



OHIO AUDITOR OF STATE  
**KEITH FABER**





**OHIO LOTTERY COMMISSION  
CUYAHOGA COUNTY  
JUNE 30, 2021**

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Attachment: Annual Comprehensive Financial Report

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# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Ohio Lottery Commission  
Cuyahoga County  
615 Superior Avenue, N.W.  
Cleveland, Ohio 44113

To the Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of each major fund of the Ohio Lottery Commission, Cuyahoga County, (the Commission) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 1, 2021, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent period of the Commission. We also noted the summarized comparative information had been derived from the Ohio Lottery Commission's financial statements as of and for the year ended June 30, 2020 and, in our report dated October 1, 2020, we expressed unmodified opinions on the respective financial position of each major fund.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Commission's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Commission's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Commission's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 1, 2021





**2021**

We sincerely thank our  
Retail and VLT partners  
for another  
record-breaking year!



Ohio Lottery Commission • An Enterprise Fund of the State of Ohio

Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021



# **The Ohio Lottery Commission**

An Enterprise Fund of the State of Ohio  
Annual Comprehensive Financial Report  
For the Fiscal Year Ended June 30, 2021

Prepared by the  
Ohio Lottery Office of Finance

Mike DeWine, Governor  
Pat McDonald, Executive Director  
Matthew Blair, Commission Chairperson  
Gregory A. Bowers, Finance Director





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# • INTRODUCTORY SECTION •

## A Reconnection

The ongoing COVID-19 pandemic has been a watershed year for digital transformation. Like any strategic change, digital initiatives have been traditionally hampered by a lack of vision or urgency. The pandemic has provided a clarity of purpose that any significant upheaval needs if it is to succeed.

Staying competitive in this new environment requires new strategies and practices. The Ohio Lottery recognizes technology's strategic importance not only as a source of cost effectiveness, but as a critical component of the business.

In Fiscal Year 2021, the Ohio Lottery adopted new ways to connect with our core audiences. That, along with a strong product line, resulted in another record-breaking sales year. Traditional sales exceeded \$4.33 billion and our Lottery Profits Education Fund (LPEF) transfers were more than \$1.36 billion.

"I'm proud of our ability to adapt and achieve record success - awarding more than \$2.8 billion in prizes and exceeding our commitment to education with our largest transfer in our 47-year history," said Pat McDonald, Executive Director of the Ohio Lottery.



## A strong product line

Three product categories carried our sales this year.



The Ohio Lottery's **Daily Draw games – Pick 3, 4, and 5**, reached combined sales totals of \$836 million, a 21 percent increase from last fiscal year.



Our **Scratch-Off games** broke all-time sales records as well, with \$2.3 billion in sales, a 24 percent increase from last fiscal year. Scratch-Off sales benefitted from an increased use of data analytics to help optimize game inventory levels, strategic product mix, and marketing support.



**Monitor and Terminal games** hit some sales records as well. **EZPLAY** showed its best sales performance in the last several years, with \$112.2 million in sales, an increase of 27 percent from last fiscal year. KENO had its best year yet. KENO and **The Lucky One** sales reached \$606 million, a 32 percent increase. KENO also saw its single-best sales month ever in March 2021, when it generated more than \$59 million in sales.



## Connecting with players

Nearly every organization in any given industry is rethinking how it conducts its business. While many key strategies, such as online options and self-service strategies were on course to happen, COVID-19 just put the pedal to the floor. The Ohio Lottery is no stranger to innovation and deployed several initiatives over the past year to keep our players safe and our retailers profitable.

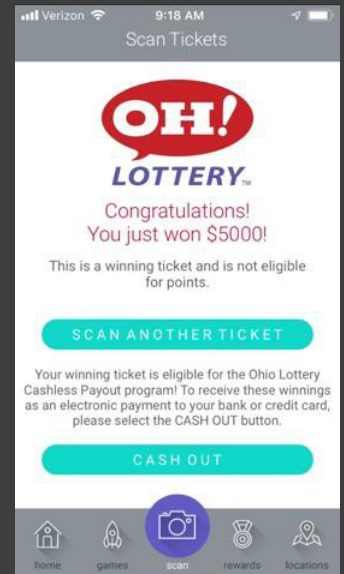
### Mobile Cashing

Launched in late Fiscal Year 2020, lucky Ohio Lottery players may now cash their winning tickets securely through the Ohio Lottery Mobile App, available on the Apple Store and the Google Play Store. The app came at an extremely critical point during the pandemic, when many businesses were either closed or had limited operating hours. By the end of Fiscal Year 2021, the mobile cashing app has been proven to be wildly successful and popular among players.

The mobile cashing app allows players to cash eligible winning tickets between \$50-\$5,000 and have the winnings directly deposited to a bank account.

The app feature offers a fast, secure and convenient way to get paid for prizes and eliminates the need to travel, wait in line and fill out paperwork.

In Fiscal Year 2021, nearly 54,000 players have signed up for Mobile Cashing, and have claimed nearly \$58 million in Ohio Lottery prize money, safely and securely.



## Connecting with Retailers

### Every penny counts

The Ohio Lottery released two new self-service ticket vending machines in FY 2021 that potentially open up new revenue streams for our retailers.

#### Select 4

The **Select 4** unit is a 4-bin secure dispenser and is the first of its kind in our industry. It has a small footprint and is attractive to potential retailers, especially bars and restaurants, who may not have the room for one of our larger vending machines, such as the **WinStation**.

On average, players spend more than \$6 per transaction on these units, earning retailers much needed extra revenue in the form of commissions.



#### DreamTouch

We also partnered with Wal Mart as a retailer with the introduction of another new machine, the **DreamTouch**, exclusive to Wal Mart.

Hundreds of DreamTouch terminals across Wal Mart locations through Ohio have outperformed all expectations by 40-45 percent in weekly per unit and per store sales.





THE OHIO LOTTERY COMMISSION  
615 WEST SUPERIOR AVENUE  
CLEVELAND, OHIO 44113-1879  
1-800-686-4208

OCTOBER 01, 2021

TO THE GOVERNOR OF THE STATE OF OHIO  
THE OHIO LOTTERY COMMISSIONERS, AND  
THE CITIZENS OF OHIO:

We are pleased to submit to you this Annual Comprehensive Financial Report (ACFR) of the Ohio Lottery Commission (The Ohio Lottery) for the fiscal year ended June 30, 2021. The Office of Finance of the Ohio Lottery has prepared this report in accordance with Generally Accepted Accounting Principles (GAAP). Ohio Lottery management assumes the responsibility for the accuracy and completeness of this report. To the best of our knowledge, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position, the results of operations, and the cash flows of the Lottery. All disclosures necessary to gain an understanding of the Ohio Lottery financial activities have been included. The Independent Auditor's Report is included on pages 18-20 of this report. The Ohio Lottery, an agency of the State of Ohio (the State), was launched in 1974 and is operated as a business enterprise within the framework of the State's laws and regulations. The Ohio Lottery's mission is supporting education by offering entertaining gaming experiences.

The Ohio Lottery is an enterprise of the State and is included in the State's ACFR. The Ohio Lottery's activity is reported as an enterprise fund type and includes all activity for which the Ohio Lottery is financially accountable. No data related to any other state agency or fund is included in this report.

## PROFILE OF THE OHIO LOTTERY

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The Ohio Lottery was approved in May 1973, through a constitutional amendment approved by voters by a 2-to-1 margin. The first ticket went on sale in August 1974. Throughout the 1980's, the Lottery launched a number of draw games which still exist today, such as Pick 3 and Pick 4. The 1990's were a strong decade for instant "scratch-off" games, with \$2, \$5 and \$10 price points launched during this period. The first \$20 scratch-off ticket was launched in 2003, and the Ohio Lottery later added a \$30 price point in 2014. Encouraged by the ongoing success of its in-state lotto games, the Ohio Lottery formally joined the Mega Millions consortium in fiscal year 2002. In fiscal year 2010, the Ohio Lottery entered into an agreement to sell Powerball. The Ohio Lottery continues to aggressively modernize its game portfolio to better match player demand. For instance, the Ohio Lottery launched EZPlay and Keno in 2008. Furthermore, fast play draw game options were launched in the last several years. The latest example is a \$40 EZ Play progressive jackpot game, Ohio Jackpot 7s launched in early 2021. Recently, the Ohio Lottery joined a multi-state consortium to offer a "life" prize, Lucky for Life. Today, the Ohio Lottery offers customers a wide variety of draw-based and scratch off games, with new convenient payment options, at nearly 10,000 licensed retailer locations across the state.

In 1983, the Ohio Legislature earmarked Lottery profits to education, which was made permanent via a constitutional amendment in 1987. Since inception, the Ohio Lottery has provided approximately \$28.1 billion to education.

Video Lottery gaming was introduced in Ohio in 2012, when then Governor John Kasich signed Executive Order 2011-22K, which authorized the Ohio Lottery to amend and adopt rules necessary to implement a video lottery program at Ohio's seven (7) horse racing facilities. The Ohio Lottery's role is to regulate the program with the goal of generating revenue for the State of Ohio, while maintaining integrity and transparency.

As of June 30, 2021, 44 states, plus the District of Columbia, the U.S. Virgin Islands and Puerto Rico operate lotteries using computer-based draw games and instant "scratch off" games. The Ohio Lottery routinely ranks in the top ten of all US lotteries in terms of its sales and profits.

## ECONOMIC OUTLOOK

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According to the Bureau of Economic Analysis (BEA), personal income in the United States increased 59.7 percent in the first quarter of federal fiscal year 2021. The report indicates that personal income grew in 50 states and the District of Columbia. BEA targeted a primary factor behind the increase in personal income, the increase in transfer receipts. Of the industries tracked by the BEA, the largest percentage of earnings increases were in durable goods manufacturing, professional, scientific, and technical services, and information. All told, seventeen of the twenty-two industries tracked saw earnings growth.

The US unemployment rate for June 2021 was 5.9 percent, which is 5.2 percent less than the previous year. This may be attributed to the re-opening of non-essential businesses after the State's stay-at home orders.

Unemployment among all groups of workers increased sharply in the COVID-19 recession. In comparison to June 2020, the three main industries where employment growth increased were leisure and hospitality, education, and professional/business services.

Ohio began the first quarter of fiscal year 2021 with a 72.7 percent increase in personal income over the previous quarter. Ohio ranked 15th among states for change of income between the quarters. Throughout fiscal year 2021, the unemployment figures in Ohio have decreased, from 10.9 percent in June of 2020 to 5.2 percent as of June 2021. Ohio's unemployment rate currently sits at 0.7 percent lower than the national rate.

Many factors in the national and state economies have a direct impact on revenue generated by the Ohio Lottery. As smaller retail outlets close, national big box retailers and bulk consumer product warehouse clubs open in their place. The Ohio Lottery's revenues may be negatively impacted by this national and statewide trend because these retailers do not consider lottery products to be part of their business model, though the Lottery continues to make inroads into these markets. Additionally, as public places close and a need for entertainment increases, there has been a rapid increase in the sales of scratch off lottery games. This could have a lasting effect on our sales as we introduce more consumers to Ohio Lottery during this period.

## LOTTERY PRODUCTS

The Ohio Lottery provides the opportunity for the public to participate in different games with two styles of play, draw-based games and scratch-off games. Descriptions of the games and their portion of sales are as follows:

**DRAW - BASED GAMES** allow the customer to pick the numbers for their wager or utilize automatic computer-generated plays. Players receive a ticket with the numbers selected and must wait for a drawing to determine if they have matched the numbers and won.



**PICK 3** was Ohio's first draw-based game. Players select a three-digit number from 000 to 999 and can play the numbers straight (numbers in exact order), boxed (numbers in any order) or as backup bets (players can win either or both ways). A wheel wager can also be placed. This wager is, in essence, equivalent to a straight bet being made for each number combination. Pick 3 sales for fiscal year 2021 were \$485.9 million, or 11.2 percent of total traditional Ohio Lottery sales.



**PICK 4** is played similarly to Pick 3. Players select a four-digit number from 0000 to 9999 and may play it straight, boxed or in back-up bets. Sales for fiscal year 2021 were \$284.0 million, or 6.6 percent of total traditional Ohio Lottery sales.



**PICK 5** began in August 2012 and is played similarly to Pick 3 and Pick 4. Players select a five-digit number from 00000 to 99999 and may play it straight, boxed or in back-up bets. Sales for fiscal year 2021 were \$66.1 million, or 1.5 percent of total traditional Ohio Lottery sales. Pick 3, Pick 4 and Pick 5 are drawn middays and evenings Sunday through Saturday.



**ROLLING CASH 5** is a lotto game in which players select five numbers from a pool of 1 to 39, with overall odds of winning any prize of 1 in 9. The top prize starts at \$100,000 and increases if not won. Sales for fiscal year 2021 were \$57.0 million, or 1.3 percent of total traditional Ohio Lottery sales. Drawings are held Sunday through Saturday evenings.



**CLASSIC LOTTO®** is an in-state lotto game in which players select six numbers from a pool of 1 to 49. To win the jackpot, all six numbers must be matched. The jackpot starts at \$1.0 million and increases if not won. Drawings are held on Monday, Wednesday, and Saturday evenings. Classic Lotto sales for fiscal year 2021 were \$24.1 million, or 0.6 percent of total traditional Ohio Lottery sales.

**KICKER** is an add-on game, with a top prize of \$100,000, which may only be purchased as an add-on to Classic Lotto. KICKER was reinstated in April 2012. Sales for fiscal year 2021 were \$3.9 million, or 0.1 percent of total traditional Ohio Lottery sales.



**EZPLAY®** is a hybrid instant/draw game. EZPLAY combines the instant win experience with an online game component. The player purchases an online ticket that consists of two sections, a draw section followed by a play section. Players then match the two sections to determine if they are a winner. Game themes and ticket selling prices are strategically modified to keep the product line fresh. In fiscal year 2013, a progressive jackpot component was added to the game portfolio, which now comprises roughly 83 percent of EZPLAY sales. Sales for fiscal year 2021 were \$112.2 million, or 2.6 percent of total traditional Ohio Lottery sales.



**EZPLAY TAP** is a series of EZPLAY® Games that include graphical touch-screen style play and is played exclusively on Multi-Purpose Next Generation (MPNG) machines. This was an exclusive, legal gaming option offered by the Ohio Lottery for Veteran and Fraternal Organizations. Today, units are deployed at various fraternal and veteran organizations throughout the State. Several different games are loaded into each machine with play prices starting at twenty-five cents. These games are normally structured to generate an 85-90 percent payout. Sales for fiscal year 2021 were \$44.8 million, or 1.0 percent of total traditional Ohio Lottery sales.



**EZPLAY TOUCH & WIN** are a style of EZPLAY games that are based on the traditional KENO game. It was originally introduced as QuicKeno in June 2016, and rebranded and renamed in January 2018 to generate more attention. Touch & Win games, which start at \$0.25, are highly interactive, visually entertaining, and played on a Touch & Win terminal. Sales for fiscal year 2021 were \$35.2 million, which came to 0.8 percent of total traditional Ohio Lottery sales.



**KENO** is a draw game in which players choose from one to 10 numbers (also called spots) for a top prize of \$100,000 by matching 10 of 20 numbers drawn. During fiscal year 21, changes were made to the frequency of draws. The drawings are held every day starting at 6:04 a.m. and occur every 3.5 minutes, ending at 2:29 a.m. The Ohio Lottery introduced Booster in February 2010. Players may select the Booster option for a chance to increase their winnings at the cost of \$1 for each dollar wagered on KENO. The Booster number drawn can be 1, 2, 3, 4, 5, or 10 and can increase winnings 2, 3, 4, 5, or 10 times. Combined KENO/Booster sales for fiscal year 2021 were \$577.4 million, or 13.3 percent of total traditional Ohio Lottery sales.



**THE LUCKY ONE** is a monitor game that complements Keno, with drawings held every few minutes. Wagers range between \$1 and \$50. Players choose one number between 1 and 36 and have up to three different ways to play. Sales for fiscal year 2021 were \$28.7 million, or 0.7 percent of total traditional Ohio Lottery sales.



**MEGA MILLIONS**® is a multi-state lotto game. To become more competitive, Mega Millions adjusted its matrix and jackpot amount on October 28, 2017. For each \$2 wager, players select five numbers from a pool of 1 to 70 and select one Mega ball number from a second pool of 1 to 25. To win the jackpot, all six numbers must match. During the COVID-19 pandemic, the consortium voted to change the starting jackpot and minimum rolls to minimize the risk of underfunded jackpots. Starting jackpots and minimum jackpot rolls will be determined based on sales. All jackpots will be announced prior to the drawings.

**MEGAPLIER** was added to Mega Millions in January 2011. Players may select the Megaplier option for a chance to increase their winnings at the cost of \$1 for each dollar wagered on Mega Millions. The Megaplier number drawn can be 2, 3, 4 or 5, and can increase winnings by that Megaplier number drawn. Megaplier multiplies the winnings by the number drawn for prizes up to \$5,000,000. If a player selects the Megaplier option and then matches all five numbers but not the Mega ball, the prize is automatically \$1.0 million. Drawings are held on Tuesday and Friday evenings. Mega Millions/Megaplier sales for fiscal year 2021 were \$152.7 million, or 3.5 percent of total traditional Ohio Lottery sales.



**POWERBALL**® is a multi-state lotto game launched in Ohio in April 2010. For each \$2 wager, players select five numbers from a pool of 1 to 69 and select one Powerball number from a second pool of 1 to 26. To win the jackpot, all six numbers must match. Guaranteed starting jackpot amounts and minimum jackpot increases were eliminated after the April 8, 2020 drawing, and future jackpot increases will be determined and announced by the Product Group prior to each drawing. Drawings are held on Wednesday and Saturday evenings.

Players may select the **POWER PLAY** feature that allows a winner to increase the original prize amount for an additional \$1 wager. Powerball players winning any prize other than the jackpot will win a larger cash prize. Combined Powerball/Power Play sales for fiscal year 2021 were \$120.1 million or 2.8 percent of total traditional Ohio Lottery sales.



**LUCKY FOR LIFE**® is a small-scale multi-state game that was introduced in Ohio in November 2015. Wagers cost \$2 and drawings are held on Mondays and Thursdays. The Top Prize is \$1,000 a day for life and the Second Prize is \$25,000 a year for life. The top prize and second prize payouts are divided equally among multiple winners. Sales for fiscal year 2021 were \$22.2 million, or 0.5 percent of total traditional Ohio Lottery sales.





**SCRATCH-OFF** games are played by scratching the latex covering off a play area to reveal pre-printed combinations. There are different ways to win in a “scratch off” game, such as matching three like dollar amounts, symbols, or letters. If the correct combinations appear, the player becomes an “instant winner” and may immediately submit a claim to cash the ticket. Scratch off games have been the Ohio Lottery’s dominant product since fiscal year 1997. For fiscal year 2021, scratch off game sales were \$2.32 billion or 53.5 percent of total traditional ticket sales. The Ohio Lottery has successfully sold scratch off games at the \$1, \$2, \$3, \$5, \$10, \$20 and \$30 price points. The Ohio Lottery continues to feature several “spotlight” scratch off games, which are games sold at \$10 and \$20 price points with attractive, higher prize payouts.

To keep things interesting, all price points saw a total increase in sales over the previous fiscal year. Higher price points, \$10-\$30 all had double digit growth in the category as well as the product line. This was led by the \$10 price point games which achieved higher sales levels than last fiscal year. In addition, as part of the agency’s new contract for the distribution of tickets to retailers, data analytics was leveraged to develop customized product orders for retailers to maximize sales potential by minimizing excess inventory. This new predictive ordering function, along with sales growth at the \$20 and \$30 price points, contributed to the scratch-off category realizing record breaking sales for the fiscal year.

**VIDEO LOTTERY** was introduced to the State of Ohio in 2012 when Governor Kasich signed Executive Order 2011-22K, which authorized the Lottery to amend and adopt rules necessary to implement a video lottery program at Ohio’s seven (7) horse racing facilities. On June 1, 2012, Scioto Downs in Columbus began video gaming with 1,787 video lottery terminals; as of June 30, 2021 there were 10,488 terminals at seven different racetracks in Ohio. A Video Lottery Terminal (VLT) is a stand-alone device containing a random-number generator. Each VLT connects to a centralized computer system that allows the Lottery to monitor game play and collect revenue activity. The Central Monitoring System (CMS) keeps track of money deposited in a terminal, usage, wins and payouts, machine maintenance and cash removal. Game themes are approved by the Ohio Lottery Commissioners, and independently tested and certified, before placed into operation. The minimum percentage payout in Ohio is 85.0 percent. The VLT total revenue for fiscal year 2021 was \$1,186.2 million, with the Ohio Lottery receiving \$397.4 million as commissions earned.

## MAJOR INITIATIVES

During fiscal year 2021, the Ohio Lottery generated \$1,359.0 million for the Lottery Profits Education Fund (LPEF). This represents an increase of \$231.9 million compared to fiscal year 2020. Through fiscal year 2021, the Ohio Lottery has provided over \$28.1 billion in profits to the State of Ohio.

Gross gaming revenue generated from VLTs were \$1,186.2 million during fiscal year 2021. This was an increase of \$365.3 million from the prior fiscal year. Of this amount, the video lottery operators received \$784.9 million as commissions earned, while the Lottery’s share of revenue equaled \$397.4 million, which represents an increase of \$122.4 million. Due to the State’s Covid-19 stay at home order for 2 ½ months, the closings of the Racino’s had a direct impact on VLT profits in fiscal year 2020. Funds dedicated towards Problem Gambling programs were \$3.9 million.

Additionally, the Ohio Lottery made several noteworthy achievements during fiscal year 2021.

- As part of our continued strategy to reach new consumers and adapt our business model to the changing landscape of how consumers purchase goods and services, the Ohio Lottery continued using a cashless solution accepting Visa, Mastercard, Discover and eWallet transactions. In fiscal year 2021, \$277 million in sales were generated utilizing the various forms of “cashless” transactions.
- In addition, as a result of the pandemic the Lottery developed more convenient ways for players to redeem and claim their prize. Along with allowing players to cash via their mobile phone (described below), several new methods were introduced during the year, such as an online “digital” claim form option via the Lottery’s website, and allowing players to drop off claim forms at any of the seven Racino’s. This option was popular with our players when the regional cashing centers were closed during the pandemic. Last, select retailers were chosen to cash mid-tier prizes between \$600-\$5,000.
- The scratch-off category led the way with sales of \$2.3 billion, an increase of \$442 million over the previous fiscal year. Scratch-off sales benefited from an increased use of data analytics to help optimize game inventory levels, strategic product mix, and marketing support.
- Ohio also benefited from large jackpot prize offerings from its’ Multi-State Jackpot game portfolio. In January 2021, both multi-state jackpot games reached historical milestones. Mega Millions jackpot reached \$1.0 Billion in January 2021, while the Powerball jackpot was won at \$750 million. Both high jackpot sequences generated excitement from our players which contributed substantially to the ability to raise additional profit for our good causes.
- The lottery launched a new \$40 EZPLAY® Progressive Jackpot Game, Ohio Jackpot 7’s, in February of 2021. The game helped boost sales of the fast play category of games to \$192 million, a 20 percent bump from Fiscal Year 2020
- In fiscal year 2021, the Lottery continued its digital offerings with Mobile Cashing. This easy and convenient way allows players to cash winning tickets via the Lottery’s mobile application. Payments are sent directly to the winner’s bank account on file. The option to add credit and debit cards was introduced in fiscal year 2021. This cashing option proved critical during the COVID-19 pandemic when the Lottery’s cashing locations were temporarily closed and the only option available to customers was to mail prize claims into Lottery headquarters. In fiscal year 2021, nearly 168,000 tickets were cashed for over \$57 million.
- In May 2021, the Ohio Lottery was proud to provide technical support for the Ohio Vax-a-Million initiative sponsored by the Ohio Department of Health. This public outreach campaign to increase awareness of the availability and efficacy of COVID-19 vaccines and provided incentives to Ohioans to get a COVID-19 vaccination. Ohioans 18 years of age and older who had received at least their first Covid-19 vaccination had a chance to win one of five, \$1-million prizes. Entry end dates were May 23, May 30, June 6, June 13 and June 20. Ohioans 12 to 17 years of age, who had received at least their first COVID-19 vaccination had a chance to win one of five four-year full-ride scholarships including room and board, tuition, and books, to any Ohio state college or university. Drawing dates were May 24, May 31, June 7, June 14 and June 21.
- The Ohio Lottery encourages players to enjoy lottery games responsibly. The Ohio Lottery has demonstrated its historical commitment to responsible gambling by providing mandatory training for all Lottery employees, retailers and Video Lottery Terminal employees. On its own and in conjunction with its Ohio for Responsible Gambling (ORG) partners, (the Ohio Casino Control Commission, the Ohio State Racing Commission and the Ohio Department of Mental Health and Addiction Services), the Ohio Lottery produces media awareness campaigns that promote methods of practicing responsible gambling and highlight prevention of problem gambling. Based on the findings by the Ohio Problem Gambling Prevalence Studies, a small percentage of Ohioans are at-risk for developing life altering gambling problems. In fiscal year 2021, Ohio for Responsible Gambling continued with their successful prevention campaign “Get Set Before You Bet”, which also targeted select groups, such as seniors, athletes, teenagers, minority groups, and Spanish-speaking adults. The Ohio Lottery debuted the Keep It Fun, Ohio campaign which offers facts, odds of games, tips to play responsibly, and resources for help to those that need it. In fiscal year 2021, the

Ohio Lottery contributed \$3.9 million from VLT sales for Problem Gambling in Ohio.

