2 million as of July 1, 2014.

Listed below is a summary of the key components of net position. The Lottery transfers net position to the State's General Fund; therefore, the change in net position does not reflect the results of the Lottery's operating activities.

Net Position (in thousands)

	2015	Increase (Decrease)	2014	Increase (Decrease)	2013
Current assets	\$ 57,611	\$ 31	\$ 57,580	\$ (11,622)	\$ 69,202
Investments and other non-current assets	124,384	(6,630)	131,014	(2,833)	133,847
Capital assets (net of accumulated depreciation)	1,180	(208)	1,388	(297)	1,685
<i>Total assets</i>	183,175	(6,807)	189,982	(14,752)	204,734
Deferred outflow of resources	2,181	2,181	-	-	-
Current liabilities	53,851	1,311	52,540	(19,148)	71,688
Long-term liabilities	164,565	38,598	125,967	3,323	129,290
<i>Total liabilities</i>	218,416	39,909	178,507	(22,471)	200,978
Deferred inflow of resources	1,594	1,594	-	-	-
Net investment in capital assets	1,180	(208)	1,388	(297)	1,685
Restricted net position	-	(10,087)	10,087	8,016	2,071
Unrestricted net position	(35,834)	(35,834)	-	-	-
<i>Total net position</i>	\$ (34,654)	\$ (46,129)	\$ 11,475	\$ 7,719	\$ 3,756

CONNECTICUT LOTTERY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2015 AND 2014

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

Changes in Net Position
(in thousands)

	2015	Increase (Decrease)	2014	Increase (Decrease)	2013
Total game sales, net	\$1,143,973	\$ 31,568	\$1,112,405	\$ (10,290)	\$1,122,695
Other operating income	50	(1)	51	(24)	75
Non-operating revenues:					
Interest income	7,185	(498)	7,683	(717)	8,400
Other	9	2	7	–	7
Total revenues	1,151,217	31,071	1,120,146	(11,031)	1,131,177
Total cost of sales	800,237	40,673	759,564	(30,257)	789,821
Total operating expenses	21,239	464	20,775	912	19,863
Non-operating expense:					
Interest expense	7,157	(510)	7,667	(689)	8,356
Total costs and expenses	828,633	40,627	788,006	(30,034)	818,040
Change in net position before contributions to State Funds	322,583	(9,557)	332,140	19,003	313,137
Payments to Chronic Gamblers' Fund	2,300	–	2,300	400	1,900
Payments to General Fund	319,700	200	319,500	7,400	312,100
Payments to Department of Consumer Protection	2,421	(200)	2,621	(321)	2,942
Change in net position	(1,838)		7,719		(3,805)
Total net position, beginning as previously stated	11,475		3,756		7,561
Cumulative effect of implementing GASB 68 and 71	(44,291)		–		–
Total net position, beginning as restated	(32,816)		–		
Total net position, ending balance	\$ (34,654)		\$ 11,475		\$ 3,756

OVERVIEW OF FINANCIAL POSITION

Total assets were \$183.2 million as of June 30, 2015, a decline of \$6.8 million compared to the prior fiscal year. Current assets totaled \$57.6 million, composed primarily of cash and cash equivalents of \$10.2 million, accounts receivable of \$31.1 million, and annuity contracts for prize payments of \$11.0 million. Noncurrent assets totaled \$125.6 million, consisting primarily of investments for prize payments (at present value) and prize reserves. Total liabilities were \$218.4 million as of June 30, 2015, an increase of \$39.9 million compared to the prior fiscal year. The decrease is a result of the adoption of GASB 68, which required the Lottery to recognize a net pension liability of \$44.6 million and pension expense of \$3.5 million as of June 30, 2015. Pension expense is recorded as a component of salaries and benefits expenses on the Lottery's Statement of Revenues, Expenses and Changes in Net Position. The Lottery also recognized deferred inflows of resources of \$1.6 million as of June 30, 2015 for the net difference between projected and actual investment earnings on pension plan investments in accordance with GASB 68. In conjunction with the implementation of GASB 68, the Lottery adopted Governmental Accounting Standards Board Statement No. 71, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, (GASB 71) effective July 1, 2014. Due to the implementation of GASB 71, the Lottery recognized deferred outflows of resources of \$2.2 million as of June 30, 2015 for contributions made to the State Employees' Retirement System (SERS) subsequent to the measurement date of June 30, 2014 and prior to the Lottery's fiscal year end of June 30, 2015.

Total assets were \$190.0 million as of June 30, 2014, a decline of \$14.8 million compared to the prior fiscal year. Current assets totaled \$57.6 million, comprised primarily of cash and cash equivalents of \$7.7 million, accounts receivable of \$30.7 million, and annuity contracts for prize payments of \$13.9 million. Noncurrent assets totaled \$132.4 million, consisting of investments for prize payments (at present value) and prize reserves.

Investments for prize payments consist of annuity contracts from qualified life insurance companies in equal amounts and with the same maturities as the prizes payable to the lottery winners. The annuity contracts provide payments required to meet the obligations of Lottery prize disbursements.

CONNECTICUT LOTTERY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2015 AND 2014

Net Sales and Related Expenses
(in thousands)

	Increase (Decrease)			Increase (Decrease)			2013
	2015	\$	%	2014	\$	%	
NET SALES							
Instant games	\$ 687,967	\$ 27,737	4.2%	\$ 660,230	\$ (7,026)	(1.1)%	\$ 667,256
Daily number games	231,754	(4,129)	(1.8)	235,883	2,265	1.0	233,618
Multi-State games*	120,395	(24,992)	(17.2)	145,387	(16,155)	(10.0)	161,542
Lotto	20,143	(1,448)	(6.7)	21,591	(559)	(2.5)	22,150
Cash5	31,220	(1,098)	(3.4)	32,318	(246)	(0.8)	32,564
5 Card Cash	46,322	33,681	266.4	12,641	12,641	100.0	–
Lucky Links	3,276	3,276	100.0	–	–	N/A	–
CT Super Draw	2,896	(1,459)	(33.5)	4,355	(1,209)	(21.7)	5,564
Total net sales	\$ 1,143,973	\$ 31,568	2.8%	\$ 1,112,405	\$ (10,289)	(0.9)%	\$ 1,122,694
RELATED EXPENSES							
Prize expense	\$ 707,736	\$ 38,944	5.8%	\$ 668,792	\$ (30,271)	(4.3)%	\$ 699,063
Retailer commissions	\$ 64,269	\$ 2,192	3.5	\$ 62,077	\$ (688)	(1.1)	\$ 62,765
Gaming systems	\$ 10,500	\$ 155	1.5	\$ 10,345	\$ 361	3.6	\$ 9,984
Marketing & advertising	\$ 11,201	\$ (254)	(2.2)	\$ 11,455	\$ 835	7.9	\$ 10,620
Production expenses	\$ 6,531	\$ (364)	(5.3)	\$ 6,895	\$ (495)	(6.7)	\$ 7,390

*Multi-State games includes sales from Powerball, Mega Millions and Lucky for Life games

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2015 AND 2014

Sales revenue totaled \$1,143.9 million for fiscal year 2015, an increase of \$31.6 million, or 2.8% from the prior fiscal year. The increase in sales revenue was driven by the instant ticket portfolio and 5 Card Cash games which increased \$27.7 million and \$33.7 million, respectively, compared to the prior fiscal year. The introduction of the draw game Lucky Links contributed an additional \$3.3 million in revenue compared to the prior fiscal year. Sales revenue for the multi-state games declined \$25.0 million, or 17.2%, and the daily numbers games declined \$4.1 million, or 1.8%, from the prior fiscal year. The other draw games in the portfolio had modest declines in revenue compared to fiscal year 2014.

Most costs and expenses that comprise total cost of sales vary proportionally with the change in total sales. Prize expense, retailer commissions, gaming systems, and production expenses are included in this classification.

Prize expense for the instant ticket portfolio is fixed since the instant ticket prize structure is developed using preset 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, 2015, amounted to \$707.7 million compared to \$668.8 million in the prior year primarily resulting from an increase in sales in lower profit margin games. Retailer commissions totaled \$64.3 million compared to \$62.1 million in the prior year. Percentage changes in retailer commissions vary slightly from sales percentage changes, due to incremental incentive compensation earned by retailers for promotions offered by the Lottery during the year to promote selected games.

Gaming systems and network administration expenses totaled \$10.5 million compared to \$10.3 million in the prior year. Production expenses were \$6.5 million compared to \$6.9 million in the prior year. Production expenses include: the production costs of instant tickets, royalty fees associated with licensed games, studio costs for drawing broadcasts and courier costs to deliver the tickets to the retailers.

