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April 29, 2025

Board of Directors
State Lottery Commission of Indiana
Marion County, Indiana

We have reviewed the audit report of the State Lottery Commission of Indiana, which was opined upon by CliftonLarsonAllen LLP, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the State Lottery Commission of Indiana as of June 30, 2024, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

THE STATE LOTTERY COMMISSION OF INDIANA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2024 AND 2023



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**THE STATE LOTTERY COMMISSION OF INDIANA
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
The State Lottery Commission of Indiana
Indianapolis, Indiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business type activities and fiduciary activities of The State Lottery Commission of Indiana (the Commission), a component unit of the State of Indiana, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary activities of the Commission as of June 30, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 Commission 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 opinions.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Commission'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Commission and do not purport to, and do not, present fairly the financial position of the state of Indiana, as of June 30, 2024 and 2023, and the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Commission's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
October 11, 2024

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

The management of The State Lottery Commission of Indiana (Commission) offers readers of the Commission's annual financial report a narrative overview of its performance during the fiscal years ended June 30, 2024 and 2023. Please read it in conjunction with the financial statements and related footnote disclosures, which follow this section.

Financial Highlights

- Fiscal year 2024 (FY 24) total operating revenues were \$1.744 billion, down just \$2 million from record breaking fiscal year 2023 (FY 23) when the Commission achieved total operating revenues of \$1.746 billion. Although total operating revenues remained fairly consistent from prior year, scratch-off revenue was down 2% while on-line ticket revenue was up 6%. The net difference in operating revenues during FY 24 is a result of a \$27 million decrease in scratch-off revenue, \$14 million increase in Powerball revenue, \$12 million decrease in Mega Millions revenue, and \$23 million increase in other on-line games. FY 23 total operating revenues of \$1.746 billion was the highest annual total revenue ever recorded in the history of the Commission and an increase of 3% over prior year, fiscal year 2022 (FY 22). Scratch-off revenue was down in FY 23 from prior year by \$36 million, or 3%, while total on-line revenue was up by \$80 million, or 22%. The increase in on-line revenue was driven by a \$23 million increase in Powerball sales and a \$45 million increase in Mega Millions sales from prior year.
- Total prize expense for FY 24 came in at \$1.142 billion, a \$4 million decrease from FY 23. The FY 24 decrease was mainly due to the decrease in scratch-off revenue and a decrease in Mega Millions revenue. Total prize expense for FY 23 was \$1.146 billion, a \$7 million decrease from prior year. This decrease was mainly due to the decrease in total operating revenues including scratch-off revenue.
- Indirect game expenses for FY 24 came in at \$205 million which was consistent with prior year. The FY 23 indirect game expenses of \$205 million were up 5% over prior year FY 22 when indirect game expenses came in at \$196 million. These expenses include retailer commissions, advertising and promotion, instant ticket printing, central gaming system, miscellaneous lottery expense, management fee, and other game expenses.
- Other operating expenses, which includes salaries, wages, benefits, and general and administrative expenses, were \$9 million during FY 24. These FY 24 expenses were higher than both FY 23 and FY 22 when the Commission had other operating expenses of \$7 million each year.
- Nonoperating revenues, net of expenses, was a net expense during each of the last 3 fiscal years. The Commission recognized a net expense of \$16 million in FY 24, a net expense of \$22 million in FY 23, and net expense of \$24 million FY 22. Provider incentive was the largest nonoperating expense the last 3 fiscal years at \$20 million for both FY 24 and FY 23, and \$19 million for FY 22.
- Net income prior to distributions in FY 24 was \$372 million, a \$6 million increase from FY 23 which was mainly a result of the decrease in net nonoperating expenses. Net income prior to distributions for FY 23 was \$366 million, a \$29 million increase over FY 22. The FY 23 increase in year-over-year net income was mainly due to the 22% increase in on-line ticket sales.

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Overview of the Financial Statements

The Commission's primary activity of generating revenue for the state from lottery operations is accounted for as an enterprise fund, reporting transactions using the accrual basis of accounting like a business entity. The Commission implemented GASB 96, Subscription-based Information Technology Arrangements, and GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; neither of which resulted in a material impact.

This discussion and analysis are intended to serve as an introduction to the Commission's financial statements. For each fiscal year, the Commission's basic financial statements are comprised of the following:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Statements of Fiduciary Net Position
- Statements of Changes in Fiduciary Net Position
- Notes to Financial Statements

The Statements of Net Position present information on all the Commission's assets, deferred outflows, liabilities, and deferred inflows, with the difference between these items reported as net position.

The Statements of Revenues, Expenses, and Changes in Net Position present revenue and expense information and the change in the Commission's net position during the measurement period as a result of these transactions.

The Statements of Cash Flows present sources and uses of cash for the fiscal year, displayed in the following categories: cash flows from operating activities, cash flows for noncapital and related financing activities, cash flows from capital and related financing activities and cash from investing activities.

The Statements of Fiduciary Net Position present information on the fiduciary fund's assets and liabilities, with the difference between these items reported as net position.

Statements of Changes in Fiduciary Net Position present additions and deductions information and the change in the Commission's net position for fiduciary activities during the fiscal year as a result of these transactions.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are an integral part of the basic financial statements.

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Financial Analysis of the Commission

Net Position and Changes in Net Position

Net position represents the difference between total assets plus deferred outflows and total liabilities plus deferred inflows. Because the Commission is required by law to make transfers of its surplus revenue to the State of Indiana, the change in net position does not necessarily reflect the results of the Commission's operating activities.

	June 30,		
	2024	2023	2022
Assets:			
Current Assets	\$ 233	\$ 240	\$ 222
Restricted Assets	8	8	8
Long-Term Investments	54	61	70
Capital Assets, Net	10	1	1
Other Assets	1	-	-
Total Assets	<u>306</u>	<u>310</u>	<u>301</u>
Deferred Outflows	1	1	1
Liabilities:			
Current Liabilities	237	244	226
Long-Term Liabilities	59	65	69
Total Liabilities	<u>296</u>	<u>309</u>	<u>295</u>
Deferred Inflows	1	-	1
Net Position:			
Restricted for MUSL	8	8	8
Restricted for Net Pension Asset	1	-	-
Investment in Capital Assets	10	1	1
Unrestricted	<u>(9)</u>	<u>(7)</u>	<u>(3)</u>
Total Net Position	<u>\$ 10</u>	<u>\$ 2</u>	<u>\$ 6</u>

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

	Years Ended June 30,		
	2024	2023	2022
Operating Revenues	\$ 1,744	\$ 1,746	\$ 1,703
Operating - Direct Game Expenses	(1,142)	(1,146)	(1,139)
Operating - Indirect Games Expenses	(205)	(205)	(196)
Other Operating Expenses	(9)	(7)	(7)
	<u>388</u>	<u>388</u>	<u>361</u>
Operating Income			
Nonoperating Revenues (Expenses)	(16)	(22)	(24)
	<u>372</u>	<u>366</u>	<u>337</u>
Net Income Prior to Distributions			
Distributions	(364)	(370)	(347)
	<u>8</u>	<u>(4)</u>	<u>(10)</u>
Change in Net Position			
Net Position - Beginning of Year	<u>2</u>	<u>6</u>	<u>16</u>
	<u>\$ 10</u>	<u>\$ 2</u>	<u>\$ 6</u>
Net Position - End of Year			

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Assets

Total assets decreased in FY 24 by \$4 million. The net decrease in total assets was made up of a \$18 million decrease in cash and cash equivalents, \$11 million increase in accounts receivable, \$7 million decrease in investments, and a \$9 million increase in net capital assets. The large increase in capital assets was due to the purchase of its headquarters office building for \$9.1 million in May 2024.

Total assets increased during FY 23 by \$9 million. The net increase in assets was due to a combination of a \$4 million increase in cash and cash equivalents, a \$15 million increase in accounts receivable, and a \$10 million decrease in investments. The \$10 million decrease in investments was partly due to fair value adjustments and maturities to honor deferred prizes from prior years.

Liabilities

Current liabilities decreased \$7 million during FY 24. This increase was due to a \$5 million decrease in accounts payable and a \$2 million decrease in current prize liability. Long-term liabilities decreased \$6 million during FY 24 which was due to a \$6 million decrease in noncurrent prize liability.

Current liabilities increased by \$18 million during FY 23. The increase consisted of a \$1 million increase in accounts payable and a \$16 million increase in current prize liability. Long-term liabilities decreased by \$4 million during FY 23 which was primarily due to a \$4 million decrease in Long-term prize liability.

Net Position

Net position consists of unrestricted income retained for the future cash flow needs of the Commission, restricted assets for purpose of prize payments, restricted investments for net pension asset, and investment in capital assets. The Commission's total net position for fiscal year ending June 30, 2024 was \$10 million, June 30, 2023 was \$2 million, and June 30, 2022 was \$6 million. Adjustments for the fair market value of investments and the net pension liability were excluded from surplus revenue transfers to the state each year. As a result, these adjustments net to the change in net position. In FY 24, the commission also retained \$9.1 million in surplus revenue to purchase its headquarters building that was previously occupied under a rental agreement.

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

**Sales and Prize Expense
(In Millions of Dollars)**

	Scratch-Off			Powerball		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 1,279	\$ 1,307	\$ (28)	\$ 134	\$ 121	\$ 13
Game Prizes	901	924	(23)	65	55	10
Gross Margin	<u>\$ 378</u>	<u>\$ 383</u>	<u>\$ (5)</u>	<u>\$ 69</u>	<u>\$ 66</u>	<u>\$ 3</u>
	Mega Millions			Daily Games		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 73	\$ 85	\$ (12)	\$ 96	\$ 97	\$ (1)
Game Prizes	35	42	(7)	50	48	2
Gross Margin	<u>\$ 38</u>	<u>\$ 43</u>	<u>\$ (5)</u>	<u>\$ 46</u>	<u>\$ 49</u>	<u>\$ (3)</u>
	Hoosier Lotto			Cash 5		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 46	\$ 39	\$ 7	\$ 18	\$ 15	\$ 3
Game Prizes	23	19	4	8	8	-
Gross Margin	<u>\$ 23</u>	<u>\$ 20</u>	<u>\$ 3</u>	<u>\$ 10</u>	<u>\$ 7</u>	<u>\$ 3</u>
	Quick Draw			Fast Play		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 15	\$ 16	\$ (1)	\$ 32	\$ 30	\$ 2
Game Prizes	9	9	-	23	20	3
Gross Margin	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ (1)</u>	<u>\$ 9</u>	<u>\$ 10</u>	<u>\$ (1)</u>
	PLUS			Cash 4 Life		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 8	\$ 6	\$ 2	\$ 7	\$ 7	\$ -
Game Prizes	4	3	1	4	4	-
Gross Margin	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>
	Superball			EZ Match		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 7	\$ 7	\$ -	\$ 4	\$ 3	\$ 1
Game Prizes	4	4	-	2	2	-
Gross Margin	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 1</u>
	Bullseye			Double Play		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 3	\$ 3	\$ -	\$ 10	\$ 8	\$ 2
Game Prizes	1	2	(1)	5	5	-
Gross Margin	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 3</u>	<u>\$ 2</u>
	Cash Pop			Total		
	2024	2023	Change	2024	2023	Change
Operating Revenues	\$ 12	\$ 2	\$ 10	\$ 1,744	\$ 1,746	\$ (2)
Game Prizes	8	1	7	1,142	1,146	(4)
Gross Margin	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 602</u>	<u>\$ 600</u>	<u>\$ 2</u>

