

# INVESTED IN DELAWARE



2017 Annual Report  
For the fiscal year ending June 30, 2017





On behalf of the Delaware Lottery, I would like to thank all of our retailers, players, vendors and staff for making 2017 such a great year. The Delaware Lottery contributed \$204.4 million to the State's General Fund making the Delaware Lottery the state's fifth-largest revenue generator for 2017. In total, the Lottery has contributed nearly \$5.2 billion to the State's General Fund since the start of operations in 1975.

2017 was a very exciting year for the Lottery. In February, we introduced the POWERBALL® Power Cruise™, a nationwide second-chance POWERBALL® drawing. Six Delaware Lottery players were selected — turning their non-winning POWERBALL® tickets into a five-night Caribbean cruise. Additionally in 2017, the Delaware Lottery introduced LOTTO AMERICA®, America's newest multimillion-dollar draw game.

By contributing more than \$5.2 billion to the state's General Fund since 1975, the Delaware Lottery continues to support crucial services and needs throughout our state — benefiting everyone who lives, works and visits Delaware.

We look forward to another successful year in 2018.

**Vernon Kirk**  
**Director, Delaware Lottery**

**\$204.4  
MILLION**

to the State's General  
Fund in 2017

**\$5.2  
BILLION**

has been contributed  
since 1975

**600+  
RETAILERS**

licensed throughout  
Delaware



# MARKETING AND SALES HIGHLIGHTS

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## POWERBALL®

The Delaware Lottery participated in Power Cruise™, the first ever multi-state promotion offering POWERBALL® players a chance to win an exclusive Caribbean vacation in a second-chance drawing. The POWERBALL® Power Cruise™ promotion ran February through March 2017 and six lucky Delaware winners won an all-expense paid, 5-night Western Caribbean cruise for two.

Also during fiscal 2017, Delaware Lottery had a single POWERBALL® jackpot winner in a historic drawing that took place on December 17, 2016. One lucky couple started 2017 with a \$121.6 million prize. This drawing represented the second-highest Delaware jackpot winner on a single ticket. The highest was in 2004, when a winner of the \$214.7 million jackpot took the cash option of \$116.9 million.



## Instant Games

After the success of our introduction of a \$25 instant game ticket, we launched our second \$25 instant game ticket in February 2017, \$250 GRAND. Two of the three top prizes of \$250,000 have been claimed.



## Retail

During fiscal year 2017, the traditional Delaware Lottery games network continued to grow through the expansion of KENO® and Sports Lottery. The total number of businesses licensed as Lottery retailers throughout the state has reached and stabilized at a record level.

The Delaware Lottery is proud that the sale of its products benefit local communities. Delaware Retailers are a vital part of our operation, and when players visit our retailers to buy Lottery tickets, research has shown that they're likely to buy something else. Our total sales commission and bonuses paid to our retailers in FY17 totaled \$12.6 million.



# MARKETING AND SALES HIGHLIGHTS

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## Sports Lottery

Sports Lottery sales for the 2016-2017 season grew 17% over the previous year to \$46.1 million. Retailer sales grew from \$23 million to \$27.59 million. Casino Sportsbook sales grew from \$16.4 million to \$18.5 million. This growth can be attributed to the increasing popularity of Sports Lottery and the growth of additional retail locations. Out-of-state sales were projected to be approximately 60%. The State share for FY17 was \$2.17 million.



## Sponsorships and New Website

### *Road to Rio International Showcase at "The Bob"*

The Lottery was proud to be a sponsor of the Team USA Women's Basketball event, held at The Bob Carpenter Center on July 27, 2016. University of Delaware fans and Team USA fans alike had the opportunity to watch Elena Delle Donne and the 2016 USA Basketball Women's National Team live in action. This was the real deal and with four Olympic teams battling against each other, there was a lot of excitement and the atmosphere was electric!

Delaware Lottery's marketing program maintained its long-standing sponsorships with University of Delaware, Delaware State University, Delaware Sports League and the Delaware 87ers, participating in a variety of cooperative sports programs conducted during the spring and winter sports seasons. In addition, the Lottery continued sponsorships with the Delaware State Fair as well as participating in more recent associations with such diverse events as: The Out and About Loop Series, Wyoming Peach Festival, Milford Bud & Bug Festival, Triple Threat Beer & BBQ Festival in Harrington, Saint Anthony's Italian Festival and the Old Dover Days.

