



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION
OFFICE OF THE ARKANSAS LOTTERY
AN ENTERPRISE FUND OF THE STATE OF ARKANSAS

TAYLOR GUZMAN | SCHOLARSHIP TO UNIVERSITY OF ARKANSAS



This is
WINNING!



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FOR THE FISCAL YEAR ENDED JUNE 30, 2021

ARKANSAS DEPARTMENT OF
FINANCE AND ADMINISTRATION

OFFICE OF THE ARKANSAS LOTTERY

AN ENTERPRISE FUND OF
THE STATE OF ARKANSAS

ASA HUTCHINSON
GOVERNOR, STATE OF ARKANSAS

LARRY W. WALTHER
SECRETARY, ARKANSAS DEPARTMENT
OF FINANCE AND ADMINISTRATION

J. ERIC HAGLER
DIRECTOR, OFFICE OF THE
ARKANSAS LOTTERY

PREPARED BY FINANCE DIVISION

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Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2021

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HERNAN MANJARREZ, FORT SMITH | \$50K INSTANT TICKET WINNER



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INTRODUCTORY SECTION

HUNTER STUCKEY | SCHOLARSHIP TO THE UNIVERSITY OF ARKANSAS



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STATE OF ARKANSAS
**Department of Finance
and Administration**

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Little Rock, AR 72203-3278
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December 6, 2021

To the citizens of the State of Arkansas,

The attached report contains a comprehensive overview of the operations of the Office of the Arkansas Lottery (OAL) for the fiscal year ended June 30, 2021 (FY 2021). The report details the lottery's performance, finances and products. It also provides information on the students who benefit from lottery proceeds, as well as the 1,960 independent and chain retail partners who sell our products.

More than \$1 billion has been raised in proceeds for scholarships for Arkansas students since inception. During FY 2021, OAL net proceeds funded \$106.4 million to the Arkansas Department of Higher Education (ADHE) and ADHE distributed \$87.6 million in scholarships to 56,517 deserving students. Three separate scholarships – the Academic Challenge Scholarship, the Arkansas Workforce Challenge Scholarship and the Arkansas Concurrent Scholarship – helped students attend 52 different Arkansas public and private colleges and universities as well as nursing and technical schools.

The OAL paid more than \$35 million in commissions to state lottery retailers during FY 2021, creating tangible economic impact at the local level by providing business owners with added revenue. OAL has paid more than \$319 million to lottery retailers and provided more than \$146 million in state and federal tax revenue since its inception.

In FY 2021, lottery ticket sales reached \$631 million, a new record for the organization. Over \$440 million of that amount was returned to the citizens of Arkansas by way of prizes awarded.

The mission of the OAL is to provide funding for higher education opportunities for all citizens of our state. That goal can only be met through open, honest, and ethical operations consistent with the high expectations of the General Assembly and the citizens of Arkansas.

This Annual Comprehensive Financial Report represents the efforts of this agency during the past fiscal year to meet those expectations and to help the OAL fulfill its promise.

Sincerely,

A handwritten signature in black ink, reading "Larry W. Walther". The signature is fluid and cursive, with the first name "Larry" and last name "Walther" clearly distinguishable.

Larry W. Walther
Secretary



State of Arkansas
Arkansas Department of Finance
and Administration
Office of the Arkansas Lottery

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December 6, 2021

The Honorable Asa Hutchinson, Governor
Members of the Arkansas Legislative Council Lottery Oversight Subcommittee
Secretary Larry Walther, Arkansas Department of Finance and Administration
Citizens of the State of Arkansas

We are pleased to submit to you this Annual Comprehensive Financial Report (ACFR) of the Department of Finance and Administration Office of the Arkansas Lottery (OAL) for the fiscal year ended June 30, 2021. The ACFR is prepared in accordance with the requirements set forth in Arkansas Code Annotated (A.C.A.) § 23-115-206(a)(8)(C).

This report has been prepared by the OAL in conformance with accounting principles generally accepted in the United States of America (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). Management is responsible for the accuracy of the financial data, as well as the completeness and fairness of the information and disclosures within this report. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the OAL. We have included all disclosures necessary to enable the reader to gain an understanding of the OAL's financial activities.

Lottery management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the OAL are protected from loss, theft or misappropriation. Adequate accounting data is compiled to provide a reasonable basis for asserting that the financial statements are fairly presented and to assure that the OAL is in compliance with applicable laws and regulations. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements and compliance with applicable laws and regulations. The structure does not provide a guarantee, but rather reasonable assurances that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that valuation of costs and benefits require estimates and judgments by management. A.C.A. § 23-115-206(b)(1)(A) requires Arkansas Legislative Audit to conduct an annual audit of the OAL, and they may conduct other special reports as may be

deemed necessary. The annual audit includes a review of internal controls as they relate to the expression of an opinion on the financial statements. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditor's unmodified opinion on the fair presentation of the OAL's basic financial statements is included in their report on page 1 in the financial section of this report.

Management's Discussion and Analysis (MD&A), addresses the basic financial statements and provides an analytical overview of the OAL's financial activities. This letter of transmittal complements the MD&A and should be read in conjunction with it. The OAL's MD&A can be found on page 3 in the financial section of this report.

BACKGROUND

A constitutional amendment, approved by the voters of Arkansas on November 4, 2008, allowed the General Assembly to establish a State of Arkansas lottery with proceeds used to fund college scholarships. With the passage of Act 605 and 606 of 2009, the General Assembly created the Arkansas Lottery Commission. Subsequently, during the 2015 legislative session, the General Assembly approved a statute which eliminated the Arkansas Lottery Commission and established the lottery as the Office of the Arkansas Lottery within the Arkansas Department of Finance and Administration. Sales of tickets initially began on September 28, 2009, with the introduction of four instant ticket games. The OAL also added the sales of terminal generated (online) game tickets in 2009. All OAL net proceeds are initially utilized to fund college scholarships under the Arkansas Academic Challenge Scholarship program administered by the Arkansas Department of Higher Education (ADHE).

During the 2017 legislative session, the Arkansas General Assembly passed Act 613 of 2017 to create the Arkansas Workforce Challenge Scholarship Program. Act 613 of 2017 provides for the use of excess lottery proceeds to fund scholarships for students enrolled in higher education programs that will lead to the students being qualified to work in high-needs occupations.

PRODUCTS

The public has the opportunity to participate in a variety of instant and terminal-generated games from over 1,900 OAL-licensed retailers across the state.



INSTANT TICKET GAMES are played by removing a scratch-off coating from the play area of the ticket. There are various ways to win, including matching certain symbols, adding up to a specified total or otherwise satisfying the requirements listed on the ticket. If the specified condition occurs, the ticket is an instant winner. These play styles are combined with a variety of game themes and ticket prices. Instant games were the first type of games offered by the OAL. For fiscal year ended June 30, 2021, the OAL released 58 instant ticket games with price points of \$1, \$2, \$3, \$5, \$10, and \$20.

TERMINAL-GENERATED GAMES allow players to select the numbers for their wager, or players may utilize computer-generated plays. Players receive a ticket with the numbers selected or automatically generated and await the results of a drawing to determine if they have matched the numbers and won. In fiscal year ended June 30, 2021, the OAL sold 8 different types of terminal-generated games: Powerball®, Mega Millions®, Natural State Jackpot, Cash 3, Cash 4, Fast Play, AR Progressive Jackpot Fast Play and Lucky for Life®.



POWERBALL® is a multi-state draw game jointly operated by the 38 member lotteries of the Multi-State Lottery Association and sold in 45 states, Washington D.C., Puerto Rico, and the U.S. Virgin Islands. Players select one set of five numbers from a pool of one to 69 and one additional number designated as the "Powerball®" from a second pool of one to 26. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$20 million, which increases for each subsequent draw when the jackpot is not won. Each Powerball® play costs \$2. For an additional \$1, the Power Play® feature allows players to multiply their non-jackpot winnings by 2, 3, 4, 5 or 10 times (the match five prize tier is set at \$2,000,000). A jackpot winner may select either an annuitized prize paid in 30 annual installments or a lump sum payment. Drawings are held every Wednesday and Saturday night.



MEGA MILLIONS® is a second multi-state draw game sold in accordance with a cross-selling agreement between the 10 Mega Millions® member states and the Multi-State Lottery Association. Mega Millions® is sold in 45 states, Washington D.C. and U.S. Virgin Islands. Players select one set of five numbers from a pool of one to 70 and one additional number from a second pool of one to 25. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$20 million, which increases for each subsequent draw when the jackpot is not won. Each Mega Millions® play costs \$2. For an additional \$1, the Megaplier® feature allows players to multiply non-jackpot winnings up to five times. A jackpot winner may select either an annuitized prize paid in one immediate payment followed by 29 annual installments or a lump sum payment. Drawings are held every Tuesday and Friday night.



LUCKY FOR LIFE® is a multi-state draw game with drawings every Monday and Thursday. Each play is \$2. Five numbered balls are drawn from one to 48 and one Lucky Ball number is drawn from one to 18. If a player's numbers match those that are chosen, they win the top prize -- \$7,000 a week for life. The second-level Lucky for Life® prize is \$25,000 a year for life.



NATURAL STATE JACKPOT is an Arkansas-only terminal-generated draw game similar to Powerball®, with drawings Monday through Saturday. Five numbers are drawn from one to 39; if all numbers match those that are chosen, the jackpot is won. If other players also match all five numbers, the jackpot is shared. The NSJ jackpot starts at \$50,000, and increases by \$5,000 every draw up to \$150,000 -- after that, NSJ jackpots increase by \$10,000 every draw until it's won. Each play is \$1.



CASH 3 is a terminal-generated game in which players select three numbers between zero and nine and can play the numbers straight (numbers in the exact order), box (numbers in any order), straight/box (combine straight and box plays) or combo (equal to a straight play for all combinations of winning numbers). Cash 3 can be played starting at 50 cents. Drawings are conducted twice daily except Sunday, which has one drawing.



CASH 4 is played similarly to Cash 3, with players selecting four numbers between zero and nine. Players may play the numbers straight, box, straight/box or combo. Cash 4 can be played starting at 50 cents. Drawings are conducted twice daily except Sunday, which has one drawing.



FAST PLAY is an instant play-style game that prints from the retail terminals so players can determine instantly whether they have won. There are various ways to win, including matching certain symbols, adding up to a specified total or otherwise satisfying the requirements listed on the ticket.



The **AR Progressive Jackpot Fast Play** incorporates a progressive jackpot gaming theme along with fixed lower-tier prizes. The game offers a chance to win a prize at different fixed-prize levels, or a portion of the cumulative jackpot, or the entire cumulative jackpot with each play/ticket purchase. The game is available at three different price points (\$1, \$2, and \$5). On the AR Progressive Jackpot Fast Play ticket, a play can win up to five times, \$250 (or 20% of the jackpot) on a single \$1 ticket; up to 10 times, \$500 (or 40% of the jackpot) on a single \$2 ticket; and up to 15 times, \$1,000 (or 100% of the jackpot) on a single \$5 ticket. The AR Progressive Jackpot amount re-sets to \$1,000 if the entire \$5 AR Progressive Jackpot is won. If the \$1 or \$2 AR Progressive Jackpot is won, the jackpot is reduced to the greater of \$1,000, or by that price point's jackpot percentage (\$1=20%, \$2=40%) and continues to grow from that level. The AR Progressive Jackpot amount continuously grows with each ticket sold (10% of each ticket sale is contributed to the AR Progressive Jackpot amount).

PLAYERS CLUB SERVICES

The Lottery offers a players club at MyArkansasLottery.com called The Club. By registering for a free account, players gain access to Lottery news, winning number emails, the Play It Again® and Points for Prizes® programs, and special second-chance drawings. There was a total of 25,637 new player registrations (and 33,428,322 tickets) entered into the program in fiscal 2021, bringing the membership total to 268,678.



The **Play It Again®** program allows players to submit eligible, non-winning instant tickets for entry into cash prize drawings. After the last day to redeem tickets for any eligible instant game(s), one entry is drawn to win a monetary prize. The same entry mechanism gives players both their Play It Again® entry(s) and Points for Prizes® rewards points. There were two Play It Again® drawings held during fiscal year 2021.



The **Points for Prizes®** program gives players loyalty rewards points for eligible instant and terminal-generated tickets entered into their accounts. A player's points accumulate and may be redeemed for merchandise in the Points for Prizes® online store. Merchandise ranges from jewelry and housewares to electronics. There was a total of 343,875,279 points redeemed in the Points for Prizes® program during fiscal year 2021. Points may also be used for special drawing prizes; there were 22 Points for Drawings® held during fiscal year 2021.

In addition to Points for Prizes® and Play It Again®, players may also enter for occasional special drawings. During the fiscal year, there were no special drawings available.

Points for Drawings®	Entry Period	Drawing Date	# of Winners	# of Entries
Klipsch Soundbar System	6/10/2020 - 7/14/2020	7/15/2020	3	24,230
Apple MacBook Air	5/12/2020 - 7/14/2020	7/15/2020	3	82,979
Summer Fun Bundle	7/15/2020 - 8/17/2020	8/18/2020	3	12,613
Samsung 65" QLED TV	5/12/2020 - 8/17/2020	8/18/2020	1	86,640
Self Care Bundle	8/18/2020 - 9/21/2020	9/22/2020	3	13,782
Garmin Fenix Watch	7/15/2020 - 9/21/2020	9/22/2020	2	28,793
iRobot Wi-Fi Mop	9/22/2020 - 10/19/2020	10/20/2020	3	19,256
Outdoor Gas Fire Pit	10/20/2020 - 11/16/2020	11/17/2020	3	19,323
Apple iMac	9/22/2020 - 11/16/2020	11/17/2020	2	71,751
Fall Outdoor Entertainment Package	8/18/2020 - 11/16/2020	11/17/2020	1	37,361
\$500 Cash Prize	11/17/2020 - 12/14/2020	12/15/2020	10	126,901
\$500 Cash Prize-January	12/15/2020 - 1/18/2021	1/19/2021	10	200,782
Fill Your Freezer Bundle	11/17/2020 - 1/18/2021	1/19/2021	2	85,374
Bose Bluetooth Speaker	1/19/2021 - 2/15/2021	2/16/2021	3	37,380
Healthy at Home Package	11/17/2020 - 2/15/2021	2/16/2021	1	20,266
Towel Warmer and 24-piece Towel Set	2/16/2021 - 3/15/2021	3/16/2021	3	16,067
Apple iPad Pro	1/19/2021 - 3/15/2021	3/16/2021	2	88,817
Theragun Mini	3/16/2021 - 4/19/2021	4/20/2021	3	20,820
Brother Sewing Machine	4/20/2021 - 5/17/2021	5/18/2021	3	32,888
Pool & Lounge Set	3/16/2021 - 5/17/2021	5/18/2021	2	55,419
Home Entertainment Package	2/16/2021 - 5/17/2021	5/18/2021	1	57,315
Dyson Cordless Vacuum	5/18/2021 - 6/21/2021	6/22/2021	3	36,447

ECONOMIC CONDITIONS AND OUTLOOK

For the first ten years of its existence, since September 2009, the OAL has experienced a consistent improvement in economic activity, through the end of calendar year 2019, with inflationary adjusted Gross Domestic Product (GDP) and industrial production sharing continued gains. However, due to the global Coronavirus pandemic, the GDP, industrial production, and other economic activity severely declined, and unemployment and business closures significantly increased during the first half of calendar year 2020. For the second half of calendar year 2020 and the first half of calendar year 2021, there was improvement in economic activity. The outlook for the second half of calendar year 2021 is for continued improvement.

GROSS DOMESTIC PRODUCT

GDP is the broadest measure of economic activity. The economic output of the national economy, as measured by GDP, expanded each quarter since the third quarter of calendar year 2009, when the OAL first started selling lottery tickets, until the first quarter of calendar year 2020. Due to the Coronavirus pandemic, the GDP declined for the first and second quarters of calendar year 2020 but has since expanded. GDP grew by an average of 19.2% during the third and fourth quarters of calendar year 2020; the GDP grew by an average of 6.5% during the first half of calendar year 2021.

STATE PERSONAL INCOME

Personal income consists of wages and salaries, dividends, interest, rent, and transfer payments such as Social Security and other retirement incomes. Personal income does not include realized capital gains from the sale of assets. Personal income for the State of Arkansas, measured in current dollars, reached \$148.825 billion at the end of the June 30, 2021 fiscal year. This represented an increase in personal income of \$8.327 billion, or 5.9% from fiscal year ended June 30, 2020. For the fiscal year ending June 30, 2022, personal income is forecast at \$151.523 billion (current dollars) an increase of \$2.698 billion or 1.8% over the fiscal year ended June 30, 2021.

ARKANSAS WAGE AND SALARY DISBURSEMENTS

Measured in current dollars, wage and salary disbursements were \$64.155 billion for the June 30, 2021 fiscal year, an increase of \$3.372 billion or 5.5% from the June 30, 2020 fiscal year. Wage and salary disbursements for the fiscal year ending June 30, 2022 are forecast at \$68.599 billion (current dollars), an increase of \$4.445 billion or 6.9% from the June 30, 2021 fiscal year.

EMPLOYMENT

In fiscal year 2021, revised payroll employment in Arkansas averaged 1,252,717 jobs. This represented a decrease of approximately 9,742 jobs or -0.8% compared to fiscal year 2020. In fiscal year 2022, payroll employment is expected to average 1,277,996 jobs. This represents a projected increase of approximately 25,279 jobs or 2.0% from fiscal year 2021. The unemployment rate for the State of Arkansas finished the June 30, 2021 fiscal year end at 4.4%.

HIGHLIGHTS OF THE PAST YEAR

Management's discussion and analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. In addition to financial accomplishments, other noteworthy accomplishments during fiscal year 2021 included:

- Surpassing \$5.6 billion in ticket sales since the lottery's inception.
- Surpassing \$3.8 billion in prizes paid to players since the lottery's inception.
- Transferring over \$1 billion to the ADHE for the purpose of funding scholarships since the lottery's inception, including transfers of more than \$106 million for June 30, 2021 fiscal year.
- The ADHE awarded more than \$87 million in scholarships during the fall 2020 and spring 2021 semesters.

RELEVANT FINANCIAL POLICIES

Budgetary Controls: The OAL finance division, through the Arkansas Department of Finance and Administration, prepares an operating budget for the next fiscal year for submission to the Arkansas Legislative Council Lottery Oversight Subcommittee.

Transfers to ADHE: In accordance with the Arkansas Scholarship Lottery Act, on or before the fifteenth day of each month, the OAL shall deposit the monthly net proceeds from the lottery's operations into the Education Trust Fund Account (the Trust Account). Upon request from the director of the Arkansas Department of Higher Education, the OAL shall transfer the funds requested from the Trust Account to ADHE.

Shortfall Reserve: In accordance with the Arkansas Scholarship Lottery Act, legislation was enacted which required the OAL to establish a Scholarship Shortfall Reserve Trust Account. As of June 30, 2021, the Scholarship Shortfall Reserve Trust Account was fully funded in the amount of \$20 million.

INTERNAL CONTROL ENVIRONMENT

Management of the lottery is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft or misappropriation. The internal control system is also designed to ensure that the accounting system provides accurate and timely financial information and that the lottery is in compliance with applicable laws and regulations. The structure does not provide a guarantee, but rather reasonable assurances that these objectives are met. To enhance controls over accounting procedures, the lottery has segregated appropriate functions where feasible, and added additional administrative reviews of areas not clearly segregated to ensure compliance with established control policies. A.C.A. § 23-115-206(b)(1)(A) requires Arkansas Legislative Audit, to conduct an annual audit of the OAL and may conduct other special reports as may be deemed necessary. The annual audit includes a review of internal controls as they related to the expression of an opinion on the financial statements.

GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OAL for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the ninth consecutive year that the OAL has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. Management believes that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and as required by the requirements of the Arkansas Scholarship Lottery Act, we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER INFORMATION

Information on rules, gaming and frequently asked questions can be found on the OAL's website at www.myarkansaslottery.com. Information on gambling disorder treatment and education programs can be found by calling the National Council on Problem Gambling Helpline at 1-800-522-4700 or by visiting ncpgambling.org, or by contacting Gamblers Anonymous at gamblersanonymous.org. If you have questions or would like to speak with a representative of the OAL, call (501) 683-2000.

ACKNOWLEDGEMENTS

The preparation of this ACFR reflects our commitment to maintain the highest standards of public accountability. We affirm our commitment to continually improve our financial management and maintain the public's trust by exhibiting the highest ethical standards and uncompromising integrity. Publication of this report could not have been accomplished without the dedicated efforts of our employees. Management would also like to recognize Department of Finance and Administration Secretary Larry Walther for his support, guidance and dedication in operating the OAL in a reasonable and progressive manner.

Respectfully submitted,

A stylized, handwritten signature in black ink, appearing to read "J. Hagler".

J. Eric Hagler
Director

A handwritten signature in black ink, clearly legible as "Jerold Fetzer".

