



*Since 1975*

**2016 Annual Report**

For the fiscal year ending June 30, 2016



## From the Director

VERNON KIRK



As we celebrate 40 years of giving back to Delaware, I want to reflect on another great year. In 2016 alone, the Delaware Lottery contributed more than \$211 million to the state's General Fund. Since the start of operations in 1975, the Lottery's total contribution has reached more than \$4.7 billion. We remain the state's fourth-largest revenue generator, and continue to grow. For that, we give sincere thanks to our Retailers, players, vendors and Lottery staff—without them, none of this would be possible.

Achievements in 2016 include the February introduction of the Lottery's \$25 Quarter Million Large Instant Ticket—our highest price point ever. The summer's Giving Back ad campaign communicated all the good things the Lottery makes possible, including a tremendous increase in this year's POWERBALL® contribution to Delaware's General Fund. We also saw a rise in the number of requests for casino Table Games and Video Lottery terminals, big milestones for the online gaming sites and the continued onboarding of new Delaware Lottery Retailers. Plus, our Lottery Retailers, special guests and the public joined us for a 40th anniversary celebration at Dover Downs in October.

Giving back \$4.7 billion over 40 years goes a long way toward supporting many vital services throughout our state. That means residents, workers and visitors are all winners of the Delaware Lottery.

**Here's to more new ways to win in the year ahead.**

Vernon Kirk  
Director, Delaware Lottery

**\$211**

**MILLION**

to the state's  
General Fund  
in 2016

**\$4.7**

**BILLION**

has been  
contributed  
since 1975

**600+**

licensed retail  
locations throughout  
Delaware

## Traditional Game Highlights

### Quarter Million Large: odds-on favorite in its first year.

Priced at \$25 a ticket, our Quarter Million Large Instant Game drew the attention of a lot of players. The game experienced an exceptionally high volume of sale, and additional tickets were ordered—and with more tickets come more winners. **From February through December, there was a \$10,000 winner each month. And there were three \$250,000 top prize winners—one in March, one in September and one in December.**



### Sports Lottery brings pro football excitement to Delaware.

The Delaware Sports Lottery fan base keeps growing. Over the course of 17 weeks, and through the playoffs, we attracted in-state players as well as those coming from Pennsylvania, New Jersey, Virginia, D.C., Maryland and beyond. With parlay cards in hand and Las Vegas lines in mind, players wagered on each week's football matchups. Some players decided to pick weekly, while others were looking for bigger payouts, making playoff picks and predictions for the Big Game winner. **Throughout the season, we saw \$10,000 and \$20,000 winners—plus winners of even larger prizes.**

### Improving Powerball® players' chances with a matrix change.

Delaware is one of 41 states that participate in Powerball®—and jackpots keep getting larger. In fact, **the \$1.5 billion jackpot on February 12 was the biggest ever.** To get more people playing, we improved opportunities by improving the structure. Raising the jackpot also raised revenues, allowing the Delaware Lottery to **contribute an additional \$8.5 million to this year's General Fund.**



## Casino Games

# Table Games

3 | 115 | 73  
CASINOS | GAMING TABLES | POKER TABLES

Two thousand and sixteen was the sixth full year since the introduction of Table Games. More than 34 requests from Delaware Park, Dover Downs and Harrington Raceway & Casino for changes to their internal controls were received and approved. Requests ranged from the addition of new games to changes on the gaming floor processes. More than **160 requests were made** to hold different types of Table Game tournaments, which included blackjack, craps and poker.

All three venues continued to review their current internal controls to make sure the approved submission was added to the document and that it aligned with the state regulation and Lottery MICS. **The three casinos offered a combination of 115 gaming tables and 73 poker tables.** They continue to explore different types of products and promotions to make their location as attractive as possible.

**Delaware Park** continued to make improvements to their gaming floor. They have held **more than 70 poker tournaments** and continue to drive business to our state and away from Maryland and Pennsylvania. **Dover Downs hosted popular multiday poker events** and other tournaments, which offered the chance to win a cruise. During the 2016 fiscal year, **Harrington offered monthly craps, blackjack and poker tournaments** as well as a match-play coupon program. All three properties also offered a gaming-floor promotion where the prize was an **all-expenses-paid trip to Las Vegas** and entry into a gaming tournament.

