



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

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2020





  
*This is*  
**WINNING!**

**Jimmy**  
\$10K AR PROGRESSIVE JACKPOT WINNER





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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FOR THE FISCAL YEAR ENDED JUNE 30, 2020

ARKANSAS DEPARTMENT OF  
FINANCE AND ADMINISTRATION

OFFICE OF THE ARKANSAS LOTTERY

AN ENTERPRISE FUND OF  
THE STATE OF ARKANSAS

ASA HUTCHINSON  
GOVERNOR, State of Arkansas

LARRY W. WALTHER  
SECRETARY, Arkansas  
Department of Finance  
and Administration

J. ERIC HAGLER  
DIRECTOR, Office of  
the Arkansas Lottery

PREPARED BY FINANCE DIVISION





**10**  
YEARS

*This is*  
**WINNING!**

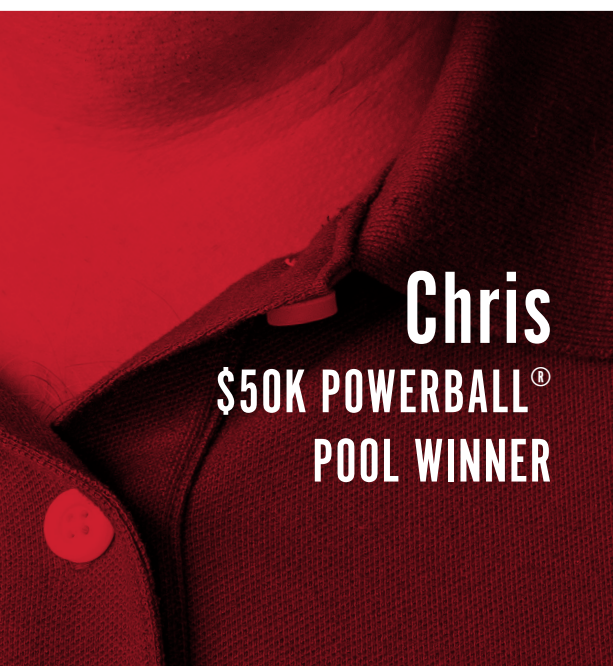


**Becky**  
\$430K NATURAL STATE  
JACKPOT WINNER





  
*This is*  
**WINNING!**



**Chris**  
**\$50K POWERBALL®**  
**POOL WINNER**





ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION  
OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2020

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**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2020**

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*This is*  
**WINNING!**



**Spencer**  
SCHOLARSHIP TO  
ARKANSAS TECH UNIVERSITY







# INTRODUCTORY SECTION



  
*This is*  
**WINNING!**



**Amanda**  
**\$100K INSTANT TICKET WINNER**





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

**OFFICE OF THE SECRETARY**

1509 West 7<sup>th</sup> Street  
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Little Rock, AR 72203-3278  
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November 10, 2020

To the citizens of the State of Arkansas,

The attached report contains a comprehensive overview of the operations of the Office of the Arkansas Lottery (OAL) for the fiscal year ended June 30, 2020. The report details the lottery's performance, finances and products. It also provides information on the students who benefit from lottery proceeds and on the 1,967 independent and chain retail partners who sell our products.

During FY 2020, the OAL celebrated its 10<sup>th</sup> anniversary in September 2019. Since inception through the end of FY 2020, more than \$969 million has been raised in proceeds for scholarships for Arkansas students. During FY 2020, the OAL net proceeds funded to the ADHE Trust Fund \$89.3 million and ADHE distributed scholarships of \$69.5 million to 59,043 deserving students. Three separate scholarships – the Academic Challenge Scholarship, the Arkansas Workforce Challenge Scholarship and the Arkansas Concurrent Scholarship – helped students attend 55 different Arkansas public and private colleges and universities as well as nursing and technical schools.

The OAL paid more than \$30 million in commissions to state lottery retailers during FY 2020, creating tangible economic impact at the local level by providing business owners with added revenue. OAL has paid more than \$284 million to lottery retailers and provided more than \$135 million in state and federal tax revenue since its inception.

In FY 2020, lottery ticket sales reached \$532 million, a record for the organization. Nearly \$370 million of that amount was returned to the citizens of Arkansas by way of prizes awarded.

The promise of the lottery is that of a higher education opportunity for all citizens of our state. That goal can only be met through open, honest, and ethical operations and through meeting the high expectations of the General Assembly and the citizens of Arkansas.

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

Sincerely,

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

Larry W. Walther  
Secretary





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

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Little Rock, Arkansas 72203-3238  
Phone: (501) 683-2000  
Fax: (501) 683-1878  
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**November 10, 2020**

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

We are pleased to submit to you this Comprehensive Annual Financial Report (CAFR) of the Department of Finance and Administration Office of the Arkansas Lottery (OAL) for the fiscal year ended June 30, 2020. The CAFR is prepared in accordance with the requirements set forth in Arkansas Code Annotated (A.C.A.) § 23-115-206(a)(8)(C).

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

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

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

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

## **BACKGROUND**

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

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

## PRODUCTS

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



**INSTANT TICKET GAMES** are played by removing a scratch-off coating from the play area of the ticket. There are various ways to win, including matching certain symbols, adding up to a specified total or otherwise satisfying the requirements listed on the ticket. If the specified condition occurs, the ticket is an instant winner. These play styles are combined with a variety of game themes and ticket prices. Instant games were the first type of games offered by the OAL. For fiscal year ended June 30, 2020, the OAL released 62 instant ticket games with price points of \$1, \$2, \$3, \$5, \$10, and \$20.

**TERMINAL-GENERATED GAMES** allow players to select the numbers for their wager, or players may utilize computer-generated plays. Players receive a ticket with the numbers selected or automatically generated and await the results of a drawing to determine if they have matched the numbers and won. In fiscal year ended June 30, 2020, the OAL sold 8 different types of terminal-generated games: Powerball®, Mega Millions®, Natural State Jackpot, Cash 3, Cash 4, Fast Play, AR Progressive Jackpot Fast Play and Lucky for Life®.



**POWERBALL®** is a multi-state draw game jointly operated by the 38 member lotteries of the Multi-State Lottery Association and sold in 45 states, Washington D.C., Puerto Rico, and the U.S. Virgin Islands. Players select one set of five numbers from a pool of one to 69 and one additional number designated as the "Powerball®" from a second pool of one to 26. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$40 million, which increases for each subsequent draw when the jackpot is not won. Each Powerball® play costs \$2. For an additional \$1, the Power Play® feature allows players to multiply their non-jackpot winnings by 2, 3, 4, 5 or 10 times (the match five prize tier is set at \$2,000,000). A jackpot winner may select either an annuitized prize paid in 30 annual installments or a lump sum payment. Drawings are held every Wednesday and Saturday night. Due to the COVID-19 global pandemic, guaranteed starting jackpot amounts and minimum jackpot increases were temporarily eliminated following the April 8, 2020 drawing and continuing through the end of fiscal year 2020.



**MEGA MILLIONS®** is a second multi-state draw game sold in accordance with a cross-selling agreement between the 10 Mega Millions® member states and the Multi-State Lottery Association. Mega Millions® is sold in 45 states, Washington D.C. and U.S. Virgin Islands. Players select one set of five numbers from a pool of one to 70 and one additional number from a second pool of one to 25. To win the jackpot, all six numbers must be matched. The minimum jackpot amount is \$40 million, which increases for each subsequent draw when the jackpot is not won. Each Mega Millions® play costs \$2. For an additional \$1, the Megaplier® feature allows players to multiply non-jackpot winnings up to five times. A jackpot winner may select either an annuitized prize paid in one immediate payment followed by 29 annual installments or a lump sum payment. Drawings are held every Tuesday and Friday night. Due to the COVID-19 global pandemic, until further notice, starting jackpot amounts will vary based on sales beginning with the April 7, 2020 drawing and continuing through the end of fiscal year 2020.





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



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



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



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



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



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

## PLAYERS CLUB SERVICES

The Lottery offers a players club at MyArkansasLottery.com called The Club. By registering for a free account, players gain access to Lottery news, winning number emails, the Play It Again® and Points for Prizes® programs, and special second-chance drawings. There was a total of 23,629 new player registrations (and 28,008,459 tickets) entered into the program in fiscal 2020, bringing the membership total to 243,023.



The **Play It Again®** program allows players to submit eligible, non-winning instant tickets for entry into cash prize drawings. After the last day to redeem tickets for any eligible instant game(s), one entry is drawn to win a monetary prize. The same entry mechanism gives players both their Play It Again® entry(s) and Points for Prizes® rewards points. There were three Play It Again® drawings held during fiscal year 2020.



The **Points for Prizes®** program gives players loyalty rewards points for eligible instant and terminal-generated tickets entered into their accounts. A player's points accumulate and may be redeemed for merchandise in the Points for Prizes® online store. Merchandise ranges from jewelry and housewares to electronics. There was a total of 326,078,890 points redeemed in the Points for Prizes® program during fiscal year 2020. Points may also be used for special drawing prizes; there were 22 Points for Drawings® held during fiscal year 2020.

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

Points for Drawings®	Entry Period	Drawing Date	# of Winners	# of Entries
BOSE Audio Sunglass Set	6/11/2019 - 7/15/2019	7/16/2019	3	11,347
Weber Grill	5/14/2019 - 7/15/2019	7/16/2019	2	30,136
Smart Home Security Bundle	7/16/2019 - 8/19/2019	8/20/2019	3	22,550
Lawn Care Package	5/14/2019 - 8/19/2019	8/20/2019	1	61,567
JBL Bluetooth Party Speaker	8/20/2019 - 9/16/2019	9/17/2019	3	16,066
Spirit Fitness Bundle	7/16/2019 - 9/16/2019	9/17/2019	2	13,767
Amazon Fire Bundle	9/17/2019 - 10/14/2019	10/15/2019	3	30,979
iRobot Roomba	10/15/2019 - 11/11/2019	11/12/2019	3	33,927
Holiday Décor Package	9/17/2019 - 11/11/2019	11/12/2019	2	19,751
Outdoor TV and Speakers	8/20/2019 - 11/11/2019	11/12/2019	1	37,062
Apple Watch	11/12/2019 - 12/16/2019	12/17/2019	3	41,924
Apple iPad Minis	12/17/2019 - 1/13/2020	1/14/2020	3	33,189
Apple iPhone 11 Bundle	11/12/2019 - 1/13/2020	1/14/2020	2	104,982
Apple AirPods Pro	1/14/2020 - 2/10/2020	2/11/2020	3	40,229
HP Computer Bundle	11/12/2019 - 2/10/2020	2/11/2020	1	68,082
LG 43" Smart TV's	2/11/2019 - 3/9/2020	3/10/2020	3	75,439
Dyson Bundle	1/14/2020 - 3/9/2020	3/10/2020	2	34,820
Weber Smokey Mountain Cookers	3/10/2020 - 4/13/2020	4/14/2020	3	36,091
Amazon Smart Home Package	4/14/2020 - 5/12/2020	5/13/2020	3	56,829
Outdoor Adventure Packages	3/10/2020 - 5/11/2020	5/12/2020	2	42,414
Weekend Warrior Package	2/11/2020 - 5/11/2020	5/12/2020	1	27,794
Canon DSLR	5/13/2020 - 6/9/2020	6/10/2020	3	47,151



## **ECONOMIC CONDITIONS AND OUTLOOK**

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

### **GROSS DOMESTIC PRODUCT**

GDP is the broadest measure of economic activity. The economic output of the national economy, as measured by GDP, expanded each quarter since the third quarter of calendar year 2009, when the OAL first started selling lottery tickets, until the first quarter of calendar year 2020. Due to the Coronavirus pandemic, the GDP declined for the first and second quarters of calendar year 2020. Whereas GDP grew by an average of 2.5% during the third and fourth quarters of calendar year 2019, the GDP declined by an average of 18.4% during the first half of calendar year 2020.

### **STATE PERSONAL INCOME**

Personal income consists of wages and salaries, dividends, interest, rent, and transfer payments such as Social Security and other retirement incomes. Personal income does not include realized capital gains from the sale of assets. Personal income for the State of Arkansas, measured in current dollars, reached \$147.295 billion at the end of the June 30, 2020 fiscal year. This represented an increase in personal income of \$6.231 billion, or 4.7% from fiscal year ended June 30, 2019. For the fiscal year ending June 30, 2021, personal income is forecast at \$151.508 billion (current dollars) an increase of \$4.213 billion or 2.9% over the fiscal year ended June 30, 2020.

### **ARKANSAS WAGE AND SALARY DISBURSEMENTS**

Measured in current dollars, wage and salary disbursements were \$59.873 billion for the June 30, 2020 fiscal year, an increase of \$0.743 billion or 1.3% from the June 30, 2019 fiscal year. Wage and salary disbursements for the fiscal year ending June 30, 2021 are forecast at \$61.603 billion (current dollars), an increase of \$1.730 billion or 2.9% from the June 30, 2020 fiscal year.

### **EMPLOYMENT**

In fiscal year 2020, revised payroll employment in Arkansas averaged 1,254,390 jobs. This represented a decrease of approximately 19,540 jobs or -1.5% compared to fiscal year 2019. In fiscal year 2021, payroll employment is expected to average 1,236,450 jobs. This represents a projected decrease of approximately 17,940 jobs or -1.4% from fiscal year 2020. The unemployment rate for the State of Arkansas finished the June 30, 2020 fiscal year end at 8.0%.

## **HIGHLIGHTS OF THE PAST YEAR**

Management's discussion and analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. In addition to financial accomplishments, other noteworthy accomplishments during fiscal year 2020 included:

- Surpassing \$5 billion in ticket sales since the lottery's inception.
- Surpassing \$3.3 billion in prizes paid to players since the lottery's inception.
- Transferring over \$969 million to the ADHE for the purpose of funding scholarships since the lottery's inception, including transfers of nearly \$89.3 million for June 30, 2020 fiscal year.
- The ADHE awarded nearly \$89 million in scholarships during the fall 2019 and spring 2020 semesters.

## RELEVANT FINANCIAL POLICIES

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

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

**Shortfall Reserve:** In accordance with the Arkansas Scholarship Lottery Act, legislation was enacted which required the OAL to establish a Scholarship Shortfall Reserve Trust Account. As of June 30, 2020, the Scholarship Shortfall Reserve Trust Account was fully funded in the amount of \$20 million.

## INTERNAL CONTROL ENVIRONMENT

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

## GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the OAL for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the eighth consecutive year that the OAL has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. Management believes that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and as required by the requirements of the Arkansas Scholarship Lottery Act, we are submitting it to the GFOA to determine its eligibility for another certificate.