Marketing and advertising expenses incurred were \$11.2 million compared to \$11.5 million in the prior fiscal year. Management budgets these items based upon current business plans and economic conditions and monitors sales revenue to determine whether adjustments are required to meet overall business objectives.

Operating expenses totaled \$21.2 million for the year ending June 30, 2015, compared to \$20.8 million in the prior year.

Non-operating revenues and expenses are primarily comprised of interest income and expense related to the investment annuity contracts purchased to fund long-term prize payments.

Payments to the State's General Fund totaled \$319.7 million compared to \$319.5 million in the prior year. Payments to the General Fund reflect the net earnings of the Lottery that are transferred to the State's General Fund.

CONNECTICUT LOTTERY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS, JUNE 30, 2015 AND 2014

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 expectations 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 the 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's long-term liabilities consist of long-term annuities payable to lottery winners, its proportionate share of the State of Connecticut's net pension liability, and deferred rent. For more detailed information on capital asset activity and long-term liabilities, please read the disclosures included in the notes to the financial statements.

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF NET POSITION

	June 30	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,173,767	\$ 7,703,433
Accounts receivable, net of allowance for doubtful accounts of \$350,000 and \$430,000 respectively	31,108,885	30,736,003
Prepaid annuities for prizes	10,956,590	13,863,543
Accrued interest receivable	1,881,995	2,208,845
Ticket inventory, net of allowance	3,030,828	2,562,102
Prepaid expenses	459,310	505,592
<i>Total current assets</i>	57,611,375	57,579,518
NON-CURRENT ASSETS		
Investments for prize payments at present value	119,397,354	125,384,680
Prize reserves held by Multi-State Lottery Association	4,736,132	5,379,412
Capital assets, net	1,179,717	1,388,147
Advances to high-tier claim centers	250,000	250,000
<i>Total non-current assets</i>	125,563,203	132,402,239
<i>Total assets</i>	\$ 183,174,578	\$ 189,981,757
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount for pensions	\$ 2,181,341	\$ —

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF NET POSITION

	June 30	
	2015	2014
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Annuities payable	\$ 11,254,922	\$ 14,134,357
Prizes payable	26,236,864	23,334,788
Accrued interest payable	1,881,995	2,208,845
Accounts payable and accrued expenses	12,833,238	10,581,723
Due to regional games	367,293	911,913
Due to the Multi-State Lottery Association	503,622	512,868
Unearned revenue	773,769	855,370
<i>Total current liabilities</i>	53,851,703	52,539,864
LONG-TERM LIABILITIES		
Long-term annuities payable, at present value	119,397,354	125,384,680
Net pension liability	44,624,031	–
Rent payable	543,627	582,674
<i>Total long-term liabilities</i>	164,565,012	125,967,354
<i>Total liabilities</i>	218,416,715	178,507,218
DEFERRED INFLOWS OF RESOURCES		
Deferred amount for pensions	1,593,716	–
NET POSITION		
Net investment in capital assets	1,179,717	1,388,147
Restricted	–	10,086,392
Unrestricted	(35,834,229)	–
<i>Total net position</i>	\$ (34,654,512)	\$ 11,474,539

See accompanying notes.

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

	Years ended June 30	
	2015	2014
OPERATING REVENUE		
Instant game sales	\$ 687,966,998	\$ 660,230,730
Online game sales	338,324,829	309,763,538
Multi-State game sales	120,454,367	145,552,293
	1,146,746,194	1,115,546,561
Less sales returns, cancellations and promotions	(2,772,750)	(3,142,027)
<i>Total operating revenue</i>	1,143,973,444	1,112,404,534
COST OF SALES		
Prize expense	707,735,790	668,791,859
Retailer commissions	64,269,585	62,077,095
Online systems	10,500,353	10,344,624
Marketing, advertising and promotion	11,200,951	11,455,102
Production expenses	6,530,791	6,895,442
<i>Total cost of sales</i>	800,237,470	759,564,122
OPERATING EXPENSES		
Salaries and benefits	17,698,258	17,139,804
Other operating expenses	3,103,765	3,216,384
Depreciation and amortization	375,888	376,949
Bad debt expense (recovery)	61,240	41,907
<i>Total operating expenses</i>	21,239,151	20,775,044
OTHER OPERATING INCOME	50,092	51,125
<i>Operating income</i>	\$ 322,546,915	\$ 332,116,493

	Years ended June 30	
	2015	2014
NON-OPERATING REVENUES (EXPENSES)		
Interest income from investments on annuities	\$ 7,156,817	\$ 7,667,291
Interest income	28,072	15,859
Interest expense on annuity payments	(7,156,817)	(7,667,291)
Annuity assignment	8,500	7,000
<i>Total non-operating revenues</i>	36,572	22,859
CHANGE IN NET POSITION AVAILABLE BEFORE PAYMENTS TO STATE FUNDS	322,583,487	332,139,352
NON-OPERATING PAYMENTS TO STATE OF CONNECTICUT FUNDS		
Chronic Gamblers' Fund	2,300,000	2,300,000
Department of Consumer Protection	2,421,440	2,620,514
General Fund	319,700,000	319,500,000
<i>Change in net position</i>	(1,837,953)	7,718,838
TOTAL NET POSITION, beginning (as previously stated)	11,474,539	3,755,701
CUMULATIVE EFFECT OF IMPLEMENTING GASB 68 and 71	(44,291,098)	-
TOTAL NET POSITION, beginning (as restated)	(32,816,559)	-
TOTAL NET POSITION, ending	\$ (34,654,512)	\$ 11,474,539

See accompanying notes.

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2015	2014
OPERATING ACTIVITIES		
Receipts from sale of game tickets	\$ 1,143,457,721	\$ 1,116,258,163
Receipts from other operating income	50,092	51,125
Payments for prizes	(704,744,301)	(679,138,475)
Payments to retailers	(64,269,585)	(62,077,095)
Payments to suppliers	(26,400,024)	(33,124,941)
Payments to employees	(17,955,949)	(17,224,499)
Payments for other expenses	(3,142,812)	(3,305,431)
<i>Net cash provided by operating activities</i>	326,995,142	321,438,847
INVESTING ACTIVITIES		
Receipts of principal from annuities	13,767,500	18,545,326
Receipts of interest from annuities	7,483,668	8,267,018
Receipts of interest from cash equivalents	28,072	15,859
Purchases of insurance annuities	(3,879,800)	(9,519,188)
<i>Net cash provided by investing activities</i>	17,399,440	17,309,015
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(167,458)	(80,384)
<i>Net cash used in capital financing activities</i>	(167,458)	(80,384)
NON-CAPITAL FINANCING ACTIVITIES		
Payments of principal on long-term annuities	(13,739,982)	(18,966,387)
Payments of interest on long-term annuities payable	(7,483,668)	(8,267,018)
Annuity assignments	8,500	7,000
Payments to the State of Connecticut	(319,700,000)	(319,500,000)
Payments to the Chronic Gamblers' Fund	(2,300,000)	(2,300,000)
Payments to Department of Consumer Protection	(2,421,440)	(2,620,514)
Receipts from annuity policies	3,879,800	9,519,187
<i>Net cash used in non-capital financing activities</i>	\$ (341,756,790)	\$ (342,127,732)

CONNECTICUT LOTTERY CORPORATION

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2015	2014
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ 2,470,334	\$ (3,460,254)
CASH AND CASH EQUIVALENTS, Beginning	7,703,433	11,163,687
CASH AND CASH EQUIVALENTS, Ending	\$ 10,173,767	\$ 7,703,433
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 322,546,915	\$ 332,116,493
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	375,888	376,949
Bad debt expense	61,240	41,907
Non-cash portion of pension expense	(257,691)	-
Changes in operating assets and liabilities:		
Accounts receivable	(434,122)	3,719,800
Ticket inventory	(468,726)	(479,248)
Prepaid expenses	46,282	(305,215)
Prize reserves	643,280	(315,572)
Advances	-	(50,000)
Prizes payable	2,902,076	(10,039,038)
Accounts payable and accrued expenses	2,251,514	(3,645,311)
Due to Multi-State Lottery Association	(9,246)	(903,920)
Due to regional games	(544,620)	911,913
Unearned revenue	(81,601)	133,831
Rent payable	(39,047)	(39,047)
Long-term salaries and benefits payable	-	(84,695)
<i>Net cash provided by operating activities</i>	\$ 326,995,142	\$ 321,438,847

See accompanying notes.

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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, and 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.

C. 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.

NOTE 1 – OPERATIONS AND 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 conditions of the accounts.

Ticket Inventory— Instant game tickets are purchased from printing vendors. Unsold tickets are held in inventory and valued at the lower of cost or market 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— The prizes payable account 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 added to net position restricted for certain statutorily designated purposes.