## Video Lottery

The casinos have continued to increase the number of Video Lottery Terminals (VLTs). They have connected to the **SBX server-based gaming systems**—currently totaling more than 90 terminals, with another 50 terminals now available. The casinos have also recently begun receiving new automated table games pursuant to the recently signed contracts with machine vendors. The Lottery executed an extension of their contract with their independent testing laboratory, Gaming Laboratories International. VLT vendor International Game Technology (IGT) began offering its highly popular **Wheel of Fortune game** at VLT tournaments at all three casinos. During fiscal year 2016, there was a total of **18 single-game VLT jackpots of more than \$50,000, with two jackpots of more than \$100,000.**



# iGaming

Since Delaware's online gaming sites were launched in October 2013, the online gaming industry has continued to rise each fiscal year. In fiscal year 2016, our total net revenue was \$2.5 million—a 43 percent increase over fiscal year 2015 (\$1.7 million). We also ended the fiscal year with a 13 percent increase in registrations compared to fiscal year 2015. Fiscal year 2016 also marked some important milestones for Delaware's three online gaming sites:



In August 2015, additional game content was activated on all three online sites, providing players with Video Lottery game options similar to those in the land-based casinos.



March 2016 marked our one-year anniversary for the shared poker platform between Delaware players and World Series of Poker (Nevada) players.



May 2016 marked the one-year anniversary of our mobile casino apps on iOS devices. Our mobile apps have become increasingly popular with Delaware's seasonal tourists.

With fiscal year 2016 ending on a high note, we can't wait to see what fiscal year 2017 brings.

**\$2.5**  
**MILLION**

total net revenue for  
fiscal year 2016

**43%**

increase in net  
revenue from fiscal  
year 2015

**13%**

increase in  
registrations from  
fiscal year 2015

# All About Retailers, Players and Employees

Delaware Lottery Retailers, players and employees continue to be a vital part of our operations and the success we've had throughout our 40 years in the industry. During fiscal year 2016, **the total number of businesses licensed as Lottery Retailers throughout the state reached and stabilized at its highest level in 40 years. We now have more than 600 licensed retail locations**, consisting of various trade styles—from convenience stores and restaurants to bars and taverns, which offer a broad range of Lottery products, including KENO and Sports Lottery. Our Lottery Retailers need continual innovation to keep their businesses thriving, so we are committed to providing them with modern sales methods, products and support. In addition, the Lottery continued its effective use of an incentive program that rewards Retailers with bonuses for increases in product sales. The Retailer incentive program is one of the key factors in the Lottery's ability to show **long-term sales increases for the mature ticket product line**.

We also recognize that our success comes from the loyal and continued support of our players and dedicated Delaware Lottery staff. During this year, we paid out over \$126 million in prizes. There are 61 Delaware Lottery state employees providing accounting, marketing, information technology, security and general administrative services. Their commitment and indispensable contributions make our annual dividend possible.



Delaware State Lottery  
Basic Statements of Net Position  
June 30, 2016 and 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
<b>Current assets:</b>		
Cash and investments	\$ 5,921,521	3,133,928
Accounts receivable, net allowance of \$791,748 and \$791,748, respectively	6,177,938	13,295,112
Investments—restricted for payment of prize liabilities	30,000	30,000
Due from the State of Delaware	4,762,963	4,462,770
<b>Total current assets</b>	<u>16,892,422</u>	<u>20,921,810</u>
<b>Noncurrent assets:</b>		
Investments—restricted for payment of prize liabilities	19,903	49,781
Deposit Multi-State Lottery	2,316,299	2,515,559
<b>Total noncurrent assets</b>	<u>2,336,202</u>	<u>2,565,340</u>
<b>Total assets</b>	<u>19,228,624</u>	<u>23,487,150</u>
<b>Deferred outflows</b>	<u>242,448</u>	<u>244,307</u>
<b>Liabilities and Net Position</b>		
<b>Current liabilities:</b>		
Prizes liability, including \$30,000 for both years, of prize installment obligations	4,923,651	6,772,743
Accounts payable and accrued liabilities	4,704,095	7,076,299
Due to the State of Delaware	1,501,713	1,609,998
<b>Total current liabilities</b>	<u>11,129,459</u>	<u>15,459,040</u>
<b>Noncurrent liabilities:</b>		
Multi-State Lottery reserve	2,316,299	2,515,559
Prize installment obligations, noncurrent	19,903	49,781
Pension and OPEB liability	4,669,812	3,874,639
<b>Total noncurrent liabilities</b>	<u>7,006,014</u>	<u>6,439,979</u>
<b>Total liabilities</b>	<u>18,135,473</u>	<u>21,899,019</u>
<b>Deferred inflows</b>	<u>335,599</u>	<u>832,438</u>
<b>Net position:</b>		
Unrestricted	<u>\$ 1,000,000</u>	<u>1,000,000</u>

See accompanying notes to basic financial statements.