- Additionally, the Ohio Lottery funds regional outpatient treatment programs, training for problem gambling counselors, a statewide multi-agency Voluntary Exclusion Program, and a statewide annual conference which presents cutting edge research and treatment tools to the problem gambling community to better address the issues impacting our citizens.
- Along with offering fair and equitable games, the Ohio Lottery continues its commitment to the community to enhance and expand its various sponsorship programs, such as Partners in Education, MBE/EDGE Programs, and Community Outreach. Moreover, to appeal to a more diverse player and retailer base, the Ohio Lottery plans to implement various social media opportunities. Players and retailers can access the Ohio Lottery via Twitter, Facebook, Instagram, YouTube, WordPress, and both the Ohio Lottery website and app. Going forward, into fiscal year 2022, the Ohio Lottery will continue to develop new ways to enhance its current product offerings and maximize operational efficiency and effectiveness. The Ohio Lottery benchmarks its sales results against peer lottery states and reviews best practices to improve its current lottery products.

## ACCOUNTING SYSTEMS AND POLICIES

The Ohio Lottery operates under two enterprise funds, each using the full accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. The two Ohio Lottery funds are the Lottery Operating Fund and the Annuity Prize Fund.

The Ohio Lottery's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, liabilities and deferred inflows of resources associated with operation of the Ohio Lottery are included in the statement of net position. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position. A narrative overview and analysis of the Ohio Lottery's financial activities for the fiscal year ended June 30, 2021 is in the Management's Discussion and Analysis in the financial section of this document.

## BUDGETARY CONTROL

Budgetary control for all state agencies is maintained through legislative appropriations and the executive branch allotment. The budget includes all costs to operate the Ohio Lottery except for certain prizes paid to winners and all commissions paid to retailers. Various prize tiers and commissions are funded through the sale of lottery tickets and are not included as part of the biennial budget submitted for approval. An encumbrance system is utilized, whereby purchase orders reserve portions of applicable appropriations. The Ohio Lottery and the State of Ohio Office of Budget and Management monitor the appropriations and the amounts expended within the Ohio Lottery's funds. The adopted budget is divided among the operating offices at the Ohio Lottery, which have responsibility for delivery of service. These offices control the funds within their program. The Office of Finance monitors all accounts via the Ohio Administrative Knowledge System and its accounting reporting system. Additionally, the Ohio Lottery prepares periodic revisions to project revenue and expenditure trends and implements any changes necessary to keep both within appropriation and within internal management targets set by the Director.

## INTERNAL CONTROL ENVIRONMENT

Management of the Ohio Lottery is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that the accounting system allows for compilation of accurate and timely financial information. Financial information is reported at monthly public meetings of the Ohio Lottery Commission. Because the cost of a control should not exceed their benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

To enhance controls over accounting procedures, the Ohio Lottery has segregated the following functions: personnel and payroll; purchasing; accounts payable; general ledger; and accounts receivable processing. Additionally, a Contract Compliance Officer monitors the execution of all large vendor contracts. Data input and processing is separate from system programming. An Information Security Manager monitors and audits automated systems. An Electronic Data Processing Audit Plan is executed annually to further improve internal controls. An internal audit team reviews all areas of operations and reports to the Director. The Office of Internal Audit prepares an annual internal audit plan and formally submits the plan to the Office of Budget and Management for approval. Results of these internal audits are submitted to the Auditor of State for review and consideration in its financial audit.

Since the Ohio Lottery manages a valuable ticket inventory and controls the disbursement of prizes, the following steps are taken to ensure that operations remain honest and secure:

- Maintain secure Ohio Lottery facilities with limited access.
- Perform background checks on retailers, key employees at Racinos, contractors and Ohio Lottery employees.
- Print lottery tickets with special paper, inks, dyes and security codes.
- Establish and execute detailed procedures for all game drawings.
- Contract with the Auditor of State as an independent witness to further ensure the integrity of our drawings and the television game show.
- Provide a variety of access and other controls in our computer systems.

## FINANCIAL INFORMATION

The Ohio Lottery operates as an enterprise activity, selling lottery tickets to the general public and funding all related support activities from funds internally generated. No general government functions or fiduciary operations are managed by the Ohio Lottery or included in this report.

## GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ohio Lottery for its ACFR for the fiscal year ended June 30, 2020. This was the twenty-fourth consecutive year that the Ohio Lottery has received this prestigious award. To qualify for the Certificate of Achievement Award, the Ohio Lottery published an easily readable and efficiently organized ACFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

## INDEPENDENT AUDIT

Ohio law requires an annual audit of the Ohio Lottery by an independent auditor. The Auditor of State for the State of Ohio currently conducts the annual financial audit of the Ohio Lottery. The Ohio Lottery's financial statements audit for fiscal year 2021 has been completed in conformity with generally accepted governmental auditing standards. The auditor's unmodified audit opinion of the Ohio Lottery's financial statements is included in the financial section of this report.

## ACKNOWLEDGMENTS

Preparation of this report was made possible by the efficient and dedicated efforts of our employees. A special note of thanks is given to the General Accounting Bureau comprised of Mary Tedeschi-Vittardi, Marisol Halligan, Anna Callas and Greg Schtscherbak and to the entire finance staff. Thanks to Michael M. Bycko, Visual Communications Manager, for the layout and graphics support of this publication.

Publishing this Annual Comprehensive Financial Report reflects our commitment to meet the highest standards of accountability. The Ohio Lottery intends to continually improve financial management and clearly communicate its financial story. It is important for the public to know that the Ohio Lottery's financial condition is properly reported, including payments made to education. Credit is due to Commission Chair Matthew Blair and the members of the Ohio Lottery Commission for their commitment to operating the Ohio Lottery in a responsible and progressive manner.

Respectfully Submitted,



Gregory A. Bowers  
Finance Director



Patrick McDonald  
Executive Director







Government Finance Officers Association

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Reporting

Presented to

**The Ohio Lottery Commission**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

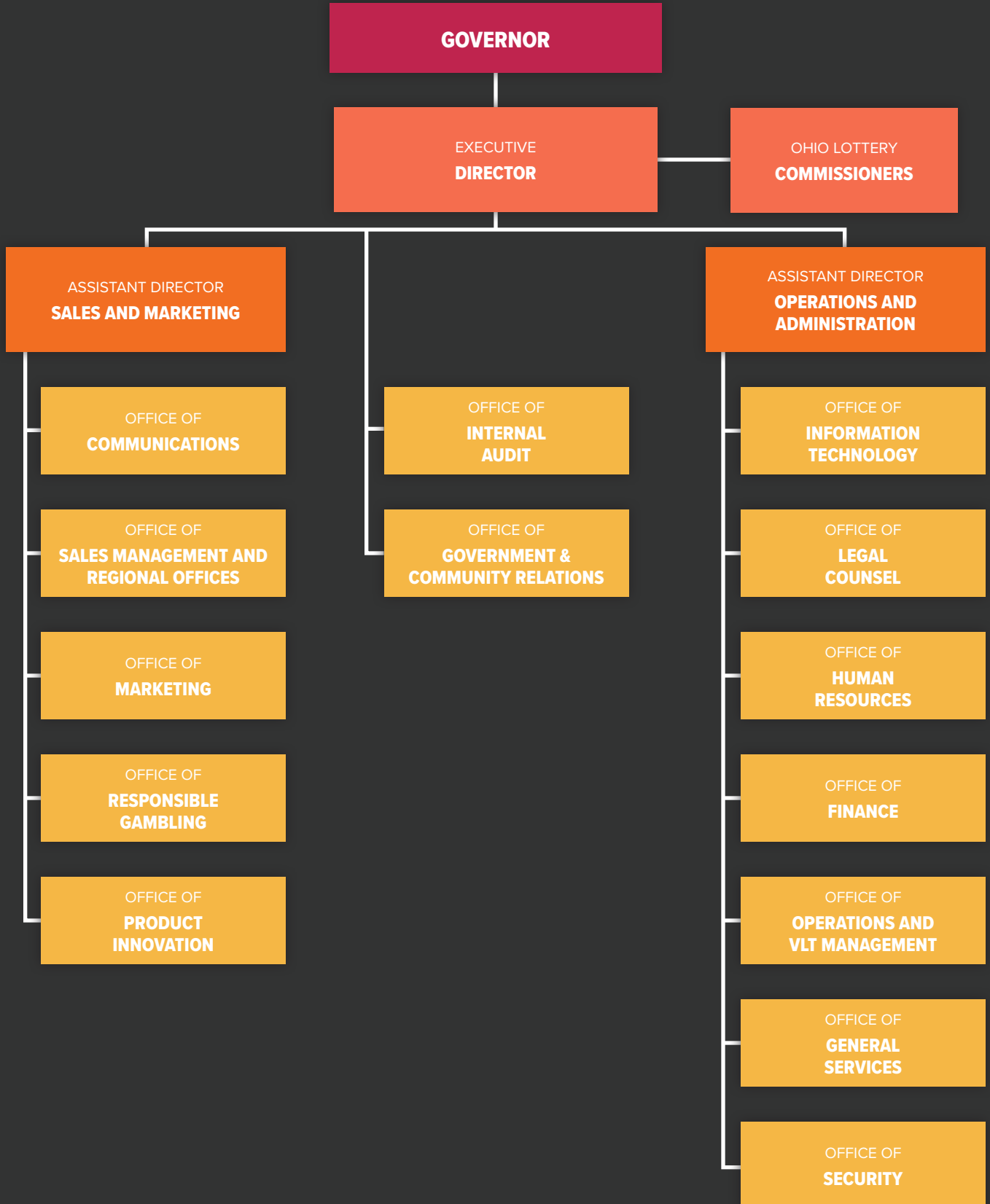
June 30, 2020

*Christopher P. Morrill*

Executive Director/CEO

# OHIO LOTTERY COMMISSION

## STRUCTURE OF ORGANIZATION • FISCAL YEAR 2021



# PRINCIPAL OFFICIALS

AS OF JUNE 30, 2021

**MIKE DEWINE**

GOVERNOR OF OHIO

**PAT MCDONALD**

EXECUTIVE DIRECTOR

**MATTHEW BLAIR**

COMMISSION CHAIRPERSON

*TERM ENDS 08/01/2021*

**JAMES BRADY**

COMMISSIONER

*TERM ENDS 08/01/2023*

**NITA GUPTA**

COMMISSIONER

*TERM ENDS 08/01/2022*

**JONATHAN HUGHES**

COMMISSIONER

*TERM ENDS 08/01/2022*

**ANGELA MINGO**

COMMISSIONER

*TERM ENDS 08/01/2023*

**MARK RICKEL**

COMMISSIONER

*TERM ENDS 08/01/2022*

**MARTIN J SWEENEY**

COMMISSIONER

*TERM ENDS 08/01/2021*

**MATTHEW SZOLLOSI**

COMMISSIONER

*TERM ENDS 08/01/2021*

## • FINANCIAL SECTION •



### Connecting with our fans

#### *Cash Explosion virtual events attract 20,000 viewers*

Due to the ongoing COVID-19 pandemic, no summer events were planned this year for *Cash Explosion*, the world's longest running lottery game show.

Cash Explosion held its second *Fan Fair* last month on Saturday, June 19, at the Cash Explosion studios in Columbus. Fan Fair is a live event held after the airing of the show and used as a way to interact with our fan base.

“Obviously due to the pandemic, we don't have any summer events where we get to interact with our fans,” said JC Carothers, Cash Explosion. “Rather than giving away prizes to fans at our Express Games, we're doing this.”

Dan Swartwout, Cash Explosion MC, hosted the show alongside show hosts Alissa Henry and David McCreary. Registration opened at 7:30 pm for viewers for a chance to win cash prizes.

By the end of the show, 63 lucky winners would walk away with cash prizes between **\$100 – \$5,000**.

Pat McDonald, Executive Director, was one of Fan Fair's special guests and also officially kicked off the festivities.

“When nearly 10,000 Cash Explosion fans joined us May 1, it showed me how much people loved the show and how much they appreciate the Lottery giving something back to them,” said McDonald. “It was easy to decide to do it again.”

All in all, nearly 10,000 fans tuned into last month's Fan Fair, and \$25,000 in cash prizes were won during the event.

Cash Explosion resumed in front of a live studio audience beginning August 2021.





## PAC-MAN®'s live extravaganza

The Ohio Lottery also leveraged its social media channels during this year to better connect with its players and fans. In June 2021, the Ohio Lottery held its first ever **Facebook Live** event for fans.



The **PAC-MAN® Extrava-Game-Za** event brought 5,000 people to the Ohio Lottery Facebook page and generated more than 100,000 comments during the 30-minute event. Communications Director Danielle Frizzi-Babb acted as host of the 30-minute event where players won over \$2,000 in prizes including PAC-MAN scratch-offs, PAC-MAN merchandise, and Lottery Cash during five rounds of game play.

Utilizing elements from the PAC-MAN scratch-off and **EZPLAY** game spots, the set included a giant PAC-MAN arcade game with a 108-inch screen. PAC-MAN himself, featured in our advertisements, got in on the action using a special vacuum to pick up scratch-offs scattered around the floor to win prizes for players randomly drawn from those commenting during the event.

While this particular event was to help promote the PAC-MAN games, it truly opened the door to a new way we interact with players.

“We’re really pleased with how this event came together. We know our players on social media love playing games to win prizes based on social promotions we currently run, but this took it up a notch by bringing them a live game show with the chance to interact with the product.” Assistant Marketing Director Tom Ackerman said.

Based on comments during the event, players loved it and want more. Future events like this are in the works.



# OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Ohio Lottery Commission  
Cuyahoga County  
615 Superior Avenue, N.W.  
Cleveland, Ohio 44113

To the Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of each major fund of the Ohio Lottery Commission, Cuyahoga County, Ohio (the Commission), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Efficient • Effective • Transparent

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Commission, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Commission. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### ***Report on Summarized Comparative Information***

We have previously audited the Commission's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

#### ***Supplementary and Other Information***

Our audit was conducted to opine on the Commission's basic financial statements taken as a whole.

The introductory section and the statistical section information present additional analysis and are not a required part of the basic financial statements.

We did not subject the introductory section and statistical section information to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will also issue our report dated October 1, 2021, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 Commission's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

October 1, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ohio Lottery Commission (the Ohio Lottery), we offer readers of the Ohio Lottery's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 6 - 11 of this report, and the financial statements which begin on page 28.

### FINANCIAL HIGHLIGHTS

- Total traditional lottery sales increased \$858.7 million, or 24.7 percent from fiscal year 2020, resulting in overall sales of \$4,330.2 million.
- Gross gaming revenue from Video Lottery Terminals (VLT's) totaled \$1.19 billion, an increase of \$365.3 million over fiscal year 2020. The Ohio Lottery's net VLT revenue increased from \$275.0 million to \$397.4 million or 44.5 percent in fiscal year 2021. This is directly attributed to the re-opening of the racinos, and the lifting of the State's stay-at home orders. The racinos re-opened during the year with new protocols in place.
- When combining traditional lottery sales with VLT net revenue, total sales from all games amounted to \$5.5 billion.
- Draw-based game sales increased \$416.6 million, or 26.1 percent from last year. This can be attributed to higher multi-state jackpots combined with increased sales in all draw-game categories. The re-opening of businesses such as bars/restaurants and the lifting of the State's stay-at home orders also contributed to increased sales. Monitor games such as Keno rebounded due to relaxed restrictions and witnessed an increase of 31.9 percent. Traffic increased at the bar/restaurant trade channel along with the Racino's as vaccinations increased. The largest jackpots for fiscal year 2021 were \$1.05 billion for Mega Millions and \$731 million for Powerball.
- Scratch-off ticket sales increased \$442.1 million, or 23.6 percent from fiscal year 2020, setting an all-time record. Ticket sales from scratch-off tickets benefited from enhanced use of data analytics to help optimize game inventory levels, strategic product mix, and marketing support.
- Total prize expense for fiscal year 2021 represented 65.6 percent of total ticket sales compared to 65.0 percent in fiscal year 2020. Though the percentage of prize expense increased slightly, actual prize expense increased \$582.3 million in fiscal year 2021 as a direct result of increased sales volume and more winners in the daily numbers category and scratch-offs.
- Operating expenses decreased by \$16.8 million compared to fiscal year 2020 due to the cost savings measures enacted by the Governor which resulted in decreases in travel, utilities, maintenance & service type contracts.
- As a result of this increase in traditional lottery sales and VLT revenue, the Ohio Lottery transferred \$1.36 billion to the Lottery Profits Education Fund (LPEF) in 2021, \$231.9 million more than the 2020 transfer amount.
- The Ohio Lottery's total net position increased \$50.6 million, or 20.5 percent, due an increase in operating income.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to these statements. The basic financial statements by fund include the statement of net position, statement of revenues, expenses and changes in fund net position, statement of cash flows, as well as the notes to the basic financial statements, which disclose detailed information within the financial statements.

The Ohio Lottery's activities are accounted for within the enterprise fund type and are reported using a full accrual basis of accounting, which is comparable to the methods used by private sector entities. The Ohio Lottery manages the following major funds:

#### LOTTERY OPERATING FUND

Revenues for this fund are provided primarily from traditional ticket sales and net revenue collected from the VLT facilities. Expenses of this fund represent primarily prize expenses (including cash transfers to the Annuity Prize Fund), operating expenses, and transfers to the LPEF. For purposes of this financial report, all financial activity is presented within the Lottery Operating Fund. Please see notes to the basic financial statements for more detailed activity reported within this fund.

#### ANNUITY PRIZE FUND

Revenues for this fund are provided through cash transfers from the Lottery Operating Fund for the purpose of providing investment principal for funding long-term prize obligations. Expenses of the Annuity Prize Fund primarily represent annuity prize payments.

The statement of net position presents information on all the Ohio Lottery's assets, deferred outflow of resources, liabilities, and deferred inflows of resources. The difference between the two is reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Ohio Lottery is improving or deteriorating. The statement of revenues, expenses and changes in fund net position reports the revenue and expense activity of the Ohio Lottery. This statement is used to measure the success of the Ohio Lottery's operations over the given period related to sales, expenses, and funding of Ohio education. The statement of cash flows provides information about the Ohio Lottery's cash receipts and cash payments during the reporting period from operating, non-capital and capital financing and investing activities.

## FINANCIAL ANALYSIS

The table below provides a summary of the Ohio Lottery's net position at June 30, 2021 compared to June 30, 2020.

### NET POSITION (ROUNDED IN THOUSANDS)

	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
Current Assets: Unrestricted	\$ 389,946	\$ 306,033
Current Assets: Restricted	126,244	141,614
Noncurrent Assets: Restricted	322,573	366,818
Net Capital Assets	22,889	16,294
Net Pension Asset	526	355
Net OPEB Asset	2,905	-
<b>Total Assets</b>	<b>865,083</b>	<b>831,114</b>
Deferred Outflows of Resources		
Pension: OPERS	1,628	3,361
OPEB: OPERS	1,497	3,664
Total Outflows	3,125	7,025
Current Liabilities: Unrestricted	94,605	69,207
Current Liabilities: Restricted	127,519	142,401
Noncurrent Liabilities: Restricted and Unrestricted	305,201	314,973
Net Pension Liability	24,150	32,291
Net OPEB Liability	-	22,441
<b>Total Liabilities</b>	<b>551,475</b>	<b>581,313</b>
Deferred Inflows of Resources		
Pension: OPERS	10,659	7,004
OPEB: OPERS	8,877	3,223
<b>Total Inflows</b>	<b>19,536</b>	<b>10,227</b>
Net Position:		
Net Investment in Capital Assets	7,973	13,383
Restricted for Net Unrealized Gains on Restricted Investments	91,013	99,467
Unrestricted	198,211	133,749
<b>Total Net Position</b>	<b>\$ 297,197</b>	<b>\$ 246,599</b>

## GASB 68/75 NET PENSION LIABILITY & NET OPEB LIABILITY

The net pension liability (NPL) is one of the largest liabilities reported by the Ohio Lottery at June 30, 2021 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement 27." The Ohio Lottery adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Ohio Lottery's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/Asset or net OPEB liability/asset. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/Asset and the net OPEB liability/asset to equal the Ohio Lottery's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Ohio Lottery is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to

enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Ohio Lottery's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

## **CURRENT ASSETS – UNRESTRICTED**

The Ohio Lottery's Current Assets – Unrestricted increased \$83.9 million compared to fiscal year 2020. Current Assets Unrestricted consists primarily of Cash and Cash Equivalents (including Video Lottery), Cash Equity with the Treasurer of State, Net Receivables from Agents, and other Assets such as Prepaid Assets.

Cash Equity with Treasurer of State increased \$51.3 million, while Cash and Cash Equivalents also increased \$9.6 million. The increase in Cash Equity with Treasurer of State and the increase in balances held in Cash and Cash Equivalents is primarily due to the timing of when funds were transferred from the Gross Revenue Fund to the State Lottery Fund. Cash is typically held in the Gross Revenue Fund for Ohio's share of the multi-state jackpot liability and for prizes paid other than via a state warrant.

Cash and Cash Equivalent – Video Lottery increased by \$26.8 million due to the timing of the transfers. In fiscal year 2020 the final transfer to the Treasurer of State was made before the end of the fiscal year, compared to the final transfer made after the end of fiscal year 2021.

Net Receivables from Agents decreased by \$17.7 million, which is comprised of amounts due from lottery retailers from the sale of traditional lottery tickets, VLT revenue due from the VLT operators and unrecorded scratch off ticket sales. On a weekly basis, amounts due from retailers are collected electronically from the retailer's bank accounts for the invoices due from the prior week sales. On June 30, 2021, four days of net sales activity was waiting to be collected compared to ten days on June 30, 2020. Other Assets decreased by \$2.3 million over last fiscal year.

## **CURRENT ASSETS - RESTRICTED**

The Lottery's Current Assets – Restricted decreased from \$141.6 million in fiscal year 2020 to \$126.2 million in 2021, or \$15.4 million. Current Assets – Restricted represent investments dedicated to the current years payment of an annuity prize, Obligations under Securities Lending program per GASB 28 requirements, and Interest Receivable. Dedicated Investments decreased \$2.1 million, which is a direct function of the number of winners choosing the annuity option in prior years, and the expiration of annual payments from prior year winners. This is a normal occurrence due to less offerings that have the annuity prize. This category also decreased due to a decrease in the Securities Lending program.

## **NONCURRENT ASSETS – RESTRICTED**

Noncurrent Assets – Restricted, which is comprised of investments dedicated for the payment of the Lottery's long-term annuity prizes, decreased from \$366.8 million in fiscal year 2020 to \$322.6 million in fiscal year 2021, or \$44.2 million. This decrease is primarily the result of more grand prize winners selecting the cash option as opposed to the annuity option over time.

## **CURRENT LIABILITIES - UNRESTRICTED**

Current Liabilities - Unrestricted increased by \$25.4 million, primarily due to the accounting for GASB 28 and the Securities Lending Program. The amount reported as obligations under security lending increased from \$8.6 million in 2020 to \$24.8 million in 2021, or \$16.2 million. In addition, Capital Leases Payable: Current increased \$2.2 million and Due to Other Lotteries increased \$4.0 million.

## **CURRENT LIABILITIES - RESTRICTED**

Current Liabilities – Restricted decreased \$14.9 million. This is attributed to obligations under securities lending decreased \$13.3 million as the value and size of the investment portfolio has decreased over time.

## **NONCURRENT LIABILITIES**

Noncurrent Liabilities decreased \$40.4 million. This decrease is primarily attributed to the prize awards payable from restricted assets which decreased by \$20.3 million. The primary reason for this decrease is the ratio of winners that select the one-time cash option as opposed to receiving annual installments. There was also a decrease of \$8.1 million from an adjustment to Net Pension Liability (GASB 68). An adjustment to other post-employment benefit liabilities (OPEB) led to a decrease of \$22.4 million (GASB 75).

The overall effect on liabilities is a decrease of \$29.8 million attributed to the combination of increases and decreases of the various accounts discussed above.

## **NET POSITION**

According to enabling Ohio Statute, the Lottery can retain working capital for its further operations, and as a result, Net Position increased by \$50.6

million, or 20.5 percent in fiscal year 2021 compared to fiscal year 2020. In addition, the increase is primarily attributed to the increase in fair value of investments that the Lottery holds to fund future payments due on annuitized Lottery prizes. Accounting principles dictate that the Lottery record the gain or loss related to the change in market value of investments. Since the full maturity value of the investments is needed to pay the annuity prize, the Lottery does not expect to realize any permanent gain on these investments.

The table below shows the change in the Ohio Lottery's net position for fiscal year 2021 compared to fiscal year 2020, including revenue and expense comparisons.

