



# **OKLAHOMA LOTTERY**

BENEFITS OKLAHOMA EDUCATION

## **Comprehensive Annual Financial Report of the Oklahoma Lottery Commission**

**For the Fiscal Years Ended  
June 30, 2016 and 2015**

**An Agency of the State of Oklahoma**

Comprehensive Annual Financial Report for the  
Fiscal Year Ended June 30, 2016

Oklahoma Lottery Commission  
An Agency of the State of Oklahoma

Prepared by the Staff of the Oklahoma Lottery Commission



# Oklahoma Lottery Commission 2016 Comprehensive Annual Financial Report

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## Introductory Section

**For the Fiscal Year Ended  
June 30, 2016**

**An Agency of the State of Oklahoma**



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Oklahoma Lottery Commission**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO



Oklahoma Lottery Commission  
3817 North Santa Fe  
Oklahoma City, Oklahoma 73118

December 31, 2016

To the citizens of Oklahoma: The Oklahoma Lottery, an agency of the State of Oklahoma, commenced operations in 2005 as a business enterprise within the framework of state laws and regulations, to implement the public's mandate to provide supplemental funds for public education. The mission of the Oklahoma Lottery Commission is to maximize revenues for public education through the creation and marketing of fun and entertaining products consistent with the highest levels of service, integrity and public accountability.

The Oklahoma Lottery Commission (the Lottery) is pleased to provide this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Accounting Unit of the Lottery prepared this CAFR, which includes its annual financial statements presented in accordance with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America. The CAFR presents an overview of the Lottery.

The CAFR covers financial activity of the Lottery in a single enterprise fund. The report follows formal standards of the Governmental Finance Officers Association of the United States and Canada (GFOA). Governmental organizations that publish this type of report can be compared to each other because similar kinds of information are included in the three sections.

This letter of transmittal is designed to complement the management's discussion and analysis that accompanies the financial statements and should be read in conjunction with it.

Management is responsible for the accuracy and completeness of the presentation, including all disclosures in the report. To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and the cash flows of the Lottery. All disclosures necessary to gain an understanding of the Lottery's financial activities have been included.

## History of the Lottery

The Lottery was approved by the citizens of Oklahoma upon approval of a voter referendum creating the Oklahoma Education Lottery Act (hereinafter the “Act”), and establishing certain Constitutional provisions, all in November of 2004. The Act is codified as Title 3A, Section 701, et. seq., of the Oklahoma Statutes. The Act has been modified in every legislative session, starting with 2005 through 2015 except for the 2009, 2014 and 2015 sessions. Twelve different statutes have been amended, some multiple times, or added via 11 different House or Senate bills.

The Constitutional provision is in Article 10, Section 41 of the Oklahoma Constitution, and this law change provides the following:

- Creates the Oklahoma Education Lottery Trust Fund (OELTF);
- Establishes legal purposes for use of the OELTF;
- Prohibits the Legislature from using the OELTF to supplant other funds used for education;
- Requires the State Board of Equalization (BOE) to issue a report in February regarding the supplanting of funds; and
- Provides that the Legislature may not make any additional appropriations of funds until the OELTF is replenished if the BOE determines that funds were supplanted.

The Lottery was established as an independent state agency to market and sell Lottery products. Under the Act, the Lottery is required to return a minimum of 45% of gross proceeds to prizes, at least 35% to public education, with the remaining amount used for costs of operating the Lottery. The Act specifies that the Lottery is operated and administered by a seven (7) member Board of Trustees appointed by the Governor, with advice and consent of the Senate. An Executive Director, who is appointed by the Board of Trustees, administers the day-to-day operations of the Lottery.

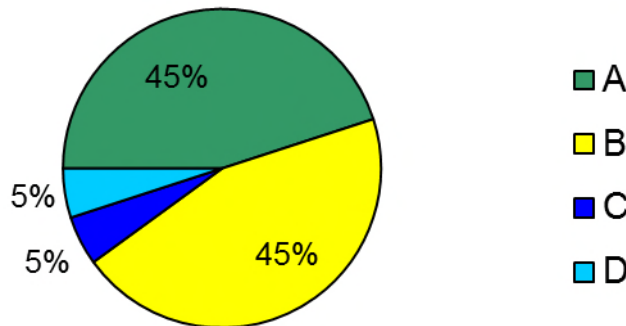
Under the Act, funds transferred to the Oklahoma Education Lottery Trust Fund may be utilized as follows:

- 45%** - Kindergarten through twelfth grade Public Education, including but not limited to compensation and benefits for public school teachers and support employees, and early childhood development programs, which shall include but not be limited to costs associated with pre-kindergarten and full-day kindergarten programs.
- 45%** - Tuition grants, loans and scholarships to citizens of this state to enable such citizens to attend colleges and universities located within this state, regardless of whether such colleges and universities are owned or operated by the Oklahoma State Regents for Higher Education, or to attend institutions operated under the authority of the Oklahoma Department of Career and Technology Education; provided such tuition grants, loans and scholarships shall not be made to a citizen of this state to attend a college or university which is not accredited by the Oklahoma State Regents for Higher Education. Construction of educational facilities for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education. Capital outlay projects for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education. Technology for public elementary school district, independent school districts, state higher education and career and technology education facilities, which shall include but not be limited to costs of providing to teachers at accredited public institutions who teach levels kindergarten through twelfth grade, personnel at technology centers under the authority of the Oklahoma State Department of Career and Technology Education, and professors and instructors within the Oklahoma State System of Higher Education, the necessary training in the use and

application of computers and advanced electronic instructional technology to implement interactive learning environments in the classroom and to access the statewide distance learning network and costs associated with repairing and maintaining advanced electronic instructional technology. Endowed chairs for professors at institutions of higher education operated by the Oklahoma State System of Higher Education. Programs and personnel of the Oklahoma School for the Deaf and the Oklahoma School for the Blind.

- C. **5%** - Teachers' Retirement System Dedicated Revenue Revolving Fund.
- D. **5%** - School Consolidation and Assistance Fund. When the total amount in the School Consolidation and Assistance Fund from all sources equals Five Million Dollars (\$5,000,000.00), all monies appropriated pursuant to this paragraph which would otherwise be deposited in the School Consolidation and Assistance Fund in excess of Five Million Dollars (\$5,000,000) shall be allocated by the State Department of Education to public schools based on the audited end-of-year average daily membership in grades 8 through 12 during the preceding school year for the purpose of purchasing technology equipment in order to conduct on-line testing as required by the Achieving Classroom Excellence Act of 2005. If at any time the total amount in the School Consolidation and Assistance Fund drops below Five Million Dollars (\$5,000,000), the monies appropriated pursuant to this paragraph shall be deposited in the School Consolidation and Assistance Fund until the Fund again reaches Five Million Dollars (\$5,000,000).

### **Distribution of Lottery Net Proceeds**



Ticket sales in Oklahoma began on October 12, 2005 with four instant games (Scratchers). In-state online games include Pick 3, (started on November 10, 2005); Powerball, Oklahoma’s first multi-state Lottery game (started on January 12, 2006); Cash 5 (started on September 1, 2006); Hot Lotto (started January 3, 2008); Mega Millions (started January 31, 2010); Pick 4 (started July 5, 2011, and ended September 15, 2013); and Poker Pick (started September 7, 2014) . New Scratcher games are introduced on a scheduled basis.

### **Economic Conditions and Outlook**

Oklahoma is an attractive place to live and work. The state enjoys a very low tax burden, a low cost of doing business and has a highly skilled and productive work force. Oklahoma lies at the crossroads of U.S. Interstates 35, 40 and 44, three of the nation’s most important transportation and



shipping corridors, allowing state businesses to take advantage of opportunities anywhere in the United States.<sup>(1)</sup>

Oklahoma has vibrant metropolitan areas and its two largest cities, Oklahoma City and Tulsa have been singled out in national surveys and various publications for their economic strengths and other qualities.<sup>(6)</sup> Oklahoma is one of only a handful of states to have an unemployment rate below the national average. The unemployment rate for 2015 was 4.4 percent and 4.8 % for 2016. Over the last five years, Oklahoma had a jobless rate far below that of the country as a whole.<sup>(2,6,7,8)</sup>

Oklahoma is known for its abundant resources, most notably oil and natural gas.<sup>(2)</sup> In 2015, low oil and gas prices have remained a drag on Oklahoma's economy and probably will into 2017. Between September 2014 and September 2016, energy sector job losses in Oklahoma have exceeded 20,000.<sup>(9)</sup> While the prolonged nature of the oil price decline will pose challenges for the State, Oklahoma will face those challenges with a momentum from a solid stint of recent economic growth.<sup>(8)</sup> There are some encouraging signs as state industries outside the oil and gas sector have helped the state weather the prolonged energy market downturn.<sup>(9)</sup> Oklahoma's agriculture has also been a vital part of the state's economic recovery. Oklahoma is a leading producer of agricultural products, ranking in the top ten in production of wheat, cattle and hogs, peanuts, grain, sorghum, pecans and rye.<sup>(2)</sup> Other important industries include health care, finance, tourism, warehousing, and distribution, and food processing and packaging.<sup>(6)</sup> All this economic activity definitely affects the levels in personal income and state revenues, challenging Oklahoma's Treasury funds and revenue streams.<sup>(8)</sup>

Oklahoma has taken several steps to help its workforce diversify and meet the challenges of the energy sector slump. Economic development entities designed to grow sustainable and consistent high-tech industries to counter the cyclical nature of staple industries like agriculture and energy are having success.<sup>(9)</sup>

Oklahoma boasts high quality education systems with award-winning schools. Oklahoma's Department of Career and Technology Education has developed the Oklahoma Training for Industry program. This program has been ranked one of America's best and most sophisticated training programs by delivering high quality, customized training to Oklahoma employers for free.<sup>(4)</sup> Oklahoma has award-winning schools and a nationally-recognized early childhood development program.<sup>(2)</sup>

There is something to do for everyone in Oklahoma, where museums tell of the state's colorful history and pioneer spirit. There are many outdoor recreational opportunities and major entertainment districts located in Oklahoma City and Tulsa, both having undergone a renaissance in their downtown areas in recent years. The state is also home to nearly 40 federally-recognized Indian tribes, who contribute significantly to the state's commerce.<sup>(3)</sup>

Some State Economic Highlights over the past five years

- Oklahoma's economic progress led to improvement in state revenues in recent years, replenishing of the State's depleted Rainy Day Fund.<sup>(2,3,6)</sup>
- Since Governor Mary Fallin took office in January 2011, Oklahoma has gained about 54,000 jobs through August 2013, according to the Oklahoma Department of Commerce. Oklahoma has consistently had an unemployment rate well below the national average and below the jobless rate of bordering states.<sup>(6)</sup>
- In 2012, KPMG rated Oklahoma City as the least costly medium-sized city in which to do business, while also being ranked for the lowest cost of living by CNBC.<sup>(6)</sup>

- Since 2009, the annual Oklahoma GDP growth has increased significantly, compared with a national average annual minimal growth rate of 1.9 percent, placing Oklahoma as the 10 highest annual GDP growth rate among all other states and the District of Columbia. While Oklahoma's GDP was still strong in 2014, the oil and gas downturn will continue to impact other industry sectors in the areas of unemployment, jobs and wages. <sup>(8)</sup>
- Governor Mary Fallin signed legislation in 2013 to lower the state income tax from 5.25 percent to 5.0 percent in 2014 and 4.85 percent in 2015. <sup>(6)</sup>
- In 2014 more than 110 companies announced plans to expand in Oklahoma and hire thousands and invest billions. <sup>(7)</sup>
- 2014's low unemployment rate combined with the increase in jobs resulted in an 18.1 % growth in wages and salaries since 2011 – the best growth among states during that time. <sup>(7)</sup>
- The Oklahoma Medical Research Foundation (OMRF) is one of the most respected nonprofit biomedical research institutes in the world. OMRF has established strategic partnerships with scientists in China, India and Brazil to uncover the basis of diseases and to discover new treatments. <sup>(5)</sup>
- The U.S. Chamber of Commerce Foundation ranked Oklahoma for overall economic performance in its "Enterprising States 2015" report. Other top 10 rankings for the state in the report include sixth in per capita income growth, fifth in college affordability, ninth in cost of living and tenth in long-term job growth. <sup>(8)</sup>
- Twenty-five Oklahoma companies made the 2016 Inc. top 5,000 list of the fastest-growing private sector companies in the nation. <sup>(9)</sup>
- While in 2015-2016 oil and gas and manufacturing have taken a hard hit employment wise, the jobs outlook still remains highly dependent on the future of energy prices. The Oklahoma unemployment rate was higher in September 2015-2016 than in the same month of the previous years but still below the national average. <sup>(8,9)</sup>
- Oklahoma's leadership has taken several steps to help its workforce diversity and meet the challenges of the energy sector slump. But efforts to diversify and increase workforce skills are still needed. Other industries have been flat or down. The State will need these other industries, such as healthcare, entertainment, and construction, to help drive economic growth. <sup>(8,9)</sup>

State government will focus on critical issues to ensure Oklahoma capitalizes on its potential for growth. Sustained efforts in creating a business friendly environment are essential for creating a bright, strong future. <sup>(9)</sup> Oklahoma's executive management will continue to lead in promoting improvement in key areas to improve the lives of all Oklahomans. With the Governor's leadership, Oklahoma will continue to make investments in a high quality educational system where all students can succeed and will also encourage investors to allow their money to work and grow in Oklahoma. <sup>(4,8,9)</sup>

The Lottery expects revenues for FY-2017 to be less than FY-2016. Revenues for the following years are expected to decline based partly on economic conditions but mainly because of the impact of the 35% minimum profit mandate (profit restriction) that is in the current Lottery Act. This statutorily mandated provision limits how much can be returned to players in the form of prizes, which in turn limits the overall sales and profits. Additional challenges to growth in Lottery revenue include the increasing competition from other gaming venues, most notably Tribal casinos and horse racing / racinos. Oklahoma has entered into compacts with 34 Oklahoma tribes to direct a portion of casino gaming revenues to education. There are more than 100 tribal casinos operating in Oklahoma, which limits opportunities to spend entertainment dollars on Lottery products.

Other challenges affecting the growth of Lottery sales include illegal gaming machines; restrictions on legal Lottery venues and types of games; restrictions on method of payment for lottery purchases and better prize payouts offered by surrounding state lotteries.

- <sup>(1)</sup> Spears School of Business 2011 Economic Outlook
- <sup>(2)</sup> Oklahoma Office of State Finance 2011 CAFR
- <sup>(3)</sup> Oklahoma Office of State Finance 2012 CAFR
- <sup>(4)</sup> Oklahoma Office of State Finance 2010 CAFR
- <sup>(5)</sup> Spears School of Business 2012 Economic Outlook
- <sup>(6)</sup> Oklahoma Office of Management and Enterprise Services 2013 CAFR
- <sup>(7)</sup> Oklahoma Office of Management and Enterprise Services 2014 CAFR
- <sup>(8)</sup> Oklahoma Office of Management and Enterprise Services 2015 CAFR
- <sup>(9)</sup> Oklahoma Office of Management and Enterprise Services 2016 CAFR

## Lottery Products

The Lottery offers different games in two styles of play, Scratchers and draw style games. Description of the games follows:

# Scratchers

**Scratchers** – Scratchers are instant games that are played by scratching the latex covering off a play area to reveal “instantly” whether the ticket is a winner. The Lottery started Scratcher game sales on October 12, 2005. There are different play styles for Scratcher games, such as matching two or three like symbols, your score beats their score, or your symbol matches a key symbol. The odds of winning vary by game and prize level. Information on how to play and odds may be found on the ticket and on the Lottery’s website. Scratcher tickets cost from \$1 to \$5 with prize levels ranging between \$1 and \$50,000. Players have 90 days from the announced end-of-game to claim prizes.



**Powerball** – Oklahoma started selling Powerball tickets on January 12, 2006 and the first drawing for Oklahoma was January 14, 2006. 2012 marked Powerball’s 20th anniversary and on Jan. 15, 2012, sales for the game changed to offer more millionaires, bigger starting jackpots and better overall odds of winning. The first drawing of **this** new game was on Wed., Jan. 18, 2012. Players **played** the game by choosing the first five numbers from a pool of 59 numbers and then the Powerball number is chosen from a pool of 35 numbers. The new starting jackpot doubled to \$40



million. Powerball tickets increased in cost to \$2 per game and a player can still select the Power Play option for an additional \$1. The Power Play option provides increased non-jackpot prizes (see chart below). The MATCH 5 prize moved from \$200,000 to \$1 million and with the purchase of the Power Play option for \$1, players have the chance to win \$2 million. Another game change was on October 7, 2015, with players now playing the game by choosing the first five numbers from a pool of 69 numbers and then the Powerball number chosen from a pool of 26 numbers. Match 4+the Powerball changed to \$50,000. The Power Play option provides increased non-jackpot prizes to 10 times, up to Jackpot prizes of \$150 million. Powerball tickets remain \$2 per game and a player can still select the Power Play option for an additional \$1. The winning numbers are selected via a televised drawing. Jackpot prizes are won when the Player's ticket matches the five white balls and the red "Powerball". The odds of winning any prize improved to 1 in 31.85 from 1 in 35 and the odds of winning the jackpot improved to 1 in 175 million from 1 in 195 million. Jackpots are advertised using the estimated annuity amount. The jackpot can be taken as a cash prize or an annuity prize paid out in 30 annual payments over a 29 year period and payment for each year increases by 4% over the prior year. Forty seven (47) lotteries participate in Powerball (44 states, the District of Columbia, Puerto Rico and the Virgin Islands, and the amount contributed to Oklahoma Education is the same as all of the other Lottery games – a minimum of 35% of Oklahoma sales! Players have 180 days after the draw date to claim prizes.

POWERBALL			POWERPLAY®				
MATCH	PRIZE	ODDS:1 IN	2X	3X	4X	5X	10X
●●●●●+●	JACKPOT	292,201,338	POWER PLAY DOES NOT APPLY TO THE JACKPOT.				
●●●●●	\$1,000,000	11,688,054	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
●●●●●+●	\$50,000	913,129	\$100,000	\$150,000	\$200,000	\$250,000	\$500,000
●●●●●	\$100	36,525	\$200	\$300	\$400	\$500	\$1,000
●●●●●+●	\$100	14,494	\$200	\$300	\$400	\$500	\$1,000
●●●●●	\$7	580	\$14	\$21	\$28	\$35	\$70
●●●●●+●	\$7	701	\$14	\$21	\$28	\$35	\$70
●●●●●	\$4	92	\$8	\$12	\$16	\$20	\$40
●●●●●+●	\$4	38	\$8	\$12	\$16	\$20	\$40



**Hot Lotto** – Hot Lotto is a jackpot style game that is similar to Powerball that has better odds and smaller jackpots. Fourteen states and the District of Columbia participate in Hot Lotto, a game that has a progressive Jackpot starting at \$1.0 million dollars, taxes paid. Oklahoma launched Hot Lotto sales on January 3, 2008, and the first drawing was January 5, 2008. Players picked five white numbers from 1 to 39 and one orange "HOT ball" number from 1-19. An "Easy Pick" option allows the computer to pick all your numbers. Beginning May 12<sup>th</sup>, 2013, Hot Lotto began a taxes paid Jackpot, with more number choices and bigger prizes. This revamped Hot Lotto game offers a starting jackpot of \$1 million cash with State and Federal withholding taxes paid for the winner, which puts more money in the winners' hands. Also, the numbers of white balls changed from 39 to

47. Players will now have to choose five numbers from the 47 and one number, the Hot Ball, from a separate pool of 19 numbers (no change) to win the Jackpot. In addition to the taxes paid Jackpot, several other prize levels increased. Shown below is the Prize Matrix for the new prize levels. Players can win one of nine cash prizes when they match enough of the Hot Lotto numbers drawn. Hot Lotto remains \$1 per play and the Sizzler option, which triples non-jackpot prizes, still costs an additional \$1 per play. Hot Lotto drawings occur twice each week, on Wednesday and Saturday evenings. The overall odds of winning in this redesigned game are now 1 in 17.22.