Jerold Fetzer
Chief Fiscal Officer

MISSION

“Maximizing Net Proceeds in a responsible manner”

VISION

Every aspect of our operations will function at a level of excellence, with integrity as the keystone principal to our business strategies and decisions.

CORE VALUES

Central to OAL’s successful completion of its mission and vision are its core values. OAL’s primary core values include:

INTEGRITY: We maintain public trust by ensuring the security of our lottery games, systems, drawings, and operational facilities.

SECURITY AND OVERSIGHT: We value and require ethical behavior by our employees, retailers, customers, and vendors. To ensure this goal is met, we build in standards and processes at every step to ensure the integrity of the games.

EDUCATION: We are dedicated to an unwavering commitment to maximizing net proceeds in a responsible manner.

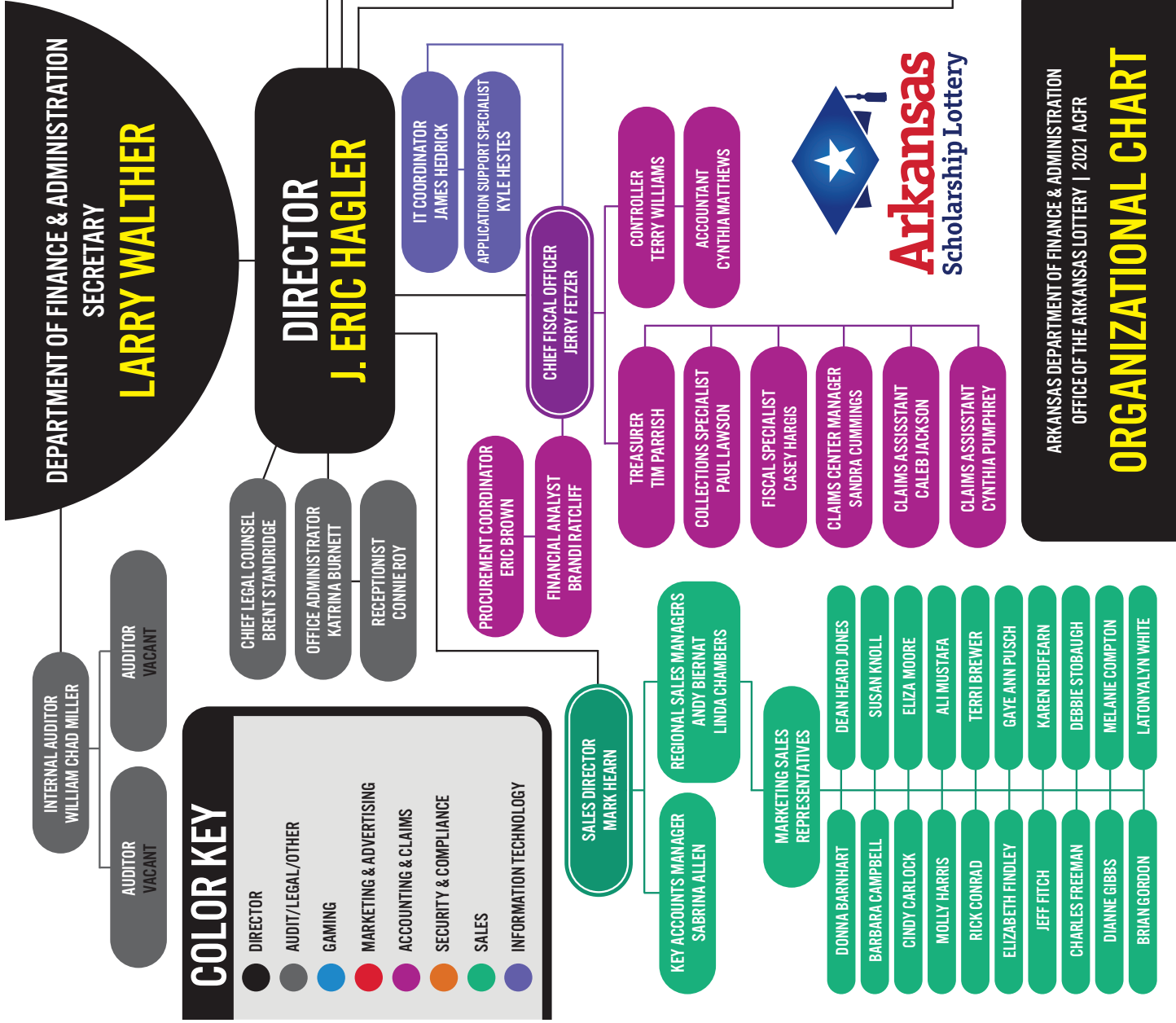
RESPONSIBLE PLAY: We strongly support the concept of offering lottery games in a responsible manner and believe that playing responsibly is key component of this tenet.

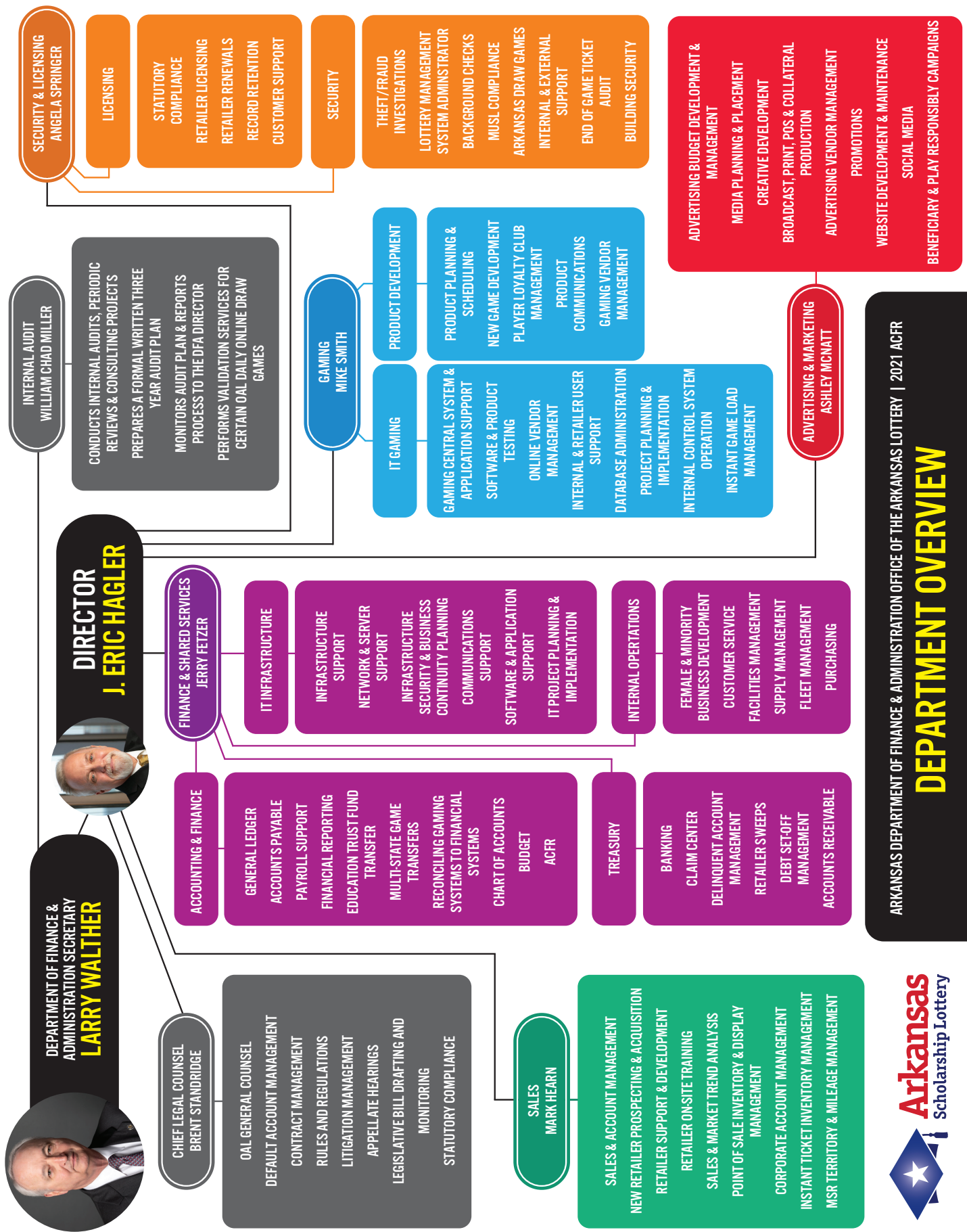
TREAT ALL STAKEHOLDERS FAIRLY: We are committed to creating an environment of mutual respect where open, honest communications are a cornerstone. All employees, retailers, customers, and vendors shall be treated fairly and in a non-discriminatory manner.

INNOVATIVE PRODUCTS: We strive to offer innovative products with a high level of entertainment value and which are designed to encourage responsible play.

FISCAL RESPONSIBILITY: We emphasize fiscal accountability by ensuring that all expenditures directly or indirectly generate revenue, enhance security, fulfill regulatory requirements, improve customer service and ensure efficiencies in all processes in order to maximize Net Proceeds.

NON-POLITICAL: We will operate free of political influence and will do so with integrity and in a professional manner that is consistent with our mission.





ARKANSAS DEPARTMENT OF FINANCE & ADMINISTRATION OFFICE OF THE ARKANSAS LOTTERY | 2021 ACFR

DEPARTMENT OVERVIEW





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

This is
WINNING!

FINANCIAL SECTION

CORRIGAN REVELS | SCHOLARSHIP TO UA-LITTLE ROCK



This is
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Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT
INDEPENDENT AUDITOR'S REPORT

Department of Finance and Administration – Office of the Arkansas Lottery
and Members of the Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund of the Department of Finance and Administration - Office of the Arkansas Lottery, an office of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department of Finance and Administration - Office of the Arkansas Lottery's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the Department of Finance and Administration - Office of the Arkansas Lottery as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As indicated above, the financial statements of the Department of Finance and Administration - Office of the Arkansas Lottery are intended to present the financial position, the changes in financial position, and cash flows of the major fund of the State that is attributable to the transactions of the Department of Finance and Administration - Office of the Arkansas Lottery. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2021, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department of Finance and Administration - Office of the Arkansas Lottery's basic financial statements. The introductory section, statistical section, and supplementary information, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The introductory section, statistical section, and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2021, on our consideration of the Department of Finance and Administration - Office of the Arkansas Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department of Finance and Administration - Office of the Arkansas Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department of Finance and Administration - Office of the Arkansas Lottery's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
December 6, 2021
SA1661321

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MANAGEMENT'S DISCUSSION + ANALYSIS



JAMES PITTS | NORTH LITTLE ROCK | \$10K INSTANT TICKET WINNER



This is
WINNING!

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

As the Management of the Arkansas Department of Finance and Administration (DFA) Office of the Arkansas Lottery (OAL), we offer readers of the OAL's financial statements this narrative overview and analysis of the financial activities of the OAL for the fiscal year ended June 30, 2021. Please read it in conjunction with the OAL's financial statements, which follow this section.

FINANCIAL AND OPERATING HIGHLIGHTS

- Operating revenues for fiscal year 2021 were at an all-time record amount of \$632.6million, which was over \$100 million better than the previous record sales set in fiscal year 2020. Total sales for the OAL increased by \$100.5 million in fiscal year 2021, compared to fiscal year 2020, an increase of 18.9%. Instant ticket sales for fiscal year 2021 increased by \$77.1 million, or 17.0%, over fiscal year 2020 sales. Online ticket sales for fiscal year 2021 increased by \$23.4 million, or 29.6%, from fiscal year 2020. For fiscal year 2021, Powerball® sales increased by \$6.2 million or 30.3%, more than fiscal year 2020, while sales for Mega Millions® increased by \$6.9 million, or 41.2%. The other online games, Fast Play, Cash 3, Cash 4, Natural State Jackpot and Lucky for Life®, had a total sales increase for fiscal year 2021 of \$10.2 million or 24.5%, as compared to fiscal year 2020.
- The OAL's operating expenses increased in fiscal year 2021, compared to the previous fiscal year, by \$85.6 million or 19.3%. This increase was primarily related to a \$57.5 million, or 17.7%, increase in instant game prizes expense and an increase in the online prizes expense of \$13.0 million, or 29.7%. Gaming contract costs increased by \$7.7 million or 29.3% and retailer commissions increased by \$5.6 million or 18.7%. Such expense increases were consistent with the increase of instant ticket sales and online ticket sales for fiscal year 2021.
- For fiscal year 2021 total transfers of net proceeds to the various Trust Accounts were \$106.4 million, which was \$17.2 million, or 19.2% more than the prior fiscal year transfers of \$89.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the OAL's basic financial statements. The OAL is accounted for as a proprietary enterprise fund of the State of Arkansas, reporting on all of the activity's assets, liabilities and net position using the accrual basis of accounting, much like a private business entity. The OAL's basic financial statements are comprised of four components: 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows, and 4) notes to the financial statements. This annual comprehensive financial report also contains other supplementary and statistical information in addition to the basic financial statements.

The statement of net position presents information regarding the OAL's assets and deferred outflows of resources, as compared to its liabilities and deferred inflows of resources, with the difference between the two groupings reported as net position. However, in the opinion of management, the decrease in net position for fiscal year ended June 30, 2021 does not necessarily reflect the true condition of the OAL's financial position, because, by statute, the OAL is required to transfer all accumulated net proceeds each month, net of unclaimed prizes, to the Education Trust Account, as a fiduciary account to be used only to fund Academic Challenge college scholarships. Also, on June 30 of each fiscal year, the OAL is required, by statute, to transfer the accumulated unclaimed prizes reserve, less \$1 million, which is held back, to the Education Trust Account. Also, by statute, at June 30 of each fiscal year the OAL must transfer any excess net proceeds, which exceed the amounts actually requested by the Arkansas Department of Higher Education (ADHE) to fund scholarships during the fiscal year, to the Workforce Challenge Trust Account. Also, any refunds of net proceeds or expenses from ADHE during a fiscal year must be placed in the Workforce Challenge Trust Account as a fiduciary account to be used only to fund Workforce Challenge, Concurrent Challenge, or Academic Support scholarships.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

The statement of revenues, expenses and changes in net position reports the OAL's net position and the summarized revenue and expense activities, which created the changes. As stated above, the OAL is required by statute to transfer all monthly net proceeds, net of unclaimed prizes, to the Education Trust Account. Net proceeds are calculated using a modified cash basis for game revenues and prizes to arrive at the changes in net position. Income before transfers is calculated using the accrual basis of accounting prescribed by Generally Accepted Accounting Principles (GAAP). Therefore, in the opinion of management, the changes in net position will not necessarily reflect the actual results of the OAL's changes from its operating activities.

The statement of cash flows outlines the cash inflows and outflows related to the OAL's primary activities of selling game tickets and redeeming prizes for lottery related products and its other operating activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The OAL is a self-supporting office within the Arkansas Department of Finance and Administration (DFA). For financial reporting purposes, the OAL is a major proprietary enterprise fund within the Arkansas Department of Finance and Administration and is reported as such in the Annual Comprehensive Financial Report (ACFR) of the State of Arkansas (State).

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

FINANCIAL ANALYSIS
Net Position

The OAL's total net position at June 30, 2021 and 2020 was as follows:

<u>Condensed Summary of Assets, Liabilities and Net Position</u>		
	June 30, 2021	June 30, 2020
Current assets	\$ 178,376,187	\$ 139,377,887
Non-current assets	22,630,998	23,015,353
Capital assets	1,394,688	1,782,439
Total assets	202,401,873	164,175,679
Deferred outflow s of resources	2,045,222	1,897,707
Total assets and deferred outflow s	\$ 204,447,095	\$ 166,073,386
Current liabilities	\$ 185,421,337	\$ 144,985,321
Long-term liabilities	10,153,079	9,429,631
Total liabilities	195,574,416	154,414,952
Deferred inflow s of resources	665,415	726,642
Total liabilities and deferred inflow s	196,239,831	155,141,594
Net position:		
Invested in capital assets	1,394,688	1,782,439
Restricted	23,630,976	24,015,353
Unrestricted (Deficit)	(16,818,400)	(14,866,000)
Total net position	8,207,264	10,931,792
Total liabilities, deferred inflow s and net position	\$ 204,447,095	\$ 166,073,386

Assets consisted primarily of cash and cash equivalents which were \$180.2 million and \$137.7 million as of June 30, 2021 and 2020 respectively. Accounts receivable were \$18.5 million and \$17.7 million as of June 30, 2021 and 2020 respectively. Capital assets, net of depreciation, were \$1.4 million and \$1.8 million as of June 30, 2021 and 2020 respectively.

As of June 30, 2021 the OAL's liabilities consisted primarily of amounts due to ADHE, accrued prizes payable, other accrued operating expenses, net pension obligations and other post-employment benefits obligations. Also, as of June 30, 2021 total liabilities and deferred inflows of resources were \$196.2 million which was an increase of \$41.1 million or 26.5% from June 30, 2020.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

As of June 30, 2021 the OAL's total assets and deferred outflows of resources exceed its total liabilities and deferred inflows of resources, resulting in total net position of approximately \$8.2 million. This was a decrease in total net position of \$ -2.7 million or -24.9% from June 30, 2020. Also, as of June 30, 2021, restricted net position was approximately \$23.6 million, which was a decrease of \$ -0.4 million, or -1.6% from June 30, 2020. Unrestricted net position (deficit) for fiscal year 2021 was \$ -16.8 million which was an increase in the deficit of \$-2.0 million, or -13.1%, from the prior fiscal year. This deficit relates primarily to timing differences related to the adjusted cash basis accounting method used to calculate net proceeds for transfer to ADHE and due to the change in liability for the OAL's unfunded portion of its OPEB liability. In the unlikely event that the OAL ever ceases operations, the Arkansas State Legislature may be required to act to resolve this deficit in unrestricted net position.

Statement of Revenues, Expenses and Changes in Net Position

During fiscal year 2021, the OAL's activities resulted in net proceeds transfers to the various OAL Trust Accounts of \$106.4 million, which was \$17.2 million or 19.2% greater than for the prior fiscal year. Also, the total net position of the OAL decreased by \$ -2.7 million or -24.9% from the prior fiscal year. As previously discussed, this decrease was primarily due to timing differences related to the accounting method used to calculate net proceeds. The key elements of the revenues, expenses and changes in net position for the fiscal year ended June 30, 2021, with comparative information for fiscal year 2020 are shown on the following page.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

<u>Summary of Revenues, Expenses and Changes in Net Position</u>		
	<u>2021</u>	<u>2020</u>
Operating revenues		
Instant ticket sales	\$ 529,369,617	\$ 452,281,204
Online ticket sales	102,565,310	79,161,657
Retailer fees	643,517	489,153
Other revenue	1,450	69,221
Total operating revenues	<u>632,579,894</u>	<u>532,001,235</u>
Operating expenses		
Instant game prizes	383,337,055	325,816,713
Online game prizes	56,809,420	43,791,459
Commissions and contract costs	69,812,668	56,468,804
General and administrative expenses	18,629,108	17,049,794
Services provided by other agencies	685,923	628,495
Depreciation	448,620	409,285
Total operating expenses	<u>529,722,794</u>	<u>444,164,550</u>
Operating income	102,857,100	87,836,685
Non-operating revenue		
Interest Income	<u>835,596</u>	<u>2,123,634</u>
Income before transfers	103,692,696	89,960,319
Transfers to		
Trust Accounts	<u>(106,417,224)</u>	<u>(89,265,394)</u>
(Decrease) Increase in net position	(2,724,528)	694,925
Beginning net position	10,931,792	10,236,867
Ending net position	<u>\$ 8,207,264</u>	<u>\$ 10,931,792</u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

OPERATING REVENUES

Games Sales

The OAL's games revenues are made up of a variety of instant and online lottery products. The OAL is an active member of a joint venture arrangement with the Multi-State Lottery Association (MUSL). Powerball®, Mega Millions® and Lucky for Life® are online games operated under MUSL. The OAL also operates Fast Play, Cash 3, Cash 4, and Natural State Jackpot which are all online games. The table below shows instant ticket sales and sales for online lottery games for the fiscal years ended June 30, 2021 and 2020.