**CHANGES IN NET POSITION**  
(ROUNDED IN THOUSANDS)

	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
Ticket Sales	\$ 4,330,234	\$ 3,471,537
VLT and License Revenues	1,186,290	821,140
Other Operating Revenues	(1,037)	1,543
Non-Operating Revenues	-	43,568
<b>Total Revenues</b>	<b>5,515,487</b>	<b>4,337,788</b>
Prize Awards	2,841,590	2,259,251
Bonuses and Commissions	296,283	233,584
Commissions - VLT	788,826	545,914
Cost of Tickets Sold	32,672	32,636
Vendor Fees	41,423	28,729
Operating Expenses	79,391	96,200
Non-Operating Expenses	25,694	15,102
Payments to the Lottery Profits Education Fund	1,359,010	1,127,128
<b>Total Expenses</b>	<b>5,464,889</b>	<b>4,338,544</b>
Change in Net Position	50,598	(756)
Total Net Position - Beginning	246,599	247,355
Total Net Position - Ending	<u>\$ 297,197</u>	<u>\$ 246,599</u>

**TICKET SALES BY GAME AND VLT REVENUE: FISCAL YEARS 2021 AND 2020**  
(ROUNDED IN THOUSANDS)

Game	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
Pick 3	\$ 485,861	\$ 400,568
Pick 4	283,993	240,542
Pick 5	66,110	51,234
Rolling Cash 5	57,049	51,732
Classic Lotto/Kicker	28,044	28,835
Lucky For Life	22,248	19,534
Mega Millions/Megaplier	152,729	101,953
Powerball/Power Play	120,051	85,148
Keno/Booster	577,361	439,421
The Lucky One	28,716	20,090
EZPLAY	112,162	88,387
EZPLAY TAP	44,791	38,896
EZPLAY TOUCH & WIN	35,185	31,388
<b>Total Online Sales</b>	<b>2,014,300</b>	<b>1,597,728</b>
Instant	2,315,934	1,873,809
<b>Total Sales</b>	<b>4,330,234</b>	<b>3,471,537</b>
VLT Revenue	1,186,204	820,923
VLT License Revenue	86	217
<b>Total VLT Revenue</b>	<b>1,186,290</b>	<b>821,140</b>
<b>Total Ticket Sales and VLT Revenue</b>	<b>\$ 5,516,524</b>	<b>\$ 4,292,677</b>

## OPERATING ANALYSIS

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Sales from traditional lottery games in fiscal year 2021 were \$4,330.2 million. This represents an increase of \$858.7 million or 24.7 percent compared to sales from fiscal year 2020. The following section summarizes traditional lottery sales in fiscal year 2021 by game category.

### DAILY NUMBERS GAMES

Sales for the daily Numbers games, which consist of Pick 3, Pick 4, and Pick 5, totaled \$836.0 million in fiscal year 2021. This was \$143.6 million, or 20.7 percent higher than sales posted in fiscal year 2020. Sales for both Pick 3 and Pick 4 increased \$85.3 million and \$43.5 million, respectively, while Pick 5 finished the year up by \$14.9 million. The increase in sales for both Pick 3 & Pick 4 can be attributed to an increase in prizes won, as players may have reinvested those winnings back into the game. Additionally, growth accelerated to double digits during the pandemic as players had more discretionary income to spend due to less entertainment options available.

### IN-STATE LOTTO GAMES

Sales for in-state Lotto style games, which consist of Rolling Cash 5, Classic Lotto and KICKER, totaled \$85.1 million for fiscal year 2021. This is \$4.5 million, or 5.6 percent more than sales posted in fiscal year 2020. Fiscal year 2021 sales for Rolling Cash were \$5.3 million more than sales posted in fiscal year 2020. Classic Lotto was down \$925,000. This decrease can be attributed to lower than average jackpots throughout FY 2021. Sales for KICKER, an add-on game of Classic Lotto, were \$134,000 more than sales posted in fiscal year 2020.

### MULTI-STATE JACKPOT GAMES

Sales for Multi-state jackpot games, which consist of Mega Millions, Megaplier, Powerball, Power Play, and Lucky for Life, totaled \$295.0 million for fiscal year 2021. This is \$88.4 million, or 42.8 percent more than sales posted in fiscal year 2020.

Sales for Mega Millions in fiscal year 2021 were \$44.8 million more than sales posted the prior year, while Megaplier, the Mega Millions add-on game, increased by \$6.0 million. This increase can be directly correlated to higher jackpots offered during the year. In fiscal year 2021, the jackpot for Mega Millions hit a significant milestone reaching \$1.05 billion. It was the highest jackpot since a \$1.5 billion jackpot won in Fiscal Year 2019.

Powerball sales in fiscal year 2021 were \$30.7 million more than sales generated the prior year, while Power Play, the Powerball add-on game, increased by \$4.2 million. Jackpots were higher during the year, with a high of \$731.1 million. It was the highest jackpot since the \$768 million jackpot won in Fiscal Year 2019. Therefore, higher jackpots contributed to an industry-wide sales increase.

Sales for Lucky for Life, a multi-state game offering life prizes, increased by \$2.7 million.

### KENO AND THE LUCKY ONE (MONITOR GAMES)

Sales for Monitor games totaled \$606.1 million for the 2021 fiscal year. This is \$146.6 million, or 31.9 percent more than sales posted in fiscal year 2020. Sales for KENO in fiscal year 2021 were \$91.5 million more than sales posted in fiscal year 2020, while Booster increased \$46.4 million. The Lucky One contributed \$28.7 million to the category total. Sales for Booster in fiscal year 2021 were 28.3 percent of KENO sales. Sales for KENO/Booster increased due to the re-opening of most businesses and restrictions lifted on bars/restaurants. Typically, over 75 percent of sales for monitor games occur at these trade channels.

### EZPLAY

Sales for EZPLAY games, which include, EZPLAY, EZPLAY TAP, and EZPLAY TOUCH & WIN, totaled \$192.1 million for the 2021 fiscal year. This is \$33.5 million, or 21.1 percent more than sales posted in fiscal year 2020. Fiscal year 2021 sales for EZPLAY were \$23.8 million more than sales recorded in fiscal year 2020. Fiscal year 2021 sales for EZPLAY TAP were \$5.9 million more than sales posted in fiscal year 2020. Sales increases for EZPLAY were mitigated by Touch & Win and other interactive touch-screen style games. Increased sales are the result of COVID-19 relaxed restrictions and more retail outlets available. EZPLAY TOUCH & WIN games are only played on Multi-Play Touch & Win terminals and available at select Ohio Lottery licensed retailers, mostly the bar/restaurant trade channel which was impacted by the pandemic. This product line was launched in June of fiscal year 2016 and generated \$35.2 million in sales in the EZPLAY category.

### SCRATCH-OFF TICKETS

Sales for Scratch-off ticket games totaled a record-setting \$2.3 billion, which is \$442.1 million, or 23.6 percent more than sales posted in fiscal year 2020. All price points realized an increase in sales over the previous fiscal year. The best-selling games at each price point were \$1 Holiday Cash; \$2 Power Play Cashword; \$5- Special Edition Cashword; \$20, \$1,000,000 Cashword; and a \$30 game, Cash Celebration. Higher price point scratch-off games between \$10-\$30 all had double digit growth in the category. This was led by the \$10 price point games which achieved higher sales levels than last fiscal year. The \$10 game, “\$50, \$100 or \$500,” with only three prize levels in the game with a top prize set at \$500, was the best-selling scratch off ticket in fiscal year 2021. This is one of the \$10 games that propelled the achievement of record-breaking sales, and double-digit growth in this category as well as the product line. The \$2 Pac-Man game contributed to higher sales and was the highest selling \$2 game.

As was the case industry-wide, sales for scratch-off game products were in high demand during the fiscal year, when entertainment options were limited for consumers due to the pandemic. Additional measures taken were enhanced collaboration with our vendor partners, new and improved algorithms & predictive modeling to ensure inventory levels are accurate, and the introduction of data analytics. In addition, a retailer incentive program that incentivizes retailers to grow sales by earning additional commissions based on certain sales increases, also helped spur growth. The Lottery also benefits from the expansion of self-service terminals.

### OPERATING RELATED EXPENSES AND PAYMENTS TO EDUCATION • FISCAL YEARS 2021 AND 2020 (ROUNDED IN THOUSANDS)

	JUNE 30, 2021	JUNE 30, 2020
Prize Awards	\$ 2,841,590	\$ 2,259,251
Bonuses/Commissions - Traditional Retailers	296,283	233,584
Commissions - VLT	788,826	545,914
Cost of Tickets Sold	32,672	32,636
Vendor Fees	41,423	28,729
Operating Expense	79,391	96,200
Payments to Education	1,359,010	1,127,128
Total	\$ 5,439,195	\$ 4,323,442

#### PRIZE AWARDS

Prize expense for fiscal year 2021, which totaled \$2,841.6 million, was \$582.3 million, or 25.8 percent higher than fiscal year 2020. Prize expense has a direct correlation to sales. Therefore, since sales volume increased, the amount of prizes awarded also increased. Additionally, the combination of several large payouts from the daily numbers games, combined with growth in higher price point scratch-off tickets and sales, led to larger prizes awarded during the fiscal year. Finally, prizes for Pick 3, Pick 4, and several others were higher than the games designed payout matrix, which is a function of the “luck of the draw.”

#### BONUSES/COMMISSIONS

Bonuses/Commissions increased due to higher sales volume and the less restrictive criteria for retailers to remain eligible for the quarterly bonus incentive. During the pandemic, the Lottery decided to eliminate some of the criteria to remain eligible, such as the activation mandate of certain scratch-off tickets.

This program provides an increase in commissions for retailers when they meet certain sales goals and other mandatory requirements and optional qualifying criteria. Additional bonuses earned by retailers from this incentive program amounted to \$24.8 million for the year, which consisted of four quarterly payments. Commissions earned in Q4 of fiscal year 2021 was paid in Q1 of fiscal year 2022. Commissions- VLT increased \$242.9 million due to the re-opening of racinos during the COVID-19 pandemic with new protocols in place; which resulted in an increase of VLT sales for fiscal year 2021.

#### COST OF TICKETS SOLD

Expenses in this category include costs associated with the printing of scratch-off tickets as well as other paper stock necessary to sell draw-based games via the point of sale terminal at retail. Costs in this category generally increase with sales volume, and sales increased in fiscal year 2021 compared to fiscal year 2020.

#### GAMING RELATED VENDOR FEES

This includes payments made to vendors that provide gaming-related services such as the gaming system and the warehousing and distribution of instant “scratch-off” tickets. The gaming system comprises of services such as the software, hardware, communication, technical support, set-up and delivery of terminals, and the general maintenance of the Lottery’s online gaming system. This also includes payments made for the purpose of purchasing gaming equipment such as the self-service terminals at retail. Costs associated with gaming-related vendor fees increased due to more retailers open during the COVID-19 pandemic, and increased sales volume during fiscal year 2021.

#### OPERATING EXPENSE

Total Operating Expenses, which for purposes of this Management Discussion & Analysis, consists of personal services (including salaries and benefits), maintenance & equipment, advertising, travel, utilities, rent, depreciation, and other expenses. Costs associated with travel, utilities and maintenance decreased due to COVID-19 pandemic and teleworking. At the beginning of the year, due to the pandemic, state agencies were required to reduce certain related operating costs to comply with budget directives by the Office of Budget and Management. Total operating expenses decreased \$16.8 million and for fiscal year 2021 represented 1.8 percent of total traditional lottery sales.

#### PAYMENTS TO EDUCATION

Payments to education totaled \$1.359 billion, representing an increase of \$231.9 million over last fiscal year. This was attributed to an increase in VLT revenue along with increased profits from traditional lottery products due to a combination of increased draw-based game sales and scratch-off sales. Profits derived from VLT operations were up \$135.9 million from fiscal year 2020.

## VIDEO LOTTERY TERMINAL (VLT) GROSS REVENUE

VLT Gross Gaming Revenue, or Net Win, represents revenue generated from VLT machines net of total payouts and other adjustments. Gross Revenue for fiscal year 2021 totaled \$1,186.2 million, an increase of \$365.3 million or 44.5 percent over fiscal year 2020. This increase is due to the re-opening of Ohio racinos after being closed for several months due to the COVID-19 pandemic and the lifting of the State's stay-at-home orders. The following table shows VLT statistics for fiscal years 2021 and 2020.

### VIDEO LOTTERY TERMINAL - NET WIN (ROUNDED IN THOUSANDS)

RACINO	DATE OPENED	2021 NET WIN	2020 NET WIN
Scioto Downs	June 1, 2012	\$ 208,727	\$ 139,770
Jack Thistle Down	April 9, 2013	179,488	108,778
MGM Northfield Park	December 09, 2013	243,181	189,875
Miami Valley	December 06, 2013	185,173	134,864
Belterra Park	May 1, 2014	86,420	63,159
Hollywood Gaming Mahoning Valley	September 11, 2014	141,082	95,584
Hollywood Gaming Dayton Raceway	August 22, 2014	142,133	88,893
		<u>\$ 1,186,204</u>	<u>\$ 820,923</u>

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The table below summarizes the Ohio Lottery's capital assets at the end of fiscal years 2021 and 2020.

### CAPITAL ASSETS (NET OF DEPRECIATION) (ROUNDED IN THOUSANDS)

	JUNE 30, 2021	JUNE 30, 2020
Equipment	\$ 21,516	\$ 14,881
Vehicles	1,373	1,413
Total Net Capital Assets	<u>\$ 22,889</u>	<u>\$ 16,294</u>

As of June 30, 2021, the Ohio Lottery had \$22.9 million, net of accumulated depreciation, in Capital Assets. The increase in Net Capital Assets is a result of additional gaming equipment acquired in 2021. In July 2009, the Ohio Lottery entered into a contractual agreement with Intralot for gaming services, including leased equipment. The original contract was for two years, with five optional two-year renewals. An additional three optional two-year renewals were added in 2017. The lease meets the requirements of a capital lease and, as a result, the equipment was recorded at present value and is being depreciated over its useful life of five years.

### DEBT

The significant components of the Ohio Lottery's debt are annuity prize awards payable, which is payable from restricted assets. Prize Awards Payable from Restricted Assets – Net of Discount (non-current portion only) decreased \$20.3 million as prior long-term annuities are paid off at a faster rate than new annuities are selected by prize winners.

For more detailed information on long-term debt and capital asset activity, refer to the notes in the financial statements #6 and #3 respectively.

## CONTACTING THE OHIO LOTTERY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the legislative and executive branches of government, the Ohio Lottery Commissioners, the public and other interested parties with a general overview of the Ohio Lottery's finances and to demonstrate the Lottery's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Ohio Lottery's Finance Director at the Ohio Lottery Commission, 615 W. Superior Avenue, Cleveland, Ohio 44113-1879. You may also access more information about the Ohio Lottery by visiting the Ohio Lottery's website at [www.ohiolottery.com](http://www.ohiolottery.com).



# OHIO LOTTERY COMMISSION

## STATEMENT OF NET POSITION - MAJOR FUNDS JUNE 30, 2021 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2021	JUNE 30, 2020
<b>ASSETS:</b>				
<b>Current Assets - Unrestricted</b>				
Cash and Cash Equivalents	\$ 170,067	\$ -	\$ 170,067	\$ 160,447
Cash Equity with Treasurer of State	111,164	-	111,164	59,892
Cash and Cash Equivalents - Video Lottery	26,896	-	26,896	63
Collateral on Lent Securities	24,797	-	24,797	8,609
Receivables from Agents, Net	54,070	-	54,070	71,733
Other Assets	2,952	-	2,952	5,289
<b>Total Current Assets - Unrestricted</b>	<b>389,946</b>	<b>-</b>	<b>389,946</b>	<b>306,033</b>
<b>Current Assets - Restricted</b>				
Cash Equity with Treasurer of State	-	44	44	14
Dedicated Investments	-	41,931	41,931	44,072
Collateral on Lent Securities	-	84,269	84,269	97,528
<b>Total Current Assets - Restricted</b>	<b>-</b>	<b>126,244</b>	<b>126,244</b>	<b>141,614</b>
<b>Total Current Assets</b>	<b>389,946</b>	<b>126,244</b>	<b>516,190</b>	<b>447,647</b>
<b>Noncurrent Assets</b>				
Dedicated Investments, Restricted	-	322,573	322,573	366,818
Capital Assets				
Equipment	183,238	-	183,238	168,815
Vehicles	3,623	-	3,623	3,700
Accumulated Depreciation	(163,972)	-	(163,972)	(156,221)
Net Capital Assets	22,889	-	22,889	16,294
Net Pension Asset	526	-	526	355
Net OPEB Asset	2,905	-	2,905	0
<b>Total Noncurrent Assets</b>	<b>26,320</b>	<b>322,573</b>	<b>348,893</b>	<b>383,467</b>
<b>TOTAL ASSETS</b>	<b>416,266</b>	<b>448,817</b>	<b>865,083</b>	<b>831,114</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension: OPERS	1,628	-	1,628	3,361
OPEB: OPERS	1,497	-	1,497	3,664
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,125</b>	<b>\$ -</b>	<b>\$ 3,125</b>	<b>\$ 7,025</b>



# OHIO LOTTERY COMMISSION

## STATEMENT OF NET POSITION - MAJOR FUNDS, CONTINUED JUNE 30, 2021 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2020) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2021	JUNE 30, 2020
<b>LIABILITIES</b>				
<b>Current Liabilities - Unrestricted</b>				
Accounts Payable	\$ 25,869	\$ -	\$ 25,869	\$ 13,132
Prize Awards Payable	29,664	-	29,664	39,521
Obligations under Securities Lending	24,797	-	24,797	8,609
Capital Lease Payable - Current	3,479	-	3,479	1,247
Unearned Revenue	1,357	-	1,357	1,558
Other Liabilities	3,525	-	3,525	3,187
Due to Other Lotteries	5,914	-	5,914	1,953
<b>Total Current Liabilities - Unrestricted</b>	<b>94,605</b>	<b>-</b>	<b>94,605</b>	<b>69,207</b>
<b>Current Liabilities - Restricted</b>				
Due to other State Agencies	-	-	-	-
Due for Problem Gambling VLT Expenses	1,275	-	1,275	788
Obligations under Securities Lending	-	84,269	84,269	97,528
Prize Awards Payable - Net of Discount	-	41,975	41,975	44,085
<b>Total Current Liabilities - Restricted</b>	<b>1,275</b>	<b>126,244</b>	<b>127,519</b>	<b>142,401</b>
<b>Total Current Liabilities</b>	<b>95,880</b>	<b>126,244</b>	<b>222,124</b>	<b>211,608</b>
<b>Noncurrent Liabilities:</b>				
Prize Awards Payable from Restricted Assets - Net of Discount	-	288,308	288,308	308,642
Capital Lease Payable - Long-Term	11,438	-	11,438	1,664
Workers' Compensation	758	-	758	849
Compensated Absences	4,697	-	4,697	3,818
Net Pension Liability	24,150	-	24,150	32,291
Net OPEB Liability	-	-	-	22,441
<b>Total Noncurrent Liabilities</b>	<b>41,043</b>	<b>288,308</b>	<b>329,351</b>	<b>369,705</b>
<b>TOTAL LIABILITIES</b>	<b>136,923</b>	<b>414,552</b>	<b>551,475</b>	<b>581,313</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension: OPERS	10,659	-	10,659	7,004
OPEB: OPERS	8,877	-	8,877	3,223
Total Deferred Inflows of Resources	19,536	-	19,536	10,227
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,973	-	7,973	13,383
Restricted for Net Unrealized Gains on Restricted Investments	-	91,013	91,013	99,467
Unrestricted	254,959	(56,748)	198,211	133,749
<b>TOTAL NET POSITION</b>	<b>\$ 262,932</b>	<b>\$ 34,265</b>	<b>\$ 297,197</b>	<b>\$ 246,599</b>

The Accompanying Notes to the Basic Financial Statements are an Integral Part of the Statement.

# OHIO LOTTERY COMMISSION

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2021	JUNE 30, 2020
<b>REVENUES</b>				
Ticket Sales	\$ 4,330,234	\$ -	\$ 4,330,234	\$ 3,471,537
VLT Revenue, Net	1,186,204	-	1,186,204	820,923
VLT License Revenue	86	-	86	217
Other Revenues	(4,403)	3,366	(1,037)	1,543
<b>Total Operating Revenues</b>	<u>5,512,121</u>	<u>3,366</u>	<u>5,515,487</u>	<u>4,294,220</u>
<b>EXPENSES</b>				
<b>Direct Game Costs</b>				
Prize Awards	2,823,914	17,676	2,841,590	2,259,251
Bonuses and Commissions	296,283	-	296,283	233,584
VLT Commissions	788,826	-	788,826	545,914
Cost of Tickets Sold	32,672	-	32,672	32,636
Vendor Fees	41,423	-	41,423	28,729
<b>Total Direct Game Costs</b>	<u>3,983,118</u>	<u>17,676</u>	<u>4,000,794</u>	<u>3,100,114</u>
<b>Operating Expenses</b>				
Personal Services	4,731	-	4,731	3,673
Repairs and Maintenance	11,551	-	11,551	11,755
Salaries Wages and Benefits	38,203	-	38,203	36,890
Advertising	29,552	-	29,552	25,178
Travel	-	-	-	163
Utilities and Rent	966	-	966	966
Depreciation	8,302	-	8,302	8,460
Other Expenses	(13,914)	-	(13,914)	9,115
<b>Total Operating Expenses</b>	<u>79,391</u>	<u>-</u>	<u>79,391</u>	<u>96,200</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,449,612</u>	<u>(14,310)</u>	<u>1,435,302</u>	<u>1,097,906</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	1,009	(13,692)	(12,683)	43,568
Amortization of Prize Liabilities	-	(12,819)	(12,819)	(13,877)
Gain (Loss) on Equipment Disposal	(96)	-	(96)	(187)
Interest Expense - Borrower Rebates	-	(46)	(46)	(996)
Securities Lending Agent Fees	-	(50)	(50)	(42)
Payments to the Lottery Profits Education Fund	(1,359,010)	-	(1,359,010)	(1,127,128)
<b>Total Non-Operating Revenues (Expenses), Net</b>	<u>(1,358,097)</u>	<u>(26,607)</u>	<u>(1,384,704)</u>	<u>(1,098,662)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>91,515</u>	<u>(40,917)</u>	<u>50,598</u>	<u>(756)</u>
<b>TRANSFERS:</b>				
Transfers to Annuity Prize Trust Fund	(17,005)	17,005	-	-
<b>Total Transfers</b>	<u>(17,005)</u>	<u>17,005</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>74,510</u>	<u>(23,912)</u>	<u>50,598</u>	<u>(756)</u>
<b>Total Net Position - Beginning</b>	<u>188,422</u>	<u>58,177</u>	<u>246,599</u>	<u>247,355</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 262,932</u>	<u>\$ 34,265</u>	<u>\$ 297,197</u>	<u>\$ 246,599</u>

The Accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement.

# OHIO LOTTERY COMMISSION

## STATEMENT OF CASH FLOWS - MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2021	JUNE 30, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Sales	\$ 5,533,901	\$ -	\$ 5,533,901	\$ 4,285,248
Cash Received from Multi-State Lottery for Grand Prize Winners	390	-	390	255,582
Cash Payments for Prize Awards	(2,831,380)	(52,939)	(2,884,319)	(2,547,631)
Cash Payments for Bonuses and Commissions	(1,085,109)	-	(1,085,109)	(779,498)
Cash Payments for Goods and Services	(103,895)	-	(103,895)	(100,942)
Cash Payments to Employees	(37,335)	-	(37,335)	(37,012)
Other Operating Revenues	(4,317)	3,366	(951)	1,760
Other Operating Expenses	(6,536)	-	(6,536)	(4,462)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>1,465,719</u>	<u>(49,573)</u>	<u>1,416,146</u>	<u>1,073,045</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payments to the Lottery Profits Education Fund	(1,359,010)	-	(1,359,010)	(1,127,128)
Transfers In	-	17,005	17,005	19,212
Transfers Out	(17,005)	-	(17,005)	(19,212)
<b>Net Cash Provided (Used) by NonCapital Financing Activities</b>	<u>(1,376,015)</u>	<u>17,005</u>	<u>(1,359,010)</u>	<u>(1,127,128)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Property and Equipment	(1,043)	-	(1,043)	(3,021)
Repayment of Equipment Obligation	(1,945)	-	(1,945)	(1,742)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(2,988)</u>	<u>-</u>	<u>(2,988)</u>	<u>(4,763)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment Income Received	1,009	(2,796)	(1,787)	4,962
Interest Expense and Agent Fees	-	(96)	(96)	(1,038)
Proceeds from the Sale and Maturity of Investments	-	75,443	75,443	83,505
Purchase of Investments	-	(39,953)	(39,953)	(45,362)
Securities Lending Proceeds	24,797	84,267	109,064	161,613
Securities Lending Payments	(24,797)	(84,267)	(109,064)	(161,613)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>1,009</u>	<u>32,598</u>	<u>33,607</u>	<u>42,067</u>
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<u>87,725</u>	<u>30</u>	<u>87,755</u>	<u>(16,779)</u>
<b>Cash and Cash Equivalents - Beginning</b>	<u>220,402</u>	<u>14</u>	<u>220,416</u>	<u>237,195</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 308,127</u>	<u>\$ 44</u>	<u>\$ 308,171</u>	<u>\$ 220,416</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1,449,612	\$ (14,310)	\$ 1,435,302	\$ 1,097,906
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	8,302	-	8,302	8,460
Amortization of Discount of Prize Liabilities	-	12,819	12,819	13,877
Net Changes in Assets and Liabilities				
Receivables from Agents - Net	17,663	-	17,663	(7,417)
Other Assets	2,338	-	2,338	(1,113)
Prize Awards Payable	(9,857)	-	(9,857)	7,691
Accounts Payable	12,737	-	12,737	1,226
Other Liabilities	4,785	-	4,785	(540)
Unearned Revenue	(200)	-	(200)	206
Prize Awards Payable from Restricted Assets - Net of Discount	-	(48,082)	(48,082)	(52,269)
Accrued Workers' Compensation	(91)	-	(91)	(99)
Compensated Absences	879	-	879	464
Pension Expense	(2,924)	-	(2,924)	2,069
OPEB Expense	(17,525)	-	(17,525)	2,584
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 1,465,719</u>	<u>\$ (49,573)</u>	<u>\$ 1,416,146</u>	<u>\$ 1,073,045</u>

### DESCRIPTION OF NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Non-Cash items included in investment income were \$-8.5 million and \$42.3 million of unrestricted net gains/losses for the years ended June 30, 2021 and June 30, 2020, respectively. During fiscal year 2021 the Ohio Lottery acquired \$13.9 million in new gaming equipment by entering into a capital lease arrangement.

