

# Rhode Island Lottery

An Enterprise Fund of the State of Rhode Island



## Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2023



Prepared by the Finance Department

# Annual Comprehensive Financial Report

## For the Fiscal Year Ended June 30, 2023

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# Introductory Section



# Rhode Island Department of Revenue

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## Lottery Division

December 20, 2023

The Honorable Daniel McKee, Governor  
Thomas Verdi, Director of Revenue

We are pleased to present to you the ANNUAL COMPREHENSIVE FINANCIAL REPORT of the Rhode Island Lottery (the Lottery), an enterprise fund of the State of Rhode Island for the fiscal year ended June 30, 2023. This report has been prepared by the Finance Department of the Lottery. The Lottery is responsible for the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures.

The Lottery is a division of the Department of Revenue of the State of Rhode Island, and its financial statements are included in the State's Annual Comprehensive Financial Report. This report presents Lottery activity in a single enterprise fund. Only the activity of the Lottery, and no other data or information related to any other State agency or fund, is included in this report.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Lottery's MD&A can be found immediately following the report of the independent auditors.

The Lottery was created by Constitutional Amendment passed on November 6, 1973. The legislation to create the Lottery was passed in March of 1974, and the Lottery began in May of 1974. The Lottery is operated like a business within the framework of State laws and regulations. Like any business, the Lottery's goal is to maximize income. As a State agency, however, the challenge lies in accomplishing this while maintaining the trust and best interest of the citizens of Rhode Island. It is our goal to achieve both.



# About Us



Located at 1425 Pontiac Avenue in Cranston, Rhode Island, the Rhode Island Lottery employs 97 employees to oversee all aspects of Lottery operations and gaming in the State of Rhode Island. The employees perform operational, regulatory, compliance, and oversight procedures to ensure compliance with statutory requirements for all levels of operations and product lines.

The Rhode Island Lottery is the largest voluntary source of income for the State, benefiting all who live, work and visit the Ocean State.

The Lottery began operations in May 1974 with its first drawing. In 1975, RI became the first state to have a weekly lottery television program. The Numbers Game was introduced in February 1976 and still continues today. The first instant ticket game was introduced in 1976, with On-line games starting in February 1978.

With the formation of the Multi-State Lottery Association (MUSL) in 1988, games like PowerBall®, April 1992, and Mega Millions®, January 2010, were introduced by the Lottery. Keno was introduced in the State in September 1992. Around the same time, Video Lottery (VLT's) operations were introduced at the State's two licensed facilities.

In June 2013, Table Game Operations began at the Lincoln, Rhode Island licensed facility, followed by the Tiverton, Rhode Island facility in 2018.

In late 2018, retail sportsbooks were opened at both licensed facilities. A digital remote sportsbook application was launched in September 2019. In April 2020 iLottery was introduced to the State, with initial offerings of eInstants and online Keno.

The major purpose of the Lottery is to generate revenue for transfer to the State's General Fund in accordance with the General Laws of the State of Rhode Island for each Lottery line of business.

Since 1974, the Lottery has transferred more than \$8.6 billion to the State's General Fund, which supports almost every aspect of life in our State, from education and health care to public safety and the environment. Generally, as Lottery revenues increase for each line of business, the amount of prizes and commissions, as well as the remaining net income transfers to the General Fund also increase. So, you don't have to play the Lottery to reap its rewards.

In addition to the money generated for the General Fund, there are the sales commissions paid to the hard-working Lottery retailers; those business establishments, restaurants, and small stores across the State where Lottery products are sold. The Lottery generates and collects revenues for traditional lottery and monitor game sales from more than 1,051 licensed lottery retailers located throughout the State of Rhode Island.

The success of the Rhode Island Lottery would not be possible without the commitment of the Rhode Island Lottery retailers, our employees, and most of all our players. We encourage everyone to play responsibly and continue to enjoy the Lottery as it was intended when it started in 1974 - a fun, positive way to generate additional revenue for the State of Rhode Island.





# Rhode Island Lottery Product Offerings

The Rhode Island Lottery provides the opportunity to participate in the following games:



Instant (or scratch) tickets are played by scratching the covering on the play area of a ticket. Each game has instructions for how to play and win. Most games involve matching numbers or symbols, adding together revealed amounts to beat a specified number, or revealing certain winning patterns. Instant ticket offerings in Rhode Island include card games, sports, money, whimsical and holiday themes. Also offered are extended play games including Crossword and Loteria, at various price denominations, and Bingo. Some games may offer second chance drawings for additional cash and merchandise prizes.



The Daily Numbers game has been very popular in Rhode Island since its inception in 1976. Players can wager on 2, 3, or 4 digits. Wagers on 3 and 4 digits can be played in exact or any order. Players can select their own numbers or utilize the computer “quick pick.” The Daily Numbers drawing is televised live Sunday through Saturday at 7:29 p.m. Weekly and 30-day purchase options are available to players.

The Lottery added an Instant Match feature to the Daily Numbers game in September 2002. Instant Match offers the player the chance to win up to \$500 instantly on a Daily Numbers ticket, for an additional \$1 per wager.

In May 2014, the midday drawing was added offering additional wagers to the evening drawing. The midday drawing is held daily at 1:30 p.m., and players may view it on YouTube™



Keno was introduced in September of 1992 and quickly proved to be a very popular game. Players choose from one (1) to ten (10) spots, with a \$100,000 top prize. Players can select their own number selection or utilize the computer “quick pick.” In January of 2000, Keno drawings increased from every 5 minutes to every 4 minutes. These Keno drawings occur from 5:00 a.m. to 12:45 a.m., Monday through Saturday, and 7:00 a.m. to 12:45 a.m. on Sunday. In April of 2001, Keno Plus was introduced. Players have the option to purchase this feature for the chance to increase their winnings by up to ten times, thus giving Keno players the potential to win up to \$1,000,000. Keno Overtime started in July 2017, and the Overtime round begins after each Keno draw. In the Overtime draw, 10 numbers are selected from the remaining 60 numbers. Players can win additional prizes of up to \$500,000 by matching the Overtime numbers. Players can place Keno wagers at Retailer or on the Lottery’s website and mobile app.



Bingo is a monitor game drawn every 8 minutes that was introduced to the Rhode Island Lottery on October 14, 2012. The game is played on a traditional bingo style board, where players must make one of eight patterns to win a prize. For each drawing, 30 numbered balls are drawn. Players can wager \$1, \$2, \$5, or \$10 per board, with a top prize of \$100,000.



Powerball® is a Multi-State Lottery Association game that began in 1992 and is offered in forty-five states (including Rhode Island), plus the District of Columbia, Puerto Rico, and U.S. Virgin Islands. For \$2, players select “5 out of 69” numbers and a Powerball® “1 out of 26.” Players can select their own numbers or utilize a computer “quick pick.” Televised drawings are shown on Monday, Wednesday and Saturday at 10:59 p.m ET. The Powerball® jackpot grows until it is won. Players win a prize by matching one of the 9 ways to win. The jackpot is won by matching all five white balls in any order and the red ball. For an additional \$1, players can choose the Power Play® option to increase their non-jackpot prizes. The Power Play® feature is a random multiplier whereby players are able to win 2, 3, 4, 5 or 10 times the prize. The 10X multiplier is only available when the advertised annuity jackpots are \$150 million or less. The \$1 million prize for matching 5/5 white balls increases to a maximum of \$2 million when you purchase the Power Play®. The multiplier does not apply to the grand prize jackpot.



The Rhode Island Lottery began offering Mega Millions® on January 30, 2010, through its participation in the Multi-State Lottery Association. Eachboard costs \$2 without the Megaplier® option or \$3 with the Megaplier® option. Players select “5 out of 70” numbers and a Mega Ball “1 out of 25.” Players can select their own numbers or utilize a computer “quick pick.” Drawings are held on Tuesday and Friday at 11:00 p.m. Megaplier®, which is a multiplier option for Mega Millions®, allows players who choose this option on their Mega Millions® ticket to have the chance to increase their non-jackpot prizes by 2, 3, 4 or 5 times. The \$1 million prize for matching 5/5 white balls will increase between \$2 million and \$5 million, depending on the Megaplier® number drawn. The multiplier does not apply to the grand prize jackpot.



Wild Money is a Rhode Island-only jackpot game with a starting jackpot of \$20,000 that continues to grow until a player matches the 5 numbers drawn out of a field of 38. Each board costs \$1. Players can select their own numbers or utilize a computer “quick pick.” The first Wild Money jackpot of \$315,869 was won on April 13, 2002, and the highest jackpot was \$763,383 won on October 8, 2022. On July 12, 2022, the game changed from three (3) drawings per week to a daily televised drawing at 7:30 p.m.





The Lucky for Life<sup>®</sup> game is now offered in twenty-two states and the District of Columbia, including Rhode Island. Players select "5 out of 48" numbers and a Lucky ball "1 out of 18" and have a chance to win \$1,000 a day for life. There is also a second tier prize of \$25,000 a year for life. Each board costs \$2. Drawings are held daily at 10:30 p.m. and can be viewed on YouTube.



Video Lottery debuted in Rhode Island in September of 1992. There are a total of 4,900 video lottery terminals (VLTs) located in the State's two gaming facilities, Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. As of June 30, 2023, Twin River had 3,900 VLTs, and Bally's Tiverton Casino & Hotel had 1,000 VLTs in operation. Various virtual and multi-layer display games are offered on the VLTs.



Table gaming opened in Rhode Island in June 2013 at Bally's Twin River Lincoln Casino Resort. There are currently 91 tables available at Twin River offering traditional card and dice games, including 23 poker tables, which was added in December 2015. Bally's Tiverton Casino & Hotel opened in August 2018 offering 32 traditional card and dice table games. Hybrid stadium gaming was opened at Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel in September 2018 and October 2018, respectively. There are currently 27 terminals at Bally's Twin River Lincoln Casino Resort and 18 at Bally's Tiverton Casino & Hotel. Hybrid stadium gaming consists of electronic wagering terminals in a stadium seating configuration allowing blackjack, roulette and mini-baccarat to be played concurrently with a live dealer.

## SPORTSBOOK — RHODE ISLAND —

Sports wagering in Rhode Island commenced in November 2018 at Bally's Twin River Lincoln Casino Resort, and in December 2018 at Bally's Tiverton Casino & Hotel. Presently, patrons can wager in the Sportsbook or at wagering terminals throughout the casino floors at both venues. Wagers can be placed on professional and college teams for various sporting events. The types of wagers accepted are based on industry standards for each sporting event, such as; money line, points spreads, total points, teasers, round robins and futures. Also, in-game/in-play bets and propositions are also offered. The sportsbook online application began on September 4, 2019 offering players the option of placing wagers and receiving payouts via their mobile device and/or their computer provided they are gambling within the State boundaries.



The iLottery mobile application launched in April 2020 with online Keno and eInstant games being offered to players within the State of Rhode Island's borders. The online Keno game is the same Keno game available at retail locations. Players choose from one (1) to ten (10) spots. Twenty (20) numbers are drawn from a field of eighty (80), with drawings taking place every four (4) minutes. Wagers range from one dollar (\$1) to ten dollars (\$10) per draw. The traditional add-on features, Keno Plus and Keno Overtime, are available. There are more than fifty (50) different eInstants available for purchase. These games "play" in the same manner as traditional Instant Ticket offerings. Each eInstant game is available at prices ranging from one dollar (\$1) to twenty dollars (\$20).



### Pull Tabs

Rhode Island General Laws mandate that pull tab tickets be sold only by non-profit organizations. The Rhode Island Lottery oversees the sale of pull tab tickets to these groups.

# Rhode Island Economic Outlook

During fiscal year 2023, the Rhode Island Lottery has returned to Pre-COVID-19 operations. Overall revenues, including gaming at the Lottery's two casinos experienced an increase in Lottery revenues over the prior year, resulting in the highest Transfer to the State's General Fund in the history of the Lottery.

Rhode Island's population has increased slightly over a twelve month period to approximately 1.09 million as of July 1, 2023. As of June 2023, the unemployment rate was 3.0%; which was below the national rate of 3.8%.

## Lottery Industry Economic Outlook

The United States Lottery Industry experienced an increase in fiscal year 2023 over the prior fiscal year. Based on unaudited figures from the North American Association of State & Provincial Lotteries (NASPL), sales increased from \$107.9 billion in fiscal year 2022 to \$113.3 billion in fiscal year 2023, a 5.03% increase.



# Accomplishments

The Lottery's fiscal year 2023 revenues experienced a large increase as compared to fiscal year 2022. During fiscal year 2023, the Lottery surpassed pre-pandemic levels, and the following was noted:

- The Lottery transferred \$434.7 million to the State's General Fund in fiscal year 2023. The highest in Lottery history.
- Video lottery net revenue at the Lottery's two licensed casinos experienced historical revenue of \$532.0 million.
- Table games net revenue at the Lottery's two licensed casinos increased 9.2% over prior fiscal year 2022.
- Overall traditional Lottery on-line games revenues increased 8.7% in fiscal year 2023. This was due primarily from increases in both jackpot driven games PowerBall® and Mega Millions®. Fiscal year 2023 had two jackpots for Mega Millions® in excess of \$1 billion dollars. As well as, Wild Money which experienced at 41.0% increase over fiscal year 2022, and had the highest jackpot in the game's history.
- iLottery, which consists of eInstants and online Keno, experienced a 32.8% increase over prior fiscal year 2022.
- In November 2022, the Lottery underwent a successful online system conversion. This conversion included the replacement of all equipment, throughout the State, many platform upgrades, additional marketing advancements, and the opportunity for new product offerings.
- During fiscal year 2023, the Lottery established a memorandum of understanding with the Rhode Island Council on Problem Gambling (RICPG), to an enhance thr RICPG's mission of providing education, training, and information on problem gambling.

# Future Projects

- The Lottery is scheduled for an iLottery platform upgrade. This upgrade will allow the Lottery to offer all lottery products via online using either a computer, digital device, or smart device. Player's will then have the ability to play all Lottery gaming products, within State boundaries. The platform includes a new player management module, and system integration with the Lottery's new online platform. This update was scheduled for November 2023, and has been moved to the Spring of 2024.
- In June 2023, legislation was passed legalizing iGaming by patrons located in the State of Rhode Island. This legislation authorizes the Lottery to implement, operate, conduct, and control iGaming at two licensed casinos. Further, the Lottery is authorized to enter into contracts with an iGaming Platform provider, and an iGaming Platform vendor, as well as an iGaming Joint Venture. iGaming is scheduled to commence on March 1, 2024.
- In calendar year 2024, the Lottery will be celebrating its 50<sup>th</sup> Anniversary. In honor of this, the Lottery is planning to offer a \$50 instant ticket, that would be the Lottery's highest instant ticket price point. The Lottery continues to explore new and exciting instant tickets, including offering annuity prizes, which would allow for higher jackpots.

# Financial Information

## GFOA 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 Rhode Island Lottery for its annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2022. This was the twenty-sixth consecutive year that the Lottery has achieved this prestigious award (1997 through 2022). In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR. This report must comply with both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Rhode Island Lottery received a certificate on its first submission, in May of 1998, and on each subsequent attempt. We believe that our current ACFR 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.

# Accounting Systems and Policies

The Rhode Island Lottery operates the Lottery Fund, an enterprise fund that, like a private business, utilizes the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the related liabilities are incurred.

## Budgetary Controls

The operating budget of the Rhode Island Lottery is submitted to the State Budget Office, through the Department of Revenue, for inclusion into the Governor's State Budget to the General Assembly. The State Budget is ultimately legally enacted by the General Assembly. Lottery financial management monitors actual expenditures for compliance with operational requirements, and with statutory expenditures and other statutes.

The Revenue Estimating Conferences continue to adopt revenue estimates for the Lottery, which are incorporated into the State Budget.

## Internal Control Environment

Management of the Lottery is responsible for establishing and maintaining an internal control structure designed to meet the objectives that assets are protected from loss, theft, or misuse and that the accounting systems allow for complete, accurate and timely recording and reporting of financial information executed in accordance with management's authorization, in conformity with generally accepted accounting principles, and free of material misstatement. The structure is designed to provide reasonable assurance, rather than absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management. Internal control over financial reporting is also designed to reduce to an acceptable level, the risk that errors or irregularities in amounts that would be material in relation to financial statements may occur and not be prevented, detected or corrected within a timely period by management or employees in the normal course of performing their assigned functions. Management believes the Lottery's internal control structure meets these objectives.



The Lottery operates and regulates video lottery activity, table gaming, and sports wagering at the State's two casinos in Lincoln and Tiverton, controls the disbursements of prizes, and manages a valuable ticket inventory; the following steps are taken to ensure the integrity and security of operations:

- Employing an Information Technology Security Manager.
- Employing specialized security and law enforcement personnel.
- Maintaining secure Lottery facilities and limiting access to them.
- Performing background checks on retailers, vendors, and employees.
- Printing lottery tickets with special security features.
- Independent Information Technology security audits of Lottery networks.
- Providing a variety of access and other controls in Information Technology systems and environments.
- Maintaining operating policies and procedures.
- Processing daily transaction data of all retailer activity by Lottery personnel using the Lottery's internal control system programs and reconciling transactions to reports generated by the on-line system.
- Implementation of comprehensive information security objectives for the Lottery's on-line and video lottery systems as provided by its central system provider.
- Monitoring regulated casino procedures and controls over net table game revenue.
- Implementation of financial, operational, and compliance minimum internal control requirement standards for casino management.
- Independent testing of mobile and computer system functionality and wagering applications.

The Lottery currently has 97 employees, 43 of whom are located at the headquarters in Cranston, Rhode Island. Additionally, 32 employees are located at the Twin River facility in Lincoln, Rhode Island and 22 employees are located at the Twin River Tiverton facility, each location operating and regulating table games to ensure compliance with Rhode Island statutory requirements and Lottery rules and regulations.

## Independent Audit

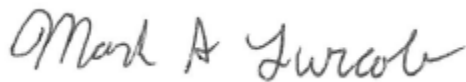
The Rhode Island General Laws require an annual audit to be performed by the State Auditor General. The fiscal year 2023 audit of the financial statements has been completed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The Independent Auditor's Report on the Lottery's financial statements is included in the financial section of this report. In accordance with *Government Auditing Standards*, the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Perform in Accordance with *Government Auditing Standards*, was issued by the Auditor General.

## Acknowledgements

Preparation of this report was accomplished with support and dedication from all members of the RI Lottery finance department.

This Annual Comprehensive Financial Report reflects our commitment to maintain the Rhode Island Lottery's financial statements and record keeping systems in compliance with the highest standards of accountability.

Respectfully submitted,



Mark A. Furcolo  
Director



Anissa E. Colson  
Finance Administrator



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Rhode Island Lottery**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

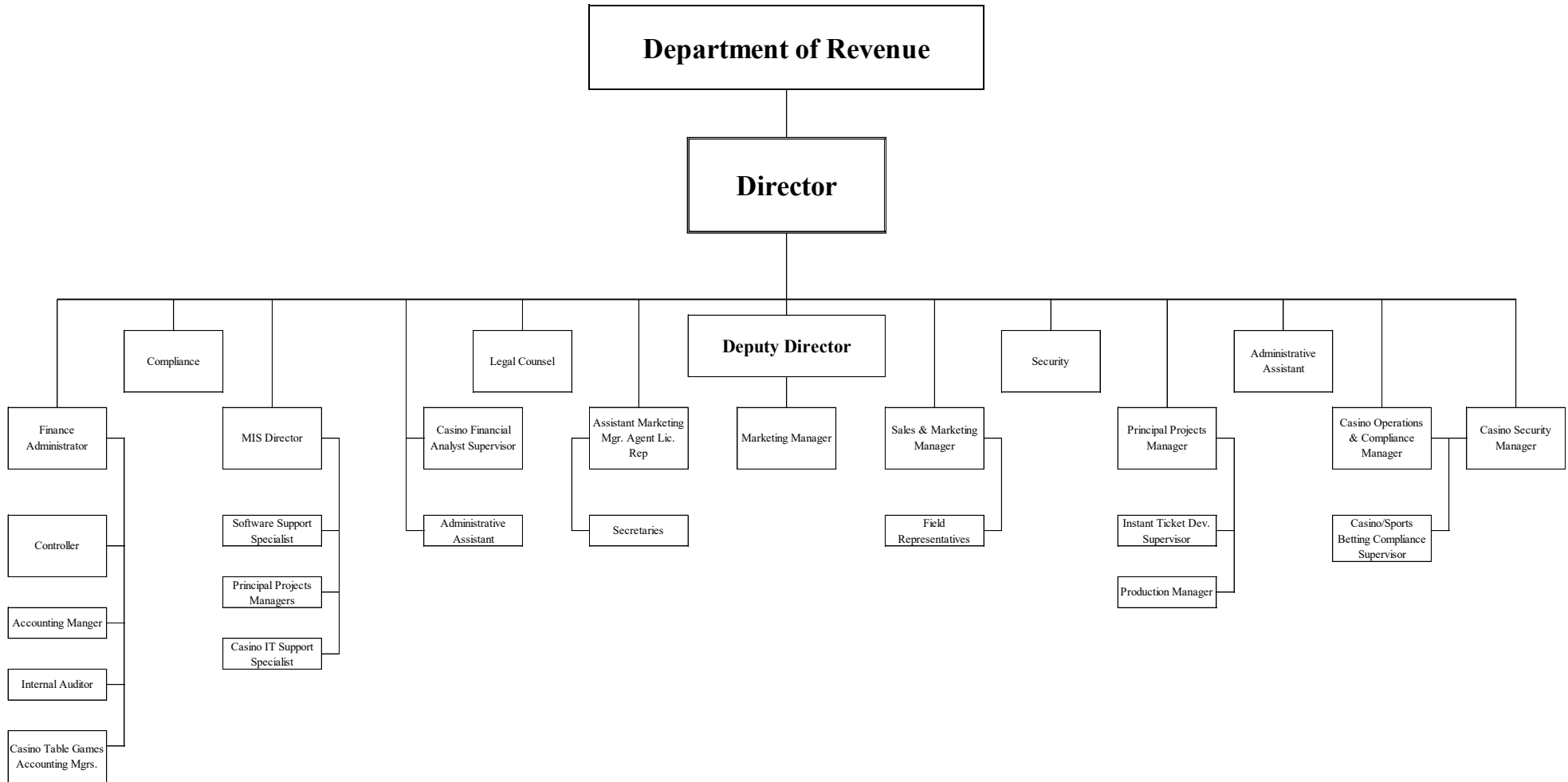
June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO



**Rhode Island Lottery  
Organizational Chart  
June 30, 2023**



# PRINCIPAL OFFICIALS

**Mark A. Furcolo**

DIRECTOR

**Michael O'Rourke**

DEPUTY DIRECTOR

**Anissa E. Colson**

FINANCE ADMINISTRATOR

**Joseph R. Santurri**

DIRECTOR OF MANAGEMENT INFORMATION SYSTEMS

**Keith J. Tucker**

CASINO OPERATIONS AND COMPLIANCE MANAGER

**Donald J. Cataldi**

SALES AND MARKETING MANAGER

**Melissa Juhnowski**

MARKETING MANAGER

**Valerie Morozov**

GENERAL COUNSEL

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# Financial Section





## Office of the Auditor General

State of Rhode Island - General Assembly  
David A. Bergantino, CPA, CFE – Auditor General

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### **INDEPENDENT AUDITOR'S REPORT**

Joint Committee on Legislative Services, General Assembly, State of Rhode Island:

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

##### ***Opinion***

We have audited the financial statements of the Rhode Island Lottery (Lottery), an enterprise fund of the State of Rhode Island, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Lottery, as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

As discussed in Note 2(b), the financial statements present only the Lottery enterprise fund and do not purport to, and do not, present fairly the financial position of the State of Rhode Island, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 20 through 33, Schedule of the Lottery's Proportionate Share of the Net Pension Liability – Employees' Retirement System Plan on page 71, the Schedule of the Lottery's Contributions – Employees' Retirement System Plan on page 72, the Schedule of the Lottery's Proportionate Share of the Net OPEB Liability – State Employees' OPEB Plan on page 73, and the Schedule of the Lottery's Contributions – State Employees' OPEB Plan on page 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency

with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The supplementary information included in Schedule 1 details operating revenue and related costs of gaming operations and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.