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

**Sales and Prize Expense
(in Millions of Dollars)**

	Scratch-Off			Powerball		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 1,307	\$ 1,343	\$ (36)	\$ 121	\$ 98	\$ 23
Game Prizes	924	950	(26)	55	46	9
Gross Margin	\$ 383	\$ 393	\$ (10)	\$ 66	\$ 52	\$ 14
	Mega Millions			Daily Games		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 85	\$ 40	\$ 45	\$ 97	\$ 95	\$ 2
Game Prizes	42	19	23	48	48	-
Gross Margin	\$ 43	\$ 21	\$ 22	\$ 49	\$ 47	\$ 2
	Hoosier Lotto			Cash 5		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 39	\$ 35	\$ 4	\$ 15	\$ 14	\$ 1
Game Prizes	19	17	2	8	7	1
Gross Margin	\$ 20	\$ 18	\$ 2	\$ 7	\$ 7	\$ -
	Quick Draw			Fast Play		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 16	\$ 16	\$ -	\$ 30	\$ 29	\$ 1
Game Prizes	9	9	-	20	24	(4)
Gross Margin	\$ 7	\$ 7	\$ -	\$ 10	\$ 5	\$ 5
	PLUS			Cash 4 Life		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 6	\$ 6	\$ -	\$ 7	\$ 7	\$ -
Game Prizes	3	2	1	4	4	-
Gross Margin	\$ 3	\$ 4	\$ (1)	\$ 3	\$ 3	\$ -
	Superball			EZ Match		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 7	\$ 7	\$ -	\$ 3	\$ 3	\$ -
Game Prizes	4	4	-	2	2	-
Gross Margin	\$ 3	\$ 3	\$ -	\$ 1	\$ 1	\$ -
	Bullseye			Double Play		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 3	\$ 3	\$ -	\$ 8	\$ 7	\$ 1
Game Prizes	2	2	-	5	5	-
Gross Margin	\$ 1	\$ 1	\$ -	\$ 3	\$ 2	\$ 1
	Cash Pop			Total		
	2023	2022	Change	2023	2022	Change
Operating Revenues	\$ 2	\$ -	\$ 2	\$ 1,746	\$ 1,703	\$ 43
Game Prizes	1	-	1	1,146	1,139	7
Gross Margin	\$ 1	\$ -	\$ 1	\$ 600	\$ 564	\$ 36

The tables above compare FY 24, FY 23, and FY 22 operating revenues, game prizes, and gross margin for lottery products.

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

FY 24 operating revenue increased for Powerball, Hoosier Lotto, Cash 5, Fast Play, PLUS, EZ Match, Double Play, and Cash Pop when compared to prior year. Scratch-off, Mega Millions, Daily Games, and Quick Draw products all saw a decrease in revenue compared to FY 23. Cash 4 Life, Superball, and Bullseye product revenues remained consistent with FY 23.

FY 23 operating revenue increased for Powerball, Mega Millions, Daily Games, Hoosier Lotto, Cash 5, Fast Play, Double Play, and Cash Pop when compared to prior year. Scratch-off revenue was the only product to decrease in FY 23 while revenues for Quick Draw, Plus, Cash 4 Life, Superball, EZ Match, and Bullseye products remained consistent from prior year.

The scratch-off product line consists of preprinted tickets that require players to scratch off a latex coating to reveal the play area. There are several game offerings at different price points ranging from \$1 to \$50 per ticket. While players can win instantly on all scratch-off products, the Commission also offers 2nd chance prizes on a limited number of games where nonwinning tickets are entered by players into drawings for additional chances to win. There were 39 new games offered during FY 24 with scratch-off revenue, net of returns, at \$1.279 billion, a decrease of \$28 million, or 2%, from prior year. Most scratch-off price points saw decreases in revenue in FY 24 including the \$1 price point with a \$2 million decrease, the \$3 price point with an \$11 million decrease, the \$5 price point with a \$9 million decrease, the \$10 price point with a \$7 million decrease and the \$20 price point with a \$31 million decrease. The two highest price points both showed an increase in revenue, the \$30 price point with an increase of \$22 million and the \$50 price point with a \$7 million increase. In FY 23, there were 43 new games offered and scratch-off revenue, net of returns, was \$1.307 billion, a decrease of \$36 million or 3% from FY 22. The total scratch-off year-over-year revenue decrease consisted of an \$11 million decrease in the \$2 price point, a \$13 million decrease in the \$3 price point, a \$16 million decrease in the \$5 price point, an \$18 million decrease in the \$10 price point, a \$15 million increase in the \$20 price point, and a \$15 million increase in the \$30 price point.

Powerball is a multi-state, big jackpot draw game jointly operated by the 39 member lotteries of the Multi-State Lottery Association and sold in 45 U.S. states, the District of Columbia, the U.S. Virgin Islands, and Puerto Rico. Each play is \$2 which consists of six numbers, five numbers from a field of 69 and the last one from a field of 26. Players have the option of electing to add Powerplay for \$1 for a chance to multiply prizes. Revenue in FY 24 for Powerball was \$134 million, an increase of \$13 million or 11% over prior year. There were three jackpot runs which positively impacted revenue; July 2023 saw a jackpot of \$1 billion, October 2023 a jackpot of \$1.7 billion, and April 2024 a jackpot of \$1.3 billion. Revenues in FY 23 for Powerball reached \$121 million, an increase of \$23 million or 23% from prior year. Powerball had a record high jackpot of \$2 billion in November 2022 and a \$750 million jackpot in February 2023, both runs directly contributed to the increase in sales.

Mega Millions is a multi-state, lotto draw game offering large jackpot prizes twice per week. The Commission participates in this game along with 44 other U.S. states, the District of Columbia, and the U.S. Virgin Islands. The price per play is \$2 and consists of six numbers, five numbers from a field of 70 and the last one from a field of twenty-five. Players have the option of adding Megaplier for \$1 that offers players a chance to multiply prizes. Additionally, there is a Just the Jackpot play feature that allows players to play for only the jackpot prize for \$3 which provides two sets of numbers. FY 24 Mega Millions revenue was \$73 million, a decrease of \$12 million, or 13%, from prior year. Though Mega Millions had two jackpots over \$1 billion in FY 24, the same as FY 23, these had a smaller impact on revenue. FY 23 Mega Millions revenue was \$85 million, an increase of \$45 million or 112% over prior year. Mega Millions had two jackpots over \$1 billion in FY 23, significantly impacting sales.

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Hoosier Lotto is Indiana's original big jackpot lotto game available only in Indiana with jackpots starting at \$1 million and drawings twice per week. The price is \$2 per play and players receive 6 numbers from a field of 46. Hoosier Lotto revenue was \$46 million in FY 24 which was a \$7 million or 18% increase over FY 23. The Commission saw increased sales as the jackpot continued to climb during a 15-month run which ended in December 2023. Hoosier Lotto revenue was \$39 million in FY 23 which was a \$4 million or 11% increase over FY 22.

Daily 3 and Daily 4 (Daily Games), allow players to pick either 3 numbers (Daily 3) or 4 numbers (Daily 4) from digits zero through nine for as little as a \$0.50 wager. Drawings take place 2 times per day for both Daily 3 and Daily 4. Players can play the numbers straight, boxed, combo, wheel, 1-off, front/back pair (Daily 3), or front/back 3 (Daily 4). Revenue for Daily Games reached \$96 million during FY 24, a decrease of \$1 million from prior year. FY 23 revenue for Daily Games was \$97 million, an increase of \$2 million over FY 22.

Cash 5 is a daily cash jackpot lotto game offered only in Indiana with a starting jackpot of \$75 thousand. The price per play is \$1 and consists of five numbers from a field of forty-five. FY 24 revenue for Cash 5 was \$18 million, a \$3 million increase in revenue from prior year. In FY 24, Cash 5 jackpots offered the chance to win over \$1 million on 10 occasions while there were only four similar occurrences in FY 23. FY 23 revenue for Cash 5 was \$15 million, a \$1 million increase in revenue over FY 22.

Fast Play is a product category with 25 individual games as of June 30, 2024. Fast Play tickets are printed from Hoosier Lottery terminals at time of purchase and can be played instantly giving players a chance to win fixed prizes or a progressive jackpot. FY 24 revenue for the Fast Play category was \$32 million, a \$2 million increase over FY 23. A new Fast Play game was introduced at the \$30 price point in FY 24 which positively impacted revenue in the category. Fast Play revenue was \$30 million in FY 23, a \$1 million increase over FY 22.

Quick Draw is a draw game where players pick 10 numbers and match their numbers against the 20 numbers drawn. Depending on the wager amount and on how many numbers a player matches, prizes can reach up to \$2 million. The FY 24 Quick Draw revenue of \$15 million was \$1 million less than FY 23. Quick Draw revenue in FY 23 was consistent with FY 22 at \$16 million.

Bullseye is an add-on game to Quick Draw which provides players with a chance to win additional cash prizes with their selected Quick Draw numbers. Bullseye has generated revenue of \$3 million each of the last three fiscal years.

EZ Match is an add-on game available with Cash 5 and Quick Draw games that offers an instant win feature. FY 24 revenue for EZ Match was \$4 million, an increase of \$1 million over FY 23. EZ Match generated \$3 million in revenue both FY 23 and FY 22.

Hoosier Lotto's add-on game, PLUS, can be added on to a Hoosier Lotto wager for \$1 and offers a chance to win a top prize of \$1 million from an additional set of numbers selected. Hoosier Lotto PLUS revenue increased by \$2 million in FY 24 which was directly related to the increase in Hoosier Lotto revenue in FY 24. PLUS generated \$6 million in revenue in FY 23 and FY 22.

Cash 4 Life is a multi-state lotto game available in ten U.S. states with the top two prizes offering lifetime payments of \$1,000 per day or \$1,000 per week for life. Cash 4 life revenue has remained consistent at \$7 million each of the last 3 fiscal years.

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Superball is an add-on feature to Daily 3 and Daily 4 that provides additional winning combinations for players. Superball revenues in FY 24 matched that of FY 23 and FY 22 at \$7 million.

Double Play is a multi-state Powerball add-on game that was first offered in August 2021. The Hoosier Lottery offers this add-on game along with 19 other U.S. states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico. Similar to Hoosier Lotto's add-on game PLUS, a player can add \$1 to their Powerball wager for a chance to win up to \$10 million on an additional set of numbers drawn. In FY 24, Double Play revenue increased by \$2 million, to \$10 million. FY 23 Double Play revenue reached \$8 million, a \$1 million increase over revenue of \$7 million during its inaugural year FY 22.

Cash Pop is the Hoosier Lottery's newest draw game and was launched on April 23, 2023. It features 5 daily draws in which a player may wager \$1, \$2, \$5 or \$10 on a single number between 1 and 15. Cash Pop completed its first full year of sales in FY 24 with revenue that reached \$12 million, a \$10 million increase over the prior year. In FY 23, Cash Pop earned a total of \$2 million in revenue following its April launch.

Prize Expense

In general, prize expense by game will increase or decrease from year to year in proportion to the increase or decrease in operating revenues for each corresponding game. However, prize expense can also be impacted by chance, unclaimed prizes, modifications to the game design, or adjustments to the required reserve balances to fund Hoosier Lotto, Powerball, and Mega Millions jackpots.