MATCH	PRIZE	ODDS: 1 IN	WITH SIZZLER
	<b>JACKPOT</b>	29,144,841.00	<b>DOES NOT APPLY TO JACKPOT</b>
	<b>\$30,000</b>	1,619,157.83	<b>\$90,000</b>
	<b>\$3,000</b>	138,784.96	<b>\$9,000</b>
	<b>\$100</b>	7,710.28	<b>\$300</b>
	<b>\$50</b>	3,385.00	<b>\$150</b>
	<b>\$6</b>	188.06	<b>\$18</b>
	<b>\$6</b>	253.87	<b>\$18</b>
	<b>\$3</b>	52.08	<b>\$9</b>
	<b>\$2</b>	34.26	<b>\$6</b>



**Mega Millions** – Mega Millions sales launched in Oklahoma on January 31, 2010 and our first drawing was February 2, 2010. Players select 5 out of 59 numbers from the white balls (these can be drawn in any order to win), then select 1 out of 39 numbers for the yellow Mega Ball®. Jackpots begin at \$12 million and continue to build (rollover) until a player(s) matches all six numbers. Mega Millions tickets cost \$1 per game and a player can select the megaplier option which allows non-jackpot prizes to be increased by 2, 3, or 4 times, for an additional \$1. If the megaplier is selected, the 2<sup>nd</sup> level prize is \$1 million. The jackpot can be taken as a cash prize or as an annuity prize paid out in 26 annual payments over 25 years. Forty six (46) lotteries participate in Mega Millions (44 states, the District of Columbia, and the Virgin Islands) and the amount contributed to Oklahoma Education is the same as all of the other Lottery games – a minimum of 35% of Oklahoma sales! Players have 180 days after the draw date to claim prizes. The Mega Millions game was revised effective with the October 22, 2013 drawing. First, the game matrix changed: players now choose 5

out of 75 balls and 1 out of 15 balls. This changes the odds of winning the jackpot to 1:259 million. The jackpot starts at \$15 million rather than \$12 million and will grow by at least \$5 million each rollover. The second level prize changed from \$250,000 to \$1 million and the multiplier option now includes a 5X. In addition, winning with the multiplier option will also multiply the 2<sup>nd</sup> level prize. And, if a player selects the annuity prize, it is now based on 30 payments over 29 years and each payment grows by 5% over the previous year.

MEGA MILLIONS			MEGAPLIER			
MATCH	PRIZE	ODDS: 1 in	2x	3x	4x	5x
○○○○○+●	Jackpot	258,890,850	Jackpot	Jackpot	Jackpot	Jackpot
○○○○○	\$1,000,000	18,492,204	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000
○○○○○+●	\$5,000	739,688	\$10,000	\$15,000	\$20,000	\$25,000
○○○○○	\$500	52,835	\$1,000	\$1,500	\$2,000	\$2,500
○○○○+●	\$50	10,720	\$100	\$150	\$200	\$250
○○○○	\$5	766	\$10	\$15	\$20	\$25
○○○+●	\$5	473	\$10	\$15	\$20	\$25
○○+●	\$2	56	\$4	\$6	\$8	\$10
○+●	\$1	21	\$2	\$3	\$4	\$5

October 22, 2013 Prize Chart

# Pick 3

**Pick 3** – Oklahoma’s first draw game sales launched on November 10, 2005. In this game, players select a set of three numbers, 1 each from 0 to 9. Players can try to match the three numbers drawn in the exact order or in various combinations (see Pick 3 table below). Prizes range from \$50 - \$500. The winning numbers are available nightly to Oklahoma media outlets and on the Lottery website. Players have 180 days after the draw date to claim prizes.

PLAYS	EXAMPLE	IF LOTTERY DRAWS	YOU WIN	ODDS
<b>Straight</b>	7 2 4	<b>7 2 4</b> Only Exact Match Wins	<b>\$500</b>	1 in 1,000
<b>Box 3-Way</b>	1 1 3	<b>1 1 3 1 3 1 3 1 1</b>	<b>\$160</b>	3 in 1,000
<b>Box 6-Way</b>	7 2 4	<b>7 2 4 2 4 7 4 2 7 7 4 2 2 7 4 4 7 2</b>	<b>\$80</b>	6 in 1,000
<b>Front Pair</b>	7 2 ★	<b>7 2 ★</b> 72 + Any Number	<b>\$50</b>	1 in 100
<b>Back Pair</b>	★ 2 4	<b>★ 2 4</b> Any Number + 24	<b>\$50</b>	1 in 100

# Cash 5

**Cash 5** – Cash 5 players select a set of five numbers from 1 to 36. Winning tickets are those that match any two, three, four, or all five of the five numbers drawn. There are four prize categories in this game. The top prize for matching all five numbers is \$35,211 and is intended to yield \$25,000 cash payment after deducting applicable withholding for federal and state taxes. This game started on September 1, 2006 with a drawing every Tuesday and Thursday night. A Saturday drawing was added on September 1, 2007, and starting July 1, 2009, the game is now drawn every night. The winning numbers are available nightly to Oklahoma media outlets and on the Lottery website. Players have 180 days after the draw date to claim prizes.

MATCH	PRIZE	ODDS: 1 IN
● ● ● ● ●	<b>\$25,000</b> taxes paid	376,992
● ● ● ●	\$500	2,432.2
● ● ●	\$10	81.1
● ●	Free Ticket (Easy Pick)	8.4
The overall odds of winning are 1 in 7.6 for each \$1 played.		










The Jackpot Prize is a fixed amount of \$35,211 less applicable Federal and State Tax withholding of \$10,211. Each winner will receive a prize check of \$25,000 except in the situations where there are more than five (5) jackpot winners in a single drawing: when there are six (6) or more jackpot winners in a single draw the winners will share a pre-tax total of \$200,000 equally. The holder of a winning ticket may win in only one category per \$1 play panel and shall be paid the prize in the highest category won. Prizes are approximately 48% of sales.



**Poker Pick** – Poker Pick, started September 7, 2014 and is Oklahoma’s first ever combined instant/draw game where players can instantly win a prize, then win again in a nightly drawing. Poker Pick offers the largest Oklahoma draw top prize of \$100,000. Tickets cost \$2 each and drawings are held nightly, much like Oklahoma’s other daily games Pick 3 and Cash 5. Each ticket will display 5 cards from a deck of 52. Players can win up to \$10,000 instantly. Prizes at all levels are awarded if the cards displayed on the

player's ticket matches one of the winning poker hands listed at the bottom of the ticket. If a player has a hand of "Jacks or Better" they win a prize. Players then have a chance to win nightly prizes if the cards on their ticket match at least two of the cards drawn in the nightly drawing. A player that matches 5 of 5 cards will win the \$100,000 prize. All Poker Pick tickets are Easy Pick (players cannot select their cards).

**INSTANT MATRIX**

	<p><b>ROYAL FLUSH - \$10,000</b>          ACE, KING, QUEEN, JACK AND 10 OF THE SAME SUIT          ODDS 1: 649,740</p>		<p><b>THREE OF A KIND - \$5</b>          ANY 3 CARDS OF THE SAME VALUE          ODDS 1: 47</p>															
	<p><b>STRAIGHT FLUSH - \$1,000</b>          ANY 5 CONSECUTIVE CARDS OF THE SAME SUIT          ODDS 1: 72,193</p>		<p><b>TWO PAIR - \$3</b>          ANY 2 PAIRS OF THE SAME VALUE          ODDS 1: 21</p>															
	<p><b>FOUR OF A KIND - \$100</b>          ANY 4 CARDS OF THE SAME VALUE          ODDS 1: 4,165</p>		<p><b>PAIR OF JACKS OR BETTER</b>  <b>- FREE TICKET</b> (POKER PICK)          2 JACKS, 2 QUEENS, 2 KINGS OR 2 ACES          ODDS 1: 8</p>															
	<p><b>FULL HOUSE - \$50</b>          ANY 3 OF A KIND PLUS A PAIR          ODDS 1: 694</p>	<p><small>CARD IMAGES ARE EXAMPLES ONLY.          COMBINATION OF CARDS CAN VARY BY RANK AND SUIT.</small></p>																
	<p><b>FLUSH - \$30</b>          ANY 5 CARDS OF THE SAME SUIT          ODDS 1: 509</p>	<p><b>NIGHTLY MATRIX</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">MATCH</th> <th style="text-align: left;">PRIZE</th> <th style="text-align: left;">ODDS</th> </tr> </thead> <tbody> <tr> <td>5 OF 5</td> <td>\$100,000</td> <td>1: 2,598,960</td> </tr> <tr> <td>4 OF 5</td> <td>\$1,000</td> <td>1: 11,059</td> </tr> <tr> <td>3 OF 5</td> <td>\$20</td> <td>1: 240</td> </tr> <tr> <td>2 OF 5</td> <td>\$4</td> <td>1: 16</td> </tr> </tbody> </table>		MATCH	PRIZE	ODDS	5 OF 5	\$100,000	1: 2,598,960	4 OF 5	\$1,000	1: 11,059	3 OF 5	\$20	1: 240	2 OF 5	\$4	1: 16
MATCH	PRIZE	ODDS																
5 OF 5	\$100,000	1: 2,598,960																
4 OF 5	\$1,000	1: 11,059																
3 OF 5	\$20	1: 240																
2 OF 5	\$4	1: 16																
	<p><b>STRAIGHT - \$10</b>          ANY 5 CONSECUTIVE CARDS OF ANY SUIT          ODDS 1: 255</p>																	



**Prize Claim Centers** – Lottery winners are able to claim prizes up to \$600 at any Lottery retailer, identifiable by the Lottery “Play here” poster shown to the left. Prizes up to \$5,000 can be claimed at any of the twelve (12) Claim Centers, including Lottery headquarters, located throughout Oklahoma. Prizes that exceed \$5,000 must be claimed at the Lottery headquarters claim center, or may also be claimed by mailing the winning tickets to the Oklahoma City headquarters. A claim form, social security number and two forms of ID are required for all prizes greater than \$600.



## Highlights of Fiscal Year 2016

### *Millions Contributed to Education*

The Lottery contributed \$66.4 million for education on total Lottery revenues of \$189.7 million in FY-2016. Through November 2016 as this report is submitted, more than \$767.8 million has been contributed to the Oklahoma Education Lottery Trust Fund by the Lottery Commission to be used for Oklahoma education programs.

### Jackpot Winners History

Oklahoma has had four Powerball Jackpot Winners winning prizes with annuitized values of more than \$325.3 million dollars since inception in 2006. The first jackpot winner made history just 5 months after Oklahoma joined Powerball, on June 17, 2006, by winning the \$101.8 million prize (annuitized value), becoming the first Powerball jackpot winner from Oklahoma. The winners were quoted as saying that “we are proof that you never know when you might win and you cannot win unless you play.”

On June 29, 2007, a couple from Muldrow, Oklahoma claimed the second Powerball Jackpot that was sold in Oklahoma. Their jackpot’s annuitized value was worth \$105.8 million. On August 22, 2008, a trust claimed the third Powerball jackpot sold in Oklahoma. The annuitized amount was \$84.9 million. The fourth Powerball jackpot ticket was sold on November 21, 2009, and claimed by a trust on January 20, 2010. The annuitized amount was \$32.8 million. In addition, through December 2016, Oklahoma has had 5 Hot Lotto jackpot winners with prizes totaling \$14.98 million, and has awarded 47 prizes of \$1 million or more, in total.

### Financial Information

#### *Accounting System and Policies*

The Lottery operates the Oklahoma Education Lottery Revolving Fund, an enterprise fund that, like a private business, utilizes the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### *Budgetary Controls*

A comprehensive annual budget is prepared for and approved by the Lottery’s Board of Trustees. A budget is submitted annually to OMES the Office of Management and Enterprise Services (formerly the Office of State Finance) as required by state statutes. The budget is prepared on both a cash basis and a full accrual basis of accounting. The budget is based on sales forecasts, industry trends, program proposals, and approved action plans. The operating budget is submitted to OMES, the Governor and the legislature. Actual costs are monitored throughout the year for compliance with the approved budget and appropriate adjustments are approved if necessary.

#### *Internal Controls*

An internal control structure has been designed to ensure that assets are protected from loss, theft or misuse, and to ensure that the accounting system allows compilation of accurate and timely financial information. The internal controls are designed to provide reasonable assurance that these objectives are met. To enhance controls, management has separated responsibilities and provides approval and oversight for the following functions: personnel and payroll; purchasing and accounts payable;

general ledger and accounts receivable; cash receipts and cash disbursements; retailer network management and retailer accounts receivable; and system data processing and system programming. Reviews of operations are achieved by the following procedures:

***Draw verification:*** Employees of an Oklahoma independent certified public accounting firm witness the selection of winning numbers for Oklahoma online games.

***Lottery Vendor Service Organization (SSAE 16) Audit:*** Scientific Games International (SGI) was contracted by the Oklahoma Lottery as the vendor for instant and online games. SGI Management contracted the services of an independent CPA to perform a Statement on Standards for Attestation Engagements (SSAE 16), Service Organizations, engagement with testing of identified internal controls. The SSAE 16 is an internationally recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). A SSAE 16 audit examination is widely recognized because it represents that a service organization has been through an in-depth audit of their control activities, which generally include controls over information technology and related processes.

***Internal Audits:*** The Lottery contracts with an outside accounting firm to perform appropriate studies and evaluations of accounting and administrative controls, as directed by the Board of Directors, Audit and Finance Committee.

***Other Safeguards and Controls:*** To ensure the integrity of the Lottery the following measures have been implemented:

- Specialized security staff.
- Secured facilities and gaming equipment.
- Background checks on retailers, contractors and Lottery employees.
- Lottery tickets with special inks, dyes and security codes.
- Detailed and strict security procedures for game drawings.
- Lottery random number generators are in stand-alone systems and are certified by an independent firm prior to installation.
- Back-up sites for gaming systems are properly maintained.

### ***Employees***

The Lottery had 28 full-time employees as of June 30, 2016.

### ***Debt Administration***

At the end of FY-2016, the Lottery had no long-term liabilities. A start-up line of credit of \$10 million was authorized by the state legislature and extended by J.P. Morgan Chase to the Lottery. The authority for the line of credit expired in August 2007. The Lottery borrowed approximately \$200,000 in 2005, and has fully repaid this debt. The State of Oklahoma received a rating of "Aa2" by Moody's Investors Service and "AA+" by both Standard & Poor's Corporation and Fitch Investors Service general obligation bonds.

### ***Change in Accounting Policy and Reclassifications***

Effective July 1, 2008, to more closely comply with industry standard accounting procedures, the Lottery changed its accounting policy for free tickets, the majority of which are related to instant ticket games. Every instant ticket game has a predetermined number of free tickets in its prize structure. For years prior to fiscal year 2009, free tickets were included in sales and prize expense.

For the year ended June 30, 2009, sales and prize expense are shown net of free tickets and prior year financials have been restated to make year-to-year comparisons more meaningful. The effect of the change in accounting policy reduces both revenues and direct costs from instant and on-line games. There is no effect on the calculation of profits to be transferred to the Oklahoma Education Lottery Trust Fund, on the Lottery's net assets, changes in net assets, or net cash flows from operations.

### ***Performance Target***

The Oklahoma Lottery estimates that it will transfer more than \$51.73 million to education in FY-2017, which will bring the total transferred by the Lottery for Oklahoma Education to approx. \$804 million by the end of FY-2017.

### **Independent Audit**

Oklahoma statutes require an annual financial audit by an independent CPA. The independent auditors' report on the Lottery's financial statements is included in the financial section of this report.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oklahoma Lottery for its comprehensive annual financial report for the fiscal years ended June 30, 2006, June 30, 2007, June 30, 2008, June 30, 2009, June 30, 2010, June 30, 2011, June 30, 2012, June 30, 2013, June 30, 2014, and June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for certification. This report demonstrates the professionalism and dedicated team effort of Lottery employees. We appreciate their contribution to the success of this report. The Lottery is committed to providing thorough and relevant financial information to the public. This CAFR reflects our commitment to meet the highest standards of accountability and to maintain public trust through the highest ethics and integrity. Additionally, we were notified by The Open Group, in April 2012 that we achieved certification in the NASPL National Standards Initiative for Quality Assurance Requirements Definition for Lotteries. The Oklahoma Lottery was the fifth Lottery to achieve this certification (along with Georgia, Louisiana, Missouri, and North Carolina).

Credit is also given to our Board of Trustees for their responsiveness and guidance in operating the Lottery.