## OTHER INFORMATION

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



## ACKNOWLEDGEMENTS

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

Respectfully submitted,

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

J. Eric Hagler  
Director

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

Jerold Fetzer  
Chief Fiscal Officer

# Mission

The Office of the Arkansas Lottery (OAL) is a self-supporting and revenue-producing agency of the State of Arkansas. The Arkansas Constitution states that the OAL's net proceeds, through administration of the Department of Education - Arkansas Division of Higher Education (ADHE), will provide scholarships and grants to citizens of the State of Arkansas enrolled in public and private nonprofit two-year and four-year colleges and universities located within the state, and supplement, not supplant, non-lottery educational resources.

# Vision

OAL's vision is to operate the lottery in a world-class manner. Every aspect of the operation will function at a level of excellence, with the intent to maintain integrity through openness, honesty and hard work.

Achieving this level of performance requires a talented and well-trained workforce. With this understanding, we want to be known for our integrity and employing the brightest, best and most diverse workforce, as well as for our support of responsible gaming.

We control our expenses in an attempt to give the legislature as much money as possible to allocate toward education in Arkansas. These dollars should go to the support of a broad range of educational benefits across the entire age spectrum.

# Values

OAL's values include:

**INTEGRITY:** We maintain public trust through our high ethical standards.

**SECURITY AND OVERSIGHT:** Built-in standards and processes at every step to ensure the integrity of the games and administration of the OAL.

**EDUCATION:** The purpose of sustaining support for the educational funding of Arkansas.

**PLAYING RESPONSIBLY:** We strongly support the concept of playing responsibly.

**TREATING ALL STAKEHOLDERS FAIRLY:** Employees, retailers, players and vendors are all to be treated fairly.

**QUALITY PRODUCTS:** Offering the finest products and a program of continuous improvement.

**FISCAL RESPONSIBILITY:** Managing our resources in order to maximize the dollars that support education in Arkansas, and create sustainable growth.

**NON-POLITICAL:** The OAL will operate free of political influence with integrity, security and dignity in a manner that achieves the mission, maximizes revenues, and is accountable to the public and General Assembly through regular reports and audits.



# DEPARTMENT OF FINANCE & ADMINISTRATION SECRETARY LARRY WALTHER

INTERNAL AUDITOR  
WILLIAM CHAD MILLER

AUDITOR  
KENNETH ERIC BROWN

AUDITOR  
VACANT

## COLOR KEY

- DIRECTOR
- AUDIT/LEGAL/OTHER
- GAMING
- MARKETING & ADVERTISING
- ACCOUNTING/CLAIMS/I.T.
- SECURITY & COMPLIANCE
- SALES

CHIEF LEGAL COUNSEL  
MICHAEL HELMS

OFFICE COORDINATOR  
PATTI VICK

**DIRECTOR  
J. ERIC HAGLER**

FINANCIAL ANALYST  
BRANDI RATCLIFF

RECEPTIONIST  
CONNIE ROY

CHIEF FISCAL OFFICER  
JERRY FETZER

CONTROLLER  
TERRY WILLIAMS

ACCOUNTANT  
CYNTHIA MATTHEWS

NETWORK ENGINEER  
VACANT

APPLICATION SUPPORT SPECIALIST  
KYLE HESTES

TREASURER  
TIM PARRISH

COLLECTIONS SPECIALIST  
PAUL LAWSON

FISCAL SPECIALIST  
CASEY HARGIS

CLAIMS CENTER MANAGER  
SANDRA CUMMINGS

CLAIMS ASSISTANT  
CALEB JACKSON

CLAIMS ASSISTANT  
CYNTHIA PUMPHREY

SALES DIRECTOR  
MARK HEARN

KEY ACCOUNTS MANAGER  
ELLEN SEATON

REGIONAL SALES MANAGERS  
ANDY BERNAT  
VACANT

MARKETING SALES  
REPRESENTATIVES

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BARBARA CAMPBELL	SUSAN KNOLL
CINDY CARLOCK	ELIZA MOORE
LINDA CHAMBERS	ALI MUSTAFA
RICK CONRAD	ALLISON PAIGE
ELIZABETH FINDLEY	GAYE ANN PIUSCH
JEFF FITCH	DON SMITH
CHARLES FREEMAN	DEBBIE STOBAUGH
DIANNE GIBBS	SAM TATOM
BRIAN GORDON	LATONYALYN WHITE



ARKANSAS DEPARTMENT OF FINANCE & ADMINISTRATION  
OFFICE OF THE ARKANSAS LOTTERY | 2020 CAFR

## ORGANIZATIONAL CHART

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MIKE SMITH

SR. DATABASE ADMINISTRATOR  
SAM BURKS

PRODUCT MANAGER  
BOB COLEMAN

PRODUCT MANAGER  
LINDSEY TEAGUE

PRODUCT MANAGER  
OLIVIA SLOAN

DEPUTY IT GAMING DIRECTOR  
ANITA JUNIOR

QA SYSTEMS ANALYST  
CLIFF RASSMANN

LEAD COMPUTER OPERATOR  
CHRIS PABIN

COMPUTER OPERATOR  
ANTTWN ROSS

COMPUTER OPERATOR  
JOSHUA SMITH

SECURITY & COMPLIANCE DIRECTOR  
ANGELA SPRINGER

SECURITY DEPUTY DIRECTOR  
VACANT

LICENSING MANAGER  
JENNIFER "DANI" SMITH

LICENSING SPECIALIST  
BRANDI BRASWELL

LICENSING SPECIALIST  
BROOKE JACKSON

LICENSING SPECIALIST  
DEKEATRICK CALVIN

IT SECURITY ANALYST  
JAMES HEDRICK

SENIOR SECURITY SPECIALIST  
JUSTIN WEBB

SECURITY SPECIALIST  
MICHAEL TENSION

SECURITY SUPPORT SPECIALIST  
VACANT

DRAW MANAGER  
JAMES SPRINGER

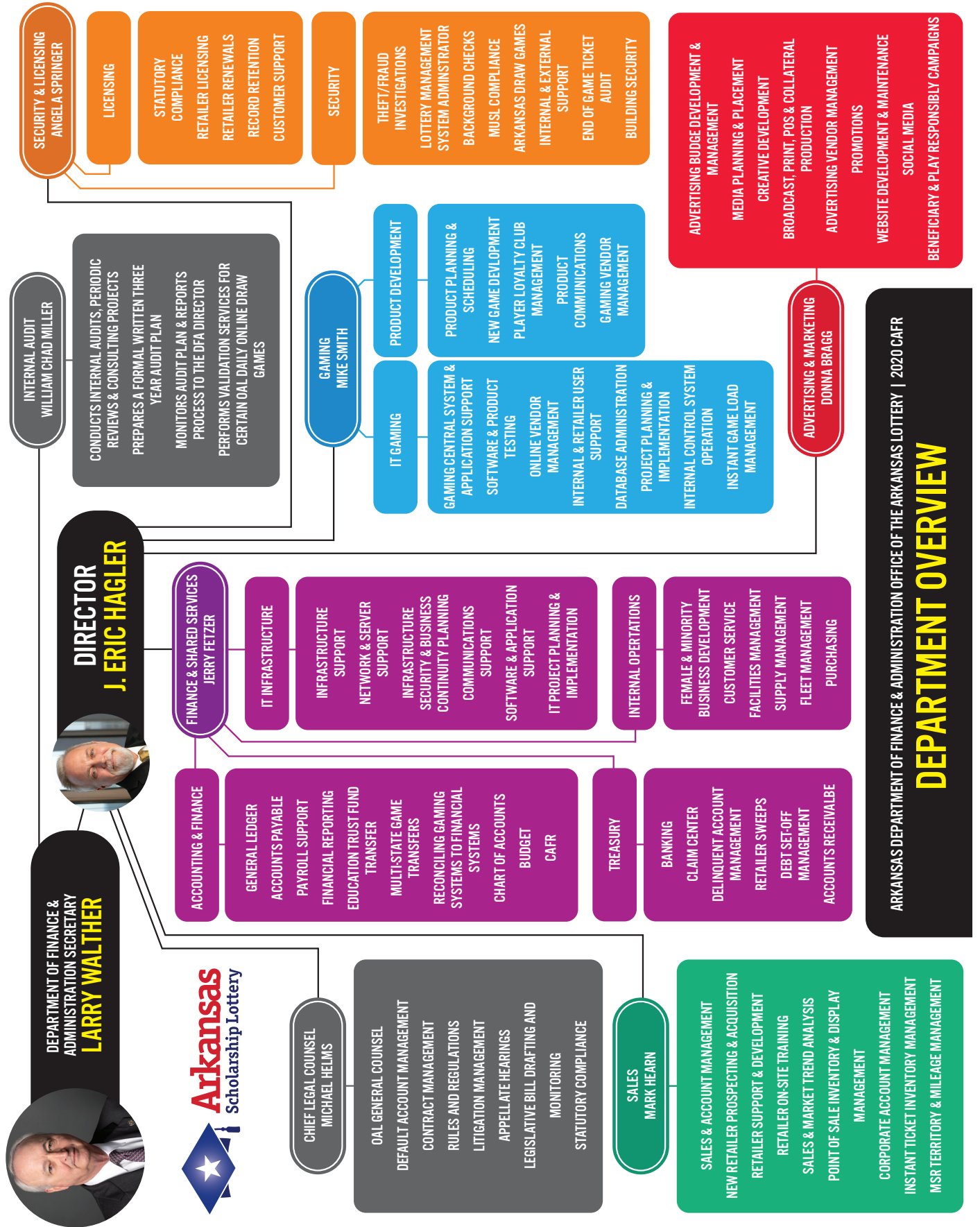
DRAW MANAGER  
STAN TURNEY

MARKETING/ADVERTISING DIRECTOR  
DONNA BRAGG

GRAPHIC SPECIALIST  
JASON JOBE

CAMPAIGN COORDINATOR  
KARA LEE FORD

PUBLICATION SPECIALIST  
TIFFANY MCNEAL







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

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO



# FINANCIAL SECTION





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

Rep. Richard Womack  
House Chair  
Rep. DeAnn Vaught  
House Vice Chair

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

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

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the major fund of the Department of Finance and Administration - Office of the Arkansas Lottery, an office of Arkansas state government, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department of Finance and Administration - Office of the Arkansas Lottery's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the Department of Finance and Administration - Office of the Arkansas Lottery as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



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

As indicated above, the financial statements of the Department of Finance and Administration - Office of the Arkansas Lottery are intended to present the financial position, the changes in financial position, and cash flows of the major fund of the State that is attributable to the transactions of the Department of Finance and Administration - Office of the Arkansas Lottery. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2020, the changes in its financial position, or its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of the Department of Finance and Administration - Office of the Arkansas Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Department of Finance and Administration - Office of the Arkansas Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department of Finance and Administration - Office of the Arkansas Lottery's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
November 10, 2020  
SA1661320



# MANAGEMENT'S DISCUSSION & ANALYSIS







  
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**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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As the Management of the Arkansas Department of Finance and Administration (DFA) Office of the Arkansas Lottery (OAL), we offer readers of the OAL's financial statements this narrative overview and analysis of the financial activities of the OAL for the fiscal year ended June 30, 2020. Please read it in conjunction with the OAL's financial statements, which follow this section.

**FINANCIAL AND OPERATING HIGHLIGHTS**

- Operating revenues for the OAL increased by \$15.8 million in fiscal year 2020 compared to fiscal year 2019, an increase of 3.1%. Instant ticket sales for fiscal year 2020 increased by \$44.5 million, or 10.9%, over fiscal year 2019 sales. Online ticket sales for fiscal year 2020 decreased by \$28.5 million, or -26.5%, from fiscal year 2019. For fiscal year 2020, Powerball® sales decreased by \$13.6 million or -39.9%, from fiscal year 2019, while sales for Mega Millions® decreased by \$16.7 million, or -49.7%. The other online games, Fast Play, Cash 3, Cash 4, Natural State Jackpot and Lucky for Life®, had a total sales increase for fiscal year 2020 of \$1.8 million or 4.5%, as compared to fiscal year 2019.
- The OAL's operating expenses increased in fiscal year 2020 compared to the previous fiscal year by \$23.1 million or 5.5%. This increase was primarily related to a \$32.2 million, or 11.0% increase in instant game prizes expense, which was partially offset by a \$12.4 million, or -22.1%, decrease in online prizes expense. Gaming contract costs increased by \$2.7 million or 11.3% and retailer commissions increased by \$1.0 million or 3.6%. Such expense increases and decreases were consistent with the increase of instant ticket sales and the net decrease of online ticket sales.
- For fiscal year 2020 total transfers of net proceeds to the various Trust Accounts were \$89.3 million, which was \$9.4 million, or -9.5% less than the prior fiscal year transfers of \$98.6 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The statement of net position presents information on all of the OAL's assets and deferred outflows of resources, as compared to its liabilities and deferred inflows of resources, with the difference between the two groupings reported as net position. However, in the opinion of management, the increase in net position for fiscal year ended June 30, 2020 does not necessarily reflect the true condition of the OAL's financial position, because, by statute, the OAL is required to transfer all accumulated net proceeds each month, net of unclaimed prizes, to the Education Trust Account, as a fiduciary account to be used only to fund Academic Challenge college scholarships. Also, on June 30 of each fiscal year, the OAL is required, by statute, to transfer the accumulated unclaimed prizes reserve, less \$1 million, which is held back, to the Education Trust Account. Also, by statute, at June 30 of each fiscal year the OAL must transfer any excess net proceeds, which exceed the amounts actually required by the Department of Education - Arkansas Division of Higher Education (ADHE) to fund scholarships during the fiscal year, to the Workforce Challenge Trust Account. Also, any refunds of net proceeds or expenses from ADHE during a fiscal year must be placed in the Workforce Challenge Trust Account as a fiduciary account to be used only to fund Workforce Challenge, Concurrent Challenge, or Academic Support scholarships.



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

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

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

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

**FINANCIAL ANALYSIS**

**Net Position**

The OAL's total net position at June 30, 2020 and 2019 were as follows:

Condensed Summary of Assets, Liabilities and Net Position

	June 30, 2020	June 30, 2019
Current assets	\$ 139,377,887	\$ 115,028,947
Non-current assets	23,015,353	23,396,529
Capital assets	1,782,439	1,249,343
Total assets	164,175,679	139,674,819
Deferred outflows of resources	1,897,707	1,138,102
Total assets and deferred outflows	\$ 166,073,386	\$ 140,812,921
Current liabilities	\$ 144,985,321	\$ 121,700,636
Long term liabilities	9,429,631	7,819,871
Total liabilities	154,414,952	129,520,507
Deferred inflows of resources	726,642	1,055,547
Total liabilities and deferred inflows	155,141,594	130,576,054
Net position:		
Invested in capital assets	1,782,439	1,249,343
Restricted	24,015,353	24,496,529
Unrestricted (Deficit)	(14,866,000)	(15,509,005)
Total net position	10,931,792	10,236,867
Total liabilities, deferred inflows and net position	\$ 166,073,386	\$ 140,812,921

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Assets consisted primarily of cash and cash equivalents which were \$137.7 million and \$118.8 million at June 30, 2020 and 2019 respectively. Accounts receivable were \$17.7 million and \$13.1 million at June 30, 2020 and 2019 respectively. Capital assets, net of depreciation, were \$1.8 million and \$1.2 million at June 30, 2020 and June 30, 2019 respectively.

