



MOLottery

Annual Comprehensive Financial Report

For Fiscal Years Ended June 30, 2021 and 2020

Missouri State Lottery Commission
An Enterprise Fund of the State of Missouri



***MO*Lottery**

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Financial Report**

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Prepared by Financial and Business Services

Missouri State Lottery Commission
 (An Enterprise Fund of the State of Missouri)
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Introductory Section



Letter of Transmittal

November 15, 2021

To: Lance Mayfield, Chairperson, Missouri State Lottery Commission
Robert R. Gattermeir, Vice Chair
John Hannegan, Member
John Hemeyer, Member
Abigail Pinegar-Rose, Member
May Scheve Reardon, Executive Director
Citizens of the State of Missouri

Introduction

We are pleased to submit to you this Annual Comprehensive Financial Report of the Missouri State Lottery Commission (the Lottery) for the fiscal years ended June 30, 2021 and 2020. 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 Lottery. We have included all disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities.

The Annual Comprehensive Financial Report presents an overview of the Lottery and is organized into four sections. The Introductory Section includes this letter of transmittal, certificate of achievement and an organizational chart. The Financial Section includes the report of independent auditors, management's discussion and analysis, the basic financial statements with the accompanying notes, and required supplementary information. The Statistical Section presents a variety of historical, demographic and industry data. The final section, Compliance Section, includes a report on internal control and compliance.

Background

The Lottery was created by the passage of a constitutional amendment on November 6, 1984, by the citizens of the State of Missouri. Ticket sales began January 20, 1986, with the introduction of a single scratch-off game, "Jackpot '86." This represented the first legislatively authorized lottery tickets sold in Missouri since the New Franklin Railroad Lottery (later known as the Missouri State Lottery) was closed down in 1877.

When the Lottery began in 1986, proceeds from ticket sales went to the Missouri State General Revenue Fund. In August 1992, voters passed Amendment 11 earmarking Lottery proceeds to solely benefit public education. Each year, the Missouri Legislature determines how these proceeds will be allocated. The proceeds represent about 4 percent of the total funding for Missouri's public elementary, secondary and higher education systems.

Lottery funds help support a variety of programs including the elementary and secondary education Foundation formula, transportation, early childhood development and special education services, vocational rehabilitation, residential placements, performance-based assessment program, Classroom Trust Fund, virtual schools, Access Missouri and A+ programs, college and university operating budgets, workforce incentives, and veterinary student loan payments. These programs and others that receive Lottery money provide the resources that help Missouri students fulfill their individual dreams — dreams that define Missouri's future and ultimately benefit all Missouri residents.

The Lottery is a Type III division assigned to the Missouri Department of Revenue as defined in Section 313.210 of the Missouri Revised Statutes. The Department of Revenue has no control, supervision or authority over the actions or decisions of the Lottery. The Lottery Commission consists of five members appointed by the Governor with the advice and consent of the Senate.

The Lottery is an enterprise fund of the State of Missouri and is included in the State’s Annual Comprehensive Financial Report. This report presents the activity of the Lottery as a single enterprise fund and does not include information related to any other state agency or fund.

Products

The Lottery provides the opportunity for the public to participate in a variety of instant games (“Scratchers”), Draw Games, and Pull-Tab games. The games are described as follows:

Scratchers Games are played by scratching off a latex coating on the play area of the ticket. There are different 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. These games were the first type of games offered by the Lottery. For fiscal year 2021, Scratchers ticket sales were \$1,216.0 million, which represents 67.1 percent of total ticket sales.



Draw Games allow players to select the numbers for their wager or players may utilize computer-generated plays (Quick Picks). The player receives a ticket with the numbers selected or automatically generated and must await the results of a drawing to determine if they have matched the numbers and won.

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, 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 of \$40 million and minimum jackpot increases between drawings were eliminated April 2020 due to a nationwide reduction in Powerball play resulting from COVID-19. Starting jackpot amounts and jackpot increases for each draw when the jackpot is not won are now based on current game sales and interest rates. There are eight secondary prizes of fixed amounts, ranging from \$4 to \$1,000,000. The Power Play feature allows players the chance to increase the original prize amount, excluding the jackpot prize. Players who use Power Play and match all five white-ball numbers automatically win \$2 million. A jackpot winner may select either an annuitized prize paid over 29 years (30 payments) or a lump-sum payment. Drawings were held every Wednesday and Saturday night during fiscal years ended June 30, 2021 and 2020. Beginning August 23, 2021, a Monday night drawing was added as well as the Double Play feature, which allows Powerball players to play their numbers in a second drawing for an additional \$1 per play for prizes ranging from \$7 to \$10,000,000. Powerball sales for fiscal year 2021 were approximately \$71.3 million, which represents 3.9 percent of total ticket sales.



Missouri Lotto is the original in-state Draw Game that creates millionaires. Twice a week, on Wednesdays and Saturdays, Lotto players have a chance to win \$1 million or more. Players select six numbers from a pool of one to 44 and must match all six numbers to win the jackpot. Prizes are also paid for matching three, four or five numbers. The jackpot starts at \$1 million and increases, based upon ticket sales, for each subsequent draw when the jackpot is not won. Jackpot winners may select either an annuitized prize over 24 years (25 payments) or a lump-sum payment. Lotto Doubler was added beginning November 4, 2012, giving players the chance to double their non-jackpot winnings whenever a Lotto ticket is purchased. Through a random process, the Lottery designates certain Lotto tickets as Doubler tickets. There is no additional cost for the Doubler feature. EZ Match was added beginning November 2016. Players can add EZ Match for an additional \$1 per Lotto play. If the EZ Match option is chosen, six EZ Match numbers print on the Lotto ticket below the Lotto numbers. If any of the EZ Match numbers match the Lotto numbers purchased (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Lotto and EZ Match sales were approximately \$23.9 million and \$.8 million in fiscal year 2021, representing 1.3 percent and 0.05 percent of total ticket sales, respectively.

Show Me Cash replaced Show Me 5 Paydown in September of 2008. Players select five numbers from a pool of one to 39 and must match all five numbers to win the jackpot. The jackpot starts at \$50,000, and if no player matches all five numbers, the top prize increases based on ticket sales. Prizes are also paid for matching two, three or four numbers. Drawings are held daily. Players can add EZ Match for an additional \$1 per Show Me Cash play. If the EZ Match option is chosen, five EZ Match numbers print on the Show Me Cash ticket below the Show Me Cash numbers. If any of the EZ Match numbers match the Show Me Cash numbers purchased (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Fiscal year 2021 Show Me Cash and EZ Match sales were approximately \$30.1 million and \$2.3 million, or 1.7 percent and 0.13 percent of total ticket sales, respectively.



With Pick 3, players select three numbers between zero and nine and can play the numbers straight (numbers in the exact order), boxed (numbers in any order), front/back pair (match the exact order of the first or last two digits), or combo (provides the player all possible number combinations of the three numbers drawn for exact-order win). Beginning June 16, 2013, a new 1-Off wager type was added (win even if numbers are one number higher or lower than the winning numbers drawn), and EZ Match was added beginning November 2016. Players can add EZ Match for an additional \$1 per Pick 3 play. If the EZ Match option is chosen, three EZ Match numbers print on the Pick 3 ticket below the Pick 3 numbers. If any of the EZ Match numbers match the Pick 3 numbers purchased (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Drawings are conducted twice per day. For fiscal year 2021, Pick 3 and EZ Match sales were \$109.9 million and \$.6 million, which was 6.1 percent and 0.03 percent of total ticket sales, respectively.

Pick 4 is played similar to Pick 3 with players selecting four numbers between zero and nine. Players may play the numbers straight, boxed, front/middle/back pair, front/back three (match the exact order of the first or last three digits), or combo (provides the player all possible number combinations of the four numbers drawn for exact-order win). Similar to Pick 3, the 1-Off wager type (win even if numbers are one number higher or lower than the winning numbers drawn) and the EZ Match feature were also added to Pick 4. Drawings are conducted twice per day for Pick 4. Fiscal year 2021 Pick 4 and EZ Match sales were \$75.0 million and \$.5 million, or 4.1 percent and 0.03 percent of total ticket sales, respectively.



Club Keno is a Draw Game offered in all Missouri Lottery retail locations and provides drawings every four minutes. Players first choose how many different numbers (also called "spots") they wish to play from one to 10. The player must then choose a number from one to 80 for each spot. Twenty numbers from the pool of one to 80 are chosen in a computerized random Club Keno drawing. Prizes vary depending on how many spots a player chooses and how many of the players' numbers match the numbers drawn. Club

Keno also offers Multiplier, Bulls-Eye, Progressive Jackpot and Double Bulls-Eye features. For fiscal year 2021, Club Keno sales were \$58.5 million, which was 3.2 percent of total ticket sales.

Mega Millions is a multi-state Draw Game available for sale in 45 states, D.C. and the U.S. Virgin Islands. Players select five different numbers from a pool of one to 70 then select one Mega Ball number between one and 25. The minimum jackpot amount of \$40 million and minimum jackpot increases between drawings were eliminated April 2020 due to a nationwide reduction in Mega Millions play resulting from COVID-19. Starting jackpot amounts and jackpot increases for each draw when the jackpot is not won are now based on current game sales and interest rates, with no fixed minimum amount. All six numbers must be matched to win the jackpot. There are eight secondary prizes of fixed amounts ranging from \$2 to \$1,000,000. Players have the option to select the Megaplier feature that will increase the non-jackpot prize winnings by two, three, four or five times their original amount. A jackpot winner may select a lump-sum payment or an annuity paid over 29 years (30 payments). Drawings are held every Tuesday and Friday night. Mega Millions sales for fiscal year 2021 were approximately \$58.8 million, which represents 3.2 percent of total ticket sales.





Lucky for Life is currently offered in 22 states and D.C. For \$2, the game features a top prize of \$1,000 a day for life and a second prize of \$25,000 a year for life. Top and second prize winners may select either an annuitized prize over a minimum of 20 years or a lump-sum payment. Players select five numbers from one to 48 then one number (the Lucky Ball) from one to 18. Drawings are held on Monday and Thursday nights. The Lottery replaced Lucky for Life with Cash4Life in April of 2021. Partial fiscal year 2021 Lucky for Life sales were \$6.9 million, or 0.4 percent of total ticket sales.

Cash4Life replaced Lucky for Life in April of 2021. Cash4Life is the Lottery's newest multi-state Draw Game and is currently offered in ten states. For \$2, the game features a top prize of \$1,000 a day for life, second prize of \$1,000 a week for life, 9 ways to win, and chances of winning a prize at 1 in 8. Top and second prize winners may select either an annuitized prize over a minimum of 20 years or a lump-sum payment. Players select five numbers from one to 60 then one number (the Cash Ball) from one to 4. Drawings are held seven nights a week. Players can add EZ Match for an additional \$1 per Cash4Life play. If any of the EZ Match numbers match the selected five white-ball Cash4Life numbers (regardless of order), the player instantly wins the prize amount printed next to the matched EZ Match numbers. Partial fiscal year 2021 Cash4Life and EZ Match sales were \$3.9 million and \$3 million, or .22 percent and 0.02 percent of total ticket sales, respectively.



Pull-Tabs were re-introduced in October of 2013 using new dispensers that allow for better security and accounting. Pull-Tabs are Lottery tickets with tabs that are pulled open to reveal cash prizes. Players also have the option to play through the dispenser's interactive touch-screen. The cost of the tickets is \$1 or \$2 and the top prize is \$600. During fiscal year 2021, sales from this product line were approximately \$152.9 million, or 8.4 percent of total ticket sales.

Highlights of The Past Year

Ticket sales for the Lottery surpassed the \$1 billion mark for the eleventh year in a row and set a new record high. Fiscal year 2021 sales of \$1.811 billion were ahead of fiscal year 2020 record-breaking sales of \$1.513 billion by \$298.8 million, or 19.8 percent. Scratchers sales were up \$180.5 million, Draw Games sales were up \$74.6 million and Pull-Tab sales were up \$43.7 million compared to previous year levels.

For fiscal year 2021, the level of operating expenses increased by 18.8 percent. Total operating expenses increased from \$1,207.3 million in fiscal year 2020 to \$1,434.2 million in fiscal year 2021. The increase is attributable mainly to Scratchers prizes. Pull-Tab prizes and Draw Game prizes also contributed to the increase, as did commissions and incentives and cost of tickets sold. The Lottery continues to operate with one of the lowest administrative cost ratios in the country. The net impact of these results for fiscal year 2021 was the highest actual cash transfer of profits to public education in Lottery history of \$345.0 million, up from fiscal year 2020's actual cash transfer of \$333 million. In addition, the Lottery returned \$1,266.0 million to players in cash and prizes and \$106.4 million to retailers in commissions and incentives for the 2021 fiscal year.

Management's discussion and analysis (MD&A) can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The Lottery's 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:

- The Missouri State Auditor released an audit of the Missouri Lottery for the two years ended June 30, 2020 with an "Excellent" audit rating indicating the Lottery is very well managed and no findings resulted from the audit.
- Record proceeds to education.
- Record Scratchers sales.
- Record Pick 3 and Pick 4 sales.
- Record Pull-Tab sales.
- Introduction of new multi-state Cash4Life game with drawings seven nights a week.

- Second rollout of 20-bin self-service ticket vending machines to Walmart Supercenters.
- Complete rollout of cashless functionality on self-service ticket vending machines.
- Minority- and women-owned business expenditure participation rates of 12.17 percent and 4.23 percent, respectively.

Economic Conditions and Outlook

The U.S. and Missouri economies contracted slightly in 2020. While exhibiting growth in some areas, there are still some signs that economic growth is very uneven.

During calendar 2020, Missouri’s Gross Domestic Product totaled over \$321.7 billion (current dollars) which was a decrease of 2.0 percent from 2019. Missouri had the 22nd largest GDP among the states in 2020, and of the surrounding states, only Illinois (5th) and Tennessee (20th) have larger economies than Missouri. The U.S. GDP decreased 2.3 percent during the same period with all 45 out of 50 states experiencing GDP decline. This drastic yearly change is directly due to the pandemic shut down period and subsequent nervousness.

Exports from Missouri rebounded from the effects of previous tariffs and trade wars to expand well over 18.8 percent in fiscal year 2021 after dropping 9.1 percent and 8.7 percent respectively in fiscal year 2020 and fiscal year 2019. Missouri exports products to many countries with Canada, Mexico and China being the three largest trading partners providing about half of the export income. Missouri exports many products including agricultural (meat, soybeans and corn), animal foods, metals/ores, boats and vehicles.

The unemployment rate in Missouri returned to below the pre-recession rate of 5 percent after the pandemic lockdowns and the partial re-opening of the economy in early Fall 2020. The unemployment rate in Missouri at the end of fiscal year 2021 (June 2021) was 4.3 percent, down from 6.8 percent at the start of the fiscal year. The average monthly unemployment during fiscal year 2021 was 4.8 percent which is below the pre-recession rate. The unemployment rate in Missouri generally follows the national unemployment trend with this year being an exception as Missouri fared slightly better than the total U.S. unemployment rate. The U.S. unemployment rate was 5.9 percent at the end of the fiscal year, down from 10.2 percent at the start of the fiscal year and averaged 6.9 percent monthly.

Consumer spending in the U.S., which makes up approximately 70 percent of the economy, rose 3.4 percent while disposable income rose 7.0 percent in 2020, giving consumers increased purchasing power. Consumer spending in Missouri rose 3.0 percent with disposable income rising 6.0 percent so Missourians’ purchasing power increased nearly at a similar rate as the U.S. overall.

Per capita personal income in Missouri rose to \$51,177 which is a 5.2 percent increase in 2020. Missouri had the eighth lowest cost of living index in the U.S. as of the second quarter of 2021; at 90.1, it increased from 88.1 in first quarter of 2020 cost of living index. Even with a slight increase in the cost of living index, Missouri continues to be a very affordable place to live.

Workforce Demographics	Missouri	U.S.
Population	6,151,548	329,484,123
Civilian Labor Force	3,099,297	162,817,000
Average monthly employment	2,979,650	153,596,000
Average Unemployment Rate	4.8%	6.9%
Unemployment Rate - High	6.8%	10.2%
Unemployment Rate - Low	4.1%	5.8%
Female	50.9%	50.8%
Male	49.1%	49.2%
Non-white	20.9%	39.9%
Hispanic or Latino	4.4%	18.5%
Ages 65 & older	17.3%	16.5%
With disabilities (ages 18-64)	14.6%	13.2%
Below Poverty Levels (ages 18-64)	12.9%	11.4%
Bachelor's degree or higher (Age 25+)	29.2%	32.1%

In fiscal year 2020, gasoline prices fluctuated between \$1.74 and \$2.77 per gallon with the weekly average being \$2.17 per gallon, which is up from the fiscal year 2020 average price per gallon of \$2.07– an increase of just under \$0.10 or 4.9 percent in the weekly average price per gallon.

The three major U.S. stock markets all experienced a year of explosive growth in fiscal year 2021. The Dow Jones (DJIA) ended the fiscal year at 34,502.5, which was up 34.1 percent. The S&P 500 ended the year at 4,297.5, which was up 37.9 percent, while the NASDAQ ended the year at 14,504.0, which was up 42.8 percent.

The economic signs indicate that Missouri Lottery sales could decline in fiscal year 2022, due to the third straight year of reduced advertising budget and the uneven nature of the economy due to the COVID-19 pandemic. However, Scratchers, Pick 3, Pick 4 and even multi-state large jackpot game sales have been up at various times during the pandemic. Lottery games were one of the few forms of entertainment that were available when

the casinos, bars, movie theaters, and other forms of entertainment were all shuttered. Having Lottery games available at convenience and grocery stores that remained open led to record Lottery sales and transfer in fiscal year 2021. It appears the Lottery gained new players looking for some entertainment with fewer public options. With the smallest advertising budget in the U.S. lottery industry, the Lottery plans to focus on just one of our new game concepts, either the new \$50 Scratchers game or the new draw game, Cash Pop. We will continue to support our philanthropic branding emphasizing our mission of aiding public education in Missouri with lower cost communication options such as its website, social media and online video. Results are not yet in on two new Powerball-related game additions, adding a third drawing on Monday nights and the add-on game Double Play. As mentioned above, sales of the large multi-state jackpot games have been up as of late due to some growing jackpots. It's unclear if we can continue to have substantial jackpots to drive sales for those highly profitable games. The Lottery continues to support our player base through community events, our player loyalty program, mobile app, website and social media platforms.

Relevant Financial Policies

Budgetary Controls

The Lottery annually submits a request for appropriation through the budgetary process of the State of Missouri. Expenditures of the Lottery are subject to this annual appropriation process. Certain costs of operations for the Lottery are paid directly by the Missouri Office of Administration through appropriations administered by that agency. These costs include employee benefits, select capital improvements projects and certain facility-related costs.

Expenses associated with the operation of the Lottery are submitted for payment through the statewide accounting system. The Lottery maintains its own signature authority for payment of prizes through an imprest checking account. The Lottery has its own purchasing authority and has adopted the same rules and procedures as that of the Office of Administration, Division of Purchasing.

All profits from Lottery operations are designated for appropriation by the State solely for the institutions of public elementary, secondary and higher education. The Lottery makes estimated weekly transfers to the Lottery Proceeds Fund with a monthly transfer adjustment done based on calculated net income for the month.

Debt Administration

The Lottery's long-term liabilities are primarily payments owed to multi-year prize winners in the form of annual payments. These payments are fully funded by U.S. Treasury Strips held by the State of Missouri. The payments due Powerball and Mega Millions jackpot winners are funded through securities purchased and held by the Multi-State Lottery Association. As such, the Lottery does not record, and the financial statements do not reflect, a liability for future payments of Powerball and Mega Millions prizes funded by the Multi-State Lottery Association. The financial statements also do not reflect annuity contracts purchased from selected insurance companies to fund for-life prizes, as it is the intent of the Lottery that the insurance companies will make future installment payments directly to each prize winner.

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. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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.

Section 313.315 of the Missouri Revised Statutes requires the State Auditor to conduct a biennial audit of all accounts and transactions of the Lottery, and such other special audits, as it may deem necessary. The Lottery is also required to employ an independent firm of accountants to conduct an annual audit of all accounts and

transactions of the Lottery. This audit includes consideration of internal controls over financial reporting as they relate to the expression of an opinion on the financial statements.

In addition, the Lottery has from time-to-time, employed the services of other qualified external firms to conduct reviews of our security procedures for data processing and controls with game operations. The Lottery also created a full-time internal auditor position within the Division of Operations beginning May 2018.

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 Missouri State Lottery Commission for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the 21st consecutive year that the Lottery has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Annual Comprehensive Financial Report reflects our commitment to maintain the highest standards of public accountability. We reaffirm 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, especially those within the Financial and Business Services Section. We would also like to recognize Executive Director May Scheve Reardon, Commission Chairperson Lance Mayfield, Vice Chair Robert (Bob) Gattermeir, and Commissioners John (Mike) Hannegan, John Hemeyer and Abigail Pinegar-Rose for their support, guidance and dedication in operating the Missouri Lottery Commission in a responsible and progressive manner.