David A. Bergantino, CPA, CFE  
Auditor General  
October 13, 2023

# RHODE ISLAND LOTTERY

## **Management's Discussion and Analysis**

Management of the Rhode Island Lottery (Lottery) provides this *Management's Discussion and Analysis* of their financial performance for the readers of the Lottery's financial statements. This narrative provides an overview of the Lottery's financial activity for the fiscal year ended June 30, 2023. This *Management's Discussion and Analysis* is to be considered in conjunction with the financial statements to provide an objective analysis of the Lottery's financial activities based on facts, decisions, and conditions currently facing management.

### **Understanding the Lottery's Financial Statements**

The Lottery, a division of the Department of Revenue of the State of Rhode Island (State), is accounted for as an enterprise fund that reports all assets and liabilities using the accrual basis of accounting, much like a private business entity. In accordance with accounting principles generally accepted in the United States of America, this report consists of a series of financial statements, along with notes to the financial statements and a supplementary schedule detailing operating revenue and the cost of gaming operations for each lottery game. The financial statements immediately follow this *Management's Discussion and Analysis* and are designed to highlight the Lottery's net position and changes in net position resulting from Lottery operations.

The most important relationship demonstrated within the Lottery's financial statements is the requirement that the Lottery transfer net income to the State's General Fund. Accordingly, the primary focus of these financial statements is determining net income available for payment to the State's General Fund, rather than the change in net position of the Lottery. It is also important to note that most financial statement balances have a direct relationship to revenue. Generally, as lottery revenues increase for a particular game, the related amount paid to the State's General Fund also increases. Similarly, increases in revenue for a particular lottery game result in direct increases to the related prize awards and commissions expense.

Most assets included on the Statement of Net Position represent current amounts such as cash and accounts receivable from Lottery retailers. Most current liabilities represent prize awards owed, vendor commission payments, and amounts due to the State's General Fund. Current assets approximate the amounts required to satisfy current liabilities at year-end.

Non-current assets consist of the Lottery's capital assets and a long-term lease receivable relating to the technology provider's rental of space in the Lottery's Cranston, RI location. Non-current liabilities consist mostly of net pension and OPEB liabilities, and unearned contract revenue totaling \$12.8 million. In June 2021, the Lottery executed the Eighth Amendment to the Master Contract with IGT Global Solutions (IGT), IGT is to pay \$27 million (up-front payment) to be the exclusive provider to the Lottery of its products and services under the contract (excluding online sports wagering as provided by the First amendment to the Sports Betting Agreement dated July 5, 2019). The up-front payment is payable in two installments of \$13.5 million by June 30, 2023, and \$13.5 million by June 30, 2024. On June 29, 2023, the Lottery received \$13.5 million, which is recorded as unearned contract revenue. These payments will be recognized as contract revenue over the term of the extended contract.

The deficit in net position of \$18.6 million reported at June 30, 2023 relates to the Lottery's proportionate share of the net pension and OPEB liabilities. This net position (deficit) represents the Lottery's recognition of its proportionate share of the net pension liability and net OPEB liability (inclusive of related deferred inflows and outflows) as of June 30, 2023, as a participating employer in the Employees' Retirement System Pension Plan (Pension Plan) and the State Employees' OPEB Plan (OPEB Plan). Further details of the Lottery's net pension liability and net OPEB liability can be found in the notes to the financial statements.



# **RHODE ISLAND LOTTERY**

## **Management's Discussion and Analysis**

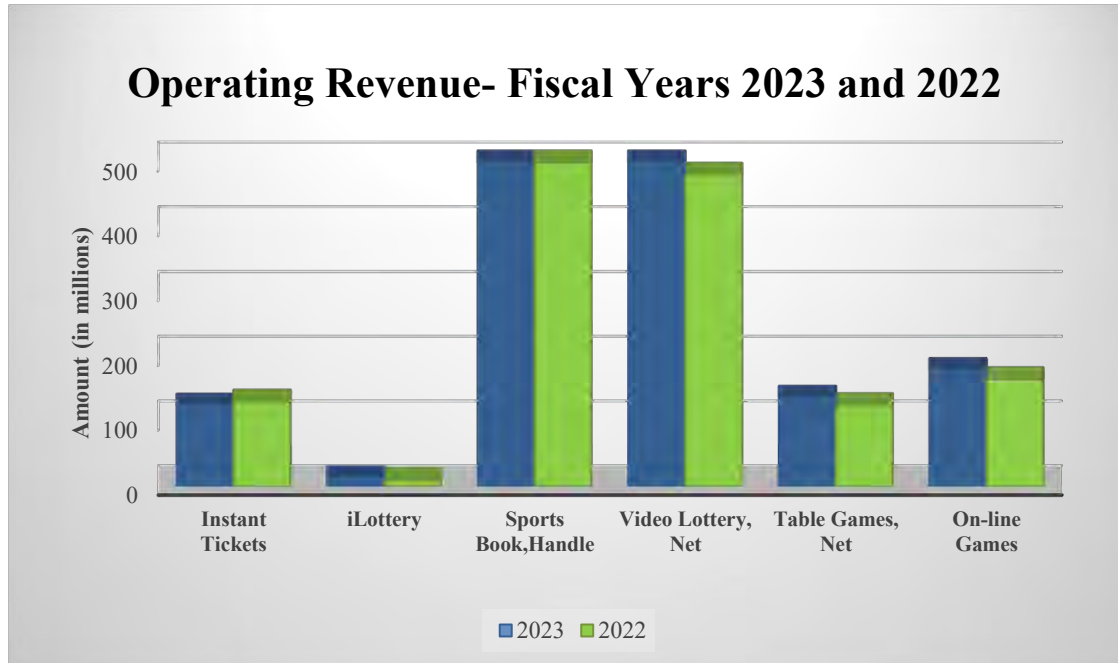
### **Financial Highlights**

- The Lottery transferred \$434.7 million to the State's General Fund in fiscal year 2023 as compared to \$388.6 million in fiscal year 2022, which represents a 11.9% increase.
- Video lottery net revenue at the Lottery's two licensed casinos increased 10.6% over fiscal 2022.
- Table games net revenue at the Lottery's two licensed casinos increased 9.2% over fiscal 2022.
- Sportsbook revenue decreased 1.5% over fiscal 2022.
- An overall 8.7% increase in on-line games revenue included:
  - Keno game revenue decreased 1.0%, while Bingo game revenue increased 23.7% over the prior year.
  - PowerBall® sales increased 13.2% over fiscal 2022, while Mega Millions® sales increased 91.7% compared to the prior year. Fiscal 2023 included two Mega Millions® jackpots in excess of \$1 billion dollars which resulted in the positive impact to sales for the year.
  - For fiscal year 2023, Wild Money sales increased 41.0% over fiscal year 2022. On July 12, 2022, the game changed from three (3) drawings per week to a daily drawing. In October 2022, this game had the highest jackpot in game history of \$763,383.
  - Lucky for Life® revenues experienced a decline of 4.5% in fiscal year 2023 as compared to fiscal year 2022.
- iLottery revenue increased 32.8% over the prior year.
- Instant games revenue decreased by 4.8% compared to fiscal 2022.

# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis

The following graph depicts the Lottery's operating revenue for instant tickets, iLottery, video lottery, table games, sportsbook and on-line games for fiscal 2023 compared to fiscal 2022.



### Analysis of Comparative Financial Position

The Lottery's net position (deficit) at June 30, 2023 and June 30, 2022 is summarized below:

	June 30, 2023	June 30, 2022
<b>Assets:</b>		
Current assets		
Cash and cash equivalents	\$ 43,874,334	\$ 39,095,972
Accounts receivable, net	8,457,642	5,365,680
Lease receivable	91,362	88,732
Due from State's General Fund	-	3,948
Other	1,754,119	1,528,080
Total current assets	54,177,457	46,082,412
Non-current assets		
Capital assets, net	1,258,533	1,496,442
Long-term lease receivable	2,236,051	2,763,909
Total non-current assets	3,494,584	4,260,351
Total assets	57,672,041	50,342,763
<b>Deferred outflows of resources:</b>		
Deferred outflows of resources - pension	3,339,069	4,111,770
Deferred outflows of resources - OPEB	1,037,381	1,130,415
Total deferred outflows of resources	4,376,450	5,242,185

# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis

	June 30, 2023	June 30, 2022
<b>Liabilities:</b>		
Current liabilities		
Cash overdraft	\$ -	\$ 9,101,723
Due to State's General Fund - net income from operations	5,236,556	3,307,843
Due to State's General Fund	3,260	-
Accounts payable	16,937,913	12,366,857
Obligation for unpaid prize awards	12,382,761	11,912,327
Lease liability	306,708	300,459
Compensated absences	307,892	294,330
Other liabilities	6,379,609	9,577,392
Total current liabilities	41,554,699	46,860,931
Non-current liabilities		
Compensated absences	348,179	330,733
Net pension liability	18,689,341	16,557,874
Net OPEB liability	2,577,595	2,145,330
Long-term lease liability	660,964	967,672
Unearned contract revenue	12,825,000	-
Total non-current liabilities	35,101,079	20,001,609
Total liabilities	76,655,778	66,862,540
<b>Deferred inflows of resources:</b>		
Deferred inflows of resources - pension	657,266	3,730,546
Deferred inflows of resources - OPEB	1,088,807	1,822,367
Deferred inflows of resources - leases	2,283,200	2,808,428
Total deferred inflows of resources	4,029,273	8,361,341
<b>Net position (deficit):</b>		
Net investment in capital assets	290,861	228,311
Unrestricted	(18,927,421)	(19,867,244)
Total net position (deficit)	<u>\$ (18,636,560)</u>	<u>\$ (19,638,933)</u>

The majority of the Lottery's assets represent current resources necessary to pay the current liabilities owed to vendors, prize winners, video lottery participants, and ultimately the State's General Fund. At June 30, 2023, the Lottery's assets included \$43.9 million in cash and cash equivalents as compared with \$39.1 million at June 30, 2022. The Lottery's accounts receivable approximated \$8.5 million and \$5.4 million, respectively, at June 30, 2023 and 2022.

The Lottery's current liabilities at the balance sheet date are amounts owed for vendor payables and prize obligations. The amount owed at June 30, 2023 to the General Fund for June net operations approximated \$5.2 million. At June 30, 2023, vendor payables, made up largely of commissions (video lottery and sportsbook) and prize obligations (attributable mostly to instant ticket games) were \$16.9 million and \$12.4 million, respectively. In comparison, vendor payables and prize obligations at June 30, 2022 were \$12.4 million and \$11.9 million, respectively. At June 30, 2022, the Lottery reported a cash overdraft liability of \$9.1 million.

# **RHODE ISLAND LOTTERY**

## **Management's Discussion and Analysis**

The increase in unearned contract revenue represents the \$13.5 million received at year-end as an upfront payment from the technology provider relating to the 20-year extension of its exclusive contract to operate the Lottery's on-line (traditional lottery games) and video lottery gaming systems, as well as the rights to provide video lottery terminals (technology provider) through the formation of a VLT joint venture. This upfront payment will be recognized as revenue over the 20-year period of the contract extension.

The Lottery's net pension liability and net OPEB liability increased by \$2.1 million and \$.4 million, respectively, at June 30 2023 compared to June 30, 2022. These increases mainly represent a decrease in the plans' fiduciary net position at the measurement date (June 30, 2022) over the prior year due to significant net investment losses during fiscal 2022. The liability increases experienced by the Lottery represent their proportionate share of the overall increases experienced by the State's pension and OPEB plans at the measurement date.

Deferred outflows of resources related to pensions and OPEB decreased in fiscal 2023 compared to fiscal 2022 primarily due to changes in projected and actual investment earnings for pensions and OPEB and changes in assumptions for OPEB. Deferred inflows of resources related to pension and OPEB increased in fiscal 2023 compared to fiscal 2022 primarily due to the difference between projected and actual investment earnings.

Deferred inflows of resources relating to leases in fiscal 2023 also decreased due to a reduction in the amount of space being leased to the technology provider beginning in 2023 and the expected reduction in future revenue anticipated from that leasing arrangement.

The deficit in net position, reported at June 30, 2023, of \$18.6 million represents the Lottery's proportionate share of the net pension liability and net OPEB liability as a participating employer in the Pension Plan and the OPEB Plan. As required by RI General Laws, the Lottery's transfer to the State's General Fund is based on net income reflecting the actuarially determined employer contribution to the Pension Plan and OPEB Plan. Net income reported in the Lottery's financial statements reflects the recognition of pension expense and OPEB expense in accordance with generally accepted accounting principles.



# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis

### Lottery Operations

	June 30, 2023	June 30, 2022
<b>Operating revenue:</b>		
Games reported - gross revenue		
On-line games	\$ 179,428,966	\$ 165,025,676
Instant games	124,257,579	130,562,609
iLottery	12,616,040	9,498,777
Sportsbook	509,469,437	517,229,614
Games reported - revenue net of related prize awards		
Video lottery	531,976,452	481,150,833
Table games	136,600,182	125,047,864
Other operating revenue	633,651	570,896
Total operating revenue	<u>1,494,982,307</u>	<u>1,429,086,269</u>
<b>Cost of gaming operations:</b>		
Prize awards expense (on-line, instant, iLottery and sportsbook)	659,286,567	673,703,958
Commissions	384,944,145	349,300,483
Incentive programs, video lottery	4,150,164	4,232,235
Marketing/advertising expense	2,966,297	2,972,708
Cost of tickets	930,293	1,004,530
Transaction fees - online wagering	1,177,966	933,667
Unclaimed prize recovery	(4,526,660)	(4,777,863)
Total cost of gaming operations	<u>1,048,928,772</u>	<u>1,027,369,718</u>
Gross Profit	<u>446,053,535</u>	<u>401,716,551</u>
<b>Operating expenses:</b>		
Salaries and benefits	11,687,353	11,334,962
Depreciation and amortization	432,396	117,665
Problem gambling expenses	633,651	570,896
Other	1,251,552	1,160,914
Total operating expenses	<u>14,004,952</u>	<u>13,184,437</u>
Operating Income	<u>432,048,583</u>	<u>388,532,114</u>
<b>Non-operating income (expenses):</b>		
Investment income	2,136,034	154,148
Other income (expenses) - net	1,484,525	1,182,117
Income before transfers	435,669,142	389,868,379
<b>Transfers to State's General Fund</b>	<u>(434,666,769)</u>	<u>(388,641,696)</u>
Increase (decrease) in net position	1,002,373	1,226,683
<b>Total net position (deficit), beginning of year</b>	<u>(19,638,933)</u>	<u>(20,865,616)</u>
<b>Total net position (deficit), end of year</b>	<u>\$ (18,636,560)</u>	<u>\$ (19,638,933)</u>

# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis

### Revenue

#### Traditional Lottery

- Traditional Lottery games consist of on-line, instant ticket games, and iLottery. Distribution of the year's traditional lottery revenue was as follows:

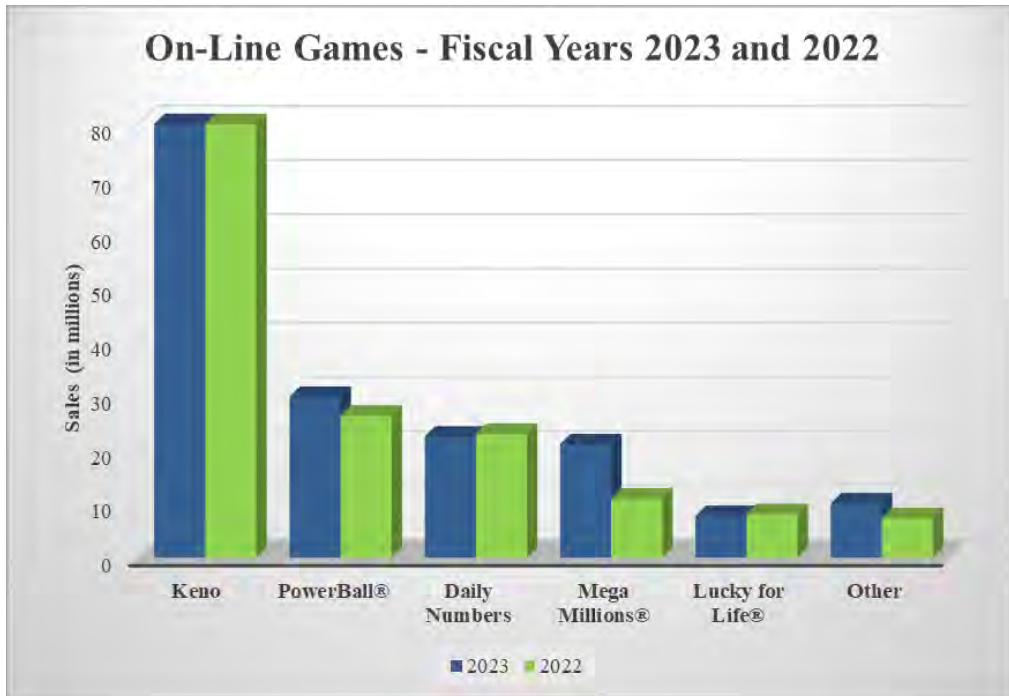


- On-line games offered are PowerBall®, Mega Millions®, Keno, Bingo, Daily Numbers, Wild Money, and Lucky for Life® during fiscal 2023. The overall annual increase for on-line games was 8.7% compared to fiscal year 2022. PowerBall® sales increased 13.2% over fiscal 2022, while Mega Millions® sales increased 91.7% compared to the prior year. Fiscal 2023 included two Mega Millions® jackpots in excess of \$1 billion dollars. Wild Money sales increased 41.0% over fiscal year 2022. On July 12, 2022, the game changed from three (3) drawings per week to a daily drawing. In October 2022, this game had the highest jackpot in game history of \$763,383. Lucky for Life® revenues experienced a decline of 4.5% in fiscal year 2023 as compared to fiscal year 2022. Keno game revenue decreased 1.0%, while Bingo game revenue increased 23.7% over the prior year. The Daily Numbers game experienced a decrease in revenue compared to prior year.
- Instant ticket revenue for fiscal 2023 decreased approximately 4.8% over fiscal year 2022. While the Lottery continues to offer many instant tickets products at various price points, instant ticket sales declined year over year. The Lottery's neighboring states have experienced the same results. The Lottery also continued to offer various high-price point tickets including two (2) \$30 tickets "\$500,000 Payout" and "Ocean State Riches".
- iLottery was launched at the end of April 2020. Current offerings include eInstant games and iKeno with plans of offering all lottery on-line games beginning in November 2023. iLottery revenue for fiscal year 2023 increased 32.8% over fiscal year 2022.

# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis

The following graph depicts the Lottery's on-line sales for the fiscal years ended June 30, 2023 and 2022.

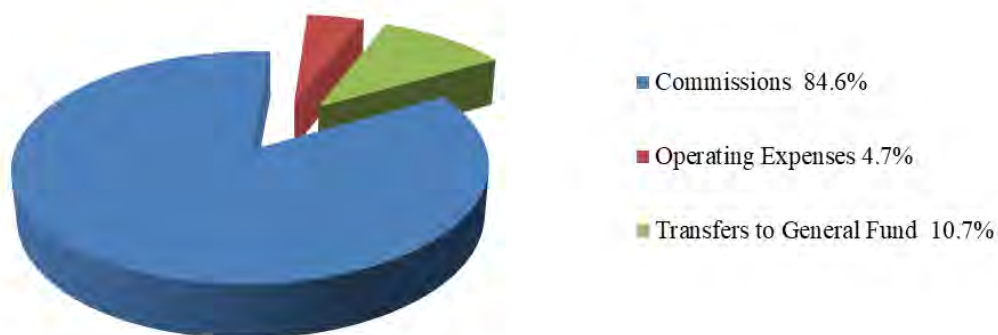


### Table Games

For fiscal 2023, net table games revenue was \$136.6 million, an increase of 9.2% compared to the prior year. Table games are operated at the State's two licensed casinos: Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. The increase is a result of the casinos seeing activity that mirrors pre-COVID-19 operations. Poker, which was not offered in fiscal year 2022, returned in February 2023. Net income transferred to the State General Fund from table games, after deducting commissions, personnel and administrative expenses was \$14.7 million.

Distribution of the year's net table game revenue was as follows:

### **Table Games - Net Revenue Distribution**



# RHODE ISLAND LOTTERY

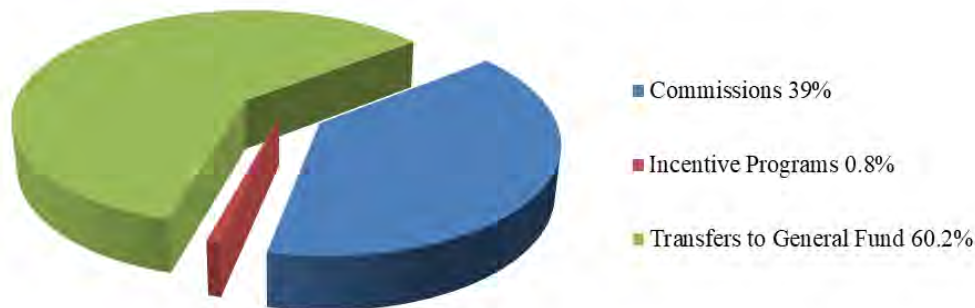
## Management's Discussion and Analysis

### Video Lottery

Video lottery net revenue increased \$50.8 million or 10.6% from the prior fiscal year as gaming activity continued to return to pre-pandemic levels. VLT machines are offered at both Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Due to construction renovations at Bally's Twin River Lincoln Casino Resort, on September 26, 2021, the Lincoln facility reduced the number of VLT machines offered to 3,802 until completion of a 40,000 square foot expansion. Upon completion of the expansion in April 2023, the Lincoln facility offered 3,900 machines, while the Tiverton facility offered 1,000 throughout the fiscal year. Gross profit transferred to the State General Fund from video lottery after deducting commissions and marketing expenses was \$320.5 million.

Distribution of the year's video lottery net revenue was as follows:

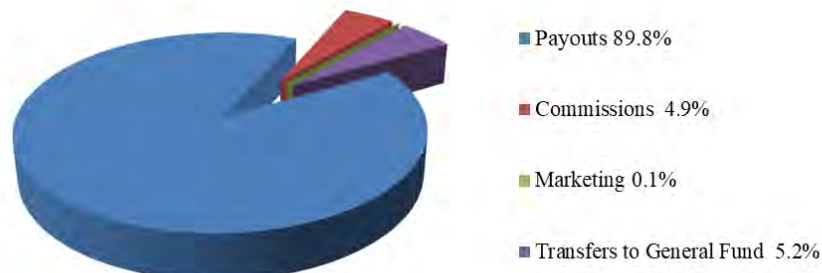
### **Video Lottery - Net Revenue Distribution**



### Sportsbook

Sportsbook revenue decreased 1.5% for fiscal 2023 compared to fiscal 2022. Total sportsbook revenues through June 30, 2023, totaled \$509.5 million of which \$331.9 million was from online/mobile wagers. Gross profit transferred to the State General Fund from sportsbook, after deducting payouts, commissions, online wagering transaction fees, and marketing expenses was \$25.5 million. In January 2023, the neighboring Commonwealth of Massachusetts launched in-person sports betting at three casinos, and subsequently in March 2023 online sports betting went live with the launch of six online sports betting apps. Due to this increased competition from neighboring states, the sportsbook experienced a decline in revenue over the prior fiscal year.