At June 30, 2020 the OAL's liabilities consist primarily of amounts due to ADHE, accrued prizes payable, other accrued operating expenses, the net pension obligations and other post employment benefits obligations. Also, at June 30, 2020 total liabilities and deferred inflows of resources were \$155.1 million which was an increase of \$24.6 million or 18.8% from June 30, 2019.

At June 30, 2020 the OAL's total assets and deferred outflows of resources exceed its total liabilities and deferred inflows of resources resulting in total net position of approximately \$10.9 million. This is an increase in total net position of \$0.7 million or 6.8% from June 30, 2019. Also, at June 30, 2020 the restricted net position was approximately \$24.0 million, which is a decrease of \$0.5 million, or -2.0% from June 30, 2019. Unrestricted net position (deficit) for fiscal year 2020 was \$-14.9 million which was a decrease in the deficit of \$0.6 million, or 4.1%, from the prior fiscal year. This deficit relates primarily to timing differences related to the adjusted cash basis accounting method used to calculate net proceeds for transfer to ADHE and due to the change in liability for the OAL's unfunded portion of its OPEB liability. In the unlikely event that the OAL ever ceases operations, the Arkansas State Legislature may be required to resolve this deficit in unrestricted net position.

**Statement of Revenues, Expenses and Changes in Net Position**

During fiscal year 2020, the OAL's activities resulted in net proceeds transfers to the various Trust Accounts of \$89.3 million, which was \$9.4 million or -9.5% lower than the prior fiscal year. Also, as previously discussed, the total net position of the OAL increased by \$0.7 million from the prior fiscal year. This increase was primarily due to timing differences related to the accounting method used to calculate net proceeds. The key elements of the revenues, expenses and changes in net position for the fiscal year ended June 30, 2020, with comparative information for fiscal year 2019 are shown on the following page.



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<u>Summary of Revenues, Expenses and Changes in Net Position</u>		
	<u>2020</u>	<u>2019</u>
Operating revenues		
Instant ticket sales	\$ 452,281,204	\$ 407,825,514
Online ticket sales	79,161,657	107,667,993
Retailer fees	489,153	728,897
Other operating revenue	69,221	14,439
Total operating revenues	<u>532,001,235</u>	<u>516,236,843</u>
Operating expenses		
Instant game prizes	325,816,713	293,635,992
Online game prizes	43,791,459	56,240,230
Commissions and contract costs	56,468,804	52,754,402
General and administrative expenses	17,049,794	17,704,213
Services provided by other agencies	628,495	559,264
Depreciation	409,285	123,426
Total operating expenses	<u>444,164,550</u>	<u>421,017,527</u>
Operating income	87,836,685	95,219,316
Non-operating revenue		
Interest Income	<u>2,123,634</u>	<u>2,569,816</u>
Income before transfers	89,960,319	97,789,132
Transfers to		
Trust Accounts	<u>(89,265,394)</u>	<u>(98,639,040)</u>
Increase (Decrease) in net position	694,925	(849,908)
Beginning net position	<u>10,236,867</u>	<u>11,086,775</u>
Ending net position	<u>\$ 10,931,792</u>	<u>\$ 10,236,867</u>

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**OPERATING REVENUES**

**Games Sales**

The OAL's games revenues are made up of a variety of instant and online lottery products. The OAL is an active member of a joint venture arrangement with the Multi-State Lottery Association (MUSL). Powerball®, Mega Millions® and Lucky for Life® are online games operated under MUSL. The OAL also operates Fast Play, Cash 3, Cash 4, and Natural State Jackpot which are all online games. The table below shows instant ticket sales and sales for online lottery games for the fiscal years ended June 30, 2020 and 2019.

<u>Lottery Games Sales for Years Ended June 30, 2020 and 2019</u>				
Game	2020	2019	Change	% Change
Instant ticket sales	\$ 452,281,204	\$ 407,825,514	\$ 44,455,690	10.9%
Powerball®	20,530,932	34,162,016	(13,631,084)	-39.9%
Mega Millions®	16,863,474	33,552,661	(16,689,187)	-49.7%
Fast Play	16,662,501	15,329,643	1,332,858	8.7%
Natural State Jackpot	8,027,906	9,303,843	(1,275,937)	-13.7%
Cash 3	9,060,396	7,677,433	1,382,963	18.0%
Cash 4	5,045,304	4,430,761	614,543	13.9%
Lucky for Life®	2,971,144	3,211,636	(240,492)	-7.5%
Total games sales	<u>\$ 531,442,861</u>	<u>\$ 515,493,507</u>	<u>\$ 15,949,354</u>	3.1%

The OAL experienced an increase in total lottery ticket sales of \$15.9 million or 3.1% for fiscal year 2020 as compared to fiscal year 2019. Instant ticket sales continued to be the OAL's most popular product contributing 85.1% and 79.1% to total fiscal year sales for 2020 and 2019 respectively. For fiscal year 2020, instant ticket sales increased by \$44.5 million, or 10.9%, while online games sales decreased by \$28.5 million, or -26.5%.

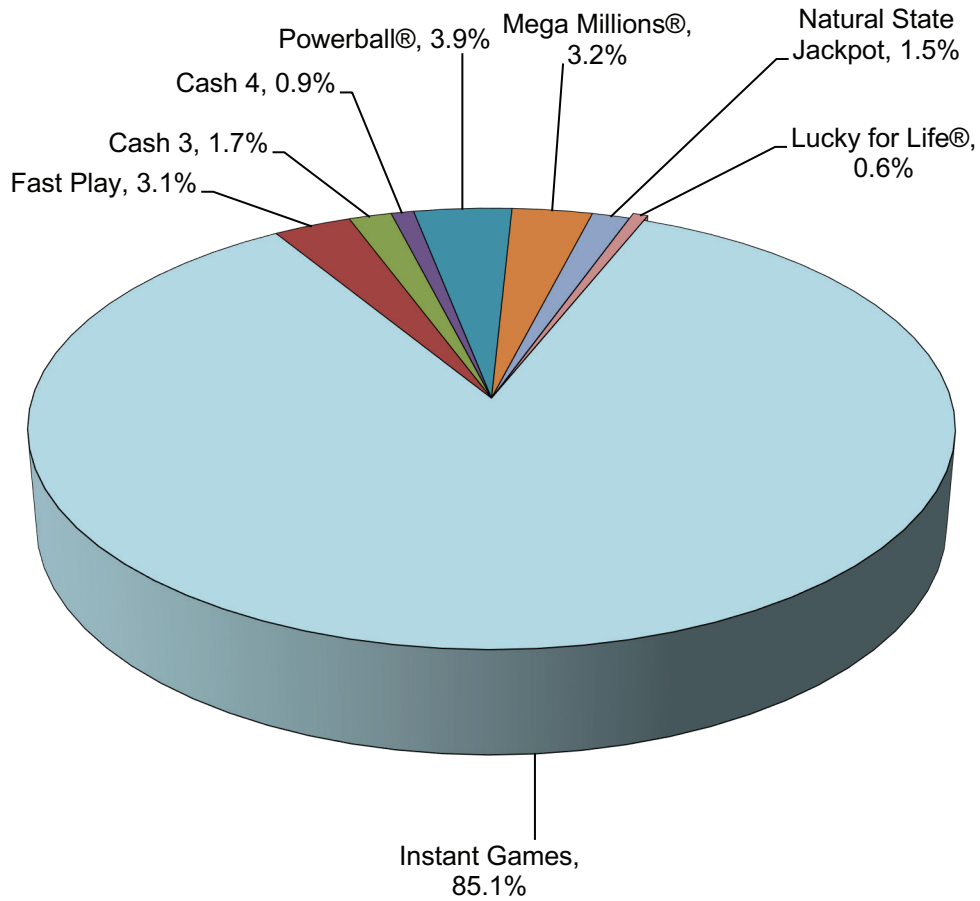
For fiscal year 2020 Mega Millions® had a \$16.7 million, or -49.7%, decrease in sales over the prior fiscal year while Powerball® had a \$13.6 million, or -39.9%, decrease in sales from the prior fiscal year. Also, for fiscal year 2020, Fast Play had a \$1.3 million, or 8.7%, increase in sales, Cash 3 sales increased by \$1.4 million, or 18.0% and Cash 4 sales also increased by \$0.6 million or 13.9%. Natural State Jackpot had a \$1.3 million, or -13.7%, decrease in sales and Lucky for Life® sales also decreased by \$0.2 million, or -7.5%.



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The graph below summarizes the fiscal year 2020 sales as a percent of total ticket revenues:

**Fiscal Year 2020 Lottery Game Revenues as a Percent of Sales**



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**OPERATING EXPENSES**

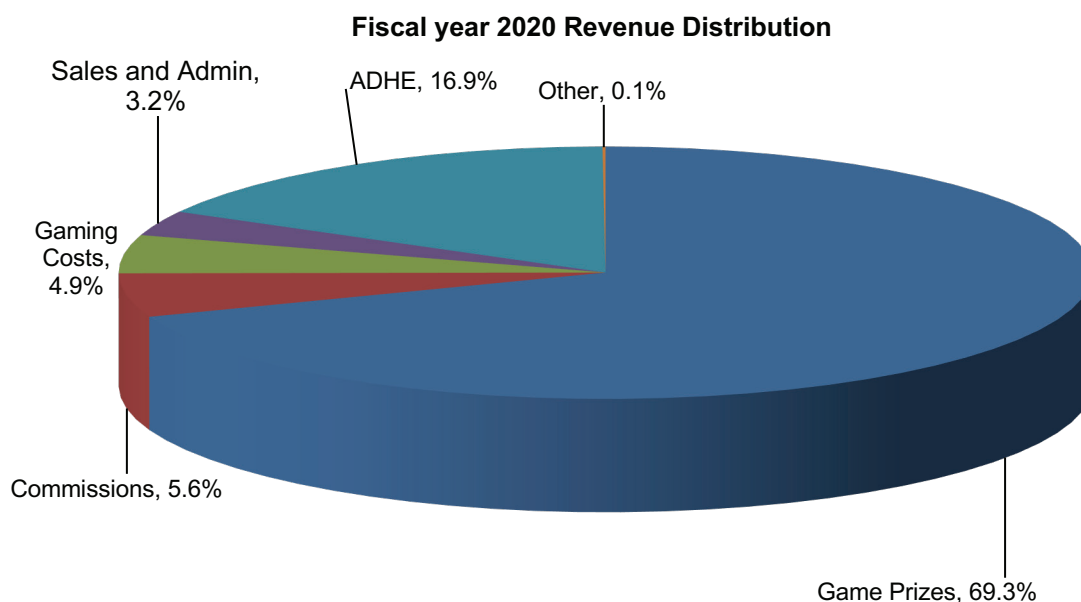
**Prizes**

Prizes are the largest operating expense the OAL incurs. Fiscal year 2020 prizes expense of \$369.6 million reflects a \$19.7 million or 5.6% increase from fiscal year 2019 prizes expense of \$349.9 million. This overall increase in prizes expense relates primarily to the significant increase in instant ticket sales experienced in fiscal year 2020.

The following table shows prizes expense by lottery game for the years ended June 30, 2020 and 2019 respectively.

Game Prizes Expense	Game Prizes Expense			
	2020	2019	Change	% Change
Instant Game prizes	\$325,816,713	\$293,635,992	\$32,180,721	11.0%
Powerball®	9,436,827	16,302,877	(6,866,050)	-42.1%
Mega Millions®	8,207,937	16,059,601	(7,851,664)	-48.9%
Natural State Jackpot	4,614,507	4,957,513	(343,006)	-6.9%
Lucky for Life®	1,395,287	1,632,505	(237,218)	-14.5%
Fast Play	13,110,591	12,127,184	983,407	8.1%
Cash 3	4,350,410	3,415,250	935,160	27.4%
Cash 4	2,675,900	1,745,300	930,600	53.3%
Total game prizes expense	<u>\$369,608,172</u>	<u>\$349,876,222</u>	<u>\$19,731,950</u>	5.6%

Distribution of the fiscal year 2020 revenues were as follows:





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The following table shows sales profit margin for instant and online games by for the years ended June 30, 2020 and 2019.

**Game Profit Margins**

	<u>Instant Tickets</u>		<u>Online Games</u>	
	2020	2019	2020	2019
Game revenues	\$ 452,281,204	\$ 407,825,514	\$ 79,161,657	\$ 107,667,993
Prizes expense	325,816,713	293,635,992	43,791,459	56,240,230
Gross profit	<u>\$ 126,464,491</u>	<u>\$ 114,189,522</u>	<u>\$ 35,370,198</u>	<u>\$ 51,427,763</u>
Gross profit margin percentage	28.0%	28.0%	44.7%	47.8%

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

**Other Operating Expenses**

In addition to prizes expense, other operating expenses include retailer commissions, gaming contract costs, marketing and advertising costs, general administrative costs and depreciation. These other operating expenses totaled \$74.6 million and \$71.1 million for fiscal years 2020 and 2019 respectively.

The table below shows the operating profit margin, which is the OAL's total operating revenues less its total operating expenses, for the years ended June 30, 2020 and 2019 respectively.

	<u>Operating Profit Margin</u>			
	2020	2019	Change	Percent Change
Operating revenues	\$ 532,001,235	\$ 516,236,843	\$ 15,764,392	3.1%
Operating expenses	444,164,550	421,017,527	23,147,023	5.5%
Operating Income	<u>\$ 87,836,685</u>	<u>\$ 95,219,316</u>	<u>\$ (7,382,631)</u>	-7.8%
Profit margin	16.5%	18.4%		

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**NON-OPERATING REVENUES AND TRANSFERS**

Non-operating revenues were primarily related to interest income of \$2,123,634 and \$2,569,816 for the years ended June 30, 2020 and 2019 respectively.

In fiscal years 2020 and 2019, net transfers of \$89.3 million and \$98.6 million respectively were made into the Education Trust Fund and Workforce Trust Fund accounts. The transfers for scholarships from the Education Trust Fund bank account to ADHE were \$73.0 million for fiscal year 2020 as compared to \$75.0 million for fiscal year 2019. The transfers for scholarships from the Workforce Trust Fund bank account to ADHE were \$1.0 million for fiscal year 2020 as compared to \$1.0 million for fiscal year 2019.