The Lottery launched a new redesigned website. The modernized site provides users with improved functionality and a clear, uncluttered state-of-the-art design, as well as upgraded features for easier navigation across all digital devices.

# MARKETING AND SALES HIGHLIGHTS

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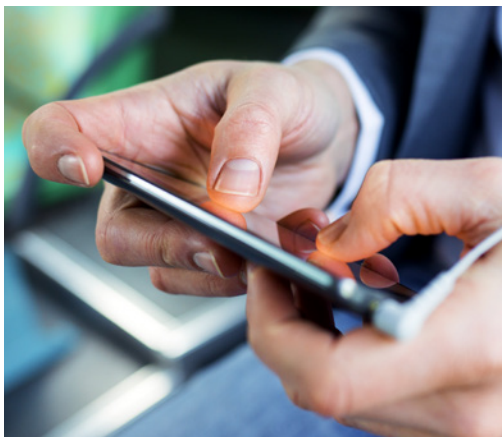
## Table Games

During FY17, the seventh full year of table games operations, 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 locations as attractive as possible.

Delaware Park continued to make improvements to their gaming floor. They reviewed all of their current game offerings to see if the games, tournaments and promotions gave the patrons the best available selections possible. They have held more than 70 poker tournaments with the intent of driving business to their property. In April, they added Stadium Seating Live Gaming. This area consists of a mixture of electronic games (Roulette, Blackjack and Sic Bo) that are dealt by a live dealer.

Dover Downs offers a variety of poker tournaments and promotions, including blackjack and craps tournaments. They hosted a multi-day poker event that was well attended. In addition to the multi-day event, other tournaments were offered where the prizes consisted of cruises. They have also hosted several private poker events along with charity poker events.

Harrington Raceway offers several types of promotions and tournaments. During FY17, they offered monthly craps, blackjack and poker tournaments. Harrington also offers a match play coupon program to their patrons.



## iGaming

In FY17, net revenue was \$2.6 million, which was the highest net revenue to date since the 2013 launch of iGaming. October 2016 marked the third-year anniversary of Delaware's online gaming sites (Harrington Raceway, Delaware Park and Dover Downs). In May 2017, we celebrated the second-year anniversary of our iOS mobile app launch. Mobile bets increased 62% from FY16 to FY17.

# MARKETING AND SALES HIGHLIGHTS

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## **Video Lottery**

With more than 6,000 games in play, Video Lottery net proceeds for FY17 totaled more than \$360.8 million.

During FY16, the Lottery negotiated and subsequently signed agreements with three automated electronic table games providers. In FY17, the first electronic table games were installed pursuant to those agreements.

The Lottery extended its contract with Gaming Labs International (GLI) for one year.

New contracts were executed with the seven approved vendors who provide Video Lottery Terminals (VLTs) to our Charitable Gaming Organizations (CGOs). We currently have 49 approved CGOs operating 485 VLTs.

During FY17, Video Lottery had 10 jackpots of \$50,000 and over and one jackpot over \$100,000.



# FUTURE AND ONGOING PROJECTS

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- Continue to develop effective mass media and alternative media advertising programs, including digital and social.
- Continue to employ effective sales management techniques to stimulate positive selling activities among licensed retailers.
- Introduce an Instant Game Loyalty Program.
- Continue the expansion of our retailer network by actively recruiting new and unique trade styles.
- Contribute to the design and development of improved sales management, reporting and communications solutions that capitalize on available Internet and wireless technologies for use by Lottery support staff and retailers.
- Continue to effectively use “cooperative services” program by developing new and exciting games and promotional programs.
- Conduct player and customer satisfaction surveys, as well as strive to continually improve service in accordance with the Lottery’s quality initiative.
- Expand retailer network to grow KENO® sales.
- Introduce new Player Central High Definition (PCHD) self-service machines to expand retailer network.
- Continue to grow Sports Lottery retailer network.