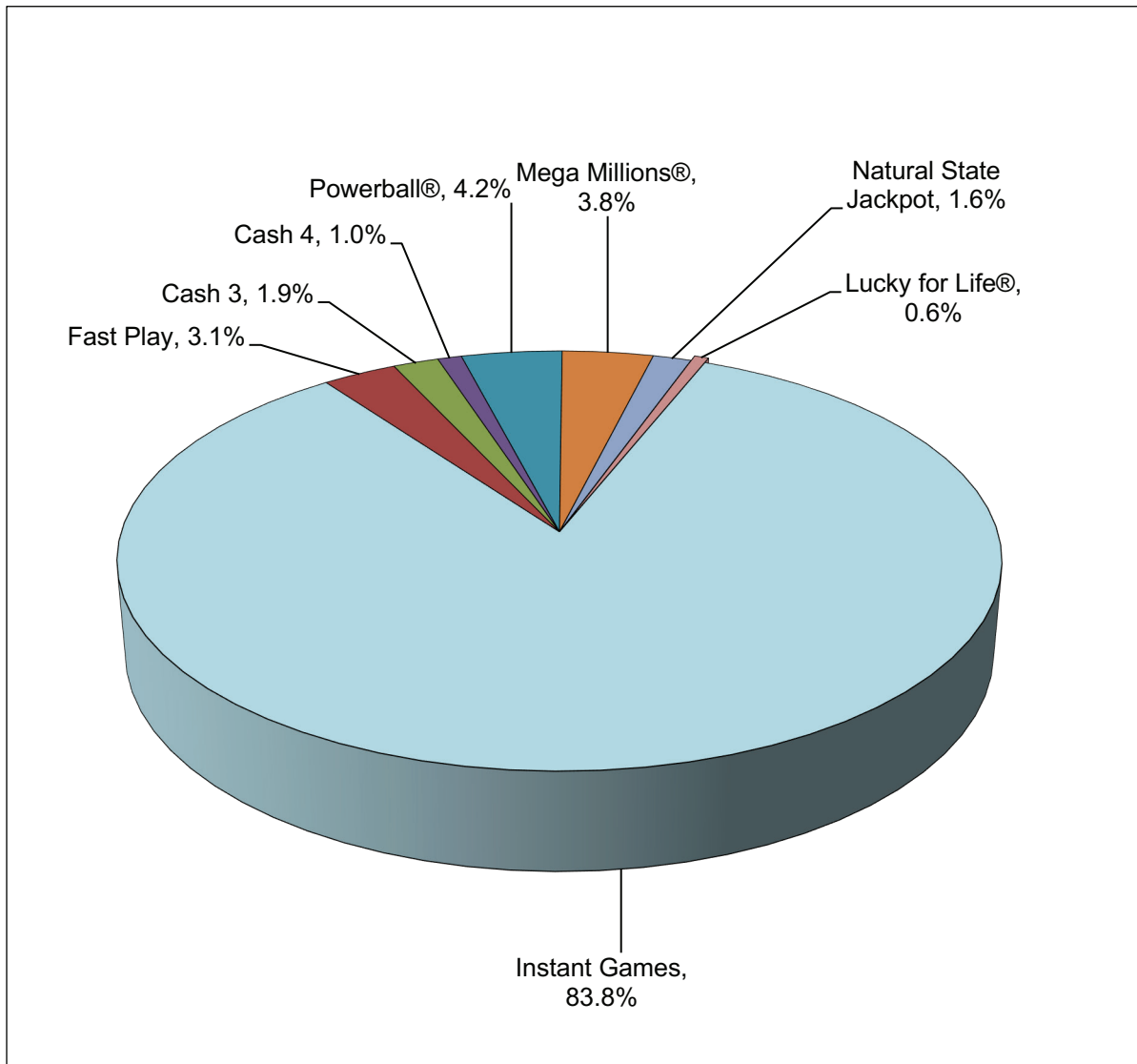
<u>Lottery Games Sales for Years Ended June 30, 2021 and 2020</u>				
Game	2021	2020	Change	% Change
Instant ticket sales	\$ 529,369,617	\$ 452,281,204	\$ 77,088,413	17.0%
Powerball®	26,748,835	20,530,932	6,217,903	30.3%
Mega Millions®	23,809,304	16,863,474	6,945,830	41.2%
Fast Play	19,717,873	16,662,501	3,055,372	18.3%
Natural State Jackpot	10,332,159	8,027,906	2,304,253	28.7%
Cash 3	12,016,776	9,060,396	2,956,380	32.6%
Cash 4	6,548,725	5,045,304	1,503,421	29.8%
Lucky for Life®	3,391,638	2,971,144	420,494	14.2%
Total games sales	<u>\$ 631,934,927</u>	<u>\$ 531,442,861</u>	<u>\$ 100,492,066</u>	18.9%

The OAL experienced an increase in total lottery ticket sales of \$100.5 million or 18.9% for fiscal year 2021 as compared to fiscal year 2020. Instant ticket sales continued to be the OAL's most popular product contributing 83.8% and 85.1% to total fiscal year sales for 2021 and 2020 respectively. For fiscal year 2021, instant ticket sales increased by \$77.1 million, or 17.0%, while online games sales increased by \$23.4 million, or 29.6%. For fiscal year 2021 Mega Millions® had a \$6.9 million, or 41.2%, increase in sales over the prior fiscal year while Powerball® had a \$6.2 million, or 30.3%, increase in sales from the prior fiscal year. Also, for fiscal year 2021, Fast Play had a \$3.1 million, or 18.3%, increase in sales, Cash 3 sales increased by \$3.0 million, or 32.6% and Cash 4 sales also increased by \$1.5 million, or 29.8%. Natural State Jackpot had a \$2.3 million, or 28.7%, increase in sales and Lucky for Life® sales increased by \$0.4 million, or 14.2%.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

The graph below summarizes the fiscal year 2021 sales as a percent of total ticket revenues:

Fiscal Year 2021 Lottery Game Revenues as a Percent of Sales



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Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

OPERATING EXPENSES

Prizes

Prizes are the largest operating expense the OAL incurs. Fiscal year 2021 prizes expense of \$440.1 million reflects a \$70.5 million or 19.1% increase from fiscal year 2020 prizes expense of \$369.6 million. This overall increase in prizes expense relates primarily to the significant increase in instant ticket sales experienced in fiscal year 2021.

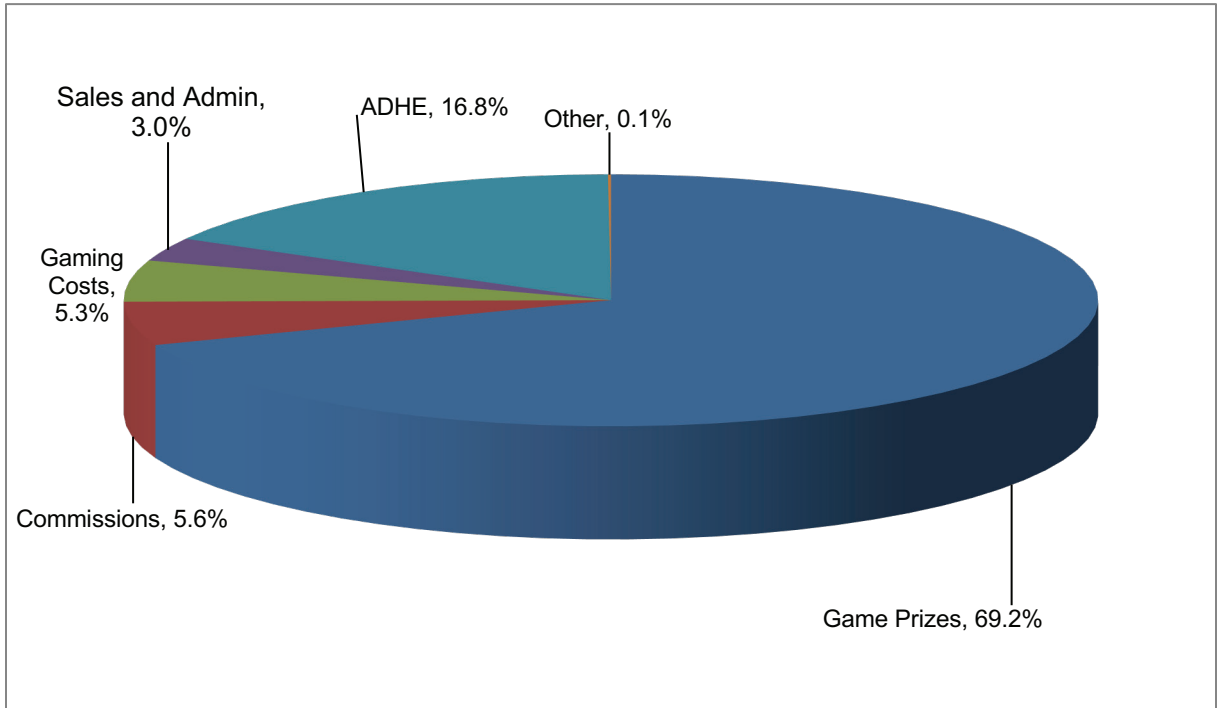
The following table shows prizes expense by lottery game for the years ended June 30, 2021 and 2020 respectively.

Game Prizes Expense	Game Prizes Expense			
	2021	2020	Change	% Change
Instant Game prizes	\$ 383,337,055	\$ 325,816,713	\$ 57,520,342	17.7%
Powerball®	12,988,468	9,436,827	3,551,641	37.6%
Mega Millions®	11,642,074	8,207,937	3,434,137	41.8%
Natural State Jackpot	5,300,502	4,614,507	685,995	14.9%
Lucky for Life®	2,097,076	1,395,287	701,789	50.3%
Fast Play	15,420,650	13,110,591	2,310,059	17.6%
Cash 3	6,162,650	4,350,410	1,812,240	41.7%
Cash 4	3,198,000	2,675,900	522,100	19.5%
Total game prizes expense	<u>\$ 440,146,475</u>	<u>\$ 369,608,172</u>	<u>\$ 70,538,303</u>	19.1%

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

Distribution of the fiscal year 2021 revenues were as follows:

Fiscal Year 2021 Revenue Distribution



The following table shows sales profit margin for instant and online games by for the years ended June 30, 2021 and 2020.

<u>Game Profit Margins</u>				
	<u>Instant Tickets</u>		<u>Online Games</u>	
	2021	2020	2021	2020
Game revenues	\$ 529,369,617	\$ 452,281,204	\$102,565,310	\$ 79,161,657
Prizes expense	383,337,055	325,816,713	56,809,420	43,791,459
Gross profit	<u>\$ 146,032,562</u>	<u>\$ 126,464,491</u>	<u>\$ 45,755,890</u>	<u>\$ 35,370,198</u>
Gross profit margin percentage	27.6%	28.0%	44.6%	44.7%

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

As the table on the previous page shows, the gross profit margin is less for instant tickets versus for online games. High jackpots normally drive sales for online games, whereas the denominations and types of instant tickets that are being distributed, as well as the amounts of prizes already cashed, are primary drivers for instant ticket sales.

Other Operating Expenses

In addition to prizes expense, other operating expenses include retailer commissions, gaming contract costs, advertising and marketing costs, compensation costs, general administrative costs and depreciation. These other operating expenses totaled \$89.6 million and \$74.6 million for fiscal years 2021 and 2020 respectively.

The table below shows the operating profit margin, which is the OAL's total operating revenues less its total operating expenses, for the years ended June 30, 2021 and 2020 respectively.

<u>Operating Profit Margin</u>				
	2021	2020	Change	Percent Change
Operating revenues	\$ 632,579,894	\$ 532,001,235	\$100,578,659	18.9%
Operating expenses	529,722,794	444,164,550	85,558,244	19.3%
Operating Income	<u>\$ 102,857,100</u>	<u>\$ 87,836,685</u>	<u>\$ 15,020,415</u>	17.1%
Profit margin	16.3%	16.5%		

NON-OPERATING REVENUES AND TRANSFERS

Non-operating revenues were for interest income on deposited funds of \$835,596 and \$2,123,634 for the years ended June 30, 2021 and 2020 respectively.

In fiscal years 2021 and 2020, net transfers of \$106.4 million and \$89.3 million respectively were made into the Education Trust Fund and Workforce Challenge Trust Fund accounts. The transfers for scholarships from the Education Trust Fund bank account to ADHE were \$68.0 million for fiscal year 2021 as compared to \$73.0 million for fiscal year 2020. The transfers for scholarships from the Workforce Challenge Trust Fund bank account to ADHE were \$2.9 million for fiscal year 2021 as compared to \$1.0 million for fiscal year 2020.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021 (Unaudited)

CAPITAL ASSETS

At June 30, 2021 the OAL had \$1.4 million in net capital assets as compared to \$1.8 million in net capital assets at the prior fiscal year end. Capital assets are primarily composed of equipment and leasehold improvements. These capital assets are depreciating over their estimated useful lives of 5 to 10 years. A summary of the changes in the major capital asset groups is provided in the table below and more detailed information on capital assets may be found in Note 10 of the notes to the financial statements.

	<u>Capital Assets</u>		Total %
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Equipment	\$ 2,853,940	\$ 2,793,071	2.2%
Leasehold improvements	492,796	492,796	0.0%
Total Capital Assets	3,346,736	3,285,867	1.9%
Less: Accumulated depreciation	(1,952,048)	(1,503,428)	29.8%
Net Capital Assets	<u>\$ 1,394,688</u>	<u>\$ 1,782,439</u>	-21.8%

CONTACT INFORMATION

This financial report is designed to provide a general overview of the OAL's finances and to demonstrate the OAL's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the OAL's Finance Division at P.O. Box 3238, Little Rock, Arkansas 72203-3238 or call (501) 683-2000.



Arkansas
Scholarship Lottery

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BASIC FINANCIAL STATEMENTS



LETHA LITTLETON, HUMNOKE | \$10K INSTANT TICKET WINNER

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ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY

Statement of Net Position

June 30, 2021

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,574,637
Restricted assets:	
Cash and cash equivalents	153,129,833
Accounts receivable	18,547,029
Prepaid items	124,688
Total current assets	<u>178,376,187</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	20,500,022
Deposits with Multi-State Lottery Association	2,130,976
Capital assets-net	1,394,688
Total non-current assets	<u>24,025,686</u>
Total assets	<u>202,401,873</u>
Deferred outflows of resources:	
Related to pension	1,285,278
Related to other post employment benefits	759,944
Total deferred outflows of resources	<u>2,045,222</u>
Total assets and deferred outflows of resources	<u>\$ 204,447,095</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 5,126
Prizes payable	24,985,566
Accrued and other liabilities	7,305,614
Due to other funds of the State	590,799
Due to Education Trust Account	31,238,197
Due to Workforce Challenge Trust Account	120,891,636
Compensated absences	62,737
Net other post employment benefits	123,792
Unearned revenue	217,870
Total current liabilities	<u>185,421,337</u>
Long-Term liabilities:	
Net other post employment benefits	4,492,958
Compensated Absences	342,802
Net pension liability	5,317,319
Total long-term liabilities	<u>10,153,079</u>
Total liabilities	<u>195,574,416</u>
Deferred inflows of resources:	
Related to pension	258,159
Related to other post employment benefits	407,256
Total deferred inflows of resources	<u>665,415</u>
Total liabilities and deferred inflows of resources	<u>196,239,831</u>
NET POSITION	
Net position:	
Invested in capital assets	1,394,688
Restricted for:	
Scholarship shortfall reserve	20,000,000
Retailer bond reserve	500,000
Deposits with Multi-State Lottery Association	2,130,976
Unclaimed prizes reserve	1,000,000
Unrestricted (deficit)	<u>(16,818,400)</u>
Total net position	<u>8,207,264</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 204,447,095</u>

The notes to the financial statements are an integral part of this statement

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2021

Operating revenues:

Instant ticket sales	\$ 529,369,617
Online ticket sales	102,565,310
Retailer application, fidelity, bond and service fees	643,517
Other revenue	<u>1,450</u>

Total operating revenues	<u>632,579,894</u>
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Operating expenses:

Instant game prizes	383,337,055
Online game prizes	56,809,420
Retailer commissions	35,732,276
Gaming contract costs	34,080,392
Compensation and benefits	5,525,220
Marketing, advertising and promotions	7,229,142
General and administrative expenses	5,874,071
Services provided by Arkansas Department of Higher Education	530,853
Services provided by Arkansas Legislative Audit	155,070
Legal and professional services	675
Depreciation	<u>448,620</u>

Total operating expenses	<u>529,722,794</u>
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Operating income	102,857,100
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Non-operating revenue:

Interest income	<u>835,596</u>
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Income before transfers	103,692,696
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Transfers to:

Education Trust Account	(68,000,000)
Workforce Challenge Trust Account	<u>(38,417,224)</u>

Total Transfers	<u>(106,417,224)</u>
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Change in net position	(2,724,528)
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Total net position - beginning	10,931,792
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Total net position - ending	<u><u>\$ 8,207,264</u></u>
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ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities:

Cash received from retailers and others	\$ 631,663,508
Cash paid for prizes	(437,271,456)
Cash paid for gaming vendors	(31,520,711)
Cash paid for retailer commissions	(35,732,276)
Cash paid for marketing and advertising	(7,528,145)
Cash paid for employee services	(4,798,539)
Cash paid for other expenses	(6,628,343)
Net cash provided by operating activities	<u>108,184,038</u>

Cash flows from non-capital financing activities:

Transfers to Arkansas Department of Higher Education	(70,900,000)
Transfers from Arkansas Department of Higher Education	4,466,023
Net cash used by non-capital financing activities	<u>(66,433,977)</u>

Cash flows from capital and related financing activities:

Purchases of capital assets	(60,869)
Net cash flows from capital and related financing activities	<u>(60,869)</u>

Cash flows from investing activities:

Interest received	<u>835,596</u>
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Net increase in cash and cash equivalents 42,524,788

Cash and cash equivalents, beginning	137,679,704
Cash and cash equivalents, ending	<u>\$ 180,204,492</u>

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

Operating income	\$ 102,857,100
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	448,620
Pension expense	236,441
Other post employment benefits expense	300,428
Net changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(855,829)
Prepaid items	(83,728)
Deposits with Multi-State Lottery Association	384,377
Increase (decrease) in:	
Accounts payable	(914,625)
Prizes payable	2,490,641
Accrued and other liabilities	3,370,119
Due to other funds of the State	32,952
Compensated absences	(21,903)
Unearned revenue	(60,555)
Net cash provided by operating activities	<u>\$ 108,184,038</u>

The notes to the financial statements are an integral part of this statement

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) was initially created as the Arkansas Lottery Commission (ALC) by Acts 605 and 606 of 2009 (the Act) for the purpose of establishing, operating, and regulating lotteries for the State of Arkansas (State) as authorized by the Arkansas Constitution. The primary purpose of the Act is to supplement higher education scholarships with net proceeds from State lottery operations. The ALC was governed by a nine-member commission (the Commission), which was charged with overseeing the lottery operations of the State, with three members appointed by each of the following: The Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. During the 2015 Legislative session, the Arkansas Legislature enacted Act 218 of 2015, which eliminated the Arkansas Lottery Commission and established the lottery as the Office of the Arkansas Lottery within the Arkansas Department of Finance and Administration (DFA), as part of the Management Services Division.

The OAL is a self-supporting, revenue-raising office within DFA. The OAL commenced sales of instant scratch-off tickets on September 28, 2009; Powerball® ticket sales commenced on October 31, 2009; Cash 3 sales commenced on December 14, 2009; Mega Millions® sales commenced on January 31, 2010; Cash 4 sales commenced on July 12, 2010; Arkansas Million Dollar Raffle sales commenced on July 14, 2010 and sales concluded for that game on April 6, 2011; Fast Play sales commenced on October 25, 2010; Decades of Dollars sales commenced on May 3, 2011 and sales concluded on October 16, 2014; Arkansas 50/50 Raffle sales commenced on October 1, 2011 and sales concluded on February 28, 2015; Natural State Jackpot sales commenced on August 27, 2012; Arkansas Million Dollar Raffle was re-introduced on September 1, 2013 and sales concluded on December 31, 2013; MONOPOLY™ Millionaires' Club commenced on October 19, 2014 and sales concluded on December 26, 2014; and Lucky for Life® commenced sales on January 27, 2015. Powerball®, Mega Millions®, Lucky for Life®, as well as MONOPOLY™ Millionaires' Club when it was being sold, are offered through the Multi-State Lottery Association (MUSL). Decades of Dollars was offered through a consortium of four participating lottery states.

For financial reporting purposes, the OAL is a major enterprise fund of the primary government of the State and is reported as such in the Annual Comprehensive Financial Report (ACFR) of the State. These financial statements for the OAL are separate and apart from those of the State and do not present the financial position of the State nor changes in the State's financial position and cash flows.

b. Basis of Presentation

The OAL is accounted for as a proprietary type enterprise fund. Enterprise funds operate more like a commercial business such as: (1) where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges; or (2) where the periodic determination of net income is considered appropriate.

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c. Basis of Accounting

Basis of accounting refers to the timing of recognition of revenue and expenses in the accounts and reporting in the financial statements. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

As a proprietary type enterprise fund of a governmental unit, the OAL must also follow the standards issued by the Governmental Accounting Standards Board (GASB). New GASB Statements and Interpretations are adopted in the years they become effective.