Respectfully submitted,



Judy Martin, CPA
Chief Financial Officer
Missouri State Lottery Commission



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Missouri State Lottery Commission

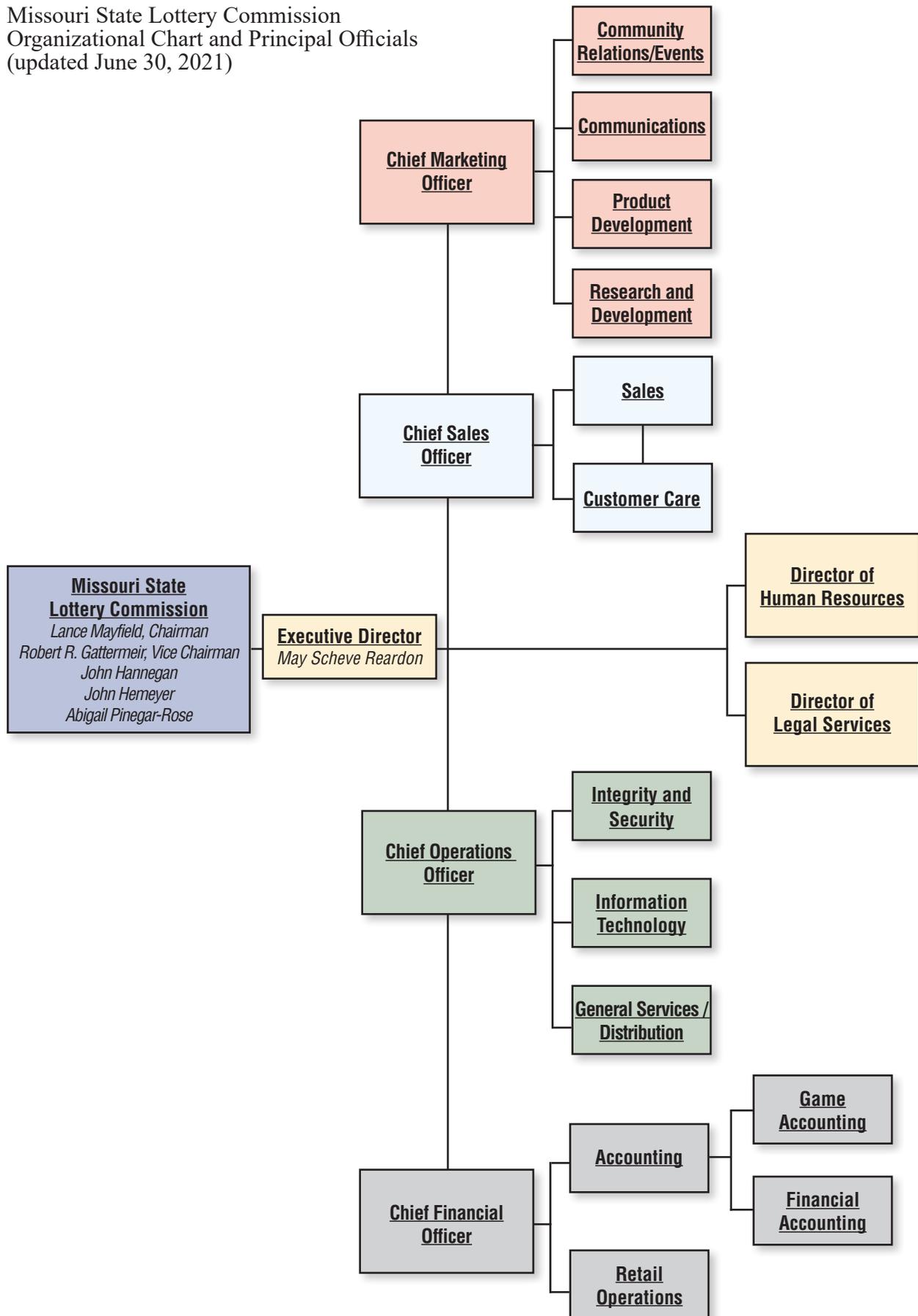
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

Missouri State Lottery Commission
 Organizational Chart and Principal Officials
 (updated June 30, 2021)





Financial Section



INDEPENDENT AUDITORS' REPORT

Missouri State Lottery Commission
Jefferson City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the Missouri State Lottery Commission, an enterprise fund of the state of Missouri, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Missouri State Lottery Commission'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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 accounting 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 financial position of the Missouri State Lottery Commission as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 1, the financial statements present only the Missouri State Lottery Commission and do not purport to, and do not, present fairly the financial position of the state of Missouri, as of June 30, 2021 and 2020, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and other post-employment benefits plan schedules on pages 14 to 22 and pages 45 and 46, 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

The introductory section and statistical section 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the Missouri State Lottery Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Missouri State Lottery Commission'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 Missouri State Lottery Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 15, 2021

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Management's Discussion and Analysis (Unaudited)
For the Fiscal Years Ended June 30, 2021 and 2020

The following Management's Discussion and Analysis (MD&A) provides an overview of the Missouri State Lottery Commission's (the Lottery) financial performance and financial activities for the fiscal years ended June 30, 2021 and 2020. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to the financial statements.

Financial Statements Presented in This Report

The Lottery is a Type III division of the State of Missouri, created to generate revenues for public education through the operation of a lottery. The Lottery's activities are accounted for as an enterprise fund using the accrual basis of accounting, which is comparable to the method used by private business entities. The Lottery is an enterprise fund of the State of Missouri and is included in the State's Annual Comprehensive Financial Report. This report presents the activity of the Lottery as a single enterprise fund and does not include information related to any other state agency or fund.

This annual report includes three financial statements for the fiscal years ended June 30, 2021 and 2020. The Statements of Net Position provide information on the nature and amount of the Lottery's assets, liabilities, deferred outflows and inflows, and net position at the end of each fiscal year and provide a measure of the Lottery's economic resources. The Statements of Revenues, Expenses and Changes in Net Position reflect the operating and non-operating revenues and expenses and the changes in net position for each year. The Statements of Cash Flows reconcile the changes in cash and cash equivalents with the activities of the Lottery for each year.

The Notes to the Basic Financial Statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

Financial Analysis
Summary of Net Position

	As of June 30,		
	2021	2020	2019
Assets			
Current assets	\$182,155,911	\$122,989,657	\$121,274,927
Capital assets (net of accumulated depreciation)	1,797,858	2,296,556	2,292,937
Investments held for grand-prize winners at fair value - noncurrent	34,738,546	34,344,280	29,039,795
Total Assets	<u>218,692,315</u>	<u>159,630,493</u>	<u>152,607,659</u>
Deferred Outflows			
Deferred outflows - pension and OPEB	4,130,851	4,717,849	5,732,517
Total Deferred Outflows	<u>4,130,851</u>	<u>4,717,849</u>	<u>5,732,517</u>
Liabilities			
Current liabilities	171,829,452	115,181,064	116,303,143
Long-term liabilities	71,619,196	64,891,522	57,713,526
Total Liabilities	<u>243,448,648</u>	<u>180,072,586</u>	<u>174,016,669</u>
Deferred Inflows			
Deferred inflows - pension and OPEB	867,169	659,238	753,964
Total Deferred Inflows	<u>867,169</u>	<u>659,238</u>	<u>753,964</u>
Net Position			
Investment in capital assets	1,797,858	2,296,556	2,292,937
Unrestricted	(26,400,524)	(24,129,467)	(21,917,552)
Restricted	3,110,015	5,449,429	3,194,158
Total Net Position	<u>\$(21,492,651)</u>	<u>\$(16,383,482)</u>	<u>\$(16,430,457)</u>

Missouri State Lottery Commission
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Current Assets

Current assets consist primarily of cash and cash equivalents, accounts receivable from retailers and the current portion (maturing within one year) of investments held in United States guaranteed marketable securities on behalf of past grand-prize winners. In fiscal year 2021, current assets increased by \$59,166,254 due to an increase in cash and cash equivalents. Cash balances were high at June 30, 2021 due largely to \$32.8 million in proceeds from April and May sales not transferred to the Lottery Proceeds Fund until July 7, 2021. The proceeds were carried over to the new budget year because they exceeded allowable appropriation authority in fiscal year 2021.

In fiscal year 2020, current assets increased by \$1,714,730 due to increases in accounts receivable.

Noncurrent Assets

Investments held for grand-prize winners represents the market value of the investments held in United States guaranteed marketable securities on behalf of past grand-prize winners that mature beyond one year. These investments were purchased to fund the annual payments for winners that were required to or elected to receive annuity payments and consist of United States Government-backed obligations of zero coupon bonds and stripped securities that equal the face amount of the bond or security upon maturity. Originally, winners of jackpots were required to receive annuity payments. Subsequently, winners were allowed to elect a lump-sum payment instead of a long-term annuity. Since this option has been available, the trend among winners has generally been to elect the lump-sum payment and, therefore, fewer purchases of securities have been required. In fiscal year 2021, this category increased by \$394,266. In fiscal year 2020, this category increased by \$5,304,485.

Capital assets consist of land, buildings, automobiles, computers and software, and other equipment and is reported net of all related accumulated depreciation. In fiscal year 2021, the level of capital assets decreased by \$498,698 due to the level of depreciation expense exceeding the cost of additions to capital assets for the fiscal year.

In fiscal year 2020, the level of capital assets increased by \$3,619 due to the cost of additions to capital assets slightly exceeding the level of depreciation expenses for the fiscal year.

Deferred Outflows

Deferred outflows represent pension and other post-employment benefit contributions made subsequent to the measurement date, differences between expected and actual experience related to pensions and other post-employment benefits, differences between projected and actual investment earnings on pension and other post-employment benefit plan investments, and changes in pension and other post-employment benefit plan assumptions. In fiscal year 2021, this category decreased by \$586,998 due mainly to differences between projected and actual earnings on pension plan investments and changes of assumptions related to pensions.

In fiscal year 2020, this category decreased by \$1,014,668 due mainly to differences between projected and actual earnings on pension plan investments and changes of assumptions related to pensions.

Current Liabilities

Current liabilities consist primarily of accrued prize liabilities, other accrued expenses, amounts due to the Lottery Proceeds Fund, and accounts payable to suppliers. In fiscal year 2021, current liabilities increased by \$56,648,388 which was mainly the result of an increase in the amounts due to the Lottery Proceeds Fund of \$49,316,511. Accounts payable and accrued liabilities increased by \$3,573,748 and 3,433,381, respectively.

In fiscal year 2020, current liabilities decreased by \$1,122,079 which was mainly the result of a decrease in the amounts due to the Lottery Proceeds Fund of \$13,283,431 offset by an increase in accrued prize liabilities of \$10,290,541.

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Long-Term Liabilities

Long-term liabilities include the long-term portion of amounts payable to grand-prize winners, the deferred portion of the amount due to the Lottery Proceeds Fund, and net pension and OPEB liability. For fiscal year 2021, long-term liabilities increased by \$6,727,674 due mainly to increases in grand-prize winner liabilities, amounts due to the Lottery Proceeds Fund, and the net pension liability. The deferred amount due to the Lottery Proceeds Fund represents the net book value (cost less accumulated depreciation) of capital assets acquired after September 1, 1988, and all amounts receivable from the Multi-State Lottery Association.

For fiscal year 2020, long-term liabilities increased by \$7,177,996 due mainly to increases in grand-prize winner liabilities, amounts due to the Lottery Proceeds Fund, and the net pension liability.

Deferred Inflows

Deferred inflows represent differences between expected and actual experience related to pensions and other post-employment benefits, differences between projected and actual investment earnings on pension and other post-employment benefit plan investments, changes in proportion and differences between lottery contributions and proportionate share of contributions, and changes in pension and other post-employment benefit plan assumptions. For fiscal year 2021, this category increased by \$207,931 due mainly to changes in assumptions related to OPEB.

For fiscal year 2020, this category decreased by \$94,726 due mainly to decreases in differences between expected and actual experience related to pensions.

Net Position

Net position invested in capital assets represents the capital assets used to provide services to the public, and is therefore not available for future spending. Restricted net position is the cumulative result of increased fair market value of the United States guaranteed marketable securities held by the Lottery to pay prize winners on an annuity basis.

Summary of Changes in Net Position

	For the Year Ended June 30,		
	2021	2020	2019
Operating Revenues			
Ticket sales	\$1,811,489,059	\$1,512,710,039	\$1,466,028,703
Other operating revenues	760,896	339,873	173,686
Total Operating Revenues	<u>1,812,249,955</u>	<u>1,513,049,912</u>	<u>1,466,202,389</u>
Operating Expenses			
Direct costs			
Prize expense	1,266,025,780	1,062,489,795	1,015,091,349
Retailer commissions and incentives	106,448,863	89,670,852	85,644,851
Other direct costs	36,226,684	26,600,846	27,756,254
Total direct costs	<u>1,408,701,327</u>	<u>1,178,761,493</u>	<u>1,128,492,454</u>
Administrative expenses	25,465,861	28,516,590	39,610,006
Total Operating Expenses	<u>1,434,167,188</u>	<u>1,207,278,083</u>	<u>1,168,102,460</u>
Operating Income	<u>378,082,767</u>	<u>305,771,829</u>	<u>298,099,929</u>

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Nonoperating Revenues (Expenses)			
Interest income	\$	217,720	\$ 692,833 \$ 907,464
Gain (Loss) on sale of capital assets		22,077	58,408 65,709
Unclaimed prizes		16,063,183	13,197,121 18,359,576
Transfers to the State of Missouri		(397,155,502)	(321,928,487) (319,376,658)
Amortization of grand-prize winner liability		(1,157,131)	(1,175,500) (1,232,986)
Net increase (decrease) in the fair value of investments held for grand-prize winners		(1,182,283)	3,430,771 2,415,701
Net Nonoperating Revenues (Expenses)		(383,191,936)	(305,724,854) (298,861,194)
Changes in Net Position		(5,109,169)	46,975 (761,265)
Total Net Position, Beginning of Year		(16,383,482)	(16,430,457) (15,669,192)
Total Net Position, End of Year	\$	(21,492,651)	(16,383,482) \$ (16,430,457)

Changes in net position are the result of fluctuations in market yields, which increase or reduce the unrealized gain on investments.

Because the Lottery is required to transfer its net income (excluding unrealized gain or loss on investments, amortization of grand-prize winner liability, and changes in net position related to pensions and OPEB) to the Lottery Proceeds Fund, the changes in net position do not reflect the results of the Lottery's operating activities. The amounts reported as Transfers to the State of Missouri reflect the Lottery's operating activities for the fiscal years.

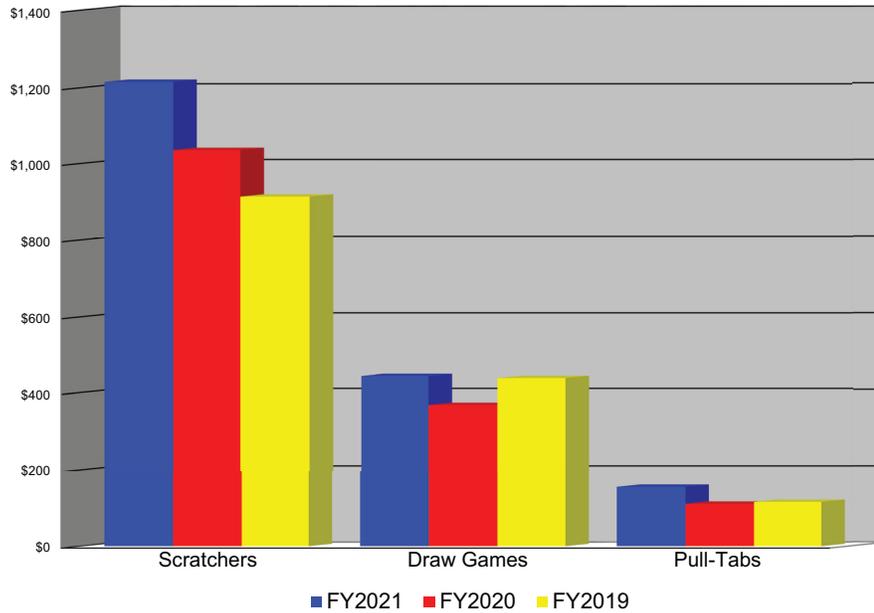
Operating Revenues

	For the Year Ended June 30,		
	2021	2020	2019
Sales by Game			
Scratchers	<u>\$1,215,705,180</u>	<u>\$1,035,198,988</u>	<u>\$914,449,548</u>
Draw Games			
Lotto	23,854,782	18,730,558	18,671,459
Pick 3	109,946,003	95,182,970	83,426,776
Powerball	71,308,315	58,353,712	97,546,934
Show Me Cash	30,065,011	28,003,732	31,721,903
Pick 4	75,046,718	62,867,411	54,674,668
Club Keno	58,460,427	49,855,758	57,329,788
Mega Millions	58,814,950	43,076,897	81,815,047
EZ Match-Show Me Cash	2,328,852	2,334,210	2,623,355
EZ Match-Lotto	841,855	648,731	602,855
EZ Match-Pick 3	566,920	519,521	482,942
EZ Match-Pick 4	492,432	429,540	391,317
Lucky for Life	6,945,335	8,225,273	8,240,962
Cash4Life	3,905,455	—	—
EZ Match-Cash4Life	273,776	—	—
Total Draw Games	<u>442,850,831</u>	<u>368,228,313</u>	<u>437,528,006</u>
Pull-Tabs	152,933,048	109,282,738	114,051,149
Other operating income	760,896	339,873	173,686
Total operating revenues	<u>\$1,812,249,955</u>	<u>\$1,513,049,912</u>	<u>\$1,466,202,389</u>

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Lottery Sales By Product
in millions



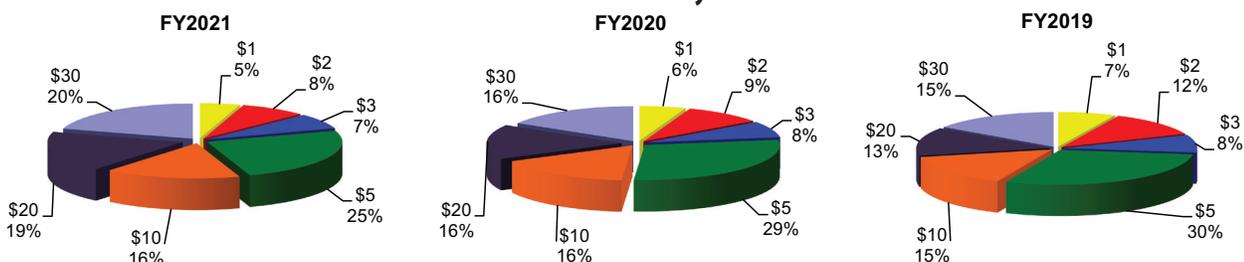
Ticket sales in fiscal year 2021 were ahead of fiscal year 2020 levels by \$298.8 million, or 19.8 percent. Scratchers sales increased by \$180.5 million, or 17.4 percent. Draw Games sales increased by \$74.6 million, or 20.3 percent. Pull-Tab sales increased by \$43.7 million, or 39.9 percent, due to additional machine placements (434 dispensers at June 30, 2021 compared to 332 at June 30, 2020) and a full 52 weeks of sales in fiscal year 2021.

Ticket sales in fiscal year 2020 were ahead of fiscal year 2019 levels by \$46.7 million, or 3.2 percent. Scratchers sales increased by \$120.7 million, or 13.2 percent, while Draw Games sales decreased by \$69.3 million, or 15.8 percent. Pull-Tab sales decreased by \$4.8 million, or 4.2 percent, due to Pull-Tab dispensers being inactivated for a portion of the year in response to COVID-19.

Sales of every Scratchers price point were up in fiscal year 2021 except the \$2 ticket. The bulk of the increase was in the \$20 and \$30 price points (up \$59 million and \$78 million, respectively, over fiscal year 2020 levels). Five \$20 games were launched in fiscal year 2021 compared to only three in fiscal year 2020; and four \$30 games were offered in fiscal year 2021 compared to only three in fiscal year 2020. The \$5 and \$10 Scratchers games also had strong sales while sales of the \$1 and \$3 games were relatively flat compared to the previous fiscal year.

The increase in fiscal year 2020 Scratchers sales can be attributed to strong sales of the \$5, \$10, \$20 and \$30 Scratchers games. Scratchers \$3 sales showed a slight increase while \$1 and \$2 price points experienced declines compared to sales of the previous fiscal year.

Scratchers Ticket Sales By Price Point



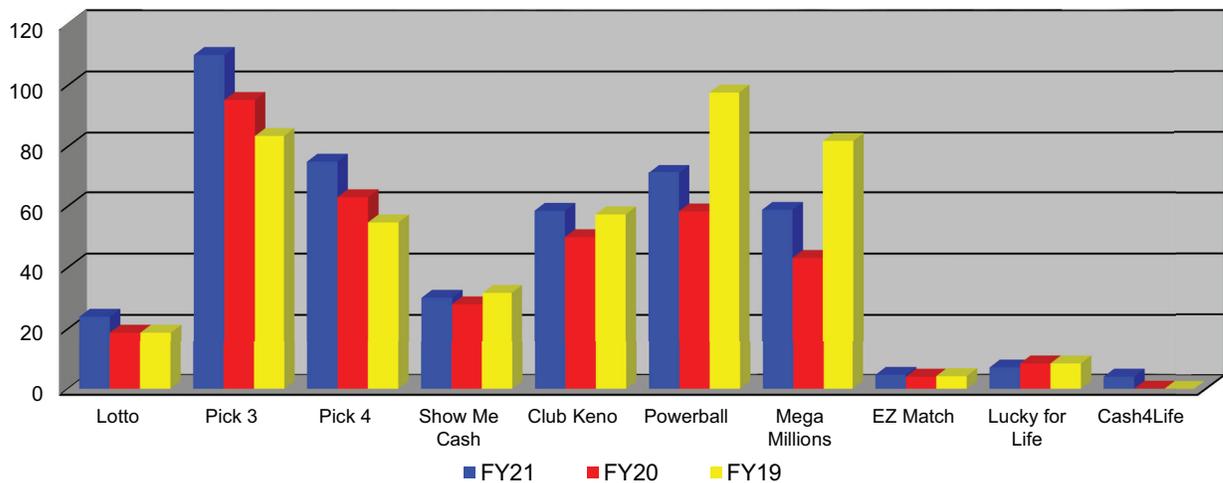
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Total Draw Game sales increased by \$74.6 million in fiscal year 2021. Powerball, Mega Millions and Pick 3 and Pick 4 accounted for the majority of the increase. Lotto, Show Me Cash, Club Keno and EZ Match also had strong sales. Only the Lucky for Life game experienced a decrease from the prior year. The game was replaced with the multi-state Cash4Life game in April 2021.

