

**DELAWARE STATE LOTTERY**

Basic Financial Statements

June 30, 2025 and 2024

(With Independent Auditors' Reports Thereon)

# DELAWARE STATE LOTTERY

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## INDEPENDENT AUDITORS' REPORT

Helene Keeley, Director of Delaware State Lottery, and  
Michael R. Smith, Secretary of Finance, State of Delaware  
Dover, Delaware

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Delaware State Lottery (the Lottery), an enterprise fund of the State of Delaware, as of and for the year ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lottery, as of June 30, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Lottery and do not purport to, and do not present fairly the financial position of the State of Delaware as of June 30, 2025 and 2024, the changes in 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.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lottery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

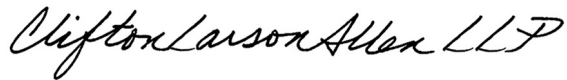
### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability and contributions and the schedule of proportionate share of the net OPEB liability and contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Helene Keeley, Director of Delaware State Lottery, and  
Michael R. Smith, Secretary of Finance, State of Delaware

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025, on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lottery's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 10, 2025

**DELAWARE STATE LOTTERY**  
Management's Discussion and Analysis  
June 30, 2025 and 2024

The management of the Delaware State Lottery (the Lottery) offers this narrative overview and analysis of the Lottery's financial activities for the years ended June 30, 2025, and 2024, which should be read in conjunction with the Lottery's financial statements.

**Overview of the Financial Statements**

The discussion and analysis are intended to serve as an introduction to the Lottery's financial statements. Since the Lottery is an enterprise fund of the State of Delaware (the State), these financial statements are presented in a manner similar to a private-sector business. As required by accounting principles generally accepted in the United States of America (GAAP), revenues are recorded when earned and expenses are recorded as they are incurred, regardless of when the cash is received or disbursed.

The Statement of Net Position presents information on all of the Lottery's assets, liabilities, deferred outflows, and deferred inflows with the residual of all elements reported as the net position. Pursuant to Delaware law, the Lottery's net position should remain relatively unchanged, since all excess monies are to be sent directly to the State's General Fund, allowing the Lottery to maintain a net position of \$1,000,000.

The Statement of Revenue, Expenses, and Changes in Net Position show the result of the Lottery's total operations and reflect both operating and nonoperating activities. Changes in net position (increases or decreases) reflect the current fiscal year's operating impact upon the overall financial position of the Lottery.

The Statement of Cash Flows provides a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided by operating activities. The Statement of Cash Flows is divided into three sections – operating, noncapital financing, and investing.

Notes to the financial statements contain additional information and offer explanations to the financial statements. The notes are intended to assist the reader in understanding the Lottery's basic financial statements.

**DELAWARE STATE LOTTERY**  
Management's Discussion and Analysis  
June 30, 2025 and 2024

**Condensed Statement of Net Position**

**Table 1**  
(In millions)

Assets & Deferred Outflows	June 30		
	2025	2024	2023
Cash and cash equivalents	\$ 2.5	1.9	7.1
Accounts receivable	24.3	23.8	9.2
Deposit with MUSL	2.8	2.5	2.5
Due from State of Delaware	10.8	11.8	11.9
Total assets	<u>40.4</u>	<u>40.0</u>	<u>30.7</u>
Deferred outflows	<u>2.1</u>	<u>2.7</u>	<u>2.9</u>
<b>Liabilities, Deferred Inflows and Net Position</b>			
Liabilities:			
Prizes liability	6.2	8.5	8.0
Accounts payable and accrued liabilities	10.7	16.7	7.2
Due to the State of Delaware	8.8	-	0.1
Noncurrent Liabilities	12.1	12.5	12.9
Total liabilities	<u>37.8</u>	<u>37.7</u>	<u>28.2</u>
Deferred inflows	<u>3.7</u>	<u>4.0</u>	<u>4.4</u>
Net position:			
Restricted	-	-	-
Unrestricted	\$ 1.0	1.0	1.0
Total net position	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>

The Lottery's accounting periods are predicated on a 4-4-5-week cycle except at year-end when the closing date includes additional days up to and including June 30. These extra days amounted to five days in 2023, seven days in 2024 and eight days in 2025.

In Table 1, Accounts receivable increased \$0.5 million (2.1%) comparing fiscal year 2025 to fiscal year 2024. The additional day would account for the slight increase. In fiscal year 2024 compared to fiscal year 2023, the increase was \$14.6 million (158.7%). The majority of the increase was due to the new iGaming contract that showed a significant increase in sales that needed to be collected at year end plus the additional full week of revenue collection for the other products.

Prize liability decreased in fiscal year 2025 from fiscal year 2024 by \$2.3 million (-27.1%). The decrease in sales for the draw games showed a direct correlation of the decrease in winners. Comparing fiscal year 2024 to fiscal year 2023, the prize liability increased \$0.5 million (6.3%). A large part of the prize liability increase was in the instant product. Prize liability usually has a direct correlation with sales; however, sports liability is unpredictable and any given Sunday the results for our professional football games can go either way.

For fiscal year 2025, accounts payable and accrued liabilities decreased \$6 million (-35.9%). This decrease can be seen in the vendor payables because due to the timing of year end, more weekly vendor invoices were able to be paid before the close of the system for the year. In 2024, accounts payable and accrued liabilities increased \$9.5 million (131.9%) from fiscal year 2023. The biggest increase was in the iGaming vendor payable which is based on the increased sales of iGaming.

**DELAWARE STATE LOTTERY**  
Management's Discussion and Analysis  
June 30, 2025 and 2024

**Revenue**

**Table 2**  
**Revenue**  
(In millions)

		Year ended June 30		
		2025	2024	2023
Multi Win Lotto	\$	4.8	5.1	4.2
Lucky for Life		4.7	5.0	5.2
Keno		9.7	10.3	10.4
Mega Millions		15.4	21.1	23.0
Powerball		15.8	34.4	28.1
Lotto America		3.7	2.7	4.2
Play 3		30.0	31.8	32.4
Play 4		26.6	29.8	28.7
Play 5		5.3	-	-
Total draw games revenue		116.0	140.2	136.2
Instant games		114.0	111.2	116.0
Traditional games revenue		\$ 230.0	251.4	252.2
Sports lottery		234.7	133.4	71.8
Table games, net		51.0	51.1	53.9
Video lottery, net		422.5	422.5	420.1
iGaming		85.5	32.7	14.6
Total revenue		\$ 1,023.7	891.1	812.6

Table 2 displays the comparison of revenue by product for fiscal years 2025, 2024, and 2023. Fiscal year 2025 marked the first time Delaware Lottery has reached the one billion mark for revenue. Although draw game revenue was down industry wide, now with a full year with a new vendor offering iGaming and sports mobile, Delaware saw huge spikes in online gaming revenue. Total revenue increased \$132.6 million (14.9%) over the previous record year in fiscal year 2024. Fiscal year 2024 revenue increased \$78.5 million (9.7%) over fiscal year 2023. The majority of the increase was due to the new contract for iGaming that also included a sports mobile option that launched mid-year.