**CAPITAL ASSETS**

At June 30, 2020 the OAL had \$1.8 million in net capital assets as compared to \$1.2 million in net capital assets at the prior fiscal year end. Capital assets are primarily composed of equipment and leasehold improvements. These capital assets are depreciating over their estimated useful lives of 5 to 10 years. A summary of the changes in the major capital asset groups is provided in the table below and more detailed information on capital assets may be found in Note 10 of the notes to the financial statements.

	<u>Capital Assets</u>		Total %
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Assets under construction	\$ 0	\$ 786,250	-100.0%
Equipment	2,793,071	1,064,439	162.4%
Leasehold improvements	492,796	492,796	0.0%
Total Capital Assets	3,285,867	2,343,485	40.2%
Less: Accumulated depreciation	(1,503,428)	(1,094,142)	37.4%
Net Capital Assets	<u>\$ 1,782,439</u>	<u>\$ 1,249,343</u>	42.7%

**CONTACT INFORMATION**

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







# BASIC FINANCIAL STATEMENTS





**James**  
**\$10K INSTANT**  
**TICKET WINNER**



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

**ASSETS**

<b>Current assets:</b>	
Cash and cash equivalents	\$ 4,033,118
Restricted assets:	
Cash and cash equivalents	113,146,586
Accounts receivable	17,691,125
Receivable from other funds of the State	4,466,098
Prepaid items	40,960
Total current assets	<u>139,377,887</u>
<b>Non-current assets:</b>	
Restricted assets:	
Cash and cash equivalents	20,500,000
Deposits with Multi-State Lottery Association	2,515,353
Capital assets-net	1,782,439
Total non-current assets	<u>24,797,792</u>
 Total assets	 <u>164,175,679</u>
<b>Deferred outflows of resources:</b>	
Related to pension	931,662
Related to other post employment benefits	966,045
Total deferred outflows of resources	<u>1,897,707</u>
 Total assets and deferred outflows of resources	 <u>\$ 166,073,386</u>

**LIABILITIES**

<b>Current liabilities:</b>	
Accounts payable	\$ 919,751
Prizes payable	22,494,925
Accrued and other liabilities	3,935,495
Due to other funds of the State	557,847
Due to Education Trust Account	31,238,197
Due to Workforce Challenge Trust Account	85,374,412
Compensated absences	71,596
Net other post employment benefits	114,673
Unearned revenue	278,425
Total current liabilities	<u>144,985,321</u>
<b>Long-Term liabilities:</b>	
Net other post employment benefits	4,426,990
Compensated Absences	355,846
Net pension liability	4,646,795
Total long-term liabilities	<u>9,429,631</u>
 Total liabilities	 <u>154,414,952</u>
<b>Deferred inflows of resources:</b>	
Related to pension	338,626
Related to other post employment benefits	388,016
Total deferred inflows of resources	<u>726,642</u>
 Total liabilities and deferred inflows of resources	 <u>155,141,594</u>

**NET POSITION**

<b>Net position:</b>	
Invested in capital assets	1,782,439
Restricted for:	
Scholarship shortfall reserve	20,000,000
Retailer bond reserve	500,000
Deposits with Multi-State Lottery Association	2,515,353
Unclaimed prizes reserve	1,000,000
Unrestricted (deficit)	<u>(14,866,000)</u>
 Total net position	 <u>10,931,792</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 166,073,386</u>

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



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**For the Year Ended June 30, 2020**

**Operating revenues:**

Instant ticket sales	\$ 452,281,204
Online ticket sales	79,161,657
Retailer application, fidelity, bond and service fees	489,153
Other revenue	<u>69,221</u>
Total operating revenues	<u>532,001,235</u>

**Operating expenses:**

Instant game prizes	325,816,713
Online game prizes	43,791,459
Retailer commissions	30,108,024
Gaming contract costs	26,360,780
Compensation and benefits	5,400,746
Marketing, advertising and promotions	7,801,436
General and administrative expenses	3,846,386
Services provided by Department of Education - Arkansas Division of Higher Education	500,335
Services provided by Arkansas Legislative Audit	128,160
Legal and professional services	1,226
Depreciation	<u>409,285</u>
Total operating expenses	<u>444,164,550</u>

Operating income	87,836,685
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**Non-operating revenue:**

Interest income	<u>2,123,634</u>
Income before transfers	89,960,319

**Transfers to:**

Education Trust Account	(73,000,000)
Workforce Challenge Trust Account	<u>(16,265,394)</u>
Total Transfers	<u>(89,265,394)</u>

Change in net position	694,925
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Total net position - beginning	10,236,867
Total net position - ending	<u><u>\$ 10,931,792</u></u>

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2020**

<b>Cash flows from operating activities:</b>	
Cash received from retailers and others	\$ 527,425,949
Cash paid for prizes	(368,268,399)
Cash paid for gaming vendors	(24,165,209)
Cash paid for retailer commissions	(30,108,024)
Cash paid for marketing and advertising	(7,923,598)
Cash paid for employee services	(4,986,502)
Cash paid for other expenses	(4,193,322)
Net cash provided by operating activities	<u>87,780,895</u>
<b>Cash flows from non-capital financing activities:</b>	
Non-operating transfers to Department of Education - Arkansas Division of Higher Education	(74,000,000)
Non-operating transfers from Department of Education - Arkansas Division of Higher Education	3,904,288
Net cash used by non-capital financing activities	<u>(70,095,712)</u>
<b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	(942,381)
Net cash flows from capital and related financing activities	<u>(942,381)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>2,123,634</u>
Net increase in cash and cash equivalents	18,866,436
Cash and cash equivalents, beginning	118,813,268
Cash and cash equivalents, ending	<u><u>\$ 137,679,704</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 87,836,685
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	409,285
Pension expense	213,549
Other post employment benefits expense	260,169
Net changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(4,587,967)
Receivable from other funds of the State	(55)
Prepaid items	(15,468)
Deposits with Multi-State Lottery Association	63,897
Increase (decrease) in:	
Accounts payable	356,091
Prizes payable	1,275,877
Accrued and other liabilities	1,824,167
Due to other funds of the State	64,388
Compensated absences	67,542
Unearned revenue	12,735
Net cash provided by operating activities	<u><u>\$ 87,780,895</u></u>

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

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**June 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Reporting Entity**

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

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

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

**b. Basis of Presentation**

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

**c. Basis of Accounting**

Basis of accounting refers to the timing of recognition of revenue and expenses in the accounts and reporting in the financial statements. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America



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(GAAP). Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

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

**d. Cash and Cash Equivalents**

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

**e. Accounts Receivable**

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

**f. Capital Assets**

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

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

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

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***g. Net Position***

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

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

***h. Revenue Recognition***

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

***i. Unearned Revenue***

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

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

***j. Retailer Commissions***

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

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***k. Prizes and Unclaimed Prizes***

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

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

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

***l. Compensated Absences***

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

***m. Retirement Plan***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension fund and the additions to and deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension system. See note 15 for additional information regarding the retirement plan.

***n. Use of Estimates***

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



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***o. Bad Debt Expense***

Bad debt expense is normally recognized when an OAL retailer's uncollected revenue is significantly past due and is in excess of amounts deemed to be collectible. The amount of expense is based on the retailer's outstanding aged accounts receivable balance. The OAL did not record debt expense for the fiscal year ended June 30, 2020. For net proceeds calculations, bad debt expense amounts are recovered from the Retailer Bond Reserve, which is maintained to offset such potential losses.

**2. DEPOSITS**

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

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

In 2009, the OAL entered a seven-year contract with Bank of the Ozarks (now Bank OZK) to provide primarily all banking services for its operations. The OAL executed three amendments to the contract for a period of twelve months each. On September 2, 2019, the OAL executed a two-year contract with Bank OZK. All of the OAL's cash and equivalents at June 30, 2020 were held in accounts at Bank of OZK. As agreed to in their contract, Bank OZK has agreed to pledge collateral on all accounts of the OAL in an amount to exceed the State requirement of 105 percent of deposits. As of June 30, 2020, the total collateral pledged to the OAL was in the form of one irrevocable standby letter of credit. The letter of credit was issued in the OAL's name by the Federal Home Loan Bank of Dallas, for any sum or sums not to exceed \$147,000,000. At June 30, 2020 the OAL's total bank balances were \$138,626,716, so the pledged collateral maximum was 106% of the OAL's deposits.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of the failure of a depository institution, the OAL will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The OAL has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. It is the opinion of management that none of the OAL's bank balances of \$138,626,716 were exposed to custodial credit risk as of June 30, 2020.

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**June 30, 2020**

**3. ACCOUNTS RECEIVABLE**

Management believes that an allowance for uncollectable accounts is not necessary at June 30, 2020 as the Retailer Bond Reserve amount is sufficient to cover any past due accounts. Amounts due from retailers and others at June 30, 2020 are summarized as follows:

Amount due for activated instant scratch-off tickets, not settled	\$ 12,703,287
Amount due for partial weeks sales through June 30, 2020	4,879,015
Past due accounts and other receivables	<u>108,823</u>
Total accounts receivable	<u>\$ 17,691,125</u>

***Receivable from Other Funds of the State***

The amount listed below as a receivable from the Department of Education – Arkansas Division of Higher Education (ADHE) is a refund of excess Net Proceeds over scholarships issued. The amount from the Department of Transformation and Shared Services – Office of State Procurement – Marketing and Redistribution Section is for proceeds from OAL equipment marketing and redistribution.

Department of Education – Arkansas Division of Higher Education	\$ 4,466,023
Department of Transformation and Shared Services – Office of State Procurement – Marketing and Redistribution Section	<u>75</u>
Total	<u>\$ 4,466,098</u>

**4. TRUST ACCOUNT FOR NET PROCEEDS**

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

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

For financial statement purposes, the total amount reflected for the Education Trust Account as current restricted cash and cash equivalents on the statement of net position at June 30, 2020 was \$31,238,197. Total net proceeds for the fiscal year ended June 30, 2020 were \$89,265,394. During fiscal year 2020 a total of \$73,000,000 were transferred to ADHE for scholarships from the Education Trust Account.

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Activity in the Education Trust Account for the fiscal year ended June 30, 2020 consisted of the following activities:

Education Trust Account balance at 7/01/19	\$ 31,238,197
Net Proceeds	89,265,394
Payments to ADHE for scholarships	(73,000,000)
Excess Net Proceeds transferred to Workforce Challenge Trust Account	<u>(16,265,394)</u>
Education Trust Account balance at 6/30/20	<u>\$ 31,238,197</u>

**5. ARKANSAS WORKFORCE CHALLENGE SCHOLARSHIP PROGRAM**

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

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

Under the provisions of the Program, the OAL was to establish the Workforce Challenge Trust Account for the deposit of any funds received under the Program. The funding for an academic year were to be received from (A) excess funding returned to the OAL by ADHE from the previous academic year, and (B) net proceeds remaining from the previous academic year after the OAL (1) transfers the funds requested by ADHE to fund scholarships, and (2) deposits the amount necessary to maintain the Scholarship Shortfall Reserve Trust Account at twenty million dollars. As of June 30, 2020, the balance in the Workforce Challenge Trust Account is \$85,374,412.

Activity in the Workforce Challenge Trust Account for the fiscal year ended June 30, 2020 consisted of the following activities:

Workforce Challenge Trust Account balance at 7/01/19	\$ 65,642,995
Payments to ADHE for scholarships	(1,000,000)
Returns from ADHE for overfunding of Academic Challenge scholarships	4,466,023
Excess Net Proceeds transferred from Education Trust Account	<u>16,265,394</u>
Workforce Challenge Trust Account balance at 6/30/20	<u>\$ 85,374,412</u>

**6. UNCLAIMED PRIZES RESERVE**

Act 1180 of the 2011 Regular Session, enacted by the General Assembly of Arkansas on April 6, 2011, amended the Act to allow the OAL to spend, during a fiscal year, up to \$2,500,000 of unclaimed prizes money for one or more of the following: A) Increasing the pool from which future lottery prizes are awarded; B) Maintaining online game reserves at a fiscally sound level; or for C) Prize promotion.



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Act 1180 also required that unclaimed prizes be accumulated during the fiscal year and on the last day of each fiscal year the amount of the remaining unclaimed lottery prizes reserve, less \$1,000,000, be deposited in the Education Trust Account as net proceeds.

During fiscal year 2020, in addition to the \$1,000,000 beginning balance the unclaimed prizes totaled \$8,896,847 with none of the unclaimed prizes money being used for the three specified purposes allowed by Act 1180. So, the unclaimed prizes balance remaining at June 30, 2020, less \$1,000,000, resulted in a deposit of \$8,896,847 to the Education Trust Account as net proceeds. At June 30, 2020, the balance of the unclaimed prizes reserve was \$1,000,000 and is reflected in the Statement of Net Position as restricted net position, while the corresponding monies related to this reserve are shown as current restricted cash and cash equivalents.

Activity in the Unclaimed Prizes Reserve for the fiscal year ended June 30, 2020 consisted of the following activities:

Unclaimed Prizes Reserve at 7/01/19	\$ 1,000,000
Unclaimed prizes for fiscal year ended 6/30/20	8,896,847
Transferred to the Education Trust Account at 6/30/20	<u>(8,896,847)</u>
Unclaimed Prizes Reserve at 6/30/20	<u>\$ 1,000,000</u>

## **7. SCHOLARSHIP SHORTFALL RESERVE**

The Scholarship Shortfall Reserve account represents monies set aside to fund scholarship payment requests to ADHE, if needed, in case of a shortage of funds in the Education Trust Account. The balance of the Scholarship Shortfall Reserve at June 30, 2020 was \$20,000,000 and is reflected as restricted net position on the statement of net position, while the corresponding monies related to the reserve are reflected as non-current restricted cash and cash equivalents.

## **8. RETAILER BOND RESERVE**

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

The retailer self-bond fees collected are recorded as a Retailer Bond Reserve, which is reflected as restricted net position on the statement of net position. At June 30, 2020 the balance of the Retailer bond Reserve was \$500,000. The retailer self-bond fees collected are deposited in the OAL operating account and are classified in the non-current restricted cash and cash equivalents. The OAL did not sustain any losses that were charged to the Retailer Bond Reserve during the fiscal year ended June 30, 2020.

