



# **CONTINUING DELAWARE'S WINNING WAYS**

**2015 Annual Report**

For the fiscal year ending June 30, 2015





**VERNON KIRK**

I am proud to say that fiscal year 2015 saw the Delaware Lottery continue its long-standing tradition of benefiting everyone who lives, works and visits the First State. Including the more than \$200 million the Lottery transferred to the state's General Fund during FY15, since the start of operations in 1975, the Lottery has contributed more than \$4.5 billion to the state's General Fund for public services that might otherwise require public tax dollars. In fact, historically, the Delaware Lottery has been the fourth-largest source of revenue for the state. Additionally, since the introduction of video lottery in 1996, the Lottery has contributed more than \$30.5 million to the Department of Health and Social Services to help fund initiatives that address problem gambling in Delaware.

The Delaware Lottery has something for everyone who is eligible to play our games. We manage more public gaming products than any other lottery in the country. Customers may choose to entertain themselves with video lottery, pro-football parlay sports wagering, table games, Keno, online internet casino and peer-to-peer poker games and, of course, traditional lottery games. In fact, for the second year in a row, the Lottery's traditional products had a record sales year. Through our 578 licensed Retailers, people can play traditional games like POWERBALL®, scratch off prizes with Instant Games or take a chance on being LUCKY FOR LIFE®—new this year, where winners can take home top prizes of \$1,000 a day for life or \$25,000 a year for life.

Our mission is our one constant: to maximize revenue contributions to the state's General Fund, thereby helping to fund the delivery of governmental services to the people of Delaware. Our team is committed to our mission, and we will continue to provide innovative, fun and secure lottery products that deliver value for our players and add to the excitement of the Delaware Lottery.

When the Delaware Lottery is successful, everyone is a winner.

Vernon Kirk

Director  
Delaware Lottery

# LUCKY FOR LIFE®

CAUGHT ON FAST, AND THE EXCITEMENT CONTINUES TO GROW.

The LUCKY FOR LIFE® \$2 game was born in Connecticut back in 2009, and it caught on like wildfire. On January 27, 2015, Delaware became the 20<sup>th</sup> state to offer this game to eager players, replacing Delaware Cash 5.

Nationwide, there have been eight 2015 LUCKY FOR LIFE® first- and second-prize winners—\$1,000 a day for life, or the second prize of \$25,000 a year for life. But alas, there have been no winners yet in Delaware. Still, we’ve had our fair share of players who won \$5,000 cash—just one lucky ball away from taking it all!

From January to June 2015—just six short months—LUCKY FOR LIFE® generated nearly \$2.4 million in new revenue for Delaware, versus \$547,000 in all of 2015 for Cash 5. And the popularity of LUCKY FOR LIFE® continues to grow.



## INSTANT GAMES

MANY FUN WAYS FOR PLAYERS TO GO SCRATCH.



44 Instant Games and \$50 to \$54 million in revenue growth in 2015—that’s because the Delaware Lottery offers so many fun ways for players to scratch their itch. There’s a new family of games—Make My Day™, Week™, Month™ and Year™—as well as the licensed property Escape to Margaritaville®, which offers a top prize getaway trip to Key West, Florida. Now that’s what we call instant gratification!



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## TRADITIONAL GAMES ARE STILL BOOMING.

Our players love Sports Lottery games and KENO. KENO alone averaged first-year weekly sales of \$98,000 in 2013. And the number of Retailers offering KENO. Fun. On the spot.

nearly doubled by the end of 2015. In fact, KENO sales are way up—a whopping 30%—to nearly \$7 million in sales for 2015. Traditional lottery games like PLAY 3 and PLAY 4 are also on the up and up. HOT LOTTO® sales jumped nearly 6 percent over 2015, to \$3,233,827. Football lovers

**KENO**  
Fun. On the spot.

are also scoring high excitement and participation with the Delaware Sports Lottery, wagering nearly \$37,857,048.05 in 2015 at Dover Downs, Delaware Park, Harrington's Raceway and more than 100 Retailers statewide. And the number of KENO and Sports Retailers continues to grow.