Total prize expense in FY 24 was \$1.142 billion, a slight decrease of \$4 million from FY 23. Total prize expense as a percent of total operating revenues was 66%, consistent with prior year FY 23.

- FY 24 scratch-off prize expense was \$901 million, a \$23 million or 2% decrease from FY 23 that can be attributed to the 2% decrease in scratch-off revenue. FY 23 scratch-off prize expense came in at \$924 million, a \$26 million or 3% decrease from FY 22 that can also be attributed to the 3% decrease in scratch-off revenue from prior year.
- Total on-line prize expense was \$241 million in FY 24, a \$19 million or 9% increase over prior year FY 23. There were several products that had year over year increases in prize expense, including: Cash Pop (400%), PLUS (19%), Hoosier Lotto (18%), Cash 5 (17%), Powerball Double Play (14%), and Powerball (11%). Mega Millions saw the largest decrease (14%) in prize expense in FY 24 from prior year. FY 23 total on-line prize expense was \$223 million, an increase of \$34 million or 17% over prior year FY 22. The increase in prize expense was directly related to the \$79 million or 22% increase in on-line ticket revenue.

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

**Indirect Game Expenses and Other Operating Expenses
(In Millions of Dollars)**

	Years Ended June 30,		
	2024	2023	2022
Indirect Game Expenses:			
Retailer Commissions	\$ 118	\$ 119	\$ 115
Central Gaming System	33	33	32
Advertising and Promotion	22	22	17
Management Fee	12	12	11
Instant Ticket Printing	16	16	18
Miscellaneous Lottery Expense	3	2	2
Other Game Expenses	1	1	1
Total Indirect Game Expenses	<u>205</u>	<u>205</u>	<u>196</u>
Other Operating Expenses:			
Salaries, Wages, and Benefits	6	5	5
General and Administrative	3	2	2
Total Other Operating Expenses	<u>9</u>	<u>7</u>	<u>7</u>
Total Indirect Game and Other Operating Expenses	<u>\$ 214</u>	<u>\$ 212</u>	<u>\$ 203</u>

Total indirect game and other operating expenses increased by \$2 million in FY 24 when compared to FY 23. This was made up of a \$1 million decrease to retailer commission expense, and \$1 million increases in miscellaneous lottery expenses; salary, wages, and benefits; and general and administrative expenses. Total indirect game and other operating expenses increased by \$9 million in FY 23 from FY 22. The year-over-year increase was made up of a \$4 million increase in retailer commissions expense, a \$5 million increase in advertising and promotion expense, a \$1 million increase in central gaming system expense, a \$1 million increase in Management fee, and a \$2 million decrease in Instant Ticket Printing expense.

Budgetary Highlights

The Commission budgeted for total operating revenues of \$1.697 billion for FY 24. Actual operating revenues in FY 24 came to \$1.744 billion. These revenue results surpassed budget by \$48 million or 3%. The Commission generated \$373 million in net income prior to distributions in FY 24 which was \$37 million or 11% more than budget.

The most significant variances amongst actual operating revenues and budget revenues during FY 24 were as follows:

Revenue by Product	Actual	Budget	Variance
Powerball	\$ 134,552,819	\$ 111,752,578	\$ 22,800,241
Mega Millions	73,325,445	46,452,297	26,873,148
Scratch - \$20	271,797,900	306,368,179	(34,570,279)
Scratch - \$30	118,783,560	98,130,500	20,653,060

**THE STATE LOTTERY COMMISSION OF INDIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

In FY 24 both Mega Millions and Powerball had extraordinary jackpot activity not anticipated in the budget. Both games had jackpot runs over \$1.5 billion in the first half of the year. Between the two games, there were 66 draws of \$500M or more in FY 24 compared to 27, 8, and 9 in FY 23, 22, and 21 respectively. The high jackpots positively influenced sales and led to Mega Millions revenue surpassing budget by nearly \$27 million, a 58% increase. Powerball had two Jackpot runs over \$1 billion which contributed to an almost \$23 million variance, or 20% over budget. Total scratch-off ticket revenue for FY 24 was down 2% from budget. The largest variances by price point level for scratch-off tickets were at the \$30 and \$20 levels. The \$30 price point revenue surpassed budget by \$21 million, or 21%, and was primarily due to adding a 3rd facing to planograms in August 2023 that wasn't contemplated in the budget. Revenue at the \$20 price point came in \$34 million, or 11%, below budget due to launching only 2 of the 4 games that were originally planned.

The most significant variances between actual operating expenses and budgeted operating expenses during FY 24 were as follows:

Operating Expense	Actual	Budget	Variance
Total Direct Game Expenses	\$ 1,141,692,128	\$ 1,132,550,667	\$ 9,141,461
Retailer Commissions	118,212,161	117,125,298	1,086,863
Management Fees	12,300,256	13,875,086	(1,574,830)
Central Gaming System Expense	32,957,465	34,928,210	(1,970,745)
Instant Ticket Printing	16,454,841	17,526,120	(1,071,279)

Several operating expenses were impacted directly by the 3% positive variance in revenue in FY 24 including total direct game expenses, which went over budget by \$9 million, or 1%, and retailer commissions expense which was \$1 million, also 1% over budget. Management fees were less than budget by \$2 million, or 11%, due to vacancies in the staffing throughout the year. Central systems expense was down from budget by \$2 million, or 6%, due to line fee credits. In correlation with the lower than budget scratch-off ticket revenue, instant ticket printing expense was down from budget by \$1 million, or 6%.

Economic Factors and Next Year's Budget and Rates

The Commission continues to monitor economic factors of the US and Indiana. Numerous factors were considered during the establishment of the budget for fiscal year 2025 (FY 25) including the evaluation of interest rates which remain high but relatively stable, and overall inflation rates. Despite economic challenges, we continued to demonstrate that the Hoosier Lottery was well positioned to maintain business operations, strengthen retail partnerships, and responsibly maximize net income during FY 24. For FY 25, the Commission's budget includes total operating revenue of \$1.7 billion, a very slight decrease from FY 24 actuals, as well as generating \$340 million in surplus revenue to the state.

Financial Contact

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the finances of this component unit of the State of Indiana. Questions concerning any of the information provided in this report or requests for additional financial information should contact: Chief of Staff, State Lottery Commission of Indiana, 1302 N. Meridian Street, Suite 100, Indianapolis, IN, 46202.

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 44,847,383	\$ 63,072,062
Investments, Current Portion	7,876,026	8,404,747
Accounts Receivable, Net	179,997,109	168,612,150
Prepaid Expenses	259,860	192,888
Total Current Assets	232,980,378	240,281,847
NONCURRENT ASSETS		
Long-Term Investments, Less Current Portion	53,722,421	60,555,048
Restricted Assets	8,010,328	8,297,040
Net Pension Asset	1,317,006	155,251
Capital Assets, Net	10,110,316	1,047,925
Total Noncurrent Assets	73,160,071	70,055,264
 Total Assets	 306,140,449	 310,337,111
TOTAL DEFERRED OUTFLOWS OF RESOURCES	974,442	1,016,837
CURRENT LIABILITIES		
Accounts Payable:		
State	22,915,041	25,687,016
Trade	29,154,777	31,258,547
Current Portion of Prize Liability	183,398,534	185,392,775
Unearned Revenue	759,414	1,232,250
Other Accrued Expenses	742,742	902,854
Total Current Liabilities	236,970,508	244,473,442
LONG-TERM LIABILITIES		
Prize Liability, Less Current Portion	57,553,805	63,531,422
Net Pension Liability	1,816,195	1,625,170
Total Long-Term Liabilities	59,370,000	65,156,592
 Total Liabilities	 296,340,508	 309,630,034
TOTAL DEFERRED INFLOWS OF RESOURCES	418,639	116,762
NET POSITION		
Restricted for MUSL	8,010,328	8,297,040
Restricted for Net Pension Asset	1,317,006	155,251
Net Investment in Capital Assets	10,110,316	1,047,925
Unrestricted	(9,081,906)	(7,893,064)
 Total Net Position	 \$ 10,355,744	 \$ 1,607,152

See accompanying Notes to Financial Statements.

THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Scratch-Off Ticket Sales, Net	\$ 1,279,506,249	\$ 1,306,695,215
On-Line Ticket Sales	464,706,440	439,601,736
Total Operating Revenues	1,744,212,689	1,746,296,951
OPERATING EXPENSES		
Direct Game Expenses:		
Scratch-Off Games Prizes	900,971,003	924,263,150
On-Line Games Prizes	240,721,125	221,869,149
Total Direct Game Expenses	1,141,692,128	1,146,132,299
Indirect Game Expenses:		
Retailer Commissions	118,212,161	118,924,534
Lottery Expenses:		
Central Gaming System	32,957,465	32,387,793
Advertising and Promotion	21,957,865	21,823,927
Instant Ticket Printing	16,454,841	16,376,829
Miscellaneous Lottery Expense	2,601,271	2,338,721
Management Fees	12,300,256	11,703,800
Other Game Expenses	879,975	1,100,748
Total Indirect Game Expenses	205,363,834	204,656,352
Total Operating Expenses	1,347,055,962	1,350,788,651
PROVIDER NET INCOME	397,156,727	395,508,300
OTHER OPERATING EXPENSES		
Salaries, Wages, and Benefits	5,803,316	5,091,006
General and Administrative	2,774,733	2,510,197
Total Other Operating Expenses	8,578,049	7,601,203
OPERATING INCOME	388,578,678	387,907,097
NONOPERATING REVENUES (EXPENSES)		
Interest Income	3,740,904	1,945,196
Net Decrease in Fair Value of Investments	(977,866)	(5,017,423)
Increase in Net Pension Liability	626,458	515,228
Provider Incentive	(19,857,836)	(19,775,415)
Other Income, Net	617,815	169,875
Total Nonoperating Expenses, Net	(15,850,525)	(22,162,539)
NET INCOME PRIOR TO DISTRIBUTIONS	372,728,153	365,744,558
DISTRIBUTIONS		
Distributions to the State	(341,064,520)	(344,559,738)
Distributions to be Paid to the State	(22,915,041)	(25,687,016)
Total Distributions	(363,979,561)	(370,246,754)
CHANGE IN NET POSITION	8,748,592	(4,502,195)
Net Position - Beginning of Year	1,607,152	6,109,347
NET POSITION - END OF YEAR	\$ 10,355,744	\$ 1,607,152

See accompanying Notes to Financial Statements.

**THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Ticket Sales	\$ 1,732,345,699	\$ 1,731,363,145
Payments to Ticket Winners	(1,149,377,274)	(1,133,377,747)
Payments to Suppliers	(209,886,921)	(211,968,837)
Payments to Employees	(5,963,429)	(4,894,809)
Net Cash Provided by Operating Activities	367,118,075	381,121,752
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Lottery Surplus Fund Distributions	(366,751,535)	(365,452,185)
Provider Incentive Distributions	(19,775,415)	(18,406,648)
Others	642,139	169,875
Net Cash Used by Noncapital and Related Financing Activities	(385,884,811)	(383,688,958)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(9,591,524)	(174,698)
Proceeds from the Sale of Capital Assets	9,195	-
Net Cash Used by Capital and Related Financing Activities	(9,582,329)	(174,698)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	-	(1,941,621)
Investment Maturities	6,383,482	7,004,089
Interest Income	3,740,904	1,945,196
Net Cash Provided by Investing Activities	10,124,386	7,007,664
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,224,679)	4,265,760
Cash and Cash Equivalents - Beginning of Year	63,072,062	58,806,302
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 44,847,383	\$ 63,072,062

See accompanying Notes to Financial Statements.

**THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 388,578,678	\$ 387,907,097
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	504,809	414,227
Change in Provision for Ticket Returns	1,904,226	(2,420,800)
Proceeds on Sale of Capital Assets	(9,195)	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(13,289,186)	(12,889,293)
Restricted Assets	286,712	164,557
Prepaid Expenses	(66,972)	(10,449)
Accounts Payable - Trade	(2,186,191)	(5,206,064)
Unearned Revenue	(472,836)	376,286
Prize Liability	(7,971,858)	12,589,995
Other Accrued Expenses	(160,112)	196,196
Net Cash Provided by Operating Activities	\$ 367,118,075	\$ 381,121,752
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES		
Net Decrease in Fair Value of Investments	\$ (977,866)	\$ (5,017,423)
Increase in Net Pension Liability	626,458	515,228
Net Noncash Investing, Capital, and Related Financing Activities	\$ (351,408)	\$ (4,502,195)

See accompanying Notes to Financial Statements.

**THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2024 AND 2023**

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 141,701	\$ 381,631
Receivables:		
Accrued Interest and Dividends	11,092	9,603
Total Receivables	11,092	9,603
Investments:		
Fixed Income Securities	2,199,158	1,870,225
Domestic and Foreign Equities	5,084,391	4,152,728
Total Investments	7,283,549	6,022,953
 Total Assets	 7,436,342	 6,414,187
 NET POSITION RESTRICTED FOR PENSIONS	 \$ 7,436,342	 \$ 6,414,187

See accompanying Notes to Financial Statements.

**THE STATE LOTTERY COMMISSION OF INDIANA
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
ADDITIONS		
Employer Contributions	\$ 300,000	\$ 274,286
Total Contributions	300,000	274,286
Interest and Dividends	234,109	208,314
Net Increase in Fair Value of Investments	833,273	384,528
Net Investment Income	1,067,382	592,841
Total Additions	1,367,382	867,127
DEDUCTIONS		
Benefit Payments	345,227	549,919
Total Deductions	345,227	549,919
Net Increase (Decrease) in Net Position	1,022,155	317,208
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of Year	6,414,187	6,096,979
End of Year	\$ 7,436,342	\$ 6,414,187

See accompanying Notes to Financial Statements.

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The State Lottery Commission of Indiana (the Commission) was established by Public Law No. 341, as amended, as listed in Indiana Code Section 4, Article 30 (IC 4-30) in May 1989. IC 4-30 (Lottery Article) establishes the Hoosier Lottery as a body politic and corporate and provides for the creation of lottery games in Indiana that are the best available and for the benefit of the people of Indiana.

The Commission is organized to provide for administering and overseeing the operation of the Hoosier Lottery with the assistance of a service provider, IGT Indiana, LLC, under an integrated services agreement entered into in October 2012.

Reporting Entity

The Commission is a discretely presented component unit of the state of Indiana (the State) for financial reporting purposes in the State's Annual Comprehensive Financial Report (ACFR). Component units are separate legal entities for which the primary government is legally accountable. The Commission's financial statements consist of its primary operational activities in an enterprise fund. Additionally, the Commission also presents its fiduciary fund used to account for fiduciary activities that meet the definition contained in GASB Statement No. 84, *Fiduciary Activities*. The fiduciary fund is held in a trust for the Employees' Pension Plan of the State Lottery Commission of Indiana.

Basis of Accounting

The Commission's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles or U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Operating revenues, such as sale of lottery tickets, result from exchange transactions associated with the principal activity of the Commission. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, changes in Net Pension Liability, and changes in fair value of investments, result from nonexchange transactions or ancillary activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Ticket revenue for on-line games is recognized on the date of the draw for which the ticket was purchased for those that require a subsequent drawing, and immediately for those on-line games with the instant prize feature. Scratch-off ticket revenue, less an allowance for returns, is recognized at the time tickets are shipped to retailers.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and short-term, highly liquid investments, with original maturity dates of three months or less. Short-term investments may include direct obligations of the U.S. government or government agencies, or various money market funds.

Investments

Investments in the enterprise fund mainly include money market mutual funds, direct obligations of the U.S. government, and insurance annuities. Investments presented in the fiduciary fund are managed by a contracted investment management company that adheres to an Investment Policy Statement adopted by the Commission.

Accounts Receivable, Net

Accounts receivable primarily represent proceeds due from retailers for net ticket sales, less retailer commissions and prizes redeemed by retailers. Accounts receivable is reduced by an allowance for ticket returns. Allowance for ticket returns is an estimate based on historical average rate of ticket returns associated with scratch-off games and was \$15,466,963 and \$17,371,190 as of June 30, 2024 and 2023, respectively. The Commission had no balance for doubtful accounts as of June 30, 2024 and 2023. Accounts receivable also includes other receivables, which consists of amounts owed to the Commission by non-retailers. The balance of other receivables was \$697,691 and \$1,065,404 as of June 30, 2024 and 2023, respectively.

Restricted Assets

Restricted assets consist principally of cash and investments held in prize reserve accounts for Mega Millions and Powerball as required by the Multi-State Lottery Association (MUSL).

Capital Assets

Capital assets are stated at cost. Capital assets are defined as assets that have a useful life of at least three years and a cost equal to or greater than \$1,000 individually or \$5,000 in aggregate. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Generally, data processing equipment and software are depreciated over a minimum of 3 years, vehicles are depreciated over 4 years, buildings are depreciated over 30 years, and leasehold improvements are depreciated over the remaining life of the lease. Most other assets are depreciated over five years. Depreciation expense was \$504,809 and \$414,227 for the years ended June 30, 2024 and 2023, respectively.

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prize Expense and Liability

Prize liability includes an estimate of outstanding scratch-off and on-line game prizes as of June 30, 2024 and 2023, as well as installment amounts payable to past scratch-off, on-line game, and game show winners. Installment prizes are recorded at a discount based on interest rates that range from approximately 1.43% to 5.72%, which is reflective of the interest rate earned on the investments held to fund the related liabilities.

For scratch-off games, prize expense and liability are recorded when tickets are shipped to licensed retailers. The accrual is based on the specified prize payout structure, which includes cash and free ticket prizes, established for each game. Scratch-off game prizes must be claimed within 180 days after the declared end-of-game date or they will be forfeited.

The prize expense and liability for on-line games are determined based on the actual prizes won at the time of purchase for games with the instant win feature, or actual prizes won at the time of drawing. Additionally, prize expense and liability are accrued for jackpot prizes associated with the following games: Hoosier Lotto, Cash 5, Cash 4 Life, Powerball, and Mega Millions. All on-line game prizes must be claimed within 180 days of the date of the selection event or instant win date or they will be forfeited. All unclaimed prize money during the years ended June 30, 2024 and 2023 was used to offset future prizes.

Net Position

As stated in the Lottery Article, funds in excess of the amounts necessary to pay prizes and expenses for the operation of the Commission referred to as "surplus revenue" are to be distributed per a statutory schedule to the Indiana State Treasurer. The Commission excludes the change in fair market value of investments and change in net pension liability from surplus revenue transferred to the Indiana State Treasurer. The Commission has set aside amounts that it estimates are necessary to meet future cash flow needs of the Commission until the next transfer to the Indiana State Treasurer. These amounts have been reflected in the accompanying financial statements as unrestricted net position.

The Lottery Article requires that the Indiana State Treasurer distribute \$30 million annually to the Indiana State Teachers' Retirement Fund to pay a portion of the current pension obligations, and \$30 million annually to the State Pension Relief Fund to assist cities and towns in the payment of current and future local police and firefighters' pension fund obligations. The remaining funds are transferred to the Lottery Surplus Fund. The State Comptroller then transfers \$19,775,415 from the Lottery Surplus Fund to the state general fund motor vehicle tax replacement account monthly. At the end of the year, what is left in the Lottery Surplus Fund is transferred to the State General Fund. Total distributions generated for transfer to the Lottery Surplus Fund totaled \$303,979,561 and \$310,246,754 for the years ended June 30, 2024 and 2023, respectively.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Operating and Nonoperating

The Commission's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation of the Commission. All other revenue and expenses are reported as nonoperating revenues and expenses.

Retailer Commission Expense

Retailers earn a 6.0% commission for both on-line and scratch-off ticket game sales and earn 1.0% cashing commission for redeeming winning tickets up to \$599. Retailers can earn a big prize bonus up to \$100,000 for selling winning jackpot tickets or top prizes on certain on-line games. Additionally, retailers may be eligible for performance and sales initiative-based incentives throughout the year.

Lottery Expenses

As a condition of the Integrated Services Agreement with IGT Indiana, LLC, lottery expenses, an indirect game expense, are incurred by IGT Indiana, LLC and billed to the Commission. These expenses include the following: central gaming system expenses, advertising and promotion, instant ticket printing, and miscellaneous lottery expenses.

Management Fees

As a condition of the Integrated Services Agreement with IGT Indiana, LLC, management fees, an indirect game expense, are incurred by IGT Indiana, LLC and billed to the Commission. Management fees consist of the following costs: personnel, occupancy, insurance, and other operating expenses.

Other Game Expenses

Other game expenses consist of other operating expenses that are paid directly by the Commission, not IGT Indiana, LLC. A few items reflected in this line are promotional prize expenses as well as the Commission's share of operating expenses of the Multi-State Lottery Association (MUSL) of which it is a member.

Pension Liability (Asset)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Commission's share in the Public Employees' Retirement Fund (PERF) and additions to/deductions from said fiduciary net position have been determined on the same basis as they are reported by Indiana Public Retirement System (INPRS). 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.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pension Liability (Asset) (Continued)

The Commission also sponsors a single employer plan, Employees' Pension Plan of the State Lottery Commission of Indiana (Commission Plan), which was frozen effective July 1, 2013. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Commission Plan and additions to/deductions from said fiduciary net position have been determined on the basis as they are reported by the Commission Plan's actuary. 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.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position in total.

NOTE 2 DEPOSITS AND INVESTMENTS

Enterprise Fund

The Commission's investment policy establishes cash and investment guidelines for the deposit of funds. The Commission is authorized to make deposits in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, and money market funds with portfolios of securities issued or guaranteed by the United States of America or agreements to repurchase these same obligations. The Treasurer of the State is authorized by Indiana Code 4-30-15-2 to invest the Commission's funds in direct obligations of the U.S. Treasury or insurance annuities to fund future installment prize obligations.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statute does not establish any parameters or guidelines related to interest rate risk.