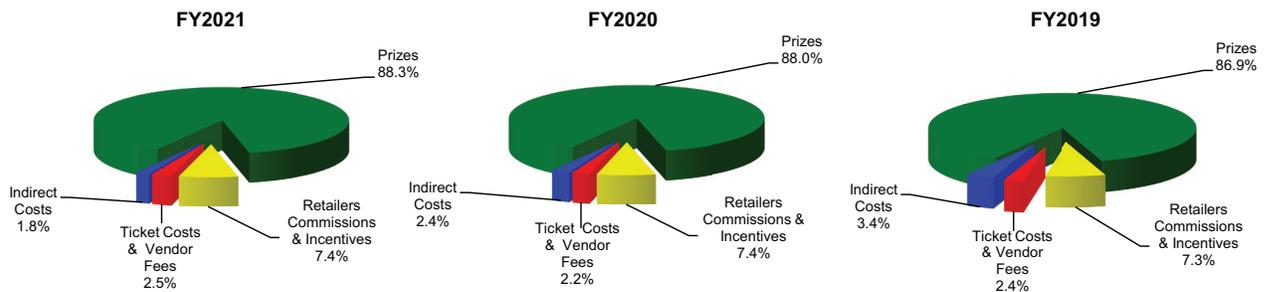
Total Draw Game sales decreased by \$69.3 million in fiscal year 2020. Mega Millions and Powerball sales were responsible for most of the decrease. Show Me Cash and Club Keno sales also experienced decreases. These decreases were offset by increases in Pick 3 and Pick 4 sales, while Lotto, Lucky for Life and EZ Match sales were relatively flat over fiscal year 2019.

Draw Game Sales By Game
in millions



Operating Expenses

	For the Year Ended June 30,		
	2021	2020	2019
Direct Expenses			
Prizes	\$1,266,025,780	\$1,062,489,795	\$1,015,091,349
Retailer commissions and incentives	106,448,863	89,670,852	85,644,851
Tickets	13,515,823	10,772,549	8,807,120
Draw Game vendor fees	16,998,138	11,710,625	14,595,112
Pull-Tab vendor fees	5,712,723	4,117,672	4,354,022
Other Operating Expenses			
Advertising	1,499,999	4,147,990	15,999,997
Wages and benefits	13,541,489	14,120,451	12,987,593
Other general and administrative	9,578,861	9,284,682	9,618,079
Depreciation	845,512	963,467	1,004,337



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Direct Expenses

Most costs and expenses that comprise direct expenses are related to specific games and, thus, vary proportionately with the change in sales of the related game. However, some variability does occur due to the nature of some expenses and activities, events and programs, which may occur during any period of time. These expenses include prize expenses, retailer commissions and incentives, Scratchers ticket printing costs and Draw Game and Pull-Tab vendor fees.

Of the Lottery's total operating expenses of \$1,434.2 million in fiscal year 2021, \$1,408.7 million, or 98.2 percent, are game-related, or direct, expenses. Of the Lottery's total operating expenses of \$1,207.3 million in fiscal year 2020, \$1,178.8 million, or 97.6 percent, are game-related, or direct, expenses. Of the Lottery's total operating expenses of \$1,168.1 million in fiscal year 2019, \$1,128.5 million, or 96.6 percent, were game-related, or direct, expenses.

Prize expense for fiscal year 2021 increased by \$203.5 million, or 19.2 percent, while ticket sales increased by 19.8 percent. Prize expense for fiscal year 2020 increased by \$47.4 million, or 4.7 percent, while ticket sales increased by 3.2 percent. The variance between the percentage increase in prize expense and sales reflects the effects of the increased prize structure of the Scratchers and Pull-Tab products, while the random selection of winning numbers may result in deviations from expected results in a short-term period for Draw Game products.

Retailer commissions and incentives in fiscal year 2021 increased by \$16.8 million, or 18.7 percent. Retailer commissions and incentives in fiscal year 2020 increased by \$4.0 million, or 4.7 percent. These categories and results more closely follow the sales trends than prize expense. Variations will occur due to additional promotional activity to promote selected games and the number of jackpots won during the year.

Scratchers ticket printing expenses increased in fiscal year 2021 by \$2.7 million, or 25.5 percent, compared to an increase in fiscal year 2020 of \$2.0 million, or 22.3 percent. Both increases can be attributed to increases in Scratchers sales.

Draw Game vendor fees increased by \$5.3 million, or 45.2 percent in fiscal year 2021, as a result of the increase in Draw Game sales coupled with an increase in vendor rates associated with a contract amendment that added special self-service vending machines and cashless functionality and services on all self-service machines. Draw Game vendor fees decreased by \$2.9 million, or 19.8 percent in fiscal year 2020, in direct correlation to the decrease in Draw Game sales.

Pull-Tab vendor fees increased by \$1.6 million in fiscal year 2021, or 38.7 percent, due to additional machine placements and a full 52 weeks of sales. Annual variances correlate directly with fluctuations in sales. Pull-Tab vendor fees decreased by \$236,000, or 5.4 percent, in fiscal year 2020 due to the decrease in Pull-Tab sales resulting from COVID-19 restrictions.

Other Operating Expenses

Other operating expenses include advertising, personal services, fringe benefits, marketing and promotional expenses, utilities and facility costs, communication services and other administrative costs. The Lottery is subject to the budgetary and appropriation process of the State of Missouri. Management develops budgets for these expenses, within the total amounts appropriated by the State, based upon current economic conditions, business plans and market conditions, with actual results continuously monitored to ensure that overall business objectives are met in the most effective and efficient manner. In fiscal year 2021, other operating expenses decreased by \$3.1 million, or 10.7 percent, due mainly to a reduction to Lottery's advertising budget.

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In fiscal year 2020, other operating expenses decreased by \$11.1 million, or 28.0 percent, due mainly to an \$11 million reduction to Lottery's advertising budget.

The level of depreciation expenses is generally a function of capital asset acquisition activity. Dispositions exceeded acquisitions in fiscal year 2021 while acquisitions exceeded dispositions in fiscal years 2020 and 2019.

Nonoperating Revenues (Expenses)

	For the Year Ended June 30,		
	2021	2020	2019
Interest	\$217,720	\$692,833	\$907,464
Unclaimed prizes	16,063,183	13,197,121	18,359,576
Gain (Loss) on sale of capital assets	22,077	58,408	65,709
Net increase (decrease) in the fair value of investments held for grand-prize winners	(1,182,283)	3,430,771	2,415,701
Amortization of grand-prize winner liability	(1,157,131)	(1,175,500)	(1,232,986)
Transfers to State of Missouri	(397,155,502)	(321,928,487)	(319,376,658)

The Lottery earns interest on its share of the common cash pool with the State Treasurer's Office, as well as interest on an imprest fund account utilized to pay prizes. Interest is also earned on funds receivable from the Multi-State Lottery Association (MUSL). The decrease in interest earnings for fiscal year 2021 over fiscal year 2020 reflect seriously depressed interest rates (yield on state funds was .46 percent for fiscal year 2021 compared to 1.56 percent for fiscal year 2020). The decrease in interest earnings for fiscal year 2020 over fiscal year 2019 reflect decreased cash balances coupled with lower interest rates.

The Lottery retains prize money if a claim for the prize is not made within a 180-day claim period. In fiscal year 2021, the level of unclaimed prizes increased by \$2.9 million over fiscal year 2020. In fiscal year 2020, the level of unclaimed prizes decreased by \$5.2 million over fiscal year 2019. This line item fluctuates considerably from year to year, depending on the timing of Scratchers game closings and the unpredictability of prizes going unclaimed.

The net increase (decrease) in investments held for grand-prize winners represents the net market value change. Amortization of the grand-prize winner liability represents the accretion of interest to the securities held to maturity to fund the grand-prize winner payments.

The variances in the gain or loss from the disposal of capital assets generally reflect the effects of the number of vehicles that were surplus during each fiscal year. However, in fiscal year 2021, the gain from surplus fourteen vehicles and a box truck was partially offset by a loss resulting from replacement of the west roof of the headquarters building prior to it being fully depreciated. In fiscal year 2020, seven vehicles and an event trailer were surplus and sold at surplus property. In fiscal year 2019, thirteen vehicles were surplus and sold at surplus property.

All net proceeds are transferred to the Lottery Proceeds Fund for Education. Net proceeds for fiscal year 2021 increased \$75.2 million, or 23.4 percent, due to increased sales coupled with a proportionally lower increase in prizes. Net proceeds for fiscal year 2020 increased \$2.6 million, or 0.8 percent. The Governor's Office and the Legislature determine where these funds will be expended within the state's public institutions of elementary, secondary and higher education.

Capital Assets and Long-Term Debt

The Lottery's capital assets consist of land, buildings, automobiles, computers and software, and other equipment. Capital assets are not a significant part of the Lottery's total assets. Additional detailed information on capital assets can be found in Note 6 to the financial statements.

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The Lottery has no long-term liabilities other than the long-term annuitized payments to Lottery winners, deferred transfers to the State of Missouri, and net pension and other post-employment benefits liabilities recorded pursuant to GASBs 68 and 75, respectively. Additional detailed information on long-term liabilities may be found in Note 11 to the financial statements.

Contacting the Lottery's Financial Management

This management discussion and analysis report is designed to provide Missouri citizens, government officials, players, retailers and other interested parties reliable financial information and an explanation of the Lottery's financial activities for the fiscal years ended June 30, 2021 and 2020. If you have questions about this report or need additional information, contact the Missouri State Lottery Commission, Financial Accounting Section, P.O. Box 1603, Jefferson City, Missouri 65109-1603.

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Statements of Net Position As of June 30, 2021 and 2020

	2021	2020
Current Assets		
Cash and cash equivalents	118,860,116	52,865,041
Investments held for grand-prize winners	4,100,990	3,791,347
Accounts receivable, net of allowances for returns	58,500,793	66,176,799
Other assets	694,012	156,470
Total current assets	182,155,911	122,989,657
Noncurrent Assets		
Capital assets		
Capital assets not being depreciated	352,973	352,973
Capital assets being depreciated	12,256,249	13,976,941
Accumulated depreciation	(10,811,364)	(12,033,358)
	1,797,858	2,296,556
Investments held for grand-prize winners	34,738,546	34,344,280
Total noncurrent assets	36,536,404	36,640,836
Total assets	218,692,315	159,630,493
Deferred Outflows		
Deferred outflows - pension	3,485,035	4,138,165
Deferred outflows - OPEB	645,816	579,684
Total deferred outflows	4,130,851	4,717,849
Current Liabilities		
Accounts payable	4,112,007	538,259
Due to Lottery Proceeds Fund	58,766,011	9,449,500
Accrued prize liabilities	97,946,438	94,513,057
Grand-prize winner liabilities	4,102,000	3,794,000
Other accrued liabilities	6,902,996	6,886,248
Total current liabilities	171,829,452	115,181,064
Long-term Liabilities		
Due to Lottery Proceeds Fund	10,144,538	7,338,047
Grand-prize winner liabilities	31,627,522	28,892,198
Net pension liability	22,307,756	21,173,650
Net OPEB liability	7,539,380	7,487,627
Total long-term liabilities	71,619,196	64,891,522
Total liabilities	243,448,648	180,072,586
Deferred Inflows		
Deferred inflows - pension	232,105	246,039
Deferred inflows - OPEB	635,064	413,199
Total deferred inflows	867,169	659,238
Net Position		
Investment in capital assets	1,797,858	2,296,556
Unrestricted	(26,400,524)	(24,129,467)
Restricted for the unrealized gain/loss on investments held for grand-prize winners	3,110,015	5,449,429
Total net position	(\$21,492,651)	(\$16,383,482)

See accompanying notes to the basic financial statements.

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Statements of Revenues, Expenses and Changes In Net Position
For The Years Ended June 30, 2021 and 2020

	2021	2020
Operating Revenues		
Scratchers ticket sales	\$1,215,705,180	\$1,035,198,988
Draw Game ticket sales	442,850,831	368,228,313
Pull-Tab ticket sales	152,933,048	109,282,738
Total sales	1,811,489,059	1,512,710,039
Other	760,896	339,873
Total operating revenues	1,812,249,955	1,513,049,912
Operating Expenses		
Scratchers prizes	875,392,754	749,489,555
Draw Game prizes	253,112,820	214,611,316
Pull-Tab prizes	137,520,206	98,388,924
Scratchers retailer commissions and incentives	78,039,114	66,178,980
Draw Game retailer commissions and incentives	25,348,677	21,313,367
Pull-Tab retailer commissions and incentives	3,061,072	2,178,505
Cost of tickets sold	36,226,684	26,600,846
Depreciation	845,512	963,467
Advertising	1,499,999	4,147,990
Wages and benefits	13,541,489	14,120,451
Other general and administrative	9,578,861	9,284,682
Total operating expenses	1,434,167,188	1,207,278,083
Operating income	378,082,767	305,771,829
Nonoperating Revenues (Expenses)		
Interest income	217,720	692,833
Unclaimed prizes	16,063,183	13,197,121
Gain (Loss) on sale of capital assets	22,077	58,408
Net increase (decrease) in the fair value of investments held for grand-prize winners	(1,182,283)	3,430,771
Amortization of grand-prize winner liability	(1,157,131)	(1,175,500)
Transfers to State of Missouri Lottery Proceeds Fund	(397,155,502)	(321,928,487)
Total nonoperating revenues (expenses)	(383,191,936)	(305,724,854)
Changes in net position	(5,109,169)	46,975
Total Net Position, Beginning of Year	(16,383,482)	(16,430,457)
Total Net Position, End of Year	\$(21,492,651)	\$(16,383,482)

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Statements of Cash Flows
For The Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Cash received from retailers and others	\$ 1,819,069,771	\$ 1,499,455,058
Cash paid for prizes	(1,250,323,216)	(1,042,436,133)
Cash paid for retailer commissions	(106,169,579)	(88,562,355)
Cash paid for employee services	(11,510,290)	(11,226,421)
Cash paid for other expenses	(43,726,095)	(39,902,190)
Net cash provided by operating activities	407,340,591	317,327,959
Cash Flows From Noncapital Financing Activities		
Transfers to State of Missouri	(345,032,500)	(333,000,000)
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(428,810)	(967,086)
Proceeds from sale of capital assets	104,074	58,408
Net cash used for capital and related financing activities	(324,737)	(908,678)
Cash Flows From Investing Activities		
Proceeds from maturity of investments	3,794,000	3,434,000
Interest received	217,720	692,833
Net cash provided by investing activities	4,011,720	4,126,833
Net Increase (Decrease) in Cash and Cash Equivalents	65,995,075	(12,453,886)
Cash and Cash Equivalents, Beginning of Year	52,865,041	65,318,927
Cash and Cash Equivalents, End of Year	\$ 118,860,116	\$ 52,865,041
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 378,082,767	\$ 305,771,829
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	845,512	963,467
Noncash pension expense adjustment	1,980,788	2,769,755
Unclaimed prizes	16,063,183	13,197,121
Payments to grand-prize winners	(3,794,000)	(3,434,000)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, net	7,676,006	(13,874,106)
(Increase) decrease in other assets	(537,542)	92,541
Increase (decrease) in accounts payable and other accrued liabilities	3,590,496	1,550,811
Increase (decrease) in accrued prize liabilities	3,433,381	10,290,541
Net cash provided by operating activities	\$ 407,340,591	\$ 317,327,959
Noncash Activities		
Net increase (decrease) in the fair value of investments held for grand-prize winners	\$ (1,182,283)	\$ 3,430,771
Amortization of grand-prize winner liability	\$ 1,157,131	\$ 1,175,500

See accompanying notes to the basic financial statements.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Notes To The Basic Financial Statements
June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

The Missouri State Lottery Commission (the Lottery) was created by the passage of a constitutional amendment on November 6, 1984 by the citizens of the State of Missouri. The Lottery is a Type III division assigned to the Missouri Department of Revenue as defined in Section 313.210 of the Revised Statutes of Missouri. The Department of Revenue has no control, supervision or authority over the actions or decisions of the Lottery. The Lottery's Commission consists of five members appointed by the Governor with the advice and consent of the Senate. The day-to-day operations are administered by the executive director and administrative staff as designated by the Commission.

For financial reporting purposes, the Lottery is considered an enterprise fund of the State of Missouri. Additional disclosures related to Missouri's self-insurance funds, unemployment insurance compensation, state pension plans, post-employment benefits, and workers' compensation benefits are included in the State of Missouri's Annual Comprehensive Financial Report.

These financial statements include all Lottery activity and do not include any activity related to any other state agency or fund.

Basis of Presentation

The Lottery is accounted for as a proprietary, business-type activity enterprise fund. The financial statements of the Lottery have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges or where the periodic determination of net income is appropriate.

Basis of Accounting

The term "basis of accounting" refers to when revenues, expenses and the related assets and liabilities are recognized in the accounts and reported in the financial statements. The term "measurement focus" refers to what is being measured. The financial statements are prepared on the accrual basis of accounting and on an economic resources measurement focus in accordance with GAAP.

The Lottery distinguishes operating revenues and expenses from nonoperating items. The principal operating revenues of the Lottery primarily consist of sales from Scratchers, Draw Game and Pull-Tab tickets. Operating expenses primarily consist of payments to prize winners, commissions to retailer agents, payments to vendors and employees, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue Recognition

Sales of Scratchers tickets are made to licensed retail sales outlets with the right of return. Ticket sales are recognized upon the sale of tickets to licensed retailers and are valued at the sale price to the player. Allowances of approximately \$2,146,323 and \$1,989,445 at June 30, 2021 and 2020, respectively, have been established for estimated tickets to be returned by retailers.

Sales of Draw Game lottery tickets are generated by the semiweekly Lotto, Powerball, and Mega Millions games, and the daily Club Keno, Show Me Cash, Pick 4, Pick 3 and Cash4Life games. Lotto, Show Me Cash, Pick 4, Pick 3 and Cash4Life games have the EZ Match option in which players instantly win the prize amount printed next to the matched EZ Match numbers. In April 2021, the Lottery stopped sales of the semiweekly Lucky for Life game and replaced it with the daily Cash4Life game. Sales of Draw Game lottery tickets are made through licensed retail sales outlets via Draw Game terminals maintained by the retailers. Revenue is recognized for Draw Games when tickets are sold to players and the related draw occurs. Unearned revenues from these sales

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

represent tickets sold for future prize drawings. Unearned revenues were \$499,090 and \$817,737 as of June 30, 2021 and 2020 and are included in other accrued liabilities.

Sales of the new Pull-Tabs product began October 2013. Sales are generated daily through Pull-Tab dispensers at licensed retail sales outlets. Revenue is recognized for Pull-Tabs when tickets are dispensed to players.

Operating revenues are presented net of sales returns, cancellations and promotional tickets of \$58,539,711 and \$53,444,586 for the years ended June 30, 2021 and 2020, respectively.

Prizes

Expenses for Draw Game lottery ticket prizes are recorded based on a minimum of 45 percent of Draw Game lottery ticket sales. This amount is recognized and accrued as prize liability. Actual prizes paid are treated as a reduction of the prize liability.

Lotto grand-prize winners have the choice of receiving their prize in 25 annual installments or a portion of the prize in one lump-sum payment. Powerball and Mega Millions grand-prize winners have the choice of receiving their prize over 29 years (30 annual graduated installments) or a portion of the prize in one lump-sum payment. Lucky for Life top and second prize winners have the choice of receiving their prize annually for life (minimum of 20 years) or in one lump-sum payment. Cash4Life top and second prize winners also have the choice of receiving their prize annually for life (minimum of 20 years) or in one lump-sum payment.

Expenses for Scratchers ticket prizes are recorded based upon the unique, predetermined prize structure for each game and are accrued as tickets are sold to the retailer.

Pull-Tab prizes are recorded at actual prizes paid.