Traditional lottery struggled nationwide in fiscal year 2025. There were no large jackpot runs in Powerball or Megamillions and sales decreased \$21.4 million (-8.5%). Traditional Lottery revenue decreased slightly in fiscal year 2024 by \$0.8 million or (0.3%) after coming off a record year in traditional sales in fiscal year 2023.

Sports lottery showed the largest increase in fiscal year 2025 with sales increasing \$101.3 million (75.9%) over fiscal year 2024. With the additional ability to bet online for the first full NFL season in Delaware, players responded with an increase in sports wagering. Sports mobile sales are included in sports lottery along with traditional sports betting at the casinos and parlay card betting a retail locations throughout the state. Additionally, new offerings of bets on sports other than football were extended to retail locations throughout the state. In fiscal year 2024 sales nearly doubled increasing by \$61.6 million (85.8%). The increase was due to a new iGaming contract that included a sports mobile option.



**DELAWARE STATE LOTTERY**  
Management's Discussion and Analysis  
June 30, 2025 and 2024

iGaming sales had another record year for Delaware Lottery. Due to a full year of a new contract, a new vendor, and more game content, sales increased \$52.8 million (161.5%). In 2024 sales increased \$18.1 million (123.97%) with the new contract starting mid-year.

**Cost of Games**

**Table 3**  
**Cost of Games**  
(In millions and as a percentage of all revenue)

	Year ended June 30					
	2025		2024		2023	
Commission expense	\$	270.1	26.4%	\$	248.0	30.5%
Gaming vendor fees		98.7	9.6%		75.1	9.2%
Prize expense		<u>346.3</u>	33.8%		<u>257.5</u>	31.7%
					<u>198.2</u>	24.4%
Total cost of games	\$	<u>715.1</u>	69.9%	\$	<u>580.6</u>	65.2%
					<u>505.3</u>	62.2%

Table 3 above compares the cost of games for the last three fiscal years. Commission expense includes payments to lottery retailers for selling traditional and sports lottery tickets, and commissions to casinos for the operation of video lottery, internet gaming, sports lottery, and table games. Delaware law allows for the net of sports (sports sales minus sports win) to be used in the calculations for commissions and vendors fees.

Total cost of sales went from 65.2% of revenue in 2024 to 69.9% in 2025. The cost of games has increased due to higher sales equating to higher commission costs and vendor fees. The purses increased for 2025 due to meeting the threshold for iGaming in July vs. prior years in February. Commission expense increased in fiscal year 2025 compared to fiscal year 2024 by \$22.1 million (8.9%). The majority of this commission was earned by the video lottery agents for iGaming. In fiscal year 2024 there was a slight increase over fiscal year 2023 of \$2 million (0.8%). The addition of sports mobile earned the video lottery agents an additional \$1.9 million in commissions over 2023.

Gaming vendor fees include the cost of the central system used to monitor and collect pertinent data for the traditional draw games and the video lottery central system, the instant games supplier fees, the vendor fees for video lottery terminals supplied to the video lottery agents, and the cost incurred by internet gaming for fees and website maintenance.

In fiscal year 2025, gaming vendor fees increased by \$23.6 million (31.4%) over fiscal year 2024 with a large portion of the increase stemming from the increase in revenue for iGaming. Gaming vendor fees for 2024 increased \$14 million (22.9%). iGaming and the new sports mobile product increased sales significantly over 2023. This increase in sales increased the vendor fees, which are based on a percentage of sales.

**DELAWARE STATE LOTTERY**  
Management's Discussion and Analysis  
June 30, 2025 and 2024

**Prize Expense, Net of Reversions**

**Table 4**  
**Prize Expense, Net of Reversions**  
(In millions)

	Year ended June 30		
	2025	2024	2023
Instant games	\$ 76.6	75.0	77.2
Keno	5.7	6.2	6.1
Lotto America	1.8	1.1	2.0
Lucky for Life	2.5	2.9	3.3
Mega Millions	7.3	10.2	11.4
Multi Win Lotto	3.1	3.0	2.5
Play 3	15.8	14.9	13.4
Play 4	14.4	15.6	14.6
Play 5	4.1	—	—
Powerball	6.8	16.6	13.7
Sports lottery	208.2	112.0	54.0
Total prize expense	\$ 346.3	257.5	198.2

The table above compares prize expense for each lottery game category for the past three fiscal years. Prize expense includes the costs for winning tickets for traditional and sports lottery. In general, prize expense by game will increase or decrease from year to year in proportion to the increase or decrease in sales for a particular game. However, the prize expenses for the Play 3, Play 4, and Play 5 games are impacted by the "luck of the draw", and actual prize payments are determined by lottery players' luck in matching the particular set of numbers randomly selected in each drawing for each game. Overall prize expense for the instant game product category is controllable for the most part, by printing a predetermined number and value of winning tickets for each instant game. Sports lottery winners vary from year to year due to the unpredictability of the outcome of a sport. During any given sporting event, the liability of the game could exceed the sales for that event.

In Table 4, the prize expense shows an increase in fiscal year 2025 over fiscal year 2024, \$88.8 million (34.5%). The highest increase was in sports winnings. Risk managers throughout the nation saw a decrease in hold for sports. Adding sports mobile and single line betting was a contributing factor in Delaware's decrease in hold. In 2024, prize expense increased \$59.3 million (29.9%) over the prior fiscal year. The significant sales increase in sports attributed to the increase in winning sports tickets. A large jackpot run in Powerball increased the sales as well, which increased the number of winners for Powerball in fiscal year 2024.

**DELAWARE STATE LOTTERY**  
Management's Discussion and Analysis  
June 30, 2025 and 2024

**Operating Expenses**

**Table 5**  
**Operating Expenses**  
(In millions)

	Year ended June 30		
	2025	2024	2023
Operating expenses	\$ 13.2	11.6	11.6

The Lottery had an increase in operating expenses for fiscal year 2025 over fiscal year 2024 of 1.6 million (13.8%). Pay raises, statewide position upgrades for financial employees, and the filling of over 4 vacant positions throughout the Lottery was attributed to the increase from 2024. Also, capital expenditures in facility upgrades with internet cables, a new network closet and HVAC system were required for this year and were contributing factors for the increase. Operating expenses were consistent between fiscal year 2024 and fiscal year 2023.