### **Sportsbook**

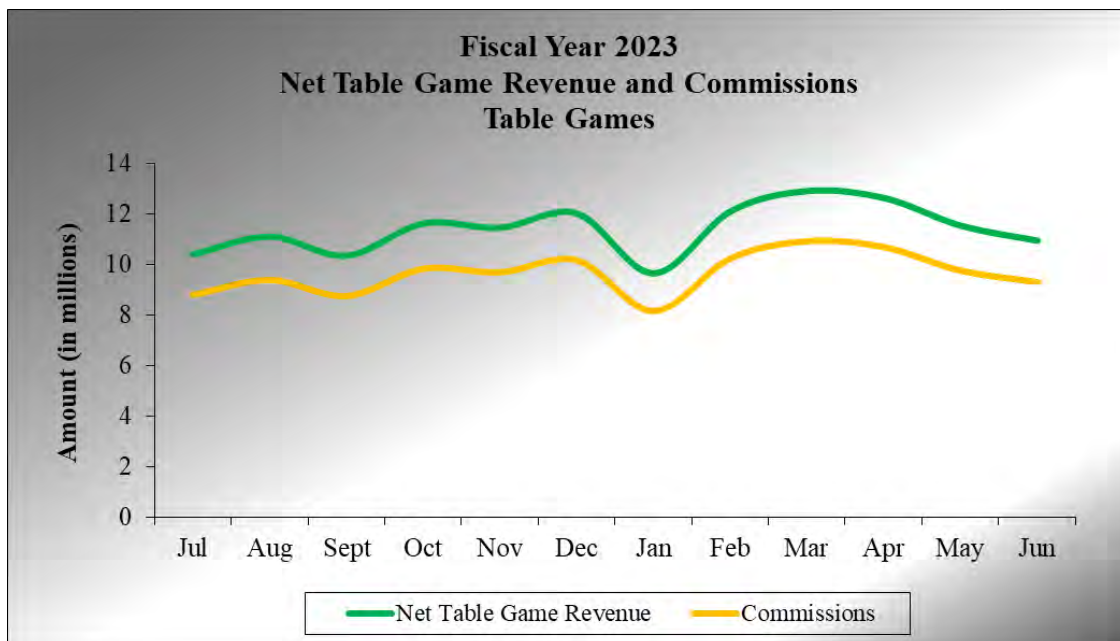
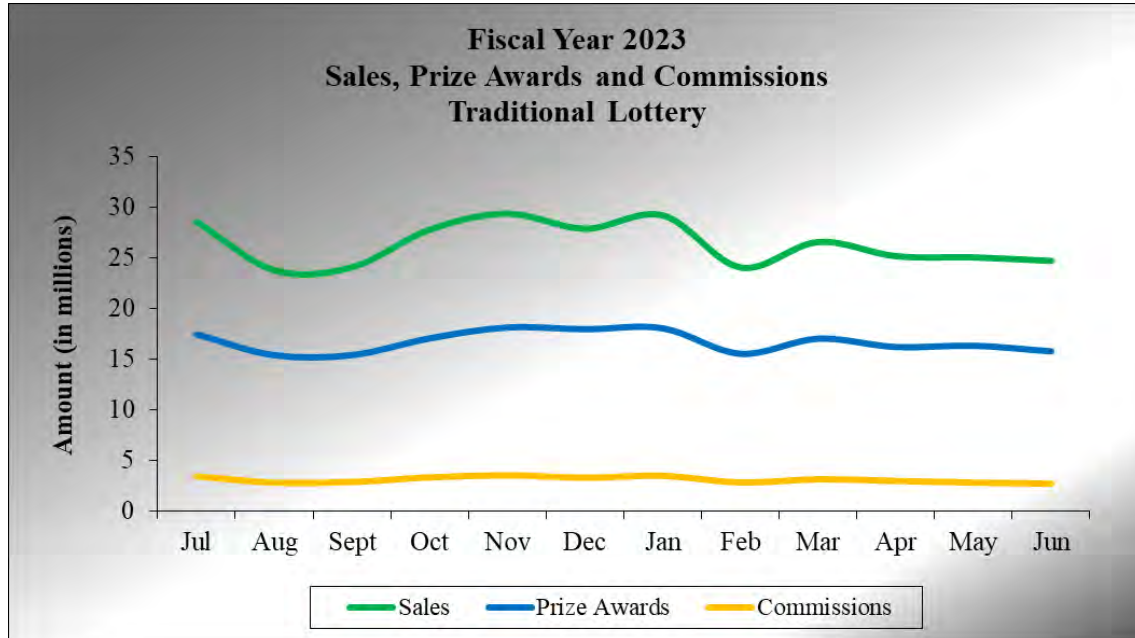


# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis

### Commissions and Prize Awards Expense

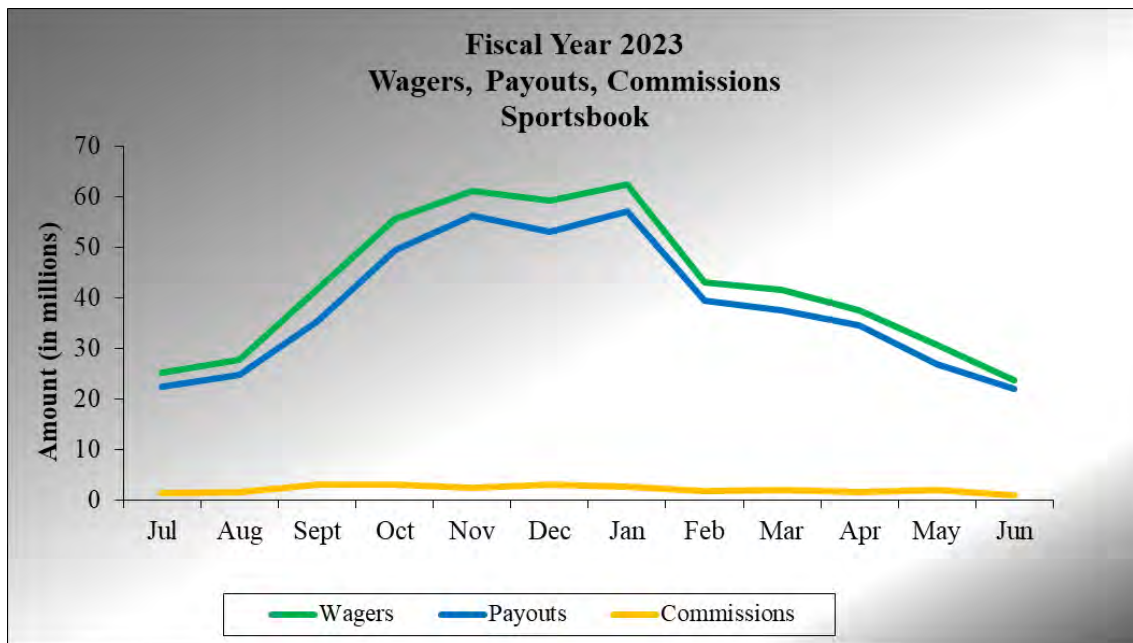
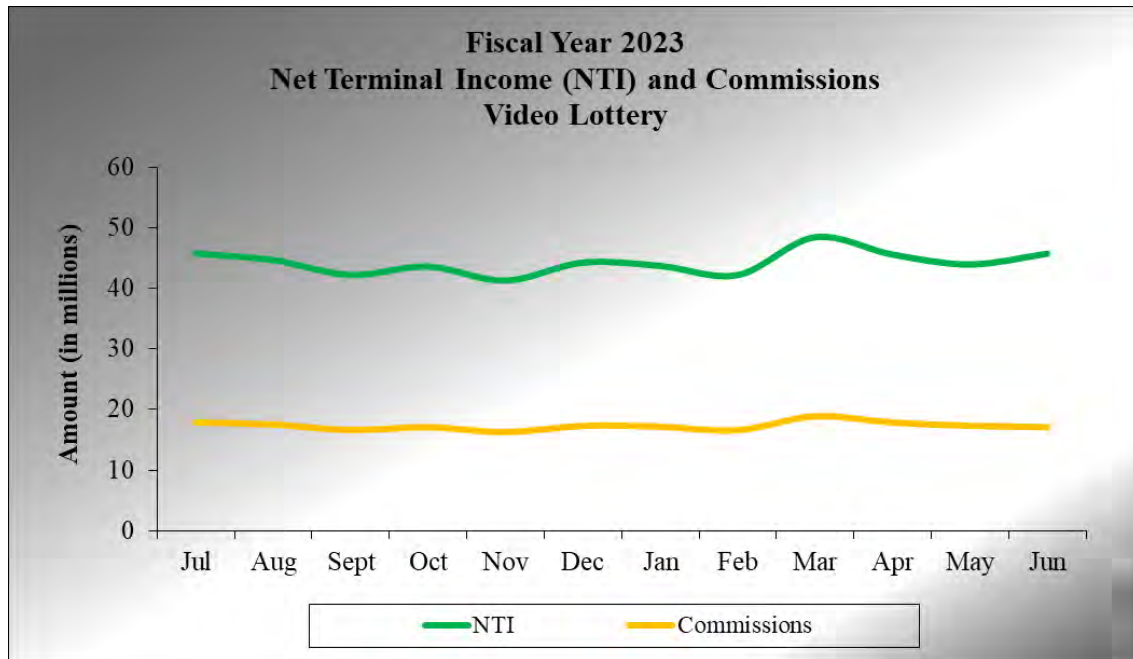
As the following graphs depict, the Lottery's most significant expenses (commissions and prize awards) are predictable because they have a direct correlation to sales. As lottery revenues increase, so do the related prizes and commissions paid by the Lottery. While each Lottery game has a designed prize payout structure, the overall amount paid as prize awards expense is consistent in relation to sales. The second, third, and fourth graphs compare table game net revenue, video lottery net revenue, and sports book revenue and prizes to their related commissions.





# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis



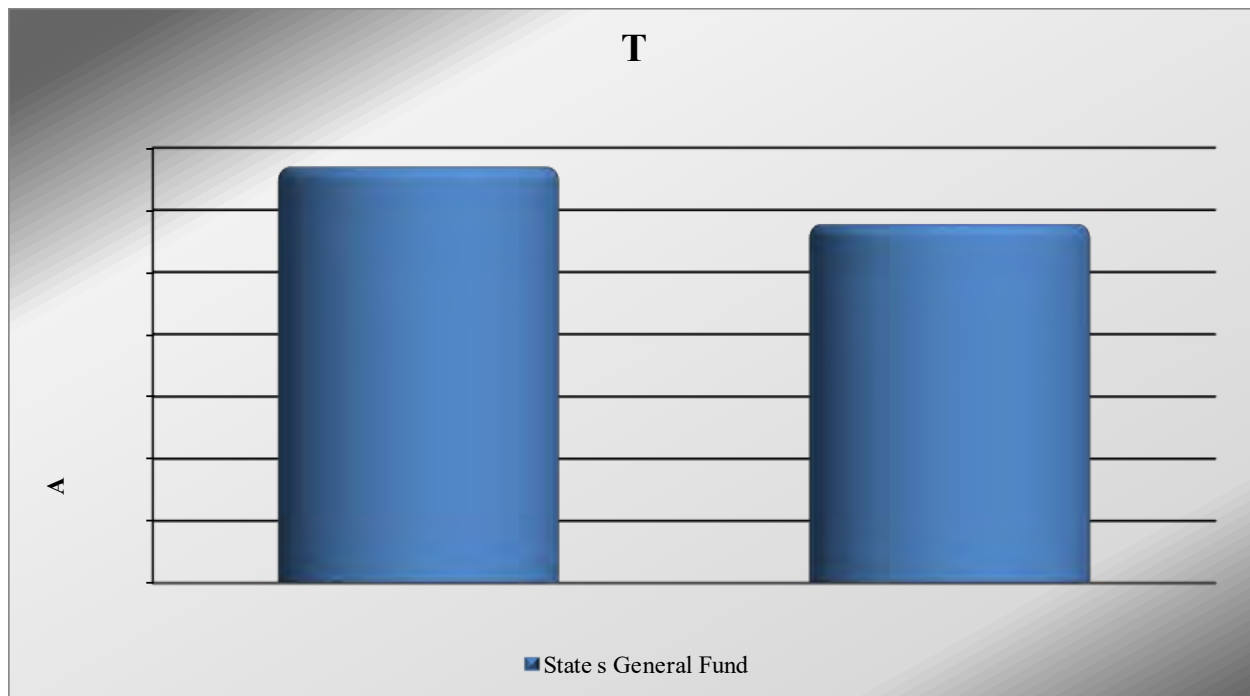


# RHODE ISLAND LOTTERY

## Management's Discussion and Analysis

### Lottery Transfers

Net income transferred by the Lottery for the fiscal years 2023 and 2022 was \$434.7 million and \$388.6 million, respectively. All fiscal 2023 transfers were made by the Lottery directly to the State's General Fund, as required by the General Laws. Due mainly to the return of pre-pandemic patron levels at the State's gaming facilities and increased sales for the traditional lottery products, especially for the large jackpot games, PowerBall® and Mega Millions®, the Lottery's 2023 Transfer to the General Fund increased 11.9%.



### Debt Administration

Jackpot prizes awarded under PowerBall® and Mega Millions® are satisfied through investments purchased by the Multi-State Lottery Association (MUSL). MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for PowerBall® and Mega Millions® jackpot awards which are payable in installments from funds provided by MUSL.

The Lucky for Life® game offers top and second prize winners an annuity or cash option payment. If the annuity option is selected by the winner, the Lucky for Life® game requires each selling lottery to purchase an insurance annuity to fully fund the top and second prizes won in that state. All participating lotteries share in the cost of the insurance annuity or cash option; however, the selling lottery is responsible for settling the top and second prize liabilities. Annuities shall be purchased in accordance with the applicable laws of the state purchasing the annuity. Qualified insurance companies must meet the minimum rating requirements established by each participating state. Rhode Island plans to purchase its annuities for any future top prize winners selecting this option through MUSL from an insurance company with an AM Best rating of A or better. Rhode Island has purchased its second prize winners' annuities through MUSL in accordance with insurance company rating requirements.

# **RHODE ISLAND LOTTERY**

## **Management's Discussion and Analysis**

### *Capital Assets*

The Lottery purchases and maintains property and equipment necessary to sell lottery products, pay prizes and perform other lottery operations. For further information, refer to Notes to Financial Statements, Note 4.

### *Potential Factors Impacting Future Operations*

The Lottery generates revenue to maximize payments to the State's General Fund, and, accordingly, a continuous assessment of the State's financial environment and the Lottery's product lines and operations is essential to accomplish this mission. The following considerations have been presented to inform those interested in the Lottery's operations about potential factors that could affect future operations:

- In February 2022, the Lottery executed the eighth amendment to the IGT master contract with IGT Global Solutions Corporation (IGT) extending the contract to June 30, 2043, including agreements related to online gaming, the video lottery central computer system, the video lottery technology provider license, instant tickets and related vending machine agreement, and the website services agreement. This extension included various provisions that will impact the future operations of the Lottery, including:
  - IGT is to pay \$27 million (up-front payment) to be the exclusive provider to the Lottery of its products and services under the contract (excluding online sports wagering as provided by the First amendment to the Sports Betting Agreement dated July 5, 2019). The up-front payment is payable in two installments of \$13.5 million by June 30, 2023, and \$13.5 million by June 30, 2024. In June 2023, the Lottery received the first payment of \$13.5 million. These payments will be recognized as contract revenue over the term of the extended contract.
  - Obliging IGT for continued technology investments over the long-term agreement to ensure that the Lottery can offer the latest products to its patrons in the continually evolving gaming market. Expansion of the iLottery gaming platform is planned for November 2023. This expansion would include additional traditional lottery products, in addition to the current offerings of eInstant games and iKeno. Replacement of the Lottery's video lottery central communication system is expected in fiscal year 2025.
- The facilities face increasing competition from gaming expansion in Connecticut and Massachusetts. Both States have legalized and implemented sports wagering. In August 2023, a new 50,000-square-foot casino was added to the existing tribal casino grounds in Ledyard, CT. Discussions continue for a tribal casino in Taunton, MA. The Lottery and the State continually monitor the risk to gaming operations and assess and expand important revenue generating marketing and promotional programs to best enable competitive positions.
- In June 2023, legislation was enacted for the Lottery to implement, operate, conduct, and control iGaming at Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Legislation authorized the Lottery to enter into contracts with the Affiliates of Bally's to be the exclusive iGaming vendor and iGaming technology platform vendor. One of the requirements of this agreement obligates the Affiliates of Bally's to enter into an assignment and assumption agreement between the Affiliates of Bally's and the iGaming Joint Venture. The iGaming Joint Venture will be the exclusive iGaming vendor providing online slot games and online table games to the Lottery. There are several requirements of this Agreement. For further information, refer to Notes to Financial Statements, Note 13. iGaming is scheduled to commence on March 1, 2024.

# **RHODE ISLAND LOTTERY**

## **Management's Discussion and Analysis**

### *Contacting the Lottery's Financial Management*

This financial report is designed to provide a general overview of the Lottery's financial activity for all those interested in the Lottery's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Administrator, Rhode Island Lottery, 1425 Pontiac Avenue, Cranston, RI, 02920.

# RHODE ISLAND LOTTERY

## Statement of Net Position

June 30, 2023

### Assets

#### Current assets:

Cash and cash equivalents (note 3)	\$ 43,874,334
Accounts receivable-less allowance for doubtful accounts of \$189,157	8,457,642
Lease receivable	91,362
Ticket inventory	1,410,120
Deposits with Multi-State Lottery Association (MUSL) (note 1)	45,419
Other current assets	298,580
Total current assets	<u>54,177,457</u>

#### Non-current assets:

Capital assets, net (note 4)	1,258,533
Long-term lease receivable	2,236,051
Total non-current assets	<u>3,494,584</u>

Total assets	<u>57,672,041</u>
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### Deferred outflows of resources

Deferred outflows of resources - pension (note 9)	3,339,069
Deferred outflows of resources - OPEB (note 10)	1,037,381
Total deferred outflows of resources	<u>4,376,450</u>

### Liabilities

#### Current liabilities:

Due to State's General Fund - net income from operations (note 5)	\$ 5,236,556
Due to State's General Fund - operating expenses (note 5)	3,260
Accounts payable	16,937,913
Obligation for unpaid prize awards	12,382,761
Lease liability	306,708
Accrued expenses	4,809,696
Compensated absences (note 7)	307,892
Advances for future drawings and events	894,913
Unearned contract revenue (note 2)	675,000
Total current liabilities	<u>41,554,699</u>

#### Non-current liabilities:

Compensated absences (note 7)	348,179
Net pension liability (note 9)	18,689,341
Net OPEB liability (note 10)	2,577,595
Long-term lease liability	660,964
Unearned contract revenue (note 2)	12,825,000
Total non-current liabilities	<u>35,101,079</u>

Total liabilities	<u>76,655,778</u>
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### Deferred inflows of resources

Deferred inflows of resources - pension (note 9)	657,266
Deferred inflows of resources - OPEB (note 10)	1,088,807
Deferred inflows of resources - leases (note 12 )	2,283,200
Total deferred inflows of resources	<u>4,029,273</u>

### Net position (deficit)

Net investment in capital assets (note 8)	290,861
Unrestricted (deficit) (note 8)	(18,927,421)
Total net position (deficit)	<u>\$ (18,636,560)</u>

See accompanying notes to financial statements.

# RHODE ISLAND LOTTERY

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

Year Ended June 30, 2023

### Operating revenue (schedule 1):

Games reported - gross revenue	
On-line games	\$ 179,428,966
Instant games	124,257,579
iLottery	12,616,040
Sportsbook	509,469,437
Games reported - revenue net of related prize awards	
Video lottery (note 2)	531,976,452
Table games (note 2)	136,600,182
Other operating revenue	633,651
Total operating revenue	<u>1,494,982,307</u>

### Cost of gaming operations (schedule 1):

Prize awards expense (on-line, instant, iLottery, and sportsbook)	659,286,567
Commissions (note 6)	384,944,145
Incentive programs, video lottery	4,150,164
Marketing/advertising expense	2,966,297
Cost of tickets	930,293
Transaction fees - online wagering	1,177,966
Unclaimed prize recovery	(4,526,660)
Total cost of gaming operations	<u>1,048,928,772</u>
Gross profit	<u>446,053,535</u>

### Operating expenses:

Salaries and benefits	11,687,353
Depreciation and amortization	432,396
Problem gambling expenses	633,651
Other	1,251,552
Total operating expenses	<u>14,004,952</u>
Operating income	<u>432,048,583</u>

### Non-operating income (expenses):

Investment income	2,136,034
Other income (expenses) - net	1,484,525
Income before transfers	435,669,142

### Transfer to State's General Fund (note 5)

	<u>(434,666,769)</u>
Increase in net position	1,002,373

**Total net position (deficit), beginning of year** (19,638,933)

**Total net position (deficit), end of year (note 8)** \$ (18,636,560)

See accompanying notes to financial statements.

# RHODE ISLAND LOTTERY

## Statement of Cash Flows

Year Ended June 30, 2023

Cash flows from operating activities:	
Receipts from lottery sales, online and instant games	\$ 302,342,653
Receipts from iLottery sales	12,517,204
Receipts from video lottery operations (net of prizes)	531,086,001
Receipts from sportsbook	509,151,932
Receipts from table games (net of prizes)	136,002,029
Receipts from MUSL for grand prize winners	109,558
Receipts from problem gambling program	844,821
Receipt of upfront contract revenue	13,500,000
Other receipts	867,003
Payments for on-line and instant ticket prizes	(187,766,697)
Payments for iLottery prizes	(8,696,013)
Payments for sportsbook payouts	(458,726,463)
Payments for commissions - retailers	(13,054,233)
Payments for commissions - video lottery	(206,896,989)
Payments for commissions - sportsbook	(24,622,257)
Payments for commissions - table games	(114,479,267)
Payments to MUSL grand prize winners	(109,558)
Payments for commissions - on-line games contractor	(23,695,235)
Payments to facilities - video lottery incentive program	(4,143,108)
Payments to suppliers for goods and services	(7,222,261)
Payments to employees for services	<u>(12,032,067)</u>
Net cash provided by operating activities	<u>444,977,053</u>
Cash flows from noncapital financing activities:	
Repayment of cash overdraft	(9,101,723)
Transfers to State's General Fund	<u>(432,738,056)</u>
Net cash used for noncapital financing activities	<u>(441,839,779)</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(194,487)
Payments for lease obligations	<u>(300,459)</u>
Net cash used for capital and related financing activities	<u>(494,946)</u>
Cash flows from investing activities:	
Interest income	<u>2,136,034</u>
Net cash provided by investing activities	<u>2,136,034</u>
Net increase in cash and cash equivalents	4,778,362
Cash and cash equivalents at July 1, 2022	<u>39,095,972</u>
Cash and cash equivalents at June 30, 2023	<u>\$ 43,874,334</u>
See accompanying notes to financial statements.	

Continued.



# RHODE ISLAND LOTTERY

## Statement of Cash Flows (Continued)

Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 432,048,583</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization	432,396
Miscellaneous receipts classified as operating activities	27,252
Rental income and other receipts	832,273
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	(3,091,962)
Lease receivable	525,228
Deposits with MUSL	60
Inventory	(450,330)
Prepaid expense	13,061
Deferred outflows of resources - pension	772,701
Deferred outflows of resources - OPEB	93,034
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	4,571,057
Due from State's General Fund - operating expenses	7,208
Obligation for unpaid prize awards	470,434
Accrued expenses and other	(2,844,081)
Unearned contract revenue	13,500,000
Net pension liability	2,131,467
Net OPEB liability	432,265
Advances for future drawings and events	(161,525)
Deferred inflows of resources - pension	(3,073,280)
Deferred inflows of resources - OPEB	(733,560)
Deferred inflows of resources - leases	<u>(525,228)</u>
Total adjustments	<u>12,928,470</u>
Net cash provided by operating activities	<u><u>\$ 444,977,053</u></u>

### Supplemental disclosure of noncash financing activities:

Reduction of lease receivable and related deferred lease revenues and interest due to change in lease terms	<u><u>\$ 436,496</u></u>
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See accompanying notes to financial statements.

## **RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

### **(1) Organization**

The Lottery was created in 1974 under the General Laws of the State of Rhode Island (General Laws) to establish and operate lottery games for the purpose of generating resources for the State's General Fund. The Lottery is a division of the Department of Revenue of the State of Rhode Island (the State).

The Lottery offers the following games to the public:

(A) On-line (lottery drawing) games that include:

- i) Traditional in-state drawing games including Daily Numbers – Midday and Evening, Keno, Bingo, and Wild Money. The drawings for these games are administered by the Rhode Island Lottery and offer patrons set prize amounts or smaller progressive jackpots. Keno and Bingo are considered monitor games where drawings are held every 4 and 8 minutes, respectively, on “monitors” in sales locations across the State.
- ii) Multi-state games, which include Powerball® and Mega Millions®, are operated in accordance with rules and agreements established by the Multi-State Lottery Association (MUSL). These games offer jackpot prize awards to patrons in participating states. Specific details regarding the operations of these games are as follows:

(a) *PowerBall®*

PowerBall® is a Multi-State Lottery Association game offered in forty-five states (including Rhode Island), plus the District of Columbia, Puerto Rico, and U.S. Virgin Islands. The Lottery sells PowerBall® tickets, collects all revenues, and remits prize funds to MUSL net of low-tier prize awards. Grand prizes shall be paid, at the election of the player made no later than sixty (60) days after the player becomes entitled to the prize, with either a per-winner annuity or lump-sum cash distribution. If the payment election is not made at the time of purchase and is not made by the player within sixty (60) days after the player becomes entitled to the prize, then the prize shall be paid as an annuity prize. Annual installments are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

The prize pool for PowerBall® is 50% of each drawing period's ticket sales. MUSL may place up to 5% of each drawing period's ticket sales for PowerBall®, included as part of each member's prize liability, in prize reserve funds. The prize reserve deduction begins at 2% when an annuity jackpot exceeds \$120 million and 4% when an annuity jackpot exceeds \$250 million. The maximum balance on the prize reserve funds for PowerBall® is \$140 million. Once the prize reserve funds exceed this designated amount, the excess becomes part of the prize pool. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize liabilities, and these reserve funds are to be used at the discretion of the MUSL Board of Directors. The prize reserve funds are refundable to MUSL members if MUSL disbands or if a member leaves MUSL. Members leaving MUSL must wait one year before receiving their remaining share, if any, of prize reserve funds.