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

# NOTES TO THE BASIC FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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#### REPORTING ENTITY

The Ohio Lottery Commission (the Ohio Lottery) began selling tickets in August 1974, under Section 3770 of the Ohio Revised Code (ORC). The Ohio Lottery has a nine-member board of commissioners appointed by the Governor with the advice and consent of the Senate. It is classified as an enterprise fund of the State of Ohio (the State) and is presented as such in the State's financial statements.

The Ohio Lottery is required by law to transfer all of its net profits from the sale of lottery tickets to the Lottery Profits Education Fund (LPEF) of the State. The amounts transferred are determined and certified by the Director of the Ohio Lottery and are to be used to help support primary, secondary, vocational, and special education within the State.

In fiscal year 2010 a cross-sale agreement was reached authorizing the Ohio Lottery to sell both Mega Millions and Powerball games. The net proceeds from the sale of Mega Millions and Powerball in Ohio that remain after associated operating expenses, prize disbursements, retailer bonuses and commissions, reimbursements, and any other expenses necessary to comply with the agreements among the member jurisdictions are required to be transferred to the LPEF of the State.

Video Lottery was introduced in the State of Ohio in 2012 when Governor Kasich signed Executive Order 2011-22K, which authorized the Lottery to amend and adopt rules necessary to implement a video lottery program at Ohio's seven (7) horse racing facilities. On June 1, 2012, Scioto Downs in Columbus began video gaming with 1,787 video lottery terminals, since then six additional VLT facilities opened. The Ohio Lottery is responsible for regulating the licensing of video lottery sales agents (VLSA), key gaming employees, VLT manufacturers, collection and disbursement of VLT revenue, as well as compliance. The Ohio Lottery receives the proceeds from the video lottery terminal income less a commission paid to the VLSA.

#### BASIS OF ACCOUNTING

The Ohio Lottery operates under a series of enterprise funds, each using a full accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. The two Ohio Lottery funds are the Lottery Operating Fund, and the Annuity Prize Fund.

Ohio Lottery operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of the Ohio Lottery are included in the statement of net position. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The Ohio Lottery distinguishes operating revenues and expenses from non-operating items within the operating statements. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with selling Ohio Lottery tickets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### LOTTERY OPERATING FUND

Revenues for this fund are provided primarily from the sale of lottery tickets. Starting in June 2012, revenues from VLTs are also included in this fund. Receivables from ticket sales are collected weekly, with net proceeds equal to an individual retailer's gross sales less cash prizes paid and commissions earned. The balance from the Lottery Operating Fund is reduced mainly by the following types of transactions: (1) operating expenses and all non-deferred prize payments; (2) cash transfers to the Annuity Prize Trust Fund; (3) transfers to the LPEF of the State; and (4) transfers to other State agencies to support centralized services.

#### ANNUITY PRIZE FUND

Revenues for the Annuity Prize Fund are provided through cash transfers from the Lottery Operating Fund for the purpose of supplying investment principal for funding long-term prize obligations of the Ohio Lottery, and the investment income related to those cash transfers. Expenses of the Annuity Prize Fund primarily represent payments for annuity prizes.

#### CASH AND CASH EQUIVALENTS

Cash equivalents include highly liquid investments with a maturity of 90 days or less from the date of purchase. The Ohio Lottery also considers Cash Equity with Treasurer of State (TOS) to be a cash equivalent. Cash flows related to the payment of prize awards are accounted for as an operating activity.

#### INVESTMENTS

The Ohio Lottery's investments are stated at fair value (based on quoted market prices) in the accompanying comparative statement of net position, and the change in the fair value of the investments is recorded as investment income along with the interest earned on the investments.

The Ohio Lottery has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the TOS, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants", which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost.

## ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts at June 30, 2021 and 2020 of \$509,000 and \$613,000, respectively, is based on an analysis of historical collection experience for accounts receivable, which considers the age of the receivable and current economic conditions.

## RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets represent amounts restricted for the payment of annuity prize awards and payments to other Governmental Agencies. Upon the awarding of an annuity prize, amounts equal to the present value of future prize payments are deposited with the TOS. The Ohio Lottery is either credited with equity in the State of Ohio Common Cash and Investments Account equal to the amounts deposited, or specific State investments are identified and dedicated to the repayment of annuity prizes. Amounts necessary to fund annuity prizes awarded shortly before the end of the fiscal year that will be used to acquire additional equity in State of Ohio general investments in the succeeding year, if any, are recorded as amounts “due from unrestricted assets” in the accompanying statement of net position. In fiscal year 2006, the Ohio Lottery adopted a new method of providing investment capital for future annuity prize payments by purchasing individual securities to fund a specific prize obligation. The restricted net position of the Annuity Fund represents amounts that have been externally imposed by Ohio Lottery winners and are restricted to be used for future prize payments when winners select the annuity option.

## CAPITAL ASSETS

Capital assets are defined as assets with an initial, individual cost of more than \$1,000, or otherwise classified as sensitive items as described in the Department of Administrative Services’ (DAS) Property Inventory Guidelines and Procedures and are stated on the basis of historical cost. Accumulated depreciation is determined by depreciating the cost of the assets over their estimated useful lives on a straight line basis.

The estimated useful life for ticket issuing equipment is five years. The estimated useful life for all other equipment ranges from three to fifteen years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain (loss) is reflected in non-operating revenues (expenses) in the year of disposal.

## PRIZE AWARDS

Prize awards that are payable in installments over future years are recorded at their present values based upon interest rates provided to the Ohio Lottery by the TOS. The interest rates represent the expected long term rate of return on the assets restricted for the payment of annuity prize awards. Once established for a particular annuity prize award, the interest rate does not fluctuate with changes in the expected long term rate of return. The difference between the present value and gross amount of the obligations is amortized over the terms of the obligations using the interest method, and the amortization is recognized as a non-operating expense.

## UNEARNED REVENUE

Advanced wagers may be placed for all online games. Sales relating to future draws are recorded as unearned revenue when received. Sales revenue is recognized during the month in which the related drawings occur.

## COMPENSATED ABSENCES

Ohio Lottery employees earn vacation leave, sick leave and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 years of employment. Vacation credit may be accumulated to a maximum of three times the annual rate of accrual. At termination or upon other separation from the Ohio Lottery, employees are paid at their hourly rate for 100 percent of unused vacation leave and personal leave. Bargaining unit employees are also eligible to receive 100 percent of unused compensatory time.

Sick leave for all full time employees is accumulated at a rate of 3.1 hours every two weeks. Union employees who have a minimum of five years or exempt employees who have a minimum of one year of service shall convert to cash any sick leave accrued at the employee's regular rate of pay earned at time of separation within three years of separation at the rate of 55 percent for retirement separation and 50 percent for all other separations.

## DEFERRED COMPENSATION PLAN

Ohio Lottery employees are eligible to participate in the deferred compensation plan sponsored by the state of Ohio. The state-sponsored plan was created in accordance with IRC Section 457. The plan is available to all Ohio Lottery employees and permits them to defer a portion of their salary until future years. Deferred compensation assets are not available to employees until termination, retirement, death, or unforeseeable emergency.

## VIDEO LOTTERY OPERATIONS

The Ohio Lottery commenced Video Lottery Operations in June 2012 at Scioto Downs in Columbus. In April 2013, Thistledown Racino in Cleveland opened. In March 2016, new owners took over and the name changed to JACK Thistledown. In December 2013, Hard Rock Rocksino in Northfield and Miami Valley Gaming in Lebanon opened. In April 2019, new owners took over Hard Rock Rocksino. The property was re-branded as MGM Northfield Park. Later in May 2014, Belterra Park in Cincinnati opened. Hollywood Gaming Dayton opened in August 2014, and Hollywood Mahoning Valley Racecourse opened in September 2014. As of June 30, 2021 the Video Lottery Sales Agents (VLSA) had 10,488 VLTs in operation. A Video Lottery Terminal (VLT) is a stand-alone device containing a random-number generator. Each VLT is connected to a centralized computer system that allows the Lottery to monitor game play and revenue activity. The Central Monitoring System (CMS) keeps track of money deposited in a terminal, usage, wins and payouts, machine maintenance and cash removal. Each game theme is approved by Ohio Lottery Commissioners and independently tested and certified before being placed into operation.

The Ohio Lottery recognizes VLT revenue as “gross gaming revenue”. Gross gaming revenue represents gross wagers, net of related prizes. The minimum percentage payout in Ohio is 85 percent. Licensed operators receive 66.5 percent of gross terminal revenue to operate their facility, as commissions earned. Payments to the VLSA are recorded in VLT Commissions. For fiscal year ended June 30, 2021, VLT revenue was \$1,186.2 million with \$784.9 million paid to VLSA as VLT commission, \$397.4 million representing the Lottery’s share and 3.9 million was collected for Problem Gambling Services, as defined in the Ohio Revised Code.

## NON-OPERATING EXPENSE: PAYMENTS TO THE LOTTERY PROFITS EDUCATION FUND

Payments to the Lottery Profits Education Fund totaled \$1,359.0 million. Of this amount, \$958.6 million represented profits generated from traditional lottery games, while \$400.4 million represented profits generated from the VLT program. Due to a change in how the office of Budget & Management recognizes transfers, VLT Revenue earned in June was transferred and posted to the LPEF in July and will be accounted for in the next fiscal year.

## BONUSES AND COMMISSIONS

Retailers receive a commission of 5.5 percent based on their total sales. Cashing bonuses are paid on a weekly basis and equal 1.0 percent of all redeemed tickets. An additional 0.5 percent is awarded to retailers if their cash-to-sales ratio is 49.5 percent or greater. A \$5 claiming bonus is awarded to retailers for validating a winning ticket worth \$600 to \$5,000. In addition, various selling bonuses are in place for online games ranging from \$500 to \$100,000. A retailer is eligible for an instant ticket bonus when selling the top prize of the game with top prize of \$100,000 or more. The bonus is 1.0 percent of the prize, with a maximum of \$10,000. The Game Show selling bonus is 1.0 percent of the championship contestant’s total winnings (excluding bonus prize winnings).

In July 2017, the Lottery launched a tiered commission structure to incentivize retailers to increase sales volume in select categories, along with other mandatory qualifying criteria selected by management. Qualified, eligible retailers will receive 0.5 percent commission bonus for achieving a 3.5 percent increase in sales over the same quarter last year, and a 1.0 percent commission bonus for a 6.0 percent increase in sales over the same quarter last year.

A VLSA receives a commission of 66.5 percent of the net win, which is defined as net revenues remaining after payout of prizes to players. The VLT terminal income is calculated as follows: credit(s) played, less credits won, less promotional credits.

## FUND EQUITY CLASSIFICATIONS

Fund equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation.
- Restricted – for Net Unrealized Gains on Restricted Investments.
- Unrestricted – represents all other net position that are not classified as invested in capital assets or restricted.

## RISK MANAGEMENT

The Ohio Lottery is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Ohio Lottery generally retains the risk of loss; however, the Ohio Lottery is protected for purposes of sales collections by third-party surety bonds or deposits. Upon inception, retailers with an on site consumption D5 liquor license are required to have a deposit of \$500.00. All other retailers are required to carry a minimum bond of \$15,000. On a yearly basis, the retailers’ required coverage is based on an evaluation of their average annual sales. The minimum bond coverage is \$15,000 or one twenty-sixth of their annual sales. If an existing business is being purchased the bond coverage is \$15,000 or one twenty-sixth of their annual sales. The amount of loss arising from these risks was not significant for the years ended June 30, 2021 2020, and 2019. No significant payments were made or liabilities recorded during the years ended June 30, 2021 2020, and 2019 due to self-insured risks.

The Office of Risk Management implemented the Blanket Bond coverage program, under which all state employees, including elected and appointed officials (other than the Treasurer of State as an individual), are covered. This policy is paid annually and remains in effect until terminated. The premium is split between all participating state agencies and is charged based upon number of employees. It provides a limit of \$500,000 per occurrence, subject to a \$5,000 deductible for employee theft. This policy covers all employees of all the participating agencies, including each commissioner. The Ohio Lottery pays a premium to the State for workers’ compensation benefits.

The Ohio Lottery pays a premium assessed by DAS to cover motor vehicle liability related to bodily injury and property damage for a maximum of \$2.0 million per occurrence. The Ohio Lottery retains the risk for any liability exceeding this limit.

The state contracts with Medical Mutual of Ohio and Anthem to serve as the third-party administrators for the Ohio Med PPO, a fully self-insured health benefit plan. This plan allows all employees and any eligible dependents to have access to both network and non-network providers. Medical Mutual and Anthem each serve specific regions of Ohio based upon the home ZIP codes, which determines which administrator the employee will be assigned to. The Ohio Lottery and its participants are charged a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. Employees contributed \$53.34 for single, \$146.08 for family Minus Spouse and \$155.31 for Family Plus Spouse per pay period, while the Ohio Lottery contributed \$301.17 for single and \$826.69 for family coverage per pay period for each eligible employee. Premiums are accounted for in the State of Ohio’s Benefits Trust Fund. In the event that liabilities exceed premiums paid, assessed premiums would be increased in the succeeding year. The Ohio Lottery’s total contributions to the Health Plans for the last ten fiscal years were 5,332,000, \$5,516,000, \$5,102,000, \$4,796,000, \$4,280,000, \$3,746,000, \$3,577,000, \$3,198,000, \$2,682,000, and \$1,267,000.

## BUDGETARY ACCOUNTING AND CONTROL

The Ohio Lottery is required to submit, through the Governor, a biennial budget to the Ohio General Assembly (General Assembly). Biennially, the General Assembly approves the appropriations, which are provided in annual amounts.



The Ohio Lottery's official budget, as adopted by the Legislature, is based upon accounting for certain transactions on the basis of cash receipts and disbursements. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as expenditures when the purchase commitment is made, is employed for budgetary purposes. Unliquidated encumbrances are generally canceled four months after the end of the fiscal year. Unencumbered appropriations lapse at the end of the biennium for which they were appropriated. The major differences between the budget basis and the GAAP basis of accounting are:

- Prizes and commissions which are not vouchered are not budgeted.
- Revenues are recorded when received in cash (budget) as opposed to when earned (GAAP).
- Expenses (including annuity prizes) are recorded when paid in cash or encumbered (budget) as opposed to when the liability is incurred (GAAP).
- The budget basis excludes depreciation and amortization, as well as gains and losses on the disposition of equipment.

The Ohio Lottery maintains budgetary control by not permitting total expenditures to exceed appropriations without approval of the General Assembly, except for vouchered prize awards for which appropriation amendments may be approved by Ohio OBM and unvouchered prize expenses, which are not budgeted. Certain budget amendments were adopted during the year ended June 30, 2021.

## NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued new GASB's, to be implemented for the fiscal year ending June 30, 2021. The Government Accounting Standards Board (GASB) has issued GASB Statement No. 84, "Fiduciary Activities", GASB Statement No. 90 "Majority Equity Interests-amendment of GASB Statements No. 14 and No. 61", and GASB Statement No. 93 (excluding paragraphs 11b,13,14), "Replacement of Interbank Offered Rates". GASB 84, 90 and 93 have no impact to the Ohio Lottery.

## ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## SUMMARIZED COMPARATIVE DATA

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Ohio Lottery's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

## SECURITIES LENDING

In accordance with GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions" (GASB 28), the Ohio Lottery reports cash received as collateral on securities lending transactions and any investments made with that cash as assets in the accompanying comparative statement of net position. Liabilities to return the collateral to the borrower are also recognized. Securities received as collateral in connection with securities lending activities are not recorded as the assets and liabilities of the Ohio Lottery, because the Ohio Lottery does not have the ability to pledge or sell the securities without borrower default. The costs of securities lending transactions are reported as expenses in the accompanying comparative statements of revenues, expenses and changes in fund net position.

## PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/ deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

## 2. CASH DEPOSITS AND INVESTMENTS

The Ohio Lottery maintains cash on deposit at a commercial bank and with the TOS. The Ohio Lottery is authorized by State statutes to invest its moneys in certificates of deposit, money market accounts, the TOS investment pool STAR Ohio and obligations of the United States government or certain agencies thereof. The Ohio Lottery, through the TOS, may also enter into repurchase agreements with any eligible depository for periods not to exceed 30 days and is also permitted to engage in security lending transactions with qualified broker-dealers.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities of which the face value is at least 102 percent of the total value of public moneys on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States government, and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Ohio Lottery's name.

## DEPOSITS

As of June 30, 2021, the deposit accounts were not exposed to custodial credit risk; since the accounts were held in insured depositories approved by the State Board of Deposit and were fully collateralized. The financial institutions holding state deposits collateralize accounts for balances in excess of the amounts insured by FDIC as required by ORC Section 135.18. The carrying amount was \$189,629,000 and bank balances of the Ohio Lottery's deposits with the financial institutions were \$189,787,000.

## INVESTMENTS

Although risk exposures are minimized by complying with legal requirements and internal policies adopted by the TOS, the Ohio Lottery's investments are exposed to risks that may lead to a loss of value. The Ohio Lottery's investments at June 30, 2021 consist of the following:

INVESTMENT TYPE (ROUNDED THOUSANDS)	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENT MATURITIES (IN YEARS)				
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Credit Quality Rating	LESS THAN 1	1-5	6-10	>10
Commercial Paper	\$ -		\$ -		A/A-1	\$ -	\$ -	\$ -	\$ -
U.S. Agency Obligations	5,689	-	5,689	-	Unrated	-	5,689	-	-
U.S. Agency Obligation Strips	68,146	-	68,146	-	AA/Aa	19,762	41,739	6,645	-
U.S. Government Obligation - strips	284,079	-	284,079	-	AAA	23,885	93,802	96,050	70,342
Total Investments	357,914	-	357,914	-		43,647	141,230	102,695	70,342
<b>Investments not required to be categorized</b>									
Investments in State Treasury Asset Reserve of Ohio (STAR Ohio)	6,590				AAA/Aaa	6,590	-	-	-
Collateral on loaned securities - Lottery's ratable allocation of cash collateral received on securities loans made from the State of Ohio's Common Cash and Investments account	24,797					24,797	-	-	-
Total Lottery Commission - Structured Investments, as of June 30, 2021	\$ 389,301					\$ 75,034	\$ 141,230	\$ 102,695	\$ 70,342
Total Lottery Commission - Investments made with Cash Collateral	84,269								
Total - Statement of Net Position	\$ 473,570								

For Investments held by the Treasurer of State, 6.75 billion classified in Level 2 was valued using either matrix pricing, or, in the case of variable rate notes, were valued by discounting the current and future coupons using a yield calculation or scale based on the characteristics of the security. For matrix pricing, inputs such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications were used. Interactive Data pricing used by the Treasurer's office also monitors market indicators, and industry and economic events. The Ohio Lottery Commission's structured investments are included in the Treasurer of State's Level 2 investments noted above.

**CUSTODIAL CREDIT RISK:** A custodial credit risk for investments exists when a government is unable to recover the value of investments or collateral securities that are in possession of an outside party in the event of a failure of a counterparty to a transaction. Investments are exposed to custodial credit risks if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name. The Ohio Lottery is not subject to custodial credit risk because the investments listed above are insured or registered in the State's name, held by the TOS or a TOS agent in the State's name, or uninsured and unregistered with securities held by the counterparty's trust department or agent in the State's name.

**INTEREST RATE RISK:** An interest rate risk is the risk that an investment's fair value decreases as the market interest rate increases. Typically, this risk is higher in debt instruments with longer maturities. The State's investment policy states that the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. The Ohio Lottery's portfolio invests in securities with a stated maturity of no more than 30 years from the date of purchase. Notwithstanding these limitations, in no case will the assets be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds. The risks that the Ohio Lottery will realize material losses from its investments in government securities resulting from changes in market interest rates is mitigated by the low probability that these securities will be sold before maturity.

**CREDIT RISK:** Ohio Lottery does not have a separate policy relating to credit risk of investments. The Ohio Lottery follows the Treasurer of State, Statement of Investment Policy. This policy applies to the investment of all interim funds of the State Treasurer including the Ohio Lottery Annuity Prizes Trust Fund.

**CONCENTRATION OF CREDIT RISK:** The State's investment policy states that the portfolio should be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or a specific type of security. The portfolio will be further diversified to limit the exposure to any one issuer. No more than 2 percent of the total average portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Government Obligations .....	100% maximum
Repurchase Agreements .....	5%, or \$250 million, whichever is less
Mutual Funds .....	10% maximum

The equity in State of Ohio common cash and investments, collateral on loaned securities, money market mutual fund and an investment in STAR Ohio has not been categorized because these accounts represent investment pools. Equity in the pools is not evidenced by securities that exist in physical or book entry form. Information regarding the classification of the pools' investments and deposits by credit risk may be found in the State of Ohio Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. Investments held by broker-dealers under securities loans are also not categorized pursuant to the provisions of GASB 28.

As of June 30, 2021, the total carrying amount of deposits and investments categorized and disclosed in this note is \$781,741. This amount can be reconciled to the statement of net position as follows:

(ROUNDED THOUSANDS)	DEPOSITS	INVESTMENTS	TOTAL
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 170,067	\$ -	\$ 170,067
Cash Equity with Treasurer of State	111,164	-	111,164
Cash and Cash Equivalents - Video Lottery	26,896	-	26,896
Collateral on Lent Securities		24,797	24,797
Restricted Assets:			
Cash Equity with Treasurer of State	44	-	44
Dedicated Investments	-	364,504	364,504
Collateral on Lent Securities	-	84,269	84,269
Total - per Statement of Net Position	<u>\$ 308,171</u>	<u>\$ 473,570</u>	<u>\$ 781,741</u>

## SECURITIES LENDING TRANSACTIONS

The Ohio Lottery, through the TOS's Investment Department, participates in a securities lending program for securities included in the equity in State of Ohio common cash and investments and Dedicated State of Ohio investment accounts. The lending program, authorized under Sections 135.143 and 135.47 of the ORC, is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

Several investments reported as "Collateral on Lent Securities" have terms that make them highly sensitive to interest rate changes. U.S. Agency & Instrumentality Obligations and Master Notes have daily reset dates. Variable Rate Notes have daily, monthly and quarterly reset dates.

Credit risk is calculated as the aggregate of the TOS exposure to individual borrowers or on individual loans, depending on whether individual loans to the same borrower can be aggregated for purposes of offset in the event of default. A lender has exposure if the amount a borrower owes the lender exceeds the amount the lender owes the borrower.

The amount the borrower owes the lender includes the market value of the underlying securities (including accrued interest), unpaid income distributions on the underlying securities and accrued loan premiums or fees. The amount the lender owes the borrower includes the cash collateral received, the market value of collateral securities (including accrued interest), the face value of letters of credit, unpaid income distributions on collateral securities and accrued borrower rebates.

### JUNE 30, 2021 • OHIO LOTTERY SECURITIES LENDING (ROUNDED THOUSANDS)

BORROWER OWES TO LENDER		LENDER OWES TO BORROWER	
MV of Loaned Securities	\$ 82,431	Cash Collateral	\$ 84,248
Unpaid Distributions	-	Unpaid Distributions	-
Accrued Premiums	-	Accrued Rebates	2
Total	<u>\$ 82,431</u>	Total	<u>\$ 84,250</u>

Since the Lender owes the Borrowers \$1,819,000 more than the Borrowers owe the Lender, there is no credit risk to the Lender as of June 30, 2021.

The Ohio Lottery has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the lent securities are collateralized at no less than 102 percent of the market value.

For loaned contracts, the TOS executes on the Ohio Lottery's behalf not more than 15.0 percent of the State's cash and investment portfolio can be lent to a single broker-dealer.

During the fiscal year, the TOS lent U.S. Agency and Instrumentality Obligations (excluding Strips) and U.S. Agency and Instrumentality Obligation – Strips in exchange for collateral consisting of cash and/or U.S. government obligations. The Ohio Lottery cannot sell securities received as collateral unless the borrower defaults. At June 30, 2021 the collateral the Ohio Lottery had received for securities lent consisted entirely of cash, some of which had been temporarily invested by the Ohio Lottery in various securities. The Ohio Lottery invests cash collateral in short-term obligations, which have a weighted average maturity of 3.4 days and generally match the maturities of the securities loans at year-end. Loan contracts do not provide any loss indemnification by securities lending agents in cases of borrower default. However, during fiscal year 2021, the Ohio Lottery did not experience any losses due to credit or market risk on securities lending activities. The Ohio Lottery did not experience any losses on securities lending transactions resulting from the default of a borrower or lending agent, therefore, there were no recoveries during fiscal year 2021 due to prior-period losses.