**Nonoperating Expenses and Transfers**

**Table 6**  
**Nonoperating Expenses and Transfers**  
(in millions)

	Year ended June 30		
	2025	2024	2023
Transfer to the State of Delaware:			
Delaware Certified Thoroughbred Program	1.5	1.5	1.5
Delaware Standardbred Breeder's Program	4.0	4.0	4.0
Department of Agriculture Purses	49.8	46.7	46.0
Department of Health & Social Services	1.8	1.8	1.8
State of Delaware - General Fund	238.3	244.8	242.4
Total nonoperating expenses	\$ 295.4	298.8	295.7

Table 6 shows the expenses incurred to other state agencies as dictated by Delaware Law. For fiscal year 2025 contributions were slightly down \$3.4 million (1.1%). Although revenue was up for sports, the hold on handle was only 12.5% compared to 21.8% for fiscal year 2024. The hold is calculated by sports sales minus sports wins. Declines in traditional Lottery sales also contributed to the decline in general fund. In 2024, nonoperating expenses increased by \$3.1 million (1.0%). The difference came from an increase in iGaming sales that added more contribution to the general fund.

# DELAWARE STATE LOTTERY

## Statements of Net Position

June 30, 2025 and 2024

<b>Assets and Deferred Outflows</b>	<b>2025</b>	<b>2024</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,465,711	\$ 1,852,537
Accounts receivable	24,256,749	23,825,610
Due from the State of Delaware	-	470,396
<b>Total current assets</b>	<b>26,722,460</b>	<b>26,148,543</b>
<b>Noncurrent assets:</b>		
Deposits with Multi-State Lottery Association	2,815,372	2,545,867
Due from the State of Delaware	10,770,065	11,331,387
<b>Total noncurrent assets</b>	<b>13,585,437</b>	<b>13,877,254</b>
<b>Total assets</b>	<b>40,307,897</b>	<b>40,025,797</b>
<b>Deferred outflows of Resources</b>	<b>2,138,251</b>	<b>2,670,711</b>
<b>Liabilities, Deferred Inflows, and Net Position</b>		
<b>Current liabilities:</b>		
Prizes obligations	6,190,929	8,467,777
Accounts payable and accrued liabilities	10,717,491	16,680,766
Due to the State of Delaware	8,814,040	-
<b>Total current liabilities</b>	<b>25,722,460</b>	<b>25,148,543</b>
<b>Noncurrent liabilities:</b>		
Multi-State Lottery reserve	2,815,372	2,545,867
Net Pension Liability	1,535,793	1,651,959
Net OPEB Liability	7,709,372	8,389,646
<b>Total noncurrent liabilities</b>	<b>12,060,537</b>	<b>12,587,472</b>
<b>Total liabilities</b>	<b>37,782,997</b>	<b>37,736,015</b>
<b>Deferred inflows of Resources</b>	<b>3,663,151</b>	<b>3,960,493</b>
<b>Net position:</b>		
Unrestricted	\$ 1,000,000	\$ 1,000,000
<b>Total net position</b>	<b>1,000,000</b>	<b>1,000,000</b>

See accompanying notes to financial statements.

# **DELAWARE STATE LOTTERY**

## Statements of Revenue, Expenses, and Changes in Net Position

Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Revenue:</b>		
Traditional lottery	\$ 229,985,808	\$ 251,431,053
Video lottery, net	422,498,001	422,516,465
Sports lottery	234,758,643	133,390,311
Table games, net	50,990,671	51,061,357
iGaming	85,491,118	32,669,645
<b>Total revenue</b>	<u>1,023,724,241</u>	<u>891,068,831</u>
<b>Cost of games:</b>		
Traditional lottery commissions	14,814,881	14,244,479
Video lottery commissions	183,257,141	183,120,154
Sports lottery commissions	6,766,139	4,571,413
Table games commissions	40,601,897	40,622,578
iGaming commission	24,661,626	5,486,348
Gaming vendor fees and costs	98,715,706	75,046,191
Prize costs, net of reversions	346,258,407	257,517,606
<b>Total cost of games</b>	<u>715,075,797</u>	<u>580,608,769</u>
<b>Gross margin</b>	<u>308,648,444</u>	<u>310,460,062</u>
<b>Operating expenses:</b>		
Advertising and promotions	3,837,504	3,369,563
Payroll and related benefits	7,300,536	6,384,541
Other general and administrative	2,109,782	1,819,410
<b>Total operating expenses</b>	<u>13,247,822</u>	<u>11,573,514</u>
<b>Operating income</b>	295,400,622	298,886,548
<b>Nonoperating expenses:</b>		
Contributions to Thoroughbred Fund	1,500,000	1,500,000
<b>Total nonoperating expenses</b>	<u>1,500,000</u>	<u>1,500,000</u>
<b>Income before transfers</b>	293,900,622	297,386,548
<b>Transfers Out</b>		
Department of Agriculture	53,764,335	50,727,160
Department of Health & Social Services	1,844,053	1,847,976
State of Delaware	238,292,234	244,811,412
<b>Total transfers</b>	<u>293,900,622</u>	<u>297,386,548</u>
<b>Change in net position</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 financial statements.

**DELAWARE STATE LOTTERY**  
Statements of Cash Flows  
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 1,023,293,102	\$ 876,457,715
Payments to vendors for goods and services	(111,005,352)	(74,256,307)
Payments to employees for services	(6,957,987)	(6,180,951)
Payments for prizes	(348,535,255)	(257,073,026)
Payments for commissions	(269,796,667)	(244,576,371)
<b>Net cash provided by operating activities</b>	<u>286,997,841</u>	<u>294,371,060</u>
<b>Cash flows from noncapital financing activities:</b>		
Contributions to the Delaware Certified Thoroughbred Program	(1,500,000)	(1,500,000)
Transfers to the Delaware Standardbred Breeder's Program	(4,000,000)	(4,000,000)
Transfers to the State of Delaware	(280,884,667)	(294,076,420)
<b>Net cash used in noncapital financing activities</b>	<u>(286,384,667)</u>	<u>(299,576,420)</u>
<b>Net change cash and investments</b>	613,174	(5,205,360)
<b>Cash and cash equivalents at beginning of year</b>	<u>1,852,537</u>	<u>7,057,897</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 2,465,711</u>	<u>\$ 1,852,537</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 295,400,622	\$ 298,886,548
Adjustments to reconcile operating income to net cash provided by operating activities:		
Effect of changes in operating assets, liabilities and deferred inflow and deferred outflows:		
Accounts receivable, net	(431,138)	(14,611,115)
Prizes liability	(2,276,848)	444,580
Net Pension and OPEB Liability	(796,440)	9,464,590
Accounts payable and accrued liabilities	(5,963,275)	(367,563)
Deferred Inflows and Deferred Outflows, net	1,064,920	554,020
<b>Net cash provided by operating activities</b>	<u>\$ 286,997,841</u>	<u>\$ 294,371,060</u>

See accompanying notes to financial statements.