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Also, in previous fiscal years the OAL also maintained a Retailer Fidelity Reserve account, which was created by the Act. These reserves could also be used to cover losses incurred as a result of any nonfeasance, malfeasance or misfeasance of OAL retailers. The balance of the Retailer Fidelity Reserve at June 30, 2019 was \$207,608. However, Act 683 of the 2019 Arkansas General Assembly amended Arkansas Code Annotated § 23-115-603, to eliminate the Retailer Fidelity Reserve in fiscal year 2020. On July 1, 2019 the balance of funds remaining in this account, in the amount of \$207,608, were transferred to the Retailer Bond Reserve account.

## 9. JOINT VENTURES

GASB Statement No.14, *The Financial Reporting Entity*, as amended, defines a joint venture as a legal entity or other organization that results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain 1) an ongoing financial interest or 2) an ongoing financial responsibility. During the fiscal year ended June 30, 2020 the OAL was an active participant in several joint venture arrangements with the Multi-State Lottery Association (MUSL).

### ***Multi-State Lottery Association***

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

As a member of MUSL, the OAL is required to contribute to various prize reserve funds for Powerball® and Mega Millions® which are maintained by MUSL. The MUSL prize reserve funds serve as a contingency reserve to protect MUSL and its member state lotteries from unforeseen prize payment liabilities. MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball® and Mega Millions® sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, would be returned to the OAL if it were to ever leave MUSL. As of June 30, 2020, the OAL had reserve fund deposits with MUSL of \$2,515,353. MUSL does not maintain prize reserve funds for Lucky for Life®.

Instead, each participating lottery is responsible for maintaining their own prize reserve funds for potential Lucky for Life® prize payments. OAL Lucky for Life® reserve balance at June 30, 2020 was \$499,900.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, Attn: Bret Toyne, Executive Director or Shannon Underwood, Director of Finance, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

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The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2020 is summarized in the table below:

	<u>Operating Revenues</u>	<u>Prizes</u>
Powerball®	\$ 20,530,932	\$ 9,436,827
Mega Millions®	16,863,474	8,207,937
Lucky for Life®	2,971,144	1,395,287

## **10. CAPITAL ASSETS**

The activity for capital assets for the fiscal year ended June 30, 2020, was as follows:

<u>Capital Assets</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Assets under construction	\$ 786,250	\$ 0	\$ (786,250)	0
Equipment	1,064,439	1,728,632	0	2,793,071
Leasehold improvements	492,796	0	0	492,796
Total capital assets	<u>2,343,485</u>	<u>1,728,632</u>	<u>(786,250)</u>	<u>3,285,867</u>
Less accum. depreciation				
Equipment	(601,346)	(409,286)	0	(1,010,632)
Leasehold improvements	(492,796)	0	0	(492,796)
Total accum. depreciation	<u>(1,094,142)</u>	<u>(409,286)</u>	<u>0</u>	<u>(1,503,428)</u>
Capital assets, net	<u>\$ 1,249,343</u>	<u>\$ 1,319,346</u>	<u>\$ (786,250)</u>	<u>\$ 1,782,439</u>

## **11. LIABILITIES**

### **a. Prizes Payable**

Prizes payable at June 30, 2020 consisted of instant and online game prizes payable, estimated Lucky For Life® game reserve for prizes of future draws and any related state and federal withholdings. Instant ticket prizes payable are estimated based on the end of production prize structure provided by Scientific Games Inc. Estimated prizes payable by category are listed below:

Instant tickets	\$ 20,417,383
Powerball®	424,450
Mega Millions®	332,781
Natural State Jackpot	350,314
Lucky for Life®	557,760
Fast Play	200,968
Cash 3	51,660
Cash 4	72,400
Income tax and other withholding	87,208
Total	<u>\$ 22,494,924</u>



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**b. Payable to Other Funds of the State**

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

The amounts listed as due to Department of Finance and Administration, Department of Transformation and Shared Services - Division of Information Systems, Department of Labor and Licensing - Workers' Compensation Commission, and Department of Transformation and Shared Services - Office of State Procurement - Marketing and Redistribution Section are for withholdings owed or for services performed for the OAL by these Agencies within the normal course of business.

Department of Education - Arkansas Division of Higher Education	\$ 500,335
Department of Finance and Administration	46,804
Department of Transformation and Shared Services – Division of Information Systems	10,072
Department of Labor and Licensing – Workers' Compensation Commission	601
Department of Transformation and Shared Services – Office of State Procurement - Marketing and Redistribution Section	35
<b>Total</b>	<b><u>\$ 557,847</u></b>

**c. Accounts Payable, Accrued Liabilities and Compensated Absences**

Accounts payable consists of amounts due to vendors for operating costs of the lottery. Accrued liabilities consist of amounts due to gaming vendors for gaming costs of the lottery, accrued payroll earned and related health insurance withholdings as of June 30, 2020.

As a proprietary type enterprise fund, for financial reporting purposes, the OAL recognizes and accrues liabilities for compensated absences as services are performed and the benefits accrue to employees. The compensated absences payable to OAL employees for annual, sick, and compensatory leave at June 30, 2020 totaled \$427,443. The OAL has adopted the State of Arkansas methodology for the computation of the current vs. long-term portion of this liability. This computation is based upon the State average of current vs. long-term portion of this liability for all state employees. For the fiscal year ended June 30, 2020 the current portion of the compensated absences liability increased by \$12,861 to a balance of \$71,597 and the long-term portion increased by \$54,682 to a balance of \$355,846.

<b>Long Term Compensated Absences</b>	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
Annual	\$ 261,043	\$ 361,583	\$(316,753)	\$ 305,873
Sick	40,121	16,809	(6,957)	49,973
Compensatory	0	0	0	0
<b>Total</b>	<b><u>\$ 301,164</u></b>	<b><u>\$ 378,392</u></b>	<b><u>\$(323,710)</u></b>	<b><u>\$ 355,846</u></b>

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**d. Unearned Revenue**

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

Unearned revenue from online game tickets at June 30, 2020 is summarized as follows:

Powerball®	\$ 139,347
Mega Millions®	46,675
Natural State Jackpot	27,866
Lucky for Life®	17,352
Cash 3	4,641
Cash 4	3,932
Total	<u>\$ 239,813</u>

Additionally, retailer licensing renewal fee collected, cover a two-year period. The portion of these fees which pertain to periods beyond the current fiscal year end, are also recognized as unearned revenue. At June 30, 2020 the amount of unearned revenue which related to retailer licensing and renewal fees was \$38,612.

**12. UNRESTRICTED NET POSITION (DEFICIT)**

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

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

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

However, the calculation method utilized results in modified cash basis net proceeds each month which vary from GAAP net proceeds. Since the net proceeds for each month are transferred to a trust account by the 15th day of the next month, such transfer creates a timing difference for the recognition of certain instant game prize expenses, which results in a debit balance (deficit) in Unrestricted Net Position. At June 30, 2020 the cumulative variance due to the modified cash basis method was a debit balance (deficit) in Unrestricted Net Position of \$(10,324,338).

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In addition, the OAL's net OPEB liability at June 30, 2020 (see note 16) of \$4,541,662, which consists of a current liability of \$114,673 and a long-term liability of \$4,426,989, has not been funded to date. It will be funded on a pay-as-you-go basis as the benefits related to this liability are due and payable. This creates an additional debit balance (deficit) in Unrestricted Net Position at June 30, 2020 of \$(4,541,662). The total debit balance (deficit) in Unrestricted Net Position at June 30, 2020 was \$(14,866,000).

**13. ONLINE GAME REVENUES**

Online game tickets are produced through terminals at lottery retailer locations based on player instructions for number selection. Drawings are conducted to determine winning number combinations. Online game sales for the fiscal year ended June 30, 2020 consisted of the following:

Powerball®	\$ 20,530,932
Mega Millions®	16,863,474
Fast Play	16,662,501
Natural State Jackpot	8,027,906
Cash 3	9,060,396
Cash 4	5,045,304
Lucky for Life®	2,971,144
Total	<u>\$ 79,161,657</u>

**14. OPERATING LEASES**

At its start up in 2009 the OAL entered into an operating lease for the rental of office space for its headquarters. The headquarters lease was renewable at the option of the OAL at the end of the initial lease term. During the fiscal year ended June 30, 2015 the lease of the OAL headquarters offices was extended for an additional six year term expiring on August 31, 2021. The annual rent office expense for the fiscal year ended June 30, 2020 was \$461,425.

The OAL also has equipment leases for printers, copiers, postage meters and other office equipment that are generally for two to three year lease periods. The annual office equipment lease expense for the fiscal year ended June 30, 2020 was \$24,134.

Future minimum rental payments on operating leases as of June 30, 2020, are scheduled as follows:

• 2021	\$486,978
• 2022	98,187
• 2023	13,115
• 2024	1,751
• 2025	926

**15. RETIREMENT PLAN**

**a. Plan Description**

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



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

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

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

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

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

***b. Benefits Provided***

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

***c. Contributions***

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2020, the employer contribution rates as a percentage of active member payroll ranged from 4.00% to 27.3%. Contributory plan members are required to contribute 5% of their annual covered salary. The OAL is required to contribute for all covered state employees at a rate of 15.32% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the OAL are established and may be amended by the APERS Board of Trustees. The OAL's contributions to APERS for the years ended June 30, 2020, 2019, and 2018 were \$560,737, \$563,505, and \$538,589, respectively, which were equal to the required contributions for each year.

During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

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**d. Net Pension Liability**

At June 30, 2020, the OAL reported a net pension liability of \$4.6 million. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The OAL's proportion of the net pension liability was based on actual contributions in the 2019 fiscal year of all participating employers. At June 30, 2019, the OAL's proportion was 0.193%.

**Actuarial assumptions**

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

Actuarial valuation date:	June 30, 2018
Inflation rate:	3.25% wages, 2.50% prices
Salary increases (Includes assumed inflation):	3.25% to 9.85%
Investment rate of return (Includes assumed inflation):	7.15%
Mortality rates:	RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Actuarial experience study dates:	2012-2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were based upon capital market assumptions provided by the plan's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, these best estimates are summarized below.

<b>Asset Class</b>	<b>Current Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
Total	100%	

**Discount Rate**

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

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Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the OAL's proportionate share of the net pension liability for the pension plan calculated using the discount rate stated, as well as what the OAL's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% lower than current discount rate	Current discount rate	1% higher than current discount rate
Rate	6.15%	7.15%	8.15%
Net pension liability	\$7,447,652	\$4,646,795	\$2,335,959

**e. Pension Plan Fiduciary Net Position**

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

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

For the year ended June 30, 2020, the OAL recognized pension expense of \$768,605. For the year ended June 30, 2020, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions as shown below.

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	\$252,215	\$178,631
Differences between expected and actual experience	126,466	6,904
Net difference between projected and actual investment earnings on pension plan investments		35,295
Changes in proportion and differences between employer contributions and share of contributions	319	117,796
Contributions subsequent to the measurement date	555,057	

The deferred outflows of resources related to pensions resulting from OAL contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	<u>Total</u>
2020	\$148,371
2021	(151,209)
2022	(19,422)
2023	62,634



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**16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

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

**a. Plan Description**

The OAL is an agency of the State. Post-retirement medical and prescription drugs benefits are provided to OAL employees through the Arkansas State Employee Health Insurance Plan (ASE), a single-employer defined benefit healthcare plan, sponsored by the State and administered by Department of Transformation and Shared Services - Employee Benefits Division. A copy of the plan and most recent report can be obtained by writing to Department of Transformation and Shared Services - Employee Benefits Division, 501 Woodlane, Suite 500, Little Rock, AR 72201. For purposes of the plan the State is considered the employer and the OAL is an agency of the State. The plan provides medical and prescription drugs benefits to eligible State employees as established by State law. The contribution requirements of plan members and the State are established and may be amended by the Legislature. The required contribution is based on projected pay-as-you-go financing requirements.

**b. General Information**

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

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

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

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

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

**Benefits Provided**

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

**ASE**

ASE covers state employees that are members of the Arkansas Public Employees Retirement System, Arkansas Teachers Retirement System, Arkansas State Highway Employees Retirement System, Arkansas Judicial Retirement System, or alternate retirement plan of a qualifying institution and are eligible to be in ASE on their last day of employment and their dependents. Retirees and their spouse are eligible to continue participation in ASE until the death of each covered individual.

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Retirees must contribute the required annual premium as determined by pay-as-you-go financing requirements. Retirees that are Medicare eligible will have their benefits coordinated with Medicare Part A and B with ASE being the secondary payer.

***Employees Covered by Benefit Terms***

At June 30, 2019, the following state employees were covered by the plan:

Inactive employees or beneficiaries currently receiving benefits	15,925
Inactive employees entitled to but not yet receiving benefits	10,077
Active employees	<u>30,725</u>
Total	<u>56,727</u>

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

**c. *Total OPEB Liability***

At June 30, 2020, the state reported the following liabilities for ASE as determined as of the date listed.

	<u>Measurement Date</u>	<u>Total OPEB Liability</u>
ASE	June 30, 2020	\$ 2,569,521,298
OAL	June 30, 2020	\$ 4,541,662

***Actuarial Assumptions and Other Inputs***

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

Actuarial valuation date	June 30, 2019
Inflation rate	2.20%
Salary increases	3.0% per annum, compounded annually
Discount rate (1)	2.21%
Healthcare cost trend rates	Medical 5.5% increase for 2020 to 2021 then decreasing by 0.20% per year Pharmacy 5.5% increase for 2020 to 2021 then decreasing by 0.20% per year
Retirees' share of benefit-related costs	Varies by age and Medicare versus non-Medicare retirees
Actuarial experience study dates (if applicable)	July 1, 2018 to June 30, 2019

(1) The discount rate was based on the Bond Buyer 20-Bond GO Index.

Mortality rates were based on the RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females.

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**d. Changes in the Total OPEB Liability**

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

	ASE	OAL
Balance as of June 30, 2019	\$1,920,824,000	\$3,324,854
Changes for the year:		
Service cost	70,460,469	124,540
Interest on total OPEB liability	68,766,394	121,545
Effect of plan changes	0	0
Effect of economic/demographic gains or (losses)	(66,380,334)	(117,328)
Effects of assumptions changes or inputs	629,371,724	1,182,650
Benefit payments	(53,520,955)	(94,599)
Net changes	648,697,298	1,216,808
Balance as of June 30, 2020	\$2,569,521,298	\$4,541,662

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

The following table presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate for each plan:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	1.21%	\$3,079,597,036	2.21%	\$2,569,521,298	3.21%	\$2,170,420,206
OAL	1.21%	\$ 5,443,228	2.21%	\$ 4,541,662	3.21%	\$ 3,836,246

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

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

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	N/A	\$2,107,631,952	N/A	\$2,569,521,298	N/A	\$3,183,724,406
OAL	N/A	\$ 3,725,267	N/A	\$ 4,541,662	N/A	\$ 5,627,274



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

For the year ended June 30, 2020, the State recognized OPEB expense for each plan and in total as follows.