Delaware State Lottery  
Basic Statements of Revenue,  
Expenses and Changes  
in Net Position  
Years ended June 30, 2016  
and 2015

	<u>2016</u>	<u>2015</u>
<b>Revenue:</b>		
Video lottery, net	\$ 360,771,884	357,492,447
Video lottery expired jackpots and credit slips	309,340	252,068
Casino license fees	3,199,100	3,220,300
I-Gaming Video	2,559,090	1,773,149
Sports lottery	39,398,130	37,857,048
Table games, net	54,010,328	51,455,977
Draw games	109,381,171	95,395,052
Instant games	65,659,766	54,422,544
<b>Total revenue</b>	<u>635,288,809</u>	<u>601,868,595</u>
<b>Cost of games:</b>		
Video lottery commissions	152,478,747	150,989,347
Prize costs, net of reversions	126,503,755	108,964,095
Gaming vendor fees and costs	41,815,118	40,301,237
Instant and draw games commissions	11,399,240	9,675,383
Sports lottery commissions	2,792,770	3,324,221
Table games commissions	35,700,827	34,012,401
<b>Total cost of games</b>	<u>370,690,457</u>	<u>347,266,684</u>
<b>Gross margin</b>	<u>264,598,352</u>	<u>254,601,911</u>
<b>Operating expenses:</b>		
Advertising and promotions	3,193,949	3,057,702
Payroll and related benefits	5,905,596	5,877,778
Other general and administrative	1,634,149	1,704,982
<b>Total operating expenses</b>	<u>10,733,694</u>	<u>10,640,462</u>
<b>Operating income</b>	253,864,658	243,961,449
<b>Non-operating expenses:</b>		
Delaware Standardbred Breeder's Program	3,000,000	3,000,000
Delaware Certified Thoroughbred Program	1,000,000	1,000,000
State of Delaware	249,864,659	239,961,449
<b>Total nonoperating expenses</b>	<u>253,864,659</u>	<u>243,961,449</u>
<b>Change in net positions</b>	-	-
<b>Net position at beginning of year</b>	1,000,000	1,000,000
<b>Net position at end of year</b>	\$ <u>1,000,000</u>	<u>1,000,000</u>

See accompanying notes to basic financial statements.



Delaware State Lottery  
 Basic Statements of Cash Flows  
 Years ended June 30, 2016  
 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 642,405,983	600,991,396
Payments to vendors for goods and services	(46,348,273)	(45,354,466)
Payments to employees for services	(5,842,743)	(5,945,984)
Payments for prizes	(128,382,725)	(106,964,131)
Payments for commissions	(205,101,583)	(198,249,368)
<b>Net cash provided by operating activities</b>	<u>256,730,659</u>	<u>244,477,447</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers to the Delaware Standardbred Breeder's Program	(3,000,000)	(3,000,000)
Transfers to the Delaware Certified Thoroughbred Program	(1,000,000)	(1,000,000)
Transfers to the State of Delaware	(249,972,944)	(240,497,006)
<b>Net cash used in noncapital financing activities</b>	<u>(253,972,944)</u>	<u>(244,497,006)</u>
<b>Cash flows from investing activity:</b>		
Proceeds from maturity of investments	29,878	34,257
<b>Net cash provided by investing activity</b>	<u>29,878</u>	<u>34,257</u>
<b>Net increase cash and investments</b>	2,787,593	14,698
<b>Cash and investments at beginning of year</b>	<u>3,133,928</u>	<u>3,119,230</u>
<b>Cash and investments at end of year</b>	\$ <u><u>5,921,521</u></u>	<u><u>3,133,928</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 253,864,659	243,961,449
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable, net	7,117,174	(877,199)
Prizes liability	(1,878,970)	1,999,964
Accounts payable and accrued liabilities	(2,372,204)	(606,767)
<b>Net cash provided by operating activities</b>	\$ <u><u>256,730,659</u></u>	<u><u>244,477,447</u></u>

See accompanying notes to basic financial statements.

The Delaware Lottery offers players a wide variety of games with different price points, play styles and prize levels. Current Delaware Lottery games are:



## Player Information Line

For winning numbers and other Delaware Lottery information:

### Delaware Lottery Office

McKee Business Park  
1575 McKee Road, Suite 102  
Dover, DE 19904  
302-739-5291

Call 1-800-338-6200

Or visit [delottery.com](http://delottery.com).



If you or someone you know has a gambling problem, call the Delaware Gambling Helpline.

**1-888-850-8888**

**It's the law.**

You must be 18 years old to play.