**DELAWARE STATE LOTTERY**  
Notes to Financial Statements  
June 30, 2025 and 2024

**(1) Summary of Significant Accounting Policies**

**(a) Legislative Enactment**

The Delaware State Lottery (the Lottery) was established by Enabling Legislation (the Legislation) passed on May 31, 1974, by the General Assembly of the State of Delaware (the General Assembly) under the authority of the Governor's Office and under the supervision of a Director. In July 1976, the Lottery was transferred to the Office of the Secretary of Finance. The Director has the power and duty to establish rules for conducting games, including the type and number of games, the price of tickets, the number and amounts of winning tickets, the manner of selecting winning tickets, the manner of prize payment, frequency of drawings, location and methods for the sale of tickets, procedures for licensing of retailers, and all other functions related to the operation of the Lottery.

The Legislation provides that, for the non-video lottery games, at least 45% of total revenue shall be used to pay prizes, operating expenses shall not exceed 20% of total revenue, and the Lottery shall undertake to provide into the General Fund of the State of Delaware a payment of earnings of 30%. Enabling legislation for video lottery was enacted on July 16, 1994, and provides that, for the video lottery games, at least 87%, but not more than 95% (unless approved by the Director), of total proceeds on an average annual basis shall be used to pay prizes.

In May 2009, enabling legislation was passed by the General Assembly of the State of Delaware requiring the Lottery Director to use authority to reestablish a sports lottery, in order to enhance the Delaware Lottery, protect Delaware employment, and provide additional revenues for the State. Also, a result of the passage of House Bill 333, The Delaware Gaming Competitiveness Act of 2012, Sports Lottery was expanded into retail locations in time for the 2012/2013 pro football season. This act also authorizes internet gaming under the control and operations of the Delaware Lottery.

**(b) Reporting Entity**

The Delaware State Lottery (reporting entity) is an enterprise fund of the State of Delaware.

**(c) Basis of Accounting**

In accordance with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, which requires recognition of revenues when earned and expenses when incurred.

**(d) Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. The deferred outflows of resources represent a consumption of net assets that applies to future periods.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods.

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**(e) Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits held in lottery bank accounts as well as deposits held by the State Treasurer to fund future non-prize operating costs during the next month.

**(f) Accounts Receivable**

Accounts receivable consists primarily of unsettled balances due to the Lottery from the racetracks for video lottery, table games, sports lottery, and iGaming and from retailers for traditional lottery and retailer sports lottery sales. Accounts receivable is stated at the carrying amount net of allowance for uncollectible accounts. An allowance for uncollectible accounts receivable is established when specific retailer collection issues are identified. Uncollectible accounts are written off when management has determined that the balance will not be collected. As of June 30, 2025, and 2024, no allowance for uncollectible accounts were recorded.

**(g) Investments**

Investments consist of annuity contracts purchased from insurance companies to fund future prize payments and are carried at amortized cost as nonparticipating investment contracts. The practice of purchasing and holding annuity contracts to fund future prize obligations is no longer employed by the Lottery, as investment amounts reported represent annuity contracts whose most recent purchase was during 1998. It is the Lottery's policy to hold all investments of this nature that were purchased to fund prize obligations until maturity. All investments the Lottery had on hand have matured. As of June 30, 2025, and 2024, there were no investments.

**(h) Revenue Recognition**

Revenue from drawing games and sports lottery is recognized on the day of purchase. Revenue from the sale of instant games is recognized when the book has been activated and when one of the following occurs:

- 85% of the related prizes of an activated book is paid to winner.
- 90 days from the date of activation
- When the next pack of the same game is activated

Revenue from video lottery and table game sales is recognized, net of prizes paid, at the time the public plays the game. All revenue that the Lottery reports is considered operating revenue.

**(i) Prize Obligations**

Prize obligations for the traditional draw games and sports lottery are determined and recognized after each drawing or sports game is held. For the daily number games, winners are paid a certain amount depending upon the number of, or order of, winning numbers. Of every Multi Win Lotto sales dollar, a fixed payment goes to fund the nine lower prize levels with the balance going into the jackpot. If there are no jackpot winners in the Multi Win Lotto game, the amount is carried forward until there is a winner. For the Powerball, Lotto America, and Mega Millions, 50% of the revenues are allocated to the prize pool.

Prize obligations related to instant games are recognized by taking the greater of prize cash disbursements or the historical estimates of claimed prizes. Disbursements for prizes, including installment prize awards, are charged against the obligations for unpaid prize awards. Prizes unclaimed after one year revert back to the Lottery and reduce the prize costs for the year. Such unclaimed monies are then remitted to the State.



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**(j) *Compensated Absences***

The Lottery's has implemented the GASB 101 standard for compensated absences. An accrued liability is included in accounts payable and accrued liabilities for employee future absences, recognizing the obligation relating to services already rendered. The amount of the liability is recognized when leave is attributable to services already rendered, accumulates, and is more likely than not to be used or paid out at retirement. Employees earn from 9.5 to 13.25 hours of vacation leave per month depending on years of service. The employee or his or her estate is paid for unused vacation upon termination of employment. Employees earn 9.5 hours of sick leave per month. The Lottery's obligation for sick leave credit is a maximum of 337.5 hours. As of June 30, 2025, and 2024, the Lottery had liabilities of \$266,264 and \$244,619 respectively for accrued vacation and \$239,769 and \$233,251 for accrued sick leave, respectively.

**(k) *Operating and Nonoperating Expenses***

Operating expenses generally result from providing services and producing and delivering goods in connection with the Lottery's principal ongoing operations. Operating expenses of the Lottery include personnel costs, travel costs, contracted services, supplies, and capital expenses. All expenses not meeting this definition are reported as nonoperating expenses.

**(l) *Net Pension (Asset)/ Liability***

For purposes of measuring the net pension (asset)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Delaware Public Employees Retirement System (DPERS) and additions to/deductions from DPERS' fiduciary net position have been determined on the same basis as they are reported by DPERS. 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.

**(m) *Net OPEB Liability***

For purposes of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expenses, information about the fiduciary net position of OPEB Trust and additions to/deductions from OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. 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.

**(n) *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 estimate that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**(o) *Net Position***

As part of Delaware law, Title 29, Chapter 48, section 4815, all moneys received from the sale of lottery products shall be accounted for to the State Treasurer and all net moneys shall be placed into a special account known as the State Lottery Fund. The remaining moneys after prizes and gaming operations are paid, shall accumulate in the State Lottery Fund for the payments of operations and administration costs. In the event

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that the percentage allocated for operations (including prize payments) generates a surplus, said surplus shall be allowed to accumulate to an amount not to exceed \$1,000,000. Since the Lottery is required to send all surplus funds to the State's General Fund, any monies required to pay MUSL, Pension, and OPEB liabilities would come from the State of Delaware.