	<u>Total OPEB Expense</u>
ASE	\$194,088,541
OAL	\$ 343,054

At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources:

	ASE	OAL
Change in net OPEB liability	\$ (98,363,000)	\$ (173,858)
Change in deferred outflows	(10,401,600)	(18,385)
Change in deferred inflows	135,601,000	239,677
Employer contributions	60,410,000	106,775
OPEB expense	<u>\$ 87,246,400</u>	<u>\$ 154,209</u>
OPEB expense as % of payroll	N/A	N/A
Operating expenses		
Service cost	\$ 70,460,469	\$ 124,540
Employee contributions	0	0
Administrative expenses	0	0
Total	<u>\$ 70,460,469</u>	<u>\$ 124,540</u>
Financing expenses		
Interest costs	\$ 68,766,394	\$ 121,545
Expected return on assets	0	0
Total	<u>\$ 68,766,394</u>	<u>\$ 121,545</u>
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	68,201,745	120,547
Recognition of liability gains and losses	(13,340,067)	(23,579)
Total	<u>\$ 54,861,678</u>	<u>\$ 96,969</u>
OPEB expense	<u>\$ 194,088,541</u>	<u>\$ 343,054</u>

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

	ASE		OAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ (58,433,067)	\$ 7,801,200	\$ (103,281)	\$ 13,789
Changes in assumptions	(154,532,800)	503,497,379	(273,139)	889,938
Total	<u>\$ (212,965,867)</u>	<u>\$ 511,298,579</u>	<u>\$ (376,420)</u>	<u>\$ 903,727</u>

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

Year ended June 30:	ASE	OAL
2021	\$ 54,861,678	\$ 96,969
2022	54,861,678	96,969
2023	76,011,078	134,351
2024	112,598,278	199,019
2025	0	0
Thereafter	0	0

**17. CONTRACTUAL ARRANGEMENTS AND OTHER COMMITMENTS**

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

INTRALOT operates the gaming network that consists of approximately 1,900 instant and online retailer ticket terminals and associated software. In accordance with its contract, INTRALOT receives the negotiated fee on the selling price of online tickets sold and on instant ticket settlements. The OAL had an initial seven-year contract with INTRALOT ending in 2016, which included an option for up to three additional renewals in one-year increments, or a portion thereof. During the fiscal year ended June 30, 2015 the OAL exercised the option to extend the INTRALOT contract for a period of three years. During the fiscal year ended June 30, 2017 the OAL amended its contract with INTRALOT. The amendment had an effective date of August 23, 2017 and granted a seven (7) year extension to the contract commencing on the expiration of the current contract date of August 14, 2019. The current contract extension will expire on August 14, 2026. During the fiscal year ended June 30, 2020, INTRALOT was compensated at the rate of 2.11% on all instant and online sales. Total fees paid to INTRALOT and others for all gaming network and related services for the fiscal year ended June 30, 2020 were \$11,214,232.

SGI prints, warehouses, and distributes the instant game tickets to retailers. In accordance with its contract with the OAL, SGI receives the negotiated fee on the selling price of all instant ticket settlements. During the fiscal year ended June 30, 2016 the OAL and SGI executed a third amendment to the contract for an additional seven-year period ending with an expiration date of August 18, 2026. The amended contract sets the SGI fees at 1.30% of instant ticket net sales up to \$360 million during a contract year. The contract year is from August 18, 2019 through August 17, 2020. Should the total net sales of instant tickets exceed \$360 million in a contract year, SGI will receive a one-time bonus payment in an amount equivalent to 4.5% of all such incremental sales exceeding \$360 million. Instant ticket sales during the fiscal year ended June 30, did exceed \$360 million during the contract year. During the fiscal year ended June 30, 2020, SGI was compensated \$9,704,110, which represents a rate of 2.15% of instant ticket sales for these services. SGI also maintains the OAL's Points for Prizes program. This program provides merchandise prizes and other awards to participating players based upon tickets registered by the players. In addition, SGI provides other products and services for which the OAL pays various contracted fees. During the fiscal year ended June 30, 2020 these other SGI fees totaled \$5,397,540 or 1.19 % of instant ticket sales. Total fees paid to SGI for all services for the fiscal year ended June 30, 2020 were \$15,101,650.

The OAL also has a contract with Camelot Global Services (CGS) to provide a Business Plan (BP) and other consultancy services. The contract was effective November 30, 2015 and expires on June 30, 2020 with two optional extension periods of twelve months each, which automatically renew unless either party informs the other party, in writing, of their intent not to renew at least 90 days prior to the expiration date. As specified by the contract, CGS delivered a BP which the OAL accepted. CGS also delivered a price

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sheet with the prices of services CGS included in the BP. The OAL will negotiate the parameters and pricing of any CGS consultancy services it accepts. On or before January 31, 2021, and by that date each year through the life of the contract, the OAL and CGS will meet to discuss implementation of the BP for the next fiscal year and will agree to the amendments, if any, to the BP; the portions of the BP to be implemented in the next fiscal year; the CGS personnel who will assist with the implementation; and the pricing of the consultancy services CGS will provide.

For FY 2020 the OAL and CGS agreed upon the pricing that CGS was paid as base compensation of \$365,040, paid monthly. The base compensation was paid in ten monthly payments of \$30,420.00. The remaining \$60,840 was applied against a return of prepaid base compensation. In addition to the base compensation CGS was reimbursed for travel expenses such as airfare, lodging, meals and other allowed travel costs not to exceed \$100,000 per year. For the fiscal year ended June 30, 2020 the OAL paid CGS \$20,602 for expenses.

The contract also specifies a tiered incentive compensation structure as follows:

- a. CGS will receive incentive payments of 12.5% of the portion of Adjusted Operating Income (AOI) in any fiscal year that exceeds \$72,287,393 but is less than or equal to \$80,000,000.
- b. CGS will receive incentive payments of 13.75% of the portion of AOI in any fiscal year that exceeds \$80,000,000 but is less than or equal to \$90,000,000.
- c. CGS will receive incentive payments of 15% of the portion of AOI in any fiscal year that exceeds \$90,000,000.

For purposes of the incentive compensation, calculation AOI is defined as Operating Income before any expenses related to (1) services provided by ADHE, (2) services provided by Legislative Audit, (3) legal and professional fees, (4) depreciation, and (5) any incentive compensation payable to CGS. CGS will invoice the OAL after the end of each fiscal year quarter for the amount of incentive compensation owed. The final quarterly incentive payment for each fiscal year is subject to final adjustment upon the completion and release of the OAL's audited financial statements. For the fiscal year ended June 30, 2020 the OAL paid or accrued total incentive compensation to CGS of \$2,553,447.

## **18. CONTINGENCIES**

At June 30, 2020 there were no pending lawsuits or claims to which the OAL is a party.

## **19. RISK MANAGEMENT**

The OAL is exposed to various types of risk related to its operations. These risks can result in losses incurred from property damage or destruction, business interruption such as inability to operate gaming activities and worker compensation claims. The OAL manages these risks by participating in the various self-insurance programs established by the State for property and casualty losses and employee health insurance. Coverages include property, general liability, automobile liability, workers' compensation, state unemployment, court-awarded attorney fees, and Federal civil rights actions. Property is self-insured for actual cash value to an aggregate of \$1.8 million per loss event for all perils. Losses from earthquake and flood are also subject to an annual aggregate loss for the State of \$1 million. Workers' compensation is provided in compliance with the applicable law. The employee health and dental insurance program provides for payment of medical claims of employees and covered dependents.



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Claims and settlements incurred for fiscal years ended June 30, 2020, 2019, and 2018 did not exceed the OAL's insurance coverage.

**20. SUBSEQUENT EVENTS**

In accordance with GASB 56, the OAL's Management has evaluated subsequent events that occurred after June 30, 2020, but prior to November 10, 2020, the date the financial statements were available to be issued.

Such evaluation subsequently identified the following transactions related to the Department of Education - Arkansas Division of Higher Education (ADHE) (ADHE). On August 14, 2020, ADHE refunded \$4,466,023 to the OAL for the fiscal year ended June 30, 2020. Also, at the request of ADHE, on September 24, 2020 a payment of \$38,000,000 was made from the Education Trust Account to ADHE.

Such evaluation also identified that per the amended contract with SGI, upon the completion of the contract year on August 17, 2020, instant games sales totaled \$466,295,964 for the period from August 18, 2019 through the end of the contract year. The amount of sales exceeded the pro-rated bonus calculation base by \$106,295,964 resulting in a bonus amount of \$4,783,318 which was paid to SGI on September 25, 2020

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring a public health emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). COVID-19 lasted through the fiscal year ended June 30, 2020. This pandemic appeared to have enhanced OAL's instant ticket sales.



# REQUIRED SUPPLEMENTARY INFORMATION





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SCHOLARSHIP TO  
UNIVERSITY OF  
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**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**Last Ten Fiscal Years (1)**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014- 2011</b>
OAL proportion of the net pension liability (asset)	0.19%	0.19%	0.20%	0.20%	0.23%	0.24%	N/A
OAL proportionate share of the net pension liability (asset)	\$4,646,795	\$4,301,376	\$5,110,275	\$4,732,352	\$4,415,000	\$3,408,000	
OAL covered payroll	\$3,660,163	\$3,678,231	\$3,651,448	\$3,564,158	\$3,649,566	\$3,992,710	
OAL proportionate share of the net pension liability (asset) as a percentage of its covered payroll	126.96%	116.94%	139.95%	132.78%	120.97%	85.36%	
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	76.65%	75.50%	80.39%	84.15%	

NOTE: 1) The OAL, Arkansas Lottery Commission (ALC), was established in fiscal year 2009 but began operations in fiscal year 2010.  
2) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.  
N/A The OAL implemented GASB Statement 68 in fiscal year 2015.  
Information for this schedule was not available prior to fiscal year 2014.

SOURCE: State of Arkansas CAFR and OAL Finance Division

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**ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Last Ten Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013- 2011</b>
Statutorily determined contribution	\$ 560,737	\$ 563,505	\$ 538,589	\$ 516,803	\$ 529,187	\$ 589,324	\$ 631,562	N/A
Contributions in relation to the statutorily determined contribution	560,737	563,505	538,589	516,803	529,187	589,324	631,562	
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Covered payroll	\$ 3,660,163	\$ 3,678,231	\$ 3,651,448	\$ 3,564,158	\$ 3,649,566	\$ 3,992,710	\$ 4,244,368	
Contributions as a percentage of covered payroll	15.32%	15.32%	14.75%	14.50%	14.50%	14.76%	14.88%	

NOTE: 1) The OAL, Arkansas Lottery Commission (ALC), was established in fiscal year 2009 but began operations in fiscal year 2010.  
2) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.  
N/A The OAL implemented GASB Statement 68 in fiscal year 2015.  
Information for this schedule was not available prior to fiscal year 2014.

SOURCE: State of Arkansas CAFR and OAL Finance Division

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**OTHER POST EMPLOYMENT BENEFITS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**Last Ten Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017-2010</b>
Service cost	\$ 124,540	\$ 115,489	\$ 122,032	N/A
Interest cost	121,545	135,469	127,429	
Change of benefit terms	—	—	—	
Difference between expected and actual experience	(117,328)	22,506	(23,182)	
Change in assumptions	1,182,650	(357,709)	(160,833)	
Benefit Payments	(94,599)	(104,567)	(100,606)	
Net Change in Total OPEB Liability	\$ 1,216,808	\$ (188,812)	\$ (35,160)	
Total OPEB liability beginning	\$ 3,324,854	\$ 3,513,666	\$ 3,548,826	
Total OPEB liability ending	\$ 4,541,662	\$ 3,324,854	\$ 3,513,666	
Covered payroll	N/A	N/A	N/A	
Total as a percentage of covered payroll	N/A	N/A	N/A	

NOTE: The OAL (ALC) was established in fiscal year 2009.  
The State implemented GASB Statement 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year







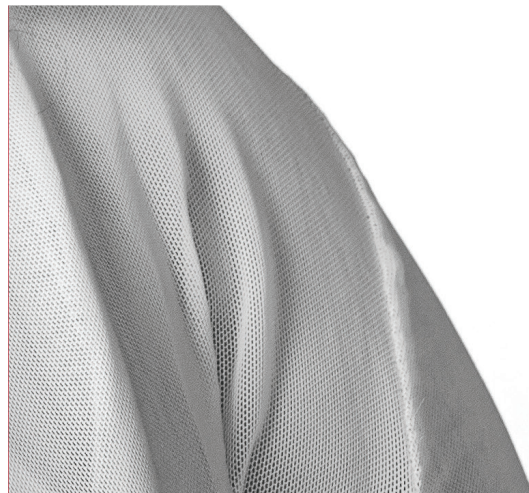
# STATISTICAL SECTION





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**\$10K INSTANT TICKET WINNER**





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OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT  
STATISTICAL SECTION TABLE OF CONTENTS  
(Unaudited)

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Lottery's overall financial health.

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## FINANCIAL TRENDS ..... 42

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

## DEMOGRAPHICS AND OPERATION INFORMATION ..... 50

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

## OTHER INFORMATION ..... 54

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

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**PRINCIPAL REVENUE SOURCES (UNAUDITED)**  
**Last Ten Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating revenues:</b>				
Instant ticket sales:				
Instant games sales	<u>\$ 452,281,204</u>	<u>\$ 407,825,514</u>	<u>\$ 407,604,791</u>	<u>\$ 368,454,561</u>
Online ticket sales:				
Powerball®	20,530,932	34,162,016	36,745,344	32,755,119
Mega Millions®	16,863,474	33,552,661	19,598,073	14,313,090
Fast Play	16,662,501	15,329,643	12,731,621	12,313,567
Natural State Jackpot	8,027,906	9,303,843	7,918,644	7,047,543
Cash 3	9,060,396	7,677,432	7,736,793	7,128,685
Cash 4	5,045,304	4,430,762	4,516,508	4,238,553
Decades of Dollars	-	-	-	-
AR Million Dollar Raffle	-	-	-	-
Arkansas 50/50 Raffle	-	-	-	-
Lucky for Life	2,971,144	3,211,636	2,856,202	2,889,910
Monopoly™ Millionaires' Club	-	-	-	-
Total online ticket sales	<u>79,161,657</u>	<u>107,667,993</u>	<u>92,103,185</u>	<u>80,686,467</u>
Retailer application, fidelity, bond & service fees	489,153	728,897	776,503	769,959
Other revenue	<u>69,221</u>	<u>14,439</u>	<u>5,849</u>	<u>5,749</u>
Total operating revenues	<u>532,001,235</u>	<u>516,236,843</u>	<u>500,490,328</u>	<u>449,916,736</u>
<b>Non-operating revenue:</b>				
Interest income	2,123,634	2,569,816	1,269,083	489,046
Other non-operating income	-	-	-	-
Total non-operating revenue	<u>2,123,634</u>	<u>2,569,816</u>	<u>1,269,083</u>	<u>489,046</u>
Total revenues	<u>\$ 534,124,869</u>	<u>\$ 518,806,659</u>	<u>\$ 501,759,411</u>	<u>\$ 450,405,782</u>

NOTE: 1) The OAL, Arkansas Lottery Commission (ALC), was established in fiscal year 2009 but began operations in fiscal year 2010.  
2) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

SOURCE: OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015 and ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013, 2012, 2011.