## SECURITIES LENDING PROGRAM • INVESTMENTS MADE WITH CASH COLLATERAL

Investments at June 30, 2021 consist of the following:

INVESTMENT TYPE (ROUNDED IN THOUSANDS)	FAIR VALUE	CREDIT QUALITY RATING	INVESTMENT MATURITIES (IN YEARS)			
			LESS THAN 1	1-5	6-10	>10
Repurchase Agreements	\$ 67,439	A/A-1, BBB/Baa	\$ 67,439	\$ -	\$ -	\$ -
U.S. Government Obligation Strips	-		-	-	-	-
U.S. Agency Obligations-strips	-		-	-	-	-
U.S. Agency Obligations	-	AA/Aa	-	-	-	-
Corporate Bonds and Notes	1,000	A/A-1	1,000	-	-	-
Certificates of Deposits (Negotiable)	-		-	-	-	-
Commercial Paper	6,120	A/A-1	6,120	-	-	-
Other Investments:						
Master Note	-		-	-	-	-
Variable Rate Note	9,700	AA/Aa, A/A-1	9,700	-	-	-
Star Ohio	-	AAA/Aaa	-	-	-	-
Investments Not Required to be Categorized:						
Money Market Funds	-		-	-	-	-
Allocated Cash Collateral <sup>(1)</sup>	10		10	-	-	-
<b>Total - Investments made with Cash Collateral, as of June 30, 2021</b>	<b>\$ 84,269</b>		<b>\$ 84,269</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(1) The Ohio Lottery has been allocated \$10,000 cash collateral bases on the amount of cash equity from the State's common cash and investment account.

### 3. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2021 and 2020 was as follows:

(ROUNDED IN THOUSANDS)	2020	INCREASES	DECREASES	2021
Equipment	\$ 168,815	\$ 14,561	\$ 138	\$ 183,238
Vehicles	3,700	466	543	3,623
<b>Total Capital Assets</b>	<b>172,515</b>	<b>15,027</b>	<b>681</b>	<b>186,861</b>
Less Accumulated Depreciation:				
Equipment	(153,934)	(7,901)	91	(161,744)
Vehicles	(2,287)	(401)	460	(2,228)
<b>Total Accumulated Depreciation</b>	<b>(156,221)</b>	<b>(8,302)</b>	<b>551</b>	<b>(163,972)</b>
<b>Net Capital Assets</b>	<b>\$ 16,294</b>	<b>\$ 6,725</b>	<b>\$ 130</b>	<b>\$ 22,889</b>
	<b>2019</b>	<b>INCREASES</b>	<b>DECREASES</b>	<b>2020</b>
Equipment	\$ 166,408	\$ 3,021	\$ 614	\$ 168,815
Vehicles	3,700	-	-	3,700
<b>Total Capital Assets</b>	<b>170,108</b>	<b>3,021</b>	<b>614</b>	<b>172,515</b>
Less Accumulated Depreciation:				
Equipment	(146,325)	(8,036)	427	(153,934)
Vehicles	(1,863)	(424)	-	(2,287)
<b>Total Accumulated Depreciation</b>	<b>(148,188)</b>	<b>(8,460)</b>	<b>427</b>	<b>(156,221)</b>
<b>Net Capital Assets</b>	<b>\$ 21,920</b>	<b>\$ (5,439)</b>	<b>\$ 187</b>	<b>\$ 16,294</b>

The Ohio Lottery has entered a capital lease for gaming services and leased equipment with Intralot. During fiscal year 2021, \$13.9 million of additional equipment was acquired. The length of the contract is two years, with five optional two-year renewals; the Lottery has exercised the fifth renewal option.

In addition, the lease requires repayment over 60 months. The assets and liabilities under the lease are recorded at the present value of the minimum lease payments. The carrying value of the capital lease assets are amortized over their estimated useful lives. The original amounts capitalized for the capital leases and their book values as of June 30, 2021 are as follows:

### CAPITAL LEASES GROSS ASSETS AND ACCUMULATED AMORTIZATION (ROUNDED IN THOUSANDS)

	JUNE 30, 2021	JUNE 30, 2020
ASSET		
Computer Equipment and Systems	\$ 126,207	\$ 112,258
Accumulated Depreciation	(111,291)	(109,346)
<b>TOTAL</b>	<b>\$ 14,916</b>	<b>\$ 2,912</b>

## 4. PRIZE AWARDS PAYABLE

Prize awards payable from restricted assets as of June 30, 2021 and 2020 consist of the following:

(ROUNDED IN THOUSANDS)	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
Current portion - face amount	\$ 51,563	\$ 55,101
Less: Unamortized discount	<u>(9,588)</u>	<u>(11,016)</u>
Current portion - present value	41,975	44,085
Noncurrent portion - face amount	346,813	374,214
Less: Unamortized discount	<u>(58,505)</u>	<u>(65,572)</u>
Noncurrent portion - present value	<u>288,308</u>	<u>308,642</u>
Total Prize Awards Payable - Net of Discount	<u>\$ 330,283</u>	<u>\$ 352,727</u>

Interest rates used to determine the present values ranged from 2.0 percent to 7.0 percent. The present value of future payments from restricted assets for deferred prize awards as of June 30, 2021 is summarized as follows:

### FISCAL YEAR ENDING JUNE 30 (ROUNDED IN THOUSANDS)

	<u>AMOUNT</u>
2022	\$ 51,563
2023	40,038
2024	36,134
2025	31,602
2026	26,700
2027 through 2031	119,357
2032 through 2036	63,053
2037 through 2041	22,948
2042 through 2046	6,980
Subtotal	398,375
Unamortized Discount	<u>(68,092)</u>
Net Prize Liability	<u>\$ 330,283</u>

Prize liabilities are reduced by an estimate of the amount of prizes that will ultimately be unclaimed. The Ohio Lottery is required by law to award prizes to holders of winning lottery tickets equal to at least 50 percent of total revenues from the sale of lottery tickets. The prize structure of certain games played exceeded this percentage; accordingly, additional amounts have been allocated for prize awards. These amounts approximated \$584.0 million and \$524.0 million for the years ended June 30, 2021 and 2020, respectively.

## 5. OTHER LIABILITIES

The composition of other liabilities balances as of June 30, 2021 and 2020 is as follows:

(ROUNDED IN THOUSANDS)	<u>2021</u>	<u>2020</u>
Accrued Liabilities	\$ 2,729	\$ 2,447
Worker's Compensation - Current Portion	110	112
Compensated Absences - Current Portion	<u>686</u>	<u>628</u>
Total	<u>\$ 3,525</u>	<u>\$ 3,187</u>

## 6. CURRENT AND NONCURRENT LIABILITIES

Current and Noncurrent liabilities activity for the years ended June 30, 2021 and 2020 was as follows:

(ROUNDED IN THOUSANDS)	NON-CURRENT				CURRENT			
	NON-CURRENT LIABILITIES 2020	ADDITIONS	REDUCTIONS	NON-CURRENT LIABILITIES 2021	CURRENT LIABILITIES 2020	ADDITIONS	REDUCTIONS	CURRENT LIABILITIES 2021
Prize Awards Payable from Restricted Assets- Net of Discount	\$ 308,642	\$ 33,207	\$ (53,541)	\$ 288,308	\$ 44,085	\$ -	\$ (2,110)	\$ 41,975
Capital Lease Payable	1,664	9,774	-	11,438	1,247	2,232	-	3,479
Accrued Workers' Compensation	849	-	(91)	758	112	-	(2)	110
Compensated Absences	3,818	3,105	(2,226)	4,697	628	58	-	686
Net Pension Liability	32,291	-	(8,141)	24,150	-	-	-	-
Net OPEB Liability	22,441	-	(22,441)	-	-	-	-	-
<b>Total Current and Noncurrent Liabilities</b>	<b>\$ 369,705</b>	<b>\$ 46,086</b>	<b>\$ (86,440)</b>	<b>\$ 329,351</b>	<b>\$ 46,072</b>	<b>\$ 2,290</b>	<b>\$ (2,112)</b>	<b>\$ 46,250</b>
	<b>NON-CURRENT LIABILITIES 2019</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>NON-CURRENT LIABILITIES 2020</b>	<b>CURRENT LIABILITIES 2019</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>CURRENT LIABILITIES 2020</b>
Prize Awards Payable from Restricted Assets- Net of Discount	\$ 330,724	\$ 34,436	\$ (56,518)	\$ 308,642	\$ 46,519	\$ -	\$ (2,434)	\$ 44,085
Capital Lease Payable	2,912	-	(1,248)	1,664	1,742	-	(495)	1,247
Accrued Workers' Compensation	948	-	(99)	849	113	-	(1)	112
Compensated Absences	3,353	3,183	(2,718)	3,818	565	63	-	628
Net Pension Liability	44,761	-	(12,470)	32,291	-	-	-	-
Net OPEB Liability	20,947	1,494	-	22,441	-	-	-	-
<b>Total Current and Noncurrent Liabilities</b>	<b>\$ 403,645</b>	<b>\$ 39,113</b>	<b>\$ (73,053)</b>	<b>\$ 369,705</b>	<b>\$ 48,939</b>	<b>\$ 63</b>	<b>\$ (2,930)</b>	<b>\$ 46,072</b>

The amounts due within one year for accrued worker's compensation and compensated absences are reported as current liabilities. Current liabilities for prize awards payable from restricted assets were \$42.0 million and \$44.1 million for the years ended June 30, 2021 and June 30, 2020 respectively.

## 7. DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

### NET PENSION LIABILITY/ASSET AND NET OPEB LIABILITY/ASSET

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability/asset and the net OPEB liability/asset represent the Ohio Lottery's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Ohio Lottery's obligation for this liability to annually required payments. The Ohio Lottery cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Ohio Lottery does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in other liabilities on the accrual basis of accounting.

The remainder of this note includes the pension disclosures. See Note 8 for the OPEB disclosures.

### PLAN DESCRIPTION - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - Ohio Lottery employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.



OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>GROUP A</b>	<b>GROUP B</b>	<b>GROUP C</b>
<b>Eligible to retire prior to January 7, 2013 or five years after January 7, 2013</b>	<b>20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013</b>	<b>Members not in other Groups and members hired on or after January 7, 2013</b>
<b>STATE AND LOCAL</b>	<b>STATE AND LOCAL</b>	<b>STATE AND LOCAL</b>
<p><b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p><b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</p> <p><b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30</p>	<p><b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p><b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</p> <p><b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30</p>	<p><b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or <b>Age 62 with 5 years of service credit</b></p> <p><b>Traditional Plan Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35</p> <p><b>Combined Plan Formula:</b> 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35</p>

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2021 STATUTORY MAXIMUM CONTRIBUTIONS RATE		STATE AND LOCAL
Employer		14.0 %
Employee*		10.0 %
2021 ACTUAL CONTRIBUTIONS RATE		STATE AND LOCAL
Employer:		
Pension		14.0 %
Post-Employment Health Care Benefits**		0.0 %
Total Employer		14.0 %
Employee		100.0 %

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Ohio Lottery's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$3,318,000 for fiscal year 2021.

## NET PENSION LIABILITIES/ASSETS, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability and net pension asset for OPERS was measured as of December 31, 2020, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. The Ohio Lottery's proportion of the net pension liability or asset was based on the Ohio Lottery's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

PERS	TRADITIONAL	COMBINED	TOTAL
Proportionate of the Net Pension Liability/Asset Prior Measurement Date	0.163371%	0.170169%	
Proportionate of the Net Pension Liability/Asset Current Measurement Date	0.163091%	0.182182%	
Change in Proportionate Share	-0.000280%	0.012013%	
Proportionate Share of the Net Pension Liability (Asset)	\$ 24,150,000	\$ (526,000)	\$ 23,624,000
Proportionate Share of the Net Pension Expense	\$ (1,342,000)	\$ 12,000	\$ (1,330,000)

At June 30, 2021, the Ohio Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS	TRADITIONAL	COMBINED	TOTAL
<b>Deferred Outflows of Resources</b>			
Changes of Assumptions	\$ -	\$ 33,000	\$ 33,000
Changes in employer's proportionate percentage/difference between employer contributions	1,000	-	1,000
OLC contributions subsequent to the measurement date	\$ 1,567,000	\$ 27,000	\$ 1,594,000
Total Deferred Outflows of Resources	1,568,000	60,000	1,628,000
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 1,010,000	99,000	1,109,000
Net difference between projected and actual earnings on pension plan investments	9,413,000	78,000	9,491,000
Changes in employer's proportionate percentage/difference between employer contributions	59,000	-	59,000
Total Deferred Inflows of Resources	\$ 10,482,000	\$ 177,000	\$ 10,659,000

\$1,594,000 reported as deferred outflows of resources related to pension resulting from Ohio Lottery contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the fiscal year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

FISCAL YEAR ENDING JUNE 30,	TRADITIONAL	COMBINED	TOTAL
<b>2022</b>	\$ (4,012,000)	\$ (37,000)	\$ (4,049,000)
<b>2023</b>	(1,349,000)	(24,000)	(1,373,000)
<b>2024</b>	(3,837,000)	(42,000)	(3,879,000)
<b>2025</b>	(1,284,000)	(19,000)	(1,303,000)
<b>2026</b>	\$ -	\$ (8,000)	\$ (8,000)
<b>Thereafter</b>	-	(13,000)	(13,000)
<b>Total</b>	<u>(10,482,000)</u>	<u>(143,000)</u>	<u>(10,625,000)</u>

## ACTUARIAL ASSUMPTIONS - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2020, are presented below.

KEY METHODS AND ASSUMPTIONS USED IN VALUATION OF TOTAL PENSION LIABILITY		
Actuarial Information	Traditional Pension Plan	Combined Plan
Measurement and Valuation Date	December 31, 2020	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
ACTUARIAL ASSUMPTIONS		
Investment Rate of Return		
Current Measurement Date	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 0.50% Simple through 2021, then 2.15% Simple	Pre 1/7/2013 Retirees: 3.00% Simple Post 1/7/2013 Retirees: 0.50% Simple through 2020, then 2.15% Simple

In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.40% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2.15% simple.

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 11.70% for 2020.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage,

adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION FOR 2020	WEIGHTED AVERAGE LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Fixed Income	25.00%	1.32%
Domestic Equities	21.00%	5.64%
Real Estate	10.00%	5.39%
Private Equity	12.00%	10.42%
International Equities	23.00%	7.36%
Other Investments	9.00%	4.75%
TOTAL	100.00%	5.43%

**DISCOUNT RATE** - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2020 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**SENSITIVITY OF THE OHIO LOTTERY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET TO CHANGES IN THE DISCOUNT RATE** - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

#### SENSITIVITY OF NET PENSION LIABILITY/(ASSET) TO CHANGES IN THE DISCOUNT RATE

EMPLOYERS' NET PENSION LIABILITY/(ASSET) AS OF DECEMBER 31, 2020	1% DECREASE 6.2%	CURRENT DISCOUNT RATE 7.2%	1% INCREASE 8.2%
Traditional Pension Plan	\$46,067,000	\$24,150,000	\$5,927,000
Combined Plan	(\$366,000)	(\$526,000)	(\$645,000)

## 8. DEFINED BENEFIT OPEB PLANS

### NET OPEB LIABILITY

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Ohio Lottery's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the Ohio Lottery's obligation for this liability to annually required payments. The Ohio Lottery cannot control benefit terms or the manner in which OPEB are financed; however, the Ohio Lottery does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in other liabilities on the accrual basis of accounting.

### PLAN DESCRIPTION - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans

including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' ACFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2021 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Ohio Lottery did not make any contributions to fund health care.

## NET OPEB ASSETS, OPEB EXPENSE, AND DEFERRED OUTFLOWS OR RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB asset and total OPEB asset for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The GOVERNMENT's proportion of the net OPEB asset was based on the GOVERNMENT's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	OPEB
Proportionate of the Net OPEB Liability Prior Measurement Date	0.162469%
Proportionate of the Net OPEB Asset Current Measurement Date	<u>0.163044%</u>
Change in Proportionate Share	<u>0.000575%</u>
Proportionate Share of the Net OPEB Asset	\$ 2,905,000
Proportionate Share of the Net OPEB Expense	\$ (17,525,000)

At June 30, 2021, the Ohio Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PERS	OPEB
<b>Deferred Outflows of Resources</b>		
Change of Assumptions		\$ 1,428,000
Changes in employer's proportionate percentage/difference between employer contributions		<u>69,000</u>
<b>Total Deferred Outflows of Resources</b>		<u>\$ 1,497,000</u>
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience		\$ 2,622,000
Net difference between projected and actual earnings on pension plan investments		1,547,000
Changes of Assumptions		4,707,000
Changes in employer's proportionate percentage/difference between employer contributions		<u>1,000</u>
<b>Total Deferred Inflows of Resources</b>		<u>\$ 8,877,000</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

FISCAL YEAR ENDING JUNE 30,	TRADITIONAL
2022	\$ (3,829,000)
2023	(2,695,000)
2024	(673,000)
2025	<u>(183,000)</u>
<b>Total</b>	<b>\$ <u>(7,380,000)</u></b>

## ACTUARIAL ASSUMPTIONS - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

KEY METHODS AND ASSUMPTIONS USED IN VALUATION OF TOTAL OPEB LIABILITY	
ACTUARIAL INFORMATION	OPEB PLAN
Actuarial Valuation Date	December 31, 2019
Roll-Forward Measurement Date	December 31, 2020
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
<b>Actuarial Assumptions:</b>	
Single Discount Rate	
Current Measurement Date	6.00%
Prior Measurement Date	3.16%
Investment Rate of Return	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Municipal Bond Rate	
Current Measurement Date	2.00%
Prior Measurement Date	2.75%
Wage Inflation	3.25%
Projected Salary Increases	3.25%-10.75%
	(includes wage inflation at 3.25%)
Health Care Cost Trend Rate	
Current Measurement Date	8.50% initial, 3.50% ultimate in 2035
Prior Measurement Date	10.50% initial, 3.50% ultimate in 2030

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2020, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contribution are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 10.50% for 2020.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method



in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION FOR 2020	WEIGHTED AVERAGE LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Fixed Income	34.00%	1.07%
Domestic Equities	25.00%	5.64%
REITs	7.00%	6.48%
International Equities	25.00%	7.36%
Other Investments	9.00%	4.02%
TOTAL	100.00%	4.43%

**Discount Rate** - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

**Change in Benefit Terms** - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements, however, they are reflected in the December 31, 2020 measurement date health care valuation. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

**Sensitivity of the Ohio Lottery's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate** - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

EMPLOYERS' NET OPEB ASSET AS OF DECEMBER 31, 2020	SENSITIVITY OF NET OPEB ASSET TO CHANGES IN THE DISCOUNT RATE		
	1% DECREASE 5.0%	CURRENT DISCOUNT RATE 6.0%	1% INCREASE 7.0%
OPEB	\$722,000	\$2,905,000	\$4,699,000

**Sensitivity of the Ohio Lottery's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate** - Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2021 is 8.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

EMPLOYERS' NET OPEB ASSET AS OF DECEMBER 31, 2020	SENSITIVITY OF NET OPEB ASSET TO CHANGES IN THE TREND RATE		
	1% DECREASE	CURRENT TREND RATE	1% INCREASE
OPEB	\$2,976,000	\$2,905,000	\$2,826,000

## 9. INTERFUND TRANSACTIONS AND BALANCES

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Interfund Transactions: During the course of normal operations, the Ohio Lottery records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations and service debt. The Ohio Lottery has the following types of transactions among funds:

Nonreciprocal interfund transfers - Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes transfers to subsidize various funds

For the year ended June 30, 2021 transfers consist of the following:

<u>TRANSFER OUT</u>	<u>TRANSFER IN</u>
Operating Fund	Annuity Fund
	<u>\$17,005</u>

## 10. LITIGATION

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The Ohio Lottery is a party to legal proceedings. A liability for a claim is established if information indicates that it is probable that a liability has been incurred as of the date of issuance of the financial statement and if the amount of the associated loss is estimable. In the opinion of management, the ultimate outcome of such legal proceedings cannot be determined at this time. Its impact on the Ohio Lottery's financial position, therefore, is also unknown.

## 11. COVID-19

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The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Commission. The Commission's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Commission's future operating revenues and expenses cannot be estimated.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

#### OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL, COMBINED AND MEMBER-DIRECT LAST EIGHT FISCAL YEARS<sup>(1)</sup>

PERS	2021	2020	2019	2018	2017	2016	2015	2014
OLC's Proportion (Percentage) of the Collective Net Pension Liability								
Traditional	0.163091%	0.163371%	0.163433%	0.164436%	0.160915%	0.159630%	0.155623%	0.155623 %
Combined	0.182182%	0.170169%	0.127235%	0.125481%	0.130520%	0.107980%	0.094337%	0.094337 %
OLC's Proportionate share (amount) of the Collective Net Pension Liability								
Traditional	\$ 23,624,000	\$ 31,936,000	\$ 44,619,000	\$ 25,626,000	\$ 36,468,000	\$ 27,607,000	\$ 18,734,000	\$ 18,336,000
Combined	\$ 24,150,000	\$ 32,291,000	\$ 44,761,000	\$ 25,797,000	\$ 36,541,000	\$ 27,660,000	\$ 18,770,000	\$ 18,346,000
Combined	(526,000)	(355,000)	(142,000)	(171,000)	(73,000)	(53,000)	(36,000)	(10,000)
OLC's Covered Payroll	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000	\$ 16,929,000	\$ 16,239,000	\$ 14,805,000
OLC's Proportionate share (amount) of the Collective Net Pension Liability as a Percentage of the OLC's Covered Payroll	112.1%	161.1%	235.1%	137.5%	204.4%	163.1%	115.4%	123.9%
The Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability								
Traditional	86.9%	82.2%	74.7%	84.7%	77.3%	81.1%	86.4%	86.4%
Combined	157.7%	145.3%	126.6%	137.3%	116.6%	116.9%	114.8%	104.6%
Member-Direct	188.2%	118.8%	113.4%	124.5%	103.4%	103.9%	107.1%	102.9%

(1) Information prior to 2014 is not available

#### SCHEDULE OF OHIO LOTTERY CONTRIBUTIONS • LAST TEN FISCAL YEARS

PERS	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contributions (2)	\$ 3,318,000	\$ 3,466,000	\$ 3,351,000	\$ 3,094,000	\$ 2,785,000	\$ 2,557,000	\$ 2,435,000	\$ 2,293,000	\$ 2,042,000	\$ 1,732,000
Traditional	3,179,000	3,320,000	3,210,000	2,964,000	2,668,000	2,450,000	2,333,000	2,197,000	1,956,000	1,659,000
Combined	54,000	56,000	54,000	50,000	45,000	41,000	39,000	37,000	33,000	28,000
Member-Direct	86,000	89,000	86,000	80,000	72,000	66,000	63,000	59,000	53,000	45,000
Contributions in Relation to the Contractually Required Contributions	(3,318,000)	(3,466,000)	(3,351,000)	(3,094,000)	(2,785,000)	(2,557,000)	(2,435,000)	(2,293,000)	(2,042,000)	(1,732,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OLC's Covered Payroll	\$ 20,850,000	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000	\$ 16,929,000	\$ 16,239,000	\$ 14,805,000	\$ 14,363,000
Contributions as a Percentage of Covered-Employee Payroll	15.9 %	16.5 %	16.9 %	16.3 %	14.9 %	14.3 %	14.4 %	14.1 %	13.8 %	12.1 %

#### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION

##### Changes in benefit terms

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2021.

##### Changes in assumptions:

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (a) Reduction in the actuarially assumed rate of return from 8.00% down to 7.50%
- (b) For defined benefit investments, decreasing the wage inflation from 3.75% to 3.25%
- (c) Changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

For fiscal year 2019, the most significant changes of assumptions that affected the total pension liability since the prior measurement date was the reduction in the actuarially assumed rate of return from 7.50% down to 7.20%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2020-2021.

# REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM • LAST FIVE FISCAL YEARS (1)

PERS	2021	2020	2019	2018	2017
OLC's Proportion (Percentage) of the Collective Net OPEB Liability (Asset)	0.163044 %	0.162469 %	0.160666 %	0.161070 %	0.161070 %
OLC's Proportionate share (amount) of the Collective Net OPEB Liability (Asset)	\$ (2,905,000)	\$ 22,441,000	\$ 20,947,000	\$ 17,491,000	\$ 16,269,000
OLC's Covered Payroll	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000
OLC's Proportionate share (amount) of the Collective Net OPEB Liability (Asset) as a Percentage of the OLC's Covered Payroll	13.8 %	113.2 %	110.4 %	93.9 %	91.2 %
The Pension Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	115.6 %	47.8 %	46.3 %	54.1 %	54.1 %

(1) Information prior to 2017 is not available

## SCHEDULE OF OHIO LOTTERY CONTRIBUTIONS • LAST TEN FISCAL YEARS

PERS	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contributions	\$ -	\$ -	\$ -	\$ 124,000	\$ 343,000	\$ 426,000	\$ 406,000	\$ 277,000	\$ 442,000	\$ 693,000
Contributions in Relation to the Contractually Required Contributions	-	-	-	(124,000)	(343,000)	(426,000)	(406,000)	(277,000)	(442,000)	(693,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OLC's Covered Payroll	\$ 20,850,000	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000	\$ 16,929,000	\$ 16,239,000	\$ 14,805,000	\$ 14,363,000
Contributions as a Percentage of Covered Payroll	0.0 %	0.0 %	0.0 %	0.7 %	1.8 %	2.4 %	2.4 %	1.7 %	3.0 %	4.8 %

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB

#### Changes in benefit terms

There were no changes in benefit terms from the amounts reported for fiscal year 2017-2020.