## THE SKY'S THE LIMIT WITH WNBA BASKETBALL.

The Delaware Lottery hit big on a win-win partnership with the WNBA's Chicago Sky, bringing the club's preseason game to the University of Delaware's Bob Carpenter Center for the third consecutive year. The Delaware Lottery was the presenting sponsor for this year's sold-out event, in which the Chicago Sky beat the New York Liberty 83-55. Between the first and second quarters, the Lottery gave away a fan-favorite T-shirt during the T-shirt toss. The Chicago Sky team is led, of course, by hometown heroine Elena Delle



Donne, whose skyrocketing athletic career was first launched at the University of Delaware in 2009. After the game she said, "I brag to my teammates all the time about Delaware and why it's so special. Every single time we come back, we feel loved." We're glad to have her and the Chicago Sky on our team, and look forward to an even more successful event in 2016.

## **iGAMING** BRINGING THE LOTTERY INTO THE 21ST CENTURY.

Since the passing of the Delaware Gaming Competitiveness Act of 2012, authorizing internet gaming, revenue has continued to grow. In fiscal year 2015, revenue from internet gaming at all three racetrack casinos totaled \$1,763,682. That same year, iGaming was expanded to allow internet players from Delaware

and Nevada to join at the same poker tables, adding further appeal to the services and an opportunity for additional revenue. We also added our mobile app, making it even easier for players to enjoy their favorite games in real time and on the go. Suffice it to say, fiscal year 2015 was a big year for iGaming.



## **TABLE GAMES** THE FUN IS IN PERSON TOO.

The Delaware Lottery works hand-in-hand with the state racinos to ensure that the best and latest Table Games are available to the residents of Delaware and the surrounding states. The Poker Rooms offer a wide variety of Poker games and some of the best tournaments and promotions on the East Coast. Delaware Park continues to host the

Delaware Park Poker Classics, which had a combined prize pool of \$1 million. The Dover Downs Poker Room also hosts the Delaware Poker Championship Series, along with multiple poker tournaments during the year, with prize pools ranging from \$50,000 to cruises to the Caribbean. Table Games offer the most popular games on the East Coast. Table Games also tend to have the largest single wins by patrons. In FY15, single-player wins ranged from \$20,000 to over \$60,000. Overall, Table Games contributed more than \$15.3 million to the state's General Fund in FY15.



## VIDEO LOTTERY 20 YEARS AND COUNTING.

The Lottery issued an RFP for Automated Electronic Table Games and signed agreements with the three qualifying bidders. IGT installed their latest in 3D technology video machines, which offer glasses-free 3D gaming entertainment at all three Delaware casinos. IGT also installed their Floor Management System in a select group of machines at all

three Delaware casinos. The Management System adds more flexibility in game changes, includes the instant downloads of games. That results in a reduction of time to implement game changes, at a reduced cost. The slots at both Delaware Park and Dover Downs Hotel and Casino began implementing major upgrades to their Casino Management Systems. In May of this year, a lucky patron won a \$100,000 jackpot on a machine at Dover Downs Hotel and Casino.



## RETAILERS THEY GIVE DELAWAREANS A CHANCE TO WIN.

As the primary sales component of the Delaware Lottery, Retailers and businesses help to provide revenue for the state that benefits each and every Delawarean. They're the backbone of our business operations, and we strive to make that relationship as beneficial to them as it is to us, by continually offering new and attractive products to make them more profitable for Retailers and more appealing to consumers. With the expansion of KENO and Sports, our Retailer network continues to grow. The total number of businesses licensed as Lottery Retailers throughout the state has reached and stabilized at its highest level in nearly 40 years. Nearly 600 individual locations sell traditional, KENO and Sports Lottery ticket games. Approximately 37 percent of the network comprises of multiple-unit and interstate corporate chain accounts.