As a proprietary type enterprise fund, the OAL is accounted for using the economic resources measurement focus. All assets and liabilities related to its operations are included on its statement of net position, and all revenues and expenses and the change in net position are included in its Statement of Revenues, Expenses and Change in Net Position. Operating revenues and expenses generally relate to the OAL's primary ongoing operations of selling lottery tickets and redeeming prizes. Any revenues or expenses not meeting this definition are reported as non-operating. The principal operating revenues of the OAL are from charges to retailers for their sales of lottery products. The significant operating expenses include the cost of prizes, retailer commissions, gaming contract costs, other vendor charges, personnel, marketing/advertising, other administrative expenses, inter-agency services and depreciation.

d. Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit with maturities at purchase of 90 days or less and all short-term instruments with maturities at purchase of 90 days or less.

e. Accounts Receivable

Accounts receivable represents amounts due from retailers for activated instant ticket packs and sales of online games less the value of prizes paid by the retailer and retailer commissions. Retailer bank accounts are set up in trust for settlements with the OAL and electronic funds transfers are used to collect receivables weekly from such accounts. Accounts receivable also represents amounts due from other agencies to the OAL.

f. Capital Assets

Capital assets are stated at cost less accumulated depreciation. The OAL follows the policy of the Arkansas Department of Finance and Administration and uses a capitalization threshold of five thousand dollars (\$5,000) and useful life extending beyond one year. Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Equipment	5 - 7 years
Random Number Generator	5 years
Signage	10 years
Leasehold improvements	over the remaining initial term of the lease

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When capital assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Statement of Revenues, Expenses, and Change in Net Position, in the period of retirement/disposition.

g. Net Position

Net position includes categories for net investments in capital assets and for restricted net position for several items including the Scholarship Shortfall Reserve, Retailer Bond Reserve, Multi-State Lottery Association (MUSL) deposits and for the Unclaimed Prizes Reserve. The net investment in capital assets category represents the purchases of capital assets recorded at cost, less accumulated depreciation. The restricted net position for the Scholarship Shortfall Reserve represents monies set aside to fund scholarship payment requests to the Department of Education – Arkansas Division of Higher Education (ADHE), if needed, due to a shortage of funds in the Education Trust Account. The Retailer Bond Reserve may be used to cover losses due to any retailer nonfeasance, malfeasance, or misfeasance or for the recovery of potential losses from retailers, which replaces retailers having to purchase their own surety bond coverage. The MUSL deposits represent funds set aside to fund Powerball® and Mega Millions® prizes in the event of multiple grand prize winners. The amounts restricted for the Unclaimed Prizes Reserve are, by statute, only to be used to supplement future prizes, to maintain online game reserves at adequate levels or for special prize promotions. At June 30 of each fiscal year, the amount of the Unclaimed Prizes Reserve, less \$1 million, are transferred to the Education Trust Account.

See note 12 for additional information regarding the unrestricted net position (deficit). It is the practice of the OAL to use restricted resources first, then unrestricted resources when both restricted and unrestricted resources are available.

h. Revenue Recognition

Lottery games are sold to the public by contracted retailers. Revenue is recognized when online tickets are sold to players and when packs of instant scratch-off tickets are activated for sale by the retailer.

i. Unearned Revenue

Funds collected from retailers for online game tickets sold in advance and are for game drawings which will occur after the end of the monthly accounting period, are recorded as unearned revenue and are subsequently recognized as revenue in the period in which the related drawing for which they were purchased occurs.

Retailer licenses are issued for a two-year period. Fee amounts for the periods beyond June 30 of the current fiscal year are recorded as unearned revenue and recognized as revenue in subsequent fiscal year(s).

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j. Retailer Commissions

Retailers receive a commission of five percent on all instant tickets settled and online tickets sold. In addition, retailers receive a cashing commission of one percent of each dollar redeemed up to a cashing limit of \$500 per ticket, as tickets for prizes over \$500 must be redeemed at the OAL claim center. Retailers also receive an additional selling commission of one percent of each prize amount of \$10,000 or more for any such prizes validated and paid which were purchased from their retail store. The maximum selling commission for any prize of \$10,000 or more is \$50,000.

k. Prizes and Unclaimed Prizes

For instant ticket (scratch-off) games, prizes expense is accrued based on the end of production prize structure percentage provided by the gaming vendor for each game and recorded based on value of packs activated for sale by retailers. Prize expense is also recognized for Play it Again (PIA) amounts from instant games that have ended and where the PIA drawing will occur in the future. Prizes expense for any merchandise prize is recognized when invoiced by the gaming vendor. Any instant game prizes that remain unclaimed 90 days after an instant game ending date are considered unclaimed.

Prizes expense for online games is recorded for each game drawing at an established prize payout estimate percentage of the revenue recognized. Any online game prizes that remain unclaimed at the end of a 180-day period following a game drawing are considered unclaimed.

Act 1180, enacted April 6, 2011, provided that unclaimed prizes are to be accumulated during the fiscal year, with the OAL being allowed to spend up to \$2,500,000 for future lottery prizes, to maintain online reserves or for prizes promotion. At the end of each fiscal year the amount of unclaimed prizes money, less \$1 million, is to be deposited into the Education Trust Account as net proceeds. For financial statement purposes, unclaimed prizes are a reduction to the overall prizes expense recognized.

l. Compensated Absences

Employees earn the right to be compensated during absences for vacation, illness, overtime worked for non-exempt employees, and on legal holidays. Compensated absences for annual leave and legal holidays banked are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method for employees that are eligible for retirement benefits and are also recorded as a liability. Within the limits established by law or rule, unused leave benefits are paid to employees upon separation from State service for vacation, banked holidays, and eligible sick leave. The compensated absences amounts are based on current year-end salary rates and include employer Social Security contributions at the then current rates.

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m. *Retirement Plan*

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 pension fund and the additions to and deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension system. See note 15 for additional information regarding the retirement plan.

n. *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows of resources, deferred inflows of resources, restricted net position, revenues, expenses and disclosures of contingent assets or liabilities. Actual results could differ from those estimates.

o. *Bad Debt Expense*

Bad debt expense is normally recognized when an OAL retailer's uncollected revenue is significantly past due and is in excess of amounts deemed to be collectible. The amount of expense is based on the retailer's outstanding aged accounts receivable balance. The OAL did record one debt expense in the amount of \$1,107 for the fiscal year ended June 30, 2021. For net proceeds calculations, bad debt expense amounts are recovered from the Retailer Bond Reserve, which is maintained to offset such potential losses.

2. *DEPOSITS*

Arkansas Code Annotated (ACA) requires that agencies holding monies not deposited in the State Treasury (cash fund agencies), other than institutions of higher learning, abide by the recommendations of the State Board of Finance as to the best investment decisions for any idle cash balances. The State Board of Finance promulgated certain new cash management and investments standards and procedures, effective July 14, 2012, which replaced the prior standards and procedures established in September 1, 1990. Such standards are referenced by the Department of Finance and Administration within the Financial Management Guide for use by all State agencies.

The stated primary goal of state cash management is the protection of principal, while maximizing investments and minimizing non-interest-bearing balances. Collateral pledged to secure deposits is to be held within the borders of the State of Arkansas and placed with any Federal Reserve Bank; any Federal Home Loan Bank; a banker's bank; or the trust department, or similar safekeeping function of a commercial bank or trust company primarily located in Arkansas that is unaffiliated with the bank or financial institution in which the funds are deposited. State financial policy also states that funds may be maintained in demand deposit accounts for the purposes of meeting day-to-day operating expenditures. It is suggested that service charges associated with this type of account can generally be avoided by maintaining required minimum balances or compensating balances in other accounts. Funds in excess of immediate expenditure requirements (excluding minimum balances) should not remain in non-interest-bearing accounts.

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In 2009, the OAL entered a seven-year contract with Bank of the Ozarks (now Bank OZK) to provide primarily all banking services for its operations. The OAL executed three amendments to the contract for a period of twelve months each. On September 2, 2019, the OAL executed a two-year contract with Bank OZK. All of the OAL's cash and equivalents at June 30, 2021 were held in accounts at Bank of OZK. As agreed to in their contract, Bank OZK has agreed to pledge collateral on all accounts of the OAL in an amount to exceed the State requirement of 105 percent of deposits. As of June 30, 2021, the total collateral pledged to the OAL was in the form of one irrevocable standby letter of credit. The letter of credit was issued in the OAL's name by the Federal Home Loan Bank of Dallas, for any sum or sums not to exceed \$192,000,000. At June 30, 2021 the OAL's total bank balances were \$180,312,089, so the pledged collateral maximum was 106% of the OAL's deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of the failure of a depository institution, the OAL 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 OAL has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. It is the opinion of management that none of the OAL's bank balances of \$180,312,089 were exposed to custodial credit risk as of June 30, 2021.

3. ACCOUNTS RECEIVABLE

Management believes that an allowance for uncollectable accounts is not necessary at June 30, 2021 as the Retailer Bond Reserve amount of \$500,000 is sufficient to cover any past due accounts. Amounts due from retailers and others at June 30, 2021 are summarized as follows:

Amount due for activated instant scratch-off tickets, not settled	\$ 12,978,107
Amount due for partial weeks sales through June 30, 2021	5,528,275
Past due accounts and other receivables	<u>40,572</u>
Total accounts receivable	<u>\$ 18,546,954</u>

Receivable from Other Funds of the State

The amount listed below as a receivable, from the Department of Transformation and Shared Services – Office of State Procurement – Marketing and Redistribution Section, is for proceeds from OAL equipment marketing and redistribution.

Department of Transformation and Shared Services – Office of State Procurement – Marketing and Redistribution Section	<u>\$ 75</u>
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4. TRUST ACCOUNT for NET PROCEEDS

Per the Act, on or before the 15th day of each month, the OAL is required to deposit the previous month's net proceeds, which per the Act are to be determined by the OAL as a percentage of lottery proceeds less operating expenses, in such a manner as to maximize net proceeds. Such net proceeds are to be deposited into one or more trust accounts. Based on the calculation requirement, it was determined that the net proceeds calculated each month for transfer to the trust accounts were to be computed using the modified cash basis of accounting for revenues and expenses based on the actual monies received from retailers for instant ticket game sales and for the prize payments made on instant tickets redeemed.

To meet the deposit requirement, an Education Trust Account was established with Bank of the Ozarks (now Bank OZK), and as required by GAAP under accrual-based accounting principles, the Due to Education Trust Account reflects the corresponding liability on the statement of net position. The Education Trust Account is restricted for transfers to and from the Department of Education – Arkansas Division of Higher Education (ADHE), and funds are transferred based only on requests from ADHE to meet scholarship needs.

For financial statement purposes, the total amount reflected for the Education Trust Account as current restricted cash and cash equivalents on the statement of net position at June 30, 2021 was \$31,238,197. Total net proceeds for the fiscal year ended June 30, 2021 were \$106,417,224. During fiscal year 2021 a total of \$68,000,000 were transferred to ADHE for scholarships from the Education Trust Account.

Activity in the Education Trust Account for the fiscal year ended June 30, 2021 consisted of the following activities:

Education Trust Account balance at 7/01/20	\$ 31,238,197
Net Proceeds	106,417,224
Payments to ADHE for scholarships	(68,000,000)
Excess Net Proceeds transferred to Workforce Challenge Trust Account	<u>(38,417,224)</u>
Education Trust Account balance at 6/30/21	<u>\$ 31,238,197</u>

5. ARKANSAS WORKFORCE CHALLENGE SCHOLARSHIP PROGRAM

During the 2017 legislative session, the Arkansas General Assembly passed Act 613 of 2017 to create the Arkansas Workforce Challenge Scholarship Program (the Program). Act 613 of 2017 provides for the use of excess lottery proceeds to fund scholarships for students enrolled in higher education programs that will lead to the students being qualified to work in high-needs occupations.

During the 2019 Arkansas General Assembly session, Act 456 amended Arkansas Code Title 6, Chapter 85 to add an additional subchapter to create the Arkansas Concurrent Challenge Scholarship Program. Act 456 provides for the use of remaining excess lottery proceeds, after the allocation of sufficient funding to the Arkansas Workforce Challenge Scholarship Program, to fund scholarships for students enrolled in an endorsed concurrent enrollment course or certificate program unless other opportunities are provided that lower the tuition and mandatory fees below fifty percent.

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Under the provisions of the Program, the OAL was to establish the Workforce Challenge Trust Account for the deposit of any funds received under the Program. The funding for an academic year were to be received from (A) excess funding returned to the OAL by ADHE from the previous academic year, and (B) net proceeds remaining from the previous academic year after the OAL (1) transfers the funds requested by ADHE to fund scholarships, and (2) deposits the amount necessary to maintain the Scholarship Shortfall Reserve Trust Account at twenty million dollars. As of June 30, 2021, the balance in the Workforce Challenge Trust Account is \$120,891,636.

Activity in the Workforce Challenge Trust Account for the fiscal year ended June 30, 2021 consisted of the following activities:

Workforce Challenge Trust Account balance at 7/01/20	\$ 85,374,412
Payments to ADHE for scholarships	(2,900,000)
Excess Net Proceeds transferred from Education Trust Account	<u>38,417,224</u>
Workforce Challenge Trust Account balance at 6/30/21	<u>\$ 120,891,636</u>

6. UNCLAIMED PRIZES RESERVE

Act 1180 of the 2011 Regular Session, enacted by the General Assembly of Arkansas on April 6, 2011, amended the Act to allow the OAL to spend, during a fiscal year, up to \$2,500,000 of unclaimed prizes money for one or more of the following: A) Increasing the pool from which future lottery prizes are awarded; B) Maintaining online game reserves at a fiscally sound level; or for C) Prize promotion. Act 1180 also required that unclaimed prizes be accumulated during the fiscal year and on the last day of each fiscal year the amount of the remaining unclaimed lottery prizes reserve, less \$1,000,000, be deposited in the Education Trust Account as net proceeds.

During fiscal year 2021, in addition to the \$1,000,000 beginning balance the unclaimed prizes totaled \$8,682,301 with none of the unclaimed prizes money being used for the three specified purposes allowed by Act 1180. So, the unclaimed prizes balance remaining at June 30, 2021, less \$1,000,000, resulted in a deposit of \$8,682,301 to the Education Trust Account as net proceeds. At June 30, 2021, the balance of the unclaimed prizes reserve was \$1,000,000 and is reflected in the Statement of Net Position as restricted net position, while the corresponding monies related to this reserve are shown as current restricted cash and cash equivalents.

Activity in the Unclaimed Prizes Reserve for the fiscal year ended June 30, 2021 consisted of the following activities:

Unclaimed Prizes Reserve at 7/01/20	\$ 1,000,000
Unclaimed prizes for fiscal year ended 6/30/21	8,682,301
Transferred to the Education Trust Account at 6/30/21	<u>(8,682,301)</u>
Unclaimed Prizes Reserve at 6/30/21	<u>\$ 1,000,000</u>

7. SCHOLARSHIP SHORTFALL RESERVE

The Scholarship Shortfall Reserve account represents monies set aside to fund scholarship payment requests to ADHE, if needed, in case of a shortage of funds in the Education Trust Account. The balance of the Scholarship Shortfall Reserve at June 30, 2021 was \$20,000,000 and is reflected as restricted net position on the statement of net position, while the corresponding monies related to the reserve are reflected as non-current restricted cash and cash equivalents.

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8. RETAILER BOND RESERVE

Act 1076 of the 2015 Arkansas General Assembly changed Arkansas Code Annotated § 23-115-603 (c) (1) to allow the OAL to amend the previous requirement that retailers post a bond obtained through a commercial insurance company. Per Act 1076, “the office shall require retailers to post an appropriate bond, as determined by the office.” Effective with the amendment of the OAL’s Retailer Rules (Rules), a “self-bond” or self-insurance program for retailers was established, whereby all retail locations must remit \$100 annually to the OAL to cover any potential losses and fulfill the bonding requirement required by law. Further, the Rules establish that any retailer failure to remit amounts owed to the OAL in the ordinary course of business are considered a default and the amounts owed be deducted from the pool of self-bond fees in order to ensure funds ordinarily available for deposit to the Education Trust Account are made whole. Finally, the amended Rules establish that at the discretion of the OAL Director, funds from the pool of self-bond fees in excess of \$500,000 may be released and considered revenues at the end of each fiscal year.

The retailer self-bond fees collected are recorded as a Retailer Bond Reserve, which is reflected as restricted net position on the statement of net position. At June 30, 2021 the balance of the Retailer bond Reserve was \$500,000. The retailer self-bond fees collected are deposited in the OAL operating account. At the end of each month, retailer self-bond fees are transferred to the Bond Account which are classified in the non-current restricted cash and cash equivalents. The OAL sustained one loss that was charged to the Retailer Bond Reserve during the fiscal year ended June 30, 2021 in the amount of \$1,107.

9. JOINT VENTURES

GASB Statement No.14, *The Financial Reporting Entity*, as amended, defines a joint venture as a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain 1) an ongoing financial interest or 2) an ongoing financial responsibility. During the fiscal year ended June 30, 2021 the OAL was an active participant in several joint venture arrangements with the Multi-State Lottery Association (MUSL).

Multi-State Lottery Association

In July 2009, the OAL joined the Multi-State Lottery Association (MUSL), which is comprised of a group of U.S. lotteries that combine jointly to sell online Powerball® and Mega Millions® lottery tickets. On January 27, 2015 MUSL added the Lucky for Life® online game to be available to the member lotteries for the joint sales of that game, in which the OAL elected to participate. Each lottery participating in Lucky for Life® ticket sales must annually subject the transactions, accounts and processes related to Lucky for Life® to a test of agreed upon procedures by an independent auditor in its state. The chief executive officer of each member lottery serves on the MUSL board of directors. MUSL is audited annually by a separate independent audit firm.

As a member of MUSL, the OAL is required to contribute to various prize reserve funds for Powerball® and Mega Millions® which are maintained by MUSL. The MUSL prize reserve funds serve as a contingency reserve to protect MUSL and its member state lotteries from unforeseen prize payment liabilities. MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball® and Mega Millions® sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, would be returned to the OAL if it were to ever leave MUSL. As of June 30, 2021, the OAL had reserve fund deposits with MUSL of \$2,130,976. MUSL does not maintain prize reserve funds for Lucky for Life®.

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Instead, each participating lottery is responsible for maintaining their own prize reserve funds for potential Lucky for Life® prize payments. OAL Lucky for Life® reserve balance at June 30, 2021 was \$309,012.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, Attn: Bret Toyne, Executive Director or Shannon Underwood, Director of Finance, 8101 Birchwood Court, Suite R, Johnston, Iowa 50131.

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2021 is summarized in the table below:

	<u>Operating Revenues</u>	<u>Prizes</u>
Powerball®	\$26,748,835	\$12,988,468
Mega Millions®	23,809,304	11,642,074
Lucky for Life®	3,391,638	2,097,076

10. CAPITAL ASSETS

The activity for capital assets for the fiscal year ended June 30, 2021, was as follows:

<u>Capital Assets</u>	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Equipment	\$ 2,793,071	\$ 60,869	\$ -	\$ 2,853,940
Leasehold improvements	492,796	-	-	492,796
Total capital assets	<u>3,285,867</u>	<u>60,869</u>	<u>-</u>	<u>3,346,736</u>
Less accum. depreciation				
Equipment	(1,010,632)	(448,620)	-	(1,459,252)
Leasehold improvements	(492,796)	-	-	(492,796)
Total accum. depreciation	<u>(1,503,428)</u>	<u>(448,620)</u>	<u>-</u>	<u>(1,952,048)</u>
Capital assets, net	<u>\$ 1,782,439</u>	<u>\$ (387,751)</u>	<u>\$ -</u>	<u>\$ 1,394,688</u>

11. LIABILITIES

a. Prizes Payable

Prizes payable at June 30, 2021 consisted of instant and online game prizes payable, estimated Lucky For Life® game reserve for prizes of future draws and any related state and federal withholdings. Instant ticket prizes payable are estimated based on the end of production prize structure provided by Scientific Games Inc. Estimated prizes payable by category are listed below:

Instant tickets	\$ 22,361,716
Powerball®	814,359
Mega Millions®	508,144
Natural State Jackpot	519,455
Lucky for Life®	386,275
Fast Play	168,174
Cash 3	72,700
Cash 4	88,800
Income tax and other withholding	65,943
Total	<u>\$ 24,985,566</u>

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b. Payable to Other Funds of the State

The Act requires that ADHE be reimbursed by the OAL for the costs associated with the administration of scholarships funded with lottery proceeds. Act 218 of 2015 modified the requirement to only allow direct costs incurred by ADHE for the administration of scholarships to be included in the reimbursement request by ADHE. The amount recorded as administrative cost due is listed for ADHE in the table below.

The amounts listed as due to Department of Finance and Administration, Department of Transformation and Shared Services – Division of Information Systems, Department of Labor and Licensing – Workers’ Compensation Commission, and University of Arkansas Division of Agriculture are for withholdings owed or for services performed for the OAL by these Agencies within the normal course of business.

Department of Education – Arkansas Division of Higher Education	\$ 530,853
Department of Finance and Administration	49,040
Department of Transformation and Shared Services – Division of Information Systems	9,869
Department of Labor and Licensing – Workers’ Compensation Commission	579
University of Arkansas Division of Agriculture	458
Total	<u>\$ 590,799</u>

c. Accounts Payable, Accrued Liabilities and Compensated Absences

Accounts payable consists of amounts due to vendors for operating costs of the lottery. Accrued liabilities consist of amounts due to gaming vendors for gaming costs of the lottery, accrued payroll earned and related health insurance withholdings as of June 30, 2021.