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (1) Organization - (Continued)

Effective with the drawing held on July 2, 2016, at any time that the Grand Prize Carry Forward Pool (GPCFP) is below forty-five million dollars (\$45,000,000) prior to a drawing, the GPCFP deduction from a Party Lottery's Grand Prize Pool (GPP) contribution for that drawing shall be equal to a maximum of four percent (4%) of a Party Lottery's sales when the annuity Grand Prize exceeds one hundred twenty million dollars (\$120,000,000). The GPCFP percentage shall be reduced by the percentage of sales being actually contributed to the Set-Aside Pool (SAP), Set Prize Reserve Account (SPRA), or the Prize Reserve Account (PRA). At any time that the GPCFP exceeds forty-five million dollars (\$45,000,000) prior to a drawing, there shall be no GPCFP deduction for that drawing.

At June 30, 2023, the prize reserve funds for the PowerBall® game reported a balance of \$85.4 million of which the Lottery's share was \$.7 million. The Lottery records amounts, which are placed into the prize reserve funds, as prize awards expense when the related sales occur.

All investment earnings relating to the prize reserve funds are credited to an unreserved account for each member state. This account can be utilized to offset operating costs or for the promotion of any MUSL game as approved by the MUSL Board of Directors. The Lottery has recorded all income and operating expenses related to its unreserved account and has reported the balance of \$45,419 at June 30, 2023, on the Statement of Net Position as "Deposits with MUSL".

### (b) *Mega Millions*®

MUSL participates as a member (or party) lottery of the Mega Millions® Product Group (a group of lotteries participating under an agreement between the Mega Millions® lotteries and MUSL to offer the Mega Millions® game within their state jurisdictions). Mega Millions® is offered in forty-five states, plus the District of Columbia, and the U.S. Virgin Islands. The Rhode Island Lottery participates as a member of MUSL, in the sale of tickets, payment of prizes, and associated activities related to the Mega Millions® lottery game. As such, the Lottery sells Mega Millions® tickets, collects all revenues, and remits prize funds to MUSL net of low-tier prizes. Grand prizes shall be paid, at the election of the player made no later than sixty (60) days after the player becomes entitled to the prize, with either a per-winner annuity or lump-sum cash distribution. If the payment election is not made at the time of purchase and is not made by the player within sixty (60) days after the player becomes entitled to the prize, then the prize shall be paid as an annuity prize. Annual installments are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

The prize pool for Mega Millions® shall consist of up to 55% of each drawing period's ticket sales. An amount of up to 5% of each drawing period's ticket sales may be placed in one or more prize pool reserve accounts. The maximum prize reserve account is \$100 million. At June 30, 2023, the prize reserve account for the Mega Millions® game reported a balance of \$97.1 million of which the Lottery's share was \$.7 million. The Lottery records amounts, which are placed into the prize reserve funds, as prize awards expense when the related sales occur.

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (1) Organization - (Continued)

- iii) Lucky for Life<sup>®</sup>, which is offered in twenty-two states and the District of Columbia, operates under an agreement between the six New England states (“New England Lotteries”) and seventeen other participating lotteries (collectively referred to as the “Licensee Lotteries”) to offer the Lucky for Life<sup>®</sup> game with a top prize of \$1,000 per day for life. The Lottery sells Lucky for Life<sup>®</sup> tickets, collects all revenues, and pays prizes based on its share of total sales, as a party lottery operating the game. The party lotteries have entered into an agreement with MUSL to administer certain aspects of the game. MUSL communicates and collects the share of prize amounts owed by each party lottery. The top prize and second prize are paid in accordance with official game rules and are shared based on each state’s percentage of sales in proportion to the total top prize liability. Total low-tier prizes are shared based on a percentage of sales in proportion to the total low-tier prize liability.

#### Top Prize Settlement

All top prizes are funded through the purchase of insurance annuities with an alternative cash option. For the annuity option, top prizes are based on a \$365,000 deferred annuity paid annually based on the winner's natural life with a minimum payment period of 20 years. If there is more than one top prize winner, up to 14 winners, the annuitized prize will be split equally, including the number of top prize winners exercising the cash option, with a minimum value of \$500 per week to each winner exercising the annuity option.

For top prizes claimed in Rhode Island, the Lottery will utilize MUSL to purchase insurance annuities to satisfy the prize liability. The Lottery has adopted the following minimum qualification requirements for insurance companies providing insurance annuities for top prize winners:

- An AM Best rating of A or better;
- At least \$100 million in capital and surplus;
- At least \$1 billion in assets per the balance sheet of the company’s most recently audited financial statements prepared by an independent certified public accountant; and
- A National Association of Insurance Commissioners’ (NAIC) risk-based capital (RBC) rating of 200% or greater.

In the event of default on an insurance annuity for a Rhode Island winner, the Lottery may be contingently liable for any remaining prize amounts due the winner.

As an alternative to the annuitized payment option, the top prize winner may request the top prize cash option payment of \$5,750,000. If there is more than one top prize winner, the top prize cash option will be divided by the total number of prize winners, including top prize winners selecting the annuitized payment option.

If more than fourteen top prize winners, the top prize liability is capped at \$7,125,000 and shall be split equally among all top prize winners and paid in one lump sum cash payment, without an annuitized option. The minimum prize value for this category shall not be less than any lower tier prize paid in that respective drawing.

## **RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

### (1) Organization - (Continued)

#### Second Tier Prize Settlement

For up to 20 second prize winners, including those who exercise the cash option, the annuity payment option will be \$25,000 per year for life to second prize winners exercising the annuity option. For up to 20 second prize winners, including those who exercise the annuity option, the cash option will be set forth as published to each second prize winner exercising the cash option.

If more than 20 second prize winners, the second prize liability shall be capped at \$9,400,000 and shall be split equally among all second prize winners and paid in one lump sum cash payment, without an annuitized option. The minimum prize value for this category shall be not less than any lower tier prize paid in that respective drawing.

- (B) Instant (or scratch) ticket offerings sold through licensed lottery retailers include a wide array of themed games, card games, crosswords, and others, where patrons must match two or three of a kind, get like symbols or bonus features, or meet other game requirements to win the prize shown.
- (C) iLottery mobile and online offerings currently include eInstants and iKeno. Players create an eWallet account to fund their player accounts and play iLottery offerings within geographical boundaries of the State of Rhode Island. In November 2023, the Lottery anticipates that the iLottery platform will offer all traditional lottery products, except for the monitor game Bingo.
- (D) Video lottery games are generally operated through 4,900 video lottery terminals (VLTs) at two licensed facilities, Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Video lottery offers various virtual and multi-layer display games, hosting a wide array of card and theme games to the public.
- (E) Table games are operated at Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Chapter 42-61.2 of the General Laws authorizes the State to operate casino gaming, and the Lottery to promulgate rules and regulations and set policy for table gaming. This chapter stipulates the allocation of net table game revenue. Consistent with the General Laws, net table game revenue is deposited in the State Lottery Fund for administrative purposes with commissions distributed to Bally's Twin River Lincoln Casino Resort, Bally's Tiverton Casino & Hotel, and the Towns of Lincoln and Tiverton with the balance remitted to the General Fund.
- (F) Sportsbook wagering is offered at in person retail sportsbooks located at both Bally's Twin River Lincoln Casino Resort and at Bally's Tiverton Casino & Hotel, and via mobile and online devices provided they wager within the State boundaries. The sportsbook offers multiple wagering opportunities for professional and college events (excluding the individual performance statistics of athletes in a collegiate sports or athletic event which is part of a collegiate tournament that takes place in Rhode Island; or in which any Rhode Island college team participates regardless of where the event takes place), Olympic or international sporting events, etc. in line with industry standards. Chapter 42-61.2 of the General Laws authorizes the State, through the Lottery, to implement, operate, conduct, and control sports wagering at the Twin River gaming facility and Twin River-Tiverton gaming facility. The State, through the Lottery, has full operational control, as defined by the statute.

# RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

(1) Organization - (Continued)

- (G) Prize payout percentages and amounts required to be paid to the State's General Fund as stipulated in the General Laws are summarized below for the various games operated by the Lottery.

<b>Game</b>	<b>Prize Payout</b>	<b>Mandated Payments to the State</b>
Daily Numbers Instant Ticket Games eInstants PowerBall® Mega Millions® Wild Money Lucky for Life® Bingo	Not less than 45% or more than 71% of sales	Payments to the General Fund – net of prizes, commissions, administrative and operating expenses.
Keno and iKeno	Not less than 45% or more than 72% of sales	Payments to the General Fund – net of prizes, commissions, administrative and operating expenses.
Video Lottery	Prize payout not established by law	Payments to the General Fund - net terminal income (video lottery credits purchased less credits redeemed or redeemable, including prize contributions to multi-state video lottery progressive jackpots) minus commission payments and incentive program reimbursements.
Table Games and Stadium Gaming	Prize payout not established by law	Payments to the General Fund - net table game revenue minus commission payments and table game administrative and operating expenses.
Sportsbook	Prize payout not established by law	Payments to the General Fund – book revenue (accrual write less accrual payout) minus commission payments net of statutory host Town fees and approved marketing expenses.

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The financial records of the Lottery, an enterprise fund, are accounted for using the economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the related liabilities are incurred. The Governmental Accounting Standards Board (GASB) has the responsibility for establishing generally accepted accounting principles for governmental proprietary fund type activities.

(b) *Reporting Entity*

The Lottery, a division of the Department of Revenue of the State of Rhode Island (State), is accounted for as an enterprise fund for financial reporting purposes.

Accordingly, its annual financial statements are included in the State's Annual Comprehensive Financial Report (ACFR). The accompanying financial statements are not intended to present the financial position and results of operations of the State.



# RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

## (2) Summary of Significant Accounting Policies – (Continued)

### (c) *Revenues and Expenses*

The Lottery defines all revenues and expenses deriving from on-line, including mobile and computer, instant ticket, video lottery, table games, and sports betting, including mobile and computer, as operating revenue. The Lottery accrues for the maximum prizes payable. Prize obligations, other than those relating to prizes payable in installments, that remain unclaimed one year after the drawing date are reported as a reduction to cost of sales.

Revenue from the sale of lottery tickets, video lottery, table games, and sports betting, and related expenses for prizes and commissions, are recognized as follows:

1. On-line lottery games with specific drawing dates - when the related drawings are held. For Mega Millions® and Powerball®, prize awards expense is recorded equal to the required contributions to the jackpot pool and low-tier prizes won. For the Lucky for Life® game, prize awards expense is recorded equal to the estimated cost of actual prizes won. Prize awards expense is subsequently adjusted based on the Lottery's share of purchased annuities for the top prize.
2. Traditional instant ticket lottery games - when ticket packets are charged to retailers. Prize expense is recognized in proportion to the number of tickets sold based on the stated prize structure for a specific traditional instant ticket game.
3. iLottery games are recognized at the time the specific games are played, and prize expense when the specific games are won.
4. Video lottery games - are reported on a net basis. Gross revenue is recognized when game credits are purchased via cash or credit redemption at the terminal (gross terminal inputs). Related prizes are recognized when game credits are issued by a video lottery terminal making them redeemable as credits in another video terminal or for cash by a patron (gross terminal outputs).

The gross video lottery terminal inputs and outputs for fiscal 2023 and reported video lottery net revenue are detailed in the following schedule:

<b>Schedule of Video Lottery Net Revenue For the Fiscal Year Ended June 30, 2023</b>	
<b>Video Terminal Cash-In (Gross Terminal Inputs):</b>	
Cash collected from video lottery terminals	\$ 1,710,037,221
Plus: Credit vouchers redeemed for play in video lottery terminals	<u>2,589,296,382</u>
Total cash in reported by video lottery terminals	4,299,333,603
<b>Less:</b>	
<b>Video Terminal Cash-out (Gross Terminal Outputs):</b>	
Video lottery credit vouchers (redemptions) issued by video lottery terminals	<u>3,767,357,151</u>
Total cash-out amounts reported by video lottery terminals	<u>3,767,357,151</u>
Video lottery revenue, net	<u>\$ 531,976,452</u>

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (2) Summary of Significant Accounting Policies – (Continued)

5. Table games, with the exception of poker, are reported on a net table game (win) basis from Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel facilities. Net table game revenue, calculated daily at each table, is cash in the drop box, plus front money (patron funds left on deposit with the facility that are drawn for chips at a table), plus markers (credit extended at a table to patrons in exchange for chips), less fills, plus credits, less beginning chip inventory, plus ending chip inventory, plus one-half of match play and free bet coupons redeemed. Poker games revenue is reported on a gross fee basis, referred to as poker rake, from Bally's Twin River Lincoln Casino Resort facility. Poker rake calculated daily at each table is based upon a percentage of each poker pot or a direct fee charged to each player in proportion to the time spent playing at the poker table. Poker, which was not offered in fiscal year 2022, returned in February 2023.
6. Hybrid stadium gaming is reported on a net table game (win) basis from the facilities. Net table game revenue, calculated daily at each table, is tickets in, plus cash in, less tickets issued, and less token (dealer gratuities).

The State, through the Lottery, has operational control and regulating authority to collect casino gaming gross receipts, allocate receipts according to statute, define and limit the rules of play and odds of authorized games including minimum and maximum wagers and payouts for each game. Amounts required by statute to be paid to the two state gaming facilities are reported as commissions. The statute further stipulates that the Lottery establish rules and regulations and set policy for table games. These policies and regulations (promulgated in accordance with the Lottery's established minimum control standards and federal and State statute) stipulate that the table games retailers (Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel) be responsible for obtaining approved equipment (tables, dice, cards, etc.) and bearing all risk for the management, security, and monitoring of authorized table games. The retailers are also responsible for marketing table games and all related expenses. The Lottery incurs operating and administrative costs relating to the oversight and regulation of casino operations which are netted against the State's statutory share of net table game revenue prior to transferring the balance to the State's General Fund.

7. Sports betting is reported on an accrual book revenue basis as of the completion of each sporting event. Book revenue is derived by event by calculating accrual write minus accrual payout. The State, through the Lottery, has authority to implement, operate, conduct, and control sports wagering at the State's two licensed facilities. The statute further stipulates the Lottery Director promulgates rules and regulations related to sports wagering and sets policy including approving standards, rules and regulations to govern the conduct of sports wagering and the associated sports wagering system. Amounts required by statute to be paid to the facilities and the system operator, after deducting statutory payments to host Towns and agreed upon marketing expenses, are reported as commissions. Allocation of book revenue from sports wagering after payments to host Towns and approved marketing expenses, are at statutory percentages.

All expenses directly attributable to providing or promoting lottery games to the public are considered costs of gaming operations and are reported as such on the Lottery's Statement of Revenue, Expenses, and Changes in Net Position. These expenses predominantly include commissions to lottery retailers, gaming facilities, video lottery terminal providers, gaming system operators, and the towns that host the Lottery's gaming facilities, in addition to advertising, marketing and promotional expenses.

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (2) Summary of Significant Accounting Policies – (Continued)

Other expenses directly attributable to the Lottery's support and oversight of gaming activities are reported as operating expenses. Operating expenses mostly consist of personnel costs, contract services, depreciation/amortization expenses, and other expenses associated with the maintenance of the Lottery's headquarters and internal computer network.

All other revenues and expenses are defined as non-operating. Non-operating revenues include income from pull tab tickets (the Lottery is not responsible for prizes won), rental income, and refunds from the Multi-State Lottery Association.

#### (d) *Capital Assets*

Capital assets are stated at historical cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. Asset and useful lives are as follows:

<u>Asset Category</u>	<u>Useful Life</u>	<u>Threshold</u>
Buildings	50 years	\$1,000,000
Building Improvements	20 years	\$1,000,000
Computer Equipment	5 years	\$5,000
Furniture and Equipment	5 years	\$5,000
Automobiles	5 years	\$5,000

In addition, the Lottery capitalizes certain intangible assets and amortizes those assets over their expected benefit period. The Lottery adheres to the State's capitalization thresholds and estimated useful lives for capital asset categories.

#### (e) *Cash Equivalents*

Cash equivalents consist of highly liquid investments with a maturity date of three months or less at the time of purchase and are stated at cost plus accrued interest which approximates fair value.

#### (f) *Investments*

Investments are recorded at fair value except for certain money market investments that have a remaining maturity at the time of purchase of one year or less, which are recorded at a net asset value reflective of amortized cost which approximates fair value. Fair value is defined by GASB Statement No. 72, *Fair Value Measurement and Application*, as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumptions.

#### (g) *Ticket Inventory*

Inventory consists of the cost of tickets for the instant games, which is expensed as a percentage of sales from instant ticket games.

## **RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

### **(2) Summary of Significant Accounting Policies – (Continued)**

#### *(h) Advances for Future Drawings/Events*

Tickets can be purchased in advance of scheduled drawing dates. Revenue from advance ticket sales is recognized during the period in which the related drawing is held. Sports wagers may be made in advance for future athletic events (futures) and revenue is recognized at the time the athletic event is completed.

#### *(i) Unearned Contract Revenue*

Unearned contract revenue relates to the sale of the exclusive rights to the operation of the Lottery's gaming systems. The revenue is recognized ratably over the related contract period. On June 29, 2023, the Lottery received \$13.5 million as an upfront payment from its technology provider relating to the 20-year extension of its exclusive contract to operate the on-line (traditional lottery games) and video lottery gaming systems, as well as the rights to provide video lottery terminals (technology provider) through the formation of a VLT joint venture. This amount will be recognized as revenue pro-rata over the 20-year contract extension period.

#### *(j) Incentive Programs – Video Lottery*

The Lottery reimburses the gaming facilities for the State's share (net terminal income percentage) of certain marketing and promotional expenses incurred by the facilities, in relation to video lottery games. Complete details of the Lottery's reimbursement are disclosed in Note 13, Commitments.

#### *(k) Compulsive and Problem Gambling Program*

Pursuant to RIGL section 42-61.2-14, the Lottery is required to establish a program for compulsive and problem gamblers in conjunction with the casinos to include awareness, player self-exclusion program, and promotion of a problem gambling hotline. The program is funded through aggregate reimbursements made by the casinos totaling not less than \$200,000 annually. The Lottery recognized program expenses totaling \$633,651 and related operating income in reimbursement from the gaming facility providers for fiscal year 2023. At June 30, 2023, a receivable from the gaming facility providers was recognized in the amount of \$281,641. During the fiscal year 2023, the Lottery established a memorandum of understanding with the Rhode Island Council on Problem Gambling (RICPG), whereas, the RICPG is to obtain funds, which the Lottery receives and administers pursuant to Section 14 of Chapter 61.2 of Title 42 of the General Laws of the State of Rhode Island, to use in carrying out RICPG's mission of providing education, training, and information on problem gambling.

A person who is prohibited from gaming in a gaming establishment due to the player self-exclusion program shall not collect any winnings or recover losses arising as a result of prohibited gaming activity by said person. Winnings from a self-excluded person, after the deduction of taxes and other applicable withholdings, shall be forfeited to the Lottery. The Lottery shall forward such forfeited winnings, up to one hundred fifty thousand dollars (\$150,000) per year, to the RICPG for its use for research, education, and prevention of teenage gambling addiction, with the balance to be transferred by the Lottery to the general fund. During fiscal year 2023, the Lottery received \$30,263 in winnings that were forfeited from self-excluded players, and subsequently transferred the funds to the RICPG.

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (2) Summary of Significant Accounting Policies – (Continued)

#### (l) *Pensions*

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

#### (m) *Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' and Electing Teachers OPEB System of the State of Rhode Island (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### (n) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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 amounts could differ from those amounts.

#### (o) *New Accounting Pronouncements*

The Lottery evaluates the impact of all new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB). Effective for fiscal year 2023, GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and GASB Statement No. 99, *Omnibus 2022*, were implemented by the Lottery. These statements were determined not to be applicable to the Lottery's current agreements. For fiscal year 2023, no other effective statements required implementation by the Lottery.

In subsequent years, the Lottery will consider the impact, if any, of GASB Statement No. 100, *Accounting Changes and Error Corrections*, and GASB Statement No. 101, *Compensated Absences*. Lottery management has not yet determined the effect that these statements will have on the financial statements for future periods.

## **RHODE ISLAND LOTTERY**

### **Notes to Financial Statements**

**Year Ended June 30, 2023**

#### **(3) Deposits and Investment Risk**

##### **(a) *Deposits***

The Lottery's cash deposit balances at June 30, 2023 totaled \$2,068,903, with corresponding bank balances totaling \$2,090,110. The bank balances consisted of \$1,478,094 in demand deposit accounts and \$612,016 in collateralized deposit investment accounts.

All deposits were in the custody of the State General Treasurer. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Lottery's (or State's) name.

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the cash deposits of the Lottery were required to be collateralized at June 30, 2023 pursuant to Chapter 35-10.1 of the General Laws. However, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the uninsured deposit amounts. Of the total bank deposit balance totaling \$2,090,110 at year end, the entire amount was either covered by federal depository insurance or collateralized by securities held by an independent third-party custodian.

##### **(b) *Investments - Fair Value Measurements***

All investments, principally cash equivalent type investments, are made by the State General Treasurer in accordance with guidelines established by the State Investment Commission (SIC), which is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the General Laws, the SIC may, in general, "invest in securities as would be acquired by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and the preservation of their capital."

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. 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.

At June 30, 2023, the Lottery had a single investment consisting of \$41,805,431 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. The Lottery's OSIP investment represented 2.8% of the total OSIP Pool Cash Portfolio at June 30, 2023 (net assets of the portfolio approximated \$1.5 billion at June 30, 2023). Agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State may invest in OSIP. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2<sup>nd</sup> Floor, Warwick, RI 02886.



## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (3) Deposits and Investment Risk – (Continued)

OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP's investments are high quality and liquid and include U.S. government and government agency obligations, U.S. dollar-denominated money market securities of domestic and foreign issuers such as short-term certificates of deposits, commercial paper, corporate bonds and notes, time deposits, municipal securities, asset-backed securities, and repurchase agreements. OSIP transacts with its participants at a stable net asset value (NAV) per share. Investments reported at the NAV are not subject to the leveling categorization as described above. There are no participant withdrawal limitations.

Custodial Credit Risk: Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government and are held by either: a) the counterparty or b) the counterparty's trust department or agent but not in the government's name. Pursuant to guidelines established by the SIC, securities purchased, or underlying collateral, are required to be delivered to an independent third-party custodian.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Based on SIC policy, the State's short-term investment portfolio, whenever possible, will be structured to minimize interest rate risk, by matching the maturities of investments with the requirements for funds disbursement. The Lottery's investments are typically money market mutual funds or investments with maturities less than 30 days thereby minimizing the Lottery's exposure to interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The SIC has adopted policies regarding acceptable short-term investment types. Credit risk is mitigated by the SIC's minimum rating criteria policy, collateralization requirements, and limiting the maximum participation by any one issuer to 35% of the State's total short-term investment portfolio. Credit risk policies have been developed for investments in commercial paper.

Concentration of Credit Risk: The SIC has adopted limitations as to the maximum percentages of the State's total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities.

Cash deposits, including interest-bearing investment deposit accounts	\$ 2,068,903
Investments classified as cash equivalents	<u>41,805,431</u>
Cash and cash equivalents	<u>\$ 43,874,334</u>

# RHODE ISLAND LOTTERY

## Notes to Financial Statements

Year Ended June 30, 2023

### (4) Capital Assets

Lottery headquarters are situated on land owned by the State of Rhode Island. The State has assigned custody, control and supervision of the land to the Lottery at no cost. However, since title to such land remains vested in the State, it is not recorded in the statement of net position.