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**PRINCIPAL REVENUE SOURCES (UNAUDITED)**  
**Last Ten Fiscal Years**

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>\$ 360,007,743</u>	<u>\$ 335,000,613</u>	<u>\$ 322,415,276</u>	<u>\$ 355,061,785</u>	<u>\$ 391,290,225</u>	<u>\$ 387,478,608</u>
48,073,339	27,099,705	35,042,460	47,409,700	37,903,399	34,961,543
14,632,244	15,158,385	19,847,674	13,891,465	25,571,602	24,113,365
10,993,360	10,770,484	10,126,554	3,391,691	2,721,436	2,636,383
7,567,005	7,035,843	8,863,034	6,994,820	-	-
7,184,616	6,712,769	6,255,740	6,161,706	6,178,537	5,805,414
3,823,987	3,832,385	3,606,991	3,324,150	3,325,490	3,091,218
-	612,932	2,345,532	2,927,572	5,237,158	932,820
-	-	1,426,490	-	-	5,000,000
-	38,210	143,375	385,105	857,760	-
3,317,108	2,013,064	-	-	-	-
-	388,990	-	-	-	-
<u>95,591,659</u>	<u>73,662,767</u>	<u>87,657,850</u>	<u>84,486,209</u>	<u>81,795,382</u>	<u>76,540,743</u>
717,150	550,952	554,292	556,792	538,584	1,055,538
<u>9,259</u>	<u>20,346</u>	<u>10,550</u>	<u>4,490</u>	<u>15,038</u>	<u>5,450</u>
<u>456,325,811</u>	<u>409,234,678</u>	<u>410,637,968</u>	<u>440,109,276</u>	<u>473,639,229</u>	<u>465,080,339</u>
232,275	224,546	252,614	322,722	352,431	464,252
<u>1,875</u>	<u>-</u>	<u>461,047</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>
<u>234,150</u>	<u>224,546</u>	<u>713,661</u>	<u>322,722</u>	<u>2,352,431</u>	<u>464,252</u>
<u>\$ 456,559,961</u>	<u>\$ 409,459,224</u>	<u>\$ 411,351,629</u>	<u>\$ 440,431,998</u>	<u>\$ 475,991,660</u>	<u>\$ 465,544,591</u>



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**REVENUES, EXPENSES AND CHANGE IN NET POSITION (UNAUDITED)**  
**Last Ten Fiscal Years**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating revenues:</b>				
Instant ticket sales	\$ 452,281,204	\$ 407,825,514	\$ 407,604,791	\$ 368,454,561
Online ticket sales	79,161,657	107,667,993	92,103,185	80,686,467
Retailer application, fidelity, bond & service fees	489,153	728,897	776,503	769,959
Other revenue	69,221	14,439	5,849	5,749
<b>Total operating revenues</b>	<b>532,001,235</b>	<b>516,236,843</b>	<b>500,490,328</b>	<b>449,916,736</b>
<b>Operating expenses:</b>				
Instant game prizes	325,816,713	293,635,992	292,489,286	263,190,873
Online game prizes	43,791,459	56,240,230	49,406,134	43,238,515
Retailer commissions	30,108,024	29,062,835	28,196,969	25,315,020
Gaming contract costs	26,360,780	23,691,567	21,967,841	19,090,227
Compensation and benefits	5,400,746	4,829,725	5,092,375	5,024,854
Marketing, advertising and promotions	7,801,436	7,251,773	6,477,277	5,861,130
General and administrative expenses	3,846,386	5,621,315	4,947,334	3,799,935
Services provided by other agencies:				
Department of Education -				
Arkansas Division of Higher Education	500,335	427,384	454,932	441,317
Arkansas Legislative Audit	128,160	131,880	144,000	139,760
Legal and professional services	1,226	1,400	2,106	1,864
Depreciation	409,285	123,426	104,011	96,917
<b>Total operating expenses</b>	<b>444,164,550</b>	<b>421,017,527</b>	<b>409,282,265</b>	<b>366,200,412</b>
<b>Operating income (loss)</b>	<b>87,836,685</b>	<b>95,219,316</b>	<b>91,208,063</b>	<b>83,716,324</b>
<b>Non-operating revenue:</b>				
Interest income	2,123,634	2,569,816	1,269,083	489,046
Other non-operating income	-	-	-	-
<b>Total non-operating revenue</b>	<b>2,123,634</b>	<b>2,569,816</b>	<b>1,269,083</b>	<b>489,046</b>
<b>Income (loss) before transfers</b>	<b>89,960,319</b>	<b>97,789,132</b>	<b>92,477,146</b>	<b>84,205,370</b>
<b>Transfers to:</b>				
Education Trust Account	(73,000,000)	(75,000,000)	(83,500,000)	(71,000,000)
Workforce Challenge Trust Account	(16,265,394)	(23,639,040)	(8,344,929)	(14,157,060)
Arkansas Department of Human Services	-	-	-	-
<b>Total transfers</b>	<b>(89,265,394)</b>	<b>(98,639,040)</b>	<b>(91,844,929)</b>	<b>(85,157,060)</b>
<b>Change in net position</b>	<b>\$ 694,925</b>	<b>\$ (849,908)</b>	<b>\$ 632,217</b>	<b>\$ (951,690)</b>

NOTE: 1) The OAL, Arkansas Lottery Commission (ALC), was established in fiscal year 2009 but began operations in fiscal year 2010.  
2) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.  
3) During the 91st General Assembly, Act 613 of 2017 was enacted which created the Arkansas Workforce Challenge Scholarship which provides for the use of excess Lottery Proceeds to fund students enrolled in Higher Education Programs that will lead to the Students being qualified to work in High-Needs Occupations.

SOURCE: OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015 and ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013, 2012, 2011

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**REVENUES, EXPENSES AND CHANGE IN NET POSITION (UNAUDITED)**  
**Last Ten Fiscal Years**

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 360,007,743	\$ 335,000,613	\$ 322,415,276	\$ 355,061,785	\$ 391,290,225	\$ 387,478,608
95,591,659	73,662,767	87,657,850	84,486,209	81,795,382	76,540,743
717,150	550,952	554,292	556,792	538,584	1,055,538
9,259	20,346	10,550	4,490	15,038	5,450
<u>456,325,811</u>	<u>409,234,678</u>	<u>410,637,968</u>	<u>440,109,276</u>	<u>473,639,229</u>	<u>465,080,339</u>
258,461,952	241,758,220	229,462,196	250,246,337	274,203,122	269,898,596
50,485,363	38,708,574	45,487,903	41,877,845	41,115,706	37,556,109
25,704,177	23,253,196	23,046,410	24,986,551	26,526,329	26,217,851
19,384,187	20,622,707	20,511,439	22,116,163	24,308,153	24,111,720
5,232,605	5,382,544	5,990,541	6,049,048	5,954,138	6,226,266
4,798,502	5,032,317	4,472,456	4,414,655	4,466,054	4,631,388
3,380,275	1,274,003	1,414,871	1,231,212	1,270,047	1,434,229
396,995	538,487	751,556	794,016	846,109	1,170,710
143,360	129,960	139,080	142,720	159,440	280,728
2,793	12,528	6,457	22,507	107,651	8,484
95,063	158,363	188,270	182,158	182,159	179,750
<u>368,085,272</u>	<u>336,870,899</u>	<u>331,471,179</u>	<u>352,063,212</u>	<u>379,138,908</u>	<u>371,715,831</u>
88,240,539	72,363,779	79,166,789	88,046,064	94,500,321	93,364,508
232,275	224,546	252,614	322,722	352,431	464,252
1,875	-	461,047	-	2,000,000	-
<u>234,150</u>	<u>224,546</u>	<u>713,661</u>	<u>322,722</u>	<u>2,352,431</u>	<u>464,252</u>
88,474,689	72,588,325	79,880,450	88,368,786	96,852,752	93,828,760
(85,274,927)	(72,619,369)	(81,488,844)	(90,257,161)	(97,510,280)	(74,229,349)
-	-	-	-	-	-
-	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
<u>(85,274,927)</u>	<u>(72,819,369)</u>	<u>(81,688,844)</u>	<u>(90,457,161)</u>	<u>(97,710,280)</u>	<u>(74,429,349)</u>
<u>\$ 3,199,762</u>	<u>\$ (231,044)</u>	<u>\$ (1,808,394)</u>	<u>\$ (2,088,375)</u>	<u>\$ (857,528)</u>	<u>\$ 19,399,411</u>

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**NET POSITION BY COMPONENT (UNAUDITED)**  
**Last Ten Fiscal Years**

	<b>2020 (5)</b>	<b>2019</b>	<b>2018</b>	<b>2017 (4)</b>
<b>Net position:</b>				
Invested in capital assets	\$ 1,782,439	\$ 1,249,343	\$ 345,095	\$ 384,288
Restricted for:				
Scholarship shortfall reserve	20,000,000	20,000,000	20,000,000	20,000,000
Retailer fidelity reserve	-	207,608	182,514	158,355
Retailer bond reserve	500,000	709,671	583,166	373,312
Deposits with Multi-State Lottery Association	2,515,353	2,579,250	2,165,572	1,948,071
Unclaimed prizes reserve	1,000,000	1,000,000	1,000,000	1,000,000
Unrestricted (deficit)	(14,866,000)	(15,509,005)	(13,189,572)	(13,409,468)
<b>Total net position (deficit)</b>	<b>\$ 10,931,792</b>	<b>\$ 10,236,867</b>	<b>\$ 11,086,775</b>	<b>\$ 10,454,558</b>

NOTE: 1) The OAL, Arkansas Lottery Commission (ALC), was established in fiscal year 2009 but began operations in fiscal year 2010.  
2) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.  
3) For fiscal year 2014, Unrestricted (deficit) was restated for Pension per GASB Statement 68.  
4) For fiscal year 2017, Unrestricted (deficit) was restated for OPEB per GASB Statement 75.  
5) During the 92nd General Assembly, Act 683 of 2019 was enacted which established a separate account for Bond Fees and repealed the establishment of a separate Fidelity Fund. Effective for fiscal year 2020 Fidelity Funds were moved to the Bond Fund.

SOURCE: OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015 and ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013, 2012, 2011



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**NET POSITION BY COMPONENT (UNAUDITED)**  
**Last Ten Fiscal Years**

<b>2016</b>	<b>2015</b>	<b>2014 (3)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
\$ 376,417	\$ 223,178	\$ 246,113	\$ 358,372	\$ 540,530	\$ 722,689
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
136,900	113,582	91,133	70,586	49,232	42,205
163,872	-	-	-	-	-
1,847,611	1,762,386	1,794,079	1,773,620	1,683,806	1,138,133
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(10,752,564)	(13,526,672)	(13,327,807)	(7,591,547)	(5,574,162)	(4,346,093)
<u>\$ 12,772,236</u>	<u>\$ 9,572,474</u>	<u>\$ 9,803,518</u>	<u>\$ 15,611,031</u>	<u>\$ 17,699,406</u>	<u>\$ 18,556,934</u>

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**CHANGES IN CASH AND CASH EQUIVALENTS (UNAUDITED)**  
**Last Ten Fiscal Years**

	2020	2019	2018	2017
<b>Cash flows from operating activities:</b>				
Cash received from retailers and others	\$ 527,425,949	\$ 515,478,097	\$ 500,126,133	\$ 448,872,673
Cash paid for prizes	(368,268,399)	(347,546,374)	(342,721,524)	(305,141,493)
Cash paid for gaming vendors	(24,165,209)	(23,731,011)	(21,710,991)	(19,154,160)
Cash paid for retailer commissions	(30,108,024)	(29,062,835)	(28,196,969)	(25,400,020)
Cash paid for marketing and advertising	(7,923,598)	(6,593,736)	(6,861,300)	(5,492,302)
Cash paid for employee services	(4,986,502)	(4,859,829)	(4,783,897)	(4,749,058)
Cash paid for other expenses	(4,193,322)	(5,939,380)	(5,526,375)	(5,645,415)
Cash received from other non-operating income	-	-	-	-
Net cash provided (used) by operating activities	<u>87,780,895</u>	<u>97,744,932</u>	<u>90,325,077</u>	<u>83,290,225</u>
<b>Cash flows from non-capital financing activities:</b>				
Interagency advances	-	-	-	-
Non-operating transfers to Department of Education - Arkansas Division of Higher Education (ADHE)	(74,000,000)	(76,000,000)	(83,500,000)	(71,000,000)
Non-operating transfers from Department of Education - Arkansas Division of Higher Education (ADHE)	3,904,288	11,710,439	4,887,237	542,198
Non-operating transfers to Arkansas Department of Human Services	-	-	-	-
Net cash provided (used) by non-capital financing activities	<u>(70,095,712)</u>	<u>(64,289,561)</u>	<u>(78,612,763)</u>	<u>(70,457,802)</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	(942,381)	(1,056,195)	(36,296)	(104,787)
Loss on disposal of fixed assets	-	-	-	-
Net cash flows from capital and related financing activities	<u>(942,381)</u>	<u>(1,056,195)</u>	<u>(36,296)</u>	<u>(104,787)</u>
<b>Cash flows from investing activities:</b>				
Interest received	<u>2,123,634</u>	<u>2,569,816</u>	<u>1,269,083</u>	<u>489,046</u>
<b>Net increase in cash and cash equivalents</b>	<b>18,866,436</b>	<b>34,968,992</b>	<b>12,945,101</b>	<b>13,216,682</b>
<b>Cash and cash equivalents, beginning</b>	<b><u>118,813,268</u></b>	<b><u>83,844,276</u></b>	<b><u>70,899,175</u></b>	<b><u>57,682,493</u></b>
<b>Cash and cash equivalents, ending</b>	<b><u>\$ 137,679,704</u></b>	<b><u>\$ 118,813,268</u></b>	<b><u>\$ 83,844,276</u></b>	<b><u>\$ 70,899,175</u></b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 87,836,685	\$ 95,219,316	\$ 91,208,063	\$ 83,716,324
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	409,285	123,426	104,011	96,917
Pension Earnings	213,549	(64,654)	186,455	11,108
Other post employment benefits expense	260,169	42,587	112,052	-
Other non-operating income	-	-	-	-
<b>Net changes in assets and liabilities:</b>				
(Increase) decrease in assets:				
Accounts receivable	(4,587,967)	(785,562)	(280,305)	(929,311)
Receivable from other Funds of the State	(55)	97	(117)	3,579
Prepaid items	(15,468)	201,182	(36,830)	(156,757)
Deposits with Multi-State Lottery Association	63,897	(413,677)	(217,501)	(100,460)
Increase (decrease) in liabilities:				
Accounts payable	356,091	521,412	(84,155)	118,383
Prizes payable	1,275,877	2,743,525	(608,602)	1,388,353
Accrued and other liabilities	1,824,167	168,340	2,212	(973,880)
Due to other funds of the State	64,388	(46,969)	20,579	(4,626)
Compensated absences	67,542	9,189	2,990	33,716
Unearned revenue	12,735	26,720	(83,775)	(114,751)
Net other post employment benefits	-	-	-	201,630
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ 87,780,895</u></b>	<b><u>\$ 97,744,932</u></b>	<b><u>\$ 90,325,077</u></b>	<b><u>\$ 83,290,225</u></b>