**(2) Cash and Cash Equivalents**

Cash and cash equivalents reported reflect three types of account balances: Lottery deposit account, Lottery prize accounts, and pooled cash and cash equivalents held by the State Treasurer's Office. Cash receipts and all cash transfers to other state agencies are made in and out of the Lottery deposit account. Prize disbursements are made out of the Lottery prize accounts. Pooled cash and investments consist of cash equivalents held and managed by the State Treasurer. State agencies, including the Lottery, participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool.

Cash and investment balances consisted of the following:

	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
Cash deposits	\$ 600,470	\$ 1,369,798
Pooled cash and cash equivalents	<u>1,865,241</u>	<u>482,739</u>
Total cash and cash equivalents balance	<u>\$ 2,465,711</u>	<u>\$ 1,852,537</u>

***Custodial Credit Risk***

For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the deposits or collateral securities may not be recovered from an outside party.

All deposits are required by state law to be collateralized by direct obligations of, or obligations guaranteed by, the U.S. government or other suitable obligations as determined by the State's Cash Management Policy Board (the Board), unless the Board shall find such collateralization not in the best interest of the State. Additionally, the Board has determined that deposits need not be collateralized provided they are held in a bank that for the previous two years has had a return on total average assets of 0.5% or greater and has had an average capital ratio (total equity to total assets) of at least 5.0%. If the bank does not meet the aforementioned criteria, collateral must consist of one or more of the following:

- U.S. government securities
- U.S. government agency securities
- Federal Home Loan Board letters of credit
- State securities.
- Securities of a political subdivision of the State with a Moody's Investors service rating of "A" or better.

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In addition, the bank must ensure that those securities pledged as collateral have a market value equal to or greater than 102% of the ledger balance(s) in the account(s) each day and ensure that securities pledged are identified as held in the State's name and are segregated on the bank's records.

The bank balance of deposits was not subject to custodial credit risk as all amounts were fully insured and uncollateralized. As of June 30, 2025, and June 30, 2024, the total bank balance of cash in all bank accounts was \$647,319 and \$1,401,972 respectively.

Pooled cash and investments maintained by the State Treasurer are not deemed to have custodial credit risk with regard to the Lottery.

**(3) Prize Obligations**

The following is a reconciliation of changes in the prize's liability account, which includes the present value of prize installment obligations, for the fiscal years ended June 30, 2025, and 2024:

	<u>2025</u>	<u>2024</u>
Prize obligations, beginning of year	\$ 8,467,777	\$ 8,023,197
Prize payments	(348,535,255)	(257,073,026)
Prize costs, net of reversions	<u>346,258,407</u>	<u>257,517,606</u>
Prize obligations, end of year	<u>\$ 6,190,929</u>	<u>\$ 8,467,777</u>

**(4) Participation in the Multi-State Lottery Association**

The Lottery is a member of the Multi-State Lottery Association (the MUSL), which operates traditional draw games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the member's share of the estimated grand prize liability. Each MUSL member pays lesser prizes directly to the winners. The MUSL has operated the Powerball game since fiscal year 2008, Mega Millions game since 2010, Lotto America since 2018 and Lucky for Life since 2015. Participating lotteries are required to maintain deposits with MUSL for contingency reserves to protect MUSL from unforeseen prize liabilities. The money in this reserve fund is refundable to MUSL members if the MUSL disbands or if a member leaves the MUSL Board. The MUSL has an agreement that grants MUSL the nonexclusive right to offer the multi-jurisdictional lottery game known as the "Mega Millions Game," to be conducted by the MUSL member lotteries.

The amount the Lottery had on deposit with the MUSL, as of June 30, 2025, and 2024, equaled \$2,815,372 and \$2,545,867 respectively. These amounts are also reported as a liability on the Lottery's balance sheet because they represent the amount to be paid to the State's General Fund upon separation from the MUSL, if the MUSL is not required to use any portion of the Lottery's reserves held by the MUSL.

**(5) Delaware Standardbred Breeder's Program and Delaware Certified Thoroughbred Program**

In March 1998, an amendment to the Legislation was passed by the General Assembly that established the Delaware Standardbred Breeder's Program for the purpose of promoting the Delaware harness racing industry. This legislation, amended in 2004, 2008, and 2021 requires the Lottery to withhold \$4,000,000 of funds annually (\$1,250,000 from the State General Fund, \$2,000,000 from Purses, and \$750,000 from Video commissions) and remit to the Delaware Standardbred Breeder's Program.

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Epilogue language in fiscal year 2006 Bond Bill, an amendment was passed by the General Assembly that established the Delaware Certified Thoroughbred Program for the purpose of enhancing the quantity of thoroughbred foals and/or yearlings stabled within Delaware. This legislation, amended in 2008 and 2021, requires the Lottery to withhold \$1,500,000 of funds annually (\$500,000 from the State General Fund, \$750,000 from Purses, and \$250,000 from Video Commissions) and remit these funds to the Delaware Certified Thoroughbred Program.

**(6) Transfers to the State of Delaware**

As required, under the Legislation, net position of the Lottery may not exceed \$1,000,000; therefore, the Lottery periodically transfers surplus funds to the State in accordance with the Legislation. For the years ended June 30, 2025, and 2024, the Lottery made the following contributions to the State.

		June 30	
		2025	2024
Amounts transferred and to be transferred to the State for the fiscal year:			
General Fund	\$	238,292,234	\$ 244,811,412
Department of Health and Social Services		1,844,053	1,847,976
Department of Agriculture		53,764,335	50,727,160
	\$	<u>293,900,622</u>	<u>\$ 297,386,548</u>

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**(7) Revenue and Expenses by Game**

The following revenue was recognized:

	<b>Year ended June 30</b>	
	<b>2025</b>	<b>2024</b>
Draw games:		
Multi Win Lotto	\$ 4,791,854	\$ 5,074,142
Lucky for Life	4,681,836	4,988,138
Keno	9,645,149	10,257,509
Mega Millions	15,382,809	21,157,056
Powerball	15,842,693	34,375,278
Lotto America	3,716,028	2,706,419
Play 3	30,023,578	31,836,742
Play 4	26,629,532	29,783,277
Play 5	5,318,393	-
Total draw games	\$ 116,031,872	\$ 140,178,561
Instant games	113,953,936	111,252,492
Total traditional lottery	\$ 229,985,808	\$ 251,431,053
Video lottery, net	422,498,001	422,516,465
Table games, net	50,990,671	51,061,357
Sports lottery	234,758,643	133,390,311
iGaming, net	85,491,118	32,669,645
Total revenue	\$ 1,023,724,241	\$ 891,068,831

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The revenue, prize costs, and commission expense, by game type, are listed below:

	Video lottery net	iGaming net	Sports lottery	Table games, net	Traditional Lottery	Total
Year ended June 30, 2025:						
Revenue	\$ 422,498,001	85,491,118	234,758,643	50,990,671	229,985,808	1,023,724,241
Total Income	422,498,001	85,491,118	234,758,643	50,990,671	229,985,808	1,023,724,241
Prize costs, net of Reversions	—	—	208,226,821	—	138,031,586	346,258,407
Commissions expense	183,257,141	24,661,626	6,766,139	40,601,897	14,814,881	270,101,684
Total Costs	183,257,141	24,661,626	214,992,960	40,601,897	152,846,467	616,360,091
Contribution Margin per game	\$ 239,240,860	60,829,492	19,765,683	10,388,774	77,139,341	407,364,150
Game vendor fees	34,433,807	38,990,712	9,542,307	—	15,748,880	98,715,706
Gross Margin	\$ 204,807,053	21,838,780	10,223,376	10,388,774	61,390,461	308,648,444
	Video lottery net	iGaming net	Sports lottery	Table games, net	Traditional Lottery	Total
Year ended June 30, 2024:						
Revenue	\$ 422,516,465	32,669,645	133,390,311	51,061,357	251,431,053	891,068,831
Total Income	422,516,465	32,669,645	133,390,311	51,061,357	251,431,053	891,068,831
Prize costs, net of Reversions	—	(16,383)	112,061,518	—	145,472,471	257,517,606
Commissions expense	183,120,154	5,486,348	4,571,413	40,622,578	14,244,479	248,044,972
Total Costs	183,120,154	5,469,965	116,632,931	40,622,578	159,716,950	505,562,578
Contribution Margin per game	\$ 239,396,311	27,199,680	16,757,380	10,438,779	91,714,103	385,506,253
Game vendor fees	34,592,446	19,089,944	6,075,091	—	15,288,710	75,046,191
Gross Margin	\$ 204,803,865	8,109,736	10,682,289	10,438,779	76,425,393	310,460,062

**(8) Payroll-Related and Other Benefits**

All Lottery personnel are employees of the State of Delaware and are covered by pension, health insurance, and other employee benefit programs administered by agencies of the State. During fiscal year 2025 and fiscal year 2024, the Lottery incurred \$7,300,536 and \$6,384,541 respectively, of payroll and benefit costs, including pension, health insurance, and other employee benefit costs, paid to various state agencies responsible for the administration of benefit programs.

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**(9) Pension and Other Postemployment Benefits**

	<u>FY25 Liability</u>	<u>FY25 Deferred Outflows</u>	<u>FY25 Deferred Inflows</u>
Pension	\$ 1,535,793	\$ 1,075,328	\$ 116,411
OPEB	7,709,372	1,062,923	3,546,740
	<u>\$ 9,245,165</u>	<u>\$ 2,138,251</u>	<u>\$ 3,663,151</u>
	<u>FY24 Liability</u>	<u>FY24 Deferred Outflows</u>	<u>FY24 Deferred Inflows</u>
Pension	\$ 1,651,959	\$ 1,166,949	\$ 104,700
OPEB	8,389,646	1,503,762	3,855,793
	<u>\$ 10,041,605</u>	<u>\$ 2,670,711</u>	<u>\$ 3,960,493</u>

**(a) Pension**

The Lottery contributes to the State Employees' Pension Plan (the Plan) established by the State to provide benefits for state employees. The Plan is a cost-sharing multiple-employer defined benefit pension plan established in the Delaware Code. The State of Delaware is responsible for setting benefits and amending plan provisions. The Plan prepares separate financial statements and is administered by the Delaware Public Employees' Retirement System (DPERS). All details of the Plan can be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

*Benefits Provided*

The Plan provides retirement, disability, and death benefits. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least five years of credit service; (b) age 60 with 15 years of credit service; or (c) 30 or more years of service regardless of age. Post-2011 members are eligible for monthly retirement benefits upon reaching (a) age 65 with at least ten years of credited service; (b) age 60 with 20 years of credit service; or (c) 30 or more years of service regardless of age.

Pre-2012 participants are eligible for disability benefits after five years of credited service. In lieu of disability pension benefits, over 90% of the members in this plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 participants are not offered disability pension benefits and are in the Disability Insurance Program only.

Death benefits are payable upon the death of an active member who has reached age 62 with at least five years of credit service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 75% with 3% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

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*Employer Contributions*

Employer contributions are determined by the Board of Pension Trustees. For the years ending June 30, 2025, and 2024, the rate of the employer contribution was 11.71% and 11.15% percent of covered payroll respectively. The Lottery's employer contributions for the years ended June 30, 2025, and 2024 was \$350,414 and \$303,029 respectively.

*Net Pension/Liability and Expense*

On June 30, 2025, and 2024, the Lottery reported a net pension liability of \$1,535,793 and \$1,651,959, respectively, for its proportionate share of the net pension liability of the State Employees' Pension Plan. The net pension liability on June 30, 2025, was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2023, to June 30, 2024. The net pension liability on June 30, 2024, was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2022, to June 30, 2023. As of the measurement date, June 30, 2025, the lottery's proportion was 0.0984 percent, a decrease of 0.007 percent from June 30, 2024. As of the measurement date, June 30, 2024, the lottery's proportion was 0.1054 percent, a decrease of 0.0016 percent from June 30, 2023. For the years ended June 30, 2025, and 2024, the Lottery recognized a pension expense of \$337,590 and \$344,773 respectfully.

*Deferred Outflows and Inflows of Resources*

On June 30, 2025, and 2024, the Lottery reported deferred outflows of resources of \$350,414 and \$ 303,029, respectively, for its contributions after the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

On June 30, 2025, and 2024, the Lottery reported deferred outflows of resources related to pensions from the following sources:

	<u>2025</u>	<u>2024</u>
Difference between actual and expected experience	\$ 354,313	\$ 217,262
Changes in assumptions	72,751	116,946
Net difference between projected and actual investment	297,850	527,320
Change in proportion	-	2,392
Contributions subsequent to the date of measurement	350,414	303,029
	<u>\$ 1,075,328</u>	<u>\$ 1,166,949</u>

On June 30, 2025, and 2024, the Lottery reported deferred inflows of resources related to pensions from the following sources:

	<u>2025</u>	<u>2024</u>
Changes in proportions	\$ 116,411	\$ 104,700
	<u>\$ 116,411</u>	<u>\$ 104,700</u>



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Amounts reported as deferred inflows and outflows of resources on June 30, 2025, related to pensions will be recognized as part of pension expense in future periods as follows:

Year Ending <u>30-Jun</u>	
2026	(177,531)
2027	5,189
2028	891,873
2029	(82,778)
2030	<u>(28,250)</u>
	\$ 608,503

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2024, measurement date was determined by an actuarial valuation as of June 30, 2023, with update procedures used to roll forward the total pension liability to June 30, 2024. This actuarial valuation used the following actuarial assumptions:

*Investment Return* includes inflation at 7.0%  
*Salary Increases* – 2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates inflation rates, and employee demographic behavior in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality assumptions are based on Pub-2010 mortality tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation are summarized in the following table:

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<u>Asset class</u>	<u>Long-term expected real rate of return</u>	<u>Asset allocation</u>
Domestic equity	5.7%	33.6%
International equity	5.7%	13.9%
Fixed income	2.0%	25.3%
Alternative investments	7.8%	21.7%
Cash and equivalents	-	5.5%

*Discount Rate*

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected 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.