Unclaimed Prizes

State statutes require that unclaimed prize monies be retained by the Lottery for the person entitled thereto for 180 days after the time the prize was awarded. If no claim is made for the prize within such time, the prize money reverts to the Lottery. Effective July 1, 2000, at the directive of the State of Missouri, the Lottery transfers to the Lottery Proceeds Fund all prizes that remain unclaimed. During the years ended June 30, 2021 and 2020, unclaimed prizes in the amount of approximately \$16,100,000 and \$13,200,000 were transferred to the Lottery Proceeds Fund. For the years ended June 30, 2021 and 2020, this amount has been included as nonoperating revenue on the statements of revenues, expenses and changes in net position with a corresponding amount included as a transfer to the State of Missouri.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of cash in banks, repurchase agreements and funds on deposit with the State Treasurer. The Lottery considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments Held for Grand-Prize Winners

Since March 1990, the Lottery has purchased U.S. Treasury Zero Coupon Bonds to fund future payments under grand-prize winner prize claims. The maturities of these bonds approximate deferred grand-prize annuity installment amounts and due dates. The securities purchased are held in the Lottery's name in safekeeping by the Federal Reserve Bank in a separate account. The investments in these securities are carried at fair value. The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Notes To The Basic Financial Statements
June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

Retailer Fees

Retailers are charged a fee when licensed to sell lottery tickets. Additionally, retailers pay an annual fee in lieu of obtaining an insurance bond. Such fees are used to offset uncollectible accounts receivable from retailers. The Lottery has not established an allowance for bad debt as this amount has been determined to be immaterial to the accounts receivable balance.

Capital Assets

Property and equipment greater than \$1,000 are carried at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated lives of the related assets, which range from three to fifteen years for automobiles, computers, equipment, and other assets and nineteen years for buildings.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in nonoperating revenues and expenses for the period.

Net Position

Restricted net position represents the unrealized gains or losses on investments held for grand-prize winners. Certain investments are reported at fair value with gains and losses reflected in the statement of revenues, expenses and changes in net position. As required by the Missouri Constitution and state statutes, the Lottery uses investments only to fund its annuity prize obligations and intends to hold the investments to maturity. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amounts due to the Lottery Proceeds Fund.

Use of Estimates

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

Due to Lottery Proceeds Fund

All income before transfers of the Lottery, except for the net increase in the fair value of investments held for grand-prize winners, amortization of grand-prize winner liabilities and the change in net position related to pensions and other post-employment benefits (calculated using a one-year lag), as described in the accompanying statements of revenues, expenses and changes in net position, accrues to the benefit of the State of Missouri. Transfers are made to the Lottery Proceeds Fund, which shall be appropriated by the State solely for the institutions of public elementary, secondary and higher education.

The Lottery makes estimated weekly transfers to the Lottery Proceeds Fund with a monthly transfer adjustment done based on calculated net income before transfers. A portion of the liability to the Lottery Proceeds Fund, equal to the net book value of capital additions after September 1, 1988, and all amounts receivable from the Multi-State Lottery Association, is shown as a long-term liability and is not subject to current transfers.

Compensated Absences

Under the terms of the Lottery's personnel policy, employees are granted vacation and sick leave in varying amounts, based upon length of service. In the event of termination or separation, an employee is generally paid for accumulated vacation up to 240 hours if in service between ten and fifteen years; and 336 hours if service exceeds fifteen years. Accordingly, it is the Lottery's policy to record vacation pay as an expense as it is earned. The amount of earned but unused accumulated vacation is included as an accrued liability in

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

the accompanying financial statements. Retiring employees receive an additional month of credited service for every twenty-one days of accumulated sick leave on the date of termination. Credited service is used to calculate retirement benefits administered by the Missouri State Employees Retirement System. The amount of earned but unused sick leave has no material financial effect on the Lottery.

Risk Management

The Lottery's risk management activities for workers' compensation and unemployment are recorded in the Workers' Compensation Fund and the Employment Security Fund, funds of the State of Missouri. The Lottery reimburses these funds for actual disbursements made on the Lottery's account.

Employees are offered various health insurance coverage programs administered by the Missouri Consolidated Health Care Plan (MCHCP). The Lottery contributes a fixed monthly payment for each covered employee to MCHCP as appropriated by the General Assembly of the State of Missouri.

The Lottery's major assets including data processing equipment, buildings and business interruption are insured by a third-party carrier maintained by the Office of Administration - Risk Management.

There were no significant reductions in insurance coverage from the prior year. Insurance settlements did not exceed insurance coverage in the past three years.

Budgetary Authority

The Lottery annually submits a request for appropriation through the budgetary process of the State of Missouri. All expenses of the Lottery are subject to the State of Missouri appropriation process.

Marketing, Advertising and Promotion

The Lottery expenses the costs of marketing, advertising and promotions as they are incurred. In addition to the \$1.5 million and \$4.1 million spent for advertising in fiscal years 2021 and 2020, the Lottery spent \$2.5 million and \$2.0 million on sponsorships and promotional supplies in fiscal years ended June 30, 2021 and 2020, respectively.

Pension Plan and Other Post-Employment Benefits Plan (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows and inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Coronavirus Relief Fund Assistance

In fiscal year 2021, the Lottery received \$136,202 in Coronavirus Relief Fund Assistance as reimbursement for public safety measures undertaken in response to COVID-19, such as sanitizing products and personal protective equipment and modifications to regional offices to promote social distancing, and for expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions. This amount is included in Other revenue on the Statements of Revenues, Expenses and Changes in Net Position.

Subsequent Events

The Lottery has performed a review of events subsequent to the statement of net position date through November 15, 2021, the date the financial statements are available to be issued.

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

Risks and Uncertainties

In March of 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the State Lottery Commission, COVID-19 may impact various parts of its fiscal year 2022 operations and financial results, including Draw Games and Scratchers revenue and expense. Management believes the Lottery is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and still developing.

2. Statutory Requirements

Missouri statutes provide that a minimum of 45 percent of the money received from the sale of lottery tickets shall be allocated to prizes. The costs of operating the Lottery, including all commissions to retailers, promotional costs, and all other administrative expenditures, are appropriated by the General Assembly of the State of Missouri.

The Lottery receives certain services for no charge from other Missouri state government agencies. Tax clearance and driver's license checks are provided by the Department of Revenue. The Office of Administration provides services related to employee benefits and certain capital improvements, procurements, and facilities-related items.

3. Cash and Cash Equivalents

Cash, other than petty cash and the imprest fund, is part of the common cash pool in the State Treasury. The State of Missouri invests such cash in excess of what is necessary to meet current obligations. The fair value in the common cash pool is the same as the value of the pool shares. At June 30, 2021 and 2020, the Lottery's share in the State's common cash pool was \$110,416,809 and \$45,052,246, respectively. At June 30, 2021 and 2020, the book balance of the imprest fund was \$8,438,307 and \$7,808,995, respectively, and the bank balance was \$8,984,551 and \$9,055,306, respectively.

Collateral is required by state statutes for demand deposits and certificates of deposit. The fair value of collateral must equal 100 percent of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by state statute and include U.S. government and U.S. agency bonds and securities, general obligation bonds of any of the fifty states, general obligation bonds of any Missouri county and certain cities and special districts, and revenue bonds of certain Missouri agencies. Written custodial agreements are required which provide, among other things, that the collateral be held separate from the assets of the custodial bank.

Custodial credit risk is the risk that, in the event of a bank failure, the Lottery's deposits may not be returned to it. The Lottery does not have a deposit policy for custodial credit risk. The Lottery's imprest fund was fully collateralized by FDIC insurance and pledged collateral at June 30, 2021 and 2020. Because the Lottery's share of the State's Treasury is a pooled investment, the balance of this account is not subject to custodial credit risk.

4. Investments Held For Grand-Prize Winners

As provided for by Article III, Section 39(b) of the Missouri Constitution, the Lottery purchases United States Treasury Zero Coupon Bonds for the specific purpose of funding future grand-prize winner prize claims. The recurring fair value measurements of these investments at June 30, 2021 and 2020 using quoted market prices (Level 1 inputs) was \$38,839,536 and \$38,135,627, respectively. The maturity value of securities held at June 30, 2021 and 2020 was \$43,384,000 and \$40,286,000, respectively.

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2021 and 2020

4. Investments Held For Grand-Prize Winners (continued)

At June 30, 2021 and 2020, the Lottery had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
United States Treasury Zero Coupon Bonds					
June 30, 2021	\$38,839,536	\$4,100,990	\$14,243,382	\$10,741,837	\$9,753,327
June 30, 2020	\$38,135,627	\$3,791,347	\$13,843,633	\$11,409,410	\$9,091,237

Investments in prize annuities are subject to changes in fair value due to interest rate risk. However, to satisfy the annual installment obligations to prize winners, these bonds are held to maturity. The fair value at maturity is the face value of the bonds, regardless of the changes in value during the time that the investments are outstanding.

5. Draw Game Ticket Sales

Draw Game ticket sales for the year ended June 30th, consist of the following:

	2021	2020
Lotto	\$23,854,782	\$18,730,558
Pick 3	109,946,003	95,182,970
Powerball	71,308,315	58,353,712
Show Me Cash	30,065,011	28,003,732
Pick 4	75,046,718	62,867,411
Club Keno	58,460,427	49,855,758
Mega Millions	58,814,950	43,076,897
EZ Match – Show Me Cash	2,328,852	2,334,210
EZ Match – Lotto	841,855	648,731
EZ Match – Pick 3	566,920	519,521
EZ Match – Pick 4	492,432	429,540
EZ Match – Cash4Life	273,776	-
Lucky For Life	6,945,335	8,225,273
Cash4Life	3,905,455	-
	<u>\$442,850,831</u>	<u>\$368,228,313</u>

6. Capital Assets

The changes in capital assets for the year ended June 30th, consist of the following:

	June 30, 2020	Increases	Decreases	June 30, 2021
Capital assets not being depreciated				
Land	\$ 352,973	\$ -	\$ -	\$ 352,973
Total capital assets not being depreciated	<u>352,973</u>	<u>-</u>	<u>-</u>	<u>352,973</u>
Capital assets being depreciated				
Buildings	5,270,313	-	(710,256)	4,560,057
Computers and software	4,447,170	216,306	(1,047,666)	3,615,810
Equipment	2,487,577	1,376	(26,284)	2,462,669
Automobiles	1,771,881	211,128	(365,296)	1,617,713
Total capital assets being depreciated	<u>13,976,941</u>	<u>428,810</u>	<u>(2,149,502)</u>	<u>12,256,249</u>

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2021 and 2020

6. Capital Assets (continued)

	<u>June 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>
Less accumulated depreciation for				
Buildings	(4,983,810)	(44,607)	628,306	(4,400,111)
Computers and software	(3,986,216)	(289,737)	1,047,666	(3,228,287)
Equipment	(1,721,674)	(240,684)	26,238	(1,936,120)
Automobiles	(1,341,658)	(270,484)	365,296	(1,246,846)
Total accumulated depreciation	<u>(12,033,358)</u>	<u>\$ (845,512)</u>	<u>\$2,067,506</u>	<u>(10,811,364)</u>
Total capital assets being depreciated, net	<u>1,943,583</u>			<u>1,444,885</u>
Capital assets, net	<u>\$ 2,296,556</u>			<u>\$ 1,797,858</u>
	<u>June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Capital assets not being depreciated				
Land	\$ 352,973	\$ -	\$ -	\$ 352,973
Total capital assets not being depreciated	<u>352,973</u>	<u>-</u>	<u>-</u>	<u>352,973</u>
Capital assets being depreciated				
Buildings	5,270,313	-	-	5,270,313
Computers and software	4,348,109	316,616	(214,555)	4,447,170
Equipment	2,237,370	345,848	(95,641)	2,487,577
Automobiles	1,609,963	307,622	(145,704)	1,771,881
Total capital assets being depreciated	<u>13,465,755</u>	<u>967,086</u>	<u>(455,900)</u>	<u>13,976,941</u>
Less accumulated depreciation for				
Buildings	(4,918,624)	(65,186)	-	(4,983,810)
Computers and software	(3,774,072)	(426,699)	214,555	(3,986,216)
Equipment	(1,570,007)	(247,308)	95,641	(1,721,674)
Automobiles	(1,263,088)	(224,274)	145,704	(1,341,658)
Total accumulated depreciation	<u>(11,525,791)</u>	<u>\$ (963,466)</u>	<u>\$ 455,900</u>	<u>(12,033,358)</u>
Total capital assets being depreciated, net	<u>1,939,964</u>			<u>1,943,583</u>
Capital assets, net	<u>\$ 2,292,937</u>			<u>\$ 2,296,556</u>

7. Pension Plan

Plan Description

The Lottery participates in the Missouri State Employees' Plan (MSEP) (the Plan), a cost-sharing, multiple-employer defined benefit public employees' retirement plan administered by Missouri State Employees' Retirement System (MOSERS). Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish and amend benefit terms to the MOSERS Board of Trustees. Substantially all full-time employees of the Lottery are covered by the Plan. MOSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: Missouri State Employees' Retirement System, 907 Wildwood Drive, P.O. Box 209, Jefferson City, Missouri 65102, by calling (800) 827-1063 or by visiting www.mosers.org.

The MSEP has three benefit structures known as MSEP (closed plan), MSEP 2000, and MSEP 2011. The MSEP covers all full-time employees hired before July 1, 2000, who are not covered under another state-sponsored retirement plan. MSEP 2000 covers all full-time employees hired on or after July 1, 2000 and before January 1, 2011. MSEP 2011 covers all full-time employees first hired on or after January 1, 2011. Members of the closed plan have the option at retirement to choose between the benefit structure of the MSEP or MSEP 2000.

Missouri State Lottery Commission
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Notes To The Basic Financial Statements
June 30, 2021 and 2020

7. Pension Plan (continued)

Benefits Provided

MOSERS provides retirement, disability, and life insurance benefits to eligible employees. Employees covered by the MSEP and the MSEP 2000 plans are fully vested after 5 years of creditable service. Beginning January 1, 2018, employees covered by the MSEP 2011 plan are fully vested after 5 years of creditable service (2017 legislation reduced the vesting period from 10 to 5 years for MSEP 2011 members). The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. Retirement eligibility requirements are as follows:

MSEP

Age 65 and active with 4 years of service
Age 65 with 5 years of service
Age 60 with 15 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 55 with at least 10 years of service with reduced benefits
The base benefit in the general employee plan is equal to 1.6% multiplied by the final average pay multiplied by years of credited service.

MSEP 2000

Age 62 with 5 years of service
Age 48 with age and service equaling 80 or more (Rule of 80)
Employees may retire early at age 57 with at least 5 years of service with reduced benefits
The base benefit in the general employee plan is equal to 1.7% multiplied by the final average pay multiplied by years of credited service.

MSEP 2011

Age 67 with 5 years of service
Age 55 with age and service equaling 90 or more (Rule of 90)
Employees may retire early at age 62 with at least 5 years of service with reduced benefits.
The base benefit in the general employee plan is equal to 1.7% multiplied by the final average pay multiplied by years of credited service.

For members hired prior to August 28, 1997, cost of living adjustments (COLAs) are provided annually based on 80% of the percentage increase in the average Consumer Price Index (CPI) from one year to the next, with a minimum rate of 4% and a maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit, thereafter the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the percentage increase in the average CPI from one year to the next, up to a maximum rate of 5%. Qualified, terminated-vested members of MSEP may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than \$10,000.

Contributions

Per Chapter 104.436 RSMo., contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP 2011 Plan are required to contribute 4% of their annual pay. The Lottery's required contribution rates for the years ended June 30, 2021 and June 30, 2020 were 22.88% and 21.77%, respectively, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Lottery contributions to the MSEP at June 30, 2021 and 2020 were \$1,622,206 and \$1,531,371, respectively.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Notes To The Basic Financial Statements
June 30, 2020 and 2019

7. Pension Plan (continued)

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

At June 30, 2021 and June 30, 2020, liabilities of \$22,307,756 and \$21,173,650, respectively, were reported for the proportionate share of the Lottery's net pension liability in the MSEP. The net pension liability and proportionate share were measured as of June 30, 2020 and June 30, 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates.

The Lottery's proportion of the net pension liability was based on Lottery's actual share of contributions to the pension plan relative to the actual contributions of all participating reporting units, actuarially determined. At the June 30, 2020 and 2019 measurement dates, the Lottery's proportion was .42%.

There were no changes in benefit terms during the MSEP plan years ended June 30, 2020 and June 30, 2019 that affected the measurement of total pension liability.

For the years ended June 30, 2021 and 2020, the Lottery recognized pension expense of \$3,395,508 and \$4,345,106, respectively. At June 30, 2021 and 2020, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	2021	2020	2021	2020
Difference between expected and actual experience	\$10,120	\$18,003	\$232,105	\$245,454
Changes of assumptions	590,636	843,704	-	-
Net difference between projected and actual earnings on pension plan investments	1,186,382	1,639,391	-	-
Changes in proportion and difference between Lottery contributions and proportionate share of contributions	75,691	105,696	-	585
Lottery contributions subsequent to the measurement date	1,622,206	1,531,371	-	-
Total	<u>\$3,485,035</u>	<u>\$4,138,165</u>	<u>\$232,105</u>	<u>\$246,039</u>

Amounts reported as deferred outflows of resources related to pensions resulting from Lottery 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:

<u>Year Ended June 30</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2022	850,301
2023	388,109
2024	288,523
2025	103,791
Total	<u><u>\$1,630,724</u></u>

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Notes To The Basic Financial Statements
June 30, 2021 and 2020

7. Pension Plan (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 actuarial valuations, which are also the dates of measurement for GASB 68 purposes, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	June 30, 2020	June 30, 2019
Inflation	2.25%	2.35%
Salary Increases (including inflation)	2.75% to 8.25%	2.85% to 8.35%
Wage Inflation	2.25%	2.35%
Investment Rate of Return (compounded annually, net after investment expenses including inflation)	6.95%	7.10%

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

Mortality rates used in the June 30, 2020 and 2019 valuations for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120%. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the policy allocation percentage and by adjusting for expected inflation, volatility and correlations. Best estimates of real rates of return for each major asset class included in MOSERS policy allocation as of June 30, 2020 and 2019 are summarized in the following table:

Old Portfolio:

	Policy Allocation	Long-Term Expected Nominal Return*	Long-Term Expected Real Return	Weighted Average Long-Term Expected Nominal Return
Opportunistic global equity	38%	8.3%	5.8%	3.1%
Nominal bonds	44%	3.3%	0.8%	1.5%
Commodities	20%	7.8%	5.3%	1.6%
Inflation-protected bonds	39%	2.4%	(0.1)%	0.9%
Alternative beta	31%	6.6%	4.1%	2.0%
Cash and cash equivalents**	(72)%	1.0%	(1.5)%	(0.7)%
	100.0%			
				(0.7)%
				7.7%
				(2.5)%
				5.2%

*Long-term expected arithmetic returns of asset classes at the time of the asset allocation study for each portfolio.

**Cash and cash equivalents policy allocation amounts are negative due to use of leverage.

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7. Pension Plan (continued)

Actuarial Assumptions(continued)

New Portfolio:

Asset Class	Policy Allocation	Long-Term Expected Nominal Return*	Long-Term Expected Real Return	Weighted Average Long-Term Expected Nominal Return
Global public equities	30.0%	7.7%	5.8%	2.3%
Global private equities	15.0%	9.3%	7.4%	1.4%
Long treasuries	25.0%	3.5%	1.6%	0.9%
Core bonds	10.0%	3.1%	1.2%	0.3%
Commodities	5.0%	5.5%	3.6%	0.3%
TIPS	25.0%	2.7%	0.8%	0.7%
Private real assets	5.0%	7.1%	5.2%	0.3%
Public real assets	5.0%	7.7%	5.8%	0.4%
Hedge funds	5.0%	4.8%	2.9%	0.2%
Alternative beta	10.0%	5.3%	3.4%	0.5%
Private credit	5.0%	9.5%	7.6%	0.5%
Cash and cash equivalents**	<u>(40.0)%</u>	---	(1.9)%	---
	<u>100.0%</u>			
				<u>(0.6)%</u>
				<u>7.2%</u>
				<u>(1.9)%</u>
				<u>5.3%</u>

Correlation/Volatility Adjustment

Long-Term Expected Net Nominal Return

Less : Investment Inflation Assumption

Long-Term Expected Geometric Net Real Return

*Long-term expected arithmetic returns of asset classes at the time of the asset allocation study for each portfolio.

**Cash and cash equivalents policy allocation amounts are negative due to use of leverage.

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019 was 6.95 percent and 7.10 percent, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position at June 30, 2020 and 2019 was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 at June 30, 2020 and 2019.

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

The following presents net pension liability, calculated using a single discount rate as well as what net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

	<u>1% Decrease</u>		<u>Current Single Discount Rate Assumption</u>		<u>1% Increase</u>	
	2021	2020	2021	2020	2021	2020
	5.95%	6.10%	6.95%	7.10%	7.95%	8.10%
Lottery's Proportionate Share of Net Pension Liability	<u>\$27,932,503</u>	<u>\$26,711,571</u>	<u>\$22,307,756</u>	<u>\$21,173,650</u>	<u>\$17,576,905</u>	<u>\$16,517,605</u>

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7. Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separate financial reports issued by MOSERS which may be requested from:

Missouri State Employees' Retirement System
P.O. Box 209
907 Wildwood Drive
Jefferson City, Missouri 65102-0209

Payables to the Pension Plan

The Lottery had payables to MOSERS for the pension plan of approximately \$66,000 and \$64,000 as of June 30, 2021 and 2020, respectively, due to the state's half month lag payroll.

8. Leases

Operating Leases

The Lottery's regional facilities are held under operating lease agreements. The lease agreement for the St. Louis office expired December 31, 2020. A new lease began January 1, 2021 with renewals extending through June 30, 2027. The lease agreement for the Springfield office is under a one-year agreement with four one-year renewal options set to expire June 30, 2024. The lease agreement for the Kansas City office is under a one-year agreement with four one-year renewal options set to expire June 30, 2025. Annual rent expense for these facilities for the years ended June 30, 2021 and 2020 totaled approximately \$321,000 and \$288,000, respectively.