Compensated Absences— Under the terms of its various union contracts, the Lottery's 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.

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition

- *Instant game tickets* – Packs of instant games are consigned to retail sales agents and revenue is recognized when the pack is sold.
- *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 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 expense from long-term annuity payments.

Prize Expense — Prize expense for instant games is recognized at the time of sale based on the predetermined prize structure for each game and is periodically adjusted to actual as known. Prize expense for draw games is recognized at the time of actual drawings with the exception of the CT Super Draw game. Prize expense for CT Super Draw is recognized based upon the actual relationship of the predetermined prize structure to the number of 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 Mega Millions prize expense is recognized in accordance with the Multi-State Lottery Association agreement (see Note 7).

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.

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, 2015 and 2014, the prize expense amounted to 61.9% and 60.1% 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 Department of Consumer Protection for the expenses incurred for the costs of regulation and provides funds for the chronic gamblers' treatment rehabilitation account.

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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— Restricted 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.

Recent Adopted Accounting Pronouncements — In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard resulted in an adjustment to reduce the Lottery's beginning net position by \$46,214,785 as of July 1, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard resulted in an adjustment to increase the Lottery's beginning net position by \$1,923,687 as of July 1, 2014.

Upcoming 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 for periods beginning after June 15, 2015. The Lottery is currently evaluating the impact this standard will have on its 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 for periods beginning after June 15, 2016. The Lottery is currently evaluating the impact this standard will have on its financial statements.

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 fiscal years beginning after June 15, 2016. The Lottery is currently evaluating the impact this standard will have on its financial statements.

NOTE 1 – OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 fiscal years beginning after June 15, 2016. The Lottery is currently evaluating the impact this standard will have on its 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 fiscal years beginning after June 15, 2015. The Lottery is currently evaluating the impact this standard will have on its financial statements.

NOTE 2 – CHANGE IN METHOD FOR ACCOUNTING FOR PENSIONS

On July 1, 2014, the Corporation adopted GASB 68 and GASB 71. GASB 68 requires cost-sharing employers to recognize liabilities, deferred outflows of resources, deferred inflows of resources and expenses for their proportionate share of the pension plan’s total. As the State Employees’ Retirement System did not have a practical way to provide each of its cost-sharing employers with all of the information needed to fully restate their prior period financial statements, the Lottery has elected to apply the “cumulative effect” method, as discussed in GASB 68, by restating beginning net position as of July 1, 2014. As of July 1, 2014, the Lottery recorded an adjustment to reduce beginning net position by \$46,214,785 in accordance with GASB 68, as amended.

GASB 71 requires that, at transition, a government recognize a deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the net pensions liability and the end of the government’s reporting period. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68. As of July 1, 2014, the Lottery recorded an adjustment to increase beginning net position by \$1,923,687 for contributions made to SERS from July 1, 2013 through June 30, 2014.

As of July 1, 2014, the cumulative effect of adopting GASB 68 was a \$44.3 million reduction to beginning net position. The following table shows the impact of the “cumulative effect” method of adopting and implementing GASB 68 and 71 on beginning net position.

Statement of Revenue, Expenses and Changes in Net Position		
Net position, beginning of period July 1, 2014 (as previously stated)	\$	11,474,539
Cumulative effect of adopting GASB 68 and 71		(44,291,098)
Net position, beginning of period, July 1, 2014 (as restated)	\$	(32,816,559)

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 3- CASH, CASH EQUIVALENTS AND CREDIT RISK

Cash and cash equivalents are as follows:

	June 30	
	2015	2014
Cash in bank	\$ 7,157,511	\$ 4,634,378
Cash in transit	17,243	33,647
Treasurer's Short-Term Investment Fund (STIF)	2,004,487	2,000,913
Treasurer's STIF-Retailer security deposit	986,526	1,026,495
Petty cash	8,000	8,000
Total cash and cash equivalents	\$ 10,173,767	\$ 7,703,433

In accordance with Chapter 229a and Sections 3-20 and 3-27a of the Connecticut General Statutes (C.G.S.) Sections 3-20 and 3-27a, 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, 2015 and 2014, the carrying amounts of the Lottery's deposits were \$7,157,511 and \$4,634,378, respectively. Bank deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At year-end, the Lottery's bank balance was \$7,445,151. Of this amount \$250,000 was covered by the FDIC and \$7,195,151 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, 2015 and 2014, the Lottery also had uninsured and uncollateralized investments of \$2,991,013 and \$3,027,408, respectively, in the State Treasurer's Short-Term Investment Fund. Cash invested in STIF is classified as pooled investments and, therefore, not categorized by risk type. Standard & Poor's rated the STIF as AAAm for the last three fiscal years.

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 average maturity of the underlying assets within the STIF investments is 37 days. The Lottery's stated policy is to invest in highly liquid, short-term assets.

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 4 – INVESTMENTS AND CREDIT RISK

The Lottery had the following investments as of:

	Carrying Amount	Fair Value
June 30, 2015		
Annuity contracts (at present value discounted at approximately 5.2%)	\$ 130,353,944	\$ 130,353,944
June 30, 2014		
Annuity contracts (at present value discounted at approximately 5.4%)	\$ 139,248,223	\$ 139,248,223

The Lottery has uncollateralized annuities with the following insurance companies that represent more than five percent of the total as follows:

	June 30	
	2015	2014
Insurance Company		
Ohio National Life Insurance	\$ 41,586,635	\$ 43,505,268
Metropolitan Life insurance	31,546,679	32,092,401
Savings Bank Life Insurance Co. of Massachusetts	25,448,853	21,282,673
John Hancock Life Insurance	14,111,379	16,307,008
New York Life Insurance	8,860,879	13,674,764

As of June 30, 2015 and 2014, 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, 2015 AND 2014

NOTE 5 – CAPITAL ASSETS

A summary of capital assets is presented below:

	Leasehold Improvements	Computer Equipment	Furniture and Equipment	Total
Asset Cost				
Balance, June 30, 2013	\$ 1,031,475	\$ 1,459,380	\$ 2,939,448	\$ 5,430,303
Capital Additions	28,608	10,859	40,917	80,384
Disposals	–	–	–	–
Balance, June 30, 2014	1,060,083	1,470,239	2,980,365	5,510,687
Capital Additions	13,931	131,162	22,365	167,458
Disposals	–	–	–	–
Balance, June 30, 2015	\$ 1,074,014	\$ 1,601,401	\$ 3,002,730	\$ 5,678,145
Accumulated depreciation				
Balance, June 30, 2013	\$ (523,280)	\$ (1,262,061)	\$ (1,960,250)	\$ (3,745,591)
Depreciation	(71,449)	(102,584)	(202,916)	(376,949)
Disposals	–	–	–	–
Balance, June 30, 2014	(594,729)	(1,364,645)	(2,163,166)	(4,122,540)
Depreciation	(108,071)	(80,564)	(187,253)	(375,888)
Disposals	–	–	–	–
Balance, June 30, 2015	\$ (702,800)	\$ (1,445,209)	\$ (2,350,419)	\$ (4,498,428)
Net Book Value	\$ 371,214	\$ 156,192	\$ 652,311	\$ 1,179,717

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 6 – 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 2015	\$139,519,038	\$ 4,873,220	\$ (13,739,982)	\$130,652,276	\$ 11,254,922
Activity for fiscal 2014	\$ 147,724,356	\$ 10,761,068	\$ (18,966,387)	\$ 139,519,037	\$ 14,134,357

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

Fiscal years ending in June 30	Principal	Interest
2016	\$ 11,254,922	\$ 6,745,434
2017	7,581,819	6,098,582
2018	5,204,356	5,617,312
2019	5,461,516	5,303,152
2020	4,795,088	4,976,171
2021-2025	17,998,772	21,390,767
2026-2030	15,596,571	17,103,333
2031-2035	13,027,737	13,393,263
2036-2040	10,827,374	10,533,626
2041-2045	9,670,369	7,922,631
2046-2050	7,130,390	5,891,610
2051-2055	7,081,380	4,205,620
2056-2060	6,325,609	2,610,391
2061-2065	4,783,596	1,346,404
2066-2070	3,012,815	662,256
2071-2075	784,287	75,713
2076-2077	115,675	4,325
	\$ 130,652,276	\$113,880,590

This debt represents periodic payments owed to lottery prize winners and is fully funded by investments in annuity contracts. Amounts due after 2035 represent estimates of long-term liabilities related to prizes payable over the recipients' natural lives.