As of June 30, 2024 and 2023, the Commission had the following investment maturities:

<u>June 30, 2024</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>< 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>> 10 Years</u>
U.S. Government Securities	\$ 59,722,224	\$ 7,719,356	\$ 27,051,582	\$ 12,225,502	\$ 12,725,784
Money Market Fund	43,876,918	43,876,918	-	-	-
Subtotal	103,599,142	51,596,274	27,051,582	12,225,502	12,725,784
	<u>Carrying Value</u>				
Insurance Annuities	1,876,223	156,670	-	141,459	1,578,094
Total Investments	<u>\$ 105,475,365</u>	<u>\$ 51,752,944</u>	<u>\$ 27,051,582</u>	<u>\$ 12,366,961</u>	<u>\$ 14,303,878</u>

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Enterprise Fund (Continued)

Interest Rate Risk (Continued)

<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>< 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>> 10 Years</u>
U.S. Government Securities	\$ 67,227,927	\$ 8,052,747	\$ 30,543,388	\$ 13,150,886	\$ 15,480,906
Money Market Fund	62,814,941	62,814,941	-	-	-
Subtotal	130,042,868	70,867,688	30,543,388	13,150,886	15,480,906
	<u>Carrying Value</u>				
Insurance Annuities	1,731,867	352,000	141,469	-	1,238,398
Total Investments	<u>\$ 131,774,735</u>	<u>\$ 71,219,688</u>	<u>\$ 30,684,857</u>	<u>\$ 13,150,886</u>	<u>\$ 16,719,304</u>

Deposit Custodial Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The carrying amount of the Commission's deposits and outstanding checks with financial institutions as of June 30, 2024 and 2023, totaled \$970,464 and \$257,122, respectively, while bank balances totaled \$1,168,636 and \$1,102,089, respectively. The insured, collateralized, and the uninsured, uncollateralized cash balances carried during the year represent the compensating balances that are required to be maintained at banks in exchange for goods received or services provided. Uninsured, uncollateralized bank balances were \$918,636 as of June 30, 2024 and \$852,089 as of June 30, 2023.

Investment Custodial Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. On June 30, 2024, \$104 million of investments were not held by the Commission. Investments totaling \$60 million were held by the Indiana State Treasurer; therefore, these investments were not considered to have custodial credit risk. The remaining \$44 million of investments were held by outside counterparties. On June 30, 2023, \$130 million of investments were not held by the Commission. Investments totaling \$67 million were held by the Indiana State Treasurer; therefore, these investments were not considered to have custodial credit risk. The remaining \$63 million of investments were held by outside counterparties.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Enterprise Fund (Continued)

Credit Risk and Concentration of Credit Risk (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission is not limited on the amount it can invest in U.S. Treasury Bills, repurchase agreements, money market funds or an interest-bearing checking account. No more than \$5 million may be invested in securities for any one government agency (i.e., Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation) and no more than \$20 million in the aggregate. No more than \$5 million may be invested in commercial paper for any one company and no more than \$20 million in the aggregate. Commercial paper must be rated P-1 (Moody) or A-1 (S & P) at the time of purchase. The Commission's investments, outside of those at Indiana State Treasurer noted above were all backed by the U.S. Treasury as of June 30, 2024 and 2023.

The following table provides information on the credit ratings associated with the Commission's investments as of June 30, 2024 and 2023:

	S&P	Fitch	Moody's	A.M. Best	Balance at June 30, 2024	Percent of Total	Balance at June 30, 2023	Percent of Total
U.S. Government Securities	AA+	AA+	Aaa	Unrated	\$ 59,722,224	57%	\$ 67,227,927	51%
Money Market Mutual Fund	AAAm	AAAmf	Aaa-mf	Unrated	43,876,918	41%	62,814,941	48%
Transamerica Life Insurance Company	A+	Unrated	A1	A	156,670	0%	493,469	0%
Lincoln National Life Insurance Company	A+	A+	A2	A	1,719,553	2%	1,238,398	1%
Total Investments					<u>\$ 105,475,365</u>	<u>100%</u>	<u>\$ 131,774,735</u>	<u>100%</u>

Securities Lending

The Treasurer of State is authorized by Indiana Code 5-13-10.5-13 to lend securities. Securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest-bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States, a federal instrumentality, or a federal government sponsored enterprise in excess of the total market value of the loaned securities. Cash and collateral securities are initially pledged at 102% of the market value of the securities lent. Collateral securities cannot be pledged or sold by the board unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0 to 15 days. The custodian bank provides 100% indemnification to the lender against any borrower default, overnight market risk, and failure to return loaned securities. As of June 30, 2024 and 2023, the Treasurer of State did not lend any securities related to the Commission.

Fair Value Measurement

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Enterprise Fund (Continued)

Fair Value Measurement (Continued)

The Commission had U.S. Treasury securities of \$60 million as of June 30, 2024 and \$67 million as of June 30, 2023. The Commission also held investments in a Money Market Mutual Fund with a fair value of \$44 million as of June 30, 2024 and \$63 million as of June 30, 2023. These securities are valued using quoted market prices and as such, are Level 1 inputs. Changes in the fair value of the investments are recognized as nonoperating revenue or expense in the statements of revenues, expenses, and changes in net position. The net change in the fair value of U.S. Treasury obligations for the years ended June 30, 2024 and 2023 was (\$977,866) and (\$5,017,423), respectively.

Reconciliation of Enterprise Fund Cash, Cash Equivalents, and Investments

A reconciliation of enterprise fund cash, cash equivalents, and investments per the statements of net position to the deposits and investments previously presented is as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Statement of Net Position:		
Cash and Cash Equivalents	\$ 44,847,383	\$ 63,072,062
Investments (Current)	7,876,026	8,404,747
Investments (Long Term)	53,722,421	60,555,048
Total	<u>\$ 106,445,830</u>	<u>\$ 132,031,857</u>
Notes to the Financial Statements:		
Deposits	\$ 970,464	\$ 257,122
Investments (Current and Long Term)	105,475,366	131,774,735
Total	<u>\$ 106,445,830</u>	<u>\$ 132,031,857</u>

Fiduciary Fund

The Commission is responsible for the Employees' Pension Plan of the State Lottery Commission of Indiana Trust (the Trust) that was created to provide pension benefits to former and current employees of the Commission and their beneficiaries who meet the statutory requirement for such benefits. The Trust is held by a trust company under a custodial agreement with the Commission for the years ended June 30, 2024 and 2023. The Commission contracts with an investment management company that adheres to an Investment Policy Statement adopted by the Commission which focus on four objectives: 1) to outperform inflation over the long term, 2) to establish a well-diversified investment approach, 3) to create a portfolio that offers various classes of assets (equities and fixed income), and 4) to maximize the overall portfolio return within reasonable risk levels.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fiduciary Fund (Continued)

The Commission has specific investment guidelines established for the Trust which puts limits on the types of investments allowed. These asset allocation guidelines contain target asset allocations and allowable ranges that are expected to meet target rates of return over a long period of time while minimizing risk. The following is the Commission's adopted asset allocation policy as of June 30, 2024 and 2023:

<u>Asset Class</u>	<u>Target Allocation (%)</u>
Cash	0.0%
Fixed Income	30.0%
Equity	70.0%
Total	<u>100.0%</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Fixed income instruments shall not exceed an average of (8) years without the express approval of the Commission.

As of June 30, 2024 and 2023, the Commission has the following investment maturities for the Trust:

<u>June 30, 2024</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>< 1 Year</u>	<u>1–5 Years</u>	<u>6–10 Years</u>	<u>> 10 Years</u>
U.S. Treasuries	\$ 149,941	\$ -	\$ 85,928	\$ 64,013	\$ -
Money Market Mutual Fund	65,066	65,066	-	-	-
Corporate Bonds	106,408	19,737	86,671	-	-
U.S. Agencies	60,070	-	-	60,070	-
Brokered Certificates of Deposit					
Within FDIC Limits	9,630	-	9,630	-	-
Mutual Funds/ETFs	1,873,109	-	1,416,340	456,769	-
Total Investments	<u>\$ 2,264,224</u>	<u>\$ 84,803</u>	<u>\$ 1,598,569</u>	<u>\$ 580,852</u>	<u>\$ -</u>

<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>< 1 Year</u>	<u>1–5 Years</u>	<u>6–10 Years</u>	<u>> 10 Years</u>
U.S. Treasuries	\$ 65,064	\$ -	\$ 65,064	\$ -	\$ -
Money Market Mutual Fund	381,073	381,073	-	-	-
Corporate Bonds	158,578	44,217	114,361	-	-
Taxable Municipal Bonds	24,380	-	24,380	-	-
Brokered Certificates of Deposit					
Within FDIC Limits	210,055	34,148	175,907	-	-
Mutual Funds/ETFs	1,411,126	-	1,128,680	282,446	-
Total Investments	<u>\$ 2,250,276</u>	<u>\$ 459,438</u>	<u>\$ 1,508,392</u>	<u>\$ 282,446</u>	<u>\$ -</u>

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fiduciary Fund (Continued)

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The following table provides information on the credit quality ratings for investments in debt securities, short-term money market funds, bond mutual/commingled funds, municipal securities, asset-backed and mortgage-backed securities for the Trust. The table reflects the highest rating as set by either of two nationally recognized rating organizations (S&P and Moody's) for each investment type except Mutual Funds/ETFs. The Mutual Funds/ETFs average ratings are from Morningstar, Inc.

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value at June 30, 2024</u>	<u>Fair Value at June 30, 2023</u>
U.S. Treasuries	AAA	\$ 149,941	\$ 65,064
Money Market Mutual Fund	Aaa-mf	65,066	381,073
Corporate Bonds	AAA	14,579	-
	AA	19,343	33,561
	A	44,017	77,902
	BBB	28,469	47,115
Taxable Municipal Bonds	A	-	24,380
U.S. Agencies	AAA	60,070	-
Brokered Certificates of Deposit			
Within FDIC Limits	AAA	9,630	210,055
Mutual Funds/ETFs	AAA(wtd. Avg)	456,639	336,284
	AA(wtd. Avg)	456,770	286
	A(wtd. Avg)	608,898	850,472
	BBB(wtd. Avg)	350,802	224,084
		<u>\$ 2,264,224</u>	<u>\$ 2,250,276</u>

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fiduciary Fund (Continued)

Credit Risk and Concentration of Credit Risk (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments that exceed 5% of the total net position of the Trust as of June 30, 2024 and 2023 were as follows:

	<u>Balance at June 30, 2024</u>	<u>Percent of Total</u>
Vanguard Admiral Funds Inc S&P Mid-Cap 400 Index Instl	\$ 698,032	10%
Pimco Income Fund Class I	608,898	8%
Mfs Series Trust X Intl Value Fund R6	594,617	8%
Dodge & Cox Income Fund	456,770	6%
Vanguard Fixed Income Securities Fed Fund Admiral	456,639	6%
	<u>Balance at June 30, 2023</u>	<u>Percent of Total</u>
Vanguard Admiral Funds Inc S&P Mid-Cap 400 Index Instl	\$ 585,310	9%
Pimco Income Fund Class I	567,815	9%
Mfs Series Trust X Intl Value Fund R6	490,941	8%
Vanguard Fixed Income Securities Fed Fund Admiral	336,284	5%

Fair Value Measurement

The Trust categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability into three broad categories. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Levels 1, 2 and 3 (lowest priority level) of the fair value hierarchy are defined as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement should be categorized based on the lowest priority level input that is significant to the valuation. The Trust's assessment of significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fiduciary Fund (Continued)

Fair Value Measurement (Continued)

The following tables summarize the valuation of the investments in the Trust by the fair value hierarchy levels as of June 30, 2024 and 2023:

<u>Investment Type</u>	<u>June 30, 2024</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Fixed Income Securities:			
U.S. Treasuries	\$ 149,941	\$ 149,941	\$ -
Corporate Bonds	106,408	-	106,408
U.S. Agencies	60,070	60,070	-
Brokered Certificates of Deposit	9,630	-	9,630
Mutual Funds/ETFs	1,873,109	1,873,109	-
Money Market Mutual Funds	65,066	65,066	-
Total Fixed Income Securities	2,264,224	2,148,186	116,038
Equity Investments:			
Domestic Equities	3,036,709	3,036,709	-
Mutual Funds/ETFs	896,918	896,918	-
International Mutual Funds	1,150,765	1,150,765	-
Total Equity Investments	5,084,392	5,084,392	-
Total Investments by Fair Value	\$ 7,348,616	\$ 7,232,578	\$ 116,038

<u>Investment Type</u>	<u>June 30, 2023</u>	<u>Fair Value Measurements Using</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Fixed Income Securities:			
U.S. Treasuries	\$ 65,064	\$ 65,064	\$ -
Corporate Bonds	158,578	-	158,578
Taxable Municipal Bonds	24,380	-	24,380
Brokered Certificates of Deposit	210,055	-	210,055
Mutual Funds/ETFs	1,411,126	1,411,126	-
Money Market Mutual Funds	381,073	381,073	-
Total Fixed Income Securities	2,250,276	1,857,263	393,013
Equity Investments:			
Domestic Equities	2,456,747	2,456,747	-
Mutual Funds/ETFs	751,748	751,748	-
International Mutual Funds	944,232	944,232	-
Total Equity Investments	4,152,727	4,152,727	-
Total Investments by Fair Value	\$ 6,403,003	\$ 6,009,990	\$ 393,013

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 CAPITAL ASSETS

A summary of the Commission's capital assets for the years ended June 30, 2024 and 2023 is as follows:

	Balances at June 30, 2023	Increases	Decreases	Balances at June 30, 2024
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ 3,640,000	\$ -	\$ 3,640,000
Total Capital Assets, Not Being Depreciated	-	3,640,000	-	3,640,000
Capital Assets Being Depreciated:				
Vehicles	196,376	79,530	(35,418)	240,488
Vending Machines	1,000,000	-	-	1,000,000
Furniture, Fixtures, and Equipment	616,982	369,036	(86,519)	899,499
Leasehold Improvements	811,694	1,105	(808,847)	3,952
Data Processing Equipment	1,067,557	41,852	(12,447)	1,096,962
Building	-	5,460,000	-	5,460,000
Total Capital Assets, Being Depreciated	3,692,609	5,951,523	(943,231)	8,700,901
Less Accumulated Depreciation:				
Vehicles	(135,557)	(30,351)	35,418	(130,490)
Vending Machines	(364,167)	(250,000)	-	(614,167)
Furniture, Fixtures, and Equipment	(552,627)	(67,173)	86,519	(533,281)
Leasehold Improvements	(762,103)	(24,806)	784,523	(2,386)
Data Processing Equipment	(830,230)	(102,145)	12,447	(919,928)
Building	-	(30,333)	-	(30,333)
Total Accumulated Depreciation	(2,644,684)	(504,808)	918,907	(2,230,585)
Intangible Assets Being Amortized:				
Patent	550,869	-	-	550,869
Less Accumulated Amortization	(550,869)	-	-	(550,869)
Total Intangible Assets Being Amortized	-	-	-	-
Total Capital Assets, Net	<u>\$ 1,047,925</u>	<u>\$ 9,086,715</u>	<u>\$ (24,324)</u>	<u>\$ 10,110,316</u>

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 CAPITAL ASSETS (CONTINUED)

	Balances at June 30, 2022	Increases	Decreases	Balances at June 30, 2023
Capital Assets Being Depreciated:				
Vehicles	\$ 146,192	\$ 50,184	\$ -	\$ 196,376
Vending Machines	1,000,000	-	-	1,000,000
Furniture, Fixtures, and Equipment	557,379	60,757	(1,154)	616,982
Leasehold Improvements	1,113,601	-	(301,907)	811,694
Data Processing Equipment	1,044,050	63,757	(40,250)	1,067,557
Total Capital Assets, Being Depreciated	3,861,222	174,698	(343,311)	3,692,609
Less Accumulated Depreciation:				
Vehicles	(126,103)	(9,454)	-	(135,557)
Vending Machines	(114,167)	(250,000)	-	(364,167)
Furniture, Fixtures, and Equipment	(542,009)	(11,772)	1,154	(552,627)
Leasehold Improvements	(1,033,765)	(30,245)	301,907	(762,103)
Data Processing Equipment	(757,725)	(112,755)	40,250	(830,230)
Total Accumulated Depreciation	(2,573,769)	(414,226)	343,311	(2,644,684)
Intangible Assets Being Amortized:				
Patent	550,869	-	-	550,869
Less Accumulated Amortization	(550,869)	-	-	(550,869)
Total Intangible Assets Being Amortized	-	-	-	-
Total Capital Assets, Net	\$ 1,287,453	\$ (239,528)	\$ -	\$ 1,047,925

NOTE 4 PRIZE LIABILITY

The prize liability relating to deferred winners, scratch-off games, and on-line games, including an estimate of unclaimed scratch-off and on-line winners at June 30, 2024 and 2023 is as follows:

	2024	2023
Installment Prize Liability	\$ 65,721,801	\$ 72,164,978
Scratch-Off Game Liability	156,424,031	154,776,198
On-Line Game Liability	18,806,507	21,983,021
Total Prize Liability	240,952,339	248,924,197
Less: Current Portion	(183,398,534)	(185,392,775)
Noncurrent Portion	\$ 57,553,805	\$ 63,531,422

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 4 PRIZE LIABILITY (CONTINUED)

Future payments of prize liability as of June 30, 2024 were as follows:

<u>Year Ending June 30,</u>	<u>Installment Prize Liability</u>	<u>Other Accrued Prize Liability</u>	<u>Total</u>
2025	\$ 8,167,996	\$ 175,230,538	\$ 183,398,534
2026	7,852,996	-	7,852,996
2027	6,907,996	-	6,907,996
2028	5,753,996	-	5,753,996
2029	4,890,996	-	4,890,996
2030-2034	19,678,985	-	19,678,985
2035-2039	16,863,000	-	16,863,000
2040-2044	9,002,000	-	9,002,000
2045-2049	2,307,000	-	2,307,000
2050-2054	1,204,000	-	1,204,000
2055-2059	520,000	-	520,000
2060	52,000	-	52,000
Total	<u>83,200,965</u>	<u>175,230,538</u>	<u>258,431,503</u>
Less: Unamortized Discount	<u>(17,479,164)</u>	<u>-</u>	<u>(17,479,164)</u>
Total at Present Value	<u>65,721,801</u>	<u>175,230,538</u>	<u>240,952,339</u>
Less: Current Portion	<u>(8,167,996)</u>	<u>(175,230,538)</u>	<u>(183,398,534)</u>
Total Long-Term Portion at Present Value	<u><u>\$ 57,553,805</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 57,553,805</u></u>

Prize liability installments were discounted to their present value at date of award. This discounted value approximates fair value. Interest is not paid on prizes.

Activity in prize liability accounts consists of:

	<u>2024</u>	<u>2023</u>
Balance - Beginning of Year	\$ 248,924,197	\$ 236,334,201
Prize Expense	1,141,692,128	1,146,132,299
Prize Payments	<u>(1,149,663,986)</u>	<u>(1,133,542,303)</u>
Balance - End of Year	<u><u>\$ 240,952,339</u></u>	<u><u>\$ 248,924,197</u></u>

NOTE 5 COMMITMENTS AND CONTINGENCIES

Commitments

The Commission is a member of MUSL, an unincorporated government-benefit voluntary association created for the purpose of administering joint lottery games. MUSL currently consists of 38 state and district lotteries (member lotteries) and operates the on-line Powerball game and manages the Mega Millions game for its participating member lotteries. Under separate agreements between MUSL and each lottery, the member lotteries sell tickets for these games and remit a percentage of sales to prize winners or to MUSL for payment of prizes.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 5 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Commitments (Continued)

As a member of MUSL, the Commission is required to contribute to various prize reserve funds held by MUSL. Accounts were established by MUSL as a contingency reserve to fund prizes in excess of the game prize structure and to protect all member lotteries and MUSL from any unforeseen liabilities. All funds remitted, and the related interest earned, will be returned to the Commission upon leaving MUSL, less any portion of unanticipated prize claims that may have been paid from the funds. As of June 30, 2024 and 2023, the Commission's balance of prize reserve funds, included in restricted assets in the accompanying statements of net position, was \$8,010,328 and \$8,297,040, respectively.

Contingencies

Periodically, the Commission is subject to certain legal and administrative actions that arise in the normal course of its operations. As of June 30, 2024, the Commission's management believes that the ultimate outcome of any pending legal matters will not have a material adverse impact on the Commission's financial position.

NOTE 6 RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets or property; errors and omissions; injuries to employees; and natural disasters. The Commission has purchased commercial insurance to cover these risks. The amount of commercial coverage has not decreased nor has the amount of settlements exceeded coverage in any of the past three fiscal years.

NOTE 7 INTEGRATED SERVICES AGREEMENT (ISA)

The Commission entered into a 15-year ISA with IGT Indiana, LLC, formerly, GTECH Indiana, LLC, effective October 12, 2012, for the purpose of coordinating, consulting, providing for, and integrating the Commission's management and performing all functions necessary to operate the Lottery except those functions specifically retained by the Commission to facilitate the Commission's carrying out its public purpose as set forth in the Indiana Code. Under the terms of the agreement, effective July 1, 2013, the compensation to be paid under the ISA is comprised of reimbursement of operating expenses, management fees, and possible incentive compensation payments in accordance with the agreement. Subject to certain annual operating income targets, the ISA also provides for IGT Indiana, LLC to pay the Commission a shortfall payment when minimum operating income targets are not met.

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 INTEGRATED SERVICES AGREEMENT (ISA) (CONTINUED)

An amendment of the ISA was executed on June 12, 2015. One of the changes in the amended ISA was the adjustment of net income thresholds necessary for IGT to meet as it relates to incentive compensation and shortfall payments. The annual thresholds were adjusted beginning with contract year 3, FY 2016. As an additional component of the adjusted ISA, if performance reaches 110% of the contractually determined performance net income beginning in the 6th contract year or any subsequent year in the term, IGT is granted the option to extend the term by one contract year for each year the threshold is met if not otherwise terminated at an earlier date under the ISA. As of July 8, 2024, the ISA between the Commission and IGT has been extended through June 30, 2032.

For the years ended June 30, 2024 and 2023, IGT Indiana, LLC earned an incentive from the Commission in the amount of \$19,857,836 and \$19,775,415, respectively.

NOTE 8 RETIREMENT PLANS

The Commission participates in two defined benefit retirement plans: The Public Employees' Retirement Fund (a multi-employer plan for employees of the state of Indiana) and the Employees' Pension Plan of the State Lottery Commission of Indiana (a single employer plan for employees of the Commission). The Commission also participates in a defined contribution plan.