The Lottery leases warehouse space in Jefferson City to store Scratchers tickets on hand. The lease term began January 1, 2016 and ended June 30, 2016 with one one-year renewal option that expired June 30, 2017. The lease agreement was amended to extend the lease through June 30, 2018 then continued month-to-month. Rent expense for the years ended June 30, 2021 and 2020 totaled \$8,101 and \$8,101, respectively.

The Lottery leases 20-bin instant ticket vending machines and associated terminals and peripherals under a December 2018 amendment to the existing computer gaming system agreement. The computer gaming system agreement includes a single percentage of net weekly Draw Game sales as compensation for providing the mandatory requirements of the contract. The 20-bin instant ticket vending machines and associated terminals and peripherals are in addition to the mandatory requirements of the base contract and were leased at an additional fixed monthly cost. The monthly fixed payments ended September 2020. Annual lease expense for the instant ticket vending machines for the fiscal years ended June 30, 2021 and 2020 totaled \$309,087 and \$927,261, respectively. A November 2019 amendment to the existing computer gaming system agreement provided for additional 20-bin instant ticket vending machines and associated terminals and peripherals, in addition to cashless functionality and certain ancillary services and additional personnel. The cost of the equipment and services provided through the November 2019 amendment are paid via an increase in the single percentage of net weekly Draw Games sales beginning July 1, 2020.

The Lottery also leases copiers for its headquarters and regional offices.

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Notes To The Basic Financial Statements
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8. Leases (continued)

Operating Leases (continued)

Future minimum lease payments under all non-cancelable leases having initial or remaining terms in excess of one year as of June 30, 2021 are as follows:

<u>Year Ended June 30</u>	
2022	\$ 455,000
2023	455,000
2024	455,000
2025	299,000
2026	153,000
2027	126,000
	<u>\$ 1,943,000</u>

9. Contractual Arrangements

The Lottery maintains contractual arrangements with providers of goods and services critical to the Lottery's operations. Significant contracts include agreements with the providers of the Lottery's Draw Game computer systems and the Lottery's Pull-Tab product, agreements with producers of the Lottery's Scratchers games tickets, and an agreement for advertising services, among others. The contracts require the Lottery to compensate vendors for goods and services that meet stated quality standards. Scratchers game tickets are purchased on a percentage of sales basis. Scratchers tickets on hand in the Lottery's warehouse are held on a consignment basis and are not recorded as inventory.

The Lottery is a member of the Multi-State Lottery Association (MUSL) which consists of 38 member lotteries and operates the Powerball game and the Mega Millions game. Under separate agreements between MUSL and each lottery, the member lotteries sell tickets for the Powerball game and remit 50 percent of sales to MUSL for payment of prizes. On January 31, 2010 the Lottery began selling the Mega Millions jackpot game as an historic cross-selling agreement between Mega Millions and Powerball. Member lotteries sell tickets for the Mega Millions game and currently remit 50 percent of sales to MUSL for payment of prizes. Member lotteries also fund MUSL's operating expenses based on allocations by MUSL.

Powerball and Mega Millions grand-prize winners have the choice of receiving their prize over 29 years (30 annual graduated installments) or a portion of the prize in one lump-sum payment. Investment securities, with maturities that approximate all grand-prize winner payments due to winners of MUSL games, are maintained by MUSL. The investments and related prize liabilities for winners of these games from the State of Missouri are excluded from the accompanying financial statements. Future grand-prize winner payments of MUSL games due to winners in Missouri are approximately \$24,937,000 and \$25,560,000 as of June 30, 2021 and 2020, respectively.

The Lottery has contributed to a prize reserve fund and set prize reserve fund, separately maintained by MUSL, to protect MUSL members in case of unforeseen liabilities and to pay certain prizes associated with Powerball and Mega Millions, respectively. With certain restrictions, these fund balances are refundable to member lotteries upon termination of the member's agreement with MUSL or upon the disbanding of MUSL. At June 30, 2021 and 2020, the Lottery's portion of the prize reserve fund and set prize reserve fund for Powerball was approximately \$2,626,000 and \$3,361,000, respectively, and \$1,189,000 and \$1,175,000, respectively. At June 30, 2021 and 2020, the Lottery's portion of the prize reserve fund for Mega Millions was approximately \$3,125,000 and \$3,255,000, respectively. The Lottery has charged amounts placed into the prize reserve funds to prize expense as the related sales have occurred. The reserve funds are not reflected on the Lottery's statement of net position as of June 30, 2021 and 2020, respectively.

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Notes To The Basic Financial Statements
June 30, 2021 and 2020

9. Contractual Arrangements (continued)

The Lottery has contributed to an account with MUSL which is used to pay certain operating expenses incurred by member lotteries for the Powerball game and the Mega Millions game. With certain restrictions, the balances in this account are refundable to the member lotteries upon termination of the member's agreement with MUSL or upon the disbanding of MUSL. At June 30, 2021 and 2020 the Lottery's portion of the balance of this account was \$535,500 and \$64, respectively, and is reported as other assets.

Lucky for Life is currently offered in 22 states and D.C. The Lottery replaced Lucky for Life with Cash4Life in April of 2021. Prior to April 2021, the Lottery sold Lucky for Life tickets, collected all revenues, and remitted prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent) for the Lucky for Life game. MUSL collects and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for the top two highest prize tiers when a winner does not choose a cash pay-out. Lucky for Life's top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by MUSL when a winner chooses the annuity option. MUSL purchases insurance annuities, on behalf of the member states, based on \$365,000 (top prize tier) or \$25,000 (second highest prize tier) per year deferred annuity paid annually on the anniversary of the claim date for the lifetime of the top prize winner. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses. There are no prize reserves held by MUSL for Lucky for Life. The Lottery had an accounts receivable due from the other states of \$508 for shared low-tier prizes and allocation of expired prizes as of June 30, 2021. As of June 30, 2020, there was no dollar amount to report for shared low-tier prizes and allocation of expired prizes due to states extending their expiration dates due to COVID-19. The Lottery's share of accrued operating expenses at June 30, 2021 and 2020 was \$430 and \$3,616, respectively.

Cash4Life is the Lottery's newest multi-state Draw Game and is currently offered in ten states. Cash4Life's top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by the Lottery when a winner chooses the annuity option. The top and second prize tiers are \$365,000 and \$52,000 per year, respectively, deferred annuity paid annually on the anniversary of the claim date for the lifetime of the winners. Annuity contracts purchased from insurance companies to fund for-life prizes are not reflected in the financial statements as it is the intent of the Lottery that the insurance companies will make future installment payments directly to each prize winner. Top and second tier prizes are funded from pooled contributions by all participating lottery states. Each participating lottery is responsible for funding its own lower level prizes.

10. Amounts Held On Behalf of Grand-Prize Winners Liability

The Lottery has an implied contract to make future installment payments to grand-prize winners, and as such, recognizes this as amounts held on behalf of grand-prize winners. Amounts due to grand-prize winners are carried at the estimated present value of the prizes that will eventually be awarded. The present value of these payments at June 30, 2021 and 2020 was \$35,729,521 and \$32,686,198 respectively. This is funded with the maturing U.S. Treasury Zero Coupon Bonds that are restricted for this purpose.

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10. Amounts Held On Behalf of Grand-Prize Winners Liability (continued)

The balances of these maturities at June 30, 2021, are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 4,102,000
2023	4,102,000
2024	3,574,000
2025	3,402,000
2026	3,402,000
2027 through 2031	11,834,000
2032 through 2036	7,480,000
2037 through 2041	4,176,000
2042 through 2045	<u>1,312,000</u>
Total installment payments due	43,384,000
Less- Interest portion	<u>7,654,479</u>
	<u>\$ 35,729,521</u>

The Lottery has also purchased annuity contracts in the name of the prize winners from selected insurance companies to fund certain grand-prize claims. Because it is the intent of the Lottery that the insurance companies make future installment payments directly to each prize winner, neither the value of the annuities nor the value of the related future payments are reflected in the accompanying financial statements. The Lottery would assume liability for future payments if the insurance companies were to default on their payments; however, this possibility is remote and therefore no liability is recorded. Future payments to be made to grand-prize winners by these insurance companies totaled approximately \$8,000,000 and \$8,205,000 at June 30, 2021 and 2020, respectively.

11. Long-Term Liabilities

The changes in long-term liabilities for the years ended June 30th consist of the following:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Current Portion</u>
Due to Lottery Proceeds Fund	\$16,787,547	\$397,155,502	(\$345,032,500)	\$68,910,549	\$58,766,011
Grand-prize winner liabilities	32,686,198	6,837,323	(3,794,000)	35,729,521	4,102,000
Net pension liability	21,173,650	1,134,106	-	22,307,756	-
Net OPEB liability	<u>7,487,627</u>	<u>51,753</u>	-	<u>7,539,380</u>	-
Total	<u>\$78,135,022</u>	<u>\$405,178,684</u>	<u>(\$348,826,500)</u>	<u>\$134,487,206</u>	<u>\$62,868,011</u>
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
Due to Lottery Proceeds Fund	\$ 27,859,060	\$321,928,487	(\$333,000,000)	\$16,787,547	\$9,449,500
Grand-prize winner liabilities	29,249,933	6,870,265	(3,434,000)	32,686,198	3,794,000
Net pension liability	19,388,641	1,785,009	-	21,173,650	-
Net OPEB liability	<u>7,422,823</u>	<u>64,804</u>	-	<u>7,487,627</u>	-
Total	<u>\$ 83,920,457</u>	<u>\$330,648,565</u>	<u>(\$336,434,000)</u>	<u>\$78,135,022</u>	<u>\$13,243,500</u>

12. Other Post-Employment Benefits Plan

Plan Description

As a State agency, the Lottery participates in a cost-sharing multiple-employer defined benefit Other Post-Employment Benefits Plan (OPEB), the State Retiree Welfare Benefit Trust (SRWBT), administered by the Missouri Consolidated Health Care Plan (MCHCP). Employees may participate at retirement if eligible to receive a monthly retirement benefit from MOSERS. The terms and conditions governing post-employment

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12. Other Post-Employment Benefits Plan (continued)

Plan Description (continued)

benefits are vested with the MCHCP Board of Trustees within the authority granted under Chapter 103 of the Revised Statutes of Missouri. The SRWBT does not issue a separate stand-alone financial report. Financial activity of the SRWBT is included in MCHCP's annual comprehensive financial report as a fiduciary fund and is intended to present only the financial position of the activities attributable to the SRWBT. Additionally, the MCHCP is considered a component unit of the state of Missouri reporting entity and is included in the state's financial report. MCHCP's financial report may be obtained by visiting www.mchcp.org.

Benefits Provided

The SRWBT was established and organized on June 27, 2008, to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the state and their dependents who meet eligibility requirements. MCHCP's three medical plans offer the same basic coverage such as preventative care, freedom to choose care from a nationwide network of primary care providers, specialists, pharmacies and hospitals, usually at a lower negotiated group discount and the same covered benefits for both medical and pharmacy. Benefits are the same in all three plans; other aspects differ such as premium, deductible and out of pocket costs. Retiree benefits are the same as for active employees.

Contributions

Contributions are established and may be amended by the MCHCP Board of Trustees with the authority granted under Chapter 103 of the Revised Statutes of Missouri. Contributions to MCHCP for OPEB are not legally or contractually required. For the fiscal year ended June 30, 2021, the Lottery contributed 4.29% for the period July 1, 2020 through December 31, 2020, and 4.22% for the period January 1, 2021 through June 30, 2021, of gross active employee payroll toward its contributions. For the fiscal year ended June 30, 2020, the Lottery contributed 4.40% for the period July 1, 2019 through December 31, 2019, 4.65% for the period January 1, 2020 through March 31, 2020, 4.02% for the period April 1, 2020 through May 31, 2020, and 3.41% for the period June 1, 2020 to June 30, 2020, of gross active employee payroll toward its contributions. Retiree contribution rates are established based on projected claims experience and funding provided by employer contributions. Lottery contributions to the OPEB plan were \$302,044 and \$303,248 for the years ended June 30, 2021 and 2020, respectively.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, a liability was reported for the proportionate share of the Lottery's net OPEB liability in the SRWBT. The net OPEB liability and proportionate share were measured as of June 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of these dates.

The State of Missouri's proportion of the net OPEB liability is determined by dividing the State's required contributions to the SRWBT relative to the contributions of all participating reporting units, actuarially determined. At the June 30, 2020 and 2019 measurement dates, the Lottery's proportion of the State's net OPEB liability was .43% and .42%, respectively. The components of Lottery's net OPEB liability at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Total Lottery OPEB Liability	\$8,216,173	\$8,078,379
Lottery Fiduciary Net Position	676,793	590,752
Lottery Net OPEB Liability	7,539,380	7,487,627

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12. Other Post-Employment Benefits Plan (continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

For the years ended June 30, 2021 and 2020, the Lottery recognized OPEB expense of \$509,530 and \$259,268, respectively. At June 30, 2021 and 2020, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	2021	2020	2021	2020
Difference between expected and actual experience	\$320,259	\$262,621	\$86,475	\$99,590
Changes of assumptions	–	–	548,589	313,609
Net difference between projected and actual earnings on OPEB plan investments	21,545	11,834	–	–
Changes in proportion and difference between Lottery contributions and proportionate share of contributions	1,968	1,981	–	–
Lottery contributions subsequent to the measurement date	302,044	303,248	–	–
Total	<u>\$ 645,816</u>	<u>\$ 579,684</u>	<u>\$ 635,064</u>	<u>\$ 413,199</u>

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

<u>Year Ended June 30</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2022	\$ (40,676)
2023	(40,495)
2024	(43,427)
2025	(44,298)
2026	(47,611)
2027	(46,350)
2028	(24,492)
2029	(3,943)
Total	<u>\$ (291,292)</u>

Actuarial Assumptions

Actuarial valuations for the SRWBT involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation to determine the SRWBT's total OPEB liability is required to be performed at least every two years. The SRWBT valuation is performed annually, but should the valuation not be performed as of the fiscal year end, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the SRWBT plan's fiscal year end. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term

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12. Other Post-Employment Benefits Plan (continued)

Actuarial Assumptions (continued)

perspective of the calculations. The collective total OPEB liability for the June 30, 2020 and 2019 measurement dates was determined by actuarial valuations as of July 1, 2020 and July 1, 2018, respectively, with updated procedures used to roll forward the total OPEB liability to June 30, 2020 and 2019, respectively. The actuarial valuations used the following actuarial assumptions:

	June 30, 2020	June 30, 2019
Valuation Year	July 1, 2019 - June 30, 2020	July 1, 2018 - June 30, 2019
Actuarial Cost Method	Entry age normal, level percentage of payroll	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value	Market value
Discount Rate	4.38%	5.24%
Projected Payroll Growth Rate	4.0%	4.0%
Inflation Rate	3.0%	3.0%

Health care cost trend rate (Medical & prescription drugs combined)

Non-Medicare is 5.75% and 6.00% for fiscal years 2020 and 2019, respectively; the rate decreases by 0.25% per year to an ultimate rate of 5.0% in fiscal year 2023 and later. Medicare is 10.00% for fiscal years 2019 and 2020, 22.00% in fiscal year 2021, 10.00% in fiscal years 2022 and 2023, 9.5% in fiscal year 2024; 9.00% in fiscal year 2025, 8.5% in fiscal year 2026 then 8.00% in fiscal year 2027 decreasing by 1.0% per year to an ultimate rate of 5.00% in fiscal year 2030 and after.

Mortality rates for fiscal years 2020 and 2019 are based on RP-2016 for Employees/Annuitants without collar adjustments using Scale MP-2016.

The last experience study was conducted in 2020. Termination rates and retirement rates are updated based on an experience study conducted in 2020. Participation and dependent coverage assumptions were updated based upon an experience study conducted in July 2020. Per capita claim costs, administrative expenses and retirees contributions were updated based on analysis of 2021 rates.

Long-Term Expected Rate of Return

The target allocation and best estimates of arithmetic real rates of return for each major asset class are listed below:

Asset Class	Target Allocation		Expected Real Return	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Large cap stocks	17%	16%	8.5%	8.5%
Mid cap stocks	6%	7%	8.8%	8.8%
Small cap stocks	7%	7%	8.8%	8.8%
International stocks	4%	5%	8.9%	9%
BarCap Aggregate bonds	64%	63%	2.4%	3.7%
Cash equivalents	2%	2%	2.1%	3.3%

Discount Rate

A discount rate of 4.38% and 5.24% was used in fiscal years 2021 and 2020, respectively, to measure the total OPEB liabilities. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. The discount rate is determined as a blend of the best estimate of expected return on plan assets and the 20-year high quality municipal bond

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)

Notes To The Basic Financial Statements
June 30, 2021 and 2020

12. Other Post-Employment Benefits Plan (continued)

Discount Rate (continued)

rate as of the measurement date. For years where expected benefit payments can be covered by projected trust assets, expected returns are used. For years where payments are not expected to be covered by trust assets, the municipal Bond Buyer 20-Bond General Obligation Index rate is utilized.

Sensitivity of the Lottery's Proportionate Share of Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

As required by GASB Statement No. 75, the following table presents the Lottery's proportionate share of the SRWBT's net OPEB liability, as well as what the Lottery's share of net OPEB liability would be if it were calculated using a discount rate and health care cost trend rates that are one percent lower or one percent higher than current rates:

	1% Decrease		Current Single Discount Rate Assumption		1% Increase	
	2021	2020	2021	2020	2021	2020
Lottery's Proportionate Share of Net OPEB Liability	3.38%	4.24%	4.38%	5.24%	5.38%	6.24%
	<u>\$9,036,530</u>	<u>\$8,886,102</u>	<u>\$7,539,380</u>	<u>\$7,487,627</u>	<u>\$6,366,408</u>	<u>\$6,380,392</u>
	1% Decrease		Current Trend Rate		1% Increase	
	2021	2020	2021	2020	2021	2020
Lottery's Proportionate Share of Net OPEB Liability	<u>\$6,344,990</u>	<u>\$6,296,397</u>	<u>\$7,539,380</u>	<u>\$7,487,627</u>	<u>\$9,064,972</u>	<u>\$9,001,959</u>

13. Contingencies

There are claims and/or lawsuits to which the Lottery is a party as a result of matters arising in the ordinary course of business. The final outcome of any claim or lawsuit is not presently determinable. Management does not anticipate the resolution of these matters to have a materially adverse effect on the financial condition of the Lottery.

Missouri State Lottery Commission
(An Enterprise Fund of the State of Missouri)
Required Supplementary Information
June 30, 2021

Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years - See Note below

	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>
Lottery's proportion of the net pension liability (asset)	0.42%	0.42%	0.41%	0.42%	0.35%	0.35%
Lottery's proportionate share of the net pension liability (asset)	\$22,307,756	\$21,173,650	\$19,388,641	\$18,003,639	\$16,213,218	\$11,183,713
Lottery's covered payroll	7,034,164	6,790,203	6,637,506	6,705,445	6,920,144	6,817,848
Lottery's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	317.13%	311.83%	292.11%	268.49%	234.29%	164.04%
Plan fiduciary net position as a percentage of the total pension liability	55.48%	56.72%	59.02%	60.41%	63.60%	72.62%

*Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. The measurement date is as of June 30.

Note: This schedule is ultimately required to show information for ten years. However until a full ten-year trend is compiled, only the years that information is available will be reported.

Schedule of Agency Contributions
Last 10 Fiscal Years - See Note below

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Required contributions	\$1,622,206	\$1,531,371	\$1,372,300	\$1,290,995	\$1,137,914	\$1,154,280	\$1,137,217
Contributions in relation to the required contribution	1,622,206	1,531,371	1,372,300	1,290,995	1,137,914	1,154,280	1,137,217
Contribution deficiency (excess)	-	-	-	-	-	-	-
Lottery's covered payroll	7,090,005	7,034,164	6,790,203	6,637,506	6,705,445	6,920,144	6,817,848
Contributions as a percentage of covered payroll	22.88%	21.77%	20.21%	19.45%	16.97%	16.96%	16.68%

Note: This schedule is ultimately required to show information for ten years. However until a full ten-year trend is compiled, only the years that information is available will be reported.

Notes to the Schedule

Changes of benefit terms: There were no changes in benefit terms for the June 30, 2020 valuation.

Changes of assumptions: For the June 30, 2020 valuation, the board reduced the investment return assumption from 7.10% to 6.95%, the inflation assumptions from 2.35% to 2.25%, the wage growth assumption from 2.60% to 2.50%, the payroll growth assumption from 2.35% to 2.25%, and the COLA assumption from 1.88% to 1.80% when no minimum COLA is in effect (80% of price inflation).

Missouri State Lottery Commission
 (An Enterprise Fund of the State of Missouri)
Required Supplementary Information
June 30, 2021

**Schedule of Proportionate Share of the Net OPEB Liability
 Last 10 Fiscal Years - See Note Below**

	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>
Lottery's proportion of the State's net OPEB liability (asset)	0.43%	0.42%	0.42%	0.42%
Lottery's proportionate share of the State's net OPEB liability (asset)	\$ 7,539,380	\$ 7,487,627	\$ 7,422,823	\$ 7,473,049
Lottery's covered payroll	6,777,017	6,714,175	6,681,339	6,191,921
Lottery's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	111.25%	111.52%	111.10%	120.69%
Plan fiduciary net position as a percentage of the total OPEB liability	8.24%	7.31%	6.90%	6.64%

*Based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

Note: This schedule is ultimately required to show information for ten years. However until a full ten-year trend is compiled, only the years that information is available will be reported.