For fiscal year 2021, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation.

#### Changes in assumptions:

For fiscal year 2017, the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date was the reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- (a) increase in the discount rate from 3.85% up to 3.96%
- (b) decrease in the investment rate of return from 6.50% down to 6.00%
- (c) increase in the municipal bond rate from 3.31% to 3.71%
- (d) change in the health care cost trend rate from 7.50% initial, 3.25% ultimate in 2028 to 10.00% initial, 3.25% ultimate in 2029.

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- (a) decrease in the discount rate from 3.96% down to 3.16%
- (b) decrease in the municipal bond rate from 3.71% down to 2.75%
- (d) change in the health care cost trend rate from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030.

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- (a) increase in the discount rate from 3.16% up to 6.00%
- (b) decrease in the municipal bond rate from 2.75% down to 2.00%
- (d) change in the health care cost trend rate from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035.



# • STATISTICAL SECTION •

## Connecting with Community

While the need for physical distance remains, the desire to remain connected to our communities is a basic human need. Every year, our employees go above and beyond to help those in need.

### A prestigious award

The Ohio Lottery was recognized for its fundraising efforts in last year's *Harvest for Hunger* campaign. On June 8, the Cleveland Food Bank awarded the Ohio Lottery the *Virtual Trailblazer Award* for its outstanding contribution and creativity with the fundraising telethon that held last November 2020.

In fall of 2020, Ohio Governor Mike DeWine raised awareness of food shortages amongst the most needy in our state and called for Ohioans to come together to help their neighbors. Due to COVID-19 restrictions in 2020, our normal fundraising activities were limited and we had to come up with new and creative ways to help our fellow Ohioans.

The Ohio Lottery, in partnership with Mills James, held a staff telethon along with many of our vendor partners. Approximately 350 Ohio Lottery employees managed to raise more than \$10,500 in less than an hour.

"It was an honor to represent the Ohio Lottery at this event," said Karen Russo, Deputy Director of Problem Gambling. "The Cleveland Food Bank is extremely appreciative of our commitment and contributions to help those in need."



### A winning campaign

Each year, the National Council on Problem Gambling (NCPG) honors individuals and organizations for their work on problem gambling and responsible gambling initiatives.

The Ohio Lottery, along with its Ohio for Responsible Gambling (ORG) partners, won the 2020 People's Choice Award for its *Change The Game, Ohio* public awareness campaign.

This campaign was developed to raise awareness in Ohio of the realities of youth gambling amongst parents and educators to help prevent behaviors that can form into greater issues later in life.

The People's Choice Award is voted on by the entire membership of the NCPG.





# OH VAX-A-MILLION™

## #inthistogetherohio

This year, the Ohio Lottery was thrilled to assist Governor Mike DeWine and the Ohio Department of Health (ODH) in their vaccine incentive program, Ohio *Vax-a-Million*. This public outreach campaign increased awareness of the availability and efficacy of COVID-19 vaccines and provided an extra incentive to Ohioans to get a COVID-19 vaccination.

Ohio Vax-a-Million began in May and the program ran for five weeks. Given the Ohio Lottery's expertise, ODH enlisted our assistance for technical support including conducting the drawings, assisting with the marketing and website, and producing the winners' reveals.

Overall, 3,472,762 adults and 154,889 Ohioans ages 12-17 got their shot and entered for their chance at over \$5.5 million in prizes. Five lucky adult Ohioans won \$1 million. In addition, five full-ride, four-year scholarships including room and board, tuition, and books, to any Ohio state college or university to five lucky Ohioans ages 12-17.



Ohio was the first state to implement this type of vaccine incentive. This garnered attention across the globe. Director McDonald and our staff provided information to several US lotteries as well as places like Quebec and Australia. Approximately 20 other states implemented similar programs, all with the same goal of increasing awareness and vaccine participation.

When the program concluded in June, Governor DeWine called Vax-a-Million a resounding success. It was a unique and exciting opportunity to be a part of this innovative public health program as we are all *#InThisTogether* and work towards recovering from this pandemic.



## STATISTICAL SECTION

This section of the Ohio Lottery's Annual Comprehensive Financial Report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Lottery's overall financial health.

### FINANCIAL TRENDS

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These schedules contain trend information to help readers understand how the Lottery's financial performance and position has changed over time. The information presented includes changes in net position, sales, and transfer data specific to the Lottery as well as the lottery industry as a whole.

### REVENUE CAPACITY

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These schedules contain information to help readers assess the Lottery's most significant revenue source. Sales information, included in the financial trends section, provides data about the various games available to the public. The Lottery's statewide retailer network determines the market exposure for the Lottery's games.

### DEMOGRAPHIC AND ECONOMIC INFORMATION

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These schedules offer demographic and economic indicators to help readers understand the environment within which the Lottery operates.

### OPERATING INFORMATION

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These schedules contain information about the Lottery's organization and efficiency.

*Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports or the audited financial statements for the relevant year.*

## OHIO LOTTERY - CHANGE IN NET POSITION

LAST TEN FISCAL YEARS • IN MILLIONS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Plus: Total Operating Revenues	\$ 2,781.7	\$ 2,939.8	\$ 3,288.0	\$ 3,776.4	\$ 3,987.2	\$ 3,933.3	\$ 4,153.3	\$ 4,423.6	\$ 4,294.2	\$ 5,515.5
Less: Prizes & Commissions	1,860.2	1,945.1	2,158.9	2,568.5	2,699.0	2,711.9	2,861.3	3,067.2	3,038.7	3,926.7
Less: Cost of Tickets Sold/ Vendor Fees	-	-	-	55.0	55.4	60.1	49.7	53.3	61.4	74.1
Less: Operating Expenses	107.8	121.4	121.0	75.9	89.5	90.9	92.2	105.9	96.2	79.4
Operating Income (Loss)	\$ 813.7	\$ 873.3	\$ 1,008.2	\$ 1,077.0	\$ 1,143.3	\$ 1,070.4	\$ 1,150.1	\$ 1,197.2	\$ 1,097.9	\$ 1,435.3
Plus: Non-Operating Income	79.1	-	16.9	19.1	35.1	(7.4)	2.4	35.7	43.5	(12.7)
Less: Non-Operating Expense	34.0	137.6	30.7	30.3	24.4	21.3	20.9	17.8	15.1	13.0
Less: Transfers	771.0	803.1	1,004.3	1,090.0	1,116.1	1,040.6	1,087.7	1,153.9	1,127.1	1,359.0
Change In Net Position	\$ 87.8	\$ (67.4)	\$ (9.9)	\$ (24.2)	\$ 37.9	\$ 1.1	\$ 43.9	\$ 61.2	\$ (0.8)	\$ 50.6
Change In Net Position	87.8	(67.4)	(9.9)	(41.6)	37.9	0.9	43.9	61.2	(0.8)	50.6
Total Net Position - Beginning	150.7	238.5	171.1	161.2	119.6	157.5	142.3	186.2	247.4	246.6
Total Net Position - Ending(2)	\$ 238.5	\$ 171.1	\$ 161.2	\$ 119.6	\$ 157.5	\$ 158.4	\$ 186.2	\$ 247.4	\$ 246.6	\$ 297.2

## OHIO LOTTERY - NET POSITION

LAST TEN FISCAL YEARS • IN MILLIONS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net Investment In Capital Assets	\$ 2.8	\$ 1.7	\$ 2.1	\$ 15.7	\$ 26.8	\$ 20.9	\$ 25.6	\$ 17.3	\$ 13.4	\$ 8.0
Restricted For Net Unrealized Gains On Restricted Investments	123.7	85.1	73.8	66.3	77.4	47.0	28.0	57.2	99.5	91.0
Unrestricted	112.0	84.3	85.3	37.6	53.3	90.5	132.6	172.9	133.7	198.2
Total Net Position	\$ 238.5	\$ 171.1	\$ 161.2	\$ 119.6	\$ 157.5	\$ 158.4	\$ 186.2	\$ 247.4	\$ 246.6	\$ 297.2

## OHIO LOTTERY - CAPITAL ASSETS

LAST TEN FISCAL YEARS • IN MILLIONS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capital Assets										
Lottery Equipment	\$ 0.5	\$ (0.3)	\$ -	\$ 13.8	\$ 24.4	\$ 18.4	\$ 23.2	\$ 14.9	\$ 10.4	\$ 4.9
Vehicles	1.3	1.1	1.4	1.3	1.6	1.9	1.8	1.8	1.4	1.4
Data / Office Equipment	1.0	0.8	0.7	0.6	0.8	0.6	0.6	0.6	1.6	1.7
Net Investments In Capital Assets	\$ 2.8	\$ 1.6	\$ 2.1	\$ 15.7	\$ 26.8	\$ 20.9	\$ 25.6	\$ 17.3	\$ 13.4	\$ 8.0

## RATIO OF OUTSTANDING DEBT SCHEDULE • CAPITAL LEASE

LAST TEN FISCAL YEARS • IN MILLIONS

FISCAL YEAR	CAPITAL LEASE <sup>(1)</sup>	PERCENTAGE OF ANNUAL LOTTERY SALES
2012	45.3	1.7 %
2013	33.0	1.2 %
2014	15.4	0.6 %
2015	13.1	0.5 %
2016	10.1	0.3 %
2017	6.3	0.2 %
2018	3.2	0.1 %
2019	4.7	0.1 %
2020	2.9	0.1 %
2021	14.9	0.3 %

(1) The Debt will be paid by Lottery Ticket Sales.

(2) Net position in Fiscal Year 2017 was restated in Fiscal Year 2018 to reflect the adjustment made for the cumulative effect of change in accounting principles.

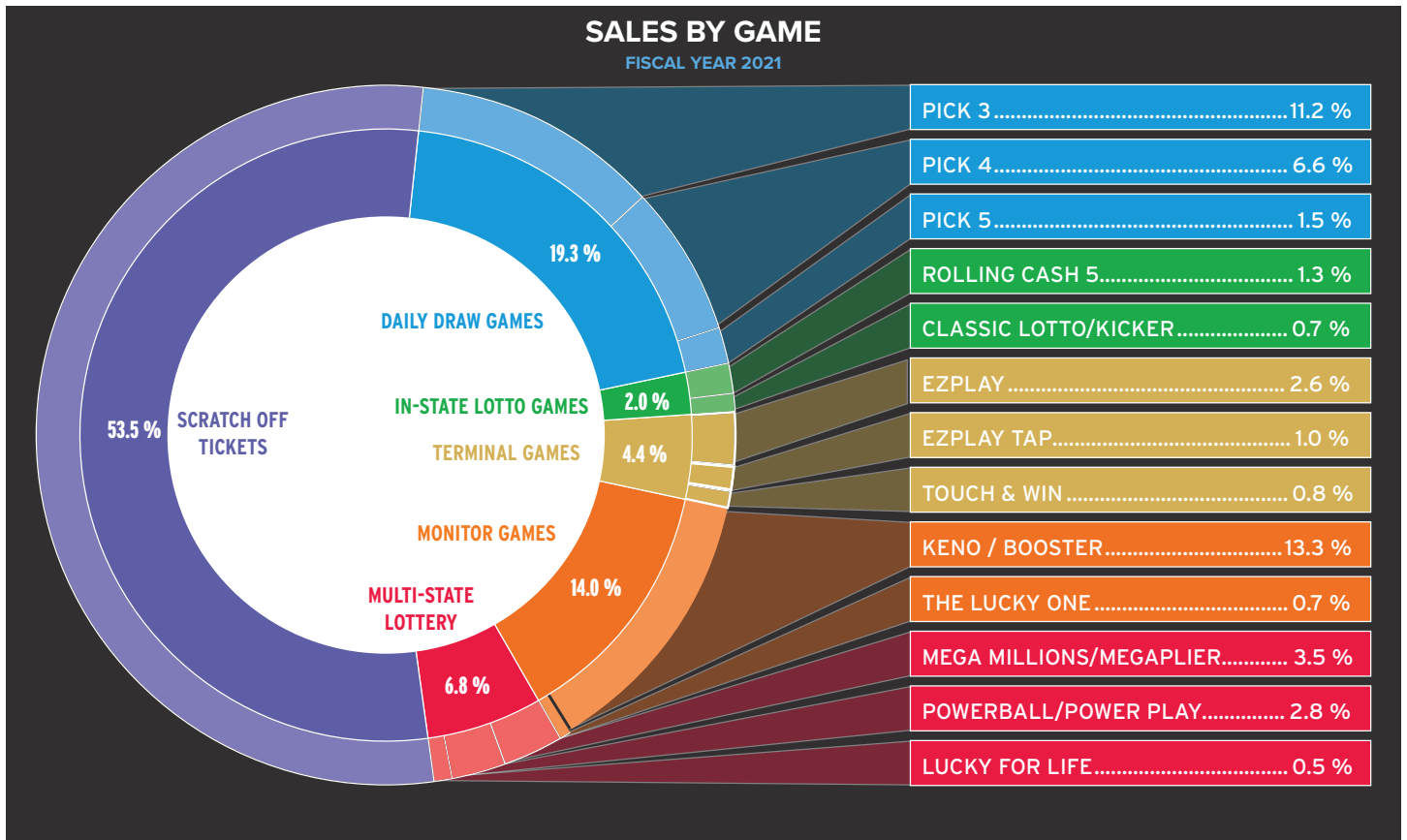
Note: The Ohio Lottery changed the way expenses are classified for Fiscal Year 2015 and subsequent fiscal years

# REVENUES

LAST TEN FISCAL YEARS - IN MILLIONS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Draw Sales</b>										
Pick 3	\$ 357.4	\$ 345.2	\$ 339.0	\$ 338.0	\$ 343.0	\$ 340.0	\$ 340.1	\$ 354.0	\$ 400.6	\$ 485.9
Pick 4	207.9	189.8	185.8	192.8	200.3	201.0	205.1	216.9	240.5	284.0
Pick 5	-	28.0	27.9	33.3	36.4	38.1	40.8	44.5	51.2	66.1
Ten-OH <sup>(1)</sup>	8.3	0.8	-	-	-	-	-	-	-	-
Rolling Cash 5	63.8	61.5	63.4	62.6	60.3	55.5	53.0	52.1	51.7	57.0
Classic Lotto/Kicker <sup>(2)</sup>	43.2	46.6	60.1	35.7	35.8	30.9	34.4	31.4	28.8	28.0
Raffle/Multi-State Raffle	10.0	9.1	1.0	7.0	-	3.6	-	-	-	-
EZPLAY	46.5	68.0	84.8	99.8	115.2	120.2	113.2	100.4	88.4	112.2
EZPLAY Tap	-	-	-	24.0	31.5	30.0	31.8	40.8	38.9	44.8
Touch & Win <sup>(3)</sup>	-	-	-	-	0.7	16.0	19.5	30.4	31.4	35.2
Keno / Booster	209.8	251.5	298.1	329.5	365.9	396.3	421.1	453.9	439.4	577.4
The Lucky One <sup>(4)</sup>	-	-	-	-	-	-	11.6	16.9	20.1	28.7
Mega Millions/Megaplier <sup>(2)</sup>	179.3	102.8	133.4	113.3	102.2	93.3	120.1	192.7	102.0	152.7
Powerball/Power Play	105.3	166.6	122.8	105.0	193.5	129.8	148.1	143.3	85.2	120.1
Lucky For Life	-	-	-	-	14.1	19.9	20.7	20.4	19.5	22.2
<b>Total Draw-Based Sales</b>	<b>1,231.5</b>	<b>1,269.9</b>	<b>1,316.3</b>	<b>1,341.0</b>	<b>1,498.9</b>	<b>1,474.6</b>	<b>1,559.5</b>	<b>1,697.7</b>	<b>1,597.7</b>	<b>2,014.3</b>
Scratch Off Sales	1,507.5	1,428.0	1,426.8	1,551.0	1,560.7	1,527.1	1,600.6	1,663.0	1,873.8	2,315.9
<b>Total Ticket Sales</b>	<b>2,739.0</b>	<b>2,697.9</b>	<b>2,743.1</b>	<b>2,892.0</b>	<b>3,059.6</b>	<b>3,001.7</b>	<b>3,160.1</b>	<b>3,360.7</b>	<b>3,471.5</b>	<b>4,330.2</b>
VLТ Revenue	11.1	165.5	437.6	773.0	868.9	926.6	987.3	1058.6	820.9	1186.2
VLТ License Revenue	25.0	70.0	100.1	105.2	50.1	0.1	0.1	0.2	0.2	0.1
Other Revenues	6.6	6.3	7.2	6.2	8.6	4.9	5.8	4.1	1.6	(1.0)
<b>Total Revenues</b>	<b>\$ 2,781.7</b>	<b>\$ 2,939.8</b>	<b>\$ 3,288.0</b>	<b>\$ 3,776.4</b>	<b>\$ 3,987.2</b>	<b>\$ 3,933.3</b>	<b>\$ 4,153.3</b>	<b>\$ 4,423.6</b>	<b>\$ 4,294.2</b>	<b>\$ 5,515.5</b>

- (1) In August 2012, the Ten-OH game was replaced by Pick 5.
- (2) The Kicker was retired from Mega Millions in 2011 and was replaced by Megaplier; Kicker was reintroduced in 2012 as a add-on feature to Classic Lotto.
- (3) QuickKeno was rebranded to EZPLAY Touch & Win in January 2018.
- (4) The Lucky One game was introduced on January 21, 2018



## PRIZE PAYOUT AS A PERCENTAGE OF TRADITIONAL LOTTERY SALES

LAST TEN FISCAL YEARS - IN MILLIONS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>SALES</b>										
Draw-Based	\$ 1,231.5	\$ 1,269.9	\$ 1,316.3	\$ 1,341.0	\$ 1,498.9	\$ 1,474.6	\$ 1,559.5	\$ 1,697.7	\$ 1,597.7	\$ 2,014.3
Scratch Offs	1,507.5	1,428.0	1,426.8	1,551.0	1,560.7	1,527.1	1,600.6	1,663.0	1,873.8	2,315.9
<b>Total Ticket Sales</b>	<b>\$ 2,739.0</b>	<b>\$ 2,697.9</b>	<b>\$ 2,743.1</b>	<b>\$ 2,892.0</b>	<b>\$ 3,059.6</b>	<b>\$ 3,001.7</b>	<b>\$ 3,160.1</b>	<b>\$ 3,360.7</b>	<b>\$ 3,471.5</b>	<b>\$ 4,330.2</b>
<b>PRIZE EXPENSE</b>										
Draw-Based	\$ 648.0	\$ 683.0	\$ 705.7	\$ 758.5	\$ 838.2	\$ 834.2	\$ 879.9	\$ 981.9	\$ 927.0	\$ 1,168.2
Scratch Offs	1,032.9	985.1	992.3	1,116.8	1,094.4	1,075.8	1,118.8	1,157.9	1,332.3	1,673.4
<b>Total Prize Expense</b>	<b>\$ 1,680.8</b>	<b>\$ 1,668.1</b>	<b>\$ 1,698.0</b>	<b>\$ 1,875.3</b>	<b>\$ 1,932.6</b>	<b>\$ 1,910.0</b>	<b>\$ 1,998.7</b>	<b>\$ 2,139.8</b>	<b>\$ 2,259.3</b>	<b>\$ 2,841.6</b>
<b>PRIZE PAYOUT PERCENTAGE</b>										
Draw-Based	52.6%	53.8%	53.6%	56.6%	55.9%	56.6%	56.2%	57.8%	58.0%	58.0%
Scratch Offs	68.5%	69.0%	69.5%	72.0%	70.1%	70.4%	69.9%	69.6%	71.1%	72.3%

## TRADITIONAL LOTTERY EXPENSES

LAST TEN FISCAL YEARS - IN MILLIONS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Prizes	\$ 1,680.8	\$ 1,668.1	\$ 1,698.0	\$ 1,875.3	\$ 1,932.6	\$ 1,910.0	\$ 1,998.7	\$ 2,139.8	\$ 2,259.3	\$ 2,841.6
Bonuses/Commissions	172.0	166.9	169.9	179.2	188.6	185.7	206.1	223.4	233.6	296.3
Cost of Tickets Sold and Vendor Fees	-	-	-	55.4	55.0	60.1	49.7	53.3	61.4	74.1
Operating Expenses	107.8	116.5	113.8	75.9	89.5	90.9	92.2	105.9	86.5	70.1
Payments to Education	771.0	752.5	764.9	739.9	784.1	739.4	794.7	810.1	846.3	958.6
<b>Total Sales</b>	<b>\$ 2,739.0</b>	<b>\$ 2,697.9</b>	<b>\$ 2,743.1</b>	<b>\$ 2,892.0</b>	<b>\$ 3,059.6</b>	<b>\$ 3,001.7</b>	<b>\$ 3,160.1</b>	<b>\$ 3,360.7</b>	<b>\$ 3,471.5</b>	<b>\$ 4,330.2</b>

## VIDEO LOTTERY TERMINALS (VLT)

GROSS GAMING REVENUE, COMMISSIONS TO VLSA'S, OPERATING EXPENSES AND PAYMENTS TO EDUCATION

LAST TEN FISCAL YEARS - IN MILLIONS

	2012 <sup>(1)</sup>	2013	2014	2015	2016	2017	2018	2019	2020	2021
Commissions to VLSA's <sup>(2)</sup>	\$ 7.4	\$ 110.1	\$ 291.0	\$ 514.0	\$ 577.8	\$ 616.2	\$ 656.6	\$ 704.0	\$ 545.9	\$ 788.8
Lottery Net Revenue	3.7	55.5	146.6	259.0	291.1	310.4	330.7	354.6	275.0	397.4
Operating Expenses	-	4.9	7.2	8.8	9.1	9.2	9.2	10.8	9.7	9.3
Accrued - Profits to Education - Paid in July	-	-	-	-	-	-	28.5	29.5	14.3	36.7
Payments to Education	-	50.6	139.4	250.1	282.0	301.2	293.0	343.8	264.5	400.4
<b>Gross Gaming Revenue</b>	<b>\$ 11.1</b>	<b>\$ 165.6</b>	<b>\$ 437.6</b>	<b>\$ 773.0</b>	<b>\$ 868.9</b>	<b>\$ 926.6</b>	<b>\$ 987.3</b>	<b>\$ 1,058.6</b>	<b>\$ 820.9</b>	<b>\$ 1,186.2</b>

(1) Operating Costs (including Start-up) and resulting profits were included in regular Lottery Operating Expenses & Transfers to Education. In Fiscal Year 2012, there was only one (1) month of VLT operations.

(2) Includes collected from the VLSA's for Problem Gambling programs.