As a proprietary type enterprise fund, for financial reporting purposes, the OAL recognizes and accrues liabilities for compensated absences as services are performed and the benefits accrue to employees. The compensated absences payable to OAL employees for annual, sick, and compensatory leave at June 30, 2021 totaled \$405,539. The OAL has adopted the State of Arkansas methodology for the computation of the current vs. long-term portion of this liability. This computation is based upon the State average of current vs. long-term portion of this liability for all state employees. For the fiscal year ended June 30, 2021 the current portion of the compensated absences liability decreased by \$8,860 to a balance of \$62,737 and the long-term portion decreased by \$13,044 to a balance of \$342,802.

Long Term Compensated Absences	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Annual	\$ 305,873	\$396,199	(\$412,291)	\$289,781
Sick	49,973	9,351	(6,303)	53,021
Compensatory	0	0	0	0
Total	<u>\$ 355,846</u>	<u>\$405,550</u>	<u>(\$418,594)</u>	<u>\$ 342,802</u>

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d. Unearned Revenue

Funds collected from retailers for online game tickets sold in advance of the game drawings and for game drawings which will occur after the year end are recorded as unearned revenue and subsequently recognized as revenue once the related drawing occurs.

Unearned revenue from online game tickets at June 30, 2021 is summarized as follows:

Powerball®	\$ 60,263
Mega Millions®	64,930
Natural State Jackpot	28,226
Lucky for Life®	18,316
Cash 3	6,100
Cash 4	5,194
Total	<u>\$ 183,029</u>

Additionally, retailer licensing renewal fee collected cover a two-year period. The portion of these fees which pertain to periods beyond the current fiscal year end, are also recognized as unearned revenue. At June 30, 2021 the amount of unearned revenue which related to retailer licensing and renewal fees was \$34,841.

12. UNRESTRICTED NET POSITION (DEFICIT)

Act 606 of 2009 (Scholarship Lottery Act) section ACA 23-115-801 (a) (3) requires "The percentage of lottery proceeds determined by the OAL to be net proceeds shall equal an amount determined by the OAL to maximize net proceeds for scholarships." Section ACA 23-115-103 (19) defines net proceeds to be lottery proceeds less operating expenses; the amount of bond fee revenue that exceeds \$500,000; the un-depreciated amount of capital assets; and any accruals that will not result in cash outflow. Per section ACA 23-115-103 (14) "Lottery Proceeds" means all revenue derived from the sale of tickets or shares and all moneys derived from or in connection with the operation of a lottery, including without limitation fees, offsets, reimbursements, insurance proceeds, damages and liquidated damages collected or imposed by the OAL under this chapter.

Also, ACA 23-115-801 Section (b) (1) requires "On or before the fifteenth day of each month, the OAL shall deposit the net proceeds from the lottery into one (1) or more trust accounts at one (1) or more financial institutions."

To meet these requirements, in October 2009, the OAL developed an accounting method for calculating net proceeds each month. Such method adjusts certain non-cash transactions for instant ticket revenue and for instant ticket prize expense to determine lottery proceeds on a modified cash basis. This method was accepted by the OAL for use in the calculation of net proceeds prescribed by section (a) (3) of the Scholarship Lottery Act and such method has been consistently applied for the calculation of net proceeds and the transfers of net proceeds, since the OAL's inception.

However, the calculation method utilized results in modified cash basis net proceeds each month which vary from GAAP net proceeds. Since the net proceeds for each month are transferred to a trust account by the 15th day of the next month, such transfer creates a timing difference for the recognition of certain instant game prize expenses, which results in a debit balance (deficit) in Unrestricted Net Position. At June 30, 2021 the cumulative variance due to the modified cash basis method was a debit balance (deficit) in Unrestricted Net Position of \$(12,201,651).

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In addition, the OAL's net OPEB liability at June 30, 2021 (see note 16) of \$4,616,750, which consists of a current liability of \$123,792 and a long-term liability of \$4,492,958, has not been funded to date. It will be funded on a pay-as-you-go basis as the benefits related to this liability are due and payable. This creates an additional debit balance (deficit) in Unrestricted Net Position at June 30, 2021 of (\$4,616,749). The total debit balance (deficit) in Unrestricted Net Position at June 30, 2021 was (\$16,818,400).

13. ONLINE GAME REVENUES

Online game tickets are produced through terminals at lottery retailer locations based on player instructions for number selection. Drawings are conducted to determine winning number combinations. Online game sales for the fiscal year ended June 30, 2021 consisted of the following:

Powerball®	\$ 26,748,835
Mega Millions®	23,809,304
Fast Play	19,717,873
Natural State Jackpot	10,332,159
Cash 3	12,016,776
Cash 4	6,548,725
Lucky for Life®	3,391,638
Total	<u>\$ 102,565,310</u>

14. OPERATING LEASES

At its start up in 2009 the OAL entered an operating lease for the rental of office space for its headquarters. The headquarters lease was renewable at the option of the OAL at the end of the initial lease term. During the fiscal year ended June 30, 2015 the lease of the OAL headquarters offices was extended for an additional six-year term expiring on August 31, 2021. The annual rent office expense for the fiscal year ended June 30, 2021 was \$463,627.

The OAL also has equipment leases for printers, copiers, postage meters and other office equipment that are generally for two to three year lease periods. The annual office equipment lease expense for the fiscal year ended June 30, 2021 was \$22,912.

Future minimum rental payments on operating leases as of June 30, 2021, are scheduled as follows:

2022	\$98,119
2023	13,047
2024	1,684
2025	926

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15. RETIREMENT PLAN

a. Plan Description

The OAL provides pension benefits for its employees through the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan.

The APERS provides pension benefits to all state employees not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this system, college and university employees, and certain non-teaching school employees.

Benefits are also provided for governors, General Assembly members, state and county constitutional officers and quasi-judicial members. The APERS is administered by the Arkansas Public Employees Retirement System board of trustees.

Benefit provisions are established and amended by Arkansas Code Title 24.

The APERS issues a financial report, which may be obtained as follows:

Arkansas Public Employees Retirement System
124 W. Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800
<http://www.apers.org/publications>

b. Benefits Provided

Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service.

c. Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2021, the employer contribution rates as a percentage of active member payroll ranged from 4.00% to 27.3%. Contributory plan members are required to contribute 5% of their annual covered salary. The OAL is required to contribute for all covered state employees at a rate of 15.32% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the OAL are established and may be amended by the APERS Board of Trustees. The OAL's contributions to APERS for the years ended June 30, 2021, 2020, and 2019 were \$568,216, \$560,737, and \$563,505, respectively, which were equal to the required contributions for each year. During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

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d. Net Pension Liability

At June 30, 2021, the OAL reported a net pension liability of \$5,317,319. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The OAL's proportion of the net pension liability was based on actual contributions in the 2020 fiscal year of all participating employers. At June 30, 2020, the OAL's proportion was 0.186%.

Actuarial assumptions

The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	June 30, 2020
Inflation rate:	3.25% wages, 2.50% prices
Salary increases (Includes assumed inflation):	3.25% to 9.85%
Investment rate of return (Includes assumed inflation):	7.15%
Mortality rates:	RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Actuarial experience study dates:	2012-2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 to 2029 were based upon capital market assumptions provided by the system's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2020, these best estimates are summarized in the table below.

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	

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Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the OAL's proportionate share of the net pension liability for the pension plan calculated using the discount rate stated, as well as what the OAL's 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:

	1% lower than current discount rate	Current discount rate	1% higher than current discount rate
Rate	6.15%	7.15%	8.15%
Net pension liability	\$8,098,670	\$5,317,319	\$3,022,075

e. Pension Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the pension plan (APERS) is available in its separately issued financial report.

f. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the OAL recognized pension expense of \$824,048. For the year ended June 30, 2021, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions as shown below.

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$ 66,622	\$ (91,105)
Differences between expected and actual experience	70,589	(3,521)
Net difference between projected and actual investment earnings on pension plan investments	562,640	0
Changes in proportion and differences between employer contributions and share of contributions	217	(163,533)
Contributions subsequent to the measurement date	585,210	0
	<u>\$1,285,278</u>	<u>\$ (258,159)</u>

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The deferred outflows of resources related to pensions resulting from OAL contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Total</u>
2021	(\$19,095)
2022	108,399
2023	187,941
2024	164,664

16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for fiscal years beginning after June 15, 2017. The Statement establishes standards for the measurement, recognition, and display of other Postemployment Benefits (OPEB) under government accounting standards.

a. Plan Description

The OAL is an agency of the State. Post-retirement medical and prescription drugs benefits are provided to OAL employees through the Arkansas State Employee Health Insurance Plan (ASE), a single-employer defined benefit healthcare plan, sponsored by the State and administered by Department of Transformation and Shared Services - Employee Benefits Division. A copy of the plan and most recent report can be obtained by writing to Department of Transformation and Shared Services - Employee Benefits Division, 501 Woodlane, Suite 201, Little Rock, AR 72201. For purposes of the plan the State is considered the employer and the OAL is an agency of the State. The plan provides medical and prescription drugs benefits to eligible State employees as established by State law. The contribution requirements of plan members and the State are established and may be amended by the Legislature. The required contribution is based on projected pay-as-you-go financing requirements.

b. General Information

The State contributes to the following single employer defined benefit healthcare plan for eligible state employees:

- Arkansas State Employee Health Plan (ASE) (administered by Department of Transformation and Shared Services – Employee Benefits Division)

State law grants the authority to establish and amend benefit terms and financing requirements for the plan as listed below.

- Arkansas State Employee Health Plan (ASE)
 - State and Public School Life and Health Insurance Board
 - Arkansas Code § 21-5-401 to § 21-5-414

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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Benefits Provided

The plan provides medical and prescription drug benefits to plan members and beneficiaries.

ASE

ASE covers state employees that are members of the Arkansas Public Employees Retirement System, Arkansas Teachers Retirement System, Arkansas State Highway Employees Retirement System, Arkansas Judicial Retirement System, or alternate retirement plan of a qualifying institution and are eligible to be in ASE on their last day of employment and their dependents. Retirees and their spouse are eligible to continue participation in ASE until the death of each covered individual. Retirees must contribute the required annual premium as determined by pay-as-you-go financing requirements. Retirees that are Medicare eligible will have their benefits coordinated with Medicare Part A and B with ASE being the secondary payer.

Employees Covered by Benefit Terms

At June 30, 2021, the following state employees were covered by the plan:

Inactive employees or beneficiaries currently receiving benefits	16,586
Inactive employees entitled to but not yet receiving benefits	9,237
Active employees	<u>31,831</u>
Total	<u>57,654</u>

Specific information for OAL employees was not utilized in the actuarial study.

c. *Total OPEB Liability*

At June 30, 2021, the state reported the following liabilities for ASE as determined as of the date listed.

	<u>Measurement Date</u>	<u>Total OPEB Liability</u>
ASE	June 30, 2021	\$ 2,594,613,634
OAL	June 30, 2021	\$ 4,616,749

Actuarial Assumptions and Other Inputs

The total OPEB liabilities listed were determined based on an actuarial valuation dated on or before the measurement date. If the actuarial valuation is dated before the measurement date, update procedures were used to roll forward the actuarial valuation to the measurement date. The actuarial valuations used the assumptions on the following page, applied to all periods included in the measurement:

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Actuarial valuation date	June 30, 2021
Inflation rate	2.20%
Discount rate (1)	2.14%
Salary increases	3.0% per annum, compounded annually
Healthcare cost trend rates (2)	4.60% ultimate (2)
Mortality rate	RP-2014 Healthy Annuitant benefits weighted generational mortality tables for males and females, adjusted for fully generational mortality improvements using Scale MP-2017.
Retirees' share of benefit-related costs	Varies by age and Medicare versus non-Medicare retirees
Actuarial experience study dates (if applicable)	Not yet performed

- (1) The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.
- (2) Rates reflected are Post-Medicare. Pre-Medicare cost trend rates reflected a 1.00% higher initial rate, with the same ultimate rate.

d. Changes in the Total OPEB Liability

The following table provides the changes in the total OPEB liability for each plan:

	ASE	OAL
Balance as of June 30, 2020	\$2,569,521,298	\$4,541,662
Changes for the year:		
Service cost	123,694,697	220,097
Interest	56,025,833	99,690
Changes of benefit terms	0	0
Differences between expected and actual experience	7,376,849	13,126
Changes in assumptions or other inputs	(106,475,594)	(189,458)
Change in proportion	N/A	30,439
Benefit payments	(55,529,449)	(98,807)
Net changes	25,092,336	75,087
Balance as of June 30, 2021	\$2,594,613,634	\$4,616,749

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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the State, as well as what the State's total OPEB 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 discount rate for each plan:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	1.14%	\$3,099,635,772	2.14%	\$2,594,613,634	3.14%	\$2,196,969,764
OAL	1.14%	\$ 5,515,365	2.14%	\$ 4,616,749	3.14%	\$ 3,909,198

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

The following table presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare costs trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates for each plan:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	N/A	\$2,150,743,635	N/A	\$2,594,613,634	N/A	\$3,177,928,166
OAL	N/A	\$ 3,826,945	N/A	\$ 4,616,749	N/A	\$ 5,654,675

e. *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2021, the State recognized OPEB expense for each plan and in total as follows.

	<u>Total OPEB Expense</u>
ASE	\$214,762,469
OAL	\$ 300,428

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>ASE</u>		<u>OAL</u>	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (42,492,600)	\$ 11,102,279	\$ (75,610)	\$ 19,755
Changes in assumptions	(182,040,675)	377,623,034	(323,916)	671,927
Changes in proportion	N/A	N/A	(7,730)	68,262
Total	<u>\$(224,533,275)</u>	<u>\$ 388,725,313</u>	<u>\$(407,256)</u>	<u>\$ 759,944</u>

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Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	ASE	OAL
2022	\$35,041,929	\$ 62,352
2023	56,191,329	99,985
2024	92,778,529	165,086
2025	(19,819,749)	(35,266)
Thereafter	0	0

Total OPEB Expense

	ASE	OAL
Service cost	\$123,694,697	\$ 220,097
Interest	56,025,833	99,690
Effect of plan changes	0	0
Recognition of deferred inflows/outflows of resources	0	0
Recognition of economic /demographic gains or losses	(11,864,697)	(21,111)
Recognition of assumption changes or inputs	46,906,626	83,464
OPEB expense	214,762,459	382,140
Benefit payments	(55,529,449)	(98,807)
	159,233,010	283,333
Due to change in proportion	0	17,095
Total OPEB expense	\$159,233,010	\$ 300,428

17. CONTRACTUAL ARRANGEMENTS AND OTHER COMMITMENTS

The OAL has contracted with two vendors, INTRALOT Corporation (INTRALOT) for its online lottery game services and gaming system and Scientific Games, Inc. (SGI) for its instant ticket lottery games services.

INTRALOT operates the gaming network that consists of approximately 1,900 instant and online retailer ticket terminals and associated software. In accordance with its contract, INTRALOT receives the negotiated fee on the selling price of online tickets sold and on instant ticket settlements. The OAL had an initial seven-year contract with INTRALOT ending in 2016, which included an option for up to three additional renewals in one-year increments, or a portion thereof. During the fiscal year ended June 30, 2015 the OAL exercised the option to extend the INTRALOT contract for a period of three years. During the fiscal year ended June 30, 2017 the OAL amended its contract with INTRALOT. The amendment had an effective date of August 23, 2017 and granted a seven (7) year extension to the contract commencing on the expiration of the current contract date of August 14, 2019. The current contract extension will expire on August 14, 2026. During the fiscal year ended June 30, 2021, INTRALOT was compensated at the rate of 2.11% on all instant and online sales. Total fees paid to INTRALOT and others for all gaming network and related services for the fiscal year ended June 30, 2021 were \$13,312,204.

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SGL prints, warehouses, and distributes the instant game tickets to retailers. In accordance with its contract with the OAL, SGL receives the negotiated fee on the selling price of all instant ticket settlements. During the fiscal year ended June 30, 2016 the OAL and SGL executed a third amendment to the contract for an additional seven-year period ending with an expiration date of August 18, 2026. The amended contract sets the SGL fees at 1.30% of instant ticket net sales up to \$360 million during a contract year. The contract year is from August 18, 2020 through August 17, 2021. Should the total net sales of instant tickets exceed \$360 million in a contract year, SGL will receive a one-time bonus payment in an amount equivalent to 4.5% of all such incremental sales exceeding \$360 million. Instant ticket sales during the fiscal year ended June 30, 2021 did exceed \$360 million during the contract year. During the fiscal year ended June 30, 2021, SGL was compensated \$14,433,989, which represents a rate of 2.73% of instant ticket sales for these services. SGL also maintains the OAL's Points for Prizes program. This program provides merchandise prizes and other awards to participating players based upon tickets registered by the players. In addition, SGL provides other products and services for which the OAL pays various contracted fees. During the fiscal year ended June 30, 2021 these other SGL fees totaled \$6,269,037 or 1.18 % of instant ticket sales. Total fees paid to SGL for all services for the fiscal year ended June 30, 2021 were \$20,703,026.

The OAL also has a contract with Camelot Global Services (CGS) to provide a Business Plan (BP) and other consultancy services. The contract was effective November 30, 2015 and expires on June 30, 2020 with two optional extension periods of twelve months each, which automatically renew unless either party informs the other party, in writing, of their intent not to renew at least 90 days prior to the expiration date. On July 1, 2020 the OAL exercised the option to extend the contract for a period of one year and amended the agreement to reflect a change in pricing. As specified by the contract, CGS delivered a BP which the OAL accepted. CGS also delivered a price sheet with the prices of services CGS included in the BP. The OAL will negotiate the parameters and pricing of any CGS consultancy services it accepts. On or before January 31, 2021, and by that date each year through the life of the contract, the OAL and CGS will meet to discuss implementation of the BP for the next fiscal year and will agree to the amendments, if any, to the BP; the portions of the BP to be implemented in the next fiscal year; the CGS personnel who will assist with the implementation; and the pricing of the consultancy services CGS will provide.

For fiscal year 2021 the OAL and CGS agreed upon the pricing that CGS was paid as base compensation not to exceed \$650,000 per annum, paid monthly. Any reduction in days used will result in a reduced cost at \$1,000 per day. The base compensation was paid in nine monthly payments of \$54,166.

The contract also specifies an incentive compensation structure as follows:

- a. For fiscal year 2021, CGS will receive 11.75% of all net operating income between \$78,200,000 and \$88,039,952 and 20% of any net operating income above \$88,039,952. This applies to all current games until the Powerball® and Mega Millions® jackpots exceed \$400,000,000. Until the jackpot is won, CGS will receive 4% of gross profits for each draw of Powerball® and Mega Millions® where the jackpots exceed \$400,000,000. Prior to the launch of any Instant ticket price point exceeding \$20, the OAL and CGS shall agree to an incentive compensation amount to be paid for proceeds from that game. Prior to the launch of any in-state draw game, the OAL and CGS shall agree to an incentive compensation amount to be paid for proceeds from that game.
- b. For fiscal year 2022, OAL and CGS will agree upon an incentive compensation plan by April 1, 2021.

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CGS will invoice the OAL after the end of each fiscal year quarter for incentive compensation owed. The final quarterly incentive payment for each fiscal year is subject to final adjustment upon the completion and release of the OAL's audited financial statements.

For the fiscal year ended June 30, 2021 the OAL paid or accrued total incentive compensation to CGS of \$4,192,194.

18. CONTINGENCIES

At June 30, 2021 there were no pending lawsuits or claims to which the OAL is a party.

19. RISK MANAGEMENT

The OAL is exposed to various types of risk related to its operations. These risks can result in losses incurred from property damage or destruction, business interruption such as inability to operate gaming activities and worker compensation claims. The OAL manages these risks by participating in the various self-insurance programs established by the State for property and casualty losses and employee health insurance. Coverages include property, general liability, automobile liability, workers' compensation, state unemployment, court-awarded attorney fees, and Federal civil rights actions. Property is self-insured for actual cash value to an aggregate of \$1.8 million per loss event for all perils. Losses from earthquake and flood are also subject to an annual aggregate loss for the State of \$1 million. Workers' compensation is provided in compliance with the applicable law. The employee health and dental insurance program provides for payment of medical claims of employees and covered dependents. Claims and settlements incurred for fiscal years ended June 30, 2021, 2020, and 2019 did not exceed the OAL's insurance coverage.

20. SUBSEQUENT EVENTS

In accordance with GASB 56, the OAL's Management has evaluated subsequent events that occurred after June 30, 2021, but prior to December 6, 2021, the date the financial statements were available to be issued.

Such evaluation subsequently identified the following transaction related to the Department of Education – Arkansas Division of Higher Education (ADHE). At the request of ADHE, on September 7, 2021 a payment of \$38,000,000 was made from the Education Trust Account to ADHE.