A summary of capital assets follows:

	Estimated Useful Life	Balance at June 30, 2022	2023 Additions	2023 Disposals	Balance at June 30, 2023
<u>Cost</u>					
Building	50	\$ 1,437,912			\$ 1,437,912
Building improvements	20	1,924,594			1,924,594
Ticket production equipment	5	8,105			8,105
Office equipment	5	31,555	8,446		40,001
Furniture and fixtures	5	46,682	42,096		88,778
Lottery drawing equipment	5	231,874			231,874
Automobiles	5	396,854	99,184	(21,615)	474,423
Computer equipment	5	98,553	44,761		143,314
Right-to-use asset-lease	4	1,268,131		-	1,268,131
Total		<u>\$ 5,444,260</u>	<u>\$ 194,487</u>	<u>\$ (21,615)</u>	<u>\$ 5,617,132</u>
<u>Less: Accumulated Depreciation and Amortization</u>					
Building		\$ 1,437,912			\$ 1,437,912
Building improvements		1,885,451	6,374		1,891,825
Ticket production equipment		8,105			8,105
Office equipment		23,717	5,364		29,081
Furniture and fixtures		46,682	4,172		50,854
Lottery drawing equipment		115,745	46,326		162,071
Automobiles		353,449	38,689	(21,615)	370,523
Computer equipment		76,757	14,438		91,195
Right-to-use asset-lease		-	317,033	-	317,033
Total		<u>\$ 3,947,818</u>	<u>\$ 432,396</u>	<u>\$ (21,615)</u>	<u>\$ 4,358,599</u>
Capital assets, net		<u>\$ 1,496,442</u>	<u>\$ (237,909)</u>	<u>\$ -</u>	<u>\$ 1,258,533</u>

### (5) Transfers to the State

- (a) The Lottery is required to transfer net proceeds from the Lottery's games in accordance with RI General Laws sections 42-61-15 and 42-61.2-7. Transfers to the State's General Fund for fiscal 2023 are reported as follows in the Lottery's financial statements:

Due to State's General Fund, beginning of year	\$ 3,307,843
Transfers to State's General Fund	434,666,769
Cash paid during fiscal year	(432,738,056)
Due to State's General Fund, end of year	<u>\$ 5,236,556</u>

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

(5) Transfers to the State (Continued)

In accordance with the Rhode Island General Laws, the Lottery transfers net income to the State's General Fund based on the Lottery's actual pension and OPEB contributions (which are the actuarially determined contributions required by law) to the State's pension plan and OPEB plan. Pension and OPEB expense reported in the Lottery's financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is a different amount reflecting the change in the net pension and OPEB liabilities during the fiscal year. The table below details the amount transferred to the General Fund as required by RI General Laws:

<u>Description</u>	<u>Amount</u>
Income before Transfers	\$ 435,669,142
Add: Pension expense in accordance with GASB Statement No. 68	1,929,402
Less: Pension contributions made subsequent to measurement date	(2,098,514)
Add: OPEB expense in accordance with GASB Statement No. 75	127,448
Less: OPEB contributions made subsequent to measurement date	(335,709)
Less: Contract revenue recognized in 2023 transferred to the General Fund in prior period	(625,000)
Transfers to State's General Fund	<u>\$ 434,666,769</u>

- (b) The Lottery also reimburses the State's General Fund for certain operating expenses associated with personnel costs, information technology resources, utilities, etc. As a result, amounts due to the General Fund at year-end for operating expenses totaled \$3,260.

## RHODE ISLAND LOTTERY

### Notes to Financial Statements

Year Ended June 30, 2023

#### (6) Commissions

The Lottery pays commissions to ticket retailers and its on-line games contractor based on a percentage of gross ticket sales. Video lottery commissions, as specified in the General Laws, are paid to the facility operators, technology providers (video lottery terminal providers), the central communications provider and others based on various percentages of net terminal income (video lottery credits purchased less credits redeemed or redeemable plus progressive jackpots). Table games commissions, as specified in the General Laws, are paid to Bally's Twin River Lincoln Casino Resort, Bally's Tiverton Casino & Hotel, and the Towns of Lincoln, RI and Tiverton, RI. Sports book commissions, as specified in the General Laws, are paid to the facility operators and the system operator after flat fees to the Town of Lincoln, RI and Tiverton, RI, and after approved marketing expenses.

The General Laws provide for reductions of certain video lottery commissions. The amount reduced is to be credited to the State's Distressed Communities Relief Fund, which is part of the State's General Fund. The Lottery has reflected the actual video commissions paid as an expense. The amount to be credited to the Distressed Communities Relief Fund is included in the payments to the State's General Fund.

#### (7) Compensated Absences

The Lottery accrues an estimated liability for vested benefits relating to future compensated absences. This includes an expected obligation in connection with vacation credits, pay reduction credits, and accumulated vested sick pay for those employees eligible for retirement. The liability for compensated absences was approximately \$656,071 as of June 30, 2023 and is recorded as a liability in the Statement of Net Position. The current portion of \$307,892, as reported, was estimated based on a four-year average of employee utilization.

Changes in the reported liability for compensated absences for fiscal 2023 are as follows:

	Balance at July 1, 2022	Increase	Decrease	Balance at June 30, 2023
Liability for Compensated Absences	\$625,063	\$570,682	\$539,674	\$656,071

#### (8) Net Position - (Deficit)

Components of Unrestricted (Deficit):

- *Proportionate share of Net Pension Liability in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions* – the Lottery recognizes its proportionate share of the State's net pension liability for the Pension Plan. The Lottery's net pension liability at June 30, 2023 was \$18,689,341, which constitutes a significant portion of the unrestricted deficit reported on the Statement of Net Position at June 30, 2023. As required by RI General Laws, the Lottery's transfer to the State's General Fund is based on net income reflecting the actuarially determined employer contribution to the Employees' Retirement System. Net income reported in the Lottery's financial statements reflects the recognition of pension expense in accordance with generally accepted accounting principles.

## RHODE ISLAND LOTTERY

### Notes to Financial Statements

Year Ended June 30, 2023

#### (8) Net Position - (Deficit) – (Continued)

- *Proportionate share of Net OPEB Liability in accordance with GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – the Lottery recognizes its proportionate share of the State’s net OPEB liability for the OPEB Plan. The Lottery’s net OPEB liability at June 30, 2023 was \$2,577,595, which constitutes a portion of the unrestricted deficit reported on the Statement of Net Position at June 30, 2023. As required by RI General Laws, the Lottery’s transfer to the State’s General Fund is based on net income reflecting the actuarially determined employer contribution to the OPEB Plan. Net income reported in the Lottery’s financial statements reflects the recognition of OPEB expense in accordance with generally accepted accounting principles.

Net investment in capital assets:

- The Lottery’s net position (deficit) at June 30, 2023 also includes its net investment in capital assets. The Lottery’s net investment in capital assets is inclusive of right-to-use-assets from leases net of the related lease liability totaled \$290,861.

#### (9) Retirement Plans

*Plan description* - Employees of the Lottery participate in a cost-sharing multiple-employer defined benefit pension plan – the Employees’ Retirement System Plan - administered by the Employees’ Retirement System of the State of Rhode Island (the “System”). Under a cost sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers’ payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <https://www.ersri.org/publications/annual-reports>.

*Benefit provisions* - The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (9) Retirement Plans- (Continued)

The plan provides for survivor's benefits for service-connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at four-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service, and service-connected disability benefits with no minimum service requirement.

*Contributions* – The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2023, Lottery employees, with less than 20 years of service as of 7/1/2012, were required to contribute 3.75% of their annual covered salary. Employees with more than 20 years of service as of 7/1/2012 were required to contribute 11% of their annual covered salary. The Lottery is required to contribute at an actuarially determined rate; the rate was 28.01% of annual covered payroll for the fiscal year ended June 30, 2023. The Lottery contributed \$2,098,514, \$2,066,286 and \$1,899,851 for the fiscal years ended June 30, 2023, 2022, and 2021, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2023, the Lottery reported a liability of \$18,689,341 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2022, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the June 30, 2022 measurement date. The Lottery's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2022 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2022 measurement date, the Lottery's proportion was 0.94734360%.

For the year ended June 30, 2023, the Lottery recognized pension expense of \$1,929,402. At June 30, 2023, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

**(9) Retirement Plans - (Continued)****Deferred Outflows of Resources**

Difference between expected and actual experience	\$	148,930
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,091,625
Contributions subsequent to measurement date		<u>2,098,514</u>
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b><u>3,339,069</u></b>

**Deferred Inflows of Resources**

Difference between expected and actual experience	\$	7,878
Changes in assumptions		220,482
Net difference between projected and actual investment earnings		143,193
Changes in proportion and differences between employer contributions and proportionate share of contributions		<u>285,713</u>
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b><u>657,266</u></b>

Contributions of \$2,098,514 are reported as deferred outflows of resources related to pensions resulting from the Lottery's contributions in fiscal year 2023 subsequent to the measurement date and will be recognized as a reduction of the net pension liability determined in the subsequent period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



**RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

(9) Retirement Plans - (Continued)

<u>Year ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources:</u>
2024	\$ 515,132
2025	(121,388)
2026	(384,243)
2027	572,456
2028	1,332
Thereafter	-
	<u><u>\$ 583,289</u></u>

*Actuarial Methods and Assumptions*

The total pension liability was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal - Individual Entry Age Actuarial Cost Methodology
Amortization Method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary Increases	3.25% to 6.25%
Investment Rate of Return	7.00%

Mortality – Variants of the PUB (10) Tables for Healthy and Disabled Retirees,  
projected with Scale Ultimate MP16.

The actuarial assumptions used in the June 30, 2021 valuation rolled forward to June 30, 2022 and the calculation of the total pension liability at June 30, 2022 were consistent with the results of an actuarial experience investigation study performed as of June 30, 2019 for the six year period ended June 30, 2019 as approved by the System's Board on May 22, 2020.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 sources.

# RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

## (9) Retirement Plans - (Continued)

The June 30, 2022 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
<b>GROWTH</b>		
<b>Global Equity</b>		
US Equity	24.30%	5.52%
International Developed Equity	11.10%	6.04%
Emerging Markets Equity	4.60%	7.83%
<b>Sub-total</b>	<b>40.00%</b>	
<b>Private Growth</b>		
Private Equity	12.50%	9.42%
Non-Core Real Estate	2.50%	4.80%
<b>Sub-total</b>	<b>15.00%</b>	
<b>INCOME</b>		
Equity Options	2.00%	5.25%
EMD (50/50 Blend)	2.00%	1.82%
Liquid Credit	3.00%	2.95%
Private Credit	3.00%	2.95%
Collateralized Loan Obligations (CLO)	2.00%	2.95%
<b>Sub-total</b>	<b>12.00%</b>	
<b>STABILITY</b>		
<b>Crisis Protection Class</b>		
Treasury Duration	5.00%	-0.44%
Systematic Trend	5.00%	3.33%
<b>Sub-total</b>	<b>10.00%</b>	
<b>Inflation Protection</b>		
Core Real Estate	4.00%	4.80%
Private Infrastructure	4.00%	5.65%
<b>Sub-total</b>	<b>8.00%</b>	
<b>Volatility Protection</b>		
IG Corp Credit	3.25%	1.18%
Securitized Credit	3.25%	1.18%
Absolute Return	6.50%	3.33%
Cash	2.00%	-0.44%
<b>Sub-total</b>	<b>15.00%</b>	
<b>Total</b>	<b>100.00%</b>	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return on an arithmetic basis.

# RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

## (9) Retirement Plans - (Continued)

### *Discount rate*

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Net Pension Liability		
1% Decrease (6.0% Discount Rate)	(7.0% Discount Rate)	1% Increase (8.0% Discount Rate)
\$ 23,172,057	\$ 18,689,341	\$ 14,616,244

### *Pension Plan Fiduciary Net Position:*

As noted earlier, ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The report contains detailed information about the pension plan's fiduciary net position.

### *Defined Contribution Plan:*

*Plan Description* – Certain employees participating in the defined benefit plan (those with less than 20 years of service as of 7/1/2012), as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

*Plan contributions* – Certain employees (those with less than 20 years of service as of 7/1/2012) contribute 5% of their annual covered salary and employers contribute at the following percentages of annual covered salary for these employees based on their years of service as of July 1, 2012:

<u>Years of Service As of July 1, 2012</u>	<u>Employer Contribution Rate</u>
15-20 Years	1.5%
10-15 Years	1.25%
0-10 Years	1.00%

## RHODE ISLAND LOTTERY

### Notes to Financial Statements

Year Ended June 30, 2023

#### (9) Retirement Plans - (Continued)

Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws of the State of Rhode Island, which are subject to amendment by the General Assembly.

The Lottery contributed and recognized as pension expense \$75,816 for the fiscal year ended June 30, 2023, equal to 100% of the required contributions for the fiscal year.

*Plan vesting and contribution forfeiture provisions* – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

*Retirement benefits* – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

#### (10) Postemployment Healthcare Plan

*Plan description* - Employees of the Lottery participate in a cost-sharing multiple-employer defined benefit other post-employment benefits (OPEB) plan included within the Rhode Island State Employees' and Electing Teachers OPEB System (the "System"). The Lottery participates in the State Employees plan within the System.

Under a cost sharing plan, OPEB obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing OPEB benefits through the plan, regardless of the status of the employers' payment of its OPEB obligation to the plan. The plan provides health care benefits to plan members.

The System is administered by the OPEB Board and was authorized, created, and established under Chapter 36-12.1 of the RI General Laws. The Board was established under Chapter 36-12.1 as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.oag.ri.gov/reports.html>.

## RHODE ISLAND LOTTERY

### Notes to Financial Statements

Year Ended June 30, 2023

#### (10) Postemployment Healthcare Plan- (Continued)

*Membership and Benefit provisions* – The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

*Contributions* – The funding policy, as set forth in the General Laws and which may be amended at any time, provides for actuarially determined periodic contributions to the plans. The Lottery is required to contribute at an actuarially determined rate; the rate was 4.48% of annual covered payroll for the fiscal year ended June 30, 2023. The Lottery contributed \$335,709, \$389,988 and \$379,430 for the fiscal years ended June 30, 2023, 2022 and 2021, respectively, equal to 100% of the required contributions for each year.

Active employees do not make contributions to the plan. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service.

#### *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2023, the Lottery reported a liability of \$2,577,595 for its proportionate share of the net OPEB liability related to its participation in the System. The net OPEB liability was measured as of June 30, 2022, the measurement date, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to the June 30, 2022 measurement date. The Lottery's proportion of the net OPEB liability was based on its share of contributions to the System for fiscal year 2022 relative to the total contributions of all participating employers for that fiscal year. At the June 30, 2022 measurement date, the Lottery's proportion was 0.94008190%.

For the year ended June 30, 2023, the Lottery recognized OPEB expense of \$127,448. At June 30, 2023, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

*(10) Postemployment Healthcare Plan-* (Continued)**Deferred Outflows of Resources**

Changes in assumptions	\$	62,886
Difference between expected and actual experience		23,868
Net difference between projected and actual investment earnings		69,057
Changes in proportion and differences between employer contributions and proportionate share of contributions		545,861
Contributions subsequent to measurement date		<u>335,709</u>
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b><u>1,037,381</u></b>

**Deferred Inflows of Resources**

Changes in assumptions	\$	370,030
Difference between expected and actual experience		643,899
Changes in proportion and differences between employer contributions and proportionate share of contributions		<u>74,878</u>
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b><u>1,088,807</u></b>

Contributions of \$335,709 are reported as deferred outflows of resources related to OPEB expense resulting from the Lottery's contributions in fiscal year 2023 subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the subsequent period. 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>
2024	\$ (95,996)
2025	(82,830)
2026	(76,106)
2027	(1,929)
2028	(110,151)
Thereafter	<u>(20,123)</u>
	<b><u>\$ (387,135)</u></b>

**RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

**(10) Postemployment Healthcare Plan- (Continued)***Actuarial Methods and Assumptions*

The total OPEB liability was determined using the following significant actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal - Individual Entry Age Actuarial Cost Methodology
Amortization Method	Level Percent of Payroll - Closed
Inflation	2.50%
Salary Increases	3.25% to 6.25%
Investment Rate of Return	5.00%
Health Care Cost Trend Rate	6.25% to 7.5% in fiscal 2022 decreasing annually to 3.5% in fiscal year 2033 and later

Mortality rates for male plan members were based on the PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Mortality rates for female plan members were based on the PUB-10 Median Table for General Healthy Retiree Females, loaded by 111%, projected with Scale Ultimate MP16.

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 nationally recognized investment consulting firms. The June 30, 2022 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
Domestic Equity	65%	4.10%
Fixed Income	35%	0.28%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.



# RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

## (10) Postemployment Healthcare Plan- (Continued)

### *Discount rate*

The discount rate used to measure the total OPEB liability was 5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members, if any, will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### *Sensitivity of the net OPEB liability to changes in the discount rate*

The following presents the net OPEB liability calculated using the discount rate of 5 percent as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

<b>Net OPEB Liability</b>		
<b>Discount Rate Sensitivity</b>		
<b>1% Decrease</b>		<b>1% Increase</b>
<b><u>(4.0% Discount Rate)</u></b>	<b><u>(5.0% Discount Rate)</u></b>	<b><u>(6.0% Discount Rate)</u></b>
\$ 3,318,056	\$ 2,577,595	\$ 1,959,909

### *Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate*

The following table presents the net OPEB liability calculated using the healthcare cost trend rate baseline (defined in the actuarial assumptions table above), as well as what the employers' net OPEB liability would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

<b>Net OPEB Liability</b>		
<b>Health Care Trend Rate Sensitivity</b>		
<b>1% Lower</b>	<b>Baseline</b>	<b>1% Higher</b>
\$ 1,800,763	\$ 2,577,595	\$ 3,549,173

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (10) Postemployment Healthcare Plan- (Continued)

#### *OPEB Plan Fiduciary Net Position:*

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.oag.ri.gov/reports.html>. The report contains detailed information about the OPEB plan's fiduciary net position.

### (11) Deferred Compensation

Employees of the Lottery may participate in a deferred compensation plan offered by the State. Required disclosures are reported in the State's Annual Comprehensive Financial Report (ACFR).

### (12) Leases

The Lottery leases outdoor advertising structures for display of advertising copy at certain locations throughout the State of Rhode Island under a long-term, non-cancelable lease agreement. The lease commenced on June 17, 2023 and expires on June 30, 2026. The lease requires monthly payments, and the first annual payment was approximately \$330,000 with annual incremental increases. The lease does not require the Lottery to guarantee any residual values. At June 30, 2023, the Lottery reported a right to use asset (net of accumulated amortization) of \$951,098, and conversely a lease liability of \$967,672 relating to this lease. Amortization expense of \$317,033 was incurred regarding this lease for fiscal year 2023. The Lottery did not recognize any variable lease payments regarding this lease during the year.

Total future minimum lease payments are as follows:

<b>Year ended June 30:</b>	<b>Principal Payments</b>	<b>Interest Payments</b>	<b>Total</b>
2024	\$ 306,708	\$ 27,564	\$ 334,272
2025	323,715	16,713	340,428
2026	337,249	5,265	342,514
	<b>\$ 967,672</b>	<b>\$ 49,542</b>	<b>\$ 1,017,214</b>

**RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

**(12) Leases - (Continued)**

Total net right-to-use asset at June 20, 2023:

Outdoor advertising structures	\$	1,268,131
Less: accumulated amortization		<u>(317,033)</u>
	\$	<u>951,098</u>

See Note 4 for details of the right-to-use assets acquired through leases.

The Lottery, acting as lessor, leases office space at 1425 Pontiac Avenue, Cranston, RI under a long-term, non-cancelable lease agreement. The lease is for five (5) years, commencing on October 19, 2021 and expires on October 31, 2026, and by mutual agreement may be extended for two (2) five years periods, and one (1) additional four (4) year renewal period. The annual lease payments are approximately \$160,000 per year and is subject to a 2.5% increase per annum, including during the renewal period. During the year ended June 30, 2023, the Lottery recognized \$88,732 in lease revenue, and \$71,732 in lease interest revenue, pursuant to this agreement. In June 2023, the Lottery exercised, pursuant to the agreement, the right to assume a portion of the lease space, with the change taking effect on January 1, 2024, making the annual lease payments approximately \$137,000 with a 2.5% increase annum. The Lottery has recognized deferred inflows of resources of \$2,283,200 representing the present value of lease revenue that will be recognized over the remaining term of the agreement. The following future minimum lease payments schedule reflects this change:

Total future minimum lease payments are as follows:

<b>Year ended June 30:</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 149,256	\$ 91,362	\$ 57,894
2025	139,380	83,620	55,760
2026	142,860	89,306	53,554
2027	146,423	95,222	51,201
2028	150,083	101,389	48,694
Thereafter	<u>2,190,069</u>	<u>1,866,514</u>	<u>323,555</u>
	<u>\$ 2,918,071</u>	<u>\$ 2,327,413</u>	<u>\$ 590,658</u>

There are no residual value guarantees, termination penalties or variable payments in the lease agreement.

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (13) Commitments

As a result of the June 2021 enactment of the Marc A. Crisafulli Economic Development Act (Crisafulli Act), the Lottery executed the Eighth Amendments to the Master Contracts with IGT Global Solutions (IGT) and the Rhode Island Affiliates of Bally's Corporation (Bally's) – Bally's Twin River Casino Resort and Bally's Tiverton Casino & Hotel during fiscal 2023.

#### ***(a) Gaming Systems Provider – IGT Global Solutions (IGT)***

Effective February 17, 2023, the Lottery entered into a contract amendment with IGT, extending the term of the Master Contract through June 30, 2043. In consideration for being the exclusive gaming system provider, except for online sports betting, IGT will pay to the Lottery \$27 million in two annual installments of \$13.5 million by June 30, 2023 and June 30, 2024. In June 2023, the Lottery received the first installment of \$13.5 million, which will be recognized as contract revenue over the term of the extended contract.

The contract mandates commission percentages as detailed in the following chart.

Commission Percentages	
On-Line and Instant Tickets	
Total Lottery Sales in the Year	Percent Thereof
\$0 - \$275 Million	5.00%
Over \$275 Million - \$400 Million	4.00%
Over \$400 Million	5.00%
Video Lottery Central System	
Total Net Terminal Income for the Year	Percent Thereof
\$0 - \$500 Million	2.50%
Over \$500 Million - \$1 Billion	1.00%
Over \$1 Billion	2.50%

#### ***(b) Video Lottery Terminal Provider - IGT Global Solutions Corporation (IGT)***

IGT is also a provider of video lottery terminals and receives compensation equal to 7% of net terminal income. The Master Contract (as amended) also includes provisions related to premium IGT video lottery terminals and responsibility for related license fees (IGT) as well as concurrence on agreement on the promotional points program with the casinos and the Lottery.

Pursuant to the Crisafulli Act, IGT, on January 1, 2023 executed an Assignment and Assumption Agreement to transfer its Video Lottery Terminal Technology Provider License Agreement to the VLT Joint Venture. The VLT Joint Venture is effective January 1, 2023 through June 30, 2043. The VLT Joint Venture is owned by IGT and or Affiliates of IGT and Bally's or Affiliates of Bally's but controlled by IGT or an Affiliate of IGT. The VLT Joint Venture is the exclusive Technology Provider of VLTs, and is regulated by the Lottery as a Technology Provider.

## **RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

### *(13) Commitments- (Continued)*

#### *(c) Sportsbook – IGT Global Solutions Corporation (IGT)*

In August 2018, the Lottery executed a Sports Betting Agreement with IGT to provide a proprietary sports betting solution for all sports betting at the Bally's Twin River Lincoln Casino Resort and the Bally's Tiverton Casino & Hotel facilities. The initial term of the agreement was five years from launch date (November 26, 2018), and upon mutual agreement of the parties, there are two successive five-year renewal options. IGT's revenue share is allocated in accordance with R.I. Gen. Laws § 42-61.2-5. In the event of a loss of sports wagering revenue in a quarterly period, IGT will cover the State's share of said loss interest free until a subsequent invoicing period is sufficient to cover said prior period loss.

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement, as amended, authorizing IGT to supply the equipment, software, and services for online sports wagering. This was in accordance with authorized online sports wagering legislation enacted in June 2019.

