

TABLE GAME OPERATIONS
PROGRESS

BENEFITING DELAWARE BENEFITING DELAWARE
ADVERTISING PROGRAMS DELAWARE STATE FAIR
FESTIVALS CONTRIBUTION
ADVERTISING PROGRAMS
RETAILER NETWORK
PROGRESS COMMUNICATIONS SOLUTIONS BENEFITING DELAWARE
RETAILER NETWORK
SPONSORSHIPS
EVENTS

**A WIN FOR
DELAWARE**

2018 ANNUAL REPORT
FOR THE FISCAL YEAR ENDING JUNE 30, 2018

BENEFITING DELAWARE
IMPROVED SALES MANAGEMENT FESTIVALS
GIVING BACK
ADVERTISING PROGRAMS
MASS MEDIA
COMMUNITY
RETAILER NETWORK

GROWTH
SATISFACTION SURVEY
GROWTH
SPONSORSHIPS



Thanks to all of our retailers, players, vendors and staff, 2018 was an incredibly successful year for the Delaware Lottery. This past year, we contributed \$212.9 million to the state's General Fund, bringing the total to over \$5.2 billion since the start of Delaware Lottery operations in 1975.

In 2018, we saw the launch of several new and exciting initiatives, as well as continued growth among our existing offerings. Most notably, on June 5, 2018, the Delaware Lottery became the first state outside of Nevada to offer full-scale sports betting. Additionally, 2018 saw a \$25 million increase to the MEGA MILLIONS® starting jackpot, raising it from \$15 million to \$40 million. We also introduced \$250 GRAND, our third \$25 Instant Game ticket in three years.

On behalf of the Delaware Lottery, I would like to thank everyone for their continued support. Our ongoing contribution to the state's General Fund—over \$5.2 billion since 1975—continues to support valuable programs and initiatives designed to benefit all of Delaware.

We look forward to building on this year's success in 2019.

Vernon Kirk
Director, Delaware Lottery



The launch of full-scale sports betting will allow us to enhance the gaming experience for our players while increasing our revenue contributions to the Delaware State Fund.

**\$212.9
MILLION**

to the state's General
Fund in 2018

**\$5.2
BILLION**

has been contributed
since 1975

600+
RETAILERS

licensed throughout
Delaware



MEGA MILLIONS®

Beginning on Oct. 31, 2017, MEGA MILLIONS® players experienced several changes to the way the game is played, as well as the potential winnings. Most exciting among the format changes are the new starting jackpot of \$40 million—a \$25 million increase—and the doubling of the third-tier prize (4+1 match) from \$5,000 to \$10,000.

In addition, the Mega Ball number will be chosen from the range of 1-25 instead of 1-15, and white ball numbers decreased from a 1-75 range to 1-70. Sales of MEGA MILLIONS® tickets reflecting the new format began on Oct. 28, 2017, and the cost per play increased from \$1 to \$2.

MARKETING AND SALES HIGHLIGHTS



EVERY DAY IS GAME DAY

Sports Pick

Following the Supreme Court's decision to strike down a 1992 federal law that banned commercial sports betting in most states, the Delaware Lottery became the first state outside of Nevada to offer its players full-scale sports wagering on June 5, 2018.

KENO®
Fun. On the spot.



KENO®

To celebrate the 5th anniversary of KENO®, we ran a second chance drawing promotion in April 2018, giving away a total of \$15,000 in prizes. Lottery players could enter the drawing simply by mailing in their non-winning Delaware Lottery KENO® tickets for a chance to win 1 of 20 cash prizes, up to \$1,555.



Instant Games

During the 2018 fiscal year, we introduced \$250 GRAND, a new \$25 Instant Game with a top prize of \$250,000, that featured a horizontal layout as opposed to our traditional vertical formats. Overall, Instant Game ticket sales continued to rise during 2018, ending with a 3.9% increase over previous fiscal year sales.



Video Lottery

With more than 6,000 Video Lottery games in operation, 2018 fiscal year net proceeds totaled more than \$353 million. The Delaware Lottery has extended its contract with Gaming Labs International (GLI) to provide Video Lottery testing, inspection and consulting services for one year. Existing contracts for vendors who provide Video Lottery Terminals (VLTs) were extended for two years.

During the 2018 fiscal year, Video Lottery had 23 jackpots of \$50,000 or more, and one jackpot that topped \$179,000. There are currently 48 approved Charitable Gaming Organizations (CGOs) in operation offering 480 VLTs statewide.



POWERBALL® POWER CRUISE™

Following last year's successful POWERBALL® POWER CRUISE™ second chance promotion, we were excited to bring it back for a second year. Between April 18 and June 2, 2018, Delaware Lottery players could enter for a chance to win a privately chartered 5-night cruise vacation aboard the Royal Caribbean Majesty of the Seas® by mailing in their non-winning POWERBALL® tickets.

Delaware Lottery players had a chance to win 1 of 6 POWERBALL® POWER CRUISE™ vacation prize packages for two (winner and guest) to Nassau and CocoCay, Bahamas.



Retail

In February 2018, the Lottery launched a new Advanced Entertainment Games Information System (AEGIS). This new system is tied to the Lottery's strategic plan to utilize technology to increase revenue for the State of Delaware and its beneficiaries. As a result, the Lottery was able to acquire 100 new state-of-the-art, self-service, Player High Definition (PHD) machines. The addition of the PHD terminals allowed us to expand our retail network throughout the state, which included several Delaware Wawa locations.