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring a public health emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). Executive Order 20 was renewed several times until its final expiration on May 20, 2021. Executive Order 21-14 was issued by the Governor of Arkansas on July 29, 2021 and was valid for 60 days. This Order declared a statewide state of disaster emergency related to public health resulting from the impact of the Delta Variant of COVID-19.

This is
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REQUIRED SUPPLEMENTARY INFORMATION



ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Arkansas Public Employees Retirement System
Schedule of Employer's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OAL proportion of the net pension liability (asset)	0.19%	0.19%	0.19%
OAL proportionate share of the net pension liability (asset)	\$ 5,317,319	\$ 4,646,795	\$ 4,301,376
OAL covered payroll	3,660,163	3,678,231	3,651,448
OAL proportionate share of the net pension liability (asset) as a percentage of its covered payroll	145.28%	126.33%	117.80%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
The amounts presented for each fiscal year were determined as of the prior fiscal year-end.
N/A The OAL implemented GASB Statement 68 in fiscal year 2015.
Information for this schedule was not available prior to fiscal year 2015.
Source: State of Arkansas ACFR and OAL Finance Division

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Arkansas Public Employees Retirement System
Schedule of Employer's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 - 2012</u>
0.20%	0.20%	0.23%	0.24%	N/A
\$ 5,110,275	\$ 4,732,352	\$ 4,415,000	\$ 3,408,000	
3,564,158	3,649,566	3,992,710	4,244,368	
143.38%	129.67%	110.58%	80.29%	
76.65%	75.50%	80.39%	84.15%	

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Arkansas Public Employees Retirement System
Schedule of Employer Pension Contributions
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily determined contribution	\$ 568,216	\$ 560,737	\$ 563,505
Contributions in relation to the statutorily determined contribution	568,216	560,737	563,505
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,708,982	\$ 3,660,163	\$ 3,678,231
Contributions as a percentage of covered payroll	15.32%	15.32%	15.32%

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
N/A - The OAL implemented GASB Statement 68 in fiscal year 2015. Information for this schedule was not available prior to fiscal year 2014.
Source: State of Arkansas ACFR and OAL Finance Division

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Arkansas Public Employees Retirement System
Schedule of Employer Pension Contributions
Last Ten Fiscal Years

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 - 2012</u>
\$ 538,589	\$ 516,803	\$ 529,187	\$ 589,324	\$ 631,562	N/A
538,589	516,803	529,187	589,324	631,562	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 3,651,448	\$ 3,564,158	\$ 3,649,566	\$ 3,992,710	\$ 4,244,368	
14.75%	14.50%	14.50%	14.76%	14.88%	

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017-2012</u>
Service cost	\$ 220,097	\$ 124,540	\$ 115,489	\$ 122,032	N/A
Interest	99,690	121,545	135,469	127,429	
Changes of benefit terms	-	-	-	-	
Difference between expected and actual experience	13,126	(117,328)	22,506	(23,182)	
Changes in assumptions or other inputs	(189,458)	1,182,650	(357,709)	(160,833)	
Changes in proportion	30,438	-	-	-	
Benefit payments	(98,807)	(94,599)	(104,567)	(100,606)	
Net Change in Total OPEB Liability	<u>\$ 75,086</u>	<u>\$ 1,216,808</u>	<u>\$ (188,812)</u>	<u>\$ (35,160)</u>	
Total OPEB liability beginning	\$ 4,541,662	\$ 3,324,854	\$ 3,513,666	\$ 3,548,826	
Total OPEB liability ending	\$ 4,616,749	\$ 4,541,662	\$ 3,324,854	\$ 3,513,666	
Covered payroll	TBD	TBD	TBD	TBD	
Total as a percentage of covered payroll	TBD	TBD	TBD	TBD	

Note: The State implemented GASB Statement 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year.
Source: State of Arkansas ACFR and FY 2021 Actuarial Valuation Report

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STATISTICAL SECTION

MAKAELA SWINNEY | SCHOLARSHIP TO THE UNIVERSITY OF ARKANSAS-FORT SMITH



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ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Statistical Section Table of Contents
(Unaudited)

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These schedules contain trend information to help the reader understand how the OAL's financial performance and well-being have changed over time.

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These schedules offer demographic and operation indicators to help the reader understand the environment within which the OAL's financial activities take place.

OTHER INFORMATION 58

These schedules provide the reader with an understanding of lottery sales across the United States by state and other player demographics.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Principal Revenue Sources (Unaudited)
Last Ten Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:				
Instant ticket sales:				
Instant games sales	\$ 529,369,617	\$ 452,281,204	\$ 407,825,514	\$ 407,604,791
Online ticket sales:				
Powerball®	26,748,835	20,530,932	34,162,016	36,745,344
Mega Millions®	23,809,304	16,863,474	33,552,661	19,598,073
Fast Play	19,717,873	16,662,501	15,329,643	12,731,621
Natural State Jackpot	10,332,159	8,027,906	9,303,843	7,918,644
Cash 3	12,016,776	9,060,396	7,677,432	7,736,793
Cash 4	6,548,725	5,045,304	4,430,762	4,516,508
Decades of Dollars	-	-	-	-
AR Million Dollar Raffle	-	-	-	-
Arkansas 50/50 Raffle	-	-	-	-
Lucky for Life®	3,391,638	2,971,144	3,211,636	2,856,202
Monopoly™ Millionaires' Club	-	-	-	-
Total online ticket sales	<u>102,565,310</u>	<u>79,161,657</u>	<u>107,667,993</u>	<u>92,103,185</u>
Retailer application, fidelity, bond & service fees	643,517	489,153	728,897	776,503
Other revenue	<u>1,450</u>	<u>69,221</u>	<u>14,439</u>	<u>5,849</u>
Total operating revenues	<u>632,579,894</u>	<u>532,001,235</u>	<u>516,236,843</u>	<u>500,490,328</u>
Non-operating revenue:				
Interest income	835,596	2,123,634	2,569,816	1,269,083
Other non-operating income	-	-	-	-
Total non-operating revenue	<u>835,596</u>	<u>2,123,634</u>	<u>2,569,816</u>	<u>1,269,083</u>
Total revenues	<u>\$ 633,415,490</u>	<u>\$ 534,124,869</u>	<u>\$ 518,806,659</u>	<u>\$ 501,759,411</u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2021

OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015 and
ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013, 2012

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Principal Revenue Sources (Unaudited)
Last Ten Fiscal Years

2017	2016	2015	2014	2013	2012
<u>\$ 368,454,561</u>	<u>\$ 360,007,743</u>	<u>\$ 335,000,613</u>	<u>\$ 322,415,276</u>	<u>\$ 355,061,785</u>	<u>\$ 391,290,225</u>
32,755,119	48,073,339	27,099,705	35,042,460	47,409,700	37,903,399
14,313,090	14,632,244	15,158,385	19,847,674	13,891,465	25,571,602
12,313,567	10,993,360	10,770,484	10,126,554	3,391,691	2,721,436
7,047,543	7,567,005	7,035,843	8,863,034	6,994,820	-
7,128,685	7,184,616	6,712,769	6,255,740	6,161,706	6,178,537
4,238,553	3,823,987	3,832,385	3,606,991	3,324,150	3,325,490
-	-	612,932	2,345,532	2,927,572	5,237,158
-	-	-	1,426,490	-	-
-	-	38,210	143,375	385,105	857,760
2,889,910	3,317,108	2,013,064	-	-	-
-	-	388,990	-	-	-
<u>80,686,467</u>	<u>95,591,659</u>	<u>73,662,767</u>	<u>87,657,850</u>	<u>84,486,209</u>	<u>81,795,382</u>
769,959	717,150	550,952	554,292	556,792	538,584
<u>5,749</u>	<u>9,259</u>	<u>20,346</u>	<u>10,550</u>	<u>4,490</u>	<u>15,038</u>
<u>449,916,736</u>	<u>456,325,811</u>	<u>409,234,678</u>	<u>410,637,968</u>	<u>440,109,276</u>	<u>473,639,229</u>
489,046	232,275	224,546	252,614	322,722	352,431
<u>-</u>	<u>1,875</u>	<u>-</u>	<u>461,047</u>	<u>-</u>	<u>2,000,000</u>
<u>489,046</u>	<u>234,150</u>	<u>224,546</u>	<u>713,661</u>	<u>322,722</u>	<u>2,352,431</u>
<u>\$ 450,405,782</u>	<u>\$ 456,559,961</u>	<u>\$ 409,459,224</u>	<u>\$ 411,351,629</u>	<u>\$ 440,431,998</u>	<u>\$ 475,991,660</u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Revenues, Expenses and Change in Net Position (Unaudited)
Last Ten Fiscal Years

	2021	2020	2019	2018
Operating revenues:				
Instant ticket sales	\$ 529,369,617	\$ 452,281,204	\$ 407,825,514	\$ 407,604,791
Online ticket sales	102,565,310	79,161,657	107,667,993	92,103,185
Retailer application, fidelity, bond & service fees	643,517	489,153	728,897	776,503
Other revenue	1,450	69,221	14,439	5,849
Total operating revenues	<u>632,579,894</u>	<u>532,001,235</u>	<u>516,236,843</u>	<u>500,490,328</u>
Operating expenses:				
Instant game prizes	383,337,055	325,816,713	293,635,992	292,489,286
Online game prizes	56,809,420	43,791,459	56,240,230	49,406,134
Retailer commissions	35,732,276	30,108,024	29,062,835	28,196,969
Gaming contract costs	34,080,392	26,360,780	23,691,567	21,967,841
Compensation and benefits	5,525,220	5,400,746	4,829,725	5,092,375
Marketing, advertising and promotions	7,229,142	7,801,436	7,251,773	6,477,277
General and administrative expenses	5,874,071	3,846,386	5,621,315	4,947,334
Services provided by other agencies:				
Arkansas Department of Higher Education	530,853	500,335	427,384	454,932
Arkansas Legislative Audit	155,070	128,160	131,880	144,000
Legal and professional services	675	1,226	1,400	2,106
Depreciation	448,620	409,285	123,426	104,011
Total operating expenses	<u>529,722,794</u>	<u>444,164,550</u>	<u>421,017,527</u>	<u>409,282,265</u>
Operating income	102,857,100	87,836,685	95,219,316	91,208,063
Non-operating revenue:				
Interest income	835,596	2,123,634	2,569,816	1,269,083
Other non-operating income	-	-	-	-
Total non-operating revenue	<u>835,596</u>	<u>2,123,634</u>	<u>2,569,816</u>	<u>1,269,083</u>
Income before transfers	103,692,696	89,960,319	97,789,132	92,477,146
Transfers to:				
Education Trust Account	(68,000,000)	(73,000,000)	(75,000,000)	(83,500,000)
Workforce Challenge Trust Account	(38,417,224)	(16,265,394)	(23,639,040)	(8,344,929)
Arkansas Department of Human Services	-	-	-	-
Total transfers	<u>(106,417,224)</u>	<u>(89,265,394)</u>	<u>(98,639,040)</u>	<u>(91,844,929)</u>
Change in net position	<u>\$ (2,724,528)</u>	<u>\$ 694,925</u>	<u>\$ (849,908)</u>	<u>\$ 632,217</u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
2) During the 91th General Assembly, Act 613 of 2017 was enacted which created the Arkansas Workforce Challenge Scholarship which provides for the use of excess Lottery Proceeds to fund students enrolled in Higher Education Programs that will lead to the Students being qualified to work in High-Needs Occupations.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2021
OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015 and
ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013, 2012

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Revenues, Expenses and Change in Net Position (Unaudited)
Last Ten Fiscal Years

2017	2016	2015	2014	2013	2012
\$ 368,454,561	\$ 360,007,743	\$ 335,000,613	\$ 322,415,276	\$ 355,061,785	\$ 391,290,225
80,686,467	95,591,659	73,662,767	87,657,850	84,486,209	81,795,382
769,959	717,150	550,952	554,292	556,792	538,584
5,749	9,259	20,346	10,550	4,490	15,038
<u>449,916,736</u>	<u>456,325,811</u>	<u>409,234,678</u>	<u>410,637,968</u>	<u>440,109,276</u>	<u>473,639,229</u>
263,190,873	258,461,952	241,758,220	229,462,196	250,246,337	274,203,122
43,238,515	50,485,363	38,708,574	45,487,903	41,877,845	41,115,706
25,315,020	25,704,177	23,253,196	23,046,410	24,986,551	26,526,329
19,090,227	19,384,187	20,622,707	20,511,439	22,116,163	24,308,153
5,024,854	5,232,605	5,382,544	5,990,541	6,049,048	5,954,138
5,861,130	4,798,502	5,032,317	4,472,456	4,414,655	4,466,054
3,799,935	3,380,275	1,274,003	1,414,871	1,231,212	1,270,047
441,317	396,995	538,487	751,556	794,016	846,109
139,760	143,360	129,960	139,080	142,720	159,440
1,864	2,793	12,528	6,457	22,507	107,651
96,917	95,063	158,363	188,270	182,158	182,159
<u>366,200,412</u>	<u>368,085,272</u>	<u>336,870,899</u>	<u>331,471,179</u>	<u>352,063,212</u>	<u>379,138,908</u>
83,716,324	88,240,539	72,363,779	79,166,789	88,046,064	94,500,321
489,046	232,275	224,546	252,614	322,722	352,431
-	1,875	-	461,047	-	2,000,000
<u>489,046</u>	<u>234,150</u>	<u>224,546</u>	<u>713,661</u>	<u>322,722</u>	<u>2,352,431</u>
84,205,370	88,474,689	72,588,325	79,880,450	88,368,786	96,852,752
(71,000,000)	(85,274,927)	(72,619,369)	(81,488,844)	(90,257,161)	(97,510,280)
(14,157,060)	-	-	-	-	-
-	-	(200,000)	(200,000)	(200,000)	(200,000)
<u>(85,157,060)</u>	<u>(85,274,927)</u>	<u>(72,819,369)</u>	<u>(81,688,844)</u>	<u>(90,457,161)</u>	<u>(97,710,280)</u>
<u>\$ (951,690)</u>	<u>\$ 3,199,762</u>	<u>\$ (231,044)</u>	<u>\$ (1,808,394)</u>	<u>\$ (2,088,375)</u>	<u>\$ (857,528)</u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Net Position by Component (Unaudited)
Last Ten Fiscal Years

	<u>2021</u>	<u>2020 (4)</u>	<u>2019</u>	<u>2018</u>
Net position:				
Invested in capital assets	\$ 1,394,688	\$ 1,782,439	\$ 1,249,343	\$ 345,095
Restricted for:				
Scholarship shortfall reserve	20,000,000	20,000,000	20,000,000	20,000,000
Retailer fidelity reserve	-	-	207,608	182,514
Retailer bond reserve	500,000	500,000	709,671	583,166
Deposits with Multi-State				
Lottery Association	2,130,976	2,515,353	2,579,250	2,165,572
Unclaimed prizes reserve	1,000,000	1,000,000	1,000,000	1,000,000
Unrestricted (deficit)	<u>(16,818,400)</u>	<u>(14,866,000)</u>	<u>(15,509,005)</u>	<u>(13,189,572)</u>
 Total net position (deficit)	 <u>\$ 8,207,264</u>	 <u>\$ 10,931,792</u>	 <u>\$ 10,236,867</u>	 <u>\$ 11,086,775</u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
2) For fiscal year 2014, Unrestricted (deficit) was restated for Pension per GASB Statement 68.
3) For fiscal year 2017, Unrestricted (deficit) was restated for OPEB per GASB Statement 75.
4) During the 92th General Assembly, Act 683 of 2019 was enacted which established a separate account for Bond Fees and repealed the establishment of a separate Fidelity Fund. Effective for fiscal year 2020 Fidelity Funds were moved to the Bond Fund.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2021
OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015 and
ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013, 2012

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Net Position by Component (Unaudited)
Last Ten Fiscal Years

2017 (3)	2016	2015	2014 (2)	2013	2012
\$ 384,288	\$ 376,417	\$ 223,178	\$ 246,113	\$ 358,372	\$ 540,530
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
158,355	136,900	113,582	91,133	70,586	49,232
373,312	163,872	-	-	-	-
1,948,071	1,847,611	1,762,386	1,794,079	1,773,620	1,683,806
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(13,409,468)	(10,752,564)	(13,526,672)	(13,327,807)	(7,591,547)	(5,574,162)
<u>\$ 10,454,558</u>	<u>\$ 12,772,236</u>	<u>\$ 9,572,474</u>	<u>\$ 9,803,518</u>	<u>\$ 15,611,031</u>	<u>\$ 17,699,406</u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Changes in Cash and Cash Equivalents (Unaudited)
Last Ten Fiscal Years

	2021	2020	2019	2018
Cash flows from operating activities:				
Cash received from retailers and others	\$ 631,663,508	\$ 527,425,949	\$ 515,478,097	\$ 500,126,133
Cash paid for prizes	(437,271,456)	(368,268,399)	(347,546,374)	(342,721,524)
Cash paid for gaming vendors	(31,520,711)	(24,165,209)	(23,731,011)	(21,710,991)
Cash paid for retailer commissions	(35,732,276)	(30,108,024)	(29,062,835)	(28,196,969)
Cash paid for marketing and advertising	(7,528,145)	(7,923,598)	(6,593,736)	(6,861,300)
Cash paid for employee services	(4,798,539)	(4,986,502)	(4,859,829)	(4,783,897)
Cash paid for other expenses	(6,628,343)	(4,193,322)	(5,939,380)	(5,526,375)
Cash received from other non-operating income	-	-	-	-
Net cash provided (used) by operating activities	108,184,038	87,780,895	97,744,932	90,325,077
Cash flows from non-capital financing activities:				
Interagency advances				
Transfers to Arkansas Department of Higher Education	(70,900,000)	(74,000,000)	(76,000,000)	(83,500,000)
Transfers from Arkansas Department of Higher Education	4,466,023	3,904,288	11,710,439	4,887,237
Transfers to Arkansas Department of Human Services	-	-	-	-
Net cash provided (used) by non-capital financing activities	(66,433,977)	(70,095,712)	(64,289,561)	(78,612,763)
Cash flows from capital and related financing activities:				
Purchases of capital assets	(60,869)	(942,381)	(1,056,195)	(36,296)
Loss on disposal of fixed assets	-	-	-	-
Net cash flows from capital and related financing activities	(60,869)	(942,381)	(1,056,195)	(36,296)
Cash flows from investing activities:				
Interest received	835,596	2,123,634	2,569,816	1,269,083
Net increase in cash and cash equivalents	42,524,788	18,866,436	34,968,992	12,945,101
Cash and cash equivalents, beginning	137,679,704	118,813,268	83,844,276	70,899,175
Cash and cash equivalents, ending	<u>\$ 180,204,492</u>	<u>\$ 137,679,704</u>	<u>\$ 118,813,268</u>	<u>\$ 83,844,276</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 102,857,100	\$ 87,836,685	\$ 95,219,316	\$ 91,208,063
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	448,620	409,285	123,426	104,011
Pension Earnings	236,441	213,549	(64,654)	186,455
Other post employment benefits expense	300,428	260,169	42,587	112,052
Other non-operating income	-	-	-	-
Net changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	(855,829)	(4,587,967)	(785,562)	(280,305)
Receivable from other Funds of the State	-	(55)	97	(117)
Prepaid items	(83,728)	(15,468)	201,182	(36,830)
Deposits with Mult-State Lottery Association	384,377	63,897	(413,677)	(217,501)
Increase (decrease) in liabilities:				
Accounts payable	(914,625)	356,091	521,412	(84,155)
Prizes payable	2,490,641	1,275,877	2,743,525	(608,602)
Accrued and other liabilities	3,370,119	1,824,167	168,340	2,212
Due to other funds of the State	32,952	64,388	(46,969)	20,579
Compensated absences	(21,903)	67,542	9,189	2,990
Unearned revenue	(60,555)	12,735	26,720	(83,775)
Net other post employment benefits	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 108,184,038</u>	<u>\$ 87,780,895</u>	<u>\$ 97,744,932</u>	<u>\$ 90,325,077</u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2021

OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015 and

ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013, 2012

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Changes in Cash and Cash Equivalents (Unaudited)
Last Ten Fiscal Years