## TOTAL EXPENSES, INCLUDING VLT ACTIVITY

LAST TEN FISCAL YEARS - IN MILLIONS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Sales (including GGR)	\$ 2,750.1	\$ 2,863.5	\$ 3,180.7	\$ 3,665.0	\$ 3,928.5	\$ 3,928.3	\$ 4,147.4	\$ 4,419.3	\$ 4,292.4	\$ 5,516.4
Direct Game Costs:										
Prizes	1,680.8	1,668.1	1,698.0	1,875.3	1,932.6	1,910.0	1,998.7	2,139.8	2,259.3	2,841.6
Bonuses and Commission	179.4	277.0	460.9	693.2	766.4	801.9	862.7	927.4	779.5	1,085.1
Cost of Tickets Sold and Vendor Fees	-	-	-	55.4	55.0	60.1	49.7	53.3	61.4	74.1
Operating Expenses	107.8	121.4	121.0	84.7	98.6	100.1	101.4	116.7	96.2	79.4
Accrued - Profits to Education - Paid in July	-	-	-	-	-	-	28.5	29.5	14.3	36.7
Payments to Education	\$ 771.0	\$ 803.1	\$ 904.3	\$ 990.0	\$ 1,066.1	\$ 1,040.6	\$ 1,087.7	\$ 1,153.9	\$ 1,127.1	\$ 1,359.0

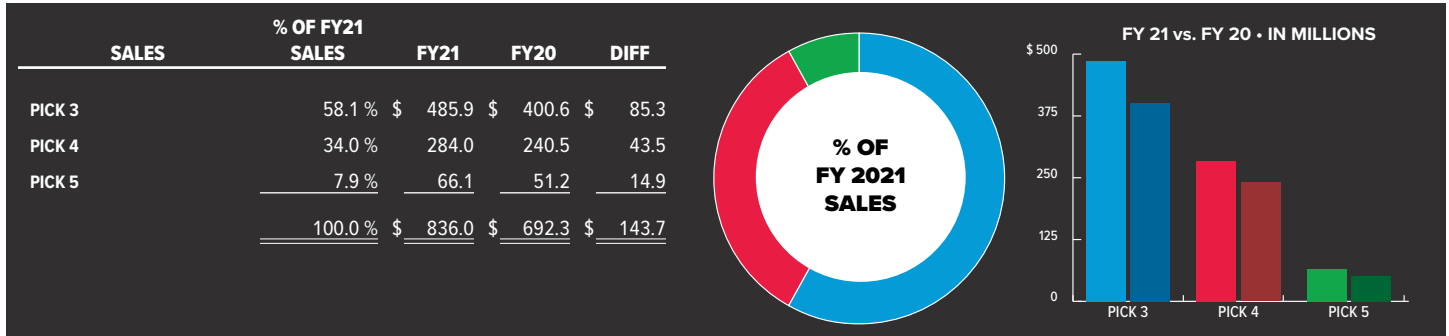


# OHIO LOTTERY • REVENUES

LAST 10 FISCAL YEARS • IN MILLIONS

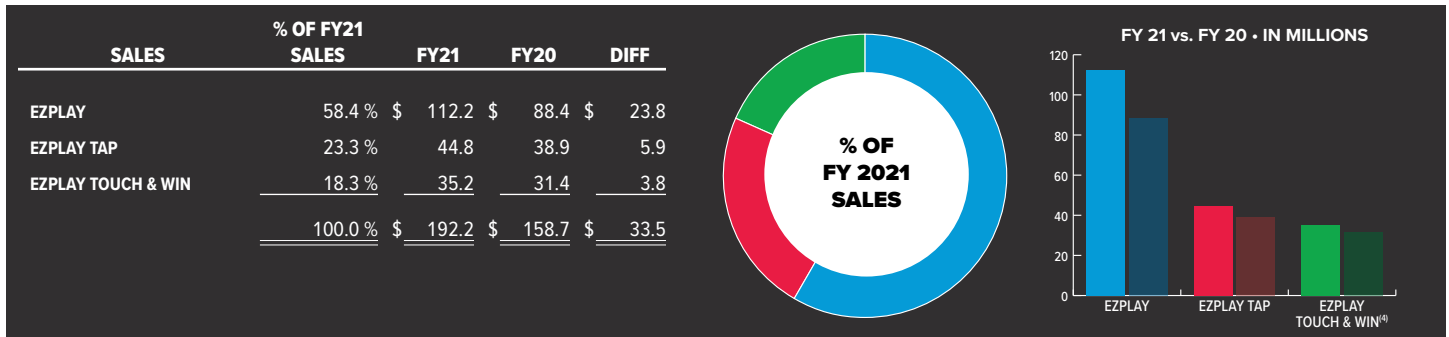
## DAILY DRAW

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PICK 3	\$ 357.4	\$ 345.2	\$ 339.0	\$ 338.0	\$ 343.0	\$ 340.0	\$ 340.1	\$ 354.0	\$ 400.6	\$ 485.9
PICK 4	207.9	189.8	185.8	192.8	200.3	201.0	205.1	216.9	240.5	284.0
PICK 5 <sup>(1)</sup>	-	28.0	27.9	33.3	36.4	38.1	40.8	44.5	51.2	66.1
<b>TOTAL DAILY DRAW SALES</b>	<b>\$ 565.3</b>	<b>\$ 563.0</b>	<b>\$ 552.7</b>	<b>\$ 564.1</b>	<b>\$ 579.7</b>	<b>\$ 579.1</b>	<b>\$ 586.0</b>	<b>\$ 615.4</b>	<b>\$ 692.3</b>	<b>\$ 836.0</b>



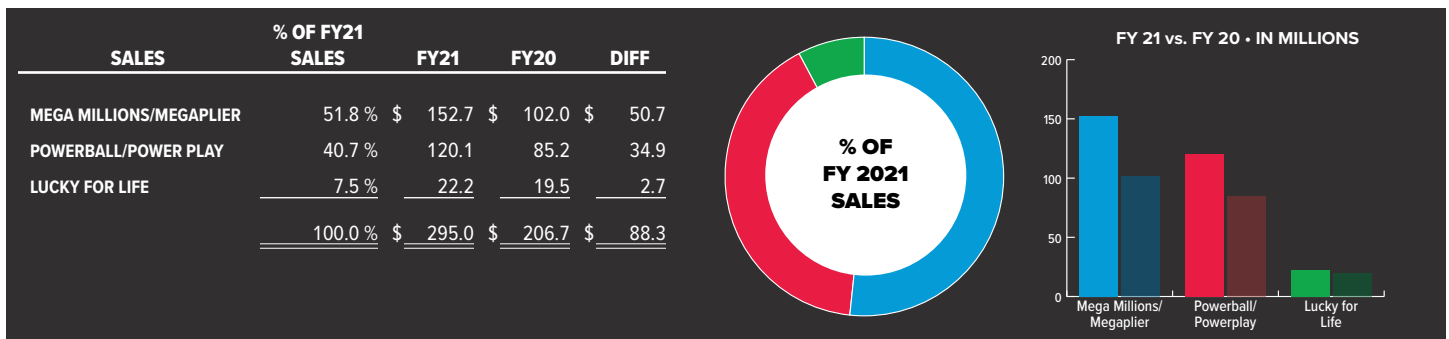
## EZPLAY GAMES

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EZPLAY	\$ 46.5	\$ 68.0	\$ 84.8	\$ 99.8	\$ 115.2	\$ 120.2	\$ 113.2	\$ 100.4	\$ 88.4	\$ 112.2
EZPLAY TAP	-	-	-	24.0	31.5	30.0	31.8	40.8	38.9	44.8
EZPLAY Touch & Win	-	-	-	-	0.7	16.0	19.5	30.4	31.4	35.2
<b>TOTAL EZPLAY SALES</b>	<b>\$ 46.5</b>	<b>\$ 68.0</b>	<b>\$ 84.8</b>	<b>\$ 123.8</b>	<b>\$ 147.4</b>	<b>\$ 166.2</b>	<b>\$ 164.5</b>	<b>\$ 171.6</b>	<b>\$ 158.7</b>	<b>\$ 192.2</b>



## MULTI-STATE GAMES

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
MEGA MILLIONS/MEGAPLIER <sup>(2)</sup>	\$ 179.3	\$ 102.8	\$ 133.4	\$ 113.3	\$ 102.2	\$ 93.3	\$ 120.1	\$ 192.7	\$ 102.0	\$ 152.7
POWERBALL/POWER PLAY <sup>(3)</sup>	105.3	166.6	122.8	105.0	193.5	129.8	148.1	143.3	85.2	120.1
LUCKY FOR LIFE	-	-	-	-	14.1	19.9	20.7	20.4	19.5	22.2
<b>TOTAL MULTI-STATE SALES</b>	<b>\$ 284.6</b>	<b>\$ 269.4</b>	<b>\$ 256.2</b>	<b>\$ 218.3</b>	<b>\$ 309.8</b>	<b>\$ 243.0</b>	<b>\$ 288.9</b>	<b>\$ 356.4</b>	<b>\$ 206.7</b>	<b>\$ 295.0</b>





# OHIO LOTTERY • REVENUES

LAST 10 FISCAL YEARS • IN MILLIONS

## DAILY LOTTO

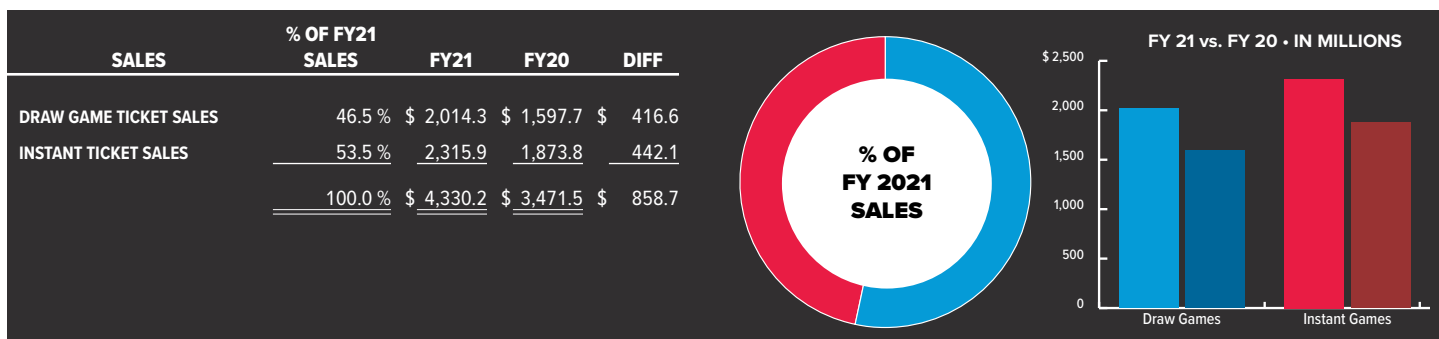
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CLASSIC LOTTO/KICKER <sup>(2)</sup>	\$ 43.2	\$ 46.6	\$ 60.1	\$ 35.7	\$ 35.8	\$ 30.9	\$ 34.4	\$ 31.4	\$ 28.8	\$ 28.0
RAFFLE/MULTI-STATE RAFFLE	10.0	9.1	1.0	7.0	-	3.6	-	-	-	-
TEN-OH <sup>(1)</sup>	8.3	0.8	-	-	-	-	-	-	-	-
ROLLING CASH 5	63.8	61.5	63.4	62.6	60.3	55.5	53.0	52.1	51.7	57.0
TOTAL DAILY LOTTO GAME SALES	\$ 125.3	\$ 118.0	\$ 124.5	\$ 105.3	\$ 96.1	\$ 90.0	\$ 87.4	\$ 83.5	\$ 80.5	\$ 85.0

## KENO

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
KENO/BOOSTER <sup>(3)</sup>	\$ 209.8	\$ 251.5	\$ 298.1	\$ 329.5	\$ 365.9	\$ 396.3	\$ 421.1	\$ 453.9	\$ 439.4	\$ 577.4
THE LUCKY ONE <sup>(4)</sup>	-	-	-	-	-	-	11.6	16.9	20.1	28.7

## TOTAL REVENUE

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
DRAW GAME TICKET SALES	\$ 1,231.5	\$ 1,269.9	\$ 1,316.3	\$ 1,341.0	\$ 1,498.9	\$ 1,474.6	\$ 1,559.5	\$ 1,697.7	\$ 1,597.7	\$ 2,014.3
SCRATCH-OFF GAMES SALES	1,507.5	1,428.0	1,426.8	1,551.0	1,560.7	1,527.1	1,600.6	1,663.0	1,873.8	2,315.9
VLT REVENUE	11.1	165.5	437.6	773.0	868.9	926.6	987.3	1,058.6	820.9	1,186.2
VLT LICENSE REVENUE	25.0	70.0	100.1	105.2	50.1	0.1	0.1	0.2	0.2	0.1
OTHER REVENUES <sup>(5)</sup>	6.6	6.3	7.2	6.2	8.6	4.9	5.8	4.1	1.6	(1.0)
TOTAL REVENUES	\$ 2,781.7	\$ 2,939.7	\$ 3,288.0	\$ 3,776.4	\$ 3,987.2	\$ 3,933.3	\$ 4,153.3	\$ 4,423.6	\$ 4,294.2	\$ 5,515.5



(1) In August 2012, the Ten-OH game was replaced by Pick 5.

(2) The Kicker was retired from Mega Millions in 2011 and was replaced by Megaplier; Kicker was reintroduced in 2012 as an add-on feature to Classic Lotto.

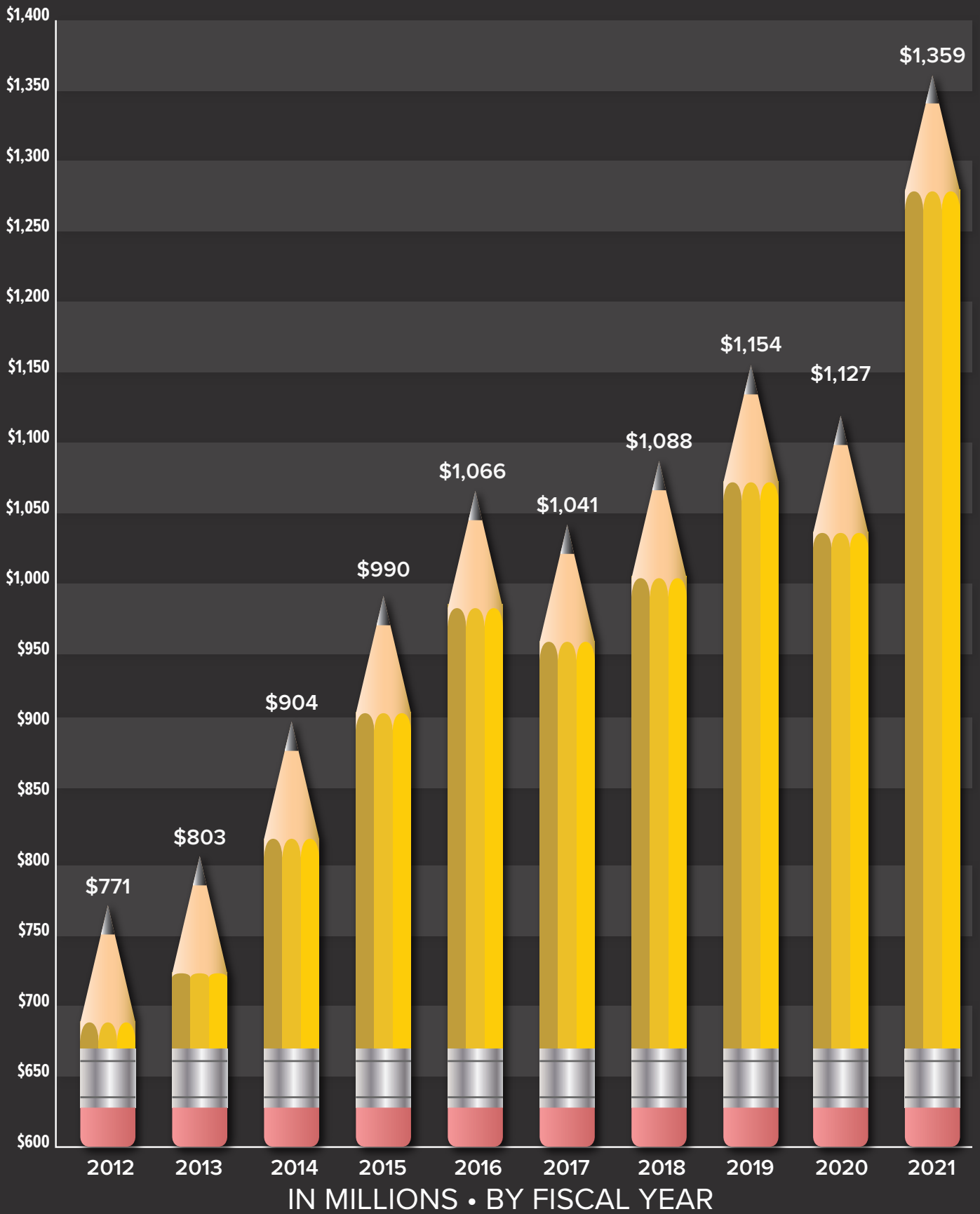
(3) Booster option and Powerball/Powerplay added in Fiscal Year 2010.

(4) The Lucky One game was introduced on January 21, 2018

(5) Other revenues include interest income and an adjustment for unrealized gain/losses as a result of GASB 31 reporting.

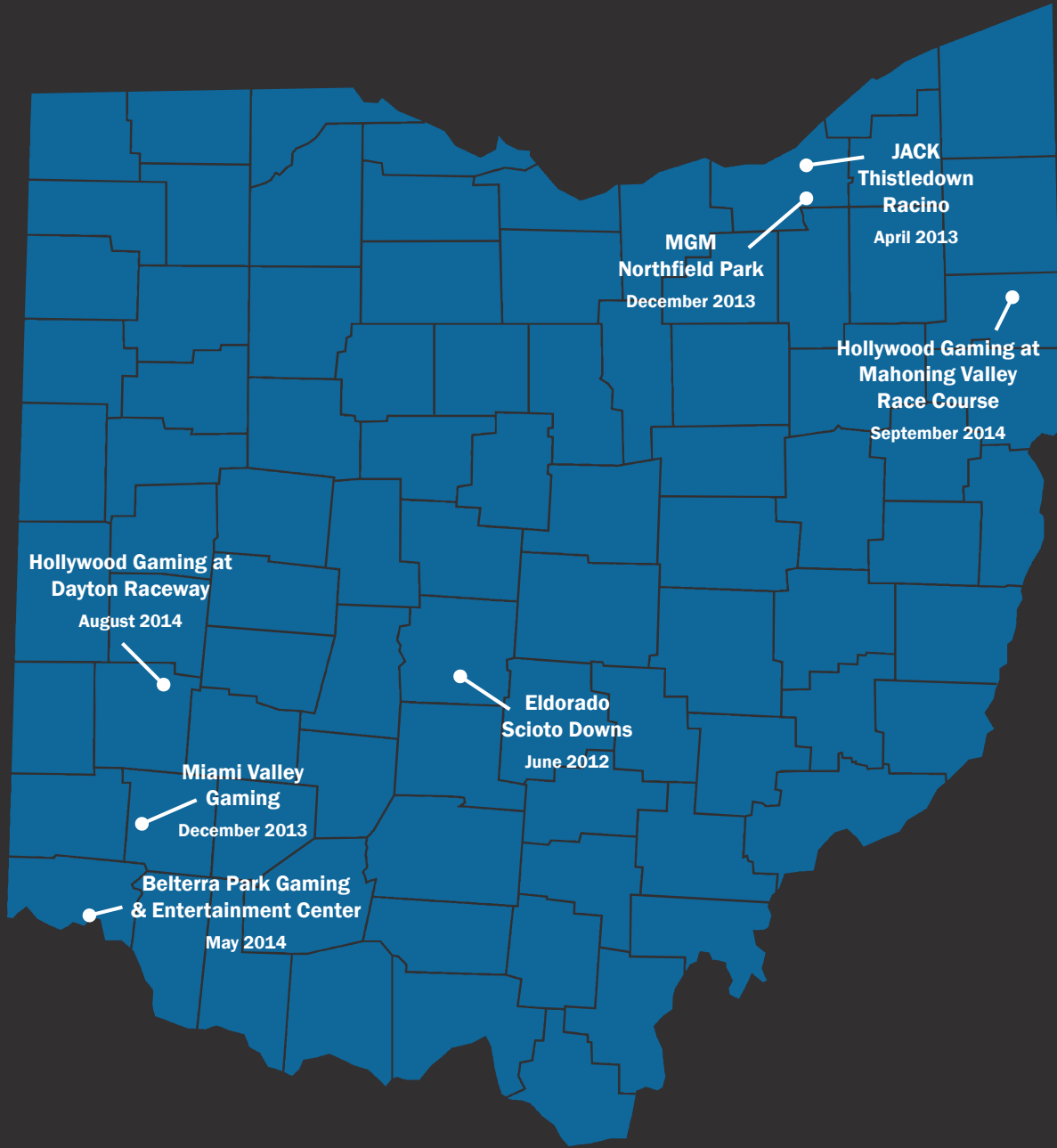
# OHIO LOTTERY • TRANSFERS TO EDUCATION

LAST 10 FISCAL YEARS • IN MILLIONS



# TOTAL VIDEO LOTTERY TERMINAL (VLT) SALES

IN MILLIONS



## Percent Change of Net Win from FY 2020



	ELDORADO SCIOTO DOWNS	JACK THISTLEDOWN RACINO	MGM AT NORTHFIELD PARK	MIAMI VALLEY GAMING	BELTERRA PARK GAMING	HOLLYWOOD GAMING AT DAYTON RACEWAY	HOLLYWOOD GAMING AT MAHONING VALLEY	TOTAL
DATE OPENED	JUNE 2012	APRIL 2013	DECEMBER 2013	DECEMBER 2013	MAY 2014	AUGUST 2014	SEPTEMBER 2014	
Average # of VLTs	2,125	1,522	1,667	1,914	1,244	887	1,129	10,488
Net Win FY21	\$208.7	\$179.5	\$243.2	\$185.2	\$86.4	\$142.1	\$141.1	\$1,186.2
Racino Commission	138.1	118.8	160.9	122.5	57.2	94.0	93.4	784.9
Ohio Lottery Commission	69.9	60.1	81.5	62.0	29.0	47.6	47.3	397.4
Problem Gambling Services	0.7	0.6	0.8	0.6	0.3	0.5	0.4	3.9

# U.S. LOTTERY INDUSTRY STATEMENT OF OPERATIONS

RANK BY SALES<sup>(a)</sup> FISCAL YEAR 2020<sup>(b)</sup>

IN MILLIONS

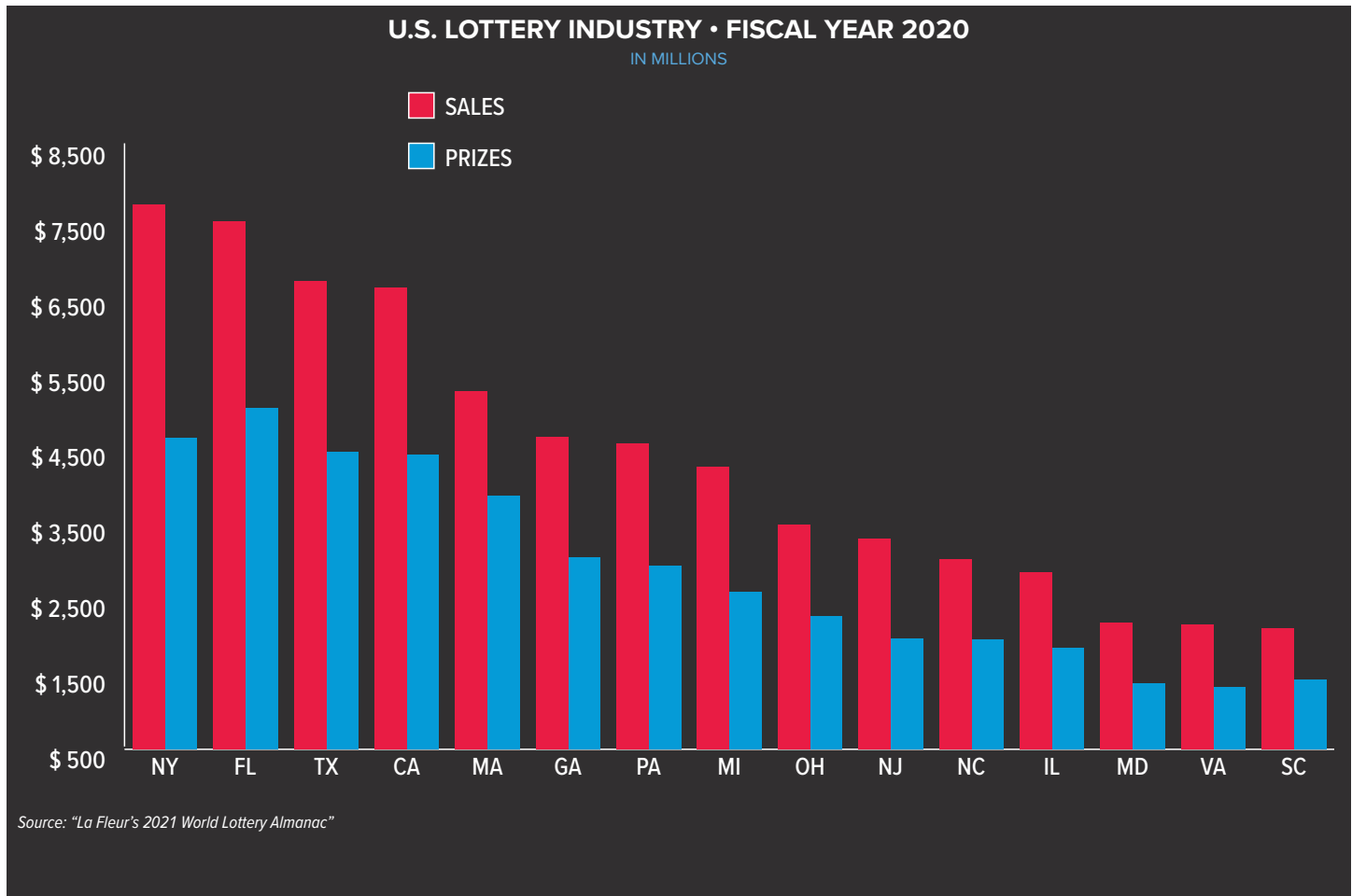
U. S. LOTTERY	POPULATION	TOTAL TICKET SALES	PRIZES	BONUSES/ COMMISSIONS	OPERATING EXPENSES	PRIZES AS % OF TOTAL SALES	PER CAPITA SALES
1 New York	19.3	\$7,726.7	\$4,624.5	\$462.7	\$-	59.9%	\$400
2 Florida	21.7	7,505.1	5,030.2	420.8	190.8	67.0%	345
3 Texas	28.4	6,704.0	4,442.4	347.9	240.3	66.3%	236
4 California	39.4	6,622.0	4,403.7	460.7	316.6	66.5%	168
5 Massachusetts	6.9	5,245.2	3,865.1	300.8	104.0	73.7%	761
6 Georgia	10.7	4,636.2	3,045.6	289.1	178.2	65.7%	433
7 Pennsylvania	12.8	4,555.1	2,927.6	234.9	231.2	64.3%	356
8 Michigan	10.0	4,247.4	2,583.6	307.7	186.7	60.8%	426
<b>9 OHIO</b>	<b>11.7</b>	<b>3,471.5</b>	<b>2,259.2</b>	<b>233.6</b>	<b>-</b>	<b>65.1%</b>	<b>297</b>
10 New Jersey	8.9	3,288.5	1,969.6	185.2	113.4	59.9%	370
11 North Carolina	10.6	3,016.2	1,957.6	209.2	124.0	64.9%	285
12 Illinois	12.6	2,841.7	1,842.2	154.9	153.6	64.8%	226
13 Maryland	6.1	2,181.9	1,369.0	163.7	-	62.7%	360
14 Virginia	8.6	2,148.6	1,318.1	120.7	117.0	61.3%	250
15 South Carolina	5.2	2,106.4	1,424.2	148.2	47.0	67.6%	404

(a) Sales excludes video lottery, (b) Latest information available

The fiscal year ends June 30 for all US states except New York (March 31), Texas (August 31), and Michigan (September 30).