As pointed out in Note 4 regarding investments, the annuity contracts used to fund periodic payments to prize winners match the amounts and terms of the annuity prize liabilities. Therefore, no interest rate risk results from the long-term debt and the Lottery maintains no stated policy regarding interest rate risk on debt.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 7 – 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. During fiscal 2010, MUSL cross-licensed the Powerball game with a group of state lotteries that operate the Mega Millions game. Under the cross-license agreement, all state lotteries participating in MUSL and from the group operating Mega Millions are permitted to sell both multi-state jackpot games. The Lottery participates in both the Powerball game and the Mega Millions game.

Each lottery that is a member of MUSL and participates in a multi-state game sells game tickets through its retailers and makes weekly wire transfers to MUSL in an amount equivalent to the member lottery's share of the estimated grand prize for each multi-state game. Lower-tier prizes are paid directly to the winners by each member lottery.

When winning grand prize tickets are drawn, 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 annuities 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 funded by the securities.

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 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, 2015 and 2014, were as follows:

	2015	2014
Prize reserves held by MUSL	\$ 4,736,132	\$ 5,379,412
Amounts due to MUSL	503,622	512,868

NOTE 8 – PENSION PLAN

All employees of the Lottery participate in the State Employees' Retirement System, a defined benefit pension plan, which is administered by the State Employees' Retirement Commission. 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 available on the State's website.

NOTE 8 – PENSION PLAN (CONTINUED)

Plan Description — SERS is a cost-sharing multiple-employer defined benefit Public Employees’ Retirement System (PERS) established in 1939 and governed by sections 5-152 to 5-192 of the Connecticut General Statutes. Employees are covered under one of four tiers. Tier I, Tier IIA, and Tier III are contributory plans and Tier II is a non-contributory plan. Tier I Plan B participants contribute 2% or 5% of their pay, depending on their elections. Tier II Plan A and Tier III participants contribute 2% of their pay. Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. 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, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in the amount of 2% of the annual average earnings (which are based on the three highest years of service) over \$4,800 plus 1% of \$4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 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 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service.

Tier III covers employees first hired on or after July 1, 2011. Tier III 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 58 with 10 years of service with reduced benefits are entitled to 1.4% times average salary at or below the breakpoint in the year of retirement, for each year of credited service.

All Tier I, Tier II, Tier IIA, and Tier III members are vested after ten years. For the June 30, 2014, valuation, there were two changes in benefit terms:

The 2011 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 eligible to 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.

Contributions Made — The Lottery’s contribution is determined by applying a State-mandated percentage to eligible salaries and wages. The mandated rate was 50.50 percent, 54.71 percent and 46.01 percent, during fiscal years 2015, 2014, and 2013, respectively. The contributions made compared to covered payroll follows:

	Years Ended June 30		
	2015	2014	2013
Total payroll covered by SERS	\$ 10,032,666	\$ 9,348,981	\$ 9,055,510
By employees	\$ 138,906	\$ 128,431	\$ 117,317
Percent of current year covered	1.38%	1.37%	1.30%
By the Lottery	\$ 4,971,190	\$ 5,086,428	\$ 4,161,025
Percent of current year covered	\$ 49.55%	54.41%	45.95%

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.

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 8 – PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources —

The implementation of GASB 68 resulted in the Lottery reporting a net pension liability for fiscal year 2015. The Statement required 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 fiduciary net position of SERS and additions to/deductions from SERS fiduciary net position 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, 2015, the Lottery reported a liability of \$44,624,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date based on actuarial experience studies. The Lottery's allocation of the net pension liability was based on total 2014 covered payroll multiplied by the SERS 2014 contribution rate of 37.82%. At June 30, 2015, the Lottery's proportion was 0.27865%.

For the year ended June 30, 2015, the Lottery recognized pension expense of \$3,538,724. Pension expense is reported in the Lottery's financial statements as part of salaries and benefits expense. At June 30, 2015, 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	\$ —	\$ (1,593,716)
Lottery contributions subsequent to the measurement date	\$ 2,181,341	—
	<u>\$ 2,181,341</u>	<u>\$ (1,593,716)</u>

The amount recognized as deferred inflows of resources, representing the net difference between projected and actual earnings, is amortized over a five-year closed period beginning in the year in which the difference occurs and will be recognized in expense as follows:

Year 1 (2016)	\$ (398,428)
Year 2 (2017)	(398,428)
Year 3 (2018)	(398,428)
Year 4 (2019)	(398,432)
	<u>\$ (1,593,716)</u>

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 8 – PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions — The total pension liability in the June 30, 2014 actuarial valuation was determined based on the results of an actuarial experience study for the period July 1, 2007–June 30, 2011. The key actuarial assumptions are summarized below:

Inflation:	2.75%
Salary increase:	4.00%-20.00%, including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation
Cost of living adjustment	2.30%-3.60% for certain tiers

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Discount Rate — The discount rate used to measure the total pension liability at June 30, 2015, was the long term expected rate of return, 8.00 percent. 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 2115.

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
TIPS	5.0	1.0
Cash	4.0	0.4

CONNECTICUT LOTTERY CORPORATION
NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 8 – PENSION PLAN (CONTINUED)

Sensitivity of the Lottery's proportionate share of the net pension liability to changes in the discount rate — The following presents the Lottery's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as the proportionate share of the net pension liability using a 1.00 percent increase or decrease from the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	7.0%	8.0%	9.0%
Lottery's proportionate share of the net pension liability	\$ 53,232,962	\$ 44,624,031	\$ 37,384,024

NOTE 9- POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, 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, 34 retirees meet those eligibility requirements. When employees retire, the State pays up to 100% of their health care insurance premium costs (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 2009 State Employees' Bargaining Agent Coalition (SEBAC) Agreement with the State of Connecticut, effective July 1, 2009, all new health care eligible employees shall, during their first ten (10) years of employment, contribute three percent (3%) of their salaries to a fund established for the provision of health care coverage to retired state employees. Effective July 1, 2010, any health care eligible employee with fewer than five (5) years of service shall also make such contribution until he or she has reached ten (10) years of employment. In accordance with the Revised 2011 SEBAC Agreement, employees hired on or after July 1, 2011 as well as employees who were currently contributing based on the 2009 SEBAC Agreement, shall pay the three percent (3%) contribution into the Retiree Health Care Trust Fund, for a period of ten (10) years or retirement, whichever is sooner. Employees who were not paying the three percent (3%) contribution on June 30, 2013, shall begin paying a contribution. For these individuals, the contribution shall be phased in paying 0.5% effective the first day of the pay period after July 1, 2013; increased to 2% effective the first day of the pay period after July 1, 2014, and increased to 3.0% effective the first day of the pay period after July 1, 2015. The contribution for these individuals will continue for ten (10) years or until 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.

CONNECTICUT LOTTERY CORPORATION

NOTES TO FINANCIAL STATEMENTS, JUNE 30, 2015 AND 2014

NOTE 9- POST EMPLOYMENT BENEFITS (CONTINUED)

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 10 –LEASE COMMITMENTS

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

The Lottery offices are located in Rocky Hill 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 equipment and instant ticket vending machines under non-cancellable operating leases expiring on various dates through June 2016. All equipment lease obligations are payable in monthly installments.

Total lease expense for facilities and equipment was \$1,283,891 and \$1,454,326 for the fiscal years ended June 30, 2015 and 2014, respectively.

	<u>Amount</u>
Fiscal years ending in June 30	
2016	\$ 1,311,616
2017	1,129,944
2018	1,086,351
2019	1,045,932
2020	1,040,625
2021-2025	3,121,876
	<u>\$ 8,736,344</u>

NOTE 11 – 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's employees. Information regarding the excess of claims incurred over the claims paid for the State as a whole may be found in the Comprehensive Annual Financial Report of the State of Connecticut.

Claims expenses and liabilities above amounts covered by insurance are reported when it is probable that a liability has been incurred at the date of the financial statements and the amount of that loss can be reasonably estimated, including an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

During each of the three years ended June 30, 2015, 2014, and 2013, no claims or settlements exceeded insurance coverage.

NOTE 12 – 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



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters and on Compliance Under C.G.S. Section 1-122 Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The 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 as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2015. In connection with our audit, we have read the provisions of Connecticut Public Act No. 88-266 Section 41 (the Act) of the Connecticut General Assembly relating to quasi-public agencies (adopted January 1, 1989). The Act requires the Lottery to comply with regulations concerning affirmative action, personnel practice, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants and other financial assistance.

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 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.