In April 2023, the Lottery executed the second amendment to the Sports Betting Agreement, changing the renewal options to three successive periods: a three-year extension period, a two-year extension period, and a five-year extension period. Via this second amendment, the agreement was extended through November 25, 2026. This agreement further required IGT to enhance the sports betting platform; namely, reviewing quarterly competitor websites, platform refreshments, increased bank functionality, kiosks, required service organizational control reports, and payment of thirty-two percent of service provider fees. The agreement also allows for certain third-party integrations into the sports betting platform, including live scoreboards, live feeds, and league and team logos, upon mutual agreement, with the costs for implementation shared between the Lottery and IGT. The second amendment also required IGT to pay thirty-two percent of provider service fees (specifically, debit fees, ACH transfer fees, and other payment processing fees) associated with on-line sports betting.

#### *(d) Licensed Gaming Facilities (Bally's Twin River Casino Resort and Bally's Tiverton Casino and Hotel)*

Each licensed facility operates under a Master Contract with the Lottery. Effective February 17, 2023, the Lottery entered into contract amendments with Bally's Affiliate UTGR, Inc. and Bally's Affiliate Twin River-Tiverton, LLC extending the respective terms through June 30, 2043. The contracts entitle the owners to compensation ranging from 26% to 28.85% of video lottery net terminal income at the respective facility.

Effective July 1, 2021 through December 31, 2022, pursuant to the Crisafulli Act, UTGR, Inc. became a technology provider of video lottery terminals and received a compensation equal to 7% of the net terminal income in accordance with the provisions of R.I. Gen. Laws § 42-61.2-7, as may be amended from time to time. As of January 1, 2023, Bally's or Affiliates of Bally's is part of the VLT Joint Venture with IGT as the exclusive technology provider of video lottery terminals through June 30, 2043.

A mandated \$100 million investment by Bally's Corporation to expand the Lincoln casino, including a 40,000 square-foot addition plus a 10,000 square-foot spa adjacent to its current hotel location. This expansion was completed in April 2023.

The Master Contracts reflect the statutory authorization of a consolidated promotional points program at the licensed gaming facilities. For fiscal year 2023, allowable promotional points are 20% of prior year net terminal income plus \$1,500,000. In fiscal 2023, the combined promotional points authorized and issued were approximately \$97.7 million to facility patrons.

## RHODE ISLAND LOTTERY

Notes to Financial Statements

Year Ended June 30, 2023

### (13) Commitments- (Continued)

The Master Contract also reflects the statutory requirement that the Lottery reimburse the owner for certain allowable marketing expenses as follows:

<u>Marketing Expense Level</u>	<u>Lottery Reimbursement Percentage</u>
<b>Bally's Twin River Lincoln Casino Resort</b>	
\$1 up to \$4,000,000	0%
\$4,000,001 up to \$10,000,000	State Share of NTI
\$10,000,001 up to \$14,000,000	0%
\$14,000,001 up to \$17,000,000	State Share of NTI
<b>Bally's Tiverton Casino &amp; Hotel</b>	
\$1 up to \$560,000	0%
\$560,001 up to \$1,400,000	State Share of NTI

The Lottery is required to reimburse the gaming facilities for allowable marketing expenses incurred at the same percentage as the Lottery's share of net terminal income for the fiscal year 2023 (60.74% for Bally's Twin River Lincoln Casino Resort and 60.21% for Bally's Tiverton Casino & Hotel). For fiscal year 2023, the Lottery accrued \$3,644,400 and \$505,764 in reimbursable marketing expenses for Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel, respectively.

Table games are operated at Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Commissions for both casino facilities and the respective host community were 83.5% and 1%. In June 2022, legislation was enacted, requiring a guaranteed minimum \$3 million payment to be made to the Towns of Lincoln and Tiverton, from net table games revenue and video lottery net terminal income, with any shortfall coming from the State's share of table games net revenue and video lottery net terminal income. In fiscal year 2023, there was a shortfall to the Town of Tiverton, therefore the State was required to make a payment of \$923,340 to bring the minimum required payment up to \$3 million.

Annual flat commissions, required to be paid to the Towns of Lincoln and Tiverton, are \$200,000/per town for sports betting operations.

In November 2018, the Lottery also entered into a Sports Wagering Hosting Agreement, as amended, with UTGR, Inc and Twin-River Tiverton, LLC to host in-person and on-line sports wagering. The agreement entitles the owners to compensation of 17% of sports wagering revenue generated at the facilities. The agreement can be extended for two five-year periods so long as there is a master video lottery terminal contract between the relevant parties.

In June 2023, legislation was enacted for the Lottery to implement, operate, conduct, and control iGaming at Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Legislation authorized the Lottery to enter into a contract with the Affiliates of Bally's to be the exclusive iGaming vendor. Under the terms of this legislation the Lottery's maximum obligation of payment service transactions fees shall not exceed thirty-three percent. This legislation also obligates the Affiliates of Bally's to regularly update online slot games, and requires the Affiliates of Bally's to enter into an assignment and assumption agreement between the Affiliates of Bally's and the iGaming Joint Venture. The iGaming Joint Venture will be the exclusive iGaming game vendor providing online slot games and online table games to the Lottery. The assumption of the iGaming Joint Venture obligations is subject to the review and approval of the Lottery.

## **RHODE ISLAND LOTTERY**

### **Notes to Financial Statements**

**Year Ended June 30, 2023**

#### **(13) Commitments- (Continued)**

The legislation further requires that the Lottery enter into a contract with the Affiliates of Bally's to be the exclusive iGaming platform vendor. This legislation obligates the Affiliates of Bally's to: regularly update and replace the servicer-based system for iGaming on schedules agreed by the Lottery, to fund the Lottery's responsible gambling programs; to host server-based gaming systems in connection with online sports wagering, pay for the costs, including, but not limited to professional and project management fees incurred by the Lottery in connection with implementation; provide financial protection to the State related to the impact on traditional lottery products, whereby Bally's would make an annual payment to the Lottery in an amount equal to one hundred percent of the first one million dollar shortfall, and fifty-percent of any shortfall between one and two million. iGaming is scheduled to commence on March 1, 2024. The contracts are under negotiation.

#### **(14) Contingencies**

- (a) The Lottery's master contracts with its video lottery facilities contain revenue protection provisions in the event that existing video lottery facilities incur revenue losses caused by new gaming ventures within the State.
- (b) The facilities face increasing competition from surrounding casinos in Connecticut and Massachusetts. In May 2021, Connecticut legalized sports wagering and online gambling, greatly expanding gambling to mobile devices. The law also authorizes the Connecticut Lottery Corporation to operate 15 sports betting locations across the state. Connecticut sports betting opened its first retail sportsbook in September 2021, followed by online sports betting sites and betting apps in October 2021. In August 2023, a new 50,000-square foot casino was added to the existing tribal casino in Ledyard, CT. In August 2022, the Massachusetts Sports Wagering Act was signed into law, retail sports betting launched on January 31, 2023, and mobile and online sports wagering followed on March 10, 2023, with eight apps online. Massachusetts lawmakers have considered additional slot machines and adding table games at Plainridge Park Casino, in Plainville, MA, to date this has not occurred. Discussions continue for a tribal casino in Taunton, MA. The Lottery and the State continually monitor the risk to gaming operations and assess and expand important revenue generating marketing and promotional programs to best enable competitive positions.
- (c) The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in Rhode Island Superior Court on or about September 28, 2011, challenging, inter alia, the constitutionality of the Rhode Island Casino Gaming Act ("Act") on the grounds that it would not be "state-operated" and the Act "delegates unconstitutional authority to a private corporation". On or about June 29, 2012, the Rhode Island Superior Court found that the Narragansett Indian Tribe had not sustained their burden of proof beyond a reasonable doubt that the Act is facially unconstitutional. The Narragansett Indian Tribe filed a notice of appeal of that decision with the Rhode Island Supreme Court. On or about March 4, 2015, the Rhode Island Supreme Court issued a decision upholding the Superior Court's decision.

The remaining issue in the case relating to whether the State "operates" the gaming facilities remains pending in the Superior Court.



## **RHODE ISLAND LOTTERY**

Notes to Financial Statements

Year Ended June 30, 2023

### **(14) Contingencies-** (Continued)

- (d) A plaintiff filed suit against the Lottery and Department of Revenue challenging the constitutionality of sports betting in Rhode Island. The complaint asserts that the conduct of State- operated sports betting in Tiverton and Lincoln violates the express constitutional requirement of voter approval and must be declared unconstitutional and enjoined until and unless the voters of Rhode Island approve sports gambling at duly authorized statewide and local elections. The complaint was dismissed once by the Rhode Island Superior Court due to a lack of standing by the Plaintiff, but subsequently the Court permitted the Plaintiff to refile an amended complaint. The parties then filed summary judgement motions. On June 1, 2020, the Rhode Island Superior Court issued a decision where it found that the legislation enabling sports betting did not impermissibly expand the location of gambling and that the acts are constitutional. The case has been appealed to the Rhode Island Supreme Court.
- (e) In the event of default on an insurance annuity contract for a Rhode Island winner of the Lucky for Life® jackpot prize award, the Lottery may be contingently liable for any remaining prize amounts due the winner.

### **(15) Risk Management**

The Lottery is exposed to various types of risk related to its operations. These risks can result in losses incurred from property damage or destruction, inability to operate gaming activities and worker compensation claims. The Lottery manages these risks through the purchase of commercial insurance. During fiscal 2023, the Lottery maintained its amount of purchased insurance coverage. Claims and settlements incurred for fiscal years 2023, 2022 and 2021 have not exceeded the Lottery's insurance coverage.

The Lottery participates in the health insurance program for all State employees.

The Lottery also manages a variety of operational risks which could impact the continuity of business operations. These include the risk of cyber-attacks, property damages, or employee strikes which could adversely impact Lottery operations and have an effect on the State's share of net revenues. To mitigate these risks, Lottery contractors and facility operators procure business interruption insurance, cyber liability insurance, and other property insurance, in conjunction with managing employment issues in a manner that safeguards the continuity of the Lottery's business operations.

Required  
Supplementary  
Information

**RI Lottery**  
**Schedule of the Lottery's Proportionate Share of the Net Pension Liability**  
**Employees' Retirement System Plan**

<b>Year Ended</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Measurement Date</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Lottery's proportion of the net pension liability	0.94734360%	0.93097814%	0.95210284%	0.91995341%	0.76161477%	0.74815308%	0.76619002%	0.75882900%	0.74724193%
Lottery's proportionate share of the net pension liability	\$ 18,689,341	\$ 16,557,874	\$ 21,652,204	\$ 20,850,027	\$ 17,142,457	\$ 16,869,023	\$ 16,260,567	\$ 15,073,593	\$ 13,315,141
Lottery's covered payroll (at measurement date)	\$ 7,376,958	\$ 6,898,515	\$ 7,198,822	\$ 6,612,770	\$ 5,311,202	\$ 5,185,935	\$ 5,155,796	\$ 5,070,849	\$ 4,891,380
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	253.35%	240.02%	300.77%	315.30%	322.76%	325.28%	315.38%	297.26%	272.22%
Plan fiduciary net position as a percentage of the total pension liability	59.6%	63.2%	52.6%	52.8%	52.5%	51.8%	51.9%	55.0%	58.6%

**Notes:**

*1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.*

*2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

**RI Lottery**  
**Schedule of the Lottery's Contributions**  
**Employees' Retirement System Plan**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily determined contribution	\$ 2,098,514	\$ 2,066,286	\$ 1,899,851	\$ 1,899,769	\$ 1,737,836	\$ 1,320,896	\$ 1,314,116	\$ 1,219,209	\$ 1,183,029
Contributions in relation to the statutorily determined contribution	2,098,514	2,066,286	1,899,851	1,899,769	1,737,836	1,320,896	1,314,116	1,219,209	1,183,029
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Lottery's covered payroll	 7,492,017	 7,376,958	 6,898,515	 \$ 7,198,822	 \$ 6,612,770	 \$ 5,311,202	 \$ 5,185,935	 \$ 5,155,796	 \$ 5,070,849
Contributions as a percentage of covered payroll	28.01%	28.01%	27.54%	26.39%	26.28%	24.87%	25.34%	23.65%	23.33%

**Notes:**

**1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.**

**2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.**

**RI Lottery**  
**Schedule of the Lottery's Proportionate Share of the Net OPEB Liability**  
**State Employees' OPEB Plan**

<b>Year Ended</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>
<b>Measurement Date</b>	<b>June 30, 2022</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Lottery's proportion of the net OPEB liability	0.94008190%	0.92487715%	0.94750704%	0.91422568%	0.76106927%	0.74378532%
Lottery's proportionate share share of the net OPEB liability	\$ 2,577,595	\$ 2,145,330	\$ 3,419,593	\$ 3,990,381	\$ 3,876,354	\$ 3,863,547
Lottery's covered payroll (at measurement date)	\$ 7,386,136	\$ 6,911,293	\$ 7,182,571	\$ 6,705,017	\$ 5,308,395	\$ 5,185,930
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.90%	31.04%	47.61%	59.51%	73.02%	74.50%
Plan fiduciary net position as a percentage of the total OPEB liability	55.09%	60.52%	42.51%	33.57%	26.25%	22.38%

**Notes:**

*1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.*

*2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.*

**RI Lottery**  
**Schedule of the Lottery's Contributions**  
**State Employees' OPEB Plan**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily determined contribution	\$ 335,709	\$ 389,988	\$ 379,430	\$ 477,641	\$ 400,960	\$ 317,442
Contributions in relation to the statutorily determined	335,709	389,988	379,430	477,641	400,960	317,442
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lottery's covered payroll	\$ 7,493,504	\$ 7,386,136	\$ 6,911,293	\$ 7,182,571	\$ 6,705,017	\$ 5,308,395
Contributions as a percentage of covered payroll	4.48%	5.28%	5.49%	6.65%	5.98%	5.98%

**Notes:**

**1.) Employers participating in the State Employee's Retirement System are required by RI General Laws, Section 36-10-2, to contribute an actuarially determined contribution rate each year.**

**2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.**

**RHODE ISLAND LOTTERY**  
Notes to Required Supplementary Information  
Year Ended June 30, 2023

**Pension – Required Supplementary Information:**

- Schedule of Pension Benefits – Retirement System Plan
- Schedule of Pension Benefits – RSP

The schedules are intended to present ten years of data. Additional years of data will be presented as they become available.

**1. Actuarial methods and assumptions used to calculate the net pension liability of the participating employers**

The actuarial methods and assumptions used to calculate the net pension liability of the participating employers are described in Note 9 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

**June 30, 2022 measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date.

**June 30, 2021 measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

**June 30, 2020 measurement date:**

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.



**RHODE ISLAND LOTTERY**  
Notes to Required Supplementary Information  
Year Ended June 30, 2023

**1. Actuarial methods and assumptions used to calculate the net pension liability (asset) of the participating employers (continued)**

**June 30, 2019 measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2019 measurement date compared to the June 30, 2018 measurement date.

**June 30, 2018 measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

**June 30, 2017 measurement date:**

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

**June 30, 2016 measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date.

**RHODE ISLAND LOTTERY**  
Notes to Required Supplementary Information  
Year Ended June 30, 2023

**1. Actuarial methods and assumptions used to calculate the net pension liability (asset) of the participating employers (continued)**

**June 30, 2015 measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability of the plans as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date.

Benefit changes are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. The following is a summary of those benefit changes that resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly.

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and municipal general employees will contribute 8.25% (9.25% for units with a COLA provision) and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, 63 with 32 years of service, or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan. Also, members who earn less than \$35,000 per year will not be required to pay the administrative fees to the defined contribution plan.
- Members who retired from a COLA eligible plan before July 1, 2012 will received a one-time cost of living adjustment of 2% of the first \$25,000 paid as soon as administratively possible.
- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather than 5-year intervals.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5.5% (5yr Return - 5.5%, with a max of 4%) and 50% calculated using previous year's CPI-U (max of 3%) for a total max COLA of 3.5%. This COLA is calculated on the first \$25,855, effective 01/01/16, and indexed as of that date as well. (The indexing formula is run annually regardless of funding level each year.)
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

**2. Actuarially determined contributions**

Actuarially determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contributions are reported. For example, the contribution rate for fiscal 2023 for the plan was based on a valuation performed as of June 30, 2019.

**RHODE ISLAND LOTTERY**  
Notes to Required Supplementary Information  
Year Ended June 30, 2023

**Other Postemployment Benefits (OPEB) Plan – Required Supplementary Information:**

- **Share of Participating Shareholder OPEB Liability – State Employees' OPEB Plan**
- **Share of Cost – State Employees' OPEB Plan**

**1. Actuarial assumptions and methods used to calculate the net OPEB liability of the participating employers**

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 10 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

**June 30, 2022 measurement date:**

There were no changes in actuarial methods reflected in the calculation of the net OPEB liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date. Changes in actuarial assumptions were limited to the update of healthcare trend assumptions.

**June 30, 2021 measurement date:**

Assumption changes included updated rates of mortality, retirement, withdrawal, disability and salary increases consistent with the Employees' Retirement System of Rhode Island, as applicable.

**June 30, 2020 measurement date:**

The "Cadillac tax", which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the "Cadillac tax" within the development of the total OPEB liability has been removed as of the June 30, 2020 measurement date.

**June 30, 2019 measurement date:**

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2020 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%.

**June 30, 2018 Measurement date:**

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

**RHODE ISLAND LOTTERY**  
Notes to Required Supplementary Information  
Year Ended June 30, 2023

**1. Actuarial assumptions and methods used to calculate the net OPEB liability of the participating employers (Continued)**

**June 30, 2017 Measurement date:**

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees' Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high-cost health plans. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2023.

**2. Actuarially determined contributions**

The annual required contributions for fiscal 2023 for the plan were determined based on the June 30, 2021 valuation of the State Employees' OPEB Plan.

# Supplementary Information

## Schedule 1 – Operating Revenue and Cost of Gaming Operations

**Rhode Island Lottery - Operating Revenue and Cost of Gaming Operations**  
**Year Ended June 30, 2023**

*Schedule 1*

	Revenue <sup>(1)</sup>	Prize Awards Expense	Commissions	Incentive Programs Video Lottery	Marketing/ Advertising Expense	Cost of Tickets	Transaction Fees - Online Wagering	Unclaimed Prize Recovery	Cost of Gaming Operations	Gross Profit
<b>Games reported -- gross revenue</b>										
On-line Games										
Keno	\$ 88,803,404	\$ 58,052,859	\$ 11,427,895	\$ -	\$ 170,098	\$ -	\$ -	\$ (340,421)	\$ 69,310,431	\$ 19,492,973
Bingo	1,771,853	1,247,348	228,381	-	13,588	-	-	(7,679)	1,481,638	290,215
PowerBall®	29,652,582	14,833,469	3,816,588	-	522,537	-	-	(335,939)	18,836,655	10,815,927
Daily Numbers	22,334,123	11,246,320	2,874,587	-	16,923	-	-	(174,013)	13,963,817	8,370,306
Mega Millions®	20,910,859	10,458,917	2,690,452	-	509,668	-	-	(112,006)	13,547,031	7,363,828
Wild Money	8,261,297	4,516,875	1,062,551	-	129,714	-	-	(79,795)	5,629,345	2,631,952
Lucky for Life®	7,694,848	4,794,224	990,471	-	137,303	-	-	(111,834)	5,810,164	1,884,684
	179,428,966	105,150,012	23,090,925	-	1,499,831	-	-	(1,161,687)	128,579,081	50,849,885
Instant Tickets	124,257,579	86,814,154	13,054,233	-	1,107,870	930,293	-	(1,969,178)	99,937,372	24,320,207
iLottery <sup>(4)</sup>	12,616,040	8,733,463	614,196	-	86,387	-	95,256	(10,340)	9,518,962	3,097,078
Sportsbook	509,469,437	458,588,938	24,987,952	-	272,209 <sup>(3)</sup>	-	1,082,710	(989,885)	483,941,924	25,527,513
<b>Games reported -- revenue net of related prize awards</b>										
Video Lottery <sup>(2)</sup>	531,976,452	-	207,722,824	4,150,164	-	-	-	(379,166)	211,493,822	320,482,630
Table Games	136,600,182	-	115,474,015	-	-	-	-	(16,404)	115,457,611	21,142,571
<b>Other operating revenue</b>	633,651	-	-	-	-	-	-	-	-	633,651
<b>Totals</b>	<u>\$ 1,494,982,307</u>	<u>\$ 659,286,567</u>	<u>\$ 384,944,145</u>	<u>\$ 4,150,164</u>	<u>\$ 2,966,297</u>	<u>\$ 930,293</u>	<u>\$ 1,177,966</u>	<u>\$ (4,526,660)</u>	<u>\$ 1,048,928,772</u>	<u>\$ 446,053,535</u>
<b>Lottery games commissions - detail by game</b>										
Facilities		Video Lottery	Table Games	Sportsbook						
	\$	\$ 149,153,805	\$ 114,061,152	\$ 8,535,410						
Technology Provider(s)		36,467,414	-	16,052,542						
Central Communications Provider		12,819,765	-	-						
Towns		8,590,137	1,412,863	400,000						
Narragansett Indian Tribe		691,703	-	-						
Total		<u>\$ 207,722,824</u>	<u>\$ 115,474,015</u>	<u>\$ 24,987,952</u>						

(1) See note 2 (c) for details of revenue accounting policy.

(2) See note 2 (c) (3) for detail of gross video lottery terminal activity.

(3) Marketing expenses specifically for Sportsbook are allocated as part of the overall allocation of revenue to the State and casino facilities.

(4) iLottery consisted of eInstants and iKeno at June 30, 2023.

# Statistical Section

# Statistical Section

This part of the Lottery's comprehensive annual financial report presents detailed information as to the context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the financial health of the State of Rhode Island, the Lottery and the lottery industry.