2017	2016	2015	2014	2013	2012
\$ 448,872,673	\$ 457,634,809	\$ 407,714,967	\$ 410,690,974	\$ 440,234,069	\$ 473,876,584
(305,141,493)	(310,865,471)	(279,650,934)	(275,024,448)	(289,313,701)	(315,948,269)
(19,154,160)	(19,540,446)	(20,638,704)	(20,308,816)	(22,410,639)	(24,588,775)
(25,400,020)	(25,742,753)	(23,253,196)	(23,046,410)	(24,986,551)	(26,526,329)
(5,492,302)	(5,413,835)	(4,772,451)	(4,319,538)	(4,863,664)	(4,280,198)
(4,749,058)	(4,834,544)	(5,432,980)	(5,725,930)	(5,691,914)	(5,848,550)
(5,645,415)	(2,412,905)	(2,139,793)	(2,402,273)	(2,228,385)	(2,726,247)
-	1,875	-	461,047	-	2,000,000
83,290,225	88,826,730	71,826,909	80,324,606	90,739,215	95,958,216
-	-	-	-	-	-
(71,000,000)	(77,000,000)	(80,000,000)	(95,000,000)	(115,000,000)	(115,000,000)
542,198	286,177	2,319,469	2,138,092	6,342,312	12,430,211
-	-	(200,000)	(200,000)	(200,000)	(200,000)
(70,457,802)	(76,713,823)	(77,880,531)	(93,061,908)	(108,857,688)	(102,769,789)
(104,787)	(248,302)	(138,605)	(76,011)	-	-
-	-	3,177	-	-	-
(104,787)	(248,302)	(135,428)	(76,011)	-	-
489,046	232,275	224,546	252,614	322,722	352,431
13,216,682	12,096,880	(5,964,504)	(12,560,699)	(17,795,751)	(6,459,142)
57,682,493	45,585,613	51,550,117	64,110,816	81,906,567	88,365,709
\$ 70,899,175	\$ 57,682,493	\$ 45,585,613	\$ 51,550,117	\$ 64,110,816	\$ 81,906,567
\$ 83,716,324	\$ 88,240,539	\$ 72,363,779	\$ 79,166,789	\$ 88,046,064	\$ 94,500,321
96,917	95,063	158,363	188,270	182,158	182,159
11,108	(90,790)	(201,028)	-	-	-
-	-	-	-	-	-
-	1,875	-	461,047	-	2,000,000
(929,311)	1,166,802	(1,493,924)	33,527	157,254	258,522
3,579	(3,576)	-	7,020	(7,020)	-
(156,757)	(9,191)	59,650	(51,876)	414	45,174
(100,460)	(85,225)	31,693	(20,459)	(89,814)	(545,673)
118,383	(481,522)	(609,762)	871,837	(273,839)	(766,472)
1,388,353	(1,832,930)	784,166	(53,889)	2,900,295	(83,767)
(973,880)	1,261,440	864,662	(481,765)	(494,883)	501,610
(4,626)	(66,992)	(248,295)	(123,695)	16,659	(382,971)
33,716	16,613	(38,879)	5,449	38,032	1,191
(114,751)	142,196	(25,787)	19,479	(32,461)	(21,168)
201,630	472,428	182,271	302,872	296,356	269,290
\$ 83,290,225	\$ 88,826,730	\$ 71,826,909	\$ 80,324,606	\$ 90,739,215	\$ 95,958,216

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Total Personal and Per Capita Income and Unemployment Rate (Unaudited)
Last Ten Years

Calendar year	Total population (in thousands)		Total personal income (in millions)		Per capita personal income	Unemployment rate
2021	3,036		\$ 148,825	\$	49,023	5.2%
2020	3,023 *		142,192		47,037	5.1%
2019	3,021 *		130,457		43,183	3.7%
2018	3,013 *		125,715		41,724	3.8%
2017	3,004 *		123,313		41,050	3.7%
2016	2,988 *		118,770		39,749	3.9%
2015	2,976 *		116,249		39,062	5.0%
2014	2,965 *		112,619		37,983	6.0%
2013	2,957 *		106,430		35,993	7.2%
2012	2,949 *		106,537		34,399	7.6%

* Estimated Amounts

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

Source: IHS Global Insight Inc. (September 2018), derived from data compiled by the U.S. Bureau of Economic Analysis and Census Bureau

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
State of Arkansas Principal Employers (Unaudited)
Year 2021 as Compared to 2012

2021	Employer	Total Employees	% of Total Arkansas Employment
1	Wal-Mart Stores, Inc.	51,572	4.1%
2	Arkansas State Government (Excluding Education)	25,074	2.0%
3	Tyson Foods, Inc.	24,000	1.9%
4	U.S. Government	20,200	1.6%
5	University of Arkansas for Medical Sciences (UAMS)	11,055	0.9%
6	Baptist Health	10,960	0.9%
7	J.B. Hunt Transport Services, Inc.	6,536	0.4%
8	University of Arkansas	6,536	0.4%
9	Mercy	5,709	0.4%
10	Simmons Foods Inc & Affiliates	4,505	0.4%
		<u>166,147</u>	<u>13.0%</u>

2012	Employer	Total Employees	% of Total Arkansas Employment
1	Arkansas State Government	56,705	4.8%
2	Wal-Mart Stores, Inc.	46,531	4.0%
3	Tyson Foods, Inc.	23,300	2.0%
4	U.S. Government	20,400	1.7%
5	Baptist Health	7,878	0.7%
6	Sisters of Mercy Health System	6,150	0.5%
7	J.B. Hunt Transport Services, Inc.	4,270	0.4%
8	Arkansas Children's Hospital	4,194	0.4%
9	Kroger Co.	3,875	0.3%
10	Simmons Foods, Inc.	3,238	0.3%
		<u>176,541</u>	<u>15.1%</u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
2) Effective for fiscal year 2020, Arkansas State Government does not include educational employees.
Source: Arkansas Business Publishing Group and Arkansas Dept. of Economic Development.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Employees by Department and by Function (Unaudited)
Last Ten Fiscal Years

Function	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Executive	1	1	1	1	1	1	1	1	1	1
Public Affairs	0	0	0	0	0	0	0	0	0	1
Human Resources	1	1	0	0	0	0	0	2	2	2
Legal Counsel	1	1	2	2	2	1	2	2	2	1
Internal Audit	1	3	3	3	2	3	3	2	2	1
Sales	21	23	23	24	24	23	22	23	23	23
Marketing	4	4	3	3	4	4	4	7	7	7
Security	5	4	5	4	4	6	6	6	5	6
Draw Managers	1	2	2	2	2	2	2	2	2	2
Licensing	3	4	4	4	4	4	3	3	3	3
Gaming	1	1	1	1	1	1	1	1	1	1
IT-Gaming	6	6	6	6	6	6	6	6	6	6
Product Development	3	3	3	3	3	3	3	3	3	3
Finance	1	1	1	1	1	1	1	1	1	1
Treasurer	3	3	2	3	3	3	3	3	3	3
Claims Center	3	3	3	3	3	3	3	9	9	9
Controller	2	2	2	2	2	2	2	5	5	5
Procurement	2	1	1	1	1	1	1	2	2	3
IT-Admin	2	1	1	2	2	1	2	3	3	3
Financial Analyst	1	1	1	1	1	0	0	0	0	0
Total Employees	62	65	64	66	66	65	65	81	80	81
Gender:										
Female	30	31	30	30	30	30	28	40	39	41
Male	32	34	34	36	36	35	37	41	41	40
Race:										
Black/Non-Hispanic	15	16	17	14	16	16	15	19	19	23
Caucasian	43	46	44	49	45	43	43	53	54	51
Hispanic	0	0	0	0	2	2	2	3	3	2
Other	4	3	3	3	3	4	5	6	4	5
Age:										
Under 40	17	18	14	20	19	20	21	29	31	34
40+	45	47	50	46	47	45	44	52	49	47

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

Source: OAL Human Resources

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Capital Assets by Department (Unaudited)
Year Ended June 30, 2021

Function	2021
Executive:	
Furniture and fixtures	\$ 3,981
Computer equipment	3,498
Vehicles	3,572
Buildings/building improvements	38,487
Total executive assets	<u>49,538</u>
Sales and Marketing:	
Furniture and fixtures	33,171
Computer equipment	2,160,210
Vehicles	29,770
Buildings/building improvements	320,724
Total sales and marketing assets	<u>2,543,875</u>
Gaming and Security:	
Furniture and fixtures	25,210
Computer equipment	214,049
Vehicles	22,625
Buildings/building improvements	243,750
Total gaming and security assets	<u>505,634</u>
Finance:	
Furniture and fixtures	19,903
Computer equipment	17,490
Vehicles	17,862
Buildings/building improvements	192,434
Total finance assets	<u>247,689</u>
Total assets	<u><u>\$ 3,346,736</u></u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
U.S. Lotteries' Sales (Unaudited)
Fiscal Year 2021

Lottery Jurisdiction	Population (in millions)	Sales (in millions)	Sales Per Capita	Instant Sales (in millions)	Instant Sales Per Capita
Arizona	7.4	\$ 1,439.4	\$ 194	\$ 1,109.8	\$ 150
Arkansas	3.0	631.9	209	529.4	176
California	39.4	8,405.2	214	6,396.7	162
Colorado	5.8	794.9	137	573.0	99
Connecticut	3.6	1,497.8	421	837.7	233
D.C. (1)	0.7	235.0	330	49.5	71
Delaware	1.0	233.8	236	111.5	112
Florida	21.7	9,076.2	418	6,827.9	315
Georgia	10.7	6,034.4	563	4,005.8	374
Idaho	1.8	371.9	204	227.2	126
Illinois	12.6	3,450.0	274	2,214.4	176
Indiana	6.8	1,737.7	257	1,384.5	204
Iowa	3.2	452.6	143	316.9	99
Kansas	2.9	339.6	117	232.2	80
Kentucky	4.5	1,486.4	332	961.7	214
Louisiana	4.6	624.9	135	333.4	72
Maine	1.4	390.7	289	314.6	225
Maryland	6.1	2,600.6	430	993.4	163
Massachusetts	6.9	5,797.7	841	4,019.5	583
Michigan (1)	10.0	3,925.1	394	1,868.9	187
Minnesota	5.7	803.6	142	615.6	108
Mississippi	3.0	514.5	173	431.3	144
Missouri	6.2	1,659.1	270	1,216.5	196
Montana	1.1	72.2	67	29.9	27
Nebraska	1.9	204.9	106	123.0	65
N. Hampshire	1.4	484.6	355	320.4	229
New Jersey	8.9	3,683.9	415	2,072.7	233
New Mexico	2.1	154.9	74	95.5	45
New York (1)	19.3	7,666.1	396	4,231.7	219
N. Carolina	10.6	3,805.4	359	2,560.8	242
N. Dakota (2)	0.8	30.4	40	-	-
Ohio	11.7	4,330.1	370	2,315.8	198
Oklahoma	4.0	346.8	87	256.0	64
Oregon	4.2	409.5	97	196.0	47
Pennsylvania	12.8	5,436.9	425	3,757.9	294
Rhode Island	1.1	296.0	280	134.6	122
S. Carolina	5.2	2,415.8	463	1,763.0	339
South Dakota	0.9	73.7	82	47.5	53
Texas (1)	29.4	8,115.6	276	6,633.3	226
Vermont	0.6	161.5	259	131.7	220
Virginia	8.6	2,592.1	302	1,302.1	151
Washington	7.7	950.7	124	701.2	91
West Virginia	1.8	249.2	140	173.1	96
Wisconsin	5.8	894.5	153	634.7	109
Wyoming (2)	0.6	30.7	53	-	-
Total	309.5	\$ 94,908.5	\$ 307	\$ 63,052.3	\$ 204

(1) Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (September 30).

(2) North Dakota and Wyoming do not have instant ticket sales.

Source: *La Fluer's Magazine* - September/October 2021

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
U.S. Lotteries' Sales (Unaudited)
Fiscal Year 2020

Lottery Jurisdiction	Population (in millions)	Sales (in millions)	Sales Per Capita	Instant Sales (in millions)	Instant Sales Per Capita
Arizona	7.3	\$ 1,098.0	\$ 151	\$ 848.4	\$ 116
Arkansas	3.0	531.4	176	452.3	151
California	39.5	6,630.0	168	5,037.7	128
Colorado	5.8	658.8	114	490.7	85
Connecticut	3.6	1,305.3	366	757.0	210
D.C. (1)	0.7	205.0	290	48.6	69
Delaware	1.0	220.5	226	92.9	93
Florida	21.5	7,505.1	349	5,665.3	264
Georgia	10.6	4,974.8	469	3,427.6	323
Idaho	1.8	277.6	155	173.1	96
Illinois	12.7	2,844.5	224	1,887.8	149
Indiana	6.7	1,384.1	206	1,093.0	163
Iowa	3.2	372.0	118	262.4	82
Kansas	2.9	287.0	99	198.3	68
Kentucky	4.5	1,203.4	269	741.1	165
Louisiana	4.6	509.1	110	264.6	58
Maine	1.3	314.1	234	251.9	194
Maryland	6.0	2,181.9	361	852.7	142
Massachusetts	6.9	5,212.0	756	3,621.4	525
Michigan (1)	10.0	3,967.0	397	1,712.4	171
Minnesota	5.6	668.6	119	519.3	93
Mississippi	3.0	340.5	114	318.1	106
Missouri	6.1	1,404.1	229	1,035.6	170
Montana	1.1	61.4	57	25.6	23
Nebraska	1.9	182.9	95	111.8	59
N. Hampshire	1.4	384.6	283	272.4	195
New Jersey	8.9	3,215.6	362	1,880.0	211
New Mexico	2.1	127.1	61	79.3	38
New York (1)	19.5	7,726.7	397	4,114.4	211
N. Carolina	10.5	3,016.2	288	2,089.2	199
N. Dakota (2)	0.8	24.4	32	-	-
Ohio	11.7	3,471.5	297	1,873.8	160
Oklahoma	4.0	267.8	68	198.3	50
Oregon	4.2	337.9	80	149.8	36
Pennsylvania	12.8	4,595.7	359	3,203.2	250
Rhode Island	1.1	246.4	233	112.6	102
S. Carolina	5.1	2,106.4	409	1,582.2	310
South Dakota	0.9	58.2	66	37.1	41
Texas (1)	29.0	6,704.0	231	5,555.8	192
Vermont	0.6	137.4	220	111.1	185
Virginia	8.5	2,148.6	252	1,166.8	137
Washington	7.6	817.3	107	619.7	82
West Virginia	1.8	208.5	116	145.4	81
Wisconsin	5.8	725.4	125	513.0	88
Wyoming (2)	0.6	23.5	41	-	-
Total	308.2	\$ 80,682.3	\$ 256	\$ 53,593.7	\$ 174

(1) Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (September 30).

(2) North Dakota and Wyoming do not have instant ticket sales.

Source: *La Fluer's Magazine* - September/October 2021

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Demographic Summary (Unaudited)
Fiscal Year Ended June 30, 2021

	Census	All Respondents
Number of respondents =	3.0 Million	600
Male	49%	48%
Female	51%	52%
18-34		29%
35-54		34%
55 or older		37%
Caucasian	79%	81%
African American	16%	14%
Other (includes Multi – racial)	5%	5%
Less than \$35,000		34%
\$35,000 to just under \$50,000		14%
\$50,000 to just under \$75,000		19%
\$75,000 or more		27%
Did not respond		6%

Source: OAL Demographic Research Study April - June 2021, Consumer Insights Group and U.S. Census Bureau

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ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Unclaimed Lottery Prizes (Unaudited)
Fiscal Year Ended June 30, 2021

Month	Unclaimed lottery prizes	Expenditures from unclaimed lottery prizes	Increase (decrease) in unclaimed prize reserve	Deposits to net lottery proceeds from unclaimed lottery prizes
July	\$ 138,541	\$ -	\$ 138,541	\$ -
August	653,444	-	653,444	-
September	167,166	-	167,166	-
October	89,981	-	89,981	-
November	143,919	-	143,919	-
December	1,662,955	-	1,662,955	-
January	846,006	-	846,006	-
February	1,913,086	-	1,913,086	-
March	1,024,607	-	1,024,607	-
April	95,350	-	95,350	-
May	757,610	-	757,610	-
June	1,189,636	-	(7,492,665)	8,682,301
Total	\$ 8,682,301	\$ -	\$ 0	\$ 8,682,301

Source: OAL general ledger

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Scholarship Shortfall Reserve Trust Account (Unaudited)
Fiscal Year Ended June 30, 2021

	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

Source: OAL general ledger and corresponding bank statements

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Minority and Female-owned Business Participation (Unaudited)
Fiscal Year Ended June 30, 2021

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
A-Absolute Moving & Hauling	\$ 1,754	Moving/Hauling	Certified Minority Business Enterprise
Government Supply Services	3,656	Office Products	Certified Minority Business Enterprise
Total	<u>\$ 5,410</u>		

Intralot Minority and Female Owned Diversity Compliance Report

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
J Kelly Referrals and Information Svcs, Inc	\$ 175,000	Call Center/Information Svcs	Certified Minority Business Enterprise
Total	<u>\$ 175,000</u>		

Scientific Games Minority and Female Owned Diversity Compliance Report

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
Pure Cleaning Services	\$ 14,513	Janitorial Svcs	Minority Business Enterprise
Ingage, LLC	766,430	Fulfillment Services and Prizes	Women Business Enterprise
Expedited Transportation Svcs	27,579	Transportation Svcs	Disadvantage Business Enterprise
Total	<u>\$ 808,522</u>		

Source: OAL accounts payable records, Scientific Games and Intralot records

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Retail Sales by County (Unaudited)
Fiscal Year Ended June 30, 2021

COUNTY	<u>Instant*</u>	<u>Powerball ® *</u>	<u>Mega Millions ® *</u>	<u>Fast Play*</u>	<u>Natural State Jackpot*</u>	<u>Cash 3*</u>	<u>Cash 4*</u>	<u>Lucky for Life ® *</u>	<u>Total</u>
Arkansas	6,318,098	221,453	197,483	171,367	85,228	220,973	113,017	26,768	\$ 7,354,387
Ashley	2,459,142	136,279	93,016	107,540	38,531	194,289	205,030	20,230	3,254,057
Baxter	5,989,710	383,851	323,246	285,800	169,318	55,069	28,362	70,610	7,305,965
Benton	17,913,970	1,811,455	1,612,977	309,123	416,049	116,329	45,766	178,708	22,404,376
Boone	6,651,529	283,961	239,566	444,666	80,383	23,339	31,347	28,268	7,783,059
Bradley	2,694,305	73,324	66,057	34,024	28,263	33,940	53,859	11,802	2,995,573
Calhoun	840,098	20,782	17,002	30,085	8,897	41,836	7,598	4,256	970,554
Carroll	3,715,695	193,721	154,616	174,898	53,143	10,439	10,089	19,902	4,332,503
Chicot	2,656,815	178,286	146,533	89,101	61,094	97,176	50,346	33,224	3,312,575
Clark	5,334,241	198,187	184,678	332,807	75,555	56,574	20,060	19,990	6,222,092
Clay	1,511,279	56,248	49,357	69,922	25,777	9,982	969	7,382	1,730,915
Cleburne	4,325,378	266,628	233,175	349,037	144,327	29,588	6,657	34,656	5,389,446
Cleveland	1,007,323	27,767	23,042	30,618	9,441	12,608	2,377	14,066	1,127,242
Columbia	5,257,248	146,532	119,414	132,892	71,737	222,737	111,020	23,032	6,084,612
Conway	6,083,463	251,168	220,873	261,643	125,119	95,193	39,114	25,208	7,101,780
Craighead	22,447,507	761,738	678,177	714,679	258,431	207,016	102,568	77,936	25,248,052
Crawford	5,491,227	449,859	392,047	153,207	148,590	20,589	10,674	40,758	6,706,951
Crittenden	10,326,576	641,939	521,164	160,093	157,412	301,070	207,401	64,828	12,380,482
Cross	4,338,610	120,107	104,244	139,035	43,833	72,708	30,140	10,828	4,859,505
Dallas	2,775,784	67,485	55,910	79,171	29,071	27,825	13,336	5,532	3,054,114
Desha	3,297,303	140,341	126,674	107,033	56,327	36,806	24,089	11,460	3,800,033
Drew	4,755,755	168,752	145,321	125,491	53,418	66,384	32,186	25,266	5,372,573
Faulkner	18,767,166	972,341	863,873	691,054	432,337	201,484	85,738	107,614	22,121,607
Franklin	2,734,520	168,253	139,425	202,075	48,684	7,639	1,899	13,388	3,315,883
Fulton	866,187	45,385	37,178	57,660	22,878	6,926	5,329	11,416	1,052,958
Garland	16,412,755	1,155,248	1,073,374	574,042	590,399	192,948	113,424	142,396	20,254,586
Grant	2,148,798	133,819	122,168	102,573	55,533	9,355	8,315	18,210	2,598,771
Greene	9,229,276	335,578	278,354	296,554	114,627	10,801	5,757	33,172	10,304,119
Hempstead	5,253,046	156,674	137,411	131,577	42,207	870,898	268,195	15,256	6,875,264
Hot Springs	5,689,801	237,827	220,856	243,112	94,474	16,714	5,903	27,916	6,536,603
Howard	3,951,068	105,991	96,327	138,206	34,373	650,506	200,055	19,760	5,196,286
Independence	7,722,531	288,421	263,895	680,072	117,348	53,065	25,485	23,976	9,174,793
Izard	1,343,435	75,915	67,579	105,538	42,241	1,500	679	8,146	1,645,033
Jackson	4,091,338	139,166	124,181	274,306	85,510	210,805	128,239	18,140	5,071,685
Jefferson	20,893,531	868,152	744,868	544,102	353,890	852,218	646,535	133,590	25,036,886
Johnson	4,020,743	171,566	140,532	98,674	61,501	12,158	20,298	16,692	4,542,164
Lafayette	1,230,602	47,648	40,770	44,785	11,381	171,041	50,114	8,150	1,604,491
Lawrence	3,793,057	123,465	115,253	190,374	46,268	7,692	2,509	14,466	4,293,084
Lee	1,224,589	43,889	39,157	29,842	10,863	68,390	144,828	5,082	1,566,639
Lincoln	1,430,019	66,175	57,565	47,795	26,245	4,952	8,854	10,462	1,652,067
Little River	1,991,022	84,727	80,067	58,081	19,738	84,759	45,050	9,324	2,372,768
Logan	3,385,749	168,287	138,138	125,757	61,129	4,530	1,709	12,762	3,898,060
Lonoke	15,139,492	723,345	665,294	638,100	306,317	207,931	101,741	81,770	17,863,990