*Sensitivity of the Lottery's Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate*

The following presents the net pension (asset)/liability calculated using the discount rate of 7.0%, as well as what the collective net pension (asset)/liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>6.00%</u>	Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
2025 Lottery's proportionate share of net pension (asset)/liability	<u>\$ 2,790,674</u>	<u>\$ 1,535,793</u>	<u>\$ 383,704</u>

	1% Decrease <u>6.00%</u>	Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
2024 Lottery's proportionate share of net pension (asset)/liability	<u>\$ 3,220,372</u>	<u>\$ 1,651,959</u>	<u>\$ 335,789</u>

*Pension Plan Fiduciary Net Position*

Detailed information about the Delaware Public Employees' Retirement System (DPERS) fiduciary net position is available in the DPERS Annual Comprehensive Financial Report which can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd; Dover, DE, 19904.

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**(b) Other Postemployment Benefits (OPEB)**

The Lottery contributes to the State Employees' Other Postemployment Benefits Fund Trust (OPEB Trust) established by the State to provide benefits for state employees through the Delaware Postretirement Health Plan (the Plan). The Plan is a cost-sharing multiple-employer defined-benefit plan established in the Delaware Code. Policy for and management of the OPEB Trust benefits provided to retirees are the responsibility of the State. The plan is administered by the Delaware Public Employees' Retirement System (DPERS). All details of the OPEB Trust can be obtained by writing to the State Board of Pension Trustees and Office of Pensions, McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, Delaware 19904-2402.

*Benefits Provided*

The Plan provides medical coverage to eligible pensioners and their eligible dependents through the same healthcare plans that are available to active employees. The participant's cost and vesting provisions of OPEB benefits is variable based on years of service. Pensioners who retire after July 1, 2012, and who become eligible for Medicare will pay an additional five percent of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

*Contributions*

Participating employers fund the OPEB Trust for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of plan members and the government are established and may not be amended by the State Legislature.

*Allocation Methodology*

The OPEB amounts are determined in accordance with the Governmental Accounting Standards Board Statement No. 75 (GASB 75), *Accounting and Financial Reporting of Postemployment Benefits Other than Pensions*. The State has elected to allocate the employers proportionate shares of the OPEB amounts based on the percentages of actual employer contributions during the period of July 1, 2023, thru June 30, 2024.

*Net OPEB Liability and Expense*

On June 30, 2025, and 2024, the Lottery reported a net Other Postemployment Benefits (OPEB) liability of \$7,709,372 and \$8,389,646 respectively, for its proportionate share of the net OPEB liability of the State of Delaware.

As of the measurement date, June 30, 2024, the Lottery's proportion is based on the percentage of actual employer contributions during the period ending June 30, 2023. As of the measurement date, June 30, 2023, the Lottery's proportion is based on the percentage of actual employer contributions during the period ending June 30, 2022. The Lottery's 2024 and 2023 proportion was 0.0954 percent and 0.102 percent, respectively. The 2024 portion showed an increase of 0.0066 percent from its proportion measured as of June 30, 2023. The Lottery's 2023 and 2022 proportion was 0.1020 percent and 0.1053 percent, respectively. The 2023 portion showed a decrease of 0.0006 percent from its proportion measured as of June 30, 2022.

**DELAWARE STATE LOTTERY**  
Notes to Financial Statements  
June 30, 2025 and 2024

*Deferred Outflows and Inflows of Resources*

On June 30, 2025, and 2024, the Lottery reported deferred outflows of resources related to OPEB from the following sources:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Expected and actual experience differences	\$ 179,943	\$ 151,380
Contributions subsequent to the date of measurement	463,272	414,353
Change in assumptions	411,684	887,355
Project & actual plan investment differences	8,024	32,395
Changes in proportions	-	18,279
	<u><u>\$ 1,062,923</u></u>	<u><u>\$ 1,503,762</u></u>

On June 30, 2025, and 2024, the Lottery reported deferred inflows of resources related to OPEB from the following sources:

	<u><b>2025</b></u>	<u><b>2024</b></u>
Expected and actual experience difference	410,941	813,921
Changes in assumptions	1,759,950	1,943,405
Changes in proportions	1,375,849	1,098,467
	<u><u>\$ 3,546,740</u></u>	<u><u>\$ 3,855,793</u></u>

The cumulative amounts of collective net deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending <u>30-Jun</u>	
2026	\$ (1,233,526)
2027	(1,062,586)
2028	(440,365)
2029	(230,826)
2030	20,214
	<u><u>\$ (2,947,089)</u></u>

*Actuarial Assumptions*

The total OPEB liability for the June 30, 2024, and June 30, 2023, measurement date was determined by an actuarial valuation as of June 30, 2023, and June 30, 2022, with update procedures used to roll forward the total OPEB liability to June 30, 2024, and June 30, 2023. These actuarial valuations used the following actuarial assumptions.

<u>Actuarial assumptions:</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Discount Rate	4.46%	3.82%
Projected Salary increases	3.25% + Merit	3.25% + Merit
Healthcare cost trends rates	8.80%	3.94%

**DELAWARE STATE LOTTERY**  
Notes to Financial Statements  
June 30, 2025 and 2024

Mortality rates were based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the Pub-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographics behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2021 and covering period July 1, 2015, through June 20, 2020. It is likely that future experiences will not exactly conform to these assumptions. To that extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

*Discount Rate*

The projection of cash flows used to determine the discount rate for June 30, 2024, assume that employer contributions will be made at amounts equal to those outlined in Senate Bill 175 (at least 1% of the grand total of all State General Fund operating budget appropriations for the prior fiscal year) as well as 0.36% of covered payroll. The discount rate used to measure the total OPEB liability was 3.93% at the beginning of the current measurement period and 4.46% at the end of the current measurement period, based on the Bond Buyer GO 20-Bond Municipal Bond Index.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:

	1% Decrease <u>3.46%</u>	Discount Rate <u>4.46%</u>	1% Increase <u>5.46%</u>
2025 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 9,164,295</u>	<u>\$ 7,709,372</u>	<u>\$ 6,546,773</u>
	1% Decrease <u>2.82%</u>	Discount Rate <u>3.82%</u>	1% Increase <u>4.82%</u>
2024 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 9,967,886</u>	<u>\$ 8,389,646</u>	<u>\$ 7,140,071</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:

	1% Decrease <u>7.80%</u>	Health Care Trend <u>8.80%</u>	1% Increase <u>9.80%</u>
2025 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 6,548,993</u>	<u>\$ 7,709,372</u>	<u>\$ 9,097,599</u>
	1% Decrease <u>6.00%</u>	Health Care Trend <u>7.00%</u>	1% Increase <u>8.00%</u>
2024 Lottery's proportionate share of Collective Net OPEB liability	<u>\$ 7,149,661</u>	<u>\$ 8,389,646</u>	<u>\$ 9,879,510</u>

**DELAWARE STATE LOTTERY**  
Notes to Financial Statements  
June 30, 2025 and 2024

**(10) Risk Management**

The Lottery stipulates in its vendor contracts that the vendors carry various insurance coverage such as property (video gaming machines and online terminals, etc.), general liability, errors, and omissions, automotive, and crimes. The Lottery's risks of losses related to workers' compensation, employee healthcare, automobile, and a portion of property and casualty claims are insured internally by the State.

**(11) Commitments**

The Lottery has entered into various contracts for services to be rendered relating principally to the operation of the Lottery's games. Under the gaming systems contract, the Lottery is committed to paying 4.795% of draw game sales, 4.18% of PHD (high-definition lottery ticket vending machine) sales, 9.95% of Keno sales, 5.525% of instant sales, 12.5% of track sports net revenue and 25% of retailer sports net revenue, 1% of video net gaming revenue, and 25% of net win for charitable gaming video machines to its central system provider through October 2029. For video lottery terminals, the lottery is committed to 7.0% to video lottery vendors through October 28, 2026. For video lottery terminals classified as electronic table games (ETG), the Lottery is committed to a range of 10% to 16% through October 28, 2026. For iGaming primary vendor fee, the lottery is committed to 20% of net gaming revenue excluding promotional play thru August 16, 2028.

**Delaware State Lottery**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension (Asset)/Liability and Contributions**

**Proportionate Share of Net Pension (Asset)/Liability**

Measurement date	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Lottery's percentage of the net pension (asset)/liability	0.0984%	0.1054%	0.1070%	0.1158%	0.1191%	0.1241%	0.1228%	0.1269%	0.1327%	0.1370%
Lottery's proportion of the net pension (asset)/liability	\$ 1,535,793	\$ 1,651,959	\$ 1,486,084	\$ (1,410,084)	\$ 1,672,518	\$ 1,932,872	\$ 1,585,580	\$ 1,860,152	\$ 1,999,680	\$ 911,588
Lottery's covered payroll	\$ 2,379,937	\$ 2,430,756	\$ 2,338,437	\$ 2,496,459	\$ 2,472,130	\$ 2,463,938	\$ 2,392,232	\$ 2,366,674	\$ 2,442,371	\$ 2,521,514
Lottery's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	64.5%	68.0%	63.6%	-56.5%	67.7%	78.4%	66.3%	78.6%	81.9%	36.2%
Plan fiduciary net position as a percentage of the total pension liability	88.3%	87.6%	88.8%	110.5%	87.3%	85.4%	87.5%	85.4%	84.1%	92.7%
<b><u>Contributions - Fiscal Year</u></b>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 350,414	\$ 303,029	\$ 284,298	\$ 311,926	\$ 311,810	\$ 306,769	\$ 304,759	\$ 253,999	\$ 236,800	\$ 242,448
Contributions in relation to the contractually required contributions	350,404	303,029	284,298	311,926	311,810	306,769	304,759	253,999	236,800	242,448
Contribution excess (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lottery's covered payroll*	\$ 2,630,597	\$ 2,379,937	\$ 2,430,756	\$ 2,338,437	\$ 2,496,459	\$ 2,472,130	\$ 2,463,938	\$ 2,392,232	\$ 2,366,674	\$ 2,442,371
Contribution as a percentage of covered payroll	13.3%	12.7%	11.7%	13.3%	12.5%	12.4%	12.4%	10.6%	10.0%	9.9%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years.

\* Current year estimated

Delaware State Lottery  
Required Supplementary Information  
Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions

**Proportionate Share of Net OPEB Liability**

Measurement date	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Lottery's percentage of the net OPEB liability	0.0954%	0.1020%	0.1026%	0.1118%	0.1161%	0.1208%	0.1197%	0.1286%	0.1286%
Lottery's proportion of the net OPEB liability	\$ 7,709,372	\$ 8,389,646	\$ 8,923,084	\$ 11,272,356	\$ 12,092,186	\$ 9,630,120	\$ 9,824,521	\$ 10,235,689	\$ 11,681,265
Lottery's covered payroll	\$ 2,509,590	\$ 2,307,378	\$ 2,366,182	\$ 2,443,339	\$ 2,502,927	\$ 2,507,417	\$ 2,376,579	\$ 2,505,221	\$ 2,452,619
Lottery's proportionate share of the net OPEB liability as percentage of its covered payroll	307.2%	363.6%	377.1%	461.4%	483.1%	384.1%	413.4%	408.6%	476.3%
Plan fiduciary net position as a percentage of the total OPEB liability	6.4%	6.4%	6.4%	6.1%	4.3%	4.9%	4.4%	4.1%	3.3%

**Contributions - Fiscal Year**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 463,272	\$ 414,353	\$ 381,926	\$ 287,641	\$ 298,471	\$ 320,928	\$ 303,694	\$ 268,793	\$ 294,117
Contributions in relation to the contractually required contributions	\$ 463,272	\$ 414,353	\$ 381,926	\$ 287,641	\$ 298,471	\$ 320,928	\$ 303,694	\$ 268,793	\$ 294,117
Contribution excess (deficit)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's covered payroll *	\$ 2,630,597	\$ 2,509,590	\$ 2,307,378	\$ 2,366,182	\$ 2,443,339	\$ 2,502,927	\$ 2,507,417	\$ 2,376,579	\$ 2,505,221
Contribution as a percentage of covered payroll	17.6%	16.5%	16.6%	12.2%	12.2%	12.8%	12.1%	11.3%	11.7%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available.

\* Current year estimated

This schedule will accumulate each year until sufficient information to present a ten year trend is available.





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Helene Keeley, Director of Delaware State Lottery, and  
Michael R. Smith, Secretary of Finance, State of Delaware  
Dover, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Delaware State Lottery (the Lottery), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated November 10, 2025.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Lottery's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

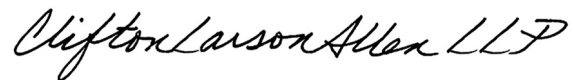
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 10, 2025