Notes to the Schedule

Changes of benefit terms: There were no changes to benefit terms for the June 30, 2020 valuation.

Changes of assumptions: For the June 30, 2020 valuation, the discount rate changed from 5.24% to 4.38%. The expected return on assets assumption was changed from 5.50% to 4.50%.



Statistical Section

(Unaudited)

Missouri State Lottery Commission Statistical Information Section

This section of the Missouri State Lottery Commission’s annual comprehensive financial report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Lottery’s overall financial health.

Contents	Page
Financial Trends	49
These schedules contain trend information from the current year and prior years’ annual comprehensive financial reports to help a reader understand how the Lottery’s financial performance and position have changed over time.	
Revenue Capacity	56
These schedules contain information to help the reader assess factors affecting the Lottery’s ability to generate sales of lottery tickets. Scratchers ticket game strategies, such as price points and launch schedules, affect the selection and availability of products for sale at retail locations. Information for draw sales by game, included in the financial trends section, provides data about the various drawing based games that are available to the public. The Lottery’s statewide retailer network determines the market exposure for Scratchers and Draw Games.	
Demographic and Economic Information	60
These schedules contain demographic and economic indicators to help a reader understand the environment in which the Lottery operates.	
Operating Information	63
These schedules contain information about the Lottery’s organizational structure, financial performance indicators compared to other lotteries in the United States and capital asset information.	

Financial Trends

Information for the Missouri State Lottery Commission for the last ten fiscal years, 2012 through 2021, is presented in the accompanying schedules and charts. The Missouri State Lottery Commission was created on November 6, 1984 by the passage of a constitutional amendment and began selling tickets in January 1986.

The following information is presented in the accompanying schedules and charts:

Revenue – includes sales, interest income, retailer fees and other income amounts. Interest income does not reflect interest from investments for Lotto payments.

Sales – reflects the face value of lottery tickets.

Retailer commission and incentives – includes the base commission and cashing, promotional and program incentive payments.

Prizes – reflects the liability incurred for payments to winners.

Ticket costs – includes the purchase cost of Scratchers and pull-tab tickets and payments to the Draw Game games service provider.

Administration – includes all operating expenses not included in prizes, retailer commissions and incentives or ticket costs.

Transfers to the State – reflects the transfer of net income, excluding unrealized gains on investments, amortization of grand-prize winner liability, and changes in net position related to pensions and other post-employment benefits, to the Lottery Proceeds Fund for fiscal years 2012 through 2021. Transfers made during fiscal year 2021 include \$16,063,183 of unclaimed prizes. The Lottery Proceeds Fund is appropriated by the Missouri State General Assembly to the Department of Higher Education and the Department of Elementary and Secondary Education. Profits not yet transferred are shown on the statement of net position as a liability.

Expenses and transfers – includes prizes, retailer commissions and incentives, ticket costs and administration costs as described above, as well as transfers made to the state.

Unless otherwise noted, the source for the data used to prepare the following schedules and charts is the Financial Accounting Section of the Missouri State Lottery Commission.

Missouri State Lottery Commission
Schedule of Changes in Net Position and Schedule of Net Position
Last Ten Fiscal Years
(Unaudited)

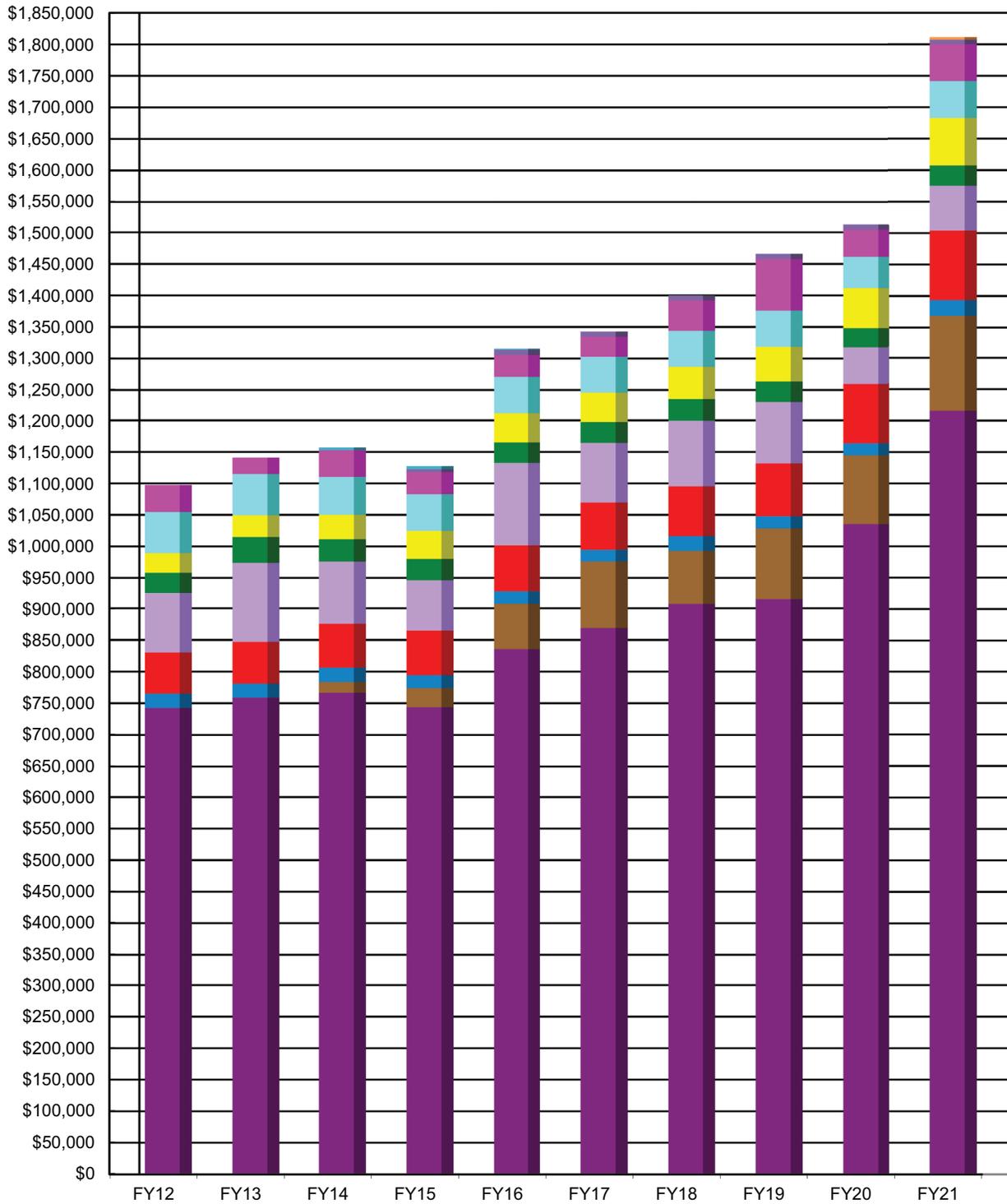
	2012	2013	2014	2015
Operating Revenues				
Scratchers ticket sales	\$742,541,015	\$758,900,234	\$766,609,691	\$743,764,015
Draw Game ticket sales				
Lotto	22,564,631	22,114,822	22,610,711	20,643,747
Pick 3	65,074,532	65,755,962	69,264,771	70,473,352
Powerball	94,688,699	127,027,808	100,524,928	81,534,778
Show Me Cash	28,970,446	36,830,777	31,845,652	30,411,294
Pick 4	31,378,162	34,491,756	38,840,458	44,672,747
Club Keno	65,331,226	65,389,456	60,109,683	58,358,785
Mega Millions	42,792,811	26,028,887	42,499,882	34,946,306
Show Me Cash EZ Match	4,086,174	4,293,456	3,483,316	3,212,177
\$250K Triple Play	-	-	4,237,043	4,001,958
Lucky For Life	-	-	-	4,636,613
Lotto EZ Match	-	-	-	-
Pick 3 EZ Match	-	-	-	-
Pick 4 EZ Match	-	-	-	-
Monopoly Millionaire's Club	-	-	-	807,895
Cash4Life	-	-	-	-
Cash4Life EZ Match	-	-	-	-
Total draw game ticket sales	354,886,681	381,932,924	373,416,444	353,699,652
Pull-Tab ticket sales	-	-	17,024,939	29,891,139
Total sales	<u>1,097,427,696</u>	<u>1,140,833,158</u>	<u>1,157,051,074</u>	<u>1,127,354,806</u>
Other Operating Revenues	1,294,455	706,055	92,041	460,531
Total operating revenues	<u>1,098,722,151</u>	<u>1,141,539,213</u>	<u>1,157,143,115</u>	<u>1,127,815,337</u>
Operating Expenses				
Direct costs				
Prize expense	722,079,619	752,964,849	766,226,926	755,428,901
Retailer compensation	67,830,868	70,326,011	70,560,397	68,399,542
Ticket costs	15,318,902	16,395,935	17,911,043	16,163,284
Total direct costs	<u>805,229,389</u>	<u>839,686,795</u>	<u>854,698,366</u>	<u>839,991,727</u>
Administrative expenses	<u>30,380,982</u>	<u>36,655,720</u>	<u>39,492,161</u>	<u>33,486,809</u>
Total operating expenses	<u>835,610,371</u>	<u>876,342,515</u>	<u>894,190,527</u>	<u>873,478,536</u>
Operating Income	<u>263,111,780</u>	<u>265,196,698</u>	<u>262,952,588</u>	<u>254,336,801</u>
Nonoperating Revenues (Expenses)				
Interest income	94,134	91,150	82,805	77,934
Unclaimed prizes*	10,385,777	14,695,619	14,437,266	16,788,784
Net increase (decrease) in the fair value of investments	5,882,052	(884,228)	1,077,556	1,342,321
Amortization of grand prize winner liability	(2,509,798)	(3,160,411)	(1,818,487)	(1,644,196)
Gain (loss) on disposal of assets	6,109	23,572	65,420	49,465
Transfers to the state	(273,597,799)	(280,007,039)	(277,538,079)	(271,252,985)
Total nonoperating expenses	<u>(259,739,525)</u>	<u>(269,241,337)</u>	<u>(263,693,519)</u>	<u>(254,638,677)</u>
Changes In Net Position	3,372,255	(4,044,639)	(740,931)	(301,876)
Total Net Position, Beginning of Year	<u>6,302,737</u>	<u>9,674,992</u>	<u>5,630,353</u>	<u>4,889,422</u>
Prior Period Adjustment	-	-	-	(9,834,224)
Total Net Position, End of Year	<u>\$9,674,992</u>	<u>\$5,630,353</u>	<u>\$4,889,422</u>	<u>(\$5,246,678)</u>
* - effective July 1, 2000, at the directive of the State of Missouri, the Lottery transfers all unclaimed prizes to the Lottery Proceeds Fund				
Net Position				
Invested in capital assets	\$3,442,269	\$3,123,532	\$2,859,744	\$2,363,309
Unrestricted	(3,442,269)	(3,123,532)	(2,859,744)	(12,197,533)
Restricted	9,674,992	5,630,353	4,889,422	4,587,546
Total Net Position	<u>\$9,674,992</u>	<u>\$5,630,353</u>	<u>\$4,889,422</u>	<u>(\$5,246,678)</u>

2016	2017	2018	2019	2020	2021
<u>\$835,592,355</u>	<u>\$868,860,724</u>	<u>\$906,750,562</u>	<u>\$914,449,548</u>	<u>\$1,035,198,988</u>	<u>\$1,215,705,180</u>
21,374,724	18,280,882	22,911,132	18,671,459	18,730,558	23,854,782
73,244,815	74,396,147	78,714,007	83,426,776	95,182,970	109,946,003
130,774,026	94,886,472	103,895,726	97,546,934	58,353,712	71,308,315
29,260,709	29,834,262	31,710,747	31,721,903	28,003,732	30,065,011
46,410,375	48,279,354	52,354,221	54,674,668	62,867,411	75,046,718
59,642,782	56,746,940	57,363,460	57,329,788	49,855,758	58,460,427
34,603,961	32,172,193	48,248,806	81,815,047	43,076,897	58,814,950
3,293,204	2,987,888	2,744,743	2,623,355	2,334,210	2,328,852
1,518,956	-	-	-	-	-
8,429,647	7,818,884	7,938,172	8,240,962	8,225,273	6,945,335
-	241,215	626,752	602,855	648,731	841,855
-	534,136	499,714	482,942	519,521	566,920
-	448,894	426,778	391,317	429,540	492,432
-	-	-	-	-	-
-	-	-	-	-	3,905,455
-	-	-	-	-	273,776
<u>408,553,199</u>	<u>366,627,267</u>	<u>407,434,258</u>	<u>437,528,006</u>	<u>368,228,313</u>	<u>442,850,831</u>
<u>71,479,292</u>	<u>107,177,118</u>	<u>86,031,403</u>	<u>114,051,149</u>	<u>109,282,738</u>	<u>152,933,048</u>
<u>1,315,624,846</u>	<u>1,342,665,109</u>	<u>1,400,216,223</u>	<u>1,466,028,703</u>	<u>1,512,710,039</u>	<u>1,811,489,059</u>
<u>203,982</u>	<u>122,247</u>	<u>141,620</u>	<u>173,686</u>	<u>339,873</u>	<u>760,896</u>
<u>1,315,828,828</u>	<u>1,342,787,356</u>	<u>1,400,357,843</u>	<u>1,466,202,389</u>	<u>1,513,049,912</u>	<u>1,812,249,955</u>
888,861,166	932,097,045	939,479,882	1,015,091,349	1,062,489,795	1,266,025,780
78,001,381	78,489,752	82,609,174	85,644,851	89,670,852	106,448,863
<u>23,705,430</u>	<u>23,623,749</u>	<u>26,730,754</u>	<u>27,756,254</u>	<u>26,600,846</u>	<u>36,226,684</u>
<u>990,567,977</u>	<u>1,034,210,546</u>	<u>1,048,819,810</u>	<u>1,128,492,454</u>	<u>1,178,761,493</u>	<u>1,408,701,327</u>
<u>34,450,976</u>	<u>36,297,356</u>	<u>38,007,277</u>	<u>39,610,006</u>	<u>28,516,590</u>	<u>25,465,861</u>
<u>1,025,018,953</u>	<u>1,070,507,902</u>	<u>1,086,827,087</u>	<u>1,168,102,460</u>	<u>1,207,278,083</u>	<u>1,434,167,188</u>
<u>290,809,875</u>	<u>272,279,454</u>	<u>313,530,756</u>	<u>298,099,929</u>	<u>305,771,829</u>	<u>378,082,767</u>
104,369	186,447	464,854	907,464	692,833	217,720
12,023,258	19,209,102	18,050,899	18,359,576	13,197,121	16,063,183
3,018,090	(1,098,544)	(313,392)	2,415,701	3,430,771	(1,182,283)
(1,501,380)	(1,370,943)	(1,309,933)	(1,232,986)	(1,175,500)	(1,157,131)
13,335	(18,788)	31,570	65,709	58,408	22,077
<u>(302,582,776)</u>	<u>(291,583,694)</u>	<u>(333,392,723)</u>	<u>(319,376,658)</u>	<u>(321,928,487)</u>	<u>(397,155,502)</u>
<u>(288,925,104)</u>	<u>(274,676,420)</u>	<u>(316,468,725)</u>	<u>(298,861,194)</u>	<u>(305,724,854)</u>	<u>(383,191,936)</u>
1,884,771	(2,396,966)	(2,937,969)	(761,265)	46,975	(5,109,169)
<u>(5,246,678)</u>	<u>(3,361,907)</u>	<u>(12,731,223)</u>	<u>(15,669,192)</u>	<u>(\$16,430,457)</u>	<u>(16,383,482)</u>
-	<u>\$(6,972,350)</u>	-	-	-	-
<u>(\$3,361,907)</u>	<u>(\$12,731,223)</u>	<u>(\$15,669,192)</u>	<u>(\$16,430,457)</u>	<u>(\$16,383,482)</u>	<u>(\$21,492,651)</u>
\$2,935,542	\$2,969,888	\$2,594,509	\$2,292,937	\$2,296,556	\$1,797,858
(12,401,704)	(19,335,879)	(20,275,144)	(21,917,552)	(24,129,467)	(26,400,524)
<u>6,104,255</u>	<u>3,634,768</u>	<u>2,011,443</u>	<u>3,194,158</u>	<u>5,449,429</u>	<u>3,110,015</u>
<u>(\$3,361,907)</u>	<u>(\$12,731,223)</u>	<u>(\$15,669,192)</u>	<u>(\$16,430,457)</u>	<u>(\$16,383,482)</u>	<u>(\$21,492,651)</u>

Note: In fiscal years 2015 and 2017, prior period adjustments were recorded to establish the Lottery's net pension liability pursuant to GASB 68 and net OPEB liability pursuant to GASB 75, respectively.

Missouri State Lottery Commission Sales By Product Last Ten Fiscal Years (Unaudited)

Thousands

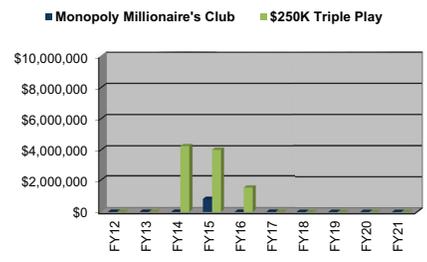
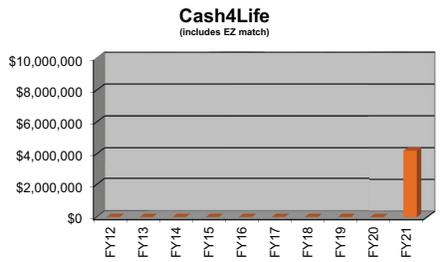
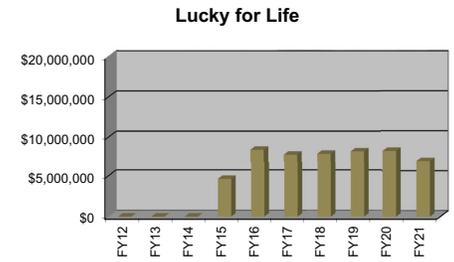
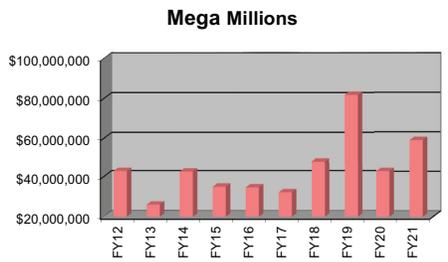
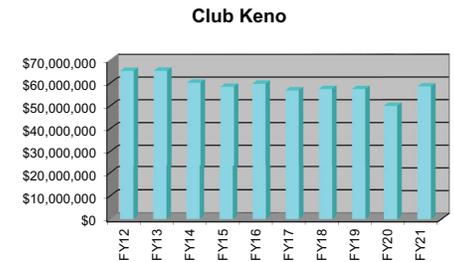
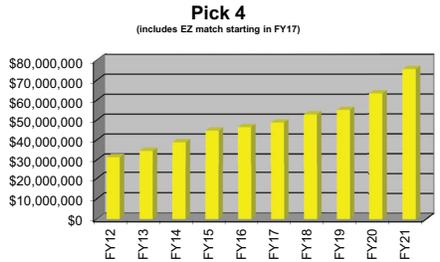
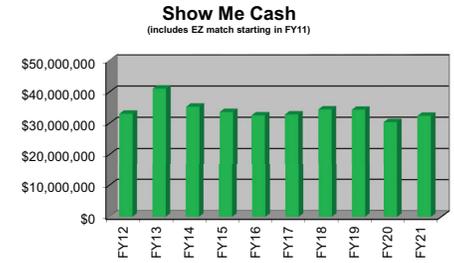
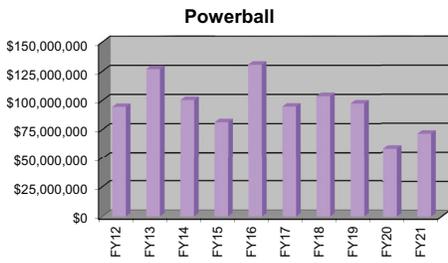
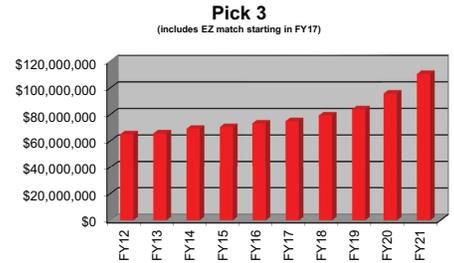
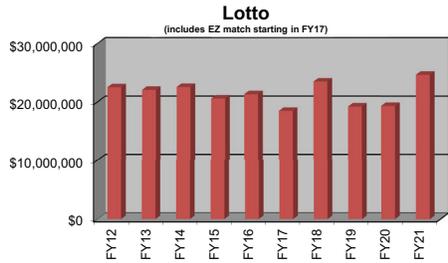
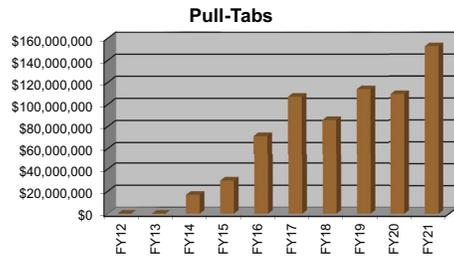
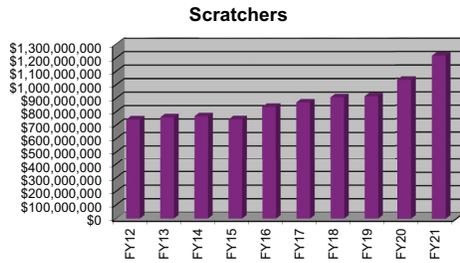