Ernst & Young LLP

September 17, 2015



REQUIRED SUPPLEMENTARY INFORMATION

CONNECTICUT LOTTERY CORPORATION

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

	2015
Lottery's portion of the net pension liability	0.27865%
Lottery's proportionate share of the net pension liability	\$ 44,624,031
Lottery's covered-employee payroll	\$ 9,348,981
Lottery's proportionate share of the net pension liability as a percentage of its covered-employee payroll	477.31%
Plan fiduciary net position as a percentage of the total pension liability	39.54%

CONNECTICUT LOTTERY CORPORATION

SCHEDULE OF THE LOTTERY'S CONTRIBUTIONS TO THE STATE EMPLOYEE'S RETIREMENT SYSTEM (SERS)

	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 4,408,353	\$ 3,535,785	\$ 2,899,574	\$ 2,594,451	\$ 2,220,927	\$ 2,027,901
Contributions in relation to the contractually required contribution	4,408,353	3,535,785	2,899,574	2,594,451	2,220,927	2,027,901
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered-employee payroll	\$ 10,032,666	\$ 9,348,981	\$ 9,055,510	\$ 8,989,782	\$ 8,897,944	\$ 8,220,109
Contributions as a percentage of covered-employee payroll	43.94%	37.82%	32.02%	28.86%	24.96%	24.67%



SUPPLEMENTAL SCHEDULES

CONNECTICUT LOTTERY CORPORATION
SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2015

PROFIT CONTRIBUTIONS (\$ in 000's)

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
NET SALES	\$687,967	\$ 72,100	\$ 65,556	\$ 50,846	\$ 43,252
DIRECT COSTS					
Gross prize expense	477,542	36,125	28,658	23,611	23,153
Unclaimed prize credit	(4,039)	(506)	(519)	(268)	(363)
Use of unclaimed prize reserve	1	217	–	137	–
<i>Net prize expense</i>	473,504	35,836	28,139	23,480	22,790
Retailer commissions	39,505	3,988	3,525	2,792	2,355
Online systems	6,320	661	601	467	397
Marketing, advertising and promotion	5,796	520	475	367	314
Production expenses	6,007	57	57	57	57
<i>Total direct costs</i>	531,132	41,062	32,797	27,163	25,913
GROSS PROFIT	\$156,835	\$ 31,038	\$ 32,759	\$ 23,683	\$ 17,339

PROFIT MARGIN (% OF NET SALES)

DIRECT COSTS					
Gross prize expense	69.4%	50.1%	43.7%	46.4%	53.5%
Unclaimed prize credit	(0.6%)	(0.7%)	(0.8%)	(0.5%)	(0.8%)
Use of unclaimed prize reserve	–	0.3%	–	0.3%	–
<i>Net prize expense</i>	68.8%	49.7%	42.9%	46.2%	52.7%
Retailer commissions	5.7%	5.5%	5.4%	5.5%	5.4%
Online 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>	77.1%	56.9%	50.0%	53.4%	59.8%
GROSS PROFIT	22.8%	43.0%	50.0%	46.6%	40.1%

Lotto	Cash5	Powerball	Mega Millions	Lucky for Life	CT Super Draw	5 Card Cash	Lucky Links	Total
\$ 20,143	\$ 31,220	\$ 66,502	\$ 32,370	\$ 21,523	\$ 2,896	\$ 46,322	\$ 3,276	\$ 1,143,973
10,662	16,229	33,260	16,189	9,993	2,600	35,676	2,044	715,742
(217)	(331)	(669)	(473)	(597)	(43)	(423)	–	(8,448)
19	–	–	–	68	–	–	–	442
10,464	15,898	32,591	15,716	9,464	2,557	35,253	2,044	707,736
1,059	1,727	3,423	1,672	1,170	173	2,676	204	64,269
184	286	609	296	198	27	425	29	10,500
194	239	930	882	428	147	450	459	11,201
20	56	68	19	79	–	53	1	6,531
11,921	18,206	37,621	18,585	11,339	2,904	38,857	2,737	800,237
\$ 8,222	\$ 13,014	\$ 28,881	\$ 13,785	\$ 10,184	\$ (8)	\$ 7,465	\$ 540	\$ 343,736
52.9%	52.0%	50.0%	50.0%	46.4%	89.8%	77.0%	62.4%	62.6%
(1.1%)	(1.1%)	(1.0%)	(1.5%)	(2.8%)	(1.5%)	(0.9%)	–	(0.7%)
0.1%	–	–	–	0.3%	–	–	–	–
51.9%	50.9%	49.0%	48.5%	43.9%	88.3%	76.1%	62.4%	61.9%
5.3%	5.5%	5.1%	5.2%	5.4%	6.0%	5.8%	6.2%	5.6%
0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
1.0%	0.8%	1.4%	2.7%	2.0%	5.1%	1.0%	14.0%	1.0%
0.1%	0.2%	0.1%	0.1%	0.4%	–	0.1%	–	0.6%
59.2%	58.3%	56.5%	57.4%	52.6%	100.3%	83.9%	83.5%	70.0%
40.8%	41.7%	43.4%	42.6%	47.3%	(0.3%)	16.1%	16.5%	30.0%

CONNECTICUT LOTTERY CORPORATION
SCHEDULE OF PROFIT MARGINS BY GAME TYPE, YEAR ENDED JUNE 30, 2014

PROFIT CONTRIBUTIONS (\$ in 000's)

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
NET SALES	\$ 660,230	\$ 75,214	\$ 66,251	\$ 51,860	\$ 42,558
DIRECT COSTS					
Gross prize expense	456,878	36,204	31,545	25,941	17,364
Unclaimed prize credit	(7,580)	(582)	(895)	(302)	(290)
Use of unclaimed prize reserve	1	142	–	71	27
<i>Net prize expense</i>	449,299	35,764	30,650	25,710	17,101
Retailer commissions	37,696	4,175	3,562	2,891	2,275
Online systems	6,132	700	617	483	396
Marketing, advertising and promotion	5,926	592	521	408	333
Production expenses	6,284	66	66	66	66
<i>Total direct costs</i>	505,337	41,297	35,416	29,558	20,171
GROSS PROFIT	\$ 154,893	\$ 33,917	\$ 30,835	\$ 22,302	\$ 22,387

PROFIT MARGIN (% OF NET SALES)

DIRECT COSTS					
Gross prize expense	69.2%	48.1%	47.6%	50.0%	40.8%
Unclaimed prize credit	(1.1%)	(0.8%)	(1.4%)	(0.6%)	(0.7%)
Use of unclaimed prize reserve	–	0.2%	–	0.1%	0.1%
<i>Net prize expense</i>	68.1%	47.5%	46.2%	49.5%	40.2%
Retailer commissions	5.7%	5.6%	5.4%	5.6%	5.3%
Online systems	0.9%	0.9%	0.9%	0.9%	0.9%
Marketing, advertising and promotion	0.9%	0.8%	0.8%	0.8%	0.8%
Production expenses	1.0%	0.1%	0.1%	0.1%	0.2%
<i>Total direct costs</i>	76.6%	54.9%	53.4%	56.9%	47.4%
GROSS PROFIT	23.4%	45.1%	46.6%	43.1%	52.6%

Lotto	Cash5	Powerball	Mega Millions	Lucky for Life	CT Super Draw	5 Card Cash	Total
\$ 21,591	\$ 32,318	\$ 82,725	\$ 37,567	\$ 25,095	\$ 4,355	\$ 12,641	\$ 1,112,405
11,435	17,886	41,222	18,765	11,532	2,533	9,893	681,198
(221)	(444)	(1,309)	(542)	(553)	(27)	–	(12,745)
–	–	–	53	17	–	28	339
11,214	17,442	39,913	18,276	10,996	2,506	9,921	668,792
1,134	1,792	4,232	1,936	1,371	270	743	62,077
201	301	773	351	233	40	118	10,345
209	256	1,290	890	287	328	415	11,455
63	65	31	29	153	–	6	6,895
12,821	19,856	46,239	21,482	13,040	3,144	11,203	759,564
\$ 8,770	\$ 12,462	\$ 36,486	\$ 16,085	\$ 12,055	\$ 1,211	\$ 1,438	\$ 352,841

53.0%	55.3%	49.8%	50.0%	46.0%	58.2%	78.3%	61.2%
(1.0%)	(1.4%)	(1.6%)	(1.4%)	(2.2%)	(0.6%)	–	(1.1%)
–	–	–	0.1%	0.1%	–	0.2%	–
52.0%	53.9%	48.2%	48.7%	43.9%	57.6%	78.5%	60.1%
5.3%	5.5%	5.1%	5.2%	5.5%	6.2%	5.9%	5.6%
0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
1.0%	0.8%	1.6%	2.4%	1.1%	7.5%	3.3%	1.0%
0.3%	0.2%	–	0.1%	0.6%	–	–	0.6%
59.5%	61.3%	55.8%	57.3%	52.0%	72.2%	88.6%	68.2%
40.5%	38.7%	44.2%	42.7%	48.0%	27.8%	11.4%	31.8%