<b><u>Contents</u></b>	<b><u>Page</u></b>
Lottery Statistics – Rhode Island These schedules contain trend information to help the reader understand how the Lottery's financial performance and well-being have changed over time.	81
Rhode Island Demographics These schedules offer demographic and economic indicators to help give the reader a better understanding of the Lottery's and the State of Rhode Island's environment.	90
Lottery Statistics – National These schedules contain financial information to help the reader understand the Lottery's performance compared to the other lottery jurisdictions within the United States of America.	93



Lottery  
Statistics  
—  
Rhode Island

# RHODE ISLAND LOTTERY

## Principal Revenue Sources

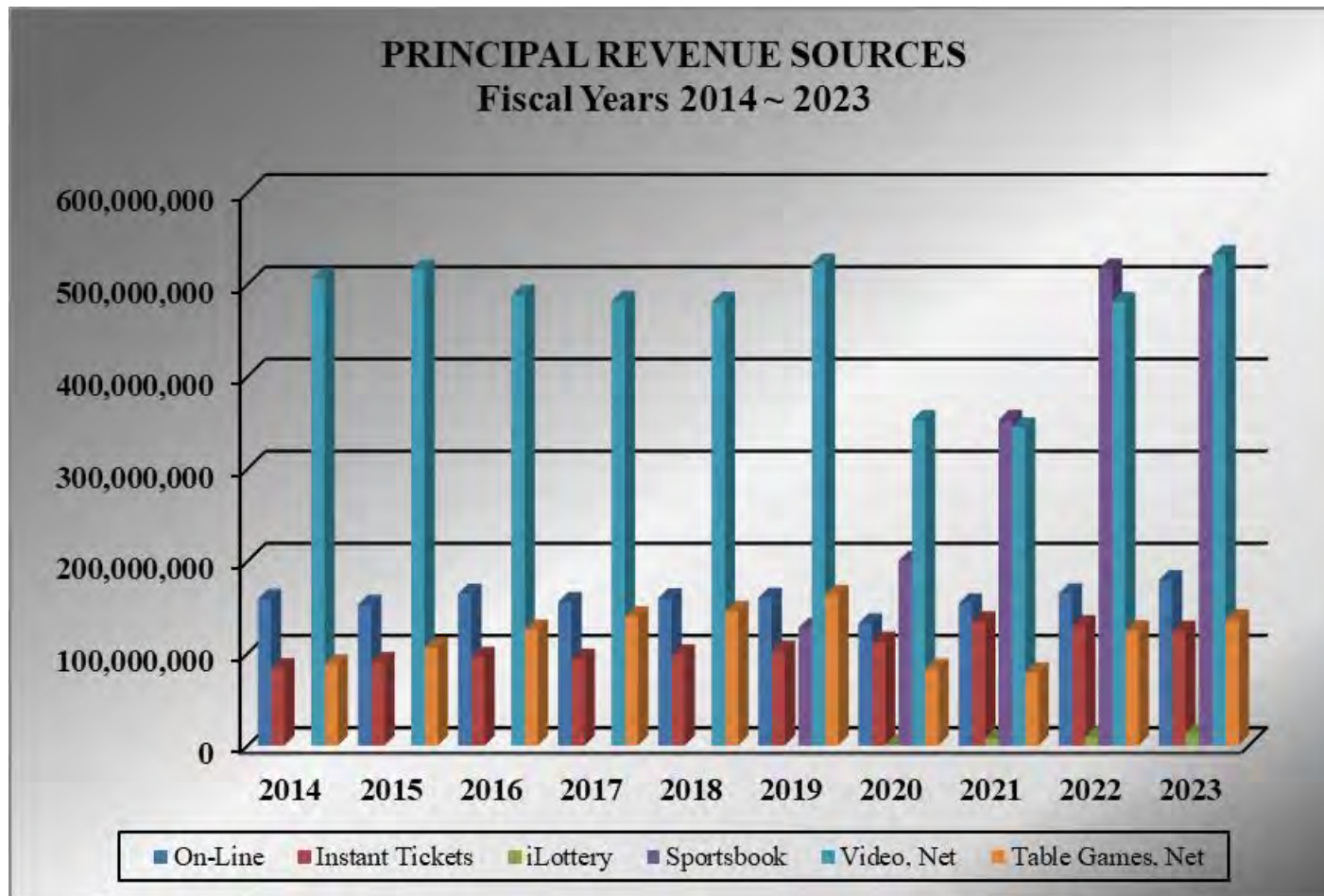
### Fiscal Years 2014 through 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Operating revenue</b>										
<b>Games reported - gross revenue</b>										
<i>On-line</i>										
Keno	\$ 78,203,765	\$ 80,465,002	\$ 83,659,591	\$ 82,984,608	\$ 82,435,628	\$ 79,843,410	\$ 69,826,851	\$ 78,821,109	\$ 89,730,021	\$ 88,803,404
Bingo	1,094,274	949,606	1,029,788	972,663	1,034,438	1,214,353	1,155,937	1,275,117	1,432,895	1,771,853
PowerBall®	31,502,543	26,049,095	36,307,849	29,378,496	30,191,087	27,218,295	17,945,735	20,945,689	26,184,419	29,652,582
Monopoly Millionaires Club™	-	288,275	-	-	-	-	-	-	-	-
Daily Numbers	24,141,676	24,197,096	23,773,865	23,886,086	23,210,121	22,988,120	22,900,223	24,297,239	22,855,155	22,334,123
Mega Millions®	12,622,344	11,465,226	10,064,697	9,365,827	13,345,270	20,229,951	11,943,934	15,673,683	10,907,256	20,910,859
Wild Money	4,525,777	3,695,696	4,317,463	3,967,038	4,465,768	3,898,948	3,816,929	8,343,821	5,859,173	8,261,297
Lucky for Life	6,719,790	5,455,649	5,398,864	5,096,898	4,970,754	4,958,714	4,853,934	4,806,790	8,056,757	7,694,848
Other	-	-	-	4,475	10,391	9,307	-	-	-	-
Raffle	-	-	-	-	-	-	-	-	-	-
Total on-line	158,810,169	152,565,645	164,552,117	155,656,091	159,663,457	160,361,098	132,443,543	154,163,448	165,025,676	179,428,966
Percentage of total revenues	18.9%	17.6%	18.8%	17.8%	18.0%	14.9%	15.0%	14.3%	11.5%	12.0%
<i>Instant tickets</i>										
Instant tickets	83,975,581	90,526,129	96,281,087	94,225,863	98,706,129	102,914,666	112,643,821	134,625,405	130,562,609	124,257,579
Percentage of total revenues	10.0%	10.4%	11.0%	10.8%	11.1%	9.5%	12.7%	12.5%	9.1%	8.3%
<i>iLottery</i>										
iLottery	-	-	-	-	-	-	1,305,682	7,152,533	9,498,777	12,616,040
Percentage of total revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.7%	0.7%	0.8%
<i>Sportsbook</i>										
Sportsbook	-	-	-	-	-	127,587,809	200,188,405	352,995,097	517,229,614	509,469,437
Percentage of total revenues	0.0%	0.0%	0.0%	0.0%	0.0%	11.8%	22.6%	32.8%	36.2%	34.0%
<b>Games reported - revenue net of related prize awards</b>										
<i>Video</i>										
Video lottery	507,056,712	516,262,400	488,690,835	482,404,252	481,372,523	522,754,625	352,833,794	345,066,349	481,150,833	531,976,452
Percentage of total revenues	60.4%	59.5%	55.8%	55.2%	54.3%	48.5%	39.9%	32.1%	33.7%	35.6%
<i>Table games</i>										
Table games	88,108,367	106,640,942	125,837,949	140,090,213	145,831,110	163,442,908	83,257,074	79,459,088	125,047,864	136,600,182
Percentage of total revenues	10.5%	12.3%	14.4%	16.0%	16.4%	15.2%	9.4%	7.4%	8.7%	9.1%
<b>Other operating revenue</b>										
	-	-	-	-	-	-	-	549,647	570,896	633,651
	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
<b>Total operating revenue</b>	<b>837,950,829</b>	<b>865,995,116</b>	<b>875,361,988</b>	<b>872,376,419</b>	<b>885,573,219</b>	<b>1,077,061,106</b>	<b>882,672,319</b>	<b>1,074,011,567</b>	<b>1,429,086,269</b>	<b>1,494,982,307</b>
<b>Non-operating income</b>										
Investment income	108,350	106,509	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034
Net pull tab sales	44,672	44,851	37,272	37,042	34,796	33,908	24,026	22,083	24,524	22,602
Contract revenue	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000
Miscellaneous	353,407	282,605	276,216	211,516	242,547	233,422	448,694	355,510	532,593	836,923
<b>Total non-operating revenues</b>	<b>1,131,429</b>	<b>1,058,965</b>	<b>1,101,861</b>	<b>1,178,978</b>	<b>1,445,312</b>	<b>1,445,827</b>	<b>1,800,078</b>	<b>1,157,887</b>	<b>1,336,265</b>	<b>3,620,559</b>
Percentage of total revenues	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.1%	0.1%	0.2%
<b>Total revenues</b>	<b>\$ 839,082,258</b>	<b>\$ 867,054,081</b>	<b>\$ 876,463,849</b>	<b>\$ 873,555,397</b>	<b>\$ 887,018,531</b>	<b>\$ 1,078,506,933</b>	<b>\$ 884,472,397</b>	<b>\$ 1,075,169,454</b>	<b>\$ 1,430,422,534</b>	<b>\$ 1,498,602,866</b>

# RHODE ISLAND LOTTERY

## Principal Revenue Sources

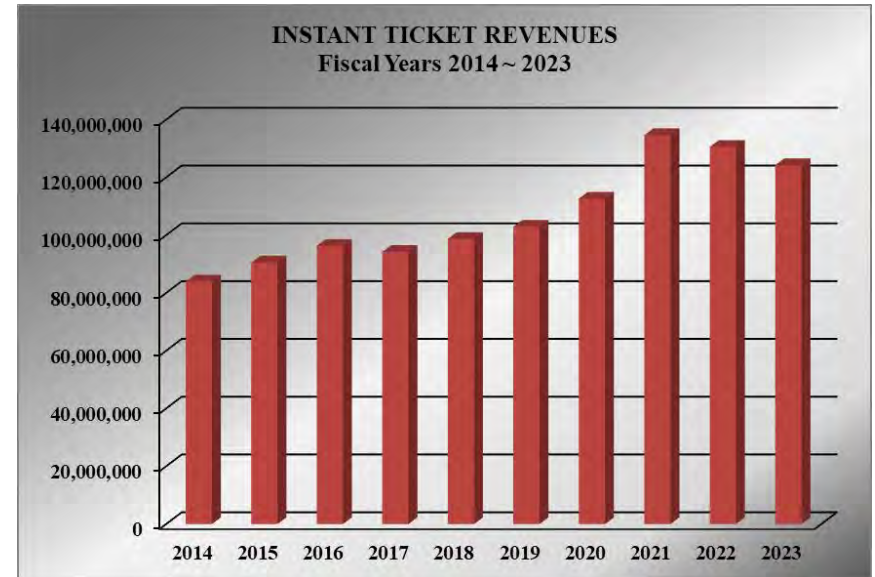
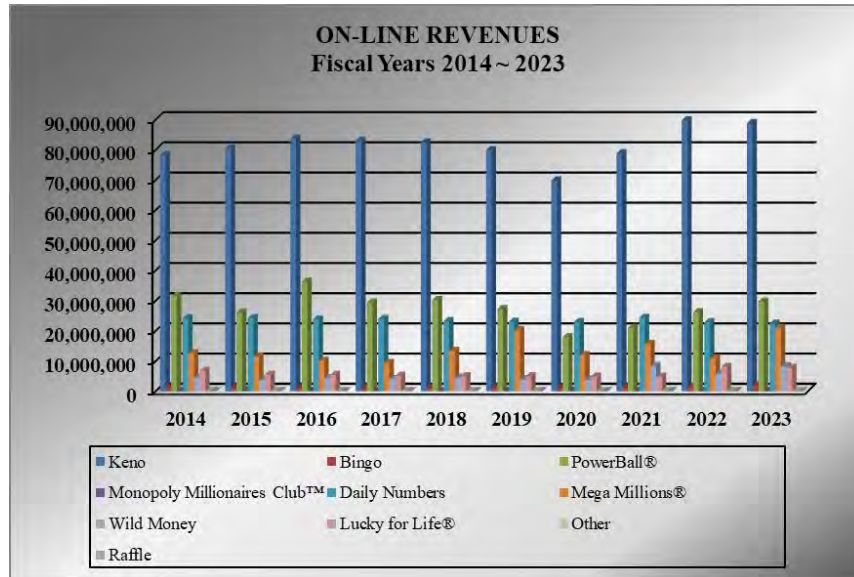
Fiscal Years 2014 through 2023



# RHODE ISLAND LOTTERY

## Principal Revenue Sources

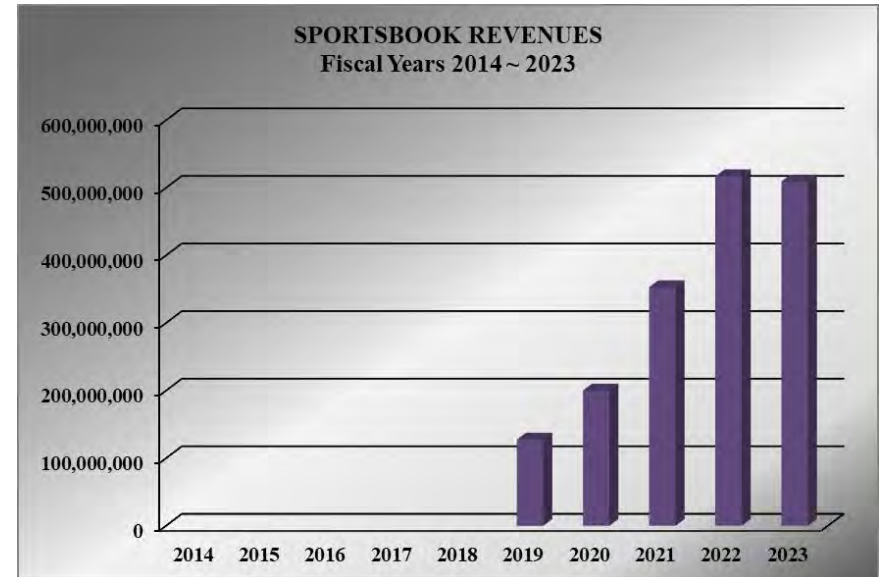
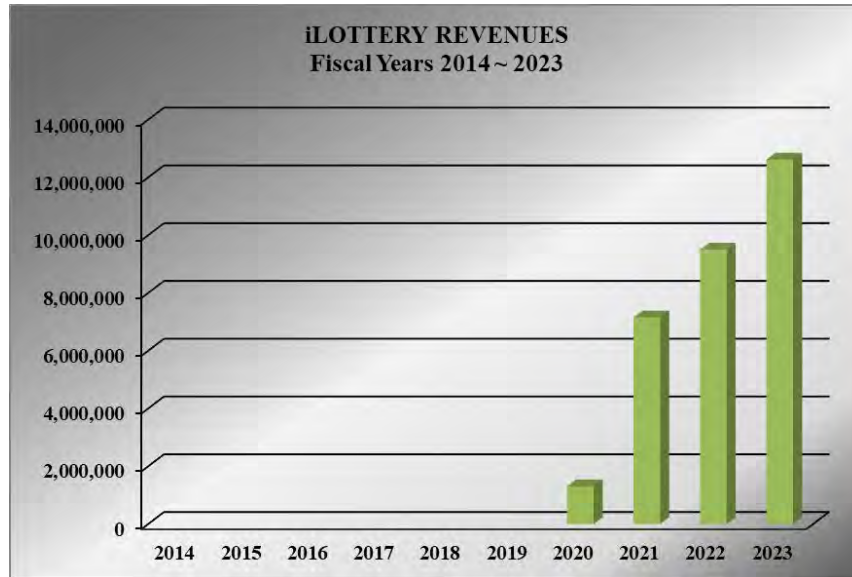
Fiscal Years 2014 through 2023



# RHODE ISLAND LOTTERY

## Principal Revenue Sources

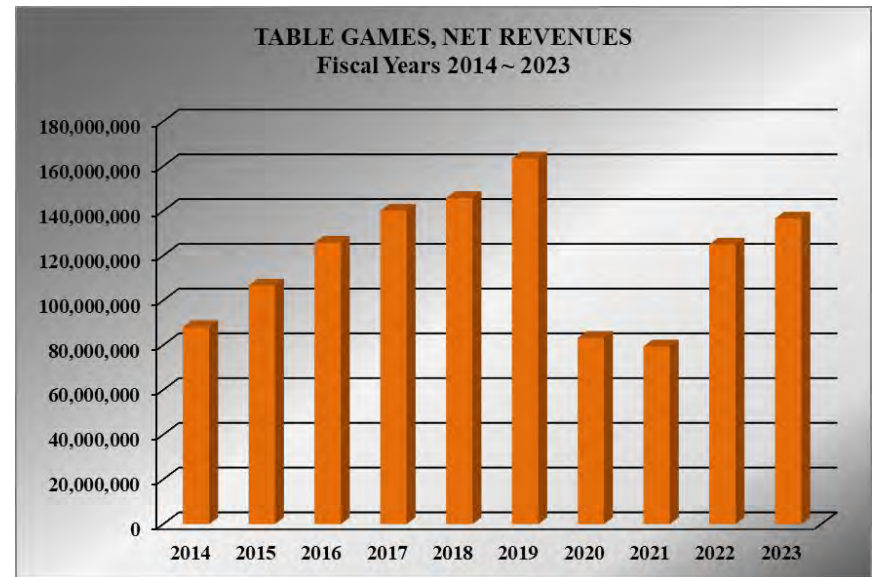
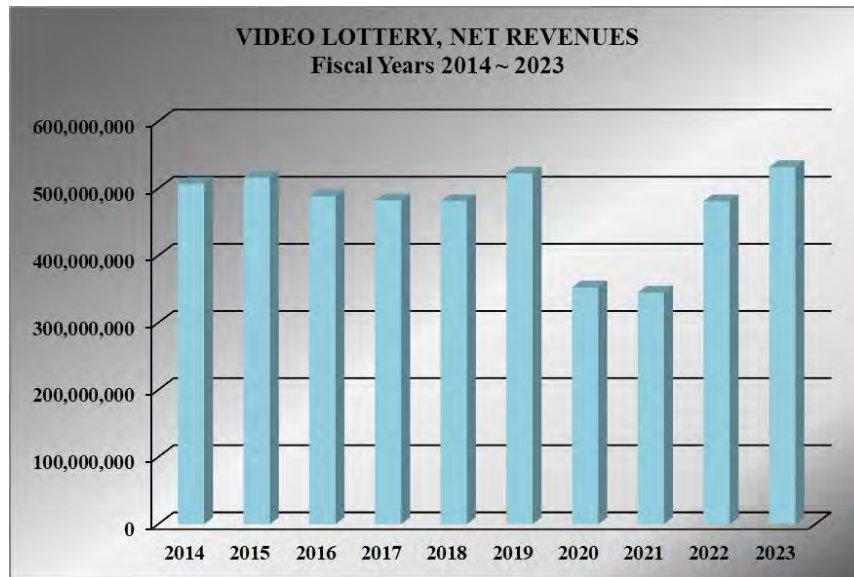
Fiscal Years 2014 through 2023



# RHODE ISLAND LOTTERY

## Principal Revenue Sources

Fiscal Years 2014 through 2023



# RHODE ISLAND LOTTERY

## Change in Net Position

### Fiscal Years 2014 through 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Operating revenues</b>										
Games reported - gross revenue										
On-line	\$ 158,810,169	\$ 152,565,645	\$ 164,552,117	\$ 155,656,091	\$ 159,663,457	\$ 160,361,098	\$ 132,443,543	\$ 154,163,448	\$ 165,025,676	\$ 179,428,966
Instant tickets	83,975,581	90,526,129	96,281,087	94,225,863	98,706,129	102,914,666	112,643,821	134,625,405	130,562,609	124,257,579
iLottery	-	-	-	-	-	-	1,305,682	7,152,533	9,498,777	12,616,040
Sports Book	-	-	-	-	-	127,587,809	200,188,405	352,995,097	517,229,614	509,469,437
Games reported - revenue net of related prize awards										
Video lottery	507,056,712	516,262,400	488,690,835	482,404,252	481,372,523	522,754,625	352,833,794	345,066,349	481,150,833	531,976,452
Table games	88,108,367	106,640,942	125,837,949	140,090,213	145,831,110	163,442,908	83,257,074	79,459,088	125,047,864	136,600,182
Other operating revenue								549,647	570,896	633,651
Total operating revenue	837,950,829	865,995,116	875,361,988	872,376,419	885,573,219	1,077,061,106	882,672,319	1,074,011,567	1,429,086,269	1,494,982,307
<b>Cost of gaming operations</b>										
Prize awards expense	148,570,701	150,062,564	161,650,780	157,023,937	162,126,601	285,987,368	338,205,556	505,366,057	673,703,958	659,286,567
Retailer/vendor commissions	29,575,451	29,476,752	31,666,893	30,279,906	31,259,176	31,824,962	29,245,728	33,581,310	35,154,578	36,145,158
iLottery commissions	-	-	-	-	-	-	65,285	337,720	465,312	614,196
Video commissions	196,693,434	200,084,883	188,979,963	186,780,926	186,411,125	202,470,151	136,485,046	135,648,650	188,354,850	207,722,824
Sports book commissions	-	-	-	-	-	3,104,551	9,110,668	17,612,073	19,599,758	24,987,952
Table games commissions	72,248,861	89,578,391	105,703,877	117,675,779	122,498,132	137,995,985	70,352,228	67,228,656	105,725,985	115,474,015
Incentive programs, video	4,070,183	4,119,330	6,802,349	6,857,127	6,799,640	6,053,466	3,990,072	671,958	4,232,235	4,150,164
Marketing/advertising expense	2,089,016	2,227,887	1,916,270	2,622,021	2,669,113	3,554,740	2,602,043	2,485,974	2,972,708	2,966,297
Cost of tickets	1,043,555	1,079,659	1,155,106	995,285	1,110,175	925,570	972,986	1,082,726	1,004,530	930,293
Transaction fees - online wagering	-	-	-	-	-	-	-	681,377	933,667	1,177,966
Unclaimed prize recovery	(2,611,675)	(2,618,608)	(2,271,719)	(2,808,577)	(2,650,661)	(3,300,542)	(3,776,164)	(4,770,564)	(4,777,863)	(4,526,660)
Total cost of gaming operations	451,679,526	474,010,858	495,603,519	499,426,404	510,223,301	668,616,251	587,253,448	759,925,937	1,027,369,718	1,048,928,772
<b>Gross Profit</b>	<b>386,271,303</b>	<b>391,984,258</b>	<b>379,758,469</b>	<b>372,950,015</b>	<b>375,349,918</b>	<b>408,444,855</b>	<b>295,418,871</b>	<b>314,085,630</b>	<b>401,716,551</b>	<b>446,053,535</b>
<b>Operating Expenses</b>										
Salaries and benefits	9,438,106	9,276,808	10,300,568	9,948,138	10,358,741	10,855,702	12,550,219	12,224,386	11,334,962	11,687,353
Depreciation and amortization	114,087	101,746	111,393	131,982	131,603	132,628	133,808	138,440	117,665	432,396
Problem gambling expenses	-	-	-	-	-	-	-	549,647	570,896	633,651
Other	921,792	904,120	1,183,805	796,044	879,727	750,689	916,708	1,028,101	1,160,914	1,251,552
Total operating expenses	10,473,985	10,282,674	11,595,766	10,876,164	11,370,071	11,739,019	13,600,735	13,940,574	13,184,437	14,004,952
<b>Operating Income</b>	<b>375,797,318</b>	<b>381,701,584</b>	<b>368,162,703</b>	<b>362,073,851</b>	<b>363,979,847</b>	<b>396,705,836</b>	<b>281,818,136</b>	<b>300,145,056</b>	<b>388,532,114</b>	<b>432,048,583</b>
<b>Non-operating income (expenses)</b>										
Interest income	108,350	106,509	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034
Contract revenue	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000
Other	398,079	327,456	313,488	248,558	277,343	267,330	472,720	377,593	557,117	859,525
Total non-operating income (expenses)	1,131,429	1,058,965	1,101,861	1,178,978	1,445,312	1,445,827	1,800,078	1,157,887	1,336,265	3,620,559
<b>Income Before Transfers</b>	<b>376,928,747</b>	<b>382,760,549</b>	<b>369,264,564</b>	<b>363,252,829</b>	<b>365,425,159</b>	<b>398,151,663</b>	<b>283,618,214</b>	<b>301,302,943</b>	<b>389,868,379</b>	<b>435,669,142</b>
Transfers from (to) State's General Fund	(376,327,120)	(381,935,511)	(369,760,880)	(362,696,628)	(364,974,453)	(397,320,920)	(283,870,546)	(301,803,081)	(388,641,696)	(434,666,769)
Transfers from (to) RI Capital Plan Fund	23,373	-	444,458	-	-	-	-	-	-	-
<b>Increase (decrease) in net position</b>	<b>\$ 625,000</b>	<b>\$ 825,038</b>	<b>\$ (51,858)</b>	<b>\$ 556,201</b>	<b>\$ 450,706</b>	<b>\$ 830,743</b>	<b>\$ (252,332)</b>	<b>\$ (500,138)</b>	<b>\$ 1,226,683</b>	<b>\$ 1,002,373</b>

# RHODE ISLAND LOTTERY

## Net Position

June 30, 2014 through 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Net position at year-end</b>										
Net investment in capital assets	\$ 460,135	\$ 455,395	\$ 368,149	\$ 421,514	\$ 314,132	\$ 353,299	\$ 472,462	\$ 345,976	\$ 228,311	\$ 290,861
Unrestricted (deficit)	(6,085,135)	(18,753,504)	(18,718,116)	(18,215,280)	(21,258,021)	(20,466,445)	(20,837,940)	(21,211,592)	(19,867,244)	(18,927,421)
<b>Total net position (deficit)</b>	<u>\$ (5,625,000)</u>	<u>\$ (18,298,109)</u>	<u>\$ (18,349,967)</u>	<u>\$ (17,793,766)</u>	<u>\$ (20,943,889)</u>	<u>\$ (20,113,146)</u>	<u>\$ (20,365,478)</u>	<u>\$ (20,865,616)</u>	<u>\$ (19,638,933)</u>	<u>\$ (18,636,560)</u>