## retailers CORNER

<b>Assets</b>	<u>2015</u>	<u>2014</u>
<b>Current assets:</b>		
Cash and investments	\$ 3,133,928	3,119,230
Accounts receivable, net of allowance of \$791,748 and \$785,780, respectively	13,295,112	12,417,913
Investments—restricted for payment of prize liabilities	30,000	30,000
Due from the State of Delaware	<u>4,462,770</u>	<u>2,597,487</u>
Total current assets	<u>20,921,810</u>	<u>18,164,630</u>
<b>Noncurrent assets:</b>		
Investments—restricted for payment of prize liabilities	49,781	84,038
Deposit Multi-State Lottery	<u>2,515,559</u>	<u>2,591,984</u>
Total noncurrent assets	<u>2,565,340</u>	<u>2,676,022</u>
Total assets	<u>23,487,150</u>	<u>20,840,652</u>
Deferred outflows	<u>244,307</u>	<u>—</u>
Liabilities and Net Position		
<b>Current liabilities:</b>		
Prizes liability, including \$30,000 for both years, of prize installment obligations	6,772,743	4,738,522
Accounts payable and accrued liabilities	7,076,299	7,841,959
Due to the State of Delaware	<u>1,609,998</u>	<u>1,583,877</u>
Total current liabilities	<u>15,459,040</u>	<u>14,164,358</u>
<b>Noncurrent liabilities:</b>		
Multi-State Lottery reserve	2,515,559	2,591,984
Prize installment obligations, noncurrent	<u>49,781</u>	<u>84,038</u>
Pension and OPEB liability	<u>3,874,639</u>	<u>3,000,272</u>
Total noncurrent liabilities	<u>6,439,979</u>	<u>5,676,294</u>
Total liabilities	<u>21,899,019</u>	<u>19,840,652</u>
Deferred inflows	832,438	—
<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, 2015 and 2014

<b>Revenue:</b>	<u>2015</u>	<u>2014</u>
Video Lottery, net	\$357,492,447	363,398,167
Video Lottery, expired jackpots and credit slips	252,068	370,613
Casino license fees	3,220,300	3,261,600
I-Gaming Video	1,773,149	1,374,944
Sports Lottery	37,857,048	31,511,881
Table Games	51,455,977	52,537,492
Draw Games	95,395,052	97,686,358
Instant Games	54,422,554	50,683,741
Total revenue	<u>601,868,595</u>	<u>600,824,796</u>
<b>Cost of games:</b>		
Video Lottery commissions	150,989,347	145,501,490
Prize costs, net of reversions	108,964,095	101,993,821
Gaming vendor fees and costs	40,301,237	38,111,127
Instant and draw games commissions	9,675,383	9,395,691
Sports Lottery commissions	3,324,221	2,738,572
Table games commissions	34,012,401	34,727,282
Total cost of games	<u>347,266,684</u>	<u>332,467,983</u>
Gross margin	<u>254,601,911</u>	<u>268,356,813</u>
<b>Operating expenses:</b>		
Advertising and promotions	3,057,702	3,007,072
Payroll and related benefits	5,877,778	6,225,777
Other general and administrative	1,704,982	1,687,995
Total operating expenses	<u>10,640,462</u>	<u>10,920,844</u>
Operating income	<u>243,961,449</u>	<u>257,435,969</u>
<b>Nonoperating 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—General Fund	239,961,449	253,435,969
Total nonoperating expenses	<u>243,961,449</u>	<u>257,435,969</u>
Change in net position	—	—
Net position at beginning of year	<u>1,000,000</u>	<u>1,000,000</u>
Net position at end of year	<u>\$ 1,000,000</u>	<u>1,000,000</u>

See accompanying notes to basic financial statements.



	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$600,991,396	599,424,850
Payments to vendors for goods and services	(45,354,466)	(42,481,224)
Payments to employees for services	(5,945,984)	(5,945,975)
Payments for prizes	(106,964,131)	(101,986,933)
Payments for commissions	(198,249,368)	(192,088,805)
Net cash provided by operating activities	<u>244,477,447</u>	<u>256,921,913</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	(240,497,006)	(253,397,033)
Net cash used in noncapital financing activities	<u>(244,497,006)</u>	<u>(257,397,033)</u>
<b>Cash flows from investing activity:</b>		
Proceeds from maturity of investments	34,257	95,539
Net cash provided by investing activity	<u>34,257</u>	<u>95,539</u>
Net increase (decrease) cash and investments	14,698	(379,581)
Cash and investments at beginning of year	3,119,230	3,498,811
Cash and investments at end of year	<u>\$3,133,928</u>	<u>3,119,230</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$243,961,449	257,435,969
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable, net	(877,199)	(1,348,043)
Deposit with Multi-State Lottery	76,425	(145,358)
Prizes liability	1,999,964	6,889
Accounts payable and accrued liabilities	(683,192)	972,456
Net cash provided by operating activities	<u>\$244,477,447</u>	<u>256,921,913</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:



**PLAY3®/PLAY4®**  
**INSTANT GAMES**  
**VIDEO LOTTERY**  
**MULTI-WIN LOTTO**  
**TABLE GAMES**  
**SPORTS LOTTERY**  
**DELAWARE CASH 5®**  
**LUCKY FOR LIFE®**

**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 [www.delottery.com](http://www.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.