STATISTICAL SECTION

CONNECTICUT LOTTERY CORPORATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
ACTUAL VS. BUDGET (\$000'S), YEAR ENDED JUNE 30, 2015

	Actual	Budget	Over/(Under) Budget	% Change
SALES				
OPERATING REVENUE	\$ 1,146,746	\$ 1,107,000	\$ 39,746	3.6%
Less sales returns, cancellations and promotion	(2,773)	–	(2,773)	–
<i>Total operating revenue</i>	1,143,973	1,107,000	\$ 36,973	3.3%
COST OF SALES AND OPERATING EXPENSES				
COST OF SALES				
Prize expense	707,736	676,771	30,965	4.6%
Retailer commissions	64,269	62,311	1,958	3.1%
On-line systems	10,500	10,433	67	0.6%
Marketing, advertising and promotion	11,201	12,417	(1,216)	(9.8%)
Production expenses	6,531	6,957	(426)	(6.1%)
<i>Total cost of sales</i>	800,237	768,889	31,348	4.1%
OPERATING EXPENSES				
Salaries and benefits	17,698	18,327	(629)	(3.4%)
Other operating expenses	3,104	3,354	(250)	(7.5%)
Depreciation and amortization	376	394	(18)	(4.6%)
Bad debt expense	61	100	(39)	(39.0%)
<i>Total operating expenses</i>	21,239	22,175	(936)	(4.2%)
OTHER OPERATING REVENUE	50	37	13	35.1%
<i>Operating income</i>	322,547	315,973	6,574	2.1%
NON-OPERATING REVENUES (EXPENSES)				
Interest income from investments on annuities	7,157	–	7,157	–
Interest income	28	25	3	12.0%
Interest expense on annuity payments	(7,157)	–	(7,157)	–
Annuity assignment	8	2	6	250.0%
<i>Total non-operating revenues</i>	36	27	9	33.3%
CHANGE IN NET POSITION BEFORE PAYMENTS TO STATE FUNDS				
	322,583	316,000	6,583	2.1%
Payments to Chronic Gamblers' Fund	2,300	2,300	–	–
Payments to Department of Consumer Protection	2,421	2,421	–	–
Payments to State's General Fund	319,700	311,278	8,422	2.7%
<i>Change in net position</i>	\$ (1,838)	–	\$ (1,838)	–

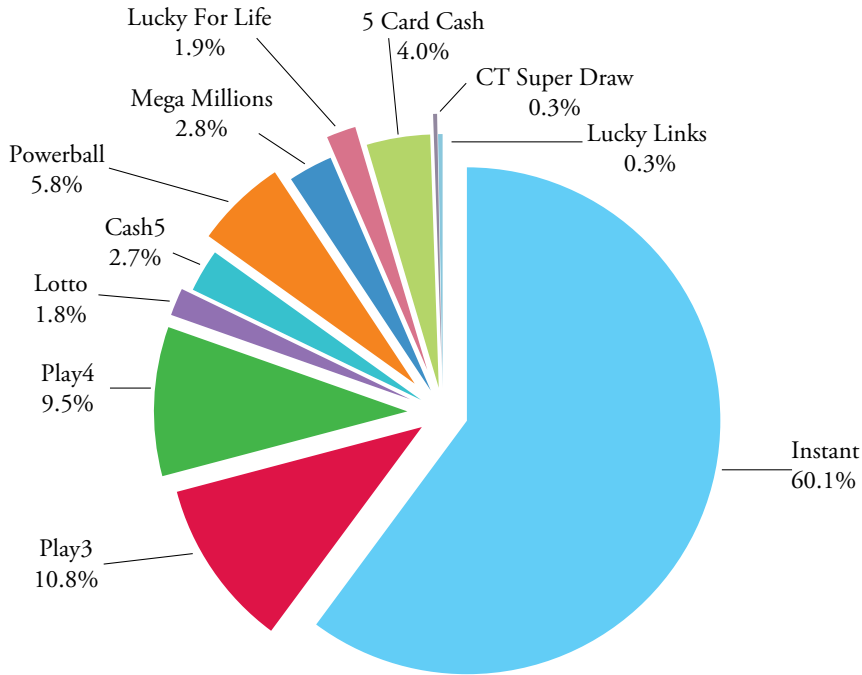
CONNECTICUT LOTTERY CORPORATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY GAME TYPE (\$000'S), YEAR ENDED JUNE 30, 2015

	Instant	Play3 Night	Play4 Night	Play3 Day	Play4 Day
SALES					
OPERATING REVENUE	\$ 687,967	\$ 72,991	\$ 66,316	\$ 51,410	\$ 43,710
Less sales returns, cancellations and promotion	–	(890)	(760)	(564)	(458)
<i>Total operating revenue</i>	687,967	72,100	65,556	50,846	43,252
COST OF SALES AND OPERATING EXPENSES					
COST OF SALES					
Prize expense	473,504	35,836	28,139	23,480	22,790
Retailer commissions	39,505	3,988	3,525	2,792	2,355
On-line systems	6,320	661	601	467	397
Marketing, advertising and promotion	5,796	520	475	367	314
Production expenses	6,007	57	57	57	57
<i>Total cost of sales</i>	531,132	41,062	32,797	27,163	25,913
OPERATING EXPENSES					
Salaries and benefits	9,741	583	756	571	744
Other operating expenses	1,635	99	127	96	125
Depreciation and amortization	207	13	16	12	16
Bad debt expense	39	4	4	2	2
<i>Total operating expenses</i>	11,622	699	903	681	887
OTHER OPERATING INCOME	32	3	3	2	2
<i>Operating income</i>	145,245	30,342	31,859	23,004	16,454
NON-OPERATING REVENUES (EXPENSES)					
Interest income from investments on annuities	4,294	–	–	–	–
Interest income	2	–	–	–	–
Interest expense on annuity payments	(4,294)	–	–	–	–
Annuity assignment	7	–	–	–	–
<i>Total non-operating revenues</i>	9	–	–	–	–
CHANGE IN NET POSITION BEFORE					
PAYMENTS TO STATE FUNDS	145,254	30,342	31,859	23,004	16,454
Payments to Chronic Gamblers' Fund	1,362	146	132	102	87
Payments to Department of Consumer Protection	1,441	154	141	109	93
Payments to State's General Fund	142,940	30,147	31,694	22,870	16,331
<i>Change in net position</i>	\$ (489)	\$ (105)	\$ (108)	\$ (77)	\$ (57)

Lotto	Cash5	Powerball	Mega Millions	Lucky for Life	CT Super Draw	5 Card Cash	Lucky Links	Total
\$ 20,161	\$ 31,243	\$ 66,520	\$ 32,378	\$ 21,556	\$ 2,896	\$ 46,322	\$ 3,276	\$ 1,146,746
(18)	(23)	(18)	(8)	(33)	–	–	–	(2,772)
20,143	31,220	66,502	32,370	21,523	2,896	46,322	3,276	1,143,974
10,464	15,898	32,591	15,716	9,464	2,557	35,253	2,044	707,736
1,059	1,727	3,423	1,672	1,170	173	2,676	204	64,269
184	286	609	296	198	27	425	29	10,500
194	239	930	882	428	147	450	459	11,201
20	56	68	19	79	–	53	1	6,531
11,921	18,206	37,621	18,585	11,339	2,904	38,857	2,737	800,237
827	748	908	846	909	115	842	108	17,698
139	126	223	154	189	31	142	18	3,104
17	16	20	19	18	2	18	2	376
1	1	3	1	1	1	2	–	61
984	891	1,154	1,020	1,117	149	1,004	128	21,239
1	1	2	1	1	–	2	–	50
7,239	12,124	27,729	12,766	9,068	(157)	6,463	411	322,547
2,462	–	–	–	401	–	–	–	7,157
–	–	18	8	–	–	–	–	28
(2,462)	–	–	–	(401)	–	–	–	(7,157)
–	–	–	–	1	–	–	–	8
–	–	18	8	1	–	–	–	36
7,239	12,124	27,747	12,774	9,069	(157)	6,463	411	322,583
39	63	155	63	44	5	100	2	2,300
45	67	134	76	46	6	107	2	2,421
7,179	12,034	27,551	12,616	9,073	408	6,277	580	319,700
\$ (24)	\$ (40)	\$ (93)	\$ 19	\$ (94)	\$ (576)	\$ (21)	\$ (173)	\$ (1,838)