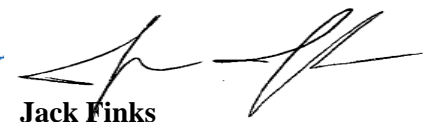
Respectfully submitted,



**Rollo Redburn**  
Executive Director



**Greg Fields**  
Comptroller



**Jack Finks**  
Director Administration

**OKLAHOMA LOTTERY COMMISSION**  
**Board of Trustees**  
as of 06/30/2016



**CHAIRMAN**  
David Ostrowe



**VICE-CHAIRMAN**  
R. Deane Wymer



**SECRETARY**  
Matthew Felty



**TREASURER**  
Nevyle R. Cable



**TRUSTEE**  
Jack Sherry



**TRUSTEE**  
George R. Charlton

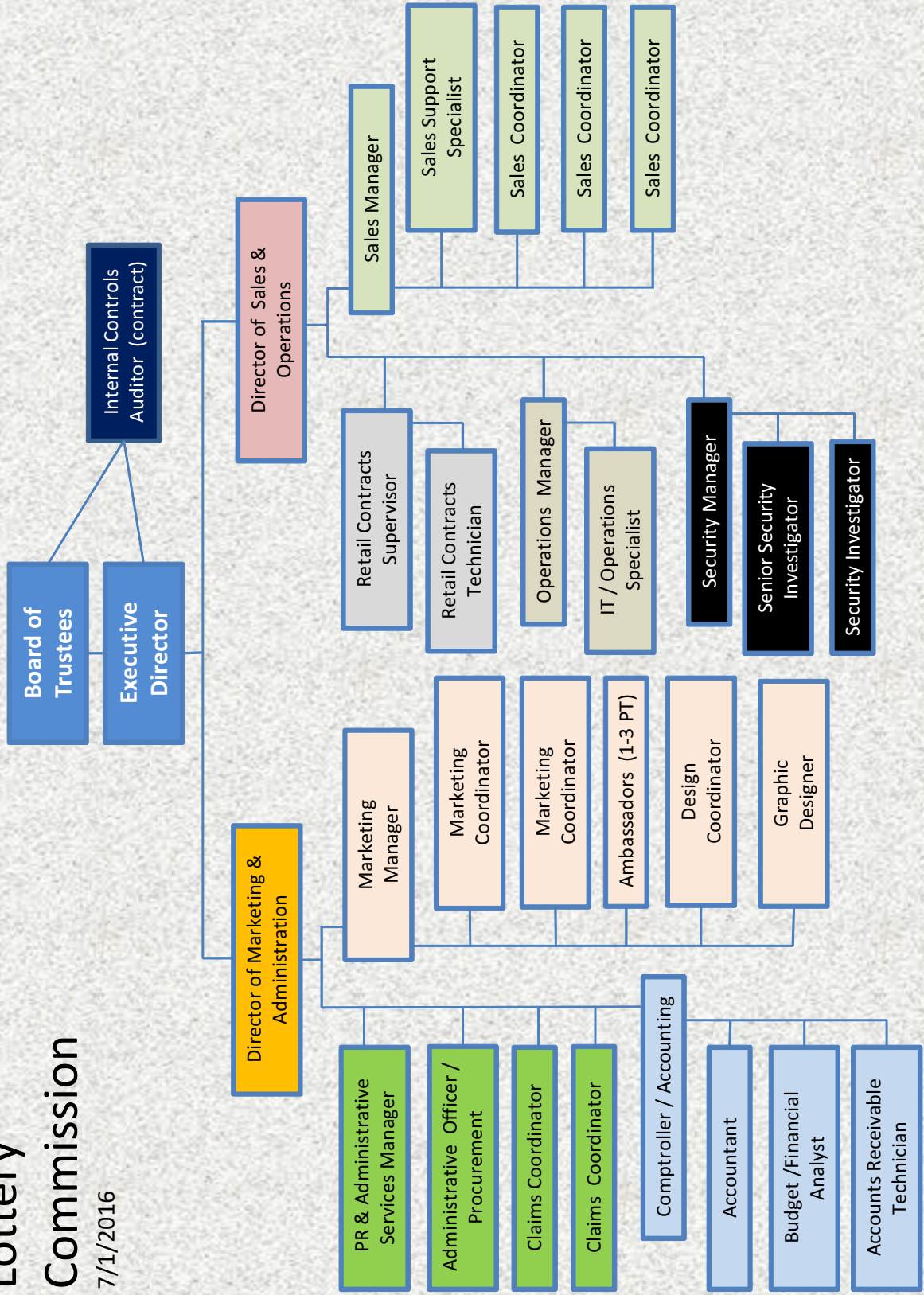


**TRUSTEE**  
James C. Orbison

# Oklahoma Lottery Commission

7/1/2016

**Governor (Trustee appointments with Senate Confirmation)**





# OKLAHOMA LOTTERY

BENEFITS OKLAHOMA EDUCATION

## Financial Section

**For the Fiscal Year Ended  
June 30, 2016**

**An Agency of the State of Oklahoma**

## Independent Auditor's Report

To the Board of Trustees  
Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the Oklahoma Lottery Commission (the OLC), an enterprise fund of the State of Oklahoma, as of and for the years ended June 30, 2016 and 2015; and the related notes to the financial statements, which collectively comprise the OLC's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oklahoma Lottery Commission as of June 30, 2016 and 2015, and the respective changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 of the financial statements, the financial statements present only OLC and do not purport to, and do not, present fairly the financial position of the State of Oklahoma, as of June 30, 2016 and 2015, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of OLC's proportionate share of the net pension liability, and the schedule of OLC's contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

The accompanying Introductory and Statistical sections, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*RSM US LLP*

Oklahoma City, Oklahoma  
September 16, 2016



**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Management's Discussion and Analysis  
June 30, 2016 and 2015**

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Management of the Oklahoma Lottery Commission (the OLC) provides this management's discussion and analysis of their financial performance for the readers of the OLC's financial statements. This narrative provides an overview of the OLC's financial activity for the fiscal years ended June 30, 2016 and 2015. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the OLC's financial activities based on facts, decisions and conditions currently facing management.

**Understanding the OLC's Financial Statements**

The OLC, an instrumentality of the State of Oklahoma, is accounted for as an enterprise fund that reports all assets and liabilities using the accrual basis of accounting, much like a private business entity. In accordance with accounting principles generally accepted in the United States of America, this report consists of a series of financial statements, along with explanatory notes to the financial statements. The financial statements immediately follow this Management's Discussion and Analysis and are designed to highlight the OLC's net position and changes to its net position resulting from the OLC's operations.

The most important relationship demonstrated within the OLC's financial statements is the requirement that the OLC transfer all net proceeds, "as defined," to the State Treasurer for the Oklahoma Education Lottery Trust Fund (OELTF). Accordingly, a significant focus of these financial statements is determining net proceeds available for transfer to the OELTF.

The OLC is also required to transfer annually the first \$750,000, for both 2016 and 2015, of unclaimed prize money to the Oklahoma Department of Mental Health and Substance Abuse Services (ODMHSAS). This is discussed further on page 6 of the management's discussion and analysis.

**Financial and Activity Highlights**

Revenues from lottery games totaled \$189,621,594 and \$171,633,476, respectively, for the fiscal years ending June 30, 2016 and 2015. The OLC returned \$95,517,232 and \$87,782,927 to winners of lottery games; paid commissions and incentives to retailers totaling \$12,421,019 and \$11,425,710; incurred other game related expenses of \$7,985,458 and \$7,271,417; and had operating expenses of \$4,465,112 and \$5,394,206 for each of the respective fiscal years of 2016 and 2015. The OLC's net position increased by \$2,528,359 in fiscal year 2016 and decreased by \$745,750 in fiscal year 2015 after the cumulative effect of accounting changes. Transfers made and due to the OELTF were \$66,406,789 and \$60,111,343, respectively, for fiscal years ending June 30, 2016 and 2015.

The OLC's investment in capital assets includes machinery, equipment, computers, and software. Capital assets, net of accumulated depreciation, at June 30, 2016, were \$73,182, a decrease of \$21,557 from June 30, 2015. Capital assets, net of accumulated depreciation, at June 30, 2015, were \$94,739, an increase of \$33,458 from June 30, 2014. Additional information concerning the OLC's capital assets is contained in Note 4 to the financial statements.

The OLC did not have any long-term debt at June 30, 2016 or 2015.

**Oklahoma Lottery Commission**  
**An Enterprise Fund of the State of Oklahoma**

**Management's Discussion and Analysis**  
**June 30, 2016 and 2015**

The following table summarizes the OLC's Statement of Net Position as of June 30:

	2016	2015	2014
Current assets	\$ 35,941,023	\$ 22,955,061	\$ 29,238,675
Noncurrent assets:			
Capital assets, net	73,182	94,739	61,281
Deposit with MUSL	4,615,654	4,829,218	5,856,283
Total assets	<u>\$ 40,629,859</u>	<u>\$ 27,879,018</u>	<u>\$ 35,156,239</u>
Deferred outflows of resources	<u>\$ 531,815</u>	<u>\$ 265,713</u>	<u>\$ -</u>
Current liabilities	\$ 27,899,129	\$ 17,410,986	\$ 23,702,866
Noncurrent liabilities	385,097	229,307	58,316
Total liabilities	<u>\$ 28,284,226</u>	<u>\$ 17,640,293</u>	<u>\$ 23,761,182</u>
Deferred inflows of resources	<u>\$ 452,993</u>	<u>\$ 608,342</u>	<u>\$ -</u>
Net position			
Net position, invested in capital assets	\$ 73,182	\$ 94,739	\$ 61,281
Restricted net position—expendable	12,351,273	9,801,357	11,333,776
Total net position	<u>\$ 12,424,455</u>	<u>\$ 9,896,096</u>	<u>\$ 11,395,057</u>

**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Management's Discussion and Analysis  
June 30, 2016 and 2015**

The following table summarizes the OLC's statement of revenues, expenses, and changes in net position for the years ended June 30:

	2016	2015	2014
Operating revenues:			
Gaming revenues	\$ 189,621,594	\$ 171,633,476	\$ 191,127,092
Other revenues	112,090	113,220	113,250
Total operating revenues	<u>189,733,684</u>	<u>171,746,696</u>	<u>191,240,342</u>
Nonoperating revenue, interest income	340,285	243,157	323,723
<b>Total revenue</b>	<u>\$ 190,073,969</u>	<u>\$ 171,989,853</u>	<u>\$ 191,564,065</u>
Less prize expense	\$ 95,517,232	\$ 87,782,927	\$ 97,496,555
Less retailer commissions/incentives	12,421,019	11,425,710	12,647,675
Less other direct game costs	7,985,458	7,271,417	7,798,373
Less operating expenses	4,465,112	5,394,206	4,486,957
Total expense	<u>120,388,821</u>	<u>111,874,260</u>	<u>122,429,560</u>
Nonoperating revenue (expense):			
Transfers to ODMHSAS	750,000	750,000	750,000
Transfers to OELTF	66,406,789	60,111,343	66,934,120
Nonoperating expense	<u>67,156,789</u>	<u>60,861,343</u>	<u>67,684,120</u>
<b>Total expense</b>	<u>\$ 187,545,610</u>	<u>\$ 172,735,603</u>	<u>\$ 190,113,680</u>
Changes in net position	\$ 2,528,359	\$ (745,750)	\$ 1,450,385
Net position at beginning of year	9,896,096	11,395,057	9,944,672
Restatement—Implementation of GASB 68 and 71	-	(753,211)	-
	<u>9,896,096</u>	<u>10,641,846</u>	<u>9,944,672</u>
Net position at end of year	<u>\$ 12,424,455</u>	<u>\$ 9,896,096</u>	<u>\$ 11,395,057</u>

Sales increased from fiscal year 2015 to fiscal year 2016. Online sales during this period increased mostly because of Power Ball sales. In FY 16, the OLC had only one jackpot over \$500 million. Powerball sales are significantly up in FY 16 compared to FY 15, due to the large jackpot that occurred on January 16, 2016. The jackpot amount reached \$1.59 billion dollars. There was also a decrease in overall scratcher sales from fiscal year 2015 to fiscal year 2016. The OLC slightly reduced prize payouts in fiscal 2014 to adjust to fluctuations in costs, because of this scratcher sales have continued to decline in fiscal year's 2015 and 2016.

Sales decreased from fiscal year 2014 to fiscal year 2015. Online sales during this period decreased mostly because of Power Ball sales. In fiscal year 2014, there were 11 jackpots with an average jackpot amount of \$209 million. In fiscal year 2015, there were 13 jackpots with an average jackpot amount of \$153 million. When jackpots are lower revenue tends to be lower. There was also a decrease in overall scratcher sales from fiscal year 2014 to fiscal year 2015. The OLC slightly reduced prize payouts in fiscal 2014 to adjust to fluctuations in costs, because of this scratcher sales have continued to decline in fiscal year 2015.

**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Management's Discussion and Analysis  
June 30, 2016 and 2015**

Net proceeds of the OLC must be transferred to the State Treasurer for the OELTF, with the following exceptions: 1) the cost of property and equipment, net of depreciation, and related debt and 2) other assets that cannot be transferred due to statutory or other legal restriction, including restricted cash from unclaimed prizes, deposits with Multi-State Lottery (MUSL), and the Restricted Fidelity Fund. Unclaimed prizes, after required transfers to the Department of Mental Health and Substance Abuse Services, must be added to a pool from which future prizes are awarded or used for special prize promotions. Deposits with MUSL result from a set-aside of prize expenses paid to MUSL and are available for prize reserves and promotional expenses of MUSL games. The Restricted Fidelity Fund is derived from the licensing fees of new retailers, which may be retained by the OLC up to the budgeted expenses from the fund for the next fiscal year plus \$500,000, in 2015 and 2014, and used to cover losses the OLC may experience due to nonfeasance, misfeasance or malfeasance of a lottery retailer and to pay the costs of vendor, retailer and employee background investigations conducted by the Oklahoma State Bureau of Investigation and for audits conducted by the State Auditor and Inspector.

For the years ended June 30, 2016 and 2015, the total transfers made or due to the OELTF related to operations were \$66,406,789 and \$60,111,343, respectively. Since inception to June 30, 2016, total transfers made or due to the OELTF were \$745,793,919. For each of the years ended June 30, 2016 and 2015, the OLC transferred \$750,000 in unclaimed prize funds to the Department of Mental Health and Substance Abuse Services for the treatment of compulsive gambling disorders and educational programs related to such disorders. From inception to June 30, 2016, total transfers to the Oklahoma Department of Mental Health and Substance Abuse Services were \$5,794,600.

The following is a condensed version of the OLC's statement of cash flows for the years ended June 30:

	2016	2015	2014
Cash provided by (used in):			
Operating activities	\$ 71,403,997	\$ 62,419,502	\$ 67,031,666
Noncapital financing activities	(58,257,720)	(68,893,217)	(69,446,790)
Capital and related financing activities	(11,978)	(71,380)	(14,144)
Investing activities	322,477	252,739	329,721
Net increase (decrease) in cash	13,456,776	(6,292,356)	(2,099,547)
Cash at beginning of year	16,801,831	23,094,187	25,193,734
Cash at end of year	<u>\$ 30,258,607</u>	<u>\$ 16,801,831</u>	<u>\$ 23,094,187</u>

**Potential Factors Impacting Future Operations**

Future operations always have the potential to be impacted by economic factors and rising costs. The OLC strives to maximize the contribution to education, while maintaining new and entertaining games that engage players. In order to meet these goals, the OLC strives to keep costs low and introduce new games regularly. The OLC is always looking for opportunities to participate in new regional and multi state games. The OLC is also trying to develop new local games to stay up-to-date with player demands.

**Contacting the OLC's Financial Management**

This financial report is designed to provide a general overview of the OLC's financial activity for all those interested in the OLC's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Oklahoma Lottery Commission, 405-522-7700, 3817 North Santa Fe, Oklahoma City, Oklahoma 73118.

Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma

Statements of Net Position  
June 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 22,285,837	\$ 11,321,420
Cash equivalents—restricted	7,972,770	5,480,411
Retailer accounts receivable	5,175,739	5,801,220
Accounts receivable—Multi-State Lottery	506,677	352,010
<b>Total current assets</b>	<b>35,941,023</b>	<b>22,955,061</b>
Noncurrent assets:		
Capital assets, net	73,182	94,739
Deposit with Multi-State Lottery	4,615,654	4,829,218
<b>Total noncurrent assets</b>	<b>4,688,836</b>	<b>4,923,957</b>
<b>Total assets</b>	<b>\$ 40,629,859</b>	<b>\$ 27,879,018</b>
<b>Deferred outflows of resources:</b>		
Deferred pension plan outflows	\$ 531,815	\$ 265,713
<b>Liabilities</b>		
Current liabilities:		
Due to Oklahoma Education Lottery Trust Fund	\$ 17,998,490	\$ 9,099,421
Due to Multi-State Lottery	1,427,206	741,878
Prizes payable	7,174,144	6,467,578
Accounts payable	624,466	577,476
Accrued liabilities	166,289	143,820
Unearned revenue	508,534	380,813
<b>Total current liabilities</b>	<b>27,899,129</b>	<b>17,410,986</b>
Noncurrent liabilities:		
Accrued compensated absences	69,124	63,683
Net pension liability	315,973	165,624
<b>Total noncurrent liabilities</b>	<b>385,097</b>	<b>229,307</b>
<b>Total liabilities</b>	<b>\$ 28,284,226</b>	<b>\$ 17,640,293</b>
<b>Deferred inflows of resources:</b>		
Deferred pension plan inflows	\$ 452,993	\$ 608,342
<b>Net position:</b>		
Investment in capital assets	\$ 73,182	\$ 94,739
Restricted net position—expendable	12,351,273	9,801,357
<b>Total net position</b>	<b>\$ 12,424,455</b>	<b>\$ 9,896,096</b>

See notes to financial statements.

Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma

Statements of Revenues, Expenses, and Changes in Net Position  
Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Scratcher games	\$ 78,559,351	\$ 81,600,192
Pick 3 game	5,320,251	5,250,569
Cash 5 game	4,105,388	4,212,739
Poker Pick game	1,322,221	2,040,522
Hot Lotto game	7,801,035	9,917,136
Mega Millions game	19,470,982	22,099,568
Powerball game	73,042,366	46,512,750
<b>Total revenue from the sale of lottery tickets</b>	<b>189,621,594</b>	<b>171,633,476</b>
Retailer application fees	105,390	105,245
Other	6,700	7,975
<b>Total operating revenues</b>	<b>189,733,684</b>	<b>171,746,696</b>
Direct costs:		
Prize expense:		
Scratcher games	42,797,935	44,669,301
Pick 3 game	2,494,230	2,518,670
Cash 5 game	1,676,095	1,849,789
Poker Pick game	756,160	1,018,738
Hot Lotto game	3,811,922	4,621,711
Mega Millions game	9,360,915	10,669,022
Powerball game	34,619,975	22,435,696
<b>Total prize expense</b>	<b>95,517,232</b>	<b>87,782,927</b>
Commissions and incentives to retailers	12,421,019	11,425,710
Instant and online costs	7,985,458	7,271,417
<b>Total direct costs</b>	<b>115,923,709</b>	<b>106,480,054</b>
<b>Gross profit</b>	<b>73,809,975</b>	<b>65,266,642</b>
Operating expenses:		
Advertising and promotion	1,767,255	2,743,837
Salaries, wages and benefits	2,184,676	2,129,873
Contracted and professional services	181,897	163,050
Depreciation	33,535	37,922
Equipment	12,626	18,186
Rent expense	150,092	166,777
Office supplies	18,696	17,720
Travel	19,626	20,171
Other general and administrative	96,709	96,670
<b>Total operating expenses</b>	<b>4,465,112</b>	<b>5,394,206</b>
<b>Operating income</b>	<b>69,344,863</b>	<b>59,872,436</b>

(Continued)

**Oklahoma Lottery Commission**  
**An Enterprise Fund of the State of Oklahoma**

**Statements of Revenues, Expenses, and Changes in Net Position (Continued)**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
Nonoperating income (expense):		
Interest income	\$ 340,285	\$ 243,157
Transfers to Oklahoma Department of Mental Health and Substance Abuse Services	(750,000)	(750,000)
Transfers to and due to Oklahoma Education Lottery Trust Fund	(66,406,789)	(60,111,343)
<b>Net nonoperating income (expense)</b>	<b>(66,816,504)</b>	<b>(60,618,186)</b>
<b>Changes in net position</b>	<b>2,528,359</b>	<b>(745,750)</b>
Net position at beginning of year	9,896,096	11,395,057
Restatement—Implementation of GASB 68 and 71	-	(753,211)
Net position at beginning of year, as restated	9,896,096	10,641,846
Net position at end of year	<b>\$ 12,424,455</b>	<b>\$ 9,896,096</b>

See notes to financial statements.