Public Employees' Retirement Fund (PERF)

Plan Description

The Commission participates in the PERF Hybrid Plan administered by the Indiana Public Retirement System (INPRS). There are two portions to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly-defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the Annuity Savings Account (ASA) that supplements the defined benefit at retirement. The employer monthly-defined benefit pension contribution rate is based on an actuarial valuation and is adopted by the INPRS Board of Trustees in accordance with Indiana Code 5-10.2-2-11. The ASA consists of the member's contributions, set by statute at 3% of compensation as defined by Indiana Code 5-10.2-3-2, plus the interest/earnings or losses credited to the member's account. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement Fund (PERF) (Continued)

Benefits Provided

PERF provides retirement, disability, and survivor benefits to full-time employees. Retirement benefits are determined as 1.1% of the employee's average highest 20 quarters of salary times the employee's years of creditable service. Employees are eligible for pension benefit payment as follows: early retirement with reduced benefits between ages 50-59 with 15 years of service, at age 55 if age and creditable service total at least 85, at age 60 with 15 years of service, at age 65 with 10 years of service, or if still working at age 70 with 20 years of service. Employees are fully vested in the 3% employee share to ASA upon hire. Employee's share of employer contributions to the ASA is based on full years of participation and is vested immediately.

Contributions

Employer contribution rates for the PERF defined benefit pension portion are determined annually by the INPRS Board based on recommendations by the INPRS actuary which were 11.2% of covered payroll for the years ended June 30, 2024 and 2023. Employers have the option of making all or part of the 3% ASA contribution on behalf of the member; the Commission opts to contribute the entire 3% on behalf of the member. Members may also make voluntary contributions to the ASA, up to an additional 10% of gross wages, under certain limitations. Total contributions to the PERF Hybrid Plan from the Commission were \$501,171 and \$459,441 for the years ended June 30, 2024 and 2023, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2024 and 2023, the Commission reported a liability of \$1,816,195 and \$1,625,170, respectively, for its proportionate share of the total PERF net pension liability. Total PERF net pension liability was measured as of June 30, 2023 and 2022, which came to \$3,529,334,000 and \$3,153,832,002, respectively, and was calculated using an actuarial valuation as of these dates. The Commission's proportion of the net pension liability was based on the Commission's wages relative to the collective wages of all participating employers to the PERF plan. As of June 30, 2024, 2023, and 2022, the Commission's proportionate share was 0.05146%, 0.05153%, and .05064%, respectively. The change in proportion from 2023 to 2024 was .00007% and from 2022 to 2023 was .00089%.

For the years ended June 30, 2024 and 2023, the Commission recognized pension expense for this plan of \$386,219 and \$238,149, respectively.

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement Fund (PERF) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERF plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 37,159	\$ -
Difference between Projected and Actual Earnings	416,277	-
Changes in Assumptions	99,041	-
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	<u>26,684</u>	<u>3,606</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	579,161	3,606
Contributions made Subsequent to the Measurement Date	<u>395,281</u>	<u>-</u>
Total Deferred Amounts	<u><u>\$ 974,442</u></u>	<u><u>\$ 3,606</u></u>

Deferred outflows made during the year ended June 30, 2024 in the amount of \$395,281 for contributions made subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

On June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERF plan from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 35,045	\$ 6,181
Difference between Projected and Actual Earnings	200,563	-
Changes in Assumptions	220,121	69,530
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	<u>41,672</u>	<u>7,336</u>
Total Deferred Amounts to be Recognized in Pension Expense in Future Periods	497,401	83,047
Contributions made Subsequent to the Measurement Date	<u>362,376</u>	<u>-</u>
Total Deferred Amounts	<u><u>\$ 859,777</u></u>	<u><u>\$ 83,047</u></u>

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement Fund (PERF) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows made during the year ended June 30, 2023 in the amount of \$362,376, for contributions made subsequent to the measurement date, were recognized as a reduction of the net pension liability in the year ended June 30, 2024.

As of June 30, 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 207,294
2026	37,864
2027	273,697
2028	56,700
Total	<u>\$ 575,555</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary Increases	2.65% to 8.65%, Includes Inflation
Investment Rate of Return	6.25%, Includes Inflation and Net of Investment Expenses

The actuarial assumptions and methods used in the June 30, 2023 valuation of the Public Employees' Defined Benefit Account were adopted by the INPRS Board in May 2023. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 through June 30, 2019, and were first used in the June 30, 2020 valuation.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement Fund (PERF) (Continued)

Actuarial Assumptions (Continued)

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal market rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real market rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation for June 30, 2023 and geometric real returns for each major asset class are summarized in the table below. Note that the defined benefit plans target allocation for total exposure is 115%. For the long-term expected rate of return calculation, an additional -15% is allocated to the cash and cash overlay global asset class.

<u>Global Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Public Equity	3.7%	20.0%
Private Markets	6.4%	15.0%
Fixed Income - Ex Inflation-Linked	2.2%	20.0%
Fixed Income - Inflation-Linked	0.5%	15.0%
Commodities	1.1%	10.0%
Real Assets	3.4%	10.0%
Absolute Return	1.6%	5.0%
Risk Parity	5.9%	20.0%
Cash and Cash Overlay	-	N/A
Total		<u><u>115.0%</u></u>

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary Increases	2.65% to 8.65%, Includes Inflation
Investment Rate of Return	6.25%, Includes Inflation and Net of Investment Expenses

The actuarial assumptions and methods used in the June 30, 2022 valuation of the Public Employees' Defined Benefit Account were adopted by the INPRS Board in April 2022. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 through June 30, 2019, and were first used in the June 30, 2020 valuation.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement Fund (PERF) (Continued)

Actuarial Assumptions (Continued)

The long-term return expectation for PERF for the year ended June 30, 2022 was determined by using a building block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. To determine the expected long-term nominal market rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real market rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation for June 30, 2022 and geometric real returns for each major asset class are summarized in the table below. Note that the defined benefit plans target allocation for total exposure is 115%. For the long-term expected rate of return calculation, an additional -15% is allocated to the cash and cash overlay global asset class.

<u>Global Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Asset Allocation</u>
Public Equity	3.6%	20.0%
Private Markets	7.7%	15.0%
Fixed Income - Ex Inflation-Linked	1.4%	20.0%
Fixed Income - Inflation-Linked	-0.3%	15.0%
Commodities	0.9%	10.0%
Real Assets	3.7%	10.0%
Absolute Return	2.1%	5.0%
Risk Parity	3.8%	20.0%
Cash and Cash Overlay	-1.7%	N/A
Total		<u>115.0%</u>

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Public Employees' Retirement Fund (PERF) (Continued)

Discount Rate

The discount rate used to calculate PERF total pension liability for the measurement dates June 30, 2023 and 2022 was 6.25%.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net pension liability for the years ended June 30, 2024 and 2023 that were calculated using the discount rate of 6.25% as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

For the year ended June 30, 2024 as follows:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Commission's Proportionate Share of the Net Pension Liability	\$ 2,959,821	\$ 1,816,195	\$ 862,636

For the year ended June 30, 2023 as follows:

	1% Decrease (5.25)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Commission's Proportionate Share of the Net Pension Liability	\$ 2,745,506	\$ 1,625,170	\$ 690,727

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separate financial reports issued by INPRS and may be obtained from their website, www.in.gov/inprs.

Deferred Compensation Plan

Plan Description

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This is the State of Indiana's 457 plan, available to all employees. The plan allows employees to contribute a minimum of \$15 per paycheck or 1% of eligible earnings (percentage withholding must equal at least \$15) and a maximum of 100% of includible compensation (subject to Internal Revenue Service limitations). Employees are immediately vested in their contributions. Contributions by plan participants during the fiscal years ended June 30, 2024 and 2023 were approximately \$275,463 and \$229,369, respectively.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Deferred Compensation Plan (Continued)

Plan Description (Continued)

The Commission makes a matching contribution of \$15 per paycheck for each employee participating in the 457 Deferred Compensation Plan into a 401(a) Incentive Match Plan. Employees are immediately vested in the employer match made by the Commission. Contributions by the Commission during the fiscal years ended June 30, 2024 and 2023, were approximately \$17,100 and \$17,295, respectively.

Employees' Pension Plan of the State Lottery Commission of Indiana

Plan Description

The Commission had adopted a single-employer defined benefit pension plan. Effective July 1, 2013, the plan was frozen as all employees became eligible for the PERF plan (above) under the Senate Enrollment Act No. 526. The following disclosures are related to June 30, 2024 and 2023.

Benefits Provided

Upon employee retirement at age 65, the plan provided annual benefits equal to 2% of an employee's average salary earned during the highest five consecutive years of employment multiplied by the number of full-time years of employment up to a maximum of 25 years. Participants became fully vested after four years of service. Employees cannot contribute to the plan. The plan permits retirees to choose their form of distribution from several alternatives including a lump sum option.

Employees Covered by Benefit Terms

At June 30, 2024 and 2023, the following employees were covered by the benefit terms:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	40	42
Inactive Plan Members or Beneficiaries Entitled to but Not Yet Receiving Benefits	41	40
Active Plan Members	<u>12</u>	<u>14</u>
Total	<u><u>93</u></u>	<u><u>96</u></u>

Contributions

The Commission considers quarterly contributions based on actuarially suggested contributions provided by an independent actuary. The actuarially suggested contributions are an estimated amount necessary to finance the costs of benefits earned by employees, with an additional amount to finance any unfunded accrued liability. Total contributions to the Employees' Pension Plan of the State Lottery Commission of Indiana from the Commission were \$300,000 and \$274,286 for the years ended June 30, 2024 and 2023, respectively.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Employees' Pension Plan of the State Lottery Commission of Indiana (Continued)

Net Pension Liability (Asset)

The Commission's net pension asset was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of these dates.

Actuarial Assumptions

The total pension liability in the June 30, 2024 and 2023 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A
Salary increases	N/A
Investment Rate of Return	6.00%, Net of Pension Plan Investment Expense, Including Inflation

Mortality assumptions for June 30, 2024 were based on 2024 applicable mortality as described in IRC 417(e) per Notice 2023-73 (blended 50% male and 50% female mortality table).

Mortality assumptions for June 30, 2023 were based on 2023 applicable mortality as described in IRC 417(e) per Notice 2022-22 (blended 50% male and 50% female mortality table).

For the years ended June 30, 2024 and 2023, the long-term expected rate of return on pension plan investments was 6.00%. The plan's trust asset allocation, based on market value, for each asset class are summarized in the following table:

<u>Asset Class</u>	<u>June 30, 2024 Asset Allocation</u>	<u>June 30, 2023 Asset Allocation</u>
Equity	68%	65%
Fixed Income	30%	29%
Cash	2%	6%
Total	<u>100%</u>	<u>100%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.00% for the years ended June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions would be made at the current contribution rate and that Commission contributions would be made at the actuarially determined contribution rates. 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.

THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 RETIREMENT PLANS (CONTINUED)

Employees' Pension Plan of the State Lottery Commission of Indiana (Continued)

Changes in the Net Pension Liability (Asset)

A summary of the changes in net pension liability (asset) for the years ended June 30, 2024 and 2023 are as follows:

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance - June 30, 2023	\$ 6,258,936	\$ 6,414,187	\$ (155,251)
Changes for the Year			
Interest	364,316	-	364,316
Difference Between Expected and Actual Experience	(158,689)	-	(158,689)
Contributions – Employer	-	300,000	(300,000)
Net Investment Income	-	1,067,382	(1,067,382)
Benefit Payments	(345,227)	(345,227)	-
Net Changes	<u>(139,600)</u>	<u>1,022,155</u>	<u>(1,161,755)</u>
Balance - June 30, 2024	<u>\$ 6,119,336</u>	<u>\$ 7,436,342</u>	<u>\$ (1,317,006)</u>

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance - June 30, 2022	\$ 6,599,853	\$ 6,096,979	\$ 502,874
Changes for the Year			
Service Cost	-	-	-
Interest	378,119	-	378,119
Actual Experience	(169,116)	-	(169,116)
Contributions – Employer	-	274,286	(274,286)
Net Investment Income	-	592,842	(592,842)
Benefit Payments	(549,920)	(549,920)	-
Net Changes	<u>(340,917)</u>	<u>317,208</u>	<u>(658,125)</u>
Balance - June 30, 2023	<u>\$ 6,258,936</u>	<u>\$ 6,414,187</u>	<u>\$ (155,251)</u>

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Employees' Pension Plan of the State Lottery Commission of Indiana (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the net pension liability (asset) of the Commission for the years ended June 30, 2024 and 2023 that were calculated using the discount rate of 6.00%, as well as what the Commission's net pension 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.

For the year ended June 30, 2024 as follows:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability (Asset)	<u>\$ (955,546)</u>	<u>\$ (1,317,006)</u>	<u>\$ (1,639,344)</u>

For the year ended June 30, 2023 as follows:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability (Asset)	<u>\$ 235,477</u>	<u>\$ (155,251)</u>	<u>\$ (503,261)</u>

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the Commission recognized pension income of \$323,376. For the year ended June 30, 2023, the Commission recognized pension income of \$123,986.

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Employees' Pension Plan of the State Lottery Commission of Indiana (Continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 23,863
Change of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	391,170
Total Deferred Amounts	<u>\$ -</u>	<u>\$ 415,033</u>

At June 30, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ -	\$ 33,715
Change of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	157,060	-
Total Deferred Amounts	<u>\$ 157,060</u>	<u>\$ 33,715</u>

As of June 30, 2024, amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense(income) as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ (177,045)
2026	82,809
2027	(183,997)
2028	(136,800)
Total	<u>\$ (415,033)</u>

**THE STATE LOTTERY COMMISSION OF INDIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Summary of Public Employees' Retirement Fund (PERF) and Employees' Pension Plan of the State Lottery Commission of Indiana

For the year ended June 30, 2024, aggregate data for the Commission's two defined pension plans is summarized by the following table:

	Employee's Pension Plan of the State Lottery Commission of Indiana	Public Employees' Retirement Fund	Total
Deferred Outflows of Resources	\$ -	\$ 972,830	\$ 972,830
Deferred Inflows of Resources	415,034	3,606	418,640
Pension Expense (Income)	(323,376)	386,219	62,843
Net Pension Liability	-	1,816,195	1,816,195
Net Pension Asset	1,317,006	-	1,317,006

For the year ended June 30, 2023, aggregate data for the Commission's two defined pension plans is summarized by the following table:

	Employee's Pension Plan of the State Lottery Commission of Indiana	Public Employees' Retirement Fund	Total
Deferred Outflows of Resources	\$ 157,060	\$ 859,777	\$ 1,016,837
Deferred Inflows of Resources	33,715	83,047	116,762
Pension Expense (Income)	(123,986)	238,149	114,163
Net Pension Liability	-	1,625,170	1,625,170
Net Pension Asset	155,251	-	155,251

REQUIRED SUPPLEMENTARY INFORMATION

**THE STATE LOTTERY COMMISSION OF INDIANA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
EMPLOYEES' PENSION PLAN OF THE STATE LOTTERY COMMISSION OF INDIANA
LAST TEN FISCAL YEARS
(SEE INDEPENDENT AUDITORS' REPORT)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Interest	\$ 364,316	\$ 378,119	\$ 394,629	\$ 421,220	\$ 425,099	\$ 432,110	\$ 438,751	\$ 468,085	\$ 472,636	\$ 486,173
Differences Between Expected and Actual Experience	(158,689)	(169,116)	(66,700)	(38,885)	(52,611)	(28,495)	146,065	(133,400)	207,737	(603,171)
Changes of Assumptions	-	-	9,240	511,091	95,530	81,974	(31,483)	(60,149)	(82,380)	321,275
Benefit Payments, Including Refunds of Employee Contributions	(345,227)	(549,920)	(686,095)	(403,520)	(669,620)	(494,710)	(572,582)	(734,974)	(668,196)	(610,941)
Net Change in Total Pension Liability	(139,600)	(340,917)	(348,926)	489,906	(201,602)	(9,121)	(19,249)	(460,438)	(70,203)	(394,664)
Total Pension Liability - Beginning of Year	6,258,936	6,599,853	6,948,779	6,458,873	6,660,475	6,669,596	6,688,845	7,149,283	7,219,486	7,614,150
Total Pension Liability - End of Year	6,119,336	6,258,936	6,599,853	6,948,779	6,458,873	6,660,475	6,669,596	6,688,845	7,149,283	7,219,486
Plan Fiduciary Net Position										
Contributions - Employer	300,000	274,286	271,937	269,726	202,158	183,525	194,733	305,586	233,261	143,329
Net Investment Income	1,067,382	592,842	(902,654)	1,578,002	309,453	394,267	536,940	715,223	(96,780)	220,909
Benefit Payments, Including Refunds of Employee Contributions	(345,227)	(549,920)	(686,095)	(403,520)	(669,620)	(494,710)	(572,582)	(734,974)	(668,197)	(610,940)
Other	-	-	-	76	-	-	317	(82,197)	2,022	(320,856)
Net Change in Plan Fiduciary Net Position	1,022,155	317,208	(1,316,812)	1,444,284	(158,009)	83,082	159,408	203,638	(529,694)	(567,558)
Plan Fiduciary Net Position - Beginning of Year	6,414,187	6,096,979	7,413,791	5,969,507	6,127,516	6,044,434	5,885,026	5,681,388	6,211,082	6,778,640
Plan Fiduciary Net Position - End of Year	7,436,342	6,414,187	6,096,979	7,413,791	5,969,507	6,127,516	6,044,434	5,885,026	5,681,388	6,211,082
Net Pension Liability (Asset) - End of Year	\$ (1,317,006)	\$ (155,251)	\$ 502,874	\$ (465,012)	\$ 489,366	\$ 532,959	\$ 625,162	\$ 803,819	\$ 1,467,895	\$ 1,008,404
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	121.52%	102.48%	92.38%	106.69%	92.42%	92.00%	90.63%	87.96%	79.47%	86.03%
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Commission's Net Pension Liability as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**THE STATE LOTTERY COMMISSION OF INDIANA
SCHEDULE OF COMMISSION CONTRIBUTIONS
EMPLOYEES' PENSION PLAN OF THE STATE LOTTERY COMMISSION OF INDIANA
LAST TEN FISCAL YEARS
(SEE INDEPENDENT AUDITORS' REPORT)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ -	\$ 43,843	\$ -	\$ 43,329	\$ 46,276	\$ 53,316	\$ 67,430	\$ 121,275	\$ 82,149	\$ 92,659
Contributions in Relation of the Actuarially Determined Contribution	300,000	274,286	271,937	269,726	202,158	183,525	194,733	305,586	233,261	143,329
Contribution Deficiency (Excess)	<u>\$ (300,000)</u>	<u>\$ (230,443)</u>	<u>\$ (271,937)</u>	<u>\$ (226,397)</u>	<u>\$ (155,882)</u>	<u>\$ (130,209)</u>	<u>\$ (127,303)</u>	<u>\$ (184,311)</u>	<u>\$ (151,112)</u>	<u>\$ (50,670)</u>
Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedules

Valuation date:

Actuarially determined contribution rates are calculated as of July 1, one year prior to end of the fiscal year in which the contributions were reported.

Methods and Assumptions Used to Determine the Most Current Contribution Rates:

Actuarial Cost Method Entry Age Normal
 Amortization Method Level percentage of payroll, closed (30 year decreasing from July, 2012)
 Remaining Amortization Period 20 years
 Asset Valuation Method Fair market value
 Investment Rate of Return 6.00%
 Retirement Age 2% at 50-53, 5% at 54-55, 4% at 56-57, 5% at 58, 7% at 59, 10% at 60, 17.5% at 61, 22% at 62, 18% at 63, 22% at 64, 33% at 65, 17.5% at 66-67, 15% at 68, 19% at 69, 30% at 70-74, 100% at age 75.
 Mortality Pub-2010 General Employee Amount-Weighted Mortality Projected Generationally with Scale MP-2021 (separate employee, retiree, disability contingent survivor tables and male & females tables)

Other information:

None

**THE STATE LOTTERY COMMISSION OF INDIANA
SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
LAST TEN FISCAL YEARS**
(SEE INDEPENDENT AUDITORS' REPORT)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Commission's Proportion (Percentage) of Collective Net Pension Liability	0.05146%	0.05153%	0.05064%	0.04951%	0.04909%	0.04728%	0.04793%	0.04316%	0.03967%	0.03747%
Commission's Proportionate Share of the Collective Pension Liability	\$ 1,816,195	\$ 1,625,170	\$ 666,345	\$ 1,495,397	\$ 1,622,456	\$ 1,606,123	\$ 2,138,418	\$ 1,958,793	\$ 1,615,720	\$ 984,687
Commission's Covered Payroll	\$ 3,529,299	\$ 2,965,778	\$ 2,791,917	\$ 2,672,820	\$ 2,557,396	\$ 2,412,743	\$ 2,377,878	\$ 2,068,311	\$ 2,352,591	\$ 1,900,340
Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	51.5%	54.8%	23.9%	55.9%	63.4%	66.6%	89.9%	94.7%	68.7%	51.8%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.8%	92.5%	92.5%	81.4%	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%

* The amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year (measurement date).

**THE STATE LOTTERY COMMISSION OF INDIANA
SCHEDULE OF COMMISSION CONTRIBUTIONS
INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND
LAST TEN FISCAL YEARS**
(SEE INDEPENDENT AUDITORS' REPORT)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 395,281	\$ 362,334	\$ 334,189	\$ 329,393	\$ 313,421	\$ 286,428	\$ 270,227	\$ 266,322	\$ 231,651	\$ 263,490
Contributions in Relation to the Statutorily Required Contribution	395,281	362,334	333,865	312,695	291,980	286,428	269,982	256,771	244,166	221,764
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 324	\$ 16,698	\$ 21,441	\$ -	\$ 245	\$ 9,551	\$ (12,515)	\$ 41,726
Covered Payroll	3,529,299	3,235,128	2,983,832	2,941,009	2,798,398	2,557,396	2,412,743	2,377,878	2,068,311	2,352,591
Contribution as a Percentage of Covered Payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%

* The amounts presented for each fiscal year were determined as of June 30 of the previous fiscal year (measurement date).



**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**

Board of Commissioners
The State Lottery Commission of Indiana
Indianapolis, Indiana

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 the business type activities and fiduciary activities of The State Lottery Commission of Indiana, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise The State Lottery Commission of Indiana's basic financial statements, and have issued our report thereon dated October 11, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The State Lottery Commission of Indiana'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The State Lottery Commission of Indiana's internal control. Accordingly, we do not express an opinion on the effectiveness of The State Lottery Commission of Indiana'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The State Lottery Commission of Indiana'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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
October 11, 2024



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