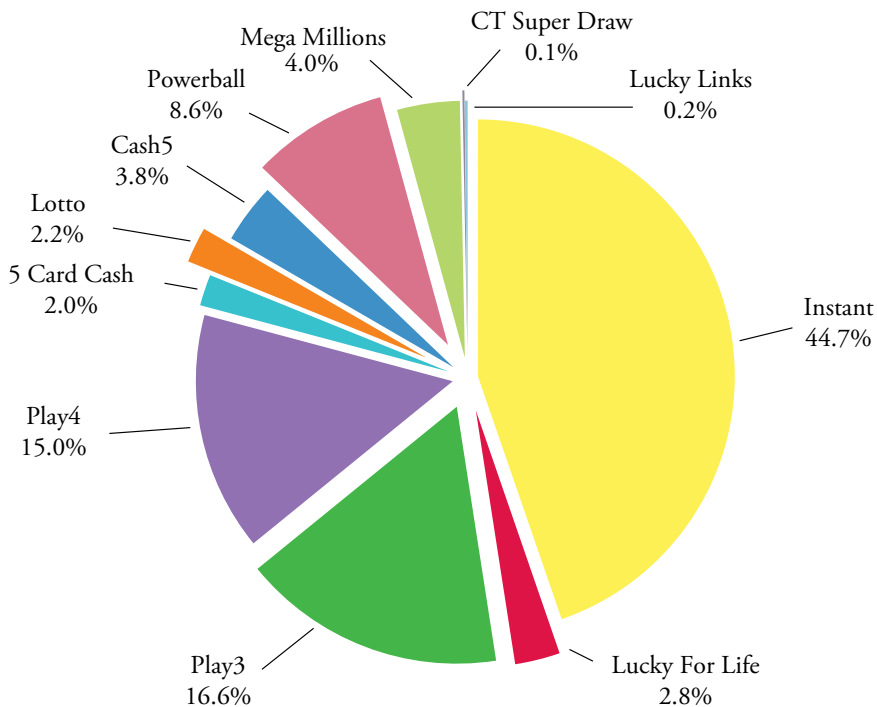
REVENUE BY GAME

FISCAL YEAR 2015 TOTAL SALES: \$1,143,973,444



GENERAL FUND PAYMENTS BY GAME

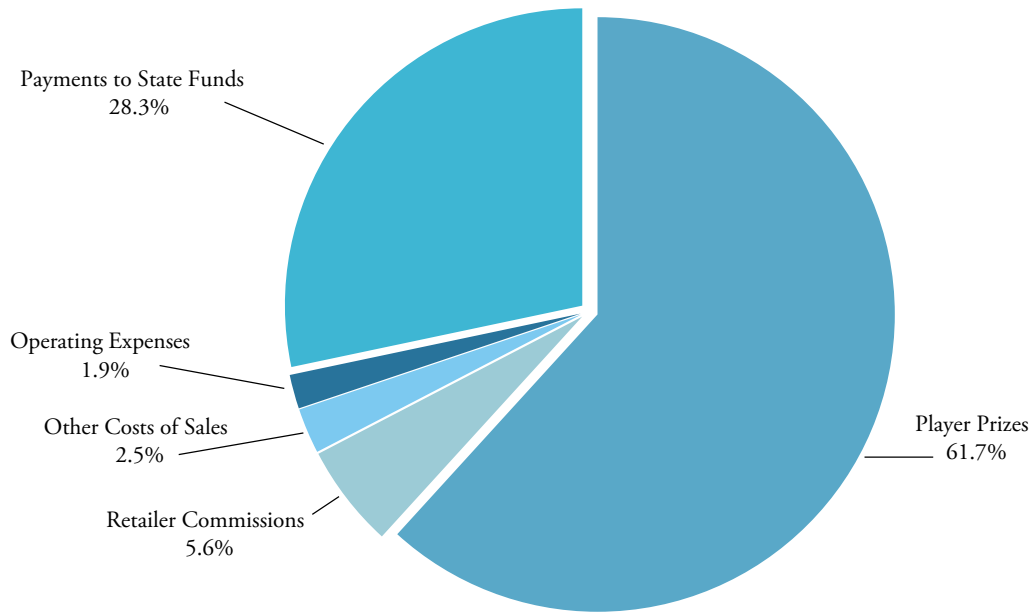
FISCAL YEAR 2015 TOTAL PAYMENTS: \$319,700,000



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

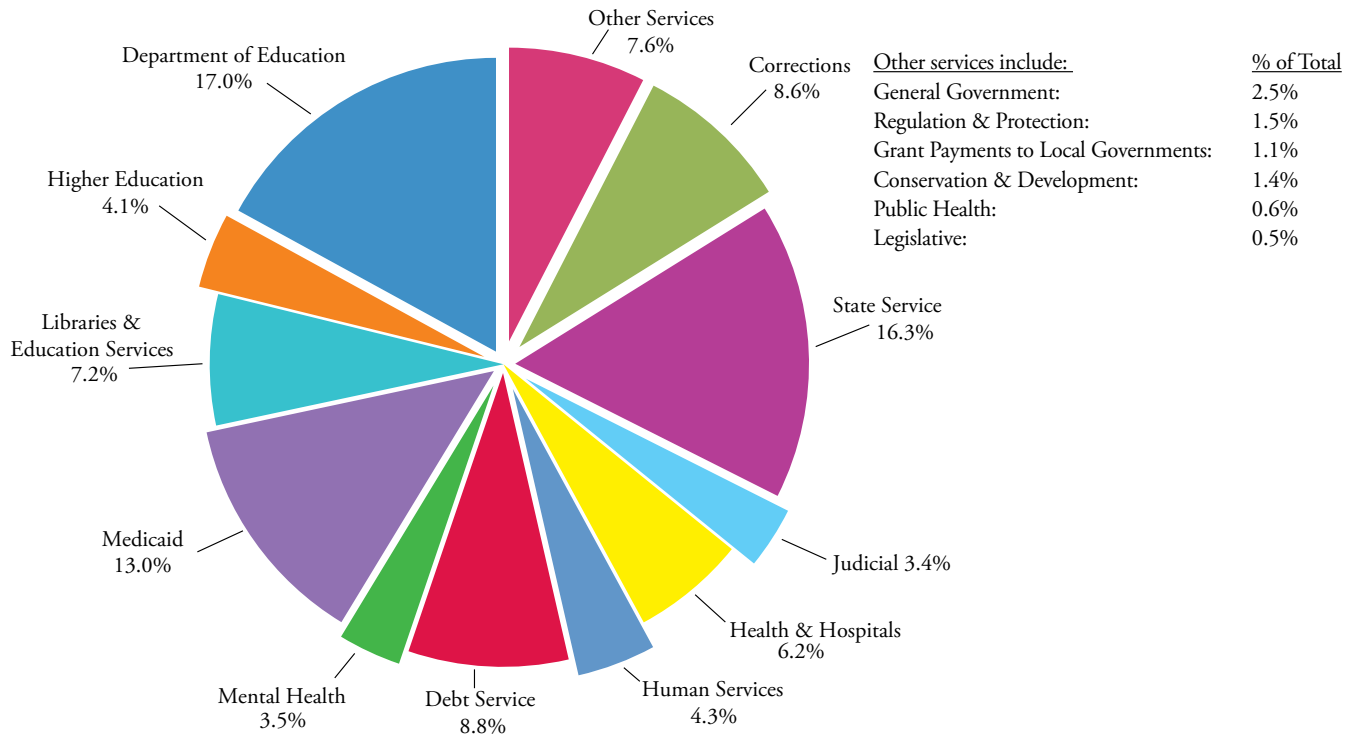
FISCAL YEAR 2015 TOTAL REVENUE: \$1,143,973,444