In addition, we continued to effectively use an incentive program that rewards retailers with bonuses for increases in product sales. Under the program, Lottery game sales for six-month sales periods are compared to game sales for the same six-month period from the prior year. The retailer incentive program is one of the key factors in our ability to show long-term sales increases.



FUTURE AND ONGOING PROJECTS

- Continue the expansion of our retailer network through active recruitment.
- Expand retailer network to grow KENO® sales.
- Continue to effectively use “cooperative services” program by developing new and exciting games and promotional programs.
- Conduct resident and player satisfaction surveys, as well as strive to continually improve service in accordance with the Lottery’s quality initiative.
- Contribute to the design and development of improved sales management, reporting and communications solutions for Lottery support staff and retailers that capitalize on available Internet and wireless technologies.
- Continue to employ effective sales management techniques to stimulate positive selling activities among licensed retailers.
- Work with Scientific Games to upgrade the central system.
- Complete an extensive review of current video lottery and table game regulations and submit revisions.



BASIC STATEMENTS

Net Position

June 30, 2018 and 2017

Assets	2018	2017
Current		(restated)
Cash and investments	\$ 5,903,324	\$ 3,791,602
Accounts receivable, net allowance of \$833,018 and \$791,748, respectively	10,836,366	7,920,400
Investments — restricted for payment of prize liabilities	-	19,679
Due from the State of Delaware	12,657,006	12,446,099
Total current assets	29,396,696	24,177,780
Noncurrent		
Deposit Multi-State Lottery	2,467,039	2,265,380
Total noncurrent assets	2,467,039	2,265,380
Total assets	31,863,735	26,443,160
Deferred outflows	1,127,219	1,339,348
Liabilities and Net Position		
Current		
Prizes liability	6,662,632	5,065,864
Accounts payable and accrued liabilities	6,615,524	4,721,166
Due to the State of Delaware	2,461,534	944,651
Total current liabilities	15,739,690	10,731,681
Noncurrent		
Multi-State Lottery reserve	2,467,039	2,265,380
Pension and OPEB liability	12,095,841	13,680,945
Total noncurrent liabilities	14,562,880	15,946,325
Total liabilities	30,302,570	26,678,006
Deferred inflows	1,688,384	104,502
Net position		
Unrestricted	\$ 1,000,000	\$ 1,000,000

BASIC STATEMENTS

Revenue, Expenses and Changes in Net Position

June 30, 2018 and 2017

	2018	2017
Revenue		
Video Lottery net	\$ 353,776,920	\$ 352,834,117
Video Lottery net expired jackpots and credit slips	379,558	320,466
Casino license fees	3,221,800	3,172,411
I-Gaming	2,178,023	2,701,931
Sports Lottery	54,747,779	46,114,509
Table games, net	54,629,995	53,117,143
Draw games	106,188,593	100,438,292
Instant games	70,599,375	69,284,712
Total revenue	645,722,043	627,983,581
Cost of games		
Video Lottery net commissions	149,150,781	148,997,809
Prize costs, net of reversions	136,506,526	134,955,648
Gaming vendor fees and costs	43,009,044	39,826,424
Instant and draw games commissions	10,764,400	10,503,135
Sports Lottery commissions	3,913,713	2,153,872
Table games commissions	36,110,427	35,110,431
Total cost of games	379,454,891	317,547,319
Gross margin	266,267,152	256,436,262
Operating expenses		
Advertising and promotions	3,147,412	3,287,302
Payroll and related benefits	5,506,623	5,758,648
Other general and administrative	1,791,987	1,676,294
Total operating expenses	10,446,022	10,722,244
Operating income	255,821,130	245,714,018
Non-operating expenses		
Delaware Standardbred Breeders' Program	3,000,000	3,000,000
Delaware Certified Thoroughbred Program	1,000,000	1,000,000
State of Delaware	251,821,130	241,714,018
Total non-operating expenses	255,821,130	245,714,018
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

Cash Flow

June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Receipts from customers	\$ 642,806,077	\$ 626,241,119
Payments to vendors for goods and services	(47,712,684)	(45,246,004)
Payments to employees for services	(5,524,150)	(5,736,121)
Payments for prizes	(134,890,079)	(134,833,338)
Payments for commissions	(198,263,195)	(196,314,719)
Net cash provided by operating activities	256,415,969	244,110,937
Cash flows from noncapital financing activities		
Transfers to the Delaware Standardbred Breeders' 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	(250,304,247)	(242,271,080)
Net cash used in noncapital financing activities	(254,304,247)	(246,271,080)
Cash flows from investing activity		
Proceeds from maturity of investments	-	30,224
Net cash provided by investing activity	-	30,224
Net (decrease) increase cash and investments	2,111,722	(2,129,919)
Cash and investments at beginning of year	3,791,602	5,921,521
Cash and investments at end of year	5,903,324	3,791,602
Reconciliation of operating income to net cash provided by operating activities		
Operating income	255,821,130	245,714,018
Adjustments to reconcile operating income to net cash provided by operating activities		
Changes in operating assets and liabilities		
Accounts receivable, net	(2,915,966)	(1,742,462)
Prizes liability	1,616,447	122,310
Accounts payable and accrued liabilities	1,894,358	17,071
Net cash provided by operating activities	\$ 256,415,969	\$ 244,110,937



It's the Law — You must be 18 years of age or older to purchase Delaware Lottery tickets. You must be 21 years of age or older to play Video Lottery, Sports Lottery, Table Games and Internet Games. If you or someone you know has a gambling problem, call the Delaware Council on Gambling Problems 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.