- Scratchers
- Pull-Tabs
- Lotto
- Pick 3
- Powerball
- Show Me Cash
- Pick 4
- Club Keno
- Mega Millions
- Lucky for Life
- Cash4Life
- Other

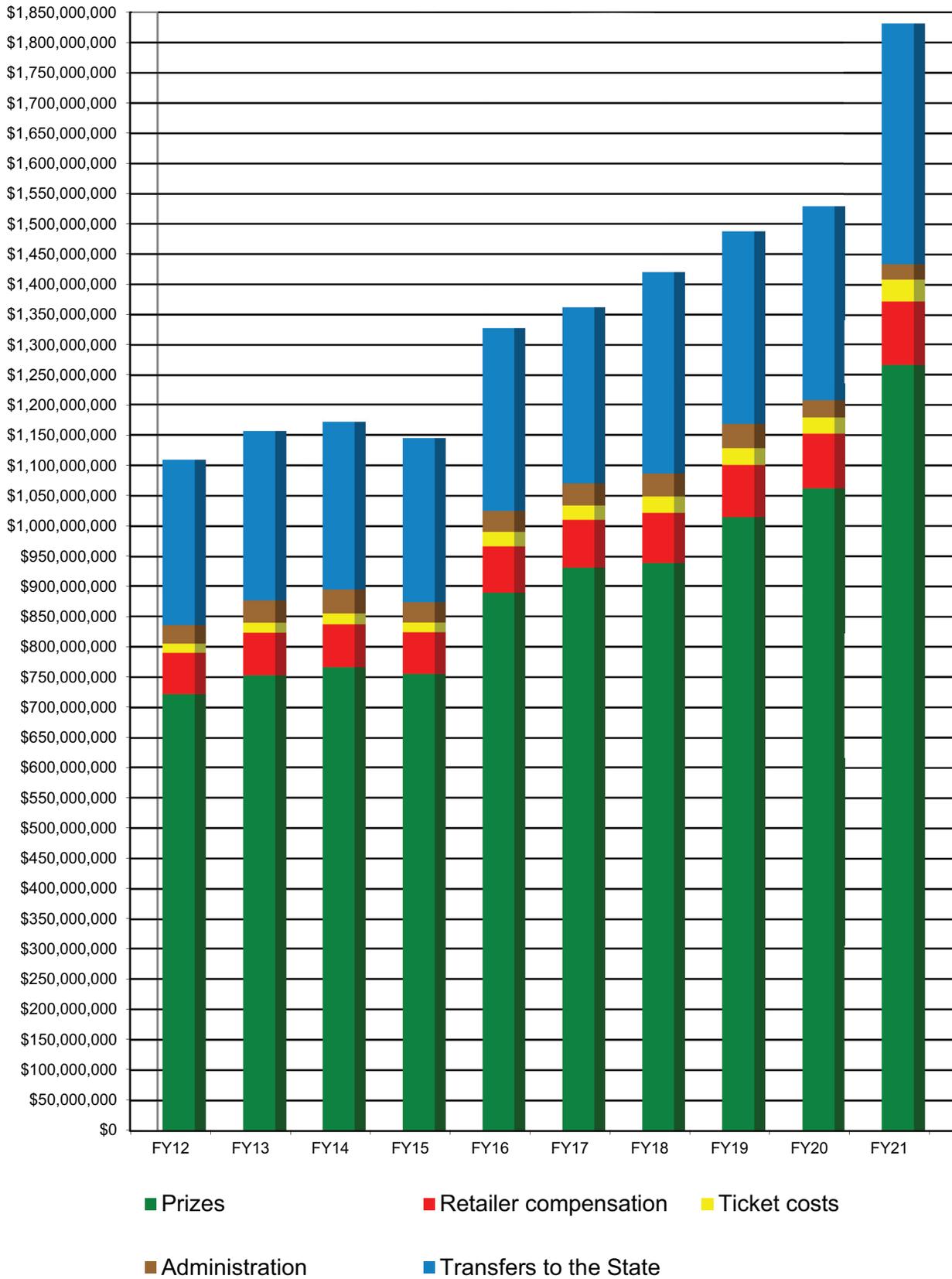
Missouri State Lottery Commission

Sales By Fiscal Year By Product Line

Last Ten Fiscal Years (Unaudited)

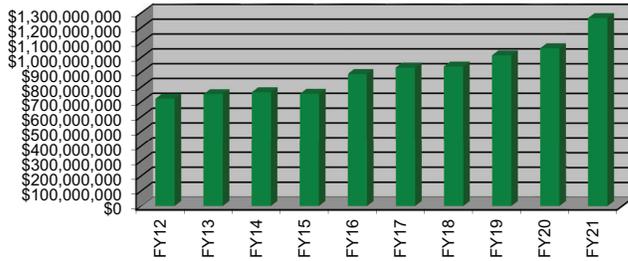


**Missouri State Lottery Commission
Expenses and Transfers
Last Ten Fiscal Years
(Unaudited)**

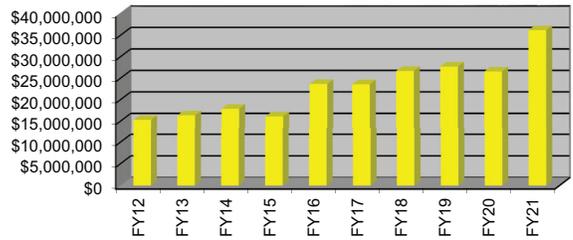


Missouri State Lottery Commission Expenses and Transfers Last Ten Fiscal Years (Unaudited)

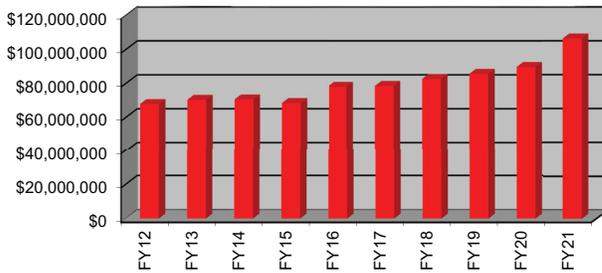
Prizes



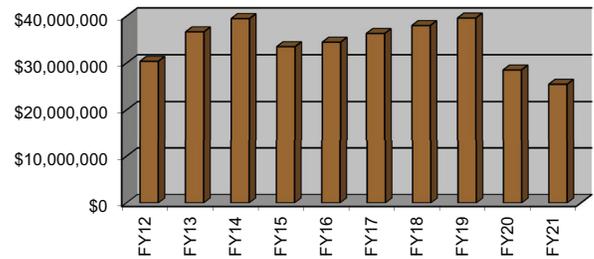
Ticket Costs



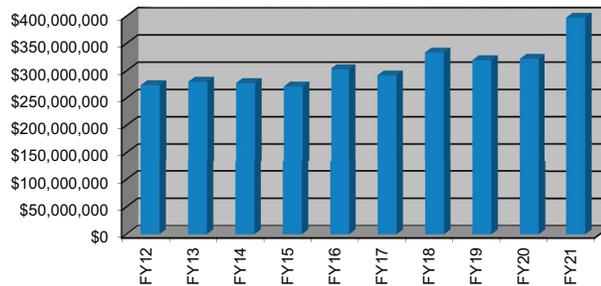
Retailer Compensation



Administration



Transfers to the State



Missouri State Lottery Commission
Schedule of Scratchers Ticket Game Launches and Sales By Price Point
Last Ten Fiscal Years
(Unaudited)

Price Point	2012	2013	2014	2015	2016
Number of Launches					
\$1	12	10	6	6	8
\$2	15	12	10	9	11
\$3	6	7	8	6	6
\$5	14	11	16	14	14
\$10	3	3	3	3	3
\$20	1	1	2	3	3
\$30	-	-	-	-	1
Total	51	44	45	41	46
Sales					
\$1	\$84,981,064	\$81,479,080	\$67,530,816	\$70,466,360	\$69,556,923
\$2	151,120,846	148,101,059	133,719,339	115,372,245	125,658,860
\$3	85,998,362	79,783,688	70,847,146	76,015,501	80,490,586
\$5	206,417,583	233,455,702	245,810,603	231,533,175	235,525,993
\$10	105,138,848	106,694,693	98,581,760	94,803,988	95,754,447
\$20	108,884,312	109,386,013	150,120,027	155,572,746	149,331,212
\$30	-	-	-	-	79,274,333
	\$742,541,015	\$758,900,234	\$766,609,691	\$743,764,015	\$835,592,355

2017	2018	2019	2020	2021	% of Total 2021
8	7	9	6	7	16.28%
11	10	8	8	7	16.28%
6	5	6	5	4	9.30%
14	15	14	17	14	32.56%
4	5	3	6	5	11.63%
3	2	3	3	5	11.63%
-	1	-	1	1	2.33%
<u>46</u>	<u>45</u>	<u>43</u>	<u>46</u>	<u>43</u>	<u>100.00%</u>
\$61,404,484	\$61,455,342	\$63,970,204	\$57,805,218	\$58,246,327	4.79%
120,259,769	116,516,076	107,261,671	98,566,281	96,365,938	7.93%
81,931,742	80,019,178	75,553,505	77,902,699	86,863,992	7.15%
246,784,001	273,134,172	270,818,966	296,796,688	304,008,219	25.01%
120,826,419	135,128,381	136,449,859	168,467,536	196,971,642	16.20%
122,653,907	112,895,469	120,019,568	166,185,406	225,396,050	18.54%
115,000,402	127,601,943	140,375,775	169,475,160	247,853,013	20.39%
<u>\$868,860,724</u>	<u>\$906,750,562</u>	<u>\$914,449,548</u>	<u>\$1,035,198,988</u>	<u>\$1,215,705,180</u>	<u>100.00%</u>

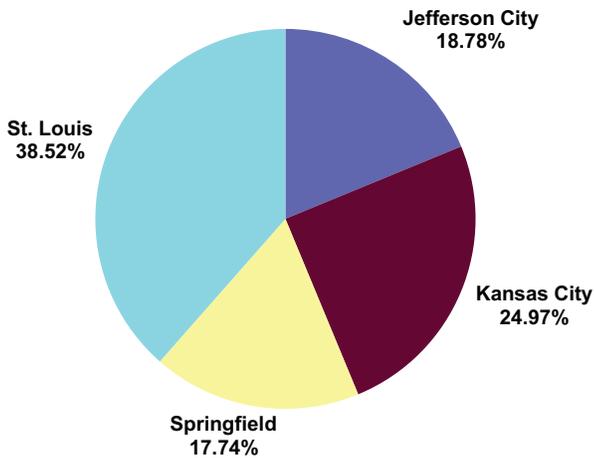
**Missouri State Lottery Commission
Schedule of Lottery Retailers and Sales By Region
Last Ten Fiscal Years
(Unaudited)**

Region	Number of Retailers									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Jefferson City	947	923	921	906	884	899	905	900	887	901
Kansas City	1,242	1,237	1,249	1,203	1,191	1,163	1,164	1,162	1165	1198
Springfield	838	817	811	811	828	816	816	815	832	851
St. Louis	1,911	1,888	1,906	1,872	1,829	1,831	1,827	1,821	1805	1848
Total Statewide	4,938	4,865	4,887	4,792	4,732	4,709	4,712	4,698	4,689	4,798

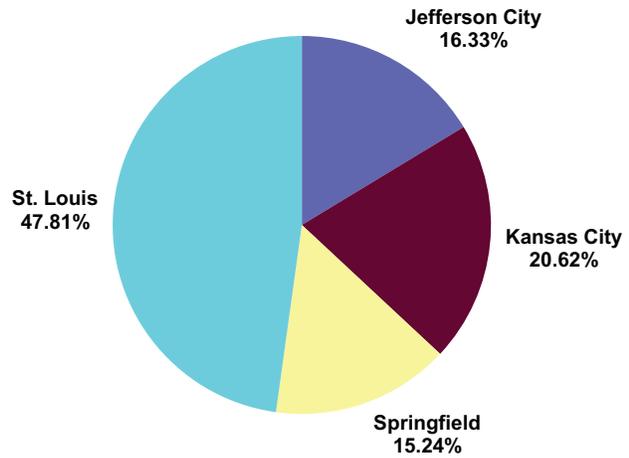
Region	Total Sales									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Jefferson City	\$182,611,969	\$186,754,388	\$189,640,671	\$187,591,840	\$219,051,537	\$225,030,672	\$228,935,352	\$233,098,564	\$244,151,400	\$295,816,163
Kansas City	235,727,469	246,191,795	250,154,442	236,857,245	278,649,342	279,408,609	\$291,805,061	\$307,572,822	\$317,366,566	\$373,529,044
Springfield	175,917,660	180,593,889	180,731,378	176,994,705	206,553,101	212,812,420	\$223,474,509	\$231,632,535	\$234,470,056	\$276,070,933
St. Louis	503,170,598	527,293,086	536,524,583	525,911,017	611,370,866	625,413,408	\$656,001,300	\$693,724,782	\$716,722,017	\$866,072,919
Total Statewide	\$1,097,427,696	\$1,140,833,158	\$1,157,051,074	\$1,127,354,806	\$1,315,624,846	\$1,342,665,109	\$1,400,216,223	\$1,466,028,703	\$1,512,710,039	\$1,811,489,059

FY2021

Percentage of Retailers By Region



Percentage of Total Sales by Region



Source: Missouri State Lottery Commission Research Section

% of Total Retailers

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
19.18%	18.97%	18.85%	18.91%	18.68%	19.09%	19.21%	19.16%	18.92%	18.78%
25.15%	25.43%	25.56%	25.10%	25.17%	24.70%	24.70%	24.73%	24.85%	24.97%
16.97%	16.79%	16.59%	16.92%	17.50%	17.33%	17.32%	17.35%	17.74%	17.74%
38.70%	38.81%	39.00%	39.07%	38.65%	38.88%	38.77%	38.76%	38.49%	38.52%
100.00%									

% of Total Sales

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
16.64%	16.37%	16.39%	16.64%	16.65%	16.76%	16.35%	15.90%	16.14%	16.33%
21.48%	21.58%	21.62%	21.01%	21.18%	20.81%	20.84%	20.98%	20.98%	20.62%
16.03%	15.83%	15.62%	15.70%	15.70%	15.85%	15.96%	15.80%	15.50%	15.24%
45.85%	46.22%	46.37%	46.65%	46.47%	46.58%	46.85%	47.32%	47.38%	47.81%
100.00%									

Missouri State Lottery Commission
Schedule of Demographic and Economic Statistics
Calendar Years 2012 To 2021
(Unaudited)

Calendar Year	Statewide Population	Statewide Personal Income (millions of dollars)	Statewide Personal Income per Capita	State Unemployment Rate
2012	6,021,988	\$235,154	\$39,049	7.1%
2013	6,044,171	\$241,145	\$39,897	6.9%
2014	6,063,589	\$252,325	\$41,613	6.5%
2015	6,083,672	\$260,123	\$42,752	5.8%
2016	6,093,000	\$266,406	\$43,723	4.5%
2017	6,113,532	\$266,921	\$43,661	3.8%
2018	6,126,452	\$285,704	\$46,635	3.5%
2019	6,137,428	\$304,347	\$49,589	3.5%
2020	6,151,548	\$314,818	\$51,177	7.9%
2021	n/a	n/a	n/a	4.3%

Sources:

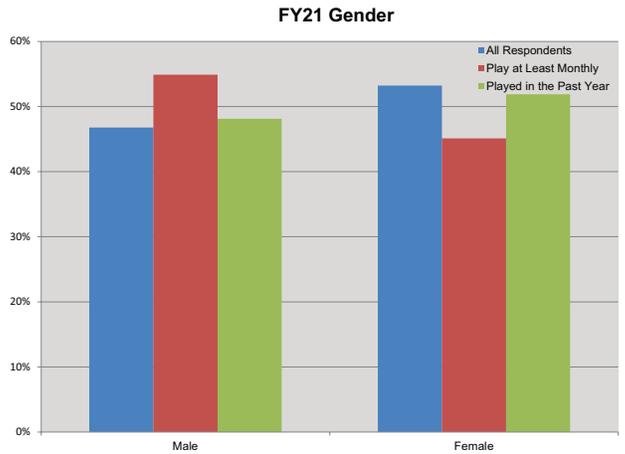
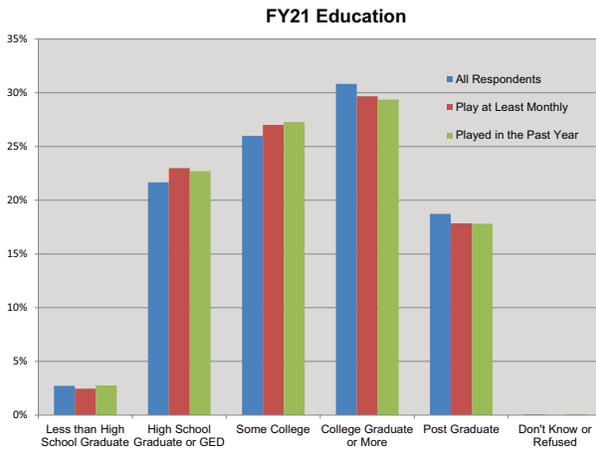
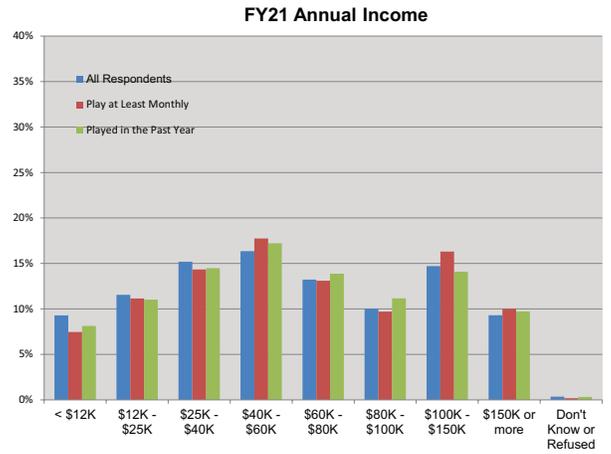
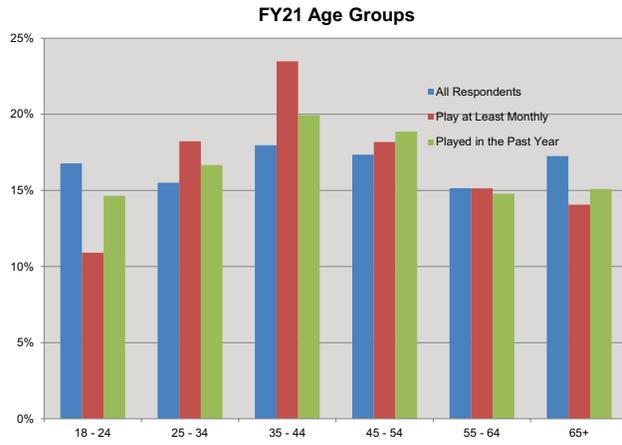
Population from U.S. Census Bureau;

Personal income from U.S. Bureau of Economic Analysis

Unemployment rate from U.S. Department of Labor, Bureau of Statistics

n/a - not yet available

Missouri State Lottery Commission Demographic Group Participation Fiscal Year 2021 (Unaudited)



Source: Missouri Lottery Track and Trend Report FY2021

**Missouri State Lottery Commission
State of Missouri Major Employers
Calendar Years 2020 and 2011
(Unaudited)**

2020

Employer	Number of Employees	Percent of Total State Employment
STATE OF MISSOURI	80,000 +	2.98%
WAL-MART ASSOCIATES, INC.	40,000 +	1.49%
MERCY HEALTH SYSTEMS	25,000 - 30,000	0.93% - 1.12%
UNIVERSITY OF MISSOURI	20,000 - 25,000	0.74% - 0.93%
THE WASHINGTON UNIVERSITY	15,000 - 20,000	0.56% - 0.74%
THE BOEING COMPANY	15,000 - 20,000	0.56% - 0.74%
US POST OFFICE	10,000 - 15,000	0.37% - 0.56%
DEPARTMENT OF VETERANS AFFAIRS	10,000 - 15,000	0.37%- 0.56%
CERNER CORPORATION	10,000 - 15,000	0.37% - 0.56%
BARNES-JEWISH HOSPITAL	10,000 - 15,000	0.37% - 0.56%
	235,000 - 275,000	8.74% - 10.24%
Total Statewide Employment	2,675,789	

2011

Employer	Number of Employees	Percent of Total State Employment
STATE OF MISSOURI	90,000 +	3.48%
WAL-MART ASSOCIATES, INC.	40,000 +	1.54%
UNIVERSITY OF MISSOURI	20,000 - 25,000	0.76%-0.96%
US POST OFFICE	15,000 - 20,000	0.57%-0.76%
THE BOEING COMPANY	10,000 - 15,000	0.57%-0.76%
THE WASHINGTON UNIVERSITY	10,000 - 15,000	0.57%-0.76%
BARNES-JEWISH HOSPITAL	10,000 - 15,000	0.28%-0.38%
DEPARTMENT OF DEFENSE	7,500 - 10,000	0.28%-0.38%
SCHNUCK MARKETS, INC.	7,500 - 10,000	0.28%-0.38%
DEPARTMENT OF VETERANS AFFAIRS	7,500 - 10,000	0.28%-0.38%
	217,500 - 250,000	8.61% - 9.78%
Total Statewide Employment	2,584,601	