**Oklahoma Lottery Commission**  
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**Statements of Cash Flows**  
**Years Ended June 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Cash received from retailers	\$ 177,892,331	\$ 160,298,299
Cash payments to prize winners	(94,125,338)	(86,015,232)
Cash payments to suppliers for goods and services	(10,148,692)	(10,501,074)
Cash payments to employees for services	(2,427,868)	(2,389,556)
Cash receipts to fund deposit with Multi-State Lottery	213,564	1,027,065
<b>Net cash provided by operating activities</b>	<b>71,403,997</b>	<b>62,419,502</b>
Cash flows from noncapital financing activities:		
Payments to Oklahoma Department of Mental Health and Substance Abuse Services	(750,000)	(750,000)
Payments to Oklahoma Education Lottery Trust Fund	(57,507,720)	(68,143,217)
<b>Net cash used in noncapital financing activities</b>	<b>(58,257,720)</b>	<b>(68,893,217)</b>
Cash flows from capital and related financing activities:		
Purchase of capital assets	(11,978)	(71,380)
Cash flows from investing activities:		
Interest received	322,477	252,739
<b>Net change in cash and cash equivalents</b>	<b>13,456,776</b>	<b>(6,292,356)</b>
Cash and cash equivalents at beginning of year	16,801,831	23,094,187
Cash and cash equivalents at end of year	<b>\$ 30,258,607</b>	<b>\$ 16,801,831</b>
Operating activities:		
Operating income	\$ 69,344,863	\$ 59,872,436
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	33,535	37,922
Bad debt expense	37,379	7,105
Changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Retailer accounts receivable	605,910	72,855
Accounts receivable—Multi-State Lottery	(154,667)	(98,284)
Deposit with Multi-State Lottery	213,564	1,027,065
Deferred pension plan outflows	(266,102)	(13,493)
Due to Multi-State Lottery	685,328	36,856
Accounts payable and accrued liabilities	74,900	(41,456)
Prizes payable	706,566	1,730,839
Net pension liability	150,349	(839,807)
Unearned revenue	127,721	19,122
Deferred pension plan inflows	(155,349)	608,342
<b>Net cash provided by operating activities</b>	<b>\$ 71,403,997</b>	<b>\$ 62,419,502</b>

See notes to financial statements.



**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Notes to Financial Statements**

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**Note 1. Reporting Entity**

The Oklahoma Lottery Commission (the OLC), was formed by the citizens of Oklahoma upon passage of a legislative referendum authorizing the Oklahoma Education Lottery Act (the Act), codified as Title 3A, Section 701, et. seq., of the Oklahoma Statutes. The OLC is an enterprise fund of the State of Oklahoma (the State) responsible for administering lotteries in accordance with the Act. The Act established a board of seven trustees appointed by the governor to oversee operations of the OLC. The OLC transfers net proceeds as defined by the Act.

**Note 2. Significant Accounting Policies**

**Method of accounting:** The OLC is accounted for as an enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the costs of providing lottery games to the general public on a continuing basis are to be financed through the sale of lottery game tickets. The Act requires that all costs of providing lottery games, including capital costs, be recovered from the sale of lottery game tickets.

The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for accounting principles generally accepted applicable to governmental proprietary activities in the United States of America. The OLC applies all applicable GASB pronouncements.

**Basis of accounting:** The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The primary operating revenue of the OLC is ticket sales from games. Nonoperating income primarily consists of interest income. "Operating expenses" are defined under the Act as "all costs of doing business, including but not limited to prizes, commissions, and other compensation paid to retailers, advertising and marketing costs, personnel costs, capital costs, amounts held in or paid from the fidelity revolving fund, administration and operation of the OLC and other operating costs." All expenses not meeting this definition are reported as nonoperating expenses. The only nonoperating expenses are statutory required transfers to the Oklahoma Education Lottery Trust Fund (OELTF) and the Oklahoma Department of Mental Health and Substance Abuse Services.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue recognition:** Revenue for Pick 3, Cash 5, Poker Pick, Hot Lotto, Mega Millions, and Powerball (collectively referred to as online games) is recognized when tickets are sold to the public by contracted retailers, except for tickets sold in advance of the draw date for which unearned revenue is recorded. Revenue for scratcher games is recognized upon activation of ticket packs for sale by the retailers.

Every scratcher ticket game has a predetermined number of free tickets in its prize structure. The majority of free tickets relate to scratcher ticket games. Revenue and prize expense are shown net of free tickets.

**Commissions:** Retailers receive a 6 percent commission on total sales and 0.75 percent commission on prizes cashed.

Oklahoma Lottery Commission  
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Notes to Financial Statements

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**Note 2. Significant Accounting Policies (Continued)**

**Prizes:** Prize expense for scratcher ticket games is recorded at the time the related revenue is recognized based on the predetermined prize structure for each game; periodically, the prize expense is adjusted for unclaimed prizes. Prize expense for online games is recorded at the time the related revenue is recognized based on the known prizes.

**Unclaimed prizes:** Prizes must be claimed within 90 days after the game-end (end of sales) for scratcher games and within 180 days after the draw date for online games. The first \$750,000 for fiscal year 2016 and 2015 of unclaimed prize money accruing annually must be transferred to the Oklahoma Department of Mental Health and Substance Abuse Services for the treatment of compulsive gambling disorders and educational programs related to such disorders.

In accordance with section 724 of the Act, unclaimed prizes are added to a pool from which future prizes are awarded or used for special prize promotions. Under the Act, unclaimed prizes do not constitute net lottery proceeds and are restricted funds that are not available for transfer to the OELTF. Total unclaimed prizes amounted to \$5,478,051 and \$4,459,518 for fiscal years 2016 and 2015, respectively. Unclaimed prizes are netted against prize expense in the statement of revenues, expenses, and changes in net position.

**Pensions:** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Public Retirement System (OPERS) and additions to/ deductions from OPERS' and fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred inflows of resources:** Deferred inflows of resources are the acquisition of net position by the OLC that are applicable to a future reporting period. At June 30, 2016 and 2015, the OLC had deferred inflows of resources of \$452,993 and \$608,342, respectively. See Note 8 for additional discussion regarding deferred inflows of resources.

**Deferred outflows of resources:** Deferred outflows of resources are the consumption of net position by the OLC that are applicable to a future reporting period. At June 30, 2016 and 2015, the OLC had deferred outflows of resources of \$531,815 and \$265,713, respectively. See Note 8 for additional discussion regarding deferred outflows of resources.

**Net position:** The OLC's net position is classified as follows.

***Investment in capital assets:*** This represents the OLC's total investment in capital assets.

***Restricted net position, expendable:*** Net position not invested in capital is restricted by state statute. Restricted net position consists primarily of cash maintained in the OLC's restricted fidelity fund, deposits with the Multi-State Lottery (MUSL), and balance of unclaimed prizes to be used on future prizes or special prize promotions.

**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Notes to Financial Statements**

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**Note 2. Significant Accounting Policies (Continued)**

**Gross proceeds:** Gross proceeds, as defined by the Act, consist of all revenue derived from the sale of lottery game tickets or shares and all other monies derived from the lottery games.

**Operating expenses:** Operating expenses, as defined by the Act, in the determination of net proceeds, consist of all costs of doing business including, but not limited to, prizes, commissions, and other compensation paid to lottery retailers, advertising and marketing costs, rental fees, personnel costs, capital costs, depreciation of property and equipment, and other operating costs.

**Cash and cash equivalents:** The OLC's cash and cash equivalents are considered to be cash on hand and on interest in an internal investment pool held by the Oklahoma State Treasurer.

**Retailer accounts receivable:** Retailer accounts receivable represents lottery proceeds due from retailers for online ticket sales and activated ticket packs for scratcher games, less commissions due to retailers and prizes paid by the retailers. Lottery proceeds are collected weekly by the OLC from retailer trust accounts established in trust for benefit of the OLC.

**Capital assets, net:** Capital assets, which consist of machinery, equipment, computers and software, are stated at cost less accumulated depreciation. The OLC capitalizes all property and equipment purchases of \$500 or more. Depreciation is computed using the straight-line method over the following estimated useful lives: machinery and equipment—five to ten years; computers and software—three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the results from operations in the period of disposal.

**Restricted cash:** In accordance with the Act, retailers contribute a fee to a fidelity fund upon acceptance as a retailer for the OLC. The fund is used to cover losses the OLC may incur due to misfeasance, nonfeasance, or malfeasance of retailers and to contract for investigations, reviews, or audits. At the end of any fiscal year, the OLC must transfer to the OELTF any amount in the restricted fidelity fund which exceeds the budgeted expenses from the fund for the next fiscal year plus \$500,000 for both fiscal years 2016 and 2015. At June 30, 2016 and 2015, no amounts were available for transfer as net proceeds. During fiscal years 2016 and 2015, \$80,441 and \$163,464, respectively, was used to reimburse the OLC for retailer accounts that were delinquent and in collection status and for the retailer application fees. Receipts from retailers in collection status are deposited back to the fidelity fund. The fidelity fund is held in a separate account. As of June 30, 2016 and 2015, the balance in the fidelity fund totaled \$133,103 and \$172,576, respectively and appears in the accompanying statement of net position as restricted funds and expendable restricted net position.

Current unclaimed prizes in excess of \$750,000 for both fiscal years 2016 and 2015, and the balance from prior years are included in restricted cash in the accompanying statement of net position and expendable restricted net position. These funds are to be utilized to enhance future OLC prizes or promotions and totaled \$7,839,667 and \$5,307,835 as of June 30, 2016 and 2015, respectively.

**Risk management:** The OLC is exposed to various risks of loss related to torts, destruction of assets due to theft or damage, errors and omissions, injuries to employees, and natural disasters. The OLC has coverage to substantially cover these risks through a self-insured pool for agencies of the State of Oklahoma. This coverage is administered by the Risk Management Division of the Department of Central Services for the State of Oklahoma.

Oklahoma Lottery Commission  
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Notes to Financial Statements

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**Note 2. Significant Accounting Policies (Continued)**

**Compensated absences:** Employees earn the right to be compensated during absences for vacation and compensatory time. Unused leave benefits are paid to employees upon separation from service. The cost of vacation and compensatory time is accrued in the period in which it is earned.

**Bad-debt expense:** The OLC recognizes bad-debt expense when retailer account receivables are greater than 90 days old. The accounts receivable balance due to the OLC is satisfied at that time by a transfer of funds from the restricted fidelity fund. The OLC may continue its effort to collect these accounts. Any collection from a retailer balance previously charged to bad-debt expense will be deposited back to the restricted fidelity fund. For the years ended June 30, 2016 and 2015, bad-debt expense was \$37,379 and \$7,105, respectively.

**New accounting pronouncement adopted in fiscal year 2016:** The OLC adopted the following new accounting pronouncement during the year ended June 30, 2016:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The adoption of this pronouncement did not have a material impact on the OLC.

**New accounting pronouncements issued not yet adopted:** The GASB has issued a new accounting pronouncement which will be effective to OLC in fiscal years ended June 30, 2017. OLC is currently evaluating the impact that this new standard will have on its financial statements. A description of the new accounting pronouncement is described below:

GASB Statement No. 82, *Pension Issues*, issued April 2016, is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**Reclassifications:** Certain amounts in the 2015 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on total net position or changes in net position.

**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Notes to Financial Statements**

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**Note 3. Cash and Cash Equivalents**

The OLC's investment in OK INVEST is carried at \$30,258,607 and \$16,801,831 at June 30, 2016 and 2015, respectively. Cash equivalents are recorded at cost. The OLC obtained the fair value from the State Treasurer of their interest in the pool, which amounted to \$30,724,189 and \$16,984,862 at June 30, 2016 and 2015, respectively. Management believes the difference between cost and fair value is immaterial to the financial statements as a whole due to the short duration of investments held by the pool and information provided by the State.

Agencies and funds that are considered to be part of the State's reporting entity in the State's Comprehensive Annual Financial Report are allowed to participate in OK INVEST. Oklahoma statutes and the State Treasurer establish the primary objectives and guidelines governing the investment of funds in OK INVEST. Safety, liquidity, and return on investment are the objectives that establish the framework for the day-to-day OK INVEST management, with an emphasis on safety of the capital and the probable income to be derived and meeting the State and its funds' and agencies' daily cash flow requirements. Guidelines in the Investment Policy address credit quality requirements, diversification percentages and the types and maturities of allowable investments. The specifics regarding these policies can be found on the State Treasurer's website at <http://www.ok.gov/treasurer>. The State Treasurer, at his discretion, may further limit or restrict such investments on a day-to-day basis. OK INVEST includes a substantial investment in securities with an overnight maturity as well as in U.S. government securities with a maturity of up to three years. OK INVEST maintains an overall weighted average maturity of less than 270 days.

Participants in OK INVEST maintain interest in its underlying investments and, accordingly, may be exposed to certain risks. As stated in the State Treasurer information statement, the main risks are interest rate risk, credit/ default risk, liquidity risk, and U.S. government securities risk. Interest rate risk is the risk that during periods of rising interest rates, the yield and market value of the securities will tend to be lower than prevailing market rates; in periods of falling interest rates, the yield will tend to be higher.

Custodial credit risk of investments is the risk that in the event of a bank failure, the government's investments may not be returned to it. Interest in OK INVEST are not insured or guaranteed by the State, the FDIC, or any other government agency.

**Oklahoma Lottery Commission  
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**Notes to Financial Statements**

**Note 4. Capital Assets, Net**

The following is a summary of changes in capital assets and accumulated depreciation during the years ended June 30, 2016 and 2015:

Capital Assets	Year Ended June 30, 2016			
	Beginning Balance	Additions	Deletions	Ending Balance
Machinery and equipment	\$ 855,604	\$ 11,978	\$ -	\$ 867,582
Computers and software	409,567	-	-	409,567
	<u>1,265,171</u>	<u>11,978</u>	<u>-</u>	<u>1,277,149</u>
Accumulated depreciation:				
Machinery and equipment	766,595	30,354	-	796,949
Computers and software	403,837	3,181	-	407,018
	<u>1,170,432</u>	<u>33,535</u>	<u>-</u>	<u>1,203,967</u>
Total capital assets, net	<u>\$ 94,739</u>	<u>\$ (21,557)</u>	<u>\$ -</u>	<u>\$ 73,182</u>

Capital Assets	Year Ended June 30, 2015			
	Beginning Balance	Additions	Deletions	Ending Balance
Machinery and equipment	\$ 788,646	\$ 66,958	\$ -	\$ 855,604
Computers and software	405,145	4,422	-	409,567
	<u>1,193,791</u>	<u>71,380</u>	<u>-</u>	<u>1,265,171</u>
Accumulated depreciation:				
Machinery and equipment	731,197	35,398	-	766,595
Computers and software	401,313	2,524	-	403,837
	<u>1,132,510</u>	<u>37,922</u>	<u>-</u>	<u>1,170,432</u>
Total capital assets, net	<u>\$ 61,281</u>	<u>\$ 33,458</u>	<u>\$ -</u>	<u>\$ 94,739</u>

**Note 5. Compensated Absences**

The current portion of accrued compensated absences is included in accrued liabilities in the accompanying statements of net position. The following is a summary of changes in the OLC's liability for compensated absences during the year ended June 30:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Compensated absences 2016	<u>\$ 191,049</u>	<u>\$ 118,581</u>	<u>\$ 102,260</u>	<u>\$ 207,370</u>	<u>\$ 138,246</u>
Compensated absences 2015	<u>\$ 174,948</u>	<u>\$ 113,710</u>	<u>\$ 97,609</u>	<u>\$ 191,049</u>	<u>\$ 127,366</u>

**Note 6. Operating Leases**

The OLC has entered into various operating leases for office space and equipment used in its daily operations. Pursuant to Oklahoma State Statutes, the OLC's operating leases are limited to terms of one year and must be renewed annually. Accordingly, the OLC has no long-term commitments under the operating leases as of June 30, 2016 or 2015. Rent expense under all operating leases was \$150,092 for the year ended June 30, 2016, and \$166,777 for the year ended June 30, 2015.

**Oklahoma Lottery Commission  
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**Notes to Financial Statements**

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**Note 7. Education Lottery Account**

In accordance with the Act, all net proceeds of the OLC are transferred to the Education Lottery Account. Net proceeds consist of all revenue derived from the sale of lottery game tickets or shares and all other monies derived from the lottery games, less operating expenses and prizes. OLC estimates that net proceeds will approximate 35 percent of total revenue. Each month, OLC transfers the amounts necessary to satisfy appropriations made by the Legislature to Higher Education and Common Education. Each quarter, OLC transfers amounts to cover the appropriations to Career Tech, Teachers' Retirement and the Voluntary School Consolidation Fund. OLC transfers the remaining 35 percent of revenues plus any additional profits, unless specifically exempted by statute, at the end of the year. According to the Act, amounts transferred to the OELTF are to be appropriated by the legislature to education programs according to the parameters established in the Act. Following is an executive summary of these statutory provisions. For the full text, see Title 3A, Section 713 of the Oklahoma Statutes, available on the OLC website.

- 5 percent Teachers' Retirement System Dedicated Revenue Revolving Fund
- 5 percent School Consolidation and Assistance Fund (SCAF): If the SCAF equals \$5,000,000, this 5 percent will be allocated to public schools to purchase technology equipment to conduct on-line testing
- 45 percent Kindergarten through twelfth grade public education, including compensation and benefits for public school teachers and support employees, and early childhood development programs
- 45 percent Tuition grants, loans, and scholarships to citizens of this state for attending colleges and universities located within this state or to attend Oklahoma Department of Career and Technology Education institutions; construction of educational facilities or capital outlay projects or technology for elementary school districts, independent school districts, the Oklahoma State System of Higher Education, and career and technology education; endowed chairs for professors at institutions of higher education operated by the Oklahoma State System of Higher Education; and programs and personnel of the Oklahoma School for the Deaf and the Oklahoma School for the Blind

The following is a summary of the amounts available for transfer to the OELTF during the years ended June 30, 2016 and 2015:

	2016	2015
Net position, beginning of year	\$ 9,896,096	\$ 11,395,057
Restatement - implementation of GASB 68 and 71	-	(753,211)
Change in net position before transfers to OELTF	68,935,148	59,365,593
Net position available for transfer to OELTF before capital assets and assets restricted from transfer	78,831,244	70,007,439
Less capital assets, net of accumulated depreciation	(73,182)	(94,739)
Less assets restricted from transfer	(12,588,424)	(10,309,629)
Net position available for transfer to OELTF	\$ 66,169,638	\$ 59,603,071

Actual transfers to and due to OELTF for the years ended June 30, 2016 and 2015 totaled \$66,406,789 and \$60,111,343, respectively. Actual transfers exceeded amounts available for transfer due to pension activity being unknown at the time of calculation and therefore being excluded.

