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**2013**

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**ANNUAL REPORT**

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## LETTER FROM THE EXECUTIVE DIRECTOR

The Hoosier Lottery continues to prove itself a worthwhile Hoosier institution that returns millions in value to Indiana communities across the state each year. Since 1989, the Hoosier Lottery has been charged with maximizing revenues to the state by way of fun and light entertainment. We continue each year to find new and better ways to do that, which align with Hoosier preferences and interests.

Those efforts paid off significantly in FY 2013.

In the past fiscal year, the Hoosier Lottery earned \$934 million in sales, a nine percent increase over fiscal year 2012. Instant (scratch and pull-tab) ticket sales set a new record at \$616 million, which was an increase of \$59 million or 11 percent in FY 2013. This increase in instant ticket sales was primarily a reflection of continued improvement in product, communication and distribution strategies. The Hoosier Lottery also had a great year with its draw-game sales. Powerball had larger than average jackpots during FY 2013. The large jackpots led to a \$20 million or a seven percent increase in draw game sales over the prior year.

To continue to maximize revenues over the longer term, the Hoosier Lottery traveled a different path in FY 2013 and entered into an integrated services agreement to outsource its sales, distribution, advertising and marketing operations to GTECH Indiana, a firm with deep expertise in global lottery management. By energizing the brand, expanding the retailer network, introducing innovative new games, instituting operational efficiencies, and establishing a comprehensive social responsibility program, the GTECH Indiana business plan is expected to generate significant net income over 15 years for the State of Indiana. Over the first five years alone, GTECH Indiana anticipates that the implementation of its annual business plan will result in growing the amount of surplus revenue returned to the State from \$225 million in 2013 to potentially as much as \$400 million or more in 2018. The integrated services agreement became effective in October of 2012 and GTECH Indiana began performing the full range of services under the contract on July 1, 2013.

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Thanks in part to Lottery players,

• HOOSIERS PAID •

**50% LESS**  
in vehicle excise taxes.

## STRONGER. SAFER. SMARTER.

Lottery players help support local firefighters, police officers and teachers pensions across the state.



TO POLICE AND FIREFIGHTERS

**\$30,000,000** STATEWIDE



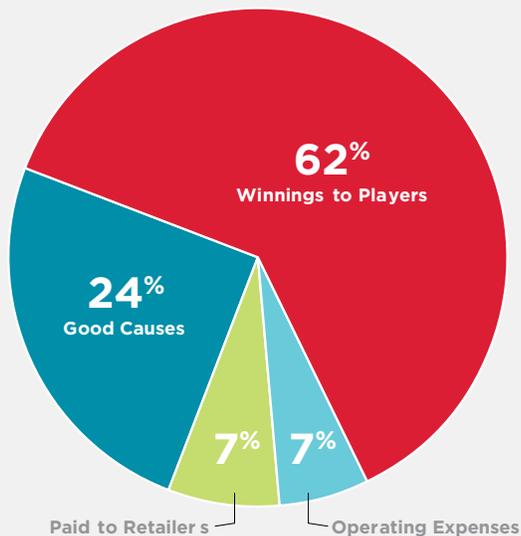
TO TEACHERS

**\$30,000,000** STATEWIDE

While the Hoosier Lottery Commission began its transition to an integrated services structure in FY 2013, it still continues to have full oversight and actual control of all Lottery operations on behalf of the State of Indiana, including the accounting function with 11 employees, security and internal controls functions with 15 employees, administration with 12 employees, compliance with two employees and information technology with two employees. My position as the Lottery's Executive Director is still appointed by the Governor, as is the five-member Commission.

The Lottery's game portfolio continues to reside solely in the categories of instant and draw formats. This year the Lottery's draw-game portfolio included: Hoosier Lotto, Powerball® with Power Play®, Mega Millions® with Megaplier®, Daily 3, Daily 4, Lucky 5, Mix & Match™, Quick Draw, Cash 5, EZmatch, Raffle and Tag 6.

### ALLOCATIONS



Good Causes include local Police & Fire Pensions, Teacher's Retirement Fund and the Build Indiana Fund.

Our ability to maximize sales and control our operational costs is critical to the good causes that benefit from Hoosier Lottery sales each year. In fact, 94 cents of every dollar the Hoosier Lottery earns goes back to Indiana communities in the form of winner payments, retailer commissions, vendor payments, pension-fund payments, and contributions to the Build Indiana Fund. From the FY 2013 earnings, \$225 million was returned to the state to fund good causes in every Indiana county. Each fiscal year, the Hoosier Lottery contributes \$30 million to local police and firefighters' pensions, and \$30 million to the Teacher's Retirement Fund. In FY 2013, \$164 million in Hoosier Lottery earnings helped reduce motor vehicle excise taxes by 50 percent.

Here at the Hoosier Lottery, we call that a win-win; because with each purchase of a Hoosier Lottery ticket, everybody wins. We look forward to another winning year ahead in FY 2014.