This report was compiled from the Quarterly Census of Employment and Wages (QCEW). A cooperative program between the US Department of Labor, Bureau of Labor Statistics and the Missouri Department of Higher Education and Workforce Development

**Missouri State Lottery Commission
Schedule of Lottery Employees
Last Ten Fiscal Years
(Unaudited)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Full-time	153.0	153.0	153.0	153.0	153.0	153.0	153.0	153.0	153.0	153.0
Part-time	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total	<u>153.5</u>									
Sales										
Jefferson City	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Springfield	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Kansas City	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
St. Louis	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Inside Sales	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Vault	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Marketing and administration	79.5	79.5	79.5	79.5	79.5	79.5	79.5	79.5	79.5	79.5
Total	<u>153.5</u>									

Source: Missouri State Lottery Commission Human Resource Office

**Missouri State Lottery Commission
Schedule of Operating Indicators
Last Ten Fiscal Years
(Unaudited)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Retailers-										
Statewide	4,938	4,865	4,887	4,792	4,732	4,709	4,712	4,698	4,689	4,798
Per Capita Sales	\$183	\$189	\$191	\$186	\$216	\$220	\$229	\$239	\$246	\$294

Source: Missouri State Lottery Commission Research and Licensing Sections

U.S. Lotteries' Fiscal Year 2020 Sales by Game*(Unaudited)

(in \$millions)

Lottery	Pop. (M)	Draw Games												Total Sales	PC Sales	VLT (net)
		Instant	Pulltab	3-digit	4-digit	Lotto	Small Bloc	Power Ball	Mega Millions	For Life	ITG	Monitor Games	Other			
Arizona	7.4	848.4	8.1	14.4		68.7		72.7	57.2		28.6			1,098.0	148	
Arkansas	3.0	452.3		9.1	5.0	8.0		20.5	16.9	3.0	16.7			531.4	175	
California	39.4	5,029.8		157.6	31.9	392.7		297.3	359.4			353.3		6,622.0	168	
Colorado	5.8	490.7		13.4		51.0		51.1	37.7	14.9				658.8	113	
Connecticut	3.6	757.0		132.2	127.0	68.1		49.5	38.5	17.5		115.4		1,305.3	367	
Delaware	1.0	92.9		29.0	24.8	4.0	2.6	14.7	11.2	2.9		8.6		190.7	193	300.8
D.C.	0.7	47.2		41.8	55.9			5.8	4.7	1.9	10.0	15.7	25.1	208.1	292	
Florida	21.7	5,665.3		396.3	258.6	510.4		282.2	225.0	65.3	20.0		82.0	7,505.1	345	
Georgia	10.7	3,088.9		537.2	337.2	115.3		90.0	107.4	28.4	6.7	235.8	89.4	4,636.2	433	
Idaho	1.8	173.1	43.3	2.5		4.9	2.2	20.4	13.2	3.0	12.5		2.5	277.6	152	
Illinois	12.6	1,887.8		278.0	261.7	211.9		94.8	110.3					2,844.5	226	
Indiana	6.8	1,093.0		42.2	40.7	78.7		61.3	40.2	6.5	17.1		4.4	1,384.1	205	
Iowa	3.2	262.4	10.8	8.5	5.0		6.8	36.4	20.4	5.3	16.3			372.0	118	
Kansas	2.9	178.7	7.1	7.8		8.9	6.9	23.7	16.0	5.2		16.8	3.9	275.0	94	
Kentucky	4.5	741.1		167.3	50.9	20.1		49.9	37.0	7.2	14.5	78.8	36.7	1,203.4	269	
Louisiana	4.6	264.6		62.9	54.7	31.7		57.2	38.1					509.1	110	
Maine	1.4	251.9		5.8	4.5	1.1	12.5	15.5	8.6	3.5	10.8			314.1	233	
Maryland	6.1	852.7		251.7	333.7	53.5		70.4	78.6	20.6	31.2	489.5		2,181.9	360	829.3
Massachusetts	6.9	3,645.7			326.9	118.8		72.2	77.3	24.4		978.7	1.2	5,245.2	761	
Michigan	10.0	2,038.3	28.3	447.6	534.2	131.5		79.6	99.1	13.2	87.8	524.7	263.3	4,247.4	426	
Minnesota	5.7	519.3		18.9		26.3	8.8	44.0	25.0	7.1	12.1		7.0	668.6	118	
Mississippi	3.0	289.3						11.8	10.1					311.2	105	
Missouri	6.2	1,035.1	109.3	95.2	62.9	46.7		58.4	43.1	8.2		49.9	3.9	1,512.7	246	
Montana ¹	1.1	24.2				7.8	1.9	8.6	5.0	2.7	5.6		4.1	59.9	55	
Nebraska	1.9	111.9		6.6		17.9	2.1	25.3	15.2	4.0				183.1	94	
N. Hampshire	1.4	272.3		5.6	4.9		10.8	23.9	17.5	5.5	5.4	29.0	10.7	385.6	282	
New Jersey ¹	8.9	1,952.2		408.8	261.5	190.9		125.8	145.7	56.5	17.1	129.9		3,288.5	370	
New Mexico	2.1	79.3		5.1	1.7	8.1	3.7	16.8	11.5		0.9			127.1	60	
New York	19.3	4,114.4		947.1	975.4	291.9		250.7	300.1	122.2		695.2	29.6	7,726.7	400	1,599.1
N. Carolina	10.6	2,089.2		400.5	185.2	78.0		101.3	75.3	20.4		66.3		3,016.2	285	
N. Dakota ¹	0.8						7.1	8.3	6.1	2.9				24.4	32	
Ohio	11.7	1,873.8		400.6	240.5	80.6		85.1	102.0	19.5	158.7	459.5	51.2	3,471.5	297	820.9
Oklahoma	4.0	198.3		6.2		4.2	5.4	28.9	20.9	3.9				267.8	67	
Oregon	4.2	149.8			1.7	35.4		31.3	23.7			93.5	2.5	337.9	80	797.5
Pennsylvania	12.8	3,203.2		266.2	224.9	253.9		137.8	106.2	25.6	102.7	53.7	180.8	4,555.1	356	
Rhode Island	1.1	112.6	0.0		22.9	3.8		17.9	11.9	4.9		69.8	2.5	246.4	233	352.8
S. Carolina	5.2	1,582.2		255.3	122.9	24.7		63.2	45.4	12.6				2,106.4	404	
South Dakota	0.9	37.1				2.9	1.9	8.9	4.6	2.8				58.1	65	234.7
Tennessee	6.9	1,427.5		64.5	42.2	20.5	10.1	66.7	46.3	11.1		13.5	9.8	1,712.2	249	
Texas	28.4	5,555.8		280.1	132.2	290.2		213.8	231.9					6,704.0	236	
Vermont	0.6	111.1		1.3	1.1		4.4	6.4	4.3	1.8	7.1			137.4	221	
Virginia	8.6	1,166.8		336.9	322.4	43.9		76.1	89.8	27.4	75.5		9.8	2,148.6	250	
Washington	7.7	619.7		20.8		77.1		42.5	51.0				6.2	817.3	106	718.5
West Virginia	1.8	145.4		8.2	4.7	4.9	4.6	22.0	13.4			3.4		206.6	116	
Wisconsin ¹	5.8	513.0	0.8	23.9	14.8	84.6		53.3	34.6				0.5	725.4	124	
Wyoming	0.6					8.9		6.7	5.0	2.4			1.0	24.1	41	
Total	315.0	55,045.4	207.7	6,157.1	5,074.6	3,482.6	91.9	3,000.7	2,842.5	564.3	657.2	4,480.7	828.0	82,432.8	262	5,653.7
% of total		66.8%	0.3%	7.5%	6.2%	4.2%	0.1%	3.6%	3.4%	0.7%	0.8%	5.4%	1.0%	100.0%		

* Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30); ¹Unaudited sales

Source: La Fleur's 2020 World Lottery Almanac © 2021 TLF Publications, Inc. All rights reserved.

U.S. Lotteries' Fiscal Year 2020 Sales, Prizes & Government Transfers Measured by Gross State Product* (Unaudited)

Lottery	2019 Pop. ¹ (Mil)	2019 Gross Domestic Product ²	Traditional Ticket Sales ³	VLT (net)	Gaming (net)	Prizes ⁴	Gov't Transfers ⁵	PC Sales	PC Gov't	Ticket Sales as % of GDP	Gov't Transfers as % of GDP ⁷	Prizes as % of Ticket Sales	Gov't Transfers as % of Ticket Sale
D.C.	0.7	137,972	208.1			123.0	37.7	292	53	0.151%	0.027%	59.09%	18.1%
Florida	21.7	1,026,676	7,505.1			5,030.2	1,913.8	345	88	0.731%	0.186%	67.02%	25.5%
Georgia	10.7	580,732	4,636.2			3,045.6	1,237.3	433	116	0.798%	0.213%	65.69%	26.7%
Idaho	1.8	77,384	277.6			185.8	55.9	152	31	0.359%	0.072%	66.95%	20.1%
Illinois	12.6	807,383	2,841.7			1,842.2	696.0	226	55	0.352%	0.086%	64.83%	24.5%
Indiana	6.8	344,033	1,384.1			914.2	304.6	205	45	0.402%	0.089%	66.05%	22.0%
Iowa	3.2	179,037	372.0			236.3	81.5	118	26	0.208%	0.046%	63.53%	21.9%
Kansas	2.9	161,464	275.0		334.1	166.5	157.5	94	54	0.170%	0.098%	60.56%	57.3%
Kentucky	4.5	193,878	1,203.4			801.2	271.9	269	61	0.621%	0.140%	66.58%	22.6%
Louisiana	4.6	224,129	509.1			277.9	179.2	110	39	0.227%	0.080%	54.59%	35.2%
Maine	1.4	61,496	314.1			212.1	65.2	233	48	0.511%	0.106%	67.51%	20.8%
Maryland ^{4,5}	6.1	398,609	2,189.8	829.3	450.7	1,369.0	1,112.3	362	184	0.549%	0.279%	62.52%	36.8%
Massachusetts	6.9	546,546	5,245.2			3,865.1	986.9	761	143	0.960%	0.181%	73.69%	18.8%
Michigan	10.0	475,494	4,247.4			2,583.6	1,181.6	426	119	0.893%	0.249%	60.83%	27.8%
Minnesota	5.7	348,034	668.6			423.6	156.0	118	28	0.192%	0.045%	63.36%	23.3%
Mississippi	3.0	105,681	311.2			198.3	70.8	105	24	0.294%	0.067%	63.71%	22.7%
Missouri	6.2	299,131	1,512.7			1,062.5	321.9	246	52	0.506%	0.108%	70.24%	21.3%
Montana ⁶	1.1	47,721	59.9			36.8	8.6	55	8	0.125%	0.018%	61.43%	14.3%
Nebraska	1.9	119,692	183.1			108.3	42.4	94	22	0.153%	0.035%	59.14%	23.2%
N. Hampshire	1.4	78,691	392.2			246.9	99.3	287	73	0.498%	0.126%	62.94%	25.3%
New Jersey	8.9	574,018	3,288.5			1,969.6	1,015.7	370	114	0.573%	0.177%	59.89%	30.9%
New Mexico	2.1	93,367	127.1			68.3	38.1	60	18	0.136%	0.041%	53.75%	30.0%
New York ^{4,5}	19.3	1,587,879	7,726.7	1,599.1	414.8	4,623.6	3,376.8	400	175	0.487%	0.213%	59.84%	36.2%
N. Carolina	10.6	546,776	3,016.2			1,957.6	729.4	285	69	0.552%	0.133%	64.90%	24.2%
N. Dakota ⁶	0.8	49,881	24.4			12.7	5.2	32	7	0.049%	0.010%	51.94%	21.4%
Ohio ^{4,5}	11.7	626,275	3,471.5	820.9		2,259.3	1,127.1	297	96	0.554%	0.180%	65.08%	26.3%
Oklahoma	4.0	173,061	267.8			166.7	65.1	67	16	0.155%	0.038%	62.25%	24.3%
Oregon ^{4,5}	4.2	233,799	337.2	797.5		223.5	585.7	79	138	0.144%	0.251%	66.28%	51.6%
Pennsylvania	12.8	723,830	4,555.1			2,927.6	1,161.4	356	91	0.629%	0.160%	64.27%	25.5%
R. Island ^{4,5}	1.1	56,285	246.4	352.8	83.3	153.9	283.9	233	269	0.438%	0.504%	62.47%	47.4%
S. Carolina	5.2	224,689	2,106.4			1,424.2	490.6	404	94	0.937%	0.218%	67.62%	23.3%
S. Dakota ^{4,5}	0.9	50,951	58.1	234.7		36.2	128.4	65	144	0.114%	0.252%	62.24%	43.9%
Tennessee	6.9	333,194	1,712.2			1,092.1	438.2	249	64	0.514%	0.132%	63.78%	25.6%
Texas	28.4	1,628,185	6,704.0			4,442.4	1,683.7	236	59	0.412%	0.103%	66.26%	25.1%
Vermont	0.6	30,175	137.4			91.6	27.5	221	44	0.455%	0.091%	66.71%	20.0%
Virginia	8.6	519,912	2,148.6			1,318.1	595.4	250	69	0.413%	0.115%	61.35%	27.7%
Washington	7.7	579,695	817.3			530.2	180.9	106	24	0.141%	0.031%	64.88%	22.1%
W. Virginia ^{4,5}	1.8	68,001	206.6	718.5	28.6	127.9	415.2	116	233	0.304%	0.611%	61.88%	44.9%
Wisconsin ⁶	5.8	314,027	725.4			453.5	200.7	124	34	0.231%	0.064%	62.52%	27.7%
Wyoming	0.6	33,233	24.1			13.8	3.3	41	6	0.072%	0.010%	57.26%	13.8%
Virginia	315.0	18,724,351	82,443.6	5,653.7	1,461.5	53,489.7	24,012.5	262	76	0.440%	0.128%	64.88%	29.1%
Washington	7.6	584,034	803.3			490.4	215.8	105	28	0.138%	0.037%	61.04%	26.9%
W. Virginia ^{4,5}	1.8	79,482	201.3	904.1	37.8	119.3	516.5	112	288	0.253%	0.650%	59.24%	46.7%
Wisconsin ⁶	5.8	345,390	713.1			432.0	196.2	122	34	0.206%	0.057%	60.57%	27.5%
Wyoming	0.6	39,428	36.9			19.8	6.6	64	11	0.094%	0.017%	53.64%	17.9%
Total	315.0	18,724,351	82,443.6	5,653.7	1,461.5	53,489.7	24,012.5	262	76	0.440%	0.128%	64.88%	29.1%

* Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30).¹ Source: U.S. Census Bureau
² Source: U.S. Bureau of Economic Analysis; ³ This data represents only revenue from traditional lottery games; ⁴ Prizes do not include VLT prizes paid
⁵ Includes government transfers for VLT operations; ⁶ Unaudited

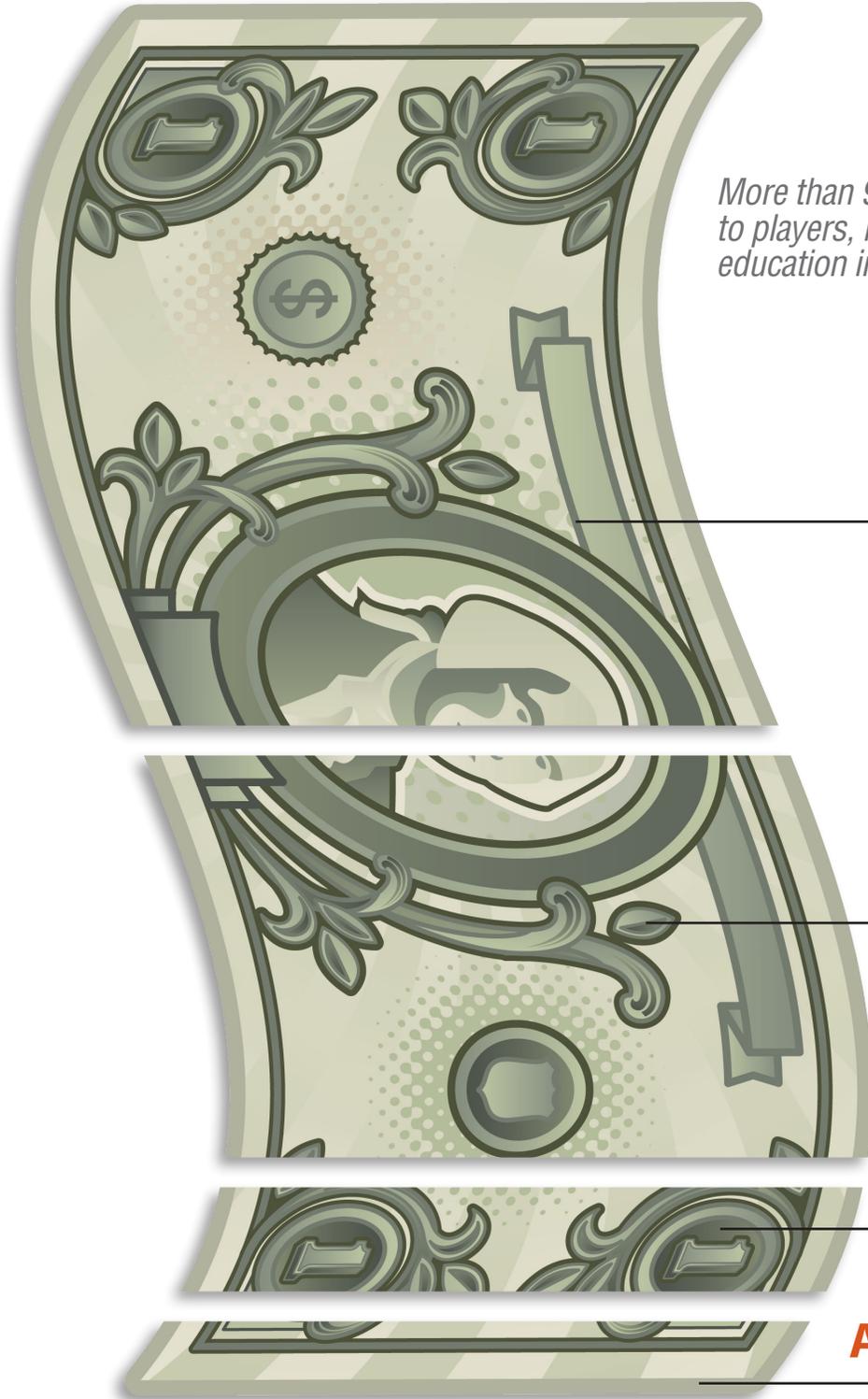
Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income.

**Missouri State Lottery Commission
Schedule of Capital Asset Information
Last Ten Fiscal Years
(Unaudited)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Owned buildings - square feet										
Headquarters										
1823 Southridge Drive										
Jefferson City, Mo. 65109	62,696	62,696	62,696	62,696	62,696	62,696	62,696	62,696	62,696	62,696
Distribution Center										
911 Bubba Lane										
Jefferson City, Mo. 65109	16,017	16,017	16,017	16,017	16,017	16,017	16,017	16,017	16,017	16,017
Fleet of owned vehicles										
Passenger vans - sales staff	49	49	49	49	49	49	49	49	49	49
Delivery vans	1	1	1	1	1	1	1	1	1	1
Passenger vans - vehicle pool	9	21	16	14	18	18	21	18	21	15
Passenger cars - vehicle pool	0	0	0	0	0	0	0	0	0	0
Trucks	3	3	4	3	3	3	3	3	4	3
Event trailers	1	1	1	1	1	1	1	1	1	1
	<u>63</u>	<u>75</u>	<u>71</u>	<u>68</u>	<u>72</u>	<u>72</u>	<u>75</u>	<u>72</u>	<u>76</u>	<u>69</u>

Source: Missouri State Lottery Commission Maintenance and Vehicle Sections

**Division of Each Dollar Spent on the
Missouri Lottery - Fiscal Year 2021
(Unaudited)**



*More than 96 cents is returned
to players, retailers and public
education in Missouri*

**69.0¢
Prizes**

**21.9¢
Education**

**5.9¢
Retailers**

**3.2¢
Administration**

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Compliance Section



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

Missouri State Lottery Commission
Jefferson City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Missouri State Lottery Commission, an enterprise fund of the state of Missouri, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Missouri State Lottery Commission's basic financial statements, and have issued our report thereon dated November 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Missouri State Lottery Commission'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 Missouri State Lottery Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Missouri State Lottery Commission'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 Missouri State Lottery Commission'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 result of that testing, and not to provide an opinion on the effectiveness of the Missouri State Lottery Commission'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 Missouri State Lottery Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

St. Louis, Missouri
November 15, 2021

MISSOURI STATE LOTTERY COMMISSION
(An Enterprise Fund of the State of Missouri)

SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
June 30, 2021

No findings in the current year.

MISSOURI STATE LOTTERY COMMISSION
(An Enterprise Fund of the State of Missouri)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2020

No findings in the prior year.

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