(Continued)

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Retail Sales by County (Unaudited)
Fiscal Year Ended June 30, 2021

COUNTY	<u>Instant*</u>	<u>Powerball @*</u>	<u>Mega Millions @*</u>	<u>Fast Play*</u>	<u>Natural State Jackpot*</u>	<u>Cash 3*</u>	<u>Cash 4*</u>	<u>Lucky for Life @*</u>	<u>Total</u>
Madison	1,324,989	98,203	85,489	32,686	23,988	951	431	7,538	1,574,275
Marion	2,747,321	136,213	111,704	118,187	78,703	132,962	38,835	21,256	3,385,181
Miller	9,115,683	303,773	294,586	195,453	93,161	434,309	187,079	51,476	10,675,519
Mississippi	9,141,881	278,266	254,491	302,334	66,141	755,404	309,196	21,586	11,129,298
Monroe	2,666,599	118,964	104,917	194,404	41,401	149,033	74,699	9,676	3,359,692
Montgomery	410,648	39,034	33,725	29,650	12,373	140	49	2,652	528,271
Nevada	2,700,758	62,770	61,696	29,726	18,893	74,816	26,821	11,470	2,986,949
Newton	583,718	26,917	22,108	41,927	10,267	1,016	343	2,124	688,419
Ouachita	9,143,806	222,621	182,646	333,011	83,268	212,345	89,479	28,046	10,295,222
Perry	1,815,491	79,281	69,687	74,845	34,978	10,287	5,239	6,700	2,096,508
Phillips	3,825,517	179,432	151,875	133,231	50,722	152,583	72,765	26,232	4,592,357
Pike	1,910,009	89,051	80,388	187,814	50,592	4,141	1,961	12,696	2,336,651
Poinsett	8,222,347	191,037	164,125	363,160	63,760	95,054	16,920	11,420	9,127,823
Polk	2,341,712	152,635	124,213	69,552	62,761	17,579	1,029	20,108	2,789,589
Pope	11,497,639	602,252	551,479	325,022	234,106	62,896	23,091	63,086	13,359,571
Prairie	2,565,842	85,138	74,113	74,262	29,581	39,024	19,974	6,652	2,894,586
Pulaski	96,622,977	5,315,029	5,040,468	3,659,217	2,467,043	2,037,940	1,663,250	936,660	117,742,583
Randolph	2,269,504	127,925	112,688	115,903	37,382	1,674	1,000	13,828	2,679,904
Saint Francis	5,356,692	211,819	177,334	92,426	59,954	332,373	194,194	25,936	6,450,728
Saline	16,922,245	995,092	922,381	843,787	460,663	314,363	95,737	137,866	20,692,134
Scott	1,290,827	88,742	69,820	55,756	22,097	2,659	993	7,662	1,538,556
Searcy	1,032,406	54,200	45,368	37,852	24,215	2,553	7,369	8,130	1,212,092
Sebastian	12,904,085	1,122,166	989,403	356,727	435,967	128,585	41,152	117,714	16,095,799
Sevier	2,399,424	90,498	91,428	14,076	26,198	64,736	6,800	10,770	2,703,930
Sharp	4,121,357	204,866	171,719	233,638	83,982	9,817	3,386	23,040	4,851,805
Stone	1,390,302	86,679	82,002	128,503	53,407	24,403	12,770	10,336	1,788,402
Union	12,705,776	375,898	316,205	549,925	111,606	967,207	448,996	48,422	15,524,034
Van Buren	2,755,057	141,602	121,833	160,137	67,958	19,712	9,657	14,510	3,290,466
Washington	21,628,460	1,692,306	1,480,239	487,749	500,519	242,292	111,072	169,156	26,311,793
White	14,665,843	577,843	503,709	719,262	226,618	90,364	41,138	59,566	16,884,343
Woodruff	1,927,720	60,315	52,960	75,204	20,561	29,619	21,351	6,590	2,194,319
Yell	3,590,284	149,996	131,923	105,936	61,767	8,636	6,568	13,300	4,068,410
Grand Total	\$ 529,106,700	\$ 26,672,298	\$ 23,827,559	\$ 19,717,873	\$ 10,332,519	\$ 12,018,235	\$ 6,549,988	\$ 3,392,602	\$ 631,617,774

*Estimates: Cash Sales, not on accrual basis
Source: OAL Gaming Division

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Demographic Report from the Arkansas Department of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2021

Institution	Awards	Scholarships
Arkansas Baptist College	57	\$ 94,500
Arkansas Northeastern College	165	146,750
Arkansas State University Beebe	856	783,370
Arkansas State University Jonesboro	5,819	9,817,604
Arkansas State University Mid South	58	49,875
Arkansas State University Mountain Home	244	208,375
Arkansas State University Newport	204	182,000
Arkansas State University Three Rivers	75	61,000
Arkansas Tech University	5,775	9,376,612
Arkansas Tech University Ozark Campus	220	191,625
Baptist Health College Little Rock	53	60,500
Black River Technical College	222	166,125
Central Baptist College	365	624,351
Champion Christian College	11	18,500
Cossatot Community College UA	220	208,375
Crowley's Ridge College	91	144,500
East Arkansas Community College	150	149,375
Ecclesia College	40	59,500
Harding University	1,145	1,939,875
Henderson State University	2,262	3,849,979
Hendrix College	845	1,322,625
Jefferson School of Nursing	10	13,125
John Brown University	594	1,015,375
Lyon College	575	923,000
National Park College	448	370,250
North Arkansas College	418	429,375
Northwest Arkansas Community College	874	745,985
Ouachita Baptist University	1,422	2,351,250
Ozarka College	138	133,071
Philander Smith College	135	255,625
Phillips Community College UA	125	116,500
Shorter College	4	5,250
South Arkansas Community College	115	109,500
Southeast Arkansas Community College	147	142,250
Southern Arkansas University	2,265	3,633,250
Southern Arkansas University Tech	218	205,500
University of Arkansas Community College Batesville	328	285,625
University of Arkansas Community College Hope	177	163,625
University of Arkansas Community College Morrilton	568	478,625
University of Arkansas Community College Rich Mountain	297	232,000
University of Arkansas Fayetteville	11,559	18,377,156
University of Arkansas Medical Sciences	348	782,875
University of Arkansas Fort Smith	3,064	5,003,500
University of Arkansas Little Rock	2,490	4,306,997
University of Arkansas Monticello	1,139	1,844,500
University of Arkansas at Monticello College of Technology - Crossett	6	8,000
University of Arkansas at Monticello College of Technology - McGehee	6	9,000
University of Arkansas Pine Bluff	766	1,329,886
University of Arkansas Pulaski Technical College	830	722,875
University of Central Arkansas	7,791	12,998,070
University of the Ozarks	335	555,750
Williams Baptist College	448	659,375
Total	56,517	\$ 87,662,581

Totals include Traditional, Nontraditional, Current Achiever and Original Challenge Recipients.
Source: Arkansas Department of Higher Education

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Expenditures and Projected Obligations from Scholarship and Grant Funding Sources
from Arkansas Department of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2021

Program	Expenditures	Budget
Academic Challenge Scholarships	\$ 20,000,000	\$ 20,000,000
AR Geographical Critical Needs	58,500	150,000
Arkansas Future Grant	1,975,052	5,000,000
Law Enforcement Dependents	377,855	400,000
Governor's Scholars Program	21,945,324	22,000,000
Go! Opportunities Grants	107,691	500,000
Military Dependents	1,465,071	1,500,000
National Guard Tuition Assistance	1,697,310	1,400,000
Single Parent Scholarship	175,000	175,000
SREB Minority Doctoral Scholars	175,000	175,000
State Teacher Education Program	1,100,958	2,000,000
SURF Program	151,009	150,000
Teacher Opportunity Program	1,785,780	2,000,000
Tuition Adjustment	350,000	350,000
Washington Center Scholarships	49,000	150,000
Arkansas Health Education Grants:		
Dental Aid	2,890,800	2,950,000
Dental Loans	996,300	987,370
Optometry Grants	499,200	650,000
Optometry Loans	90,000	140,000
Veterinary Aid	1,452,392	1,750,000
Veterinary Loan Forgiveness	-	250,000
Chiropractic	139,183	260,000
Podiatry	5,000	80,000
Total All Financial Aid Programs	<u>\$ 57,486,425</u>	<u>\$ 63,017,370</u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Academic Challenge Scholarship Program County Report
Fiscal Year Ended June 30, 2021

<u>County</u>	<u>2020 Population</u> <u>Estimate</u>	<u>% State</u> <u>Population</u>	<u>Awards</u>	<u>Amount</u>
Arkansas	17,149	0.57%	1,132	\$ 1,533,192
Ashley	19,062	0.63%	402	633,125
Baxter	41,627	1.38%	580	834,750
Benton	284,333	9.44%	4,383	6,935,271
Boone	37,373	1.24%	606	899,125
Bradley	10,545	0.35%	209	323,000
Calhoun	4,739	0.16%	55	71,125
Carroll	28,260	0.94%	298	444,265
Chicot	10,208	0.34%	126	217,660
Clark	21,446	0.71%	462	760,604
Clay	14,552	0.48%	196	301,625
Cleburne	24,711	0.82%	449	614,125
Cleveland	7,550	0.25%	259	389,250
Columbia	22,801	0.76%	464	725,125
Conway	20,715	0.69%	440	647,250
Craighead	111,231	3.69%	1,970	3,040,375
Crawford	60,133	2.00%	1,377	2,169,250
Crittenden	48,163	1.60%	630	1,051,447
Cross	16,833	0.56%	336	462,082
Dallas	6,482	0.22%	146	229,679
Desha	11,395	0.38%	222	326,625
Drew	17,350	0.58%	437	712,176
Faulkner	123,498	4.10%	3,147	4,906,990
Franklin	17,097	0.57%	457	679,625
Fulton	12,075	0.40%	145	197,696
Garland	100,180	3.33%	1,640	2,500,181
Grant	17,958	0.60%	431	659,375
Greene	45,736	1.52%	817	1,286,625
Hempstead	20,065	0.67%	272	442,750
Hot Spring	33,040	1.10%	584	886,250
Howard	12,785	0.42%	287	447,875
Independence	37,938	1.26%	729	1,115,568
Izard	13,577	0.45%	222	321,625
Jackson	16,755	0.56%	194	294,750
Jefferson	67,260	2.23%	1,107	1,786,871
Johnson	25,749	0.86%	513	803,750
Lafayette	6,308	0.21%	90	139,250
Lawrence	16,216	0.54%	296	444,250
Lee	8,600	0.29%	62	92,000
Lincoln	12,941	0.43%	220	348,500
Little River	12,026	0.40%	167	241,375
Logan	21,131	0.70%	480	751,750
Lonoke	74,015	2.46%	1,869	2,950,043
Madison	16,521	0.55%	239	403,625
Marion	16,826	0.56%	146	205,125
Miller	42,600	1.41%	654	1,035,625
Mississippi	40,685	1.35%	612	892,598
Monroe	6,799	0.23%	86	149,625
Montgomery	8,484	0.28%	147	227,000
Nevada	8,310	0.28%	148	227,000
Newton	7,225	0.24%	95	138,875
Ouachita	22,650	0.75%	463	670,500
Perry	10,019	0.33%	236	338,763
Phillips	16,568	0.55%	208	335,250

(continued)

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Academic Challenge Scholarship Program County Report
Fiscal Year Ended June 30, 2021

<u>County</u>	<u>2020 Population</u> <u>Estimate</u>	<u>% State</u> <u>Population</u>	<u>Awards</u>	<u>Amount</u>
Pike	10,171	0.34%	213	344,375
Poinsett	22,965	0.76%	307	494,750
Polk	19,221	0.64%	382	525,875
Pope	63,381	2.10%	1,493	2,432,852
Prairie	8,282	0.28%	135	201,625
Pulaski	399,125	13.25%	7,076	11,231,443
Randolph	18,571	0.62%	322	471,750
St. Francis	23,090	0.77%	216	336,875
Saline	123,416	4.10%	3,050	4,795,372
Scott	9,836	0.33%	204	308,875
Searcy	7,828	0.26%	129	188,943
Sebastian	127,799	4.24%	2,900	4,658,619
Sevier	15,839	0.53%	321	481,375
Sharp	17,271	0.57%	244	344,250
Stone	12,359	0.41%	172	257,750
Union	39,054	1.30%	711	1,100,753
Van Buren	15,796	0.52%	294	427,000
Washington	245,871	8.16%	3,983	6,095,610
White	76,822	2.55%	1,630	2,474,370
Woodruff	6,269	0.21%	108	150,250
Yell	20,263	0.67%	452	728,820
Not Reported			230	368,839
Total	<u><u>3,011,524</u></u>	<u><u>100%</u></u>	<u><u>56,514</u></u>	<u><u>\$ 87,662,582</u></u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Fund Balance and Other Information from Arkansas Department of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2021

Fund Balances

Higher Education Grants Fund	\$ 15,033,196
Lottery Net Proceeds Trust Account (1)	\$ 4,444,093

Arkansas Challenge Scholarship Trust Account

Deposits	\$ 88,060,171
Disbursements	88,057,167
June 30, 2021 Balance	<u>\$ 3,004</u>

Evaluation of Net Proceeds

The Arkansas Department of Higher Education has determined that the net proceeds from the State lottery program supplements and does not supplant non-lottery State resources.

ADHE recommendations by the Arkansas Department of Higher Education for changes to the program:

None

Note: 1) Trust accounts maintained by the director of the Department of Higher Education to hold transfers of net proceeds from the OAL.
Source: Arkansas Department of Higher Education

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Dept Set-off Collections (Unaudited)
Fiscal Year Ended June 30, 2021

Department of Finance and Administration:	
Taxes due to the State	\$ 122,054
Delinquent Child Support	<u>13,181</u>
Total	<u><u>\$ 135,235</u></u> (1)

Note: 1) In accordance with regulation 23-115-403 of the Arkansas Scholarship Lottery Act, the OAL must set-off against any prize greater than \$500, the sum of any debt in excess of \$100 owed to the State of Arkansas or to persons on whose behalf the State and its claiming agencies act.
Source: OAL Finance Division

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Retailer Sales (Unaudited)
Fiscal Year Ended June 30, 2021

Retail Type	Number of retailers*	Instant Sales*	Online Sales*	Total Sales*
Grocery/food stores	204	\$ 16,715,727	\$ 4,806,496	\$ 21,522,223
C-stores	127	23,926,033	4,109,434	28,035,467
C-store with gas	1,351	406,411,845	72,809,225	479,221,070
Restaurant	3	46,735	20,154	66,889
Bar / Tavern	7	281,238	305,505	586,743
Drug / Pharmacy	2	587,323	220,766	808,089
Liquor (ABC)	123	10,510,320	3,136,029	13,646,349
Merchandise store	3	81,767	13,724	95,491
Discount / Variety	2	54,746	26,020	80,766
News/smoke	158	45,492,166	9,474,267	54,966,433
Kiosk	82	17,153,649	6,192,031	23,345,680
Travel Plaza / Truck Stop	38	5,420,204	1,056,276	6,476,480
Miscellaneous / other	18	2,424,947	341,147	2,766,094
Total	2,118	\$ 529,106,700	\$ 102,511,074	\$ 631,617,774

*Estimates: Cash Sales, not on accrual basis
Source: OAL Gaming Division

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Term Contracts for Goods and Services
Fiscal Year Ended June 30, 2021

1. On December 9, 2020, the Department of Finance and Administration Office of the Arkansas Lottery (OAL) and Scientific Games International (SGI) entered into a Non-Exclusive Licensing Agreement. The Non-Exclusive Licensing Agreement granted to OAL the non-exclusive right in the state of Arkansas to reproduce, use, and make copies of the Property in association with the sale, marketing, advertising, and promotion of a scratch-off instant win lottery game conducted by OAL and identified as AR-611 "Loteria™". The term of the agreement shall commence on the date the Working Papers are signed and shall expire on the last day for claiming game prizes as established by OAL. Value of the Agreement: The base instant game contract price is 1.30% of net sales. There is a price of \$1.89 per 1,000 tickets for FailSafe Barcode Services and a price of 1.35% of the prize fund for Points for Prizes Rewards/Merchandise Prizes and Fulfillment. The preceding costs are standard for OAL instant games. Additionally, there is a contractual price of \$3.50 per 1000 tickets for use of ClearMark™, which is a necessity for most instant games of the Crossword/Bingo variety and was also used for our previous three versions of this ticket. There are no additional costs for the use of Loteria™.
2. On February 24, 2021, OAL and SGI entered into a Non-Exclusive Licensing Agreement. The Non-Exclusive Licensing Agreement granted to OAL the non-exclusive right in the State of Arkansas to reproduce, use, and make copies of the Property in association with the sale, marketing, advertising, and promotion of a scratch-off instant win lottery game conducted by OAL and identified as AR-620 "Magic 8 Ball™". All rights not specifically granted to SGI are reserved by OAL and/or Licensor. The term of the agreement shall commence on the date the Working Papers are signed and shall expire on the last day for claiming game prizes as established by OAL. Value of the Agreement: The base instant game contract price is 1.30% of net sales. There is a price of \$1.89 per 1000 tickets for FailSafe Barcode Services and a price of 1.35% of the prize fund for Points for Prizes Rewards/merchandise Prizes and Fulfillment. The preceding costs are standard for OAL instant games. There are no additional costs for the use of Magic 8 Ball™.
3. On May 5, 2021, OAL and Bank OZK executed an Agreement for Contractual Services for Comprehensive Banking Services. Effective date for this agreement: September 2, 2021. The Term of Agreement: two (2) years from the effective date of September 2, 2021, with the option of mutually agreeing to up to three (3) one (1) year extensions. Terms of Compensation: Interest shall be paid at the Federal Funds Target Rate minus 0.09% (or 9 Basis Points) with a floor of .15% APY (or 15 Basis Points) and a ceiling of 1.00 APY (or 100 Basis Points). Treasury Management Services will be waived. The estimated net value is one dollar (\$1.00).
4. On June 23, 2021, OAL and Camelot Global Services (North America) Inc. (Camelot) executed a Third Amendment to Agreement for Contractual Services for Business Plan and Consultancy Services. Effective date for this agreement: July 1, 2021. Term of the Third Amendment: July 1, 2021, through June 30, 2022. Base Compensation Terms: Beginning July 1, 2021, and throughout the term of this extension, OAL will pay Camelot a Compensation not to exceed \$500,000 per annum. Camelot will provide a minimum of 500 dedicated days to the services provided pursuant to the Agreement. In the event more funding becomes available, the Parties may agree to pay Camelot a compensation not to exceed \$650,000. Incentive Compensation Terms: For FY 2022, Camelot will receive 10% of all Net Operating Income or Adjusted Net Operating Income, as applicable, between \$88,600,000.00 and \$1,000,000.00.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Term Contracts for Goods and Services
Fiscal Year Ended June 30, 2021

This compensation applies to all current games of the OAL until Powerball and/or Mega Millions jackpots exceed \$400 million dollars. For Powerball and Mega Millions jackpots exceeding \$400 million dollars, Camelot will receive 4% of gross profits of each draw of Powerball and Mega Millions. The gross profit will be considered 39.43% for Powerball and 40% for Mega Millions. Prior to the launch of any Instant Ticket price point exceeding \$20, the OAL and Camelot shall agree to an incentive compensation amount to be paid for proceeds from that game. OAL and Camelot shall agree upon an incentive compensation for in-state draw games launched after July 1, 2021, prior to the commencement or launch of such game.

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WINNING!

OTHER REPORTS

TAMI GUZMAN, BENTONVILLE | \$65K NATURAL STATE JACKPOT WINNER



This is
WINNING!



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Department of Finance and Administration – Office of the Arkansas Lottery
and Members of the Legislative Joint Auditing Committee

We have audited, in accordance with 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 major fund of the Department of Finance and Administration – Office of the Arkansas Lottery (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department of Finance and Administration - Office of the Arkansas Lottery's basic financial statements and have issued our report thereon dated December 6, 2021.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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. However, pursuant to Arkansas Code Annotated § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
December 6, 2021



ELISE BRAZILE | SCHOLARSHIP TO ARKANSAS STATE UNIVERSITY