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

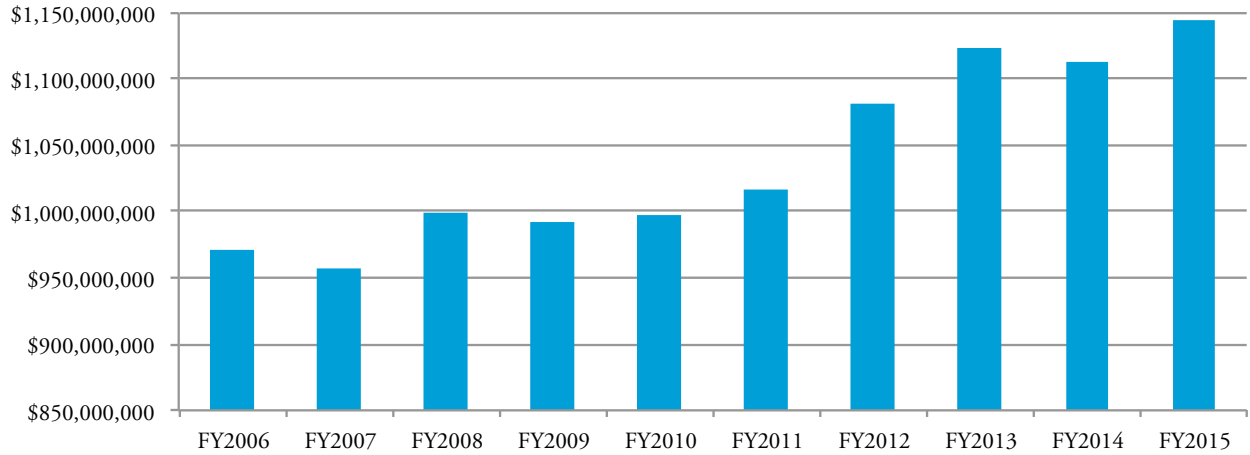
STATE SERVICES SUPPORTED BY LOTTERY PAYMENTS TO THE GENERAL FUND

FISCAL YEAR 2015 PAYMENTS TO THE GENERAL FUND: \$319,700,000

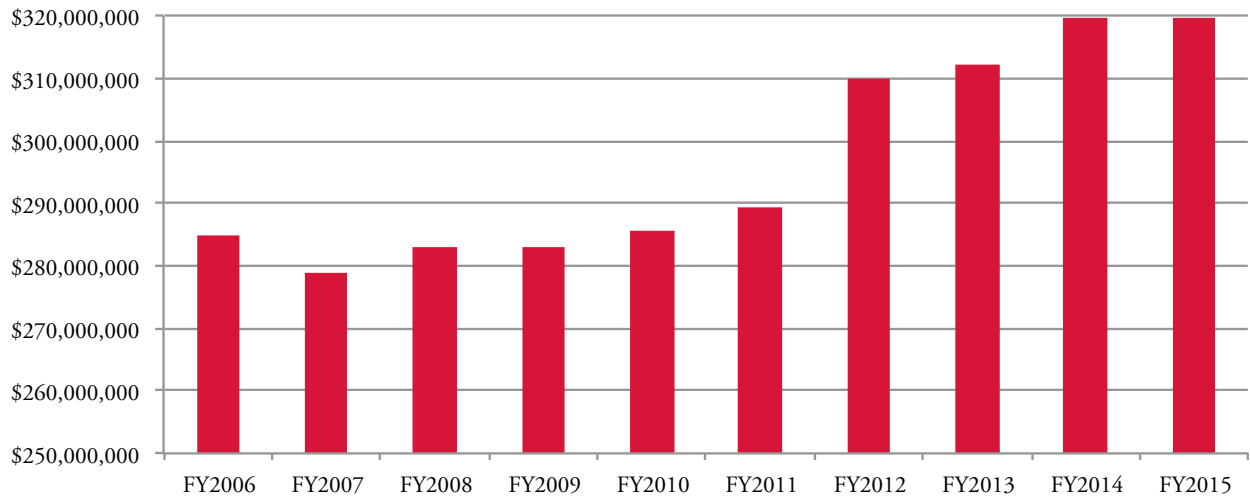


Based on Fiscal Year 2015 General Fund Percentages Appropriated by the Legislature. Source: Connecticut State Budget 2013-2015

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 (\$000'S) FOR THE LAST TEN FISCAL YEARS

	2006	2007	2008	2009
Operating Revenue				
Instant	\$587,559	\$594,930	\$618,970	\$610,013
Daily Games ⁽¹⁾	187,223	197,587	207,618	206,343
Lotto	32,261	30,386	32,201	32,942
Cash5	41,351	41,371	41,159	40,420
Powerball	121,933	92,752	98,200	92,134
Mega Millions	—	—	—	—
Lucky for Life ⁽²⁾	—	—	—	9,451
CT Super Draw	—	—	—	—
5 Card Cash	—	—	—	—
Lucky Links	—	—	—	—
Total Operating Revenue	970,327	957,026	998,148	991,303
Cost of Sales				
Prizes	587,388	579,854	608,218	604,712
Retailer commissions	54,051	53,597	55,950	55,771
Other cost of sales ⁽³⁾	26,213	25,822	28,114	24,933
Total cost of sales	667,652	659,273	692,282	685,416
PAYMENTS TO STATE'S GENERAL FUND				
	\$284,865	\$279,000	\$283,000	\$283,000

⁽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.

2010	2011	2012	2013	2014	2015
\$593,374	\$610,568	\$ 653,310	\$ 667,255	\$ 660,230	\$ 687,967
211,317	225,381	220,061	233,619	235,883	231,755
29,904	24,341	27,372	22,149	21,591	20,143
35,041	34,243	33,781	32,565	32,318	31,220
85,282	60,280	74,281	107,383	82,725	66,502
11,231	33,185	40,628	23,728	37,567	32,369
30,698	23,815	26,871	30,432	25,095	21,523
–	4,801	5,436	5,564	4,355	2,896
–	–	–	–	12,641	46,322
–	–	–	–	–	3,276
996,847	1,016,614	1,081,740	1,122,695	1,112,405	1,143,973
608,755	620,134	659,898	699,063	668,792	707,736
55,885	56,964	60,740	62,765	62,077	64,269
23,703	26,129	27,435	27,993	28,695	28,232
688,343	703,227	748,073	789,821	759,564	800,237
\$285,500	\$ 289,300	\$ 310,000	\$ 312,100	\$ 319,500	\$ 319,700

CONNECTICUT LOTTERY CORPORATION

COMPARATIVE INDUSTRY STATISTICS

Based upon data published in *La Fleur's 2015 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 2014, included data from lotteries in 42 states plus the District of Columbia (D.C.). Data from Illinois was unavailable. Top performing lotteries in key categories are presented below.

A. SALES PER CAPITA - FY 2014:

State/District	Population (Millions)	Ticket Sales (Millions \$)	Sales Per Capita (Dollars)
1 Massachusetts	6.8	\$ 4,853.6	\$ 719.1
2 New York	19.8	\$ 7,314.2	\$ 370.3
3 Georgia	10.1	\$ 3,739.9	\$ 370.3
4 D.C.	0.7	\$ 216.0	\$ 327.3
5 New Jersey	8.9	\$ 2,908.1	\$ 325.3
6 Connecticut	3.6	\$ 1,112.4	\$ 309.0
7 Pennsylvania	12.8	\$ 3,799.6	\$ 297.1
8 Maryland	6.0	\$ 1,724.0	\$ 288.3
9 Florida	19.9	\$ 5,368.2	\$ 269.9
10 Michigan	9.8	\$ 2,596.4	\$ 264.7

B. NET INCOME PER CAPITA - FY 2014:

State/District	Population (Millions)	Net Income (Millions \$)	Net Income Per Capita (Dollars)
1 Massachusetts	6.8	\$ 973.9	\$ 143.2
2 New Jersey	8.9	\$ 956.8	\$ 107.5
3 Georgia	10.1	\$ 943.2	\$ 93.4
4 Connecticut	3.6	\$ 332.1	\$ 92.3
5 Pennsylvania	12.8	\$ 1,081.5	\$ 84.5
6 D.C.	0.7	\$ 55.1	\$ 78.7
7 Michigan	9.8	\$ 755.7	\$ 77.1
8 Florida	19.9	\$ 1,487.8	\$ 74.8
9 Maryland	6.0	\$ 429.2	\$ 71.5
10 South Carolina	4.8	\$ 330.8	\$ 68.9

C. OPERATING EXPENSES* AS PERCENTAGE OF SALES - FY 2014:

State/District	Ticket Sales (Millions \$)	Operating Expenses (Millions \$)	Expense %
1 Massachusetts	\$ 4,853.6	\$ 95.4	2.0%
2 Florida	\$ 5,368.2	\$ 151.6	2.8%
3 South Carolina	\$ 1,264.4	\$ 37.1	2.9%
4 New Jersey	\$ 2,908.1	\$ 91.5	3.1%
5 Tennessee	\$ 1,319.1	\$ 42.8	3.2%
6 West Virginia	\$ 188.6	\$ 7.0	3.7%
7 Pennsylvania	\$ 3,799.6	\$ 140.9	3.7%
8 Georgia	\$ 3,739.9	\$ 154.5	4.1%
9 North Carolina	\$ 1,839.3	\$ 77.6	4.2%
10 Texas	\$ 4,384.6	\$ 185.4	4.2%
11 Michigan	\$ 2,596.4	\$ 113.2	4.4%
12 Ohio	\$ 2,743.1	\$ 121.0	4.4%
13 Connecticut	\$ 1,112.4	\$ 49.5	4.4%
14 Kentucky	\$ 843.3	\$ 41.4	4.9%
15 Virginia	\$ 1,810.8	\$ 89.7	5.0%

*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

2015 ANNUAL REPORT



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The 2015 Annual Report is available at
CTLOTTERY.ORG