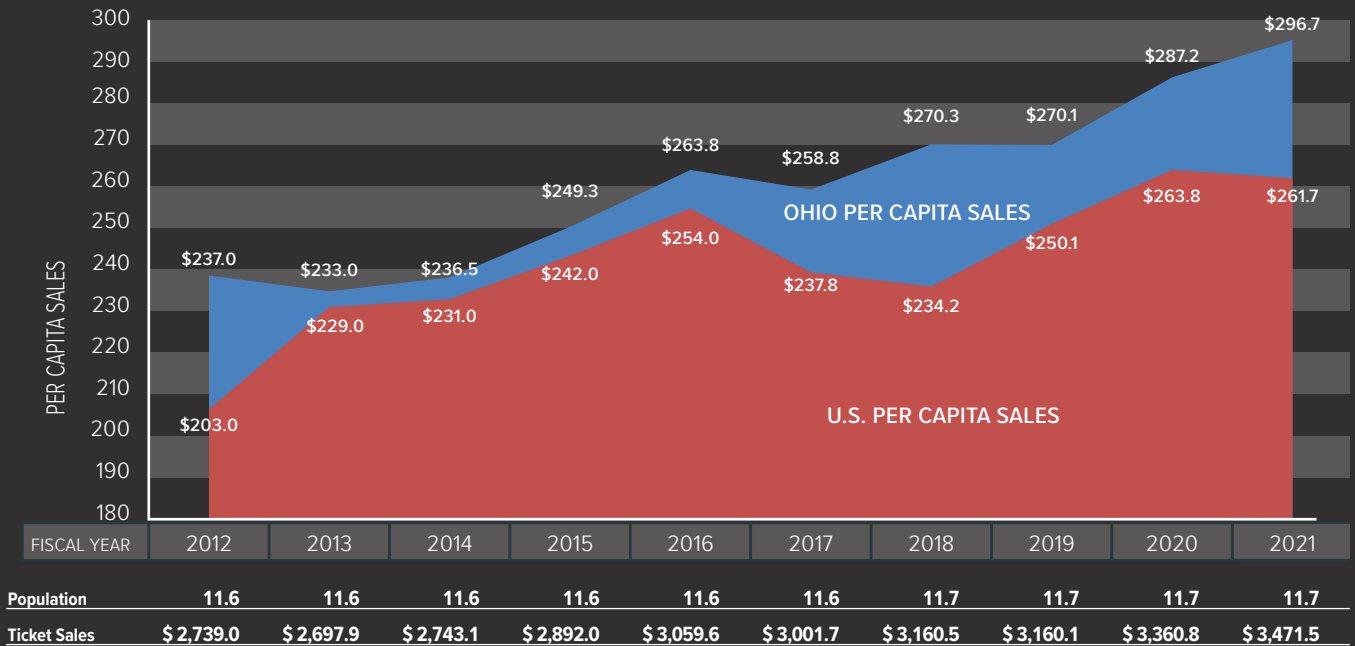
The population figures used for the U.S. states were published by the Bureau of the Census on July 1, 2021.

Source: "La Fleur's 2021 World Lottery Almanac"



## OHIO LOTTERY • PER CAPITA SALES

LAST TEN FISCAL YEARS • IN MILLIONS

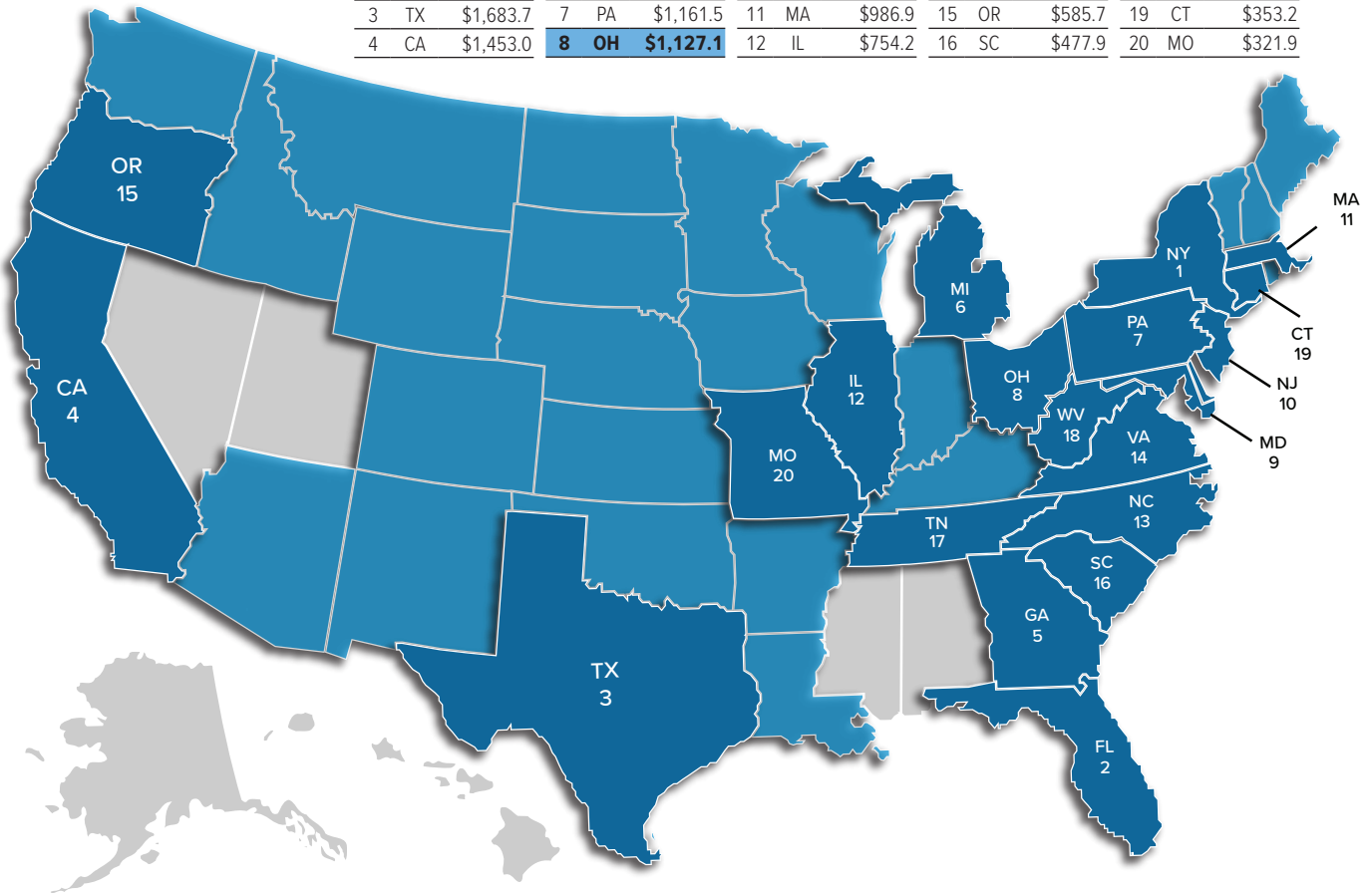


Source: "La Fleur's 2021 World Lottery Almanac" • <sup>(1)</sup> 2020 US Lotteries Per Capita Sales is estimated

## TOP 20 U.S. LOTTERY GOVERNMENT TRANSFERS • FY 2020

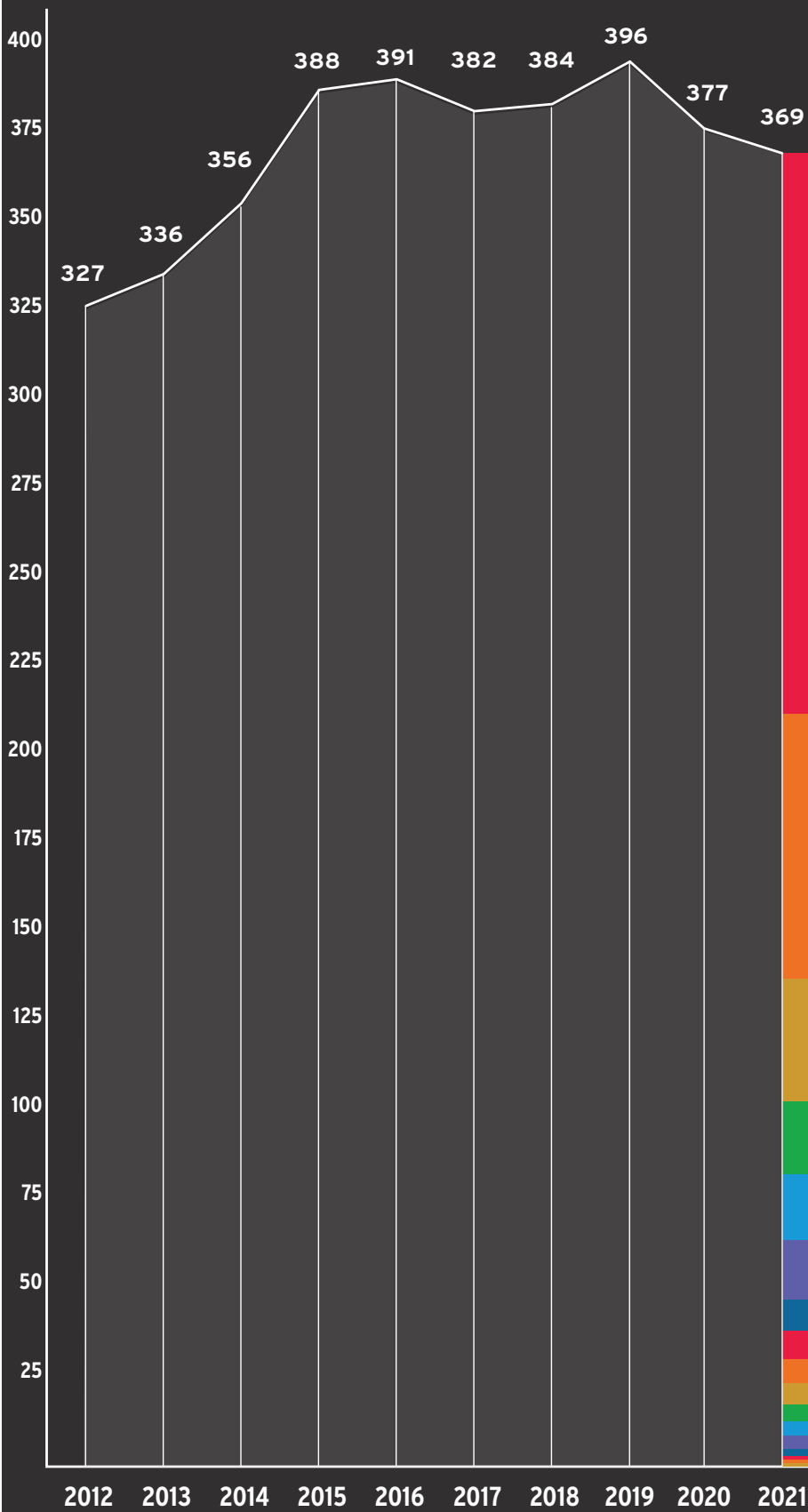
IN MILLIONS

1 NY	\$3,376.8	5 GA	\$1,237.4	9 MD	\$1,112.3	13 NC	\$732.5	17 TN	\$438.2
2 FL	\$1,913.8	6 MI	\$1,181.6	10 NJ	\$1,015.0	14 VA	\$595.4	18 WV	\$415.2
3 TX	\$1,683.7	7 PA	\$1,161.5	11 MA	\$986.9	15 OR	\$585.7	19 CT	\$353.2
4 CA	\$1,453.0	<b>8 OH</b>	<b>\$1,127.1</b>	12 IL	\$754.2	16 SC	\$477.9	20 MO	\$321.9



# OHIO LOTTERY • NUMBER OF EMPLOYEES

LAST TEN FISCAL YEARS • AS OF JUNE 30, 2021



## TOTAL EMPLOYEES

**369**

## EMPLOYEES BY OFFICE





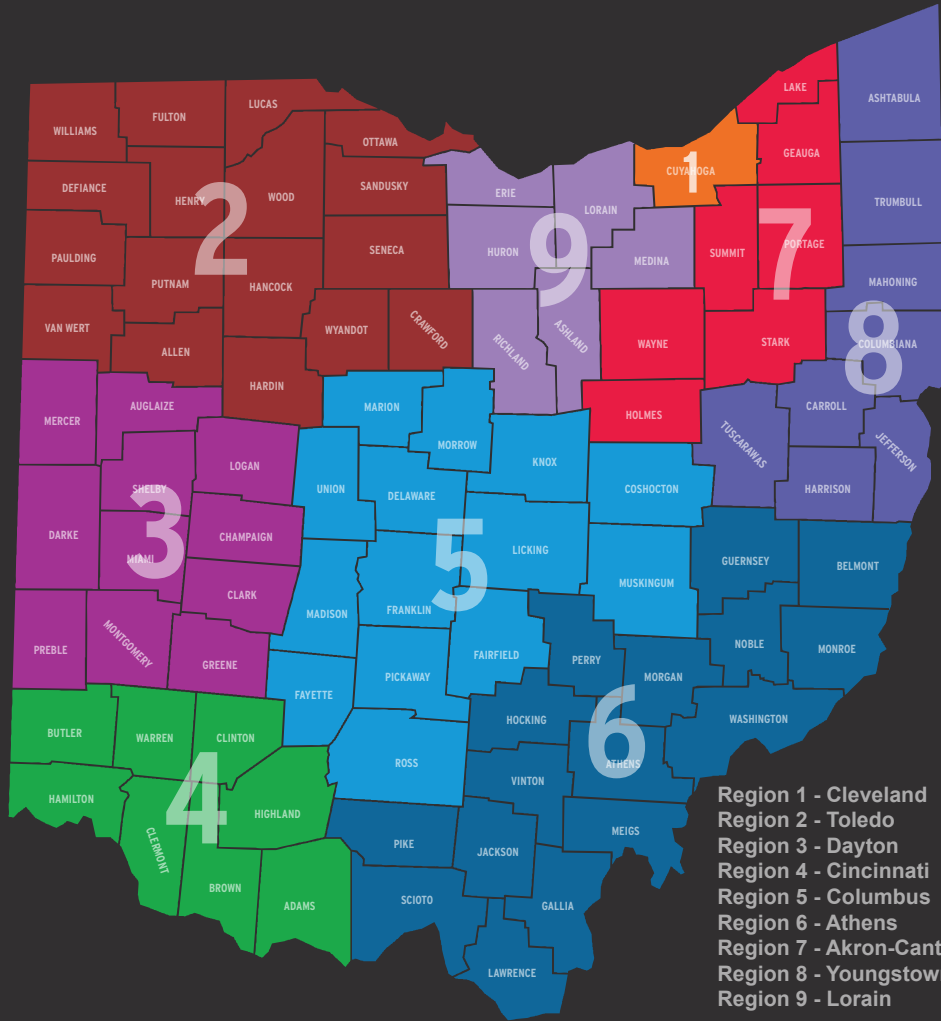
# OHIO LOTTERY • ACTIVE RETAILERS BY REGION

TOTAL LOTTERY RETAILERS:

**10,111**

CHANGE FROM  
PRIOR FISCAL YEAR:

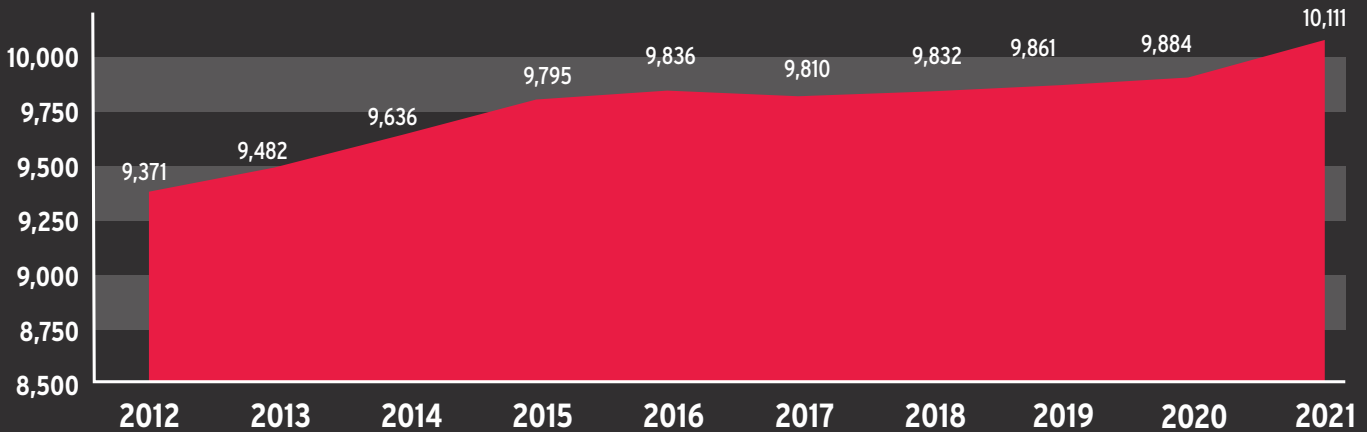
**+227**



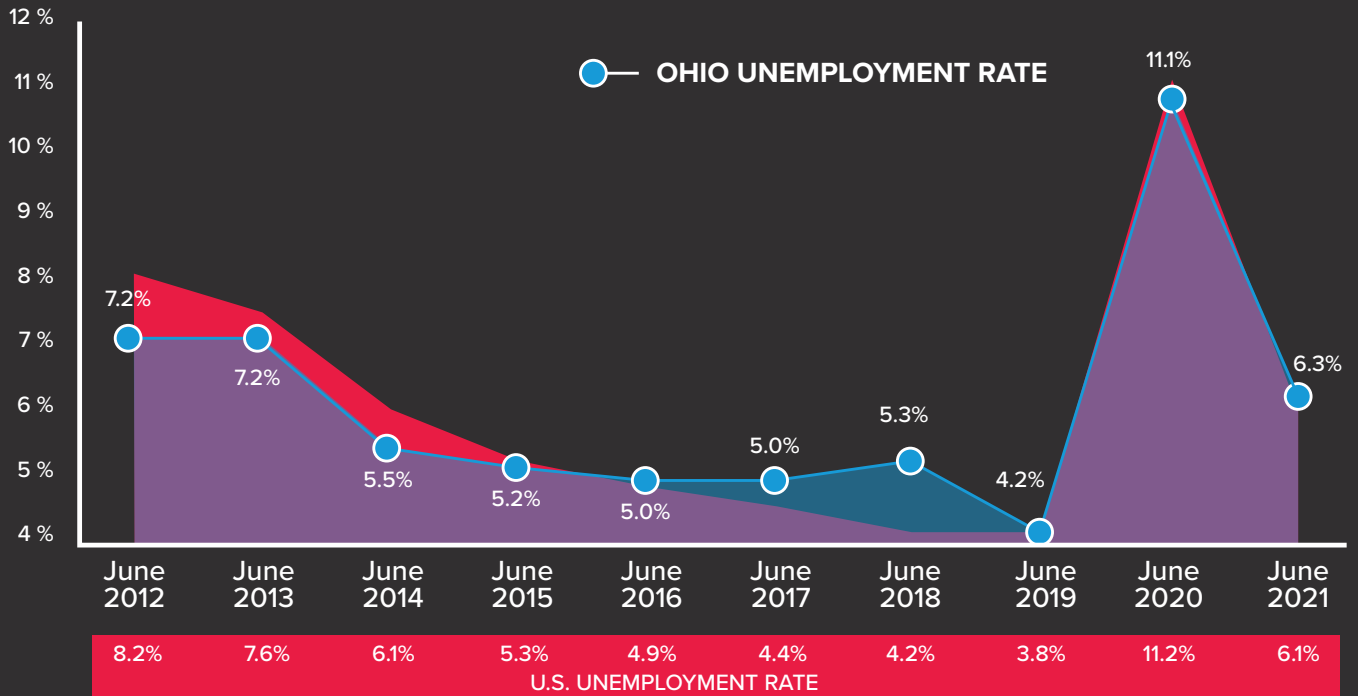
Region 1 - Cleveland  
 Region 2 - Toledo  
 Region 3 - Dayton  
 Region 4 - Cincinnati  
 Region 5 - Columbus  
 Region 6 - Athens  
 Region 7 - Akron-Canton  
 Region 8 - Youngstown  
 Region 9 - Lorain

TOTAL RETAILERS	REGION	PERCENT OF TOTAL	NET CHANGE
1,745	5. COLUMBUS	17.3%	63
1,319	7. AKRON-CANTON	13.0%	42
1,297	4. CINCINNATI	12.8%	29
1,260	2. TOLEDO	12.5%	19
1,190	1. CLEVELAND	11.8%	-9
1,042	3. DAYTON	10.3%	23
927	8. YOUNGSTOWN	9.2%	21
800	9. LORAIN	7.9%	21
531	6. ATHENS	5.3%	18

## LOTTERY RETAILERS • LAST TEN FISCAL YEARS



## UNEMPLOYMENT RATES • SEASONALLY ADJUSTED

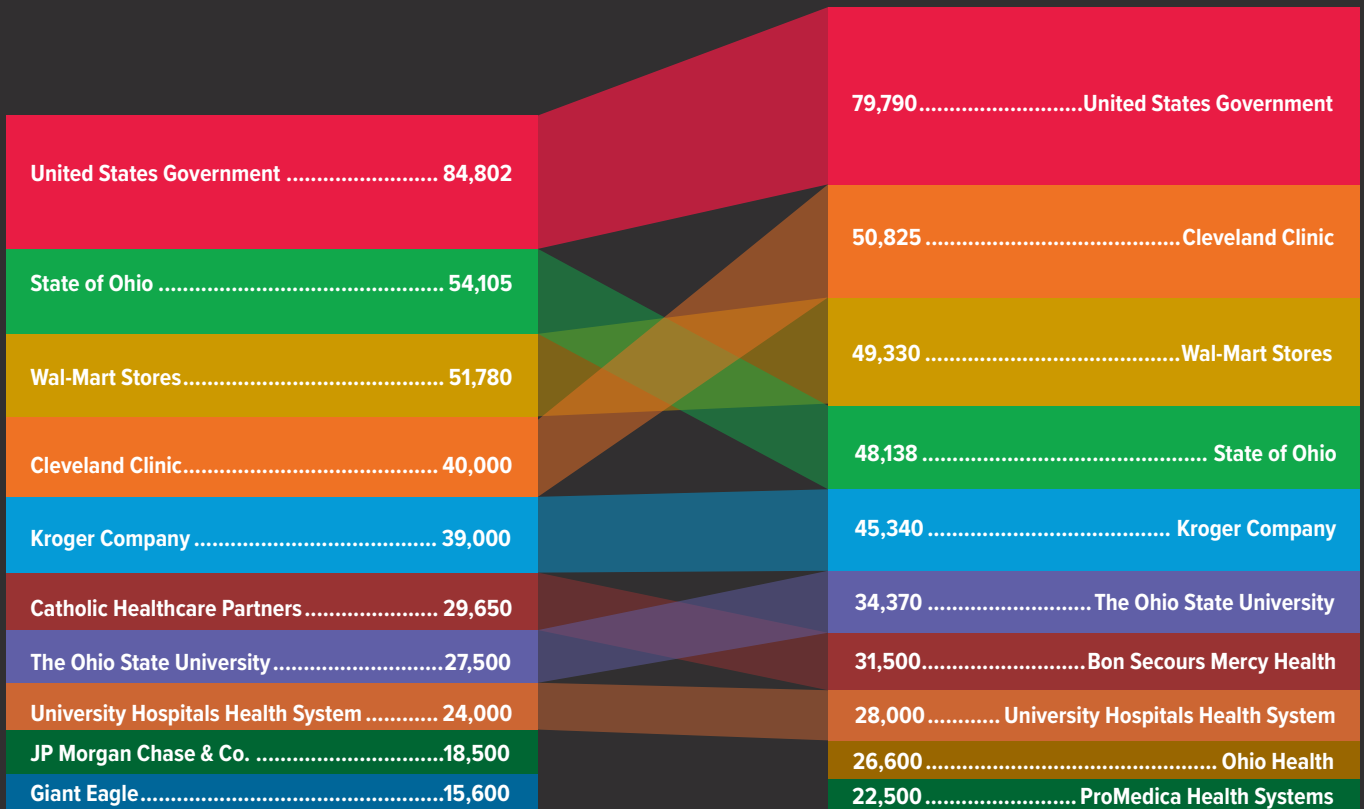


Source: Ohio Department of Job & Family Services

## STATE OF OHIO • PRINCIPAL EMPLOYERS FOR CALENDAR YEARS 2010 AND 2019

### 2010

### 2019



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Ohio Department of Services Agency, Office of Strategic Research; State of Ohio Comprehensive Annual Report for Fiscal Year 2020





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# OHIO AUDITOR OF STATE KEITH FABER



**OHIO LOTTERY COMMISSION**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 1/11/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)