Sincerely,

Sarah M. Taylor  
Executive Director of the Hoosier Lottery

**THE STATE LOTTERY COMMISSION OF INDIANA  
STATEMENTS OF NET POSITION  
AS OF JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 26,476,145	\$ 41,774,779
Investments — current portion	11,446,826	11,815,565
Securities lending collateral	-	76,034,555
Accounts receivable — net	68,732,655	32,481,773
Prepaid expenses	1,414,957	2,693,408
Accrued interest receivable	223	446
Ticket inventory	-	263,750
Total current assets	<u>108,070,806</u>	<u>165,064,276</u>
NONCURRENT ASSETS:		
Long-term investments — less current portion	129,933,934	144,697,963
Restricted assets	8,720,176	8,757,087
Capital assets — net	<u>1,744,493</u>	<u>2,399,077</u>
Total noncurrent assets	<u>140,398,603</u>	<u>155,854,127</u>
<b>TOTAL</b>	<u><u>\$ 248,469,409</u></u>	<u><u>\$ 320,918,403</u></u>
<b>LIABILITIES AND NET POSITIONS</b>		
CURRENT LIABILITIES:		
Accounts payable:		
State	\$ 8,463,509	\$ 8,321,238
Trade	9,916,381	12,713,345
Securities lending transactions	-	76,034,555
Current portion of prize liability	92,034,617	70,407,568
Unearned revenue	668,788	528,295
Other accrued expenses	<u>583,008</u>	<u>1,536,432</u>
Total current liabilities	111,666,303	169,541,433
LONG-TERM LIABILITIES — Prize liability less current portion	<u>118,597,333</u>	<u>124,241,317</u>
Total liabilities	<u>230,263,636</u>	<u>293,782,750</u>
NET POSITION:		
Unrestricted	16,461,280	24,736,576
Net investment in capital assets	<u>1,744,493</u>	<u>2,399,077</u>
Total net position	<u>18,205,773</u>	<u>27,135,653</u>
<b>TOTAL</b>	<u><u>\$ 248,469,409</u></u>	<u><u>\$ 320,918,403</u></u>

Note: The financial statements are excerpts from the Hoosier Lottery's audited financial statements for the years ended June 30, 2013 and 2012. Complete financial statements are available upon request to the Chief Financial Officer, Hoosier Lottery, P.O. Box 6124, Indianapolis, IN 46206.

**THE STATE LOTTERY COMMISSION OF INDIANA  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
OPERATING REVENUES:		
Instant ticket sales — net	\$ 616,359,272	\$ 557,784,919
On-line ticket sales	<u>317,668,814</u>	<u>297,799,838</u>
Total operating revenues	<u>934,028,086</u>	<u>855,584,757</u>
OPERATING EXPENSES:		
Direct game expenses:		
Instant game prizes	418,282,785	377,488,962
On-line games prizes	<u>163,062,740</u>	<u>155,472,805</u>
	<u>581,345,525</u>	<u>532,961,767</u>
Indirect game expenses:		
Retailer commissions	63,517,963	60,036,174
Ticket printing costs	9,684,953	9,862,337
Advertising and promotion	21,308,239	11,725,343
On-line professional services	9,795,199	8,691,678
ITVM lease and courier services	<u>2,926,218</u>	<u>2,652,168</u>
	<u>107,232,572</u>	<u>92,967,700</u>
Total game expenses	<u>688,578,097</u>	<u>625,929,467</u>
OTHER OPERATING EXPENSES:		
Salaries, wages, and benefits	14,783,307	13,786,376
General and administrative	<u>5,164,886</u>	<u>5,252,783</u>
Total other operating expenses	<u>19,948,193</u>	<u>19,039,159</u>
Total operating expenses	<u>708,526,290</u>	<u>644,968,626</u>
OPERATING INCOME	<u>225,501,796</u>	<u>210,616,131</u>
NON-OPERATING REVENUES:		
Interest income	126,173	65,433
Net increase (decrease) in fair value of investments	(8,929,881)	16,549,412
Other income (expenses) - net	<u>(966,346)</u>	<u>156,030</u>
Total non-operating revenues (expenses) -net	<u>(9,770,054)</u>	<u>16,770,875</u>
NET INCOME PRIOR TO DISTRIBUTIONS	<u>215,731,742</u>	<u>227,387,006</u>
DISTRIBUTIONS:		
Distributions to the State	(216,198,113)	(196,930,115)
Distributions to be paid to the State	<u>(8,463,509)</u>	<u>(8,321,238)</u>
Total distributions	<u>(224,661,622)</u>	<u>(205,251,353)</u>
CHANGES IN NET POSITION	(8,929,880)	22,135,653
NET POSITION — Beginning of year	<u>27,135,653</u>	<u>5,000,000</u>
NET POSITION — Ending of year	<u>\$ 18,205,773</u>	<u>\$ 27,135,653</u>

Note: The financial statements are excerpts from the Hoosier Lottery's audited financial statements for the years ended June 30, 2013 and 2012. Complete financial statements are available upon request to the Chief Financial Officer, Hoosier Lottery, P.O. Box 6124, Indianapolis, IN 46206.

**18+**  
TO PLAY

**PLAY RESPONSIBLY**  
GAMBLING ADDICTION LINE  
**1-800-994-8448**