**Oklahoma Lottery Commission  
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**Notes to Financial Statements**

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**Note 8. Retirement Program**

**Plan description:** The OLC contributes to the Oklahoma Public Employees Retirement System (OPERS) cost sharing multiple-employer defined benefit plan. OPERS was established in 1964 by the Oklahoma Legislature and covers substantially all employees of the State, except those covered by six other plans sponsored by the State, and also covers employees of participating counties and local agencies. The plan provides that all eligible persons, except those specifically excluded, shall become members of OPERS as a condition of their employment. The supervisory authority for the management and operation of OPERS is its Board of Trustees.

OPERS offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The Plan's provisions are established under Title 74 of the Oklahoma Statutes.

**Benefits provided:** Members qualify for full retirement benefits at their specified normal retirement age or, for any person who became a member prior to July 1, 1992, when the sum of the member's age and years of credited service equals or exceeds 80 (Rule of 80), and for any person who became a member after June 30, 1992, when the member's age and years of credited service equals or exceeds 90 (Rule of 90).

Normal retirement date is further qualified to require that all members employed on or after January 1, 1983 must have six or more years of full-time equivalent employment with a participating employer before being eligible to receive benefits. Credited service is the sum of participating and prior service. Prior service includes nonparticipating service before January 1, 1975, or the entry date of the employer and active wartime military service.

A member with a minimum of ten years of participating service may elect early retirement with reduced benefits beginning at age 55 if the participant became a member prior to November 1, 2011, or age 60 if the participant became a member on or after November 1, 2011.

Disability retirement benefits are available for members having eight years of credited service whose disability status has been certified as being within one year of the last day on the job by the Social Security Administration. Disability retirement benefits are determined in the same manner as retirement benefits, but payable immediately without an actuarial reduction.

Benefits are determined at 2 percent of the average annual salary received during the highest thirty-six months of the last ten years of participating service, but not to exceed the applicable annual salary cap, multiplied by the number of years of credited service. Members who join OPERS on or after July 1, 2013, will have their salary averaged over the highest 60 months of the last ten years. Normal retirement age under the Plan is 62 or Rule of 80/90 if the participant became a member prior to November 1, 2011, or age 65 or Rule of 90 if the participant became a member on or after November 1, 2011.

Members who elect to pay the additional contribution rate, which became available in January 2004, will receive benefits using a 2.5 percent computation factor for each full year the additional contributions are made. In 2004, legislation was enacted to provide an increased benefit to retiring members who were not yet eligible for Medicare. The Medicare Gap benefit option became available to members under age 65 who retired on or after May 1, 2006. Members may elect to receive a temporary increased benefit to cover the cost of health insurance premiums until the member is eligible to receive Medicare. After the member becomes eligible for Medicare, the retirement benefit will be permanently reduced by an actuarially determined amount. The option is irrevocable, must be chosen prior to retirement, and is structured to have a neutral actuarial cost to the Plan.



**Oklahoma Lottery Commission  
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**Notes to Financial Statements**

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**Note 8. Retirement Program (Continued)**

Members become eligible to vest fully upon termination of employment after attaining eight years of credited service, or the members' contributions may be withdrawn upon termination of employment.

**Contributions:** The contribution rates for each member category of the Plan are established by the Oklahoma Legislature after recommendation by the Board based on an actuarial calculation, which is performed to determine the adequacy of such contribution rates.

Each member participates based on their qualifying gross salary earned, excluding overtime. There is no cap on the qualifying gross salary earned, subject to Internal Revenue Service (IRS) limitations on compensation.

For 2016 and 2015, *state agency employers* contributed 16.5 percent on all salary, and *state employees* contributed 3.5 percent on all salary.

For 2016 and 2015, contributions of *Oklahoma Lottery Commission* totaled 20.0 percent of salary composed of employee contribution rate of 3.5 percent and employer contribution rate of 16.5 percent. Contributions to the pension plan from the Oklahoma Lottery Commission were \$266,041 and 256,235 for the years ended June 30, 2016 and 2015, respectively.

Members have the option to elect to increase the benefit computation factor for all future service from 2.0 percent to 2.5 percent. The election is irrevocable, binding for all future employment under OPERS, and applies only to full years of service. Those who make the election pay the standard contribution rate plus an additional contribution rate, 2.91 percent which is actuarially determined.

**Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:** At June 30, 2016 and 2015, the Oklahoma Lottery Commission reported a liability of \$315,973 and \$165,624, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, respectively. The Oklahoma Lottery Commission's proportion of the net pension liability was based on the Oklahoma Lottery Commission's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016 and 2015, the Oklahoma Lottery Commission's proportion was 0.08784744 percent and 0.090226546 percent, respectively.

**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Notes to Financial Statements**

**Note 8. Retirement Program (Continued)**

For the year ended June 30, 2016 and 2015, the Oklahoma Lottery Commission recognized pension expense of \$(5,059) and \$11,276, respectively. At June 30, 2016 and 2015, the Oklahoma Lottery Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016		June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption	\$ 4,916	\$ -	\$ 9,478	\$ -
Differences between expected and actual experience	-	35,133	-	54,834
Difference between projected and actual investment earnings on pension plan investments	260,858	404,184	-	553,508
Changes in proportion and differences between OLC contributions and proportionate share of contributions	-	13,676	-	-
Total deferred amounts to be recognized in pension expense in future periods	265,774	452,993	9,478	608,342
OLC contributions subsequent to the measurement date	266,041	-	256,235	-
Total deferred amounts related to pension	\$ 531,815	\$ 452,993	\$ 265,713	\$ 608,342

Deferred pension outflows resulting from the OLC's Employer' contributions subsequent to the measurement date, totaling \$266,041 and \$256,235 at June 30, 2016 and 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017 and 2016, respectively. Deferred outflows and inflows totaling \$260,858 and \$404,184, as of June 30, 2016 and deferred inflow of \$553,508, resulting from the difference between projected and actual investment earnings will be recognized in pension expense over five years. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense using the average expected remaining service life of the Plan members, both active and inactive. The average expected remaining service life of the Plan is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are estimated at 3.11 years as of June 30, 2016 and 3.14 years as of June 30, 2015 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows at June 30:

Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma

Notes to Financial Statements

Note 8. Retirement Program (Continued)

	June 30, 2016	
	Deferred Outflows	Deferred Inflows
2017	\$ 69,527	\$ (169,329)
2018	65,819	(147,874)
2019	65,214	(135,790)
2020	65,214	-
	<u>\$ 265,774</u>	<u>\$ (452,993)</u>

	June 30, 2015	
	Deferred Outflows	Deferred Inflows
2016	\$ 4,429	\$ (164,000)
2017	4,429	(164,000)
2018	620	(141,964)
2019	-	(138,377)
	<u>\$ 9,478</u>	<u>\$ (608,342)</u>

**Actuarial assumptions:** The total pension liability as of June 30, 2015 and 2014, was determined based on an actuarial valuation prepared as of July 1, 2015 and July 1, 2014, using the following actuarial assumptions:

- Investment return—7.5 percent compounded annually net of investment expense and including inflation
- Salary increases—4.5 percent to 8.4 percent per year including inflation
- Mortality rates—Active participants and nondisabled pensioners—RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)
- No annual post-retirement benefit increases
- Assumed inflation rate—3.0 percent
- Payroll growth—4.0 percent per year
- Actuarial cost method—Entry age
- Select period for the termination of employment assumptions—10 years

The actuarial assumptions used in the July 1, 2015 and 2014, valuation are based on the results of the most recent actuarial experience study, which cover the three-year period ending June 30, 2013. The experience study report is dated May 9, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2015 and 2014, are summarized in the following table:

**Oklahoma Lottery Commission**  
**An Enterprise Fund of the State of Oklahoma**

**Notes to Financial Statements**

**Note 8. Retirement Program (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Equity	38.0%	5.3%
U.S. Small Cap Equity	6.0%	5.6%
U.S. Fixed Income	25.0%	0.7%
International Stock	18.0%	5.6%
Emerging Market Stock	6.0%	6.4%
TIPS	3.5%	0.7%
Rate Anticipation	3.5%	1.5%
Total	100.0%	

**Discount rate:** The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and the employers will be made at the current contribution rate as set out in state statute. Based on those assumptions, the pension plan's fiduciary net position was projected through 2114 to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determined does not use a municipal bond rate.

**Sensitivity of the Oklahoma Lottery Commission's proportionate share of the net pension liability to changes in the discount rate:** The following presents the Oklahoma Lottery Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what Oklahoma Lottery Commission's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	June 30, 2016			June 30, 2015		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Oklahoma Lottery Commission's proportionate share of the net pension liability	\$ 1,177,397	\$ 315,973	\$ (416,374)	\$ 1,031,133	\$ 165,624	\$ (570,183)

**Pension plan fiduciary net position:** Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements, June 30, 2015 CAFR, available at <http://www.opers.ok.gov/Websites/opers/images/pdfs/CAFR-2015-OPERS.pdf>.

**Note 9. Contingencies**

The OLC is subject to litigation in the ordinary course of its operations. In the opinion of the OLC's management and its legal counsel, the outcome of such litigation will not have a material impact on the financial position or cash flows of the OLC for the years ended June 30, 2016 and 2015.

**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Notes to Financial Statements**

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**Note 10. Contractual Arrangements**

In August 2005, the OLC entered into a contract with Scientific Games International, Inc. (SGI) to provide, amongst other things, services and equipment to operate its lotteries. Due to Oklahoma Statutes, the OLC may not contract for a period longer than one year. However, the contract with SGI contained seven one-year renewal options, which the OLC's Board of Trustees renewed annually. In August 2013, the last one-year renewal option matured and a similar contract was entered into with SGI. This contract contains nine one-year renewal options. Under the terms of the contract, the OLC pays SGI a fee based on a percentage of the OLC's sales. For the years ended June 30, 2016 and 2015, the OLC paid SGI \$7,985,458 and \$7,271,417, respectively.

The OLC is a member of the MUSL, which operates games on behalf of participating lotteries. MUSL currently operates the Powerball, Mega Millions, and Hot Lotto games for the OLC. Under the OLC's agreement with the MUSL, the OLC must remit 50 percent of its Powerball ticket sales, 50 percent of its Hot Lotto ticket sales, and 50 percent of its Mega Millions ticket sales. This payment is to cover the OLC's share of current jackpot prizes based on the OLC's percent of sales for each drawing and the OLC share of the prize reserve fund. The OLC is responsible for paying winning tickets purchased in Oklahoma; therefore, it is able to deduct winning tickets sold from the amount due to the MUSL on its ticket sales. As of June 30, 2016 and 2015, the OLC owed the MUSL \$1,427,206 and \$741,878 for ticket sales, and the MUSL owed the OLC \$506,677 and \$352,010 for nonjackpot-winning tickets. The OLC has recorded these items at their gross amounts in the accompanying statements of net position.

As noted above, OLC's payments to MUSL includes the OLC share of the prize reserve fund. The prize reserve fund serves as a contingency reserve to protect all the MUSL members, including the OLC, from unforeseen prize liabilities. These funds are in the possession of the MUSL and are included in expendable restricted net position.

The balances of the deposits are made up of the following:

	June 30	
	2016	2015
Set prize reserve account	\$ 671,012	\$ 693,400
Prize reserve account	2,957,070	3,112,906
Balance of unreserved account	987,572	1,022,912
	<u>\$ 4,615,654</u>	<u>\$ 4,829,218</u>

**Note 11. Subsequent Event**

In September 2016, the OLC exercised an option within their contract with Scientific Games International to upgrade the gaming system. The exercised option cost approximately \$2.32 million.

## **Required Supplementary Information**

**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Required Supplementary Information  
Schedule of OLC's Proportionate Share of the Net Pension Liability  
Oklahoma Public Employees Retirement Plan  
Last 10 Fiscal Years\***

	June 30	
	2015	2014
OLC's proportion of the net pension liability	0.08784744%	0.0902265446%
OLC's proportionate share of the net pension liability	\$ 315,973	\$ 165,624
OLC's covered-employee payroll	1,552,939	1,528,606
OLC's proportionate share of the net pension liability as a percentage of its employee payroll	20.35%	10.84%
Plan fiduciary net position as a percentage of the total pension liability	96.0%	97.9%

**Notes to Schedule:**

\* Only the fiscal years ended June 30, 2015 and 2014 are presented because 10-year data is not yet available.

Oklahoma Lottery Commission  
 An Enterprise Fund of the State of Oklahoma

Required Supplementary Information  
 Schedule of OLC's Contributions  
 Oklahoma Public Employees Retirement Plan  
 Last 10 Fiscal Years

	June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required to contribute	\$ 266,041	\$ 256,235	\$ 252,220	\$ 260,035	\$ 289,515	\$ 295,643	\$ 317,954	\$ 295,497	\$ 276,686	\$ 255,819
Contributions in relation to the contractually required contributions	266,041	256,235	252,220	260,035	289,515	295,643	317,954	295,497	276,686	255,819
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OLC's covered-employee payroll	1,610,474	1,552,939	1,528,606	1,575,970	1,754,636	1,907,374	2,051,316	2,037,910	2,049,526	2,046,552
Contributions as a percentage of covered-employee payroll	16.52%	16.50%	16.50%	16.50%	16.50%	15.50%	15.50%	14.50%	13.50%	12.50%



**Oklahoma Lottery Commission  
An Enterprise Fund of the State of Oklahoma**

**Required Supplementary Information  
Notes to Required Supplementary Information  
Oklahoma Public Employees Retirement Plan**

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**Valuation Date**

Actuarially determined contributions are calculated as of the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	5-year moving average
Inflation	3.00%
Salary increase	4.50 to 8.40 percent, including inflation
Investment rate of return	7.50%, compounded annually, net of investment expense and including inflation
Retirement age	Age 65 for all members hired on or after November 1, 2011 age 62 for members hired prior to November 1, 2011
Mortality	Active participants and nondisabled pensioners – RP-2000 Mortality Table projected to 2010 by Scale AA (disabled pensioners set forward 15 years)

**Other Information**

The Plan has been amended by House Bill 2630 in 2014 which states that effective November 1, 2015, OPERS shall create a defined contribution plan for most people first employed by a participating employer. Exemptions from the new defined contribution plan include hazardous duty members and district attorneys, assistant district attorneys and employees of the district attorney's office. Each employer shall send to OPERS the difference between the required employer contribution to OPERS and the amount required to match the participating employee's contribution in the defined contribution plan.

Senate Bill 2120, also enacted in 2014, amends House Bill 2630 to further exempt from the new defined contribution plan county elected officials and employees of a county, county hospital, city or town, conservation district, circuit engineering district, and any public or private trust in which a county, city or town participates. Senate Bill 2120 also states that employees who participate in the defined contribution system are excluded from the \$105 health subsidy.

New employees specifically exempted from the defined contribution plan will participate in the existing defined benefit plan.



# OKLAHOMA LOTTERY

BENEFITS OKLAHOMA EDUCATION

## Statistical Section

**For the Fiscal Year Ended  
June 30, 2016**

**An Agency of the State of Oklahoma**

**OKLAHOMA LOTTERY COMMISSION  
STATISTICAL INFORMATION SECTION**

The statistical section of the Oklahoma Lottery Commission’s comprehensive annual financial report conveys supplemental information to the data presented in the financial statements and note disclosures to aid readers in reviewing the Lottery’s overall financial well-being.

**FINANCIAL TRENDS..... 48**

These schedules contain trend information from the current year and the prior year’s comprehensive annual financial report to explain how the financial performance and situation has changed.

**REVENUE CAPACITY..... 52**

These schedules contain information concerning revenue from the current year and the prior year’s comprehensive annual financial reports to explain how the revenue is split between games and other sources of revenue.

**DEBT CAPACITY**

At this time, the Oklahoma Lottery Commission has no outstanding debt.

**DEMOGRAPHIC AND ECONOMIC INFORMATION..... 53**

This schedule contains demographic and economic data to explain the environment in which the Lottery operates.

**OPERATING INFORMATION..... 57**

This section includes a summary of the Lottery’s operating indicators as well as schedules that contain information about the Lottery’s organizational structure and financial performance in comparison to other state lotteries as available from the North American Association of State and Provincial Lotteries.

The Oklahoma Lottery Commission historical comparisons are available for ten years. All data within the Statistical section, including operating indicators and demographic data, are based on audited data where available.