# BASIC STATEMENTS

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## Net Position

June 30, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current</b>		
Cash and investments	\$ 3,791,602	\$ 5,921,521
Accounts receivable, net allowance of \$791,748 and \$791,748, respectively	7,920,400	6,177,938
Investments — restricted for payment of prize liabilities	19,679	30,000
Due from the State of Delaware	5,386,177	4,762,963
Total current assets	17,117,858	16,892,422
<b>Noncurrent</b>		
Investments — restricted for payment of prize liabilities		19,903
Deposit Multi-State Lottery	2,265,380	2,316,299
Total noncurrent assets	2,265,380	2,336,202
Total assets	19,383,238	19,228,624
Deferred outflows	1,045,231	242,448
<b>Liabilities and Net Position</b>		
<b>Current</b>		
Prizes liability, including \$19,679 and \$30,000 of prize installment obligations, respectively	5,065,864	4,923,651
Accounts payable and accrued liabilities	4,721,166	4,704,095
Due to the State of Delaware	944,651	1,501,713
Total current liabilities	10,731,681	11,129,459
<b>Noncurrent</b>		
Multi-State Lottery reserve	2,265,380	2,316,299
Prize installment obligations		19,903
Pension and OPEB liability	6,326,906	4,669,812
Total noncurrent liabilities	8,592,286	7,006,014
Total liabilities	19,323,967	18,135,473
Deferred inflows	104,502	335,599
<b>Net position</b>		
Unrestricted	\$ 1,000,000	\$ 1,000,000



# BASIC STATEMENTS

## Revenue, Expenses and Changes in Net Position

June 30, 2017 and 2016

	2017	2016
<b>Revenue</b>		
Video lottery, net	\$ 352,834,117	\$ 360,771,884
Video lottery expired jackpots and credit slips	320,466	309,340
Casino license fees	3,172,411	3,199,100
I-Gaming	2,701,931	2,559,090
Sports Lottery	46,114,509	39,398,130
Table games, net	53,117,143	54,010,328
Draw games	100,438,292	109,381,171
Instant games	69,284,712	65,659,766
Total revenue	627,983,581	635,288,809
<b>Cost of games</b>		
Video lottery commissions	148,997,809	152,478,747
Prize costs, net of reversions	134,955,648	126,503,755
Gaming vendor fees and costs	39,826,424	41,815,118
Instant and draw games commissions	10,503,135	11,399,240
Sports Lottery commissions	2,153,872	2,792,770
Table games commissions	35,110,431	35,700,827
Total cost of games	371,547,319	370,690,457
Gross margin	256,436,262	264,598,352
<b>Operating expenses</b>		
Advertising and promotions	3,287,302	3,193,949
Payroll and related benefits	5,758,648	5,905,596
Other general and administrative	1,676,294	1,634,148
Total operating expenses	10,722,244	10,733,693
Operating income	245,714,018	253,864,659
<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	241,714,018	249,864,659
Total non-operating expenses	245,714,018	253,864,659
Change in net positions		
Net position at beginning of year	1,000,000	1,000,000
Net position at end of year	\$ 1,000,000	\$ 1,000,000

# BASIC STATEMENTS

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## Cash Flow

June 30, 2017 and 2016

### Cash flows from operating activities

	2017	2016
Receipts from customers	\$ 626,241,119	\$ 642,405,983
Payments to vendors for goods and services	(45,246,004)	(46,348,273)
Payments to employees for services	(5,736,121)	(5,842,743)
Payments for prizes	(134,833,338)	(128,382,725)
Payments for commissions	(196,314,719)	(205,101,583)
Net cash provided by operating activities	244,110,937	256,730,659

### Cash flows from noncapital financing activities

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	(242,271,080)	(249,972,944)
Net cash used in noncapital financing activities	(246,271,080)	(253,972,944)

### Cash flows from investing activity

Proceeds from maturity of investments	30,224	29,878
Net cash provided by investing activity	30,224	29,878
Net (decrease) increase cash and investments	(2,129,919)	2,787,593
Cash and investments at beginning of year	5,921,521	3,133,928
Cash and investments at end of year	3,791,602	5,921,521

### Reconciliation of operating income to net cash provided by operating activities

Operating income	245,714,018	253,864,659
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in operating assets and liabilities		
Accounts receivable, net	(1,742,462)	7,117,174
Prizes liability	122,310	(1,878,970)
Accounts payable and accrued liabilities	17,071	(2,372,204)
Net cash provided by operating activities	\$ 244,110,937	\$ 256,730,659





It's the law. You must be 18 years or older to play.

**If you or someone you know has a gambling problem, call the Delaware Gambling Helpline: 1-888-850-8888**

## **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).**