# RHODE ISLAND LOTTERY

## Changes in Cash and Cash Equivalents

### Fiscal Years 2014 through 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Cash flows from operating activities</b>										
Receipts from lottery sales, online and instant games	\$ 243,577,754	\$ 244,225,203	\$ 260,846,176	\$ 249,704,373	\$ 255,625,349	\$ 263,162,235	\$ 244,907,135	\$ 289,718,097	\$ 295,196,266	\$ 302,342,653
Receipts from iLottery sales	-	-	-	-	-	-	813,748	7,397,902	9,483,693	12,517,204
Receipts from video lottery operations (net of prizes)	507,056,712	516,262,400	488,690,835	482,404,252	481,372,523	520,958,097	357,288,264	345,141,394	480,707,405	531,086,001
Receipts from sports book	-	-	-	-	-	127,656,908	200,568,793	353,601,197	517,025,424	509,151,932
Receipts from table games (net of prizes)	88,108,367	106,640,942	125,837,949	140,090,213	145,831,110	163,352,339	84,821,270	78,851,844	124,887,915	136,002,029
Receipts from MUSL for grand prize winners	2,333,000	423,000	-	2,778,254	14,827,674	104,941	948,389	1,103,944	5,823,089	109,558
Receipts from MUSL for Lucky for Life® top prize winners	711,604	-	-	-	-	-	-	-	-	-
Receipts from problem gambling program	100,000	100,000	200,000	100,000	110,000	315,000	201,000	596,422	418,952	844,821
Receipts of upfront contract revenue	-	-	-	-	-	-	-	-	-	13,500,000
Other receipts	414,111	339,310	327,969	262,203	288,061	290,555	466,616	351,045	670,949	867,003
Receipts from Deposits held for sportsbook patrons	-	-	-	-	-	-	-	372,859	-	-
Payments for on-line and instant ticket prizes	(145,938,994)	(149,773,735)	(157,651,019)	(154,240,739)	(157,585,742)	(160,803,002)	(152,346,638)	(178,907,035)	(186,445,495)	(187,766,697)
Payments from iLottery prizes	-	-	-	-	-	-	(854,438)	(4,737,906)	(6,499,973)	(8,696,013)
Sports book payouts	-	-	-	-	-	(119,417,531)	(180,234,835)	(316,206,191)	(475,996,947)	(458,726,463)
Payments to MUSL grand prize winners	(2,333,000)	(423,000)	-	(2,778,254)	(14,827,674)	(104,941)	(948,389)	(1,103,944)	(5,823,089)	(109,558)
Payments for commissions - retailers	(8,932,729)	(9,633,389)	(10,266,937)	(10,057,345)	(10,518,181)	(10,978,572)	(12,026,875)	(13,973,576)	(13,852,851)	(13,054,233)
Payments for commissions - video lottery	(196,559,997)	(202,655,186)	(190,957,016)	(186,245,129)	(183,816,882)	(202,766,906)	(143,156,480)	(128,474,681)	(190,015,896)	(206,896,989)
Payments for commissions - sports book	-	-	-	-	-	(1,333,416)	(10,720,367)	(17,208,753)	(19,707,137)	(24,622,257)
Payments for monies held for sportsbook patrons	-	-	-	-	-	-	-	-	(921,581)	-
Payments for commissions - table games	(73,602,436)	(87,465,347)	(104,844,750)	(119,313,361)	(121,800,935)	(136,645,583)	(73,836,729)	(64,275,399)	(107,384,429)	(114,479,267)
Payments for commissions - on-line games contractor	(20,642,722)	(17,760,618)	(22,429,985)	(19,150,948)	(20,821,956)	(20,707,789)	(17,215,929)	(20,844,148)	(22,139,205)	(23,695,235)
Payments to facilities - video lottery incentive program	(4,079,733)	(4,074,749)	(4,970,820)	(6,827,370)	(6,788,488)	(6,127,515)	(5,263,216)	(1,474,766)	(1,620,130)	(4,143,108)
Payments to suppliers for goods and services	(4,286,788)	(4,473,338)	(4,718,289)	(4,253,305)	(5,818,893)	(4,889,991)	(5,134,200)	(5,637,622)	(7,014,697)	(7,222,261)
Payments to employees for services	(9,331,812)	(9,441,122)	(9,544,337)	(10,126,431)	(9,996,859)	(10,902,676)	(11,642,786)	(11,234,766)	(11,844,063)	(12,032,067)
Net cash provided by operating activities	376,593,337	382,290,371	370,519,776	362,346,413	366,079,107	401,162,153	276,634,333	313,055,917	384,948,200	444,977,053
<b>Cash flows from noncapital financing activities</b>										
Transfers from (to) State's General Fund	(376,903,899)	(381,143,916)	(369,414,091)	(362,194,766)	(368,365,935)	(393,791,945)	(283,055,528)	(301,308,232)	(388,692,039)	(432,738,056)
Cash overdraft/Repayment of overdraft	-	-	-	-	-	-	-	-	9,101,723	(9,101,723)
Transfers from (to) RI Capital Plan Fund	23,373	-	-	444,458	-	-	-	-	-	-
Net cash used for noncapital financing activities	(376,880,526)	(381,143,916)	(369,414,091)	(361,750,308)	(368,365,935)	(393,791,945)	(283,055,528)	(301,308,232)	(379,590,316)	(441,839,779)
<b>Cash flows from capital and related financing activities</b>										
Purchase of capital assets	(171,934)	(97,006)	(24,147)	(185,347)	(24,221)	(171,795)	(252,971)	(11,954)	-	(194,487)
Payments for lease	-	-	-	-	-	-	-	-	-	(300,459)
Net cash provided by (used for) capital and related financing activities	(171,934)	(97,006)	(24,147)	(185,347)	(24,221)	(171,795)	(252,971)	(11,954)	-	(494,946)
<b>Cash flows from investing Activities</b>										
Interest income	108,350	106,509	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034
Net cash provided by investing activities	108,350	106,509	163,373	305,420	542,969	553,497	702,358	155,294	154,148	2,136,034
Net increase (decrease) in cash and cash equivalents	(350,773)	1,155,958	1,244,911	716,178	(1,768,080)	7,751,910	(5,971,808)	11,891,025	5,512,032	4,778,362
Cash and cash equivalents, beginning of year	18,914,619	18,563,846	19,719,804	20,964,715	21,680,893	19,912,813	27,664,723	21,692,915	33,583,940	39,095,972
<b>Cash and cash equivalents, end of year</b>	<b>\$ 18,563,846</b>	<b>\$ 19,719,804</b>	<b>\$ 20,964,715</b>	<b>\$ 21,680,893</b>	<b>\$ 19,912,813</b>	<b>\$ 27,664,723</b>	<b>\$ 21,692,915</b>	<b>\$ 33,583,940</b>	<b>\$ 39,095,972</b>	<b>\$ 43,874,334</b>

# RHODE ISLAND LOTTERY

## Schedule of Ratios of Outstanding Debt by Type Last Ten Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Outstanding Debt</b>										
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,268,131	\$ 967,672
<b>Total Debt</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,268,131</u>	<u>\$ 967,672</u>
Debt as a Percentage of Personal Income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amount of Debt per Capita	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1.16	\$ 0.88

**Note:** The RI Lottery adopted GASB Statement No. 87- *Leases* during fiscal year 2022. This schedule is to be reported prospectively until ten years of data are presented.

Source: Rhode Island Lottery

# Rhode Island Demographics

# RHODE ISLAND LOTTERY

## Rhode Island Demographics

### Rhode Island Population by County - As of July 1

Population	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bristol County	49,266	49,100	49,159	48,866	48,787	48,696	48,527	50,774	50,800	50,360
Kent County	164,387	164,526	163,801	163,842	163,657	164,230	164,233	170,386	170,997	171,275
Newport County	83,576	83,457	83,496	83,454	83,099	82,796	82,472	85,508	85,662	84,481
Providence County	631,836	632,995	634,146	635,384	634,525	637,298	637,052	659,920	658,646	657,288
Washington County	126,495	126,433	126,284	126,270	126,486	126,318	125,874	129,757	130,880	130,330
<b>Total Rhode Island Population</b>	<b>1,055,560</b>	<b>1,056,511</b>	<b>1,056,886</b>	<b>1,057,816</b>	<b>1,056,554</b>	<b>1,059,338</b>	<b>1,058,158</b>	<b>1,096,345</b>	<b>1,096,985</b>	<b>1,093,734</b>
Percent Increase/(Decrease)	0.06%	0.09%	0.04%	0.09%	-0.12%	0.26%	-0.11%	3.61%	0.06%	-0.30%

### Total Personal Income, Per Capita Personal Income and Unemployment Rate Data - Calendar Years 2013 - 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Personal Income (in millions)</b>	48,187	50,045	51,775	52,515	54,704	56,919	60,314	64,757	69,837	69,514
<b>Per Capita Personal Income</b>	45,651	47,368	48,945	49,704	51,640	53,791	55,014	59,032	63,663	63,557
<b>Unemployment Rate</b>	9.3%	7.3%	5.8%	5.1%	4.1%	3.7%	3.2%	12.8%	6.3%	2.9%

**Source:** U.S. Census Bureau, U.S. Department of Labor Bureau of Labor Statistics, and Bureau of Economic Analysis

As of result of revised census data, amounts for various years may differ from the amounts presented in the same tables in the June 30, 2022 report.

### State of Rhode Island and Providence Plantations Principal Employers

2022				2013			
Rank	Employer	Employed	% of Total Employment	Rank	Employer	Employed	% of Total Employment
1	Lifespan	13,785	2.50%	1	Lifespan	12,750	2.52%
2	CVS Health Corp	8,600	1.56%	2	Care New England	6,657	1.32%
3	Care New England Health System	7,864	1.43%	3	Southcoast Health Systems	6,485	1.28%
4	General Dynamics Electric Boat	5,132	0.93%	4	CVS Corporation	6,200	1.23%
5	Citizens Financial Group Inc.	4,500	0.82%	5	Royal Bank of Scotland	5,390	1.07%
6	Brown University	4,356	0.79%	6	Electric Boat	2,760	0.55%
7	Naval Undersea Warfare Center	3,576	0.65%	7	Bank of America (Fleet Financial Corp)	2,500	0.49%
8	Fidelity Investments Inc.	3,200	0.58%	8	Walmart Stores Inc.	2,305	0.46%
9	AAA Northeast	3,000	0.54%	9	Amica Mutual Insurance Co	1,554	0.31%
10	Roman Catholic Diocese of Providence	2,550	0.46%	10	Raytheon Integrated Defense System	1,415	0.28%
Total employment		551,000	10.26%	Total employment		506,000	9.51%

**Source:** 2022 information is provided by Providence Business News - Book of Lists

Some employers are not listed because they did not wish to participate.

# RHODE ISLAND LOTTERY

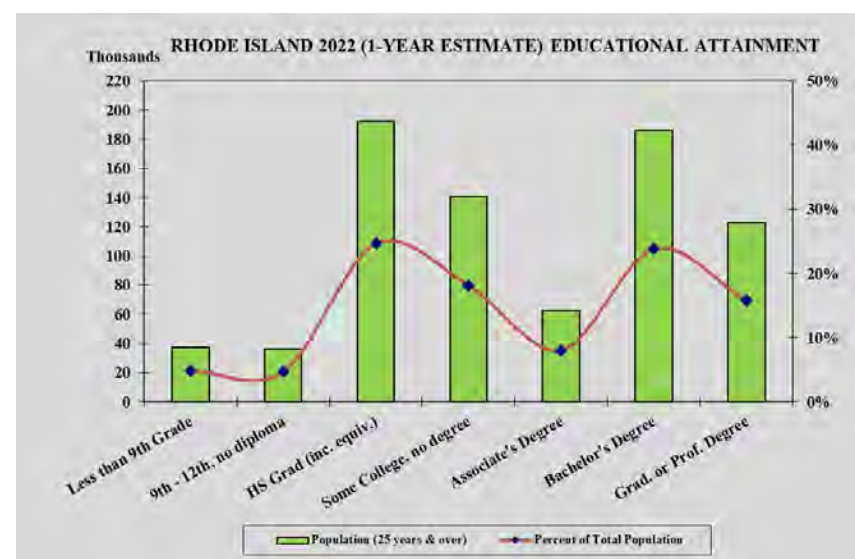
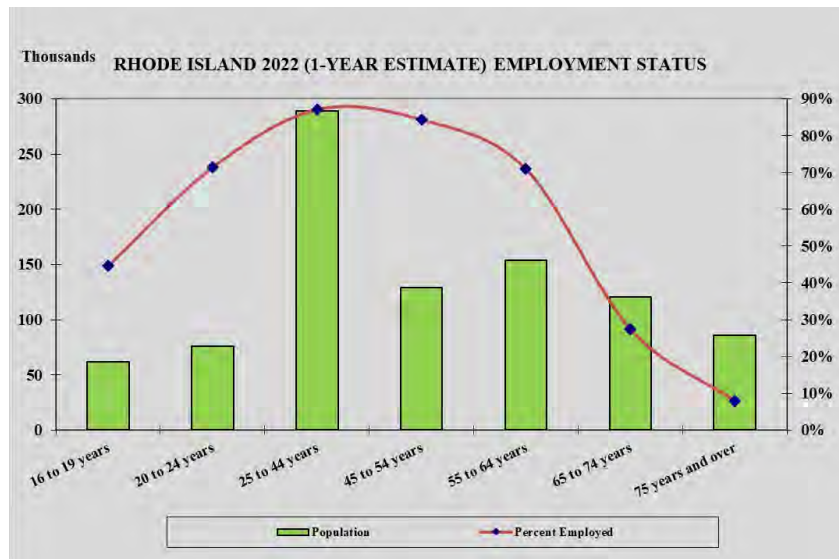
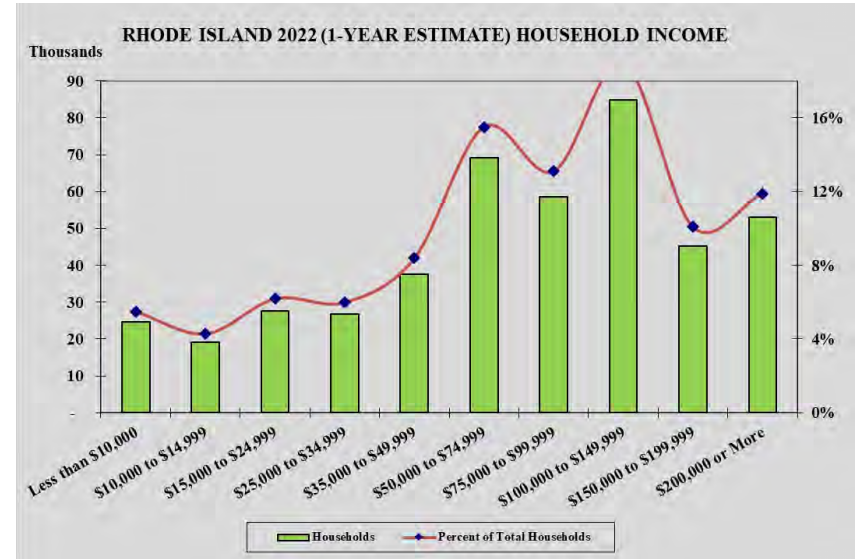
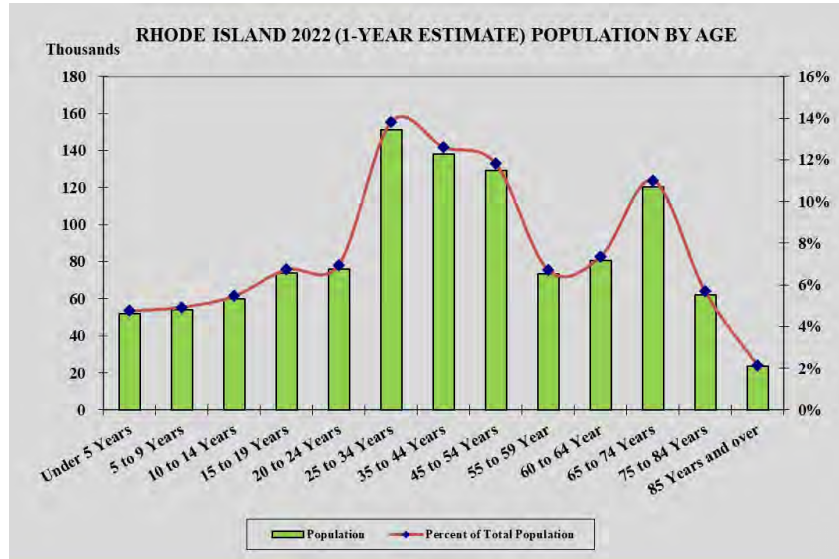
## Rhode Island Lottery Employees by Function

	Total Employees									
Categories	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Officials/Managers/Administrators	8	8	8	8	9	9	9	9	9	11
Professionals	19	16	17	16	18	23	22	20	21	20
Technicians	6	6	6	6	6	7	7	7	7	7
Protective Services	9	10	10	10	10	17	17	16	16	16
Para Professionals	29	27	27	26	28	38	35	36	37	35
Administrative Support	9	9	9	9	8	8	8	7	6	6
Service Management	1	2	2	2	2	2	2	1	2	2
Total	81	78	79	77	81	104	100	96	98	97

Source: Rhode Island Lottery

# RHODE ISLAND LOTTERY

## Rhode Island Demographics



Source: U.S. Census Bureau

Lottery  
Statistics  
—  
National

U.S. LOTTERIES RANKED BY FISCAL YEAR 2023 SALES				U.S. LOTTERIES RANKED BY SALES % CHANGE		
RANK	LOTTERY	FY '22 SALES (\$M)	FY '23 SALES (\$M)	RANK	LOTTERY	% CHANGE
1	New York	10,355.48	10,544.77	1	Wyoming	61.36%
2	Florida	9,324.63	9,801.78	2	North Dakota	34.80%
3	California	8,853.25	9,239.35	3	New Mexico	23.08%
4	Texas	8,296.89	8,725.65	4	Montana	23.03%
5	Massachusetts	5,853.59	6,123.92	5	Virginia	21.16%
6	Ohio	5,628.99	5,818.97	6	New Hampshire	13.15%
7	Georgia	5,553.12	5,679.80	7	Idaho	12.27%
8	Maryland	4,684.14	5,210.51	8	Louisiana	11.92%
9	Pennsylvania	5,121.29	5,117.12	9	North Carolina	11.72%
10	Michigan	4,896.85	4,922.87	10	Iowa	11.30%
11	North Carolina	3,887.05	4,342.71	11	Maryland	11.24%
12	New Jersey	3,634.15	3,726.95	12	Arizona	10.84%
13	Virginia	3,002.40	3,637.75	13	Wisconsin	10.57%
14	Illinois	3,396.28	3,610.07	14	Washington	10.55%
15	South Carolina	2,253.56	2,402.73	15	Nebraska	8.83%
16	Tennessee	2,027.34	2,102.24	16	<b>Rhode Island***</b>	<b>8.73%</b>
17	Missouri	1,779.95	1,792.22	17	Oklahoma	8.42%
18	Indiana	1,702.86	1,746.30	18	Kansas	8.06%
19	Oregon	1,675.35	1,677.66	19	Mississippi	8.05%
20	Arizona	1,368.37	1,516.70	20	Colorado	7.61%
21	Kentucky	1,480.43	1,499.77	21	South Carolina	6.62%
22	Connecticut	1,462.10	1,474.25	22	Minnesota	6.35%
23	West Virginia	1,382.74	1,441.01	23	Maine	6.35%
24	<b>Rhode Island***</b>	<b>944.53</b>	<b>1,027.03</b>	23	Illinois	6.29%
25	Washington	907.69	1,003.45	23	Texas	5.17%
26	Wisconsin	887.82	981.67	26	Florida	5.12%
27	Colorado	826.88	889.78	27	Vermont	4.98%
28	Minnesota	740.16	787.16	28	Arkansas	4.83%
29	Delaware	736.57	758.61	29	Massachusetts	4.62%
30	Louisiana	582.93	652.39	30	California	4.36%
31	New Hampshire	556.31	629.45	31	West Virginia	4.21%
32	Arkansas	579.56	607.56	32	Tennessee	3.69%
33	Iowa	432.66	481.53	33	South Dakota	3.48%
34	Mississippi	432.86	467.73	34	Ohio	3.38%
35	Idaho	376.31	422.50	35	Delaware	2.99%
36	South Dakota	400.70	414.64	36	New Jersey	2.55%
37	Maine	385.80	410.28	37	Indiana	2.55%
38	Oklahoma	350.34	379.83	38	Georgia	2.28%
39	Kansas	312.99	338.20	39	New York	1.83%
40	Nebraska	202.27	220.13	40	Kentucky	1.31%
41	D.C.	207.26	203.54	41	Connecticut	0.83%
42	New Mexico	136.87	168.46	42	Missouri	0.69%
43	Vermont	151.48	159.02	43	Michigan	0.53%
44	Montana	78.72	96.85	44	Oregon	0.14%
45	Wyoming	27.41	44.22	45	Pennsylvania	-0.08%
46	North Dakota	29.18	39.33	46	D.C.	-1.79%
	<b>TOTAL</b>	<b>107,908.12</b>	<b>113,338.45</b>			<b>5.03%</b>
***Above schedule reflects net VLT sales. Results are unofficial and unaudited						
Source: North American Association of State & Provincial Lotteries						



U.S. LOTTERIES RANKED BY FISCAL YEAR 2023 PROFIT				U.S. LOTTERIES RANKED BY PROFIT % CHANGE		
RANK	LOTTERY	FY '22 PROFIT (\$M)	FY '23 PROFIT (\$M)	RANK	LOTTERY	% CHANGE
1	New York	3,608.11	3,685.26	1	Wyoming	103.46%
2	Florida	2,333.50	2,454.00	2	North Dakota	67.86%
3	California	2,077.37	2,273.52	3	Montana	46.67%
4	Texas	1,998.42	2,161.54	4	New Hampshire	29.31%
5	Georgia	1,474.40	1,516.78	5	New Mexico	23.10%
6	Maryland	1,428.27	1,495.51	6	Virginia	23.04%
7	Ohio	1,409.36	1,468.73	7	Arizona	18.14%
8	Michigan	1,249.58	1,280.80	8	Washington	16.73%
9	Massachusetts	1,105.44	1,193.90	9	Illinois	16.45%
10	New Jersey	1,111.00	1,170.00	10	Arkansas	13.79%
11	Pennsylvania	1,195.15	1,102.52	11	Minnesota	13.59%
12	North Carolina	930.83	1,018.93	12	Nebraska	12.82%
13	Virginia	807.69	993.78	13	Idaho	12.33%
14	Illinois	833.57	970.66	14	<b>Rhode Island***</b>	<b>11.84%</b>
15	Oregon	910.50	901.77	15	Oklahoma	11.34%
16	South Carolina	561.82	605.25	16	Louisiana	10.93%
17	West Virginia	545.75	576.46	17	Iowa	10.69%
18	Tennessee	485.58	515.40	18	Kansas	10.13%
19	<b>Rhode Island***</b>	<b>388.64</b>	<b>434.67</b>	19	North Carolina	9.46%
20	Connecticut	405.29	412.85	20	California	9.44%
21	Missouri	386.43	396.87	21	Colorado	8.30%
22	Kentucky	359.33	384.26	22	Texas	8.16%
23	Indiana	346.81	370.25	23	Vermont	8.01%
24	Wisconsin	340.59	324.63	24	Massachusetts	8.00%
25	Arizona	269.52	318.41	25	South Carolina	7.73%
26	Washington	216.84	253.12	26	Kentucky	6.94%
27	Delaware	234.53	244.22	27	Indiana	6.76%
28	Louisiana	191.20	212.09	28	Tennessee	6.14%
29	Minnesota	172.63	196.09	29	West Virginia	5.63%
30	Colorado	180.32	195.29	30	New Jersey	5.31%
31	New Hampshire	146.56	189.51	31	Florida	5.16%
32	South Dakota	179.25	181.95	32	Maryland	4.71%
33	Mississippi	122.88	122.38	33	Ohio	4.21%
34	Arkansas	99.39	113.09	34	Delaware	4.13%
35	Iowa	97.95	108.42	35	Georgia	2.87%
36	Oklahoma	79.34	88.34	36	Missouri	2.70%
37	Kansas	79.11	87.13	37	Michigan	2.50%
38	Idaho	73.00	82.00	38	New York	2.14%
39	Maine	72.09	73.19	39	Connecticut	1.86%
40	Nebraska	49.43	55.77	40	Maine	1.52%
41	New Mexico	41.07	50.56	41	South Dakota	1.51%
42	Vermont	31.07	33.56	42	Mississippi	-0.41%
43	D.C.	40.67	33.45	43	Oregon	-0.96%
44	Montana	16.81	24.66	44	Wisconsin	-4.69%
45	North Dakota	6.72	11.28	45	Pennsylvania	-7.75%
46	Wyoming	3.18	6.48	46	D.C.	-17.75%
	<b>TOTAL</b>	<b>28,697.03</b>	<b>30,389.30</b>			<b>5.90%</b>
***Above schedule reflects net VLT sales.						
Results are unofficial and unaudited						
Source: North American Association of State & Provincial Lotteries						