## Oklahoma Lottery Commission

### Change in Net Position

#### Net Position by Component

#### Operational Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Position, Invested in Capital Assets	860,347	620,680	398,509	234,050	148,503	105,926	85,122	61,281	94,739	73,182
Restricted net position - expendable	6,961,198	9,018,472	10,972,023	8,886,641	5,343,474	7,921,587	9,859,550	11,333,776	9,801,357	12,351,273
Net Position	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977	8,027,513	9,944,672	11,395,057	9,896,096	12,424,455
Unrestricted net position - expendable	0	0	0	0	0	0	0	0	0	0
Total Net Position	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977	8,027,513	9,944,672	11,395,057	9,896,096	12,424,455

### Sales by Product and Other Revenues

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Scratchers	86,966,117	78,212,513	77,883,679	88,966,304	102,969,295	95,978,562	89,393,668	85,876,010	81,600,192	78,559,351
Pick 3	8,009,986	7,071,679	6,861,481	6,279,596	5,849,788	4,650,700	4,331,388	4,806,892	5,250,569	5,320,251
Pick 4	0	0	0	0	0	2,048,092	1,859,943	403,036	0	0
Cash 5	4,934,234	5,450,289	4,135,719	5,445,698	4,713,329	4,205,922	4,161,703	4,441,703	4,212,739	4,105,388
Poker Pick	601,870	0	0	0	0	0	0	244,131	0	0
Raffle	0	0	0	6,938,995	20,954,777	27,328,981	16,108,965	27,674,261	22,099,568	19,470,982
Mega Millions	0	6,736,044	13,253,129	12,467,350	9,514,730	7,407,098	8,306,635	8,858,804	9,917,136	7,801,035
Hot Lotto	0	0	0	0	0	0	0	0	0	0
PowerBall	102,818,624	107,040,421	91,030,676	79,649,351	54,152,013	58,235,023	76,046,572	58,822,255	46,512,750	73,042,366
Total Sales	203,330,831	204,510,946	193,164,684	199,747,294	198,153,932	199,854,378	200,208,874	191,127,092	171,633,476	189,621,594
Interest Income	1,060,393	1,143,557	592,790	440,113	304,801	281,890	348,277	323,723	243,157	340,285
Retailer Application Fee	120,404	116,280	111,934	115,585	112,380	112,375	108,637	106,000	105,245	105,390
Other Income	201,017	6,984	49,425	63,019	8,234	6,600	6,648	7,250	7,975	6,700
Total other revenues	1,381,814	1,266,821	754,149	618,717	425,415	400,865	463,562	436,973	356,377	452,375
Total revenues	204,712,645	205,777,767	193,918,833	200,366,011	198,579,347	200,255,243	200,672,436	191,564,065	171,989,853	190,073,969

### Expenses by Type

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Prizes	98,532,692	102,572,615	95,922,950	105,092,616	106,600,824	103,052,810	104,463,424	97,496,555	87,782,927	95,517,232
Commissions and incentives to retailers	13,428,925	13,425,128	12,753,727	13,150,714	13,219,310	13,233,747	13,114,765	12,647,675	11,425,710	12,421,019
Instant and online game costs	6,076,887	6,079,013	5,675,014	5,903,703	5,895,707	6,081,715	5,948,626	7,798,373	7,271,417	7,985,458
Total Operating expenses	9,557,361	9,774,573	8,109,261	7,994,755	6,596,129	4,860,761	4,615,135	4,486,957	5,394,206	4,465,112
Total expenses	127,595,865	131,851,329	122,460,952	132,141,788	132,311,970	127,229,033	128,141,950	122,429,560	111,874,260	120,388,821

### Contributions

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Transfers to and due Lottery Education Trust Fund	69,378,465	71,608,831	69,226,501	69,974,064	69,396,091	69,990,674	70,113,527	66,934,120	60,111,343	66,406,789

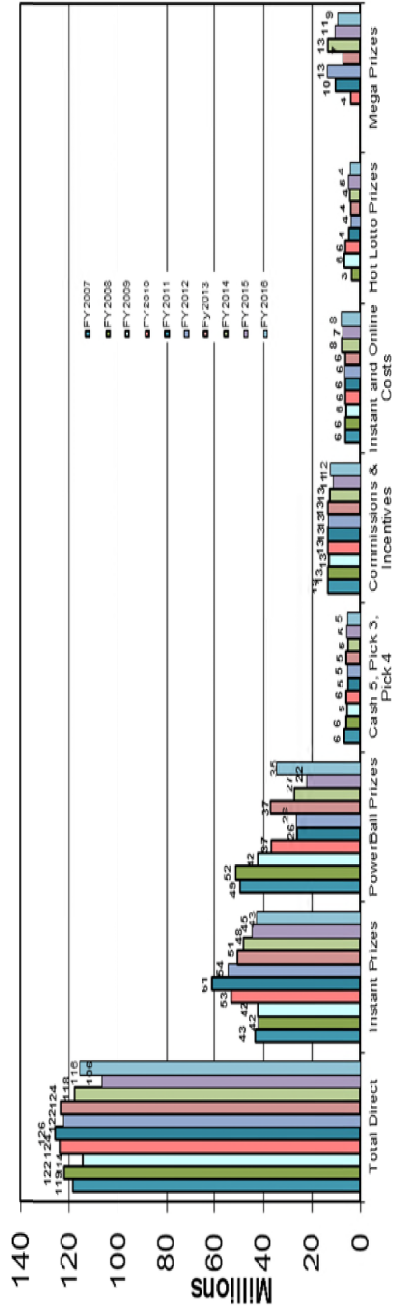
# Oklahoma Lottery Commission

## Change in Net Position Operational Fiscal Years

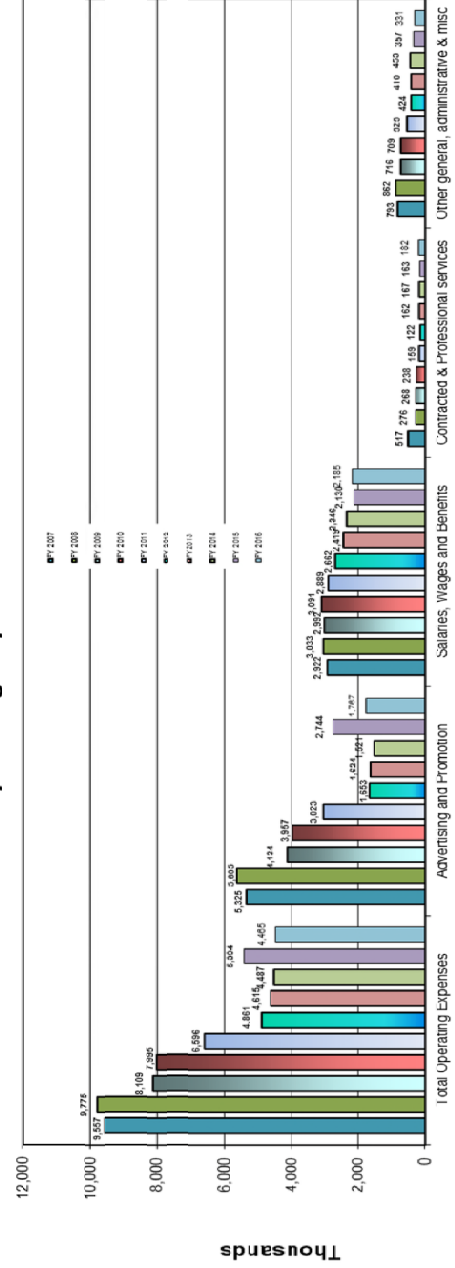
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Scratcher games	86,966,117	78,212,513	77,883,679	88,966,304	102,969,295	95,978,562	89,393,668	85,876,010	81,600,192	78,559,351
Online games	13,546,090	12,521,968	10,997,200	11,725,294	10,563,117	10,904,714	10,353,034	9,895,762	11,503,830	10,747,860
Mega Millions game	0	0	0	6,938,995	20,954,777	27,328,981	16,108,965	27,674,261	22,099,568	19,470,982
Hot Lotto game	0	6,736,044	13,253,129	12,467,350	9,514,730	7,407,098	8,306,635	8,858,804	9,917,136	7,801,035
PowerBall game	102,818,624	107,040,421	91,030,676	79,649,351	54,152,013	58,235,023	76,046,572	58,822,255	46,512,750	73,042,366
Retailer application fees	120,404	116,280	111,934	115,585	112,380	112,375	108,637	106,000	105,245	105,390
Other	28,497	6,984	49,425	63,019	8,234	6,600	6,848	7,250	7,975	6,700
<b>Total Revenues</b>	<b>203,479,732</b>	<b>204,634,210</b>	<b>193,326,043</b>	<b>199,925,898</b>	<b>198,274,546</b>	<b>199,973,353</b>	<b>200,324,359</b>	<b>191,240,342</b>	<b>171,746,696</b>	<b>189,733,684</b>
Total Prize Expense	98,532,692	102,572,615	95,922,950	105,092,616	106,600,824	103,052,810	104,463,424	97,496,555	87,782,927	95,517,232
<b>Direct Costs:</b>										
Commissions and incentives to retailers	13,428,925	13,425,128	12,753,727	13,150,714	13,219,310	13,233,747	13,114,765	12,647,675	11,425,710	12,421,019
Instant and on-line costs	6,076,887	6,079,013	5,675,014	5,903,703	5,895,707	6,081,715	5,948,626	7,798,373	7,271,417	7,985,458
<b>Total Direct costs</b>	<b>19,505,812</b>	<b>19,504,141</b>	<b>18,428,741</b>	<b>19,054,417</b>	<b>19,115,017</b>	<b>19,315,462</b>	<b>19,063,391</b>	<b>20,446,048</b>	<b>18,697,127</b>	<b>20,406,477</b>
<b>Operating expenses</b>										
Advertising and promotion	5,325,342	5,604,590	4,133,573	3,956,565	3,023,269	1,652,640	1,623,715	1,520,686	2,743,837	1,767,255
Salaries, wages and benefits	2,922,042	3,032,507	2,991,764	3,091,050	2,888,869	2,661,825	2,419,342	2,345,767	2,129,873	2,184,676
Contracted and professional services	516,746	275,506	267,886	238,146	158,711	122,459	162,144	167,068	163,050	181,897
Depreciation	162,193	245,320	252,432	200,186	100,964	52,823	37,817	37,985	37,922	33,535
Equipment	11,604	17,150	7,767	23,096	27,449	702	17,291	11,562	18,186	12,626
Rent expense	233,161	271,555	242,114	229,973	205,136	194,901	199,791	193,862	166,777	150,092
Office supplies	77,444	66,826	41,300	62,328	33,024	35,127	34,872	17,774	17,720	18,696
Travel	42,154	37,808	21,892	27,284	15,338	22,269	17,102	11,426	20,171	19,626
Other general and administrative	266,675	223,311	150,533	166,127	143,369	118,015	103,061	180,827	96,670	96,709
<b>Total Operating Expenses</b>	<b>9,557,361</b>	<b>9,774,573</b>	<b>8,109,261</b>	<b>7,994,755</b>	<b>6,596,129</b>	<b>4,860,761</b>	<b>4,615,135</b>	<b>4,486,957</b>	<b>5,394,206</b>	<b>4,465,112</b>
Operating income	75,883,867	72,782,881	70,865,091	67,784,110	65,962,576	72,744,320	72,182,409	68,810,782	59,872,436	69,344,863
Non-operating Income (Expense):										
Interest income	1,060,393	1,143,557	592,790	440,113	304,801	281,890	348,277	323,723	243,157	340,285
Other income	172,520	0	0	0	0	0	0	0	0	0
Interest expense	0	0	0	0	0	0	0	0	0	0
Transfers to OK Department of Mental Health Services	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(750,000)	(750,000)	(750,000)
Transfers to/duo Oklahoma Education Lottery Trust Fund	(69,378,465)	(71,608,831)	(69,226,501)	(69,974,064)	(69,396,091)	(69,990,674)	(70,113,527)	(66,934,120)	(60,111,343)	(66,406,789)
<b>Total non-operating income (expenses)</b>	<b>(68,645,552)</b>	<b>(70,965,274)</b>	<b>(69,133,711)</b>	<b>(70,033,951)</b>	<b>(69,591,290)</b>	<b>(70,208,784)</b>	<b>(70,265,250)</b>	<b>(67,360,397)</b>	<b>(60,618,186)</b>	<b>(66,816,504)</b>
<b>Change in Net Position</b>	<b>7,238,315</b>	<b>1,817,607</b>	<b>1,731,380</b>	<b>(2,249,841)</b>	<b>(3,628,714)</b>	<b>2,535,536</b>	<b>1,917,159</b>	<b>1,450,385</b>	<b>(745,750)</b>	<b>2,528,359</b>
Net Position, beginning of year	583,230	7,821,545	9,639,152	11,370,532	9,120,691	5,491,977	8,027,513	9,944,672	11,395,057	9,896,096
Restatement-Implementation of GASB 68 & 71									(753,211)	0
<b>Net Position, end of year</b>	<b>7,821,545</b>	<b>9,639,152</b>	<b>11,370,532</b>	<b>9,120,691</b>	<b>5,491,977</b>	<b>8,027,513</b>	<b>9,944,672</b>	<b>11,395,057</b>	<b>9,896,096</b>	<b>12,424,455</b>
Net Position - Invested in capital assets	860,347	620,680	398,509	234,050	148,503	105,926	85,122	61,281	94,739	73,182
Restricted Net position - expendable	6,961,198	9,018,472	10,972,023	8,886,641	5,343,474	7,921,587	9,859,550	11,333,776	9,801,357	12,351,273
Unrestricted assets										
<b>Total of Net Position</b>	<b>7,821,545</b>	<b>9,639,152</b>	<b>11,370,532</b>	<b>9,120,691</b>	<b>5,491,977</b>	<b>8,027,513</b>	<b>9,944,672</b>	<b>11,395,057</b>	<b>9,896,096</b>	<b>12,424,455</b>

Oklahoma Lottery Commission

Total Direct Costs

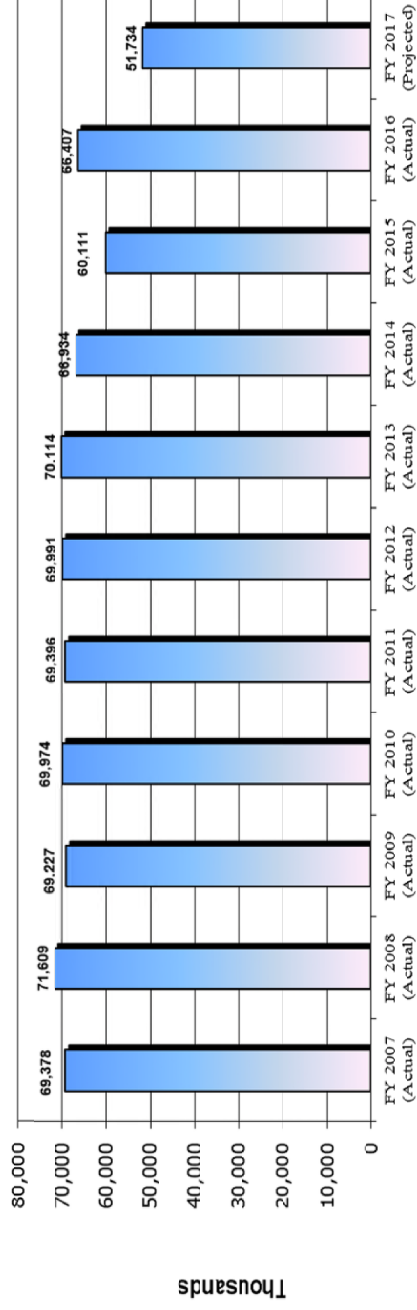


Operating Expenses

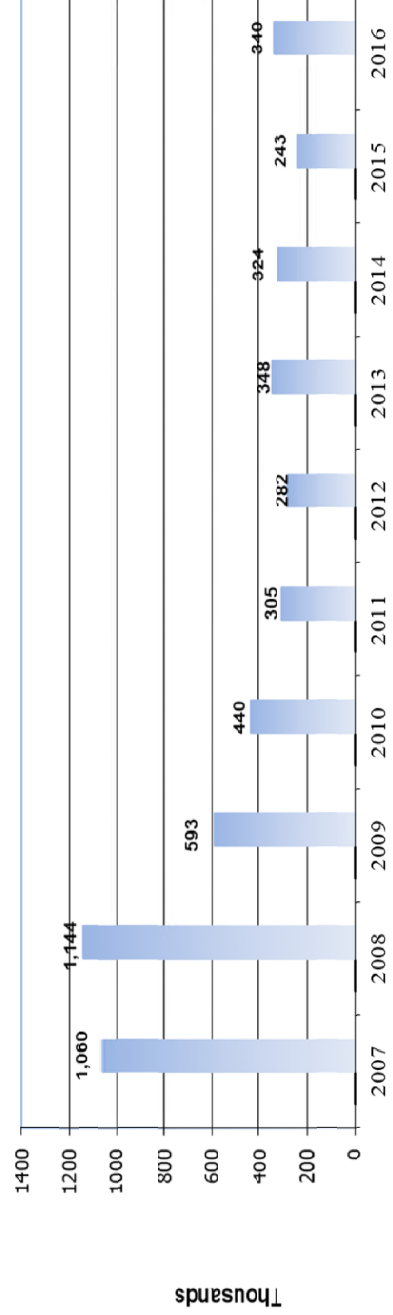


Oklahoma Lottery Commission

Contributions to Education

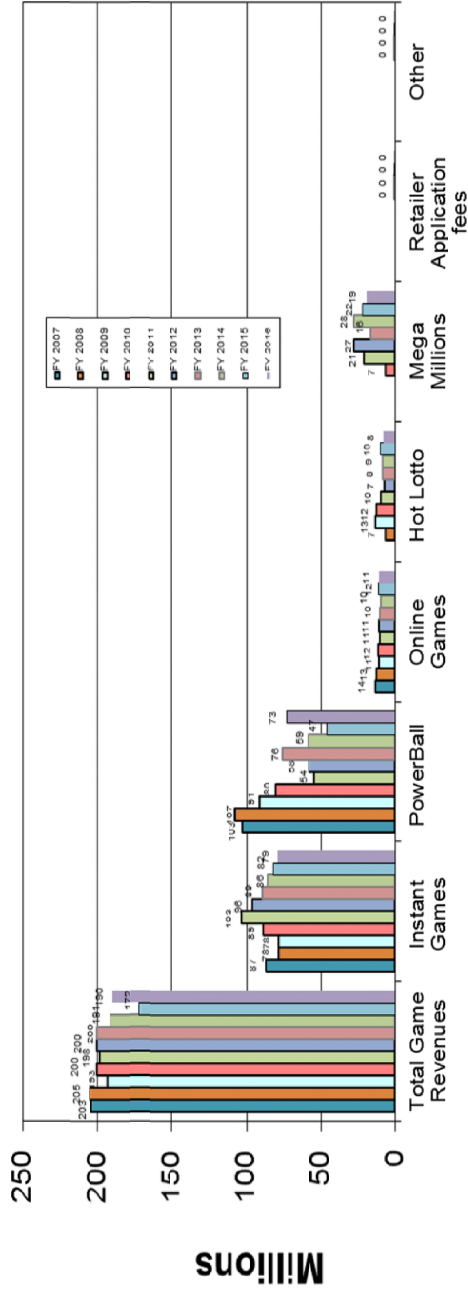


Interest Earned

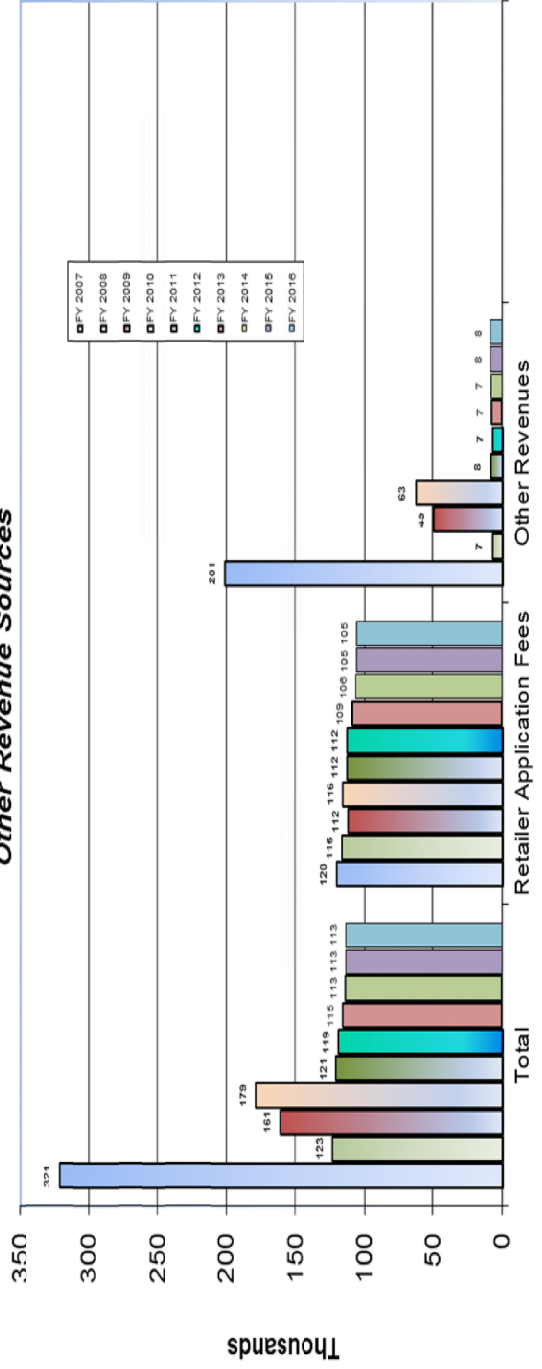


Oklahoma Lottery Commission

Major Sources of Revenue



Other Revenue Sources





## Oklahoma Lottery Commission Demographics and Economic Information 2005-2015

Year	Population (millions)	Per Capita Income	Unemployment Rate
2005	3,543,442	\$29,948.00	4.2%
2006	3,579,212	\$32,210.00	4.5%
2007	3,617,316	\$34,639.00	4.1%
2008	3,642,361	\$37,636.00	3.7%
2009	3,687,050	\$34,636.00	6.7%
2010	3,751,351	\$35,926.00	6.9%
2011	3,791,508	\$38,960.00	5.9%
2012	3,814,820	\$40,620.00	5.2%
2013	3,850,568	\$41,861.00	4.7%
2014	3,878,051	\$43,637.00	4.4%
2015	3,911,338	\$46,235.00	4.8%

### Ten Largest Employers in the State of Oklahoma

	2015	Location	Total Employment	Percent of Employment
1.	Department of Defense Military & Civilian	Oklahoma City	68,000-69,000	42%
2.	Walmart Associates, Inc	Statewide	33,000-33,500	21%
3.	Integrus Health, Inc.	Statewide	9,000-9,500	6%
4.	Oklahoma Department of Human Services	Statewide	7,500-8,000	5%
5.	Chickasaw Enterprises	Ada	7,000-7,500	5%
6.	Choctaw Nation of Oklahoma	Choctaw	7,000-7,500	5%
7.	Oklahoma State Univerwity	Stillwater	7,000-7,500	5%
8.	OU Health Services Center	Norman	7,000-7,500	5%
9.	University of Oklahoma Norman	Norman	7,000-7,500	5%
10.	US Postal Service	Statewide	<u>6,500-7,000</u>	5%
			159,000-164,500	

	2014	Location	Total Employment	Percent of Employment
1.	Department of Defense Military & Civilian	Oklahoma City	68,000-69,000	44% - 43%
2.	Walmart Associates, Inc	Statewide	31,000-32,000	21% - 20%
3.	Integrus Health, Inc.	Statewide	8,500-9,000	5%
4.	Oklahoma Department of Human Services	Statewide	7,000-7,500	5%
5.	Chickasaw Enterprises	Ada	7,000-7,500	<b>5%</b>
6.	Oklahoma State University	Stillwater	7,000-7,500	<b>5%</b>
7	OU Health Sciences Center	Norman	7,000-7,500	4%
8	University of Oklahoma	Norman	7,000-7,500	4%
9	US Postal Service	Statewide	7,000-7,500	4%
10	Tulsa Public Schools	Tulsa	<u>6,500-7,000</u>	4%
			<u>156,000-162,000</u>	

	2013	Location	Total Employment	Percent of Employment
1.	Department of Defense Military & Civilian	Oklahoma City	68,000-69,000	<b>44% - 43%</b>
2.	Walmart Associates, Inc	Statewide	31,000-31,500	<b>21% - 20%</b>
3.	Chickasaw Enterprises	Ada	8,000-8,500	<b>5%</b>
4.	Integrus Health, Inc.	Statewide	8,000-8,500	<b>5%</b>
5.	Oklahoma Department of Human Services	Statewide	8,000-8,500	<b>5%</b>
6.	Oklahoma State University	Stillwater	7,000-7,500	<b>5%</b>
7	OU Health Sciences Center	Norman	7,000-7,500	<b>4%</b>
8	US Postal Service	Statewide	6,500 - 7,000	<b>4%</b>
9	University of Oklahoma	Norman	6,500 - 7,000	<b>4%</b>
10	Tulsa Public Schools	Tulsa	<u>6,000 - 6,500</u>	<b>4%</b>
			<u>156,000-161,500</u>	

	2012	Location	Total Employment	Percent of Employment
1.	Department of Defense Military & Civilian	Oklahoma City	68,000-69,000	44% - 43%
2.	Walmart Associates, Inc	Statewide	32,000 - 33,000	21% - 20%
3.	Integrus Health, Inc.	Statewide	8,000 - 8,500	21% - 20%
4.	Oklahoma Department of Human Services	Statewide	7,500 - 8,000	5%
5.	Oklahoma State University	Stillwater	7,500 - 8,000	5%
6.	Chickasaw Enterprises	Ada	7,000 - 8,000	5%
7	OU Health Sciences Center	Norman	6,500 - 7,000	4%
8	US Postal Service	Statewide	6,500 - 7,000	4%
9	University of Oklahoma	Norman	6,500 - 7,000	4%
10	American Airlines, Inc	Tulsa	6,000 - 6,500	4%
			<u>155,500 - 162,000</u>	

	2010 & 2011	Location	Total Employment	Percent of Employment
1	State of Oklahoma	Statewide	35,000 - 36,000	21% - 22%
2	Wal-Mart and Sam's Club	Statewide	32,500 - 35,000	0.21
3	Tinker AFB; including the Oklahoma City Air Logistics Center	Oklahoma City	24200	14% - 15%
4	U.S. Army Field Artillery Center & Fort Sill	Lawton	19,000	11% - 12%
5	University of Oklahoma	Norman	12,250 - 12,500	7% - 8%
6	Integrus Medical Centers	Statewide	8,500 - 8,750	0.05
7	Chickasaw Enterprises	Ada	7,500 - 10,000	5% - 6%
8	US Postal Service	Statewide	7,000 - 9,000	4% - 5%
9	Oklahoma State University	Stillwater	7,500 - 8,500	5%
10	Cherokee Nation of Oklahoma	Tahlequah	5,000 - 7,500	3% - 4%
			<u>158,450 - 170,450</u>	

2008 & 2009		Location	Total Employment	Percent of Employment
1	State of Oklahoma	Statewide	36,000 - 37,000	21%
2	Wal-Mart and Sam's Club	Statewide	29,000 - 33,000	17% - 18%
3	Tinker AFB; including the Oklahoma City Air Logistics Center	Oklahoma City	26,000 - 27,000	15%
4	U.S. Army Field Artillery Center & Fort Sill	Lawton	21,400	12%
5	U.S. Postal Service	Oklahoma City	16,500	9% - 10%
6	University of Oklahoma	Norman	13,000	7% - 8%
7	Oklahoma State University	Stillwater	11,000 - 12,000	6% - 7%
8	American Airlines & AA Maintenance and Engineering Center	Tulsa	7,000 - 7,500	4%
9	Tulsa Public Schools	Tulsa	6,500 - 7,000	4%
10	Chickasaw Enterprises	Ada	5,800 - 6,000	3%
			<u>172,200 - 180,400</u>	

2007		Location	Total Employment	Percent of Employment
1	State of Oklahoma	Statewide	36,000 - 37,000	22% - 21%
2	Wal-Mart and Sam's Club	Statewide	29800	18% - 17%
3	Tinker AFB; including the Oklahoma City Air Logistics Center	Oklahoma City	22,000 - 23,000	13%
4	U.S. Army Field Artillery Center & Fort Sill	Lawton	17,000 - 20,000	10% - 12%
5	U.S. Postal Service	Oklahoma City	16500	10%
6	University of Oklahoma	Norman	15000	9%
7	Oklahoma State University	Stillwater	11,000 - 12,000	7%
8	American Airlines & AA Maintenance and Engineering Center	Tulsa	7,500 - 8,000	5%
9	Tulsa Public Schools	Tulsa	6,250 - 6,500	4%
10	Integrus Health	Oklahoma City	5,500 - 5,600	3%
			<u>166,550 - 173,400</u>	

Source:  
Oklahoma Department of Commerce [www.okcommerce.gov](http://www.okcommerce.gov)

## **Oklahoma Lottery Commission Operating Information**

### **Summary of Operating Indicators**

The Oklahoma Lottery Commission began ticket sales on October 12, 2005. A phased start-up began with the sale of instant tickets (Scratchers), followed by Pick 3 in November 2005, Powerball in January 2006, Cash 5 in September 2006 and Hot Lotto in January 2008. Mega Millions was added in January 2010 and Pick 4 was added in July 2011 and discontinued September 15, 2014. The Poker Pick game was added September 7, 2014. The Lottery ended its eleventh fiscal year, June 30, 2016 with more than \$189.7 million in sales, bringing total sales through FY-2016 to more than \$2.14 billion. Contributions to education for FY-2016 were \$66.4 million, bringing total Lottery contributions for Oklahoma education to approximately \$752 million. (Note – through November 2016, more than \$767.8 million has been provided by the Lottery to Oklahoma Education). The largest expense each year has been the payment of prizes to lottery winners.

Powerball has been the top selling online game every year, contributing 38.5% of total revenue in FY-2016. Powerball sales are mainly impacted by the value of the estimated annuity jackpot. Several high dollar winners, including Oklahoma's four Powerball grand prize winners in 2006, 2007, 2008, and 2009 have helped to promote Powerball sales in the state.

Scratchers (instant tickets) offered by the Oklahoma Lottery Commission, made up 41% of total sales for FY-2016. This compares to the percent of sales from 47% of total sales for FY-2015, 45% of total sales for FY-2014, 47% of total sales for FY-2013, 48% of total sales for FY-2012, to FY-2011(52%), to FY-2010 (45%) and to FY-2009 (40%). Instant sales revenues declined in FY-2016 because of lower payouts put into place in FY-2013 to ensure compliance with the profit requirement of 35%. Factors that influence the sale of Scratchers are the economy, competition for available entertainment dollars, game themes, price of tickets, prizes, and number of games offered. By far, the main influence on the sale of Scratchers is prize payouts. Prize payouts are limited by the current minimum mandated profit (35% profit restriction) in the Oklahoma Education Lottery Act. The Lottery has repeatedly asked for the repeal of this restriction which would result in increased sales and profits as demonstrated by the removal of such restrictions in other state lotteries

# OKLAHOMA LOTTERY COMMISSION

## Schedule of Lottery Employees

Fiscal Years Ending June 30

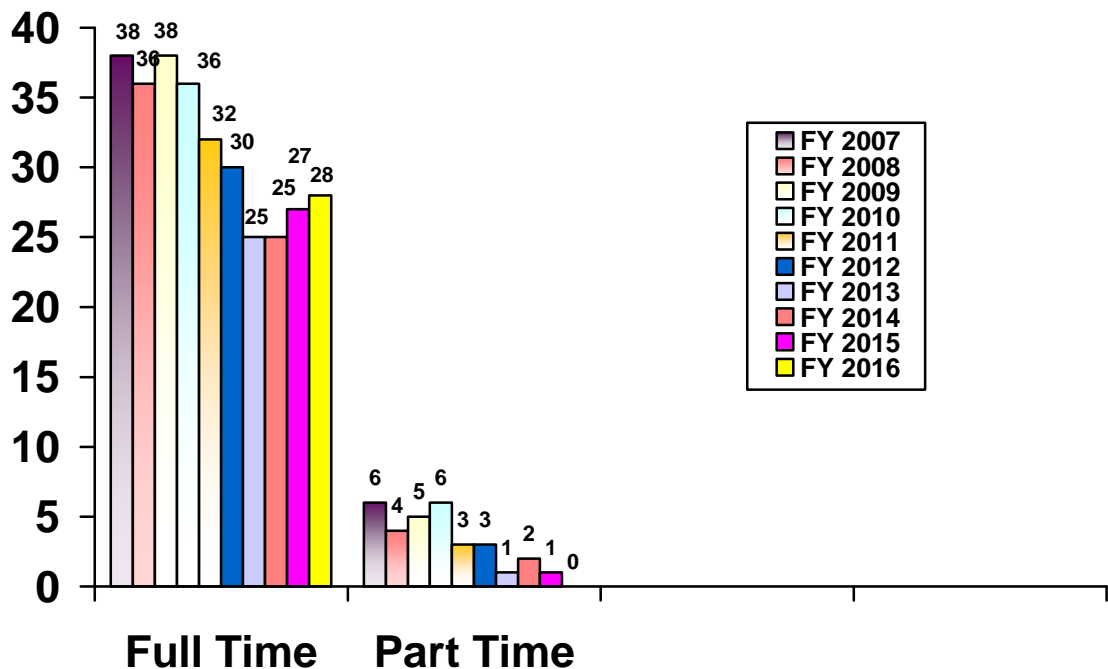
### Schedule of Employees by Program

**FY 2016**

		<b>FY 2007</b>		<b>FY 2008</b>		<b>FY 2009</b>		<b>FY 2010</b>	
Full Time	28	Full Time	38	Full Time	36	Full Time	38	Full Time	36
Part Time	<u>0</u>	Part Time	<u>6</u>	Part Time	<u>4</u>	Part Time	<u>5</u>	Part Time	<u>6</u>
Total	28	Total	44	Total	40	Total	43	Total	42

**FY 2011**

		<b>FY 2012</b>		<b>FY 2013</b>		<b>FY 2014</b>		<b>FY 2015</b>	
Full Time	32	Full Time	30	Full Time	25	Full Time	25	Full Time	27
Part Time	<u>3</u>	Part Time	<u>3</u>	Part Time	<u>1</u>	Part Time	<u>2</u>	Part Time	<u>1</u>
Total	35	Total	33	Total	26	Total	27	Total	28



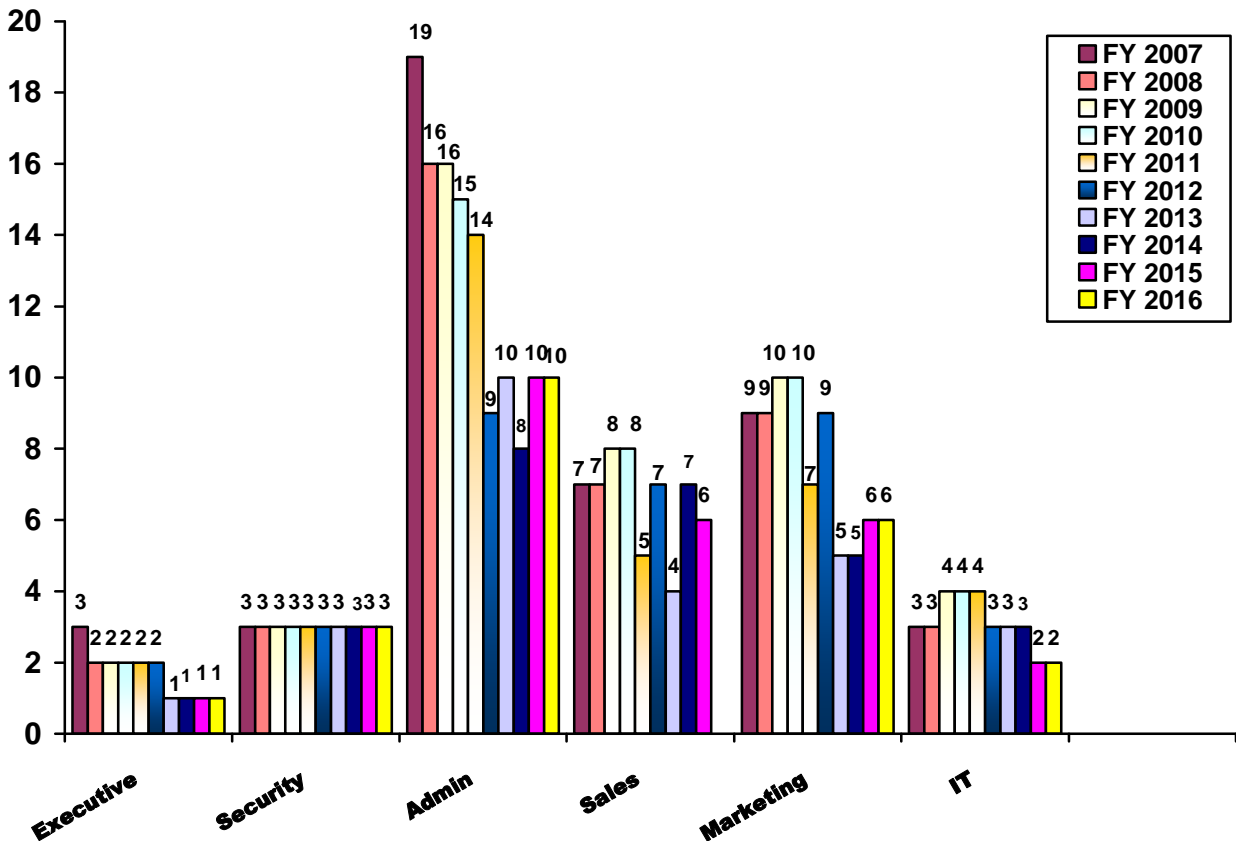
# OKLAHOMA LOTTERY COMMISSION

## Schedule of Lottery Employees

Fiscal Years Ending June 30

### Schedule of Employees by Activity Type

	Executive	Security	Admin	Sales	Marketing	IT	Total
<b>FY 2007</b>	3	3	19	7	9	3	<b>44</b>
<b>FY 2008</b>	2	3	16	7	9	3	<b>40</b>
<b>FY 2009</b>	2	3	16	8	10	4	<b>43</b>
<b>FY 2010</b>	2	3	15	8	10	4	<b>42</b>
<b>FY 2011</b>	2	3	14	5	7	4	<b>35</b>
<b>FY 2012</b>	2	3	9	7	9	3	<b>33</b>
<b>FY 2013</b>	1	3	10	4	5	3	<b>26</b>
<b>FY 2014</b>	1	3	8	7	5	3	<b>27</b>
<b>FY 2015</b>	1	3	10	6	6	2	<b>28</b>
<b>FY 2016</b>	1	3	10	6	6	2	<b>28</b>



**Oklahoma Lottery Commission  
National Lottery Statistics  
Comparative Sales by Product**

**FY '16 Sales by Product (millions)**

Lottery Jurisdiction	INSTANT	PULL TAB	LOTTO	HOT LOTTO	CASH LOTTO	MULTI-JURISDICTION	KENO	VLT EGMs	Raffles	OTHER	TOTAL SALES
Arizona	\$590.70	\$6.10	\$10.60	\$58.60		\$205.00				(\$0.00)	\$871.00
Arkansas	\$360.00		\$11.00	\$7.60		\$66.00				\$11.00	\$455.60
California	\$4,351.80		\$173.10	\$437.30		\$1,062.90	\$232.30			\$18.20	\$6,275.60
Colorado	\$395.20		\$9.00	\$46.40		\$143.80				(\$0.00)	\$594.40
Connecticut	\$742.30		\$245.10	\$73.60		\$157.40	\$12.40			\$0.00	\$1,230.80
Delaware	\$65.70		\$50.30	\$4.60	\$2.40	\$44.00	\$8.20	\$354.10		(\$0.00)	\$175.20
District of Columbia	\$50.80		\$99.70	\$0.00	\$2.20	\$25.00	\$9.00			\$41.80	\$228.50
Florida	\$3,954.70		\$671.40	\$672.60		\$752.00			\$11.70	(\$0.00)	\$6,062.40
Georgia	\$3,100.70		\$807.00	\$149.60		\$297.70	\$192.90			\$8.00	\$4,555.90
Idaho	\$129.00	\$33.20	\$2.20	\$2.10	\$3.30	\$56.80			\$2.50	\$7.00	\$236.10
Illinois	\$1,811.80		\$488.50	\$245.20		\$307.30			\$5.40	(\$0.00)	\$2,858.20
Indiana	\$870.00		\$73.20	\$85.00		\$164.60				\$14.80	\$1,207.60
Iowa	\$233.70	\$15.10	\$11.00		\$12.80	\$94.30				(\$0.00)	\$366.90
Kansas	\$168.10		\$6.50	\$12.90	\$9.30	\$71.90	\$16.10			\$2.60	\$287.40
Kentucky	\$593.20		\$181.20	\$16.70		\$133.10	\$65.40			(\$0.00)	\$989.60
Louisiana	\$212.20		\$98.10	\$41.00		\$155.70				\$0.00	\$507.00
Maine	\$210.50		\$9.60		\$13.90	\$38.80				\$0.00	\$272.80
Maryland	\$611.30		\$522.40	\$57.60		\$228.70	\$311.60	\$741.70		\$167.00	\$1,898.60
Massachusetts	\$3,597.90	\$0.70	\$329.40	\$101.80		\$259.30	\$905.00			\$2.20	\$5,196.30
Michigan	\$1,097.30	\$32.60	\$771.60	\$121.40		\$340.30	\$625.20		\$9.30	\$0.20	\$2,997.90
Minnesota	\$394.70		\$16.70	\$25.20	\$12.90	\$125.00			\$7.00	\$11.40	\$592.90
Missouri	\$831.70		\$119.70	\$55.40		\$174.60	\$59.70			(\$0.00)	\$1,241.10
Montana	\$17.90			\$5.00	\$3.40	\$25.80	\$0.50		\$2.70	\$4.70	\$60.00
Nebraska	\$97.40		\$4.70	\$14.10	\$2.10	\$61.30				(\$0.00)	\$179.60
New Hampshire	\$218.10		\$10.40		\$12.60	\$58.30				\$2.50	\$301.90
New Jersey	\$1,842.40		\$714.80	\$209.10		\$475.80				\$47.90	\$3,290.00
New Mexico	\$83.10		\$4.90	\$7.40	\$4.30	\$53.80				\$0.90	\$154.40
New York	\$3,912.30		\$1,813.90	\$337.90		\$822.20	\$816.80	\$1,627.30		\$0.00	\$7,703.10
North Carolina	\$1,617.50		\$412.00	\$74.70		\$279.40				(\$0.00)	\$2,383.60
North Dakota	\$0.80				\$7.80	\$27.10				\$0.00	\$35.70
Ohio	\$1,560.40		\$543.40	\$94.90		\$309.80	\$364.30	\$868.90		\$183.90	\$3,056.70
Oklahoma	\$78.60		\$5.30	\$5.40	\$7.80	\$92.50				\$0.00	\$189.60
Oregon	\$131.60		\$1.60	\$38.90		\$82.60	\$95.80	\$876.50	\$2.50	\$0.00	\$353.00
Pennsylvania	\$2,792.70		\$526.70	\$233.40		\$496.50			\$31.60	\$54.30	\$4,135.20
Rhode Island	\$96.30		\$23.80	\$4.30		\$51.80	\$83.70	\$488.70		\$1.00	\$260.90
South Carolina	\$1,137.80		\$269.90	\$19.00		\$173.70				\$0.00	\$1,600.40
South Dakota	\$26.30			\$2.10	\$4.00	\$23.10		\$207.60		(\$0.00)	\$55.50
Tennessee	\$0.00		\$0.00			\$0.00					\$0.00
Texas	\$3,699.80		\$354.40	\$294.20		\$693.00				(\$0.00)	\$5,041.40
Vermont	\$93.30		\$2.70		\$4.60	\$18.00				\$5.70	\$124.30
Virginia	\$1,100.60		\$552.60	\$47.60		\$270.30			\$6.60	\$29.20	\$2,006.90
Washington	\$454.00		\$16.70	\$81.50		\$138.00	\$5.80			\$0.00	\$696.00
West Virginia	\$102.50		\$13.10	\$5.10	\$4.80	\$58.60	\$4.10	\$903.00		\$0.00	\$188.20
Wisconsin	\$381.40	\$1.10	\$36.80	\$71.70		\$138.00			\$0.80	\$0.00	\$629.80
Wyoming	\$0.60			\$13.10		\$19.70				(\$0.00)	\$33.40
<b>TOTAL (SUS)</b>	<b>\$43,818.70</b>	<b>\$88.80</b>	<b>\$10,015.00</b>	<b>\$3,774.00</b>	<b>\$108.20</b>	<b>\$9,273.50</b>	<b>\$3,808.80</b>	<b>\$6,067.80</b>	<b>\$80.10</b>	<b>\$614.30</b>	<b>\$71,581.40</b>

Reference: LaFluors Magazine / September/October - Fiscal Lottery Sales by Game Report

x x



U.S. Lotteries Fiscal Total Sales & Profits

Lottery Jurisdiction	FY '07	FY '07	FY '08	FY '09	FY '09	FY '10	FY '10	FY '11	FY '11	FY '12	FY '12	FY '13	FY '13	FY '14	FY '14	FY '15	FY '15	
	Sales (millions)	Transfer (millions)	Sales (millions)	Transfer (millions)	Sales (millions)	Transfer (millions)	Sales (millions)	Transfer (millions)	Sales (millions)	Transfer (millions)	Sales (millions)	Transfer (millions)	Sales (millions)	Transfer (millions)	Sales (millions)	Transfer (millions)	Sales (millions)	
Arizona	\$462.20	\$144.60	\$472.20	\$144.60	\$484.49	\$129.08	\$551.50	\$141.90	\$583.50	\$146.30	\$646.68	\$164.72	\$692.94	\$233.95	\$750.00	\$176.00	\$750.00	
Arkansas	na	na	na	na	na	na	\$383.70	\$82.60	\$464.00	\$156.60	\$473.09	\$97.78	\$439.55	\$40.07	\$408.70	\$72.30	\$408.70	
California	\$3,318.40	\$1,069.40	\$3,049.60	\$1,020.70	\$3,494.49	\$1,020.70	\$3,041.20	\$1,128.60	\$3,438.66	\$1,128.60	\$4,371.49	\$1,330.73	\$4,448.87	\$1,349.60	\$5,524.90	\$1,395.20	\$5,524.90	
Colorado	\$455.90	\$119.00	\$505.80	\$121.90	\$493.40	\$121.90	\$501.20	\$117.00	\$518.90	\$131.40	\$566.29	\$135.65	\$623.20	\$130.11	\$538.00	\$128.00	\$538.00	
Connecticut	\$957.00	\$279.90	\$998.10	\$285.10	\$991.00	\$283.00	\$996.80	\$285.50	\$1,010.60	\$289.30	\$1,081.74	\$311.90	\$1,122.69	\$321.80	\$1,144.00	\$319.70	\$1,144.00	
Delaware	\$754.00	\$256.70	\$716.40	\$252.50	\$702.20	\$251.70	\$670.90	\$238.00	\$663.20	\$238.00	\$703.23	\$221.33	\$631.90	\$217.19	\$501.00	\$240.50	\$501.00	
District of Columbia	\$254.94	\$95.40	\$252.33	\$94.20	\$246.20	\$93.80	\$238.90	\$92.30	\$249.53	\$92.30	\$249.53	\$92.30	\$249.53	\$92.30	\$249.53	\$92.30	\$249.53	
Florida	\$1,122.17	\$1,260.00	\$1,280.00	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	\$1,284.80	
Georgia	\$3,421.70	\$853.55	\$3,520.00	\$872.10	\$3,660.00	\$872.10	\$3,660.00	\$872.10	\$3,660.00	\$872.10	\$3,660.00	\$872.10	\$3,660.00	\$872.10	\$3,660.00	\$872.10	\$3,660.00	
Illinois	\$130.50	\$32.30	\$146.80	\$36.20	\$139.65	\$35.00	\$146.90	\$37.70	\$147.20	\$37.50	\$175.83	\$41.50	\$197.45	\$48.28	\$49.00	\$210.20	\$45.00	
Illinois	\$2,021.30	\$622.40	\$2,078.20	\$657.60	\$2,095.50	\$625.00	\$2,126.20	\$657.90	\$2,278.30	\$690.00	\$2,680.14	\$708.50	\$2,832.58	\$793.52	\$2,832.50	\$744.00	\$2,832.50	
Indiana	\$789.10	\$216.00	\$822.80	\$217.10	\$732.70	\$179.10	\$739.10	na	\$791.40	\$188.60	\$855.58	\$202.59	\$934.03	\$234.66	\$1,041.30	\$242.90	\$1,041.30	
Iowa	\$235.00	\$88.00	\$249.00	\$87.00	\$243.00	\$86.00	\$236.30	\$85.00	\$243.80	\$86.30	\$246.84	\$87.73	\$246.84	\$87.73	\$246.84	\$87.73	\$246.84	
Kansas	\$240.00	\$70.00	\$246.70	\$71.00	\$230.51	\$67.25	\$243.70	\$70.00	\$243.80	\$70.00	\$246.84	\$72.00	\$244.81	\$74.52	\$245.71	\$74.29	\$245.00	
Kentucky	\$744.20	\$196.30	\$718.30	\$192.10	\$810.54	\$204.40	\$772.50	\$214.20	\$772.30	\$214.20	\$823.55	\$216.44	\$846.67	\$223.81	\$858.86	\$226.13	\$896.40	
Louisiana	\$354.20	\$128.30	\$373.70	\$131.80	\$378.50	\$135.40	\$372.40	\$133.70	\$383.60	\$136.40	\$429.62	\$146.91	\$447.42	\$160.21	\$448.97	\$170.66	\$452.30	
Maine	\$230.02	\$50.62	\$228.52	\$49.46	\$210.67	\$50.56	\$217.30	\$52.20	\$216.40	\$50.20	\$228.35	\$53.33	\$227.72	\$53.32	\$229.96	\$52.38	\$233.10	
Massachusetts	\$4,460.91	\$892.00	\$4,709.00	\$913.00	\$4,442.92	\$889.40	\$4,412.10	\$903.50	\$4,403.30	\$887.90	\$4,729.60	\$983.79	\$4,839.27	\$985.80	\$4,852.38	\$974.56	\$4,990.90	
Michigan	\$2,342.60	\$748.90	\$2,390.20	\$740.70	\$2,378.40	\$730.60	\$2,348.00	\$704.20	\$2,364.10	\$731.90	\$2,413.46	\$771.00	\$2,476.40	\$735.62	\$2,896.44	\$744.10	\$2,758.20	
Minnesota	\$422.61	\$112.35	\$401.52	\$116.27	\$481.20	\$119.60	\$499.00	\$122.60	\$504.40	\$121.90	\$520.03	\$123.81	\$560.40	\$153.24	\$531.52	\$469.00	\$469.00	
Missouri	\$934.30	\$257.90	\$995.50	\$266.60	\$969.00	\$256.20	\$971.60	\$255.00	\$1,001.30	\$259.40	\$1,097.43	\$273.60	\$1,140.83	\$280.01	\$1,157.05	\$277.54	\$1,098.30	
Montana	\$41.60	\$11.40	\$43.80	\$11.00	\$43.90	\$10.11	\$47.00	\$10.60	\$46.00	\$10.60	\$52.76	\$13.06	\$56.98	\$13.08	\$52.29	\$12.09	\$52.50	
Nebaska	\$114.40	\$29.19	\$121.91	\$31.03	\$123.26	\$29.29	\$130.60	\$32.10	\$131.90	\$32.10	\$150.61	\$36.08	\$160.75	\$40.01	\$157.90	\$38.00	\$160.00	
New Hampshire	\$265.94	\$79.04	\$261.13	\$75.65	\$239.58	\$68.03	\$233.20	\$66.00	\$228.40	\$66.30	\$257.90	\$66.77	\$279.34	\$74.33	\$275.61	\$72.38	\$279.60	
New Jersey	\$2,350.90	\$729.30	\$2,598.50	\$882.10	\$2,503.30	\$887.20	\$2,665.20	\$893.60	\$2,656.40	\$890.90	\$2,759.41	\$950.00	\$2,821.40	\$965.01	\$2,901.65	\$965.01	\$3,013.60	
New Mexico	\$148.00	\$34.80	\$147.10	\$34.80	\$142.30	\$40.80	\$143.60	\$43.60	\$135.50	\$41.30	\$133.79	\$41.33	\$141.76	\$43.68	\$136.00	\$40.94	\$137.00	
North Carolina	\$885.58	\$315.37	\$1,078.08	\$350.01	\$1,293.00	\$414.10	\$1,421.30	\$430.80	\$1,461.10	\$437.40	\$1,596.69	\$460.47	\$1,689.80	\$479.51	\$1,839.28	\$504.13	\$1,972.20	
North Dakota	\$22.64	\$6.80	\$22.12	\$6.07	\$21.72	\$5.73	\$24.30	\$5.80	\$23.00	\$92.20	\$26.04	\$27.84	\$7.02	\$26.95	\$7.83	\$27.00	\$7.10	
Ohio	\$2,259.40	\$669.30	\$2,325.10	\$672.20	\$2,420.00	\$702.00	\$2,487.10	\$738.80	\$2,596.10	\$738.80	\$2,900.05	\$771.03	\$2,863.45	\$803.13	\$3,180.72	\$1,004.34	\$3,663.90	
Oklahoma	\$202.53	\$69.40	\$203.82	\$71.61	\$193.16	\$69.23	\$199.70	\$70.00	\$198.20	\$69.40	\$199.85	\$70.49	\$200.21	\$70.62	\$191.13	\$67.68	\$171.60	
Oregon	\$1,221.94	\$656.40	\$1,245.50	\$678.70	\$1,106.00	\$566.80	\$1,027.70	\$526.10	\$1,038.00	\$560.00	\$2,473.87	\$549.05	\$2,951.89	\$530.59	\$1,052.81	\$1,167.00	\$581.70	
Pennsylvania	\$3,076.34	\$949.07	\$3,089.19	\$928.05	\$3,088.16	\$910.48	\$3,065.70	\$915.40	\$3,207.90	\$960.00	\$3,480.90	\$1,068.89	\$3,699.66	\$1,067.38	\$3,799.57	\$1,081.50	\$3,819.60	
Rhode Island	\$1,808.85	\$320.99	\$2,398.91	\$355.57	\$2,558.90	\$351.50	\$2,625.90	\$354.60	\$3,125.60	\$354.40	\$3,332.18	\$377.71	\$3,700.56	\$379.23	\$379.95	\$763.33	\$799.40	
South Carolina	\$988.20	\$277.10	\$992.50	\$263.90	\$1,005.10	\$260.40	\$1,007.50	\$271.00	\$1,047.00	\$271.00	\$1,135.65	\$297.74	\$1,199.20	\$305.21	\$1,264.44	\$307.70	\$1,401.70	
South Dakota	\$692.50	\$120.79	\$704.26	\$122.56	\$694.00	\$118.20	\$687.90	\$105.20	\$630.00	\$105.20	\$603.19	\$100.40	\$637.44	\$107.70	\$239.33	\$106.23	\$250.90	
Tennessee	\$1,058.13	\$284.30	\$1,065.00	\$283.10	\$1,087.90	\$280.20	\$1,138.40	\$288.90	\$1,166.60	\$293.50	\$1,311.20	\$323.44	\$1,367.54	\$339.71	\$1,417.07	\$372.27	\$1,475.00	
Texas	\$3,774.20	\$1,083.60	\$3,671.15	\$1,038.00	\$3,720.10	\$1,000.40	\$3,738.40	\$1,007.80	\$3,783.20	\$960.60	\$4,190.82	\$1,153.56	\$4,376.28	\$1,214.10	\$4,384.60	\$1,220.72	\$4,524.50	
Vermont	\$104.50	\$23.40	\$102.00	\$22.60	\$96.00	\$21.00	\$97.00	\$21.60	\$95.60	\$21.40	\$100.93	\$22.33	\$102.08	\$22.95	\$102.31	\$22.56	\$111.80	
Virginia	\$1,562.34	\$437.18	\$1,386.41	\$455.26	\$1,365.60	\$439.10	\$1,435.10	\$430.20	\$1,482.70	\$435.20	\$1,616.60	\$487.06	\$1,689.24	\$486.53	\$1,810.82	\$338.53	\$1,843.90	
Washington	\$492.60	\$114.20	\$521.10	\$130.30	\$487.70	\$120.39	\$491.00	\$142.49	\$510.50	\$150.10	\$535.20	\$138.04	\$569.59	\$139.23	\$594.52	\$147.67	\$599.70	
West Virginia	\$1,062.00	\$593.00	\$1,523.00	\$870.00	\$1,493.00	\$556.70	\$1,392.45	\$558.10	\$1,392.45	\$558.10	\$1,328.37	\$662.98	\$1,328.37	\$522.99	\$1,214.28	\$553.13	\$1,115.10	
Wisconsin	\$492.90	\$138.80	\$494.20	\$140.00	\$474.04	\$129.93	\$480.80	\$148.60	\$502.50	\$148.60	\$547.64	\$151.35	\$566.10	\$168.77	\$568.84	\$168.77	\$574.50	
Wyoming	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>TOTAL U.S. (RUS)</b>	<b>\$5,866,454</b>	<b>\$1,754,571</b>	<b>\$6,625,999</b>	<b>\$1,789,890</b>	<b>\$6,017,555</b>	<b>\$1,740,449</b>	<b>\$5,913,840</b>	<b>\$1,848,420</b>	<b>\$63,005,455</b>	<b>\$1,848,420</b>	<b>\$7,607,511</b>	<b>\$1,914,451,000</b>	<b>\$7,388,217</b>	<b>\$20,113,536</b>	<b>\$71,128,544</b>	<b>\$20,784,660</b>	<b>\$73,314,300</b>	<b>\$19,858,300</b>

Reference: Lufkin Magazine / September/October Issue - Fiscal Lottery Sales and Revenues Report (U.S. Lotteries: mostly Unaudited FY Revenues)



## **Oklahoma Lottery Commission**

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