NOTE: 1) The OAL, Arkansas Lottery Commission (ALC), was established in fiscal year 2009 but began operations in fiscal year 2010.  
2) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**CHANGES IN CASH AND CASH EQUIVALENTS (UNAUDITED)**  
**Last Ten Fiscal Years**

2016	2015	2014	2013	2012	2011
\$ 457,634,809	\$ 407,714,967	\$ 410,690,974	\$ 440,234,069	\$ 473,876,584	\$ 468,220,833
(310,865,471)	(279,650,934)	(275,024,448)	(289,313,701)	(315,948,269)	(306,303,849)
(19,540,446)	(20,638,704)	(20,308,816)	(22,410,639)	(24,588,775)	(24,016,144)
(25,742,753)	(23,253,196)	(23,046,410)	(24,986,551)	(26,526,329)	(26,217,851)
(5,413,835)	(4,772,451)	(4,319,538)	(4,863,664)	(4,280,198)	(4,009,445)
(4,834,544)	(5,432,980)	(5,725,930)	(5,691,914)	(5,848,550)	(6,157,322)
(2,412,905)	(2,139,793)	(2,402,273)	(2,228,385)	(2,726,247)	(1,897,589)
1,875	-	461,047	-	2,000,000	-
<u>88,826,730</u>	<u>71,826,909</u>	<u>80,324,606</u>	<u>90,739,215</u>	<u>95,958,216</u>	<u>99,618,633</u>
-	-	-	-	-	-
(77,000,000)	(80,000,000)	(95,000,000)	(115,000,000)	(115,000,000)	(115,000,000)
286,177	2,319,469	2,138,092	6,342,312	12,430,211	20,000,000
-	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
<u>(76,713,823)</u>	<u>(77,880,531)</u>	<u>(93,061,908)</u>	<u>(108,857,688)</u>	<u>(102,769,789)</u>	<u>(95,200,000)</u>
(248,302)	(138,605)	(76,011)	-	-	(34,832)
-	3,177	-	-	-	0
<u>(248,302)</u>	<u>(135,428)</u>	<u>(76,011)</u>	<u>-</u>	<u>-</u>	<u>(34,832)</u>
232,275	224,546	252,614	322,722	352,431	464,252
12,096,880	(5,964,504)	(12,560,699)	(17,795,751)	(6,459,142)	4,848,053
45,585,613	51,550,117	64,110,816	81,906,567	88,365,709	83,517,656
<u>\$ 57,682,493</u>	<u>\$ 45,585,613</u>	<u>\$ 51,550,117</u>	<u>\$ 64,110,816</u>	<u>\$ 81,906,567</u>	<u>\$ 88,365,709</u>
\$ 88,240,539	\$ 72,363,779	\$ 79,166,789	\$ 88,046,064	\$ 94,500,321	\$ 93,364,508
95,063	158,363	188,270	182,158	182,159	179,750
(90,790)	(201,028)	-	-	-	-
-	-	-	-	-	-
1,875	-	461,047	-	2,000,000	-
1,166,802	(1,493,924)	33,527	157,254	258,522	3,059,565
(3,576)	-	7,020	(7,020)	-	-
(9,191)	59,650	(51,876)	414	45,174	(72,138)
(85,225)	31,693	(20,459)	(89,814)	(545,673)	(680,865)
(481,522)	(609,762)	871,837	(273,839)	(766,472)	521,541
(1,832,930)	784,166	(53,889)	2,900,295	(83,767)	1,831,721
1,261,440	864,662	(481,765)	(494,883)	501,610	338,875
(66,992)	(248,295)	(123,695)	16,659	(382,971)	958,107
16,613	(38,879)	5,449	38,032	1,191	(191,329)
142,196	(25,787)	19,479	(32,461)	(21,168)	80,930
472,428	182,271	302,872	296,356	269,290	227,968
<u>2</u>					<u>3</u>
<u>\$ 88,826,730</u>	<u>\$ 71,826,909</u>	<u>\$ 80,324,606</u>	<u>\$ 90,739,215</u>	<u>\$ 95,958,216</u>	<u>\$ 99,618,633</u>



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**TOTAL PERSONAL AND PER CAPITA INCOME AND UNEMPLOYMENT RATE (UNAUDITED)**  
**Last Ten Years**

<b>Calendar year</b>	<b>Total population (in thousands)</b>	<b>Total personal income (in millions)</b>	<b>Per capita personal income</b>	<b>Unemployment rate</b>
2020	3,023	\$ 142,192	\$ 47,037	5.1%
2019	3,021	130,457	43,183	3.7%
2018	3,013	125,715	41,724	3.8%
2017	3,004 *	123,313	41,050	3.7%
2016	2,988 *	118,770	39,749	3.9%
2015	2,976 *	116,249	39,062	5.0%
2014	2,965 *	112,619	37,983	6.0%
2013	2,957 *	106,430	35,993	7.2%
2012	2,949 *	106,537	34,399	7.6%
2011	2,939	99,329	33,713	8.3%

\* Estimated Amounts

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

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

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**STATE OF ARKANSAS PRINCIPAL EMPLOYERS (UNAUDITED)**  
**Year 2020 as Compared to 2011**

<b>2020</b>	<b>Employer</b>	<b>Total Employees</b>	<b>% of Total Arkansas Employment</b>
1	Wal-Mart Stores, Inc.	50,121	4.1%
2	Arkansas State Government (Excluding Education)	25,967	2.1%
3	Tyson Foods, Inc.	24,000	1.9%
4	U.S. Government	20,700	1.7%
5	University of Arkansas for Medical Sciences (UAMS)	11,613	0.9%
6	Baptist Health	10,863	0.9%
7	Mercy	5,628	0.5%
8	J.B. Hunt Transport Services, Inc.	4,894	0.4%
9	CHI St. Vincent	4,505	0.4%
10	Kroger Co.	4,470	0.4%
		<u>162,761</u>	<u>13.3%</u>

<b>2011</b>	<b>Employer</b>	<b>Total Employees</b>	<b>% of Total Arkansas Employment</b>
1	Arkansas State Government	56,751	4.8%
2	Wal-Mart Stores, Inc.	47,796	4.1%
3	Tyson Foods, Inc.	24,000	2.0%
4	U.S. Government	20,900	1.8%
5	Baptist Health	7,813	0.7%
6	Sisters of Mercy Health System	6,300	0.5%
7	J.B. Hunt Transport Services, Inc.	4,300	0.4%
8	Arkansas Children's Hospital	4,261	0.4%
9	Simmons Foods, Inc.	3,935	0.3%
10	FedEx	3,750	0.3%
		<u>179,806</u>	<u>15.3%</u>

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

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
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**EMPLOYEES BY DEPARTMENT AND BY FUNCTION (UNAUDITED)**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Executive	1	1	1	1	1	1	1	1	1	2
Public Affairs	0	0	0	0	0	0	0	0	1	1
Human Resources	1	0	0	0	0	0	2	2	2	1
Legal Counsel	1	2	2	2	1	2	2	2	1	2
Internal Audit	3	3	3	2	3	3	2	2	1	2
Sales	23	23	24	24	23	22	23	23	23	23
Marketing	4	3	3	4	4	4	7	7	7	7
Security	4	5	4	4	6	6	6	5	6	4
Draw Managers	2	2	2	2	2	2	2	2	2	1
Licensing	4	4	4	4	4	3	3	3	3	4
Gaming	1	1	1	1	1	1	1	1	1	1
IT-Gaming	6	6	6	6	6	6	6	6	6	7
Product Development	3	3	3	3	3	3	3	3	3	2
Finance	1	1	1	1	1	1	1	1	1	1
Treasurer	3	2	3	3	3	3	3	3	3	4
Claims Center	3	3	3	3	3	3	9	9	9	9
Controller	2	2	2	2	2	2	5	5	5	4
Procurement	1	1	1	1	1	1	2	2	3	6
IT-Admin	1	1	2	2	1	2	3	3	3	3
Financial Analyst	1	1	1	1	0	0	0	0	0	0
<b>Total Employees</b>	<b>65</b>	<b>64</b>	<b>66</b>	<b>66</b>	<b>65</b>	<b>65</b>	<b>81</b>	<b>80</b>	<b>81</b>	<b>84</b>
<b>Gender:</b>										
Female	31	30	30	30	30	28	40	39	41	41
Male	34	34	36	36	35	37	41	41	40	43
<b>Race:</b>										
Black/Non-Hispanic	16	17	14	16	16	15	19	19	23	23
Caucasian	46	44	49	45	43	43	53	54	51	57
Hispanic	0	0	0	2	2	2	3	3	2	2
Other	3	3	3	3	4	5	6	4	5	2
<b>Age:</b>										
Under 40	18	14	20	19	20	21	29	31	34	35
40+	47	50	46	47	45	44	52	49	47	49

NOTE: 1) The OAL, Arkansas Lottery Commission (ALC), was established in fiscal year 2009 but began operations in fiscal year 2010.  
2) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.

SOURCE: OAL Human Resources

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**CAPITAL ASSETS BY DEPARTMENT (UNAUDITED)**  
**Year Ended June 30, 2020**

<b>Function</b>	<b>2020</b>
<b>Executive:</b>	
Furniture and fixtures	\$ 3,797
Computer equipment	3,120
Vehicles	3,408
Buildings/building improvements	36,710
Total executive assets	<u>47,035</u>
<b>Sales and Marketing:</b>	
Furniture and fixtures	34,172
Computer equipment	2,159,145
Vehicles	30,668
Buildings/building improvements	330,395
Total sales and marketing assets	<u>2,554,380</u>
<b>Gaming and Security:</b>	
Furniture and fixtures	25,312
Computer equipment	156,509
Vehicles	22,717
Buildings/building improvements	244,737
Total gaming and security assets	<u>449,275</u>
<b>Finance:</b>	
Furniture and fixtures	18,984
Computer equipment	15,602
Vehicles	17,038
Buildings/building improvements	183,553
Total finance assets	<u>235,177</u>
<b>Total assets</b>	<u><u>\$ 3,285,867</u></u>

SOURCE: OAL Finance Division



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**U.S. LOTTERIES' SALES (UNAUDITED)**  
**Fiscal Year 2020**

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

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

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

SOURCE: *La Fluer's Magazine* - September/October 2020

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**U.S. LOTTERIES' SALES (UNAUDITED)**  
**Fiscal Year 2019**

<b>Lottery Jurisdiction</b>	<b>Population (in millions)</b>	<b>Sales (in millions)</b>	<b>Sales Per Capita</b>	<b>Instant Sales (in millions)</b>	<b>Instant Sales Per Capita</b>
Arizona	7.2	\$ 1,073.0	\$ 150	\$ 750.3	\$ 104
<b>Arkansas</b>	<b>3.0</b>	<b>515.5</b>	<b>171</b>	<b>407.8</b>	<b>136</b>
California	39.6	7,392.1	187	5,174.8	131
Colorado	5.7	679.8	119	443.4	78
Connecticut	3.6	1,333.9	373	736.4	205
D.C.	0.7	213.3	304	52.2	75
Delaware	1.0	354.7	367	79.8	80
Florida	21.3	7,151.2	336	4,937.8	232
Georgia	10.5	4,776.0	454	3,219.4	307
Idaho	1.8	287.9	164	159.0	88
Illinois	12.7	2,977.6	234	1,856.8	146
Indiana	6.7	1,347.8	201	974.9	146
Iowa	3.2	390.9	124	250.6	78
Kansas	2.9	308.2	106	178.0	61
Kentucky	4.5	1,129.7	253	669.2	149
Louisiana	4.7	524.0	112	225.6	48
Maine	1.3	299.5	224	224.6	173
Maryland	6.0	2,187.3	362	812.4	135
Massachusetts	6.9	5,480.1	794	3,673.3	532
Michigan EST (1)	10.0	3,830.8	383	1,654.7	165
Minnesota	5.6	636.8	113	435.3	78
Missouri	6.1	1,352.6	221	914.8	150
Montana	1.1	61.3	58	19.3	18
Nebraska	1.9	192.0	100	104.1	55
N. Hampshire	1.4	375.9	277	250.6	179
New Jersey	8.9	3,479.1	391	1,868.4	210
New Mexico	2.1	143.6	69	74.9	36
New York (1)	19.5	8,227.6	421	4,226.7	217
N. Carolina	10.4	2,859.6	275	1,908.9	184
N. Dakota (2)	0.8	35.4	47	-	-
Ohio	11.7	3,360.8	288	1,663.0	142
Oklahoma	3.9	241.7	61	136.0	35
Oregon	4.2	380.1	91	131.2	31
Pennsylvania	12.8	4,503.3	352	2,989.7	234
Rhode Island	1.1	263.3	249	102.9	94
S. Carolina	5.1	1,980.9	390	1,450.4	284
South Dakota	0.9	63.1	72	32.4	36
Tennessee (2)	6.8	-	-	-	-
Texas EST (1)	28.7	6,247.2	218	4,844.4	169
Vermont	0.6	139.3	223	107.0	178
Virginia	8.5	2,293.6	269	1,221.9	144
Washington	7.5	803.3	107	523.9	70
West Virginia	1.8	201.3	111	115.6	64
Wisconsin	5.8	713.1	123	450.4	78
Wyoming	0.6	37.6	65	-	-
<b>Total</b>	<b>311.1</b>	<b>\$ 80,845.8</b>	<b>\$ 260</b>	<b>\$ 50,052.8</b>	<b>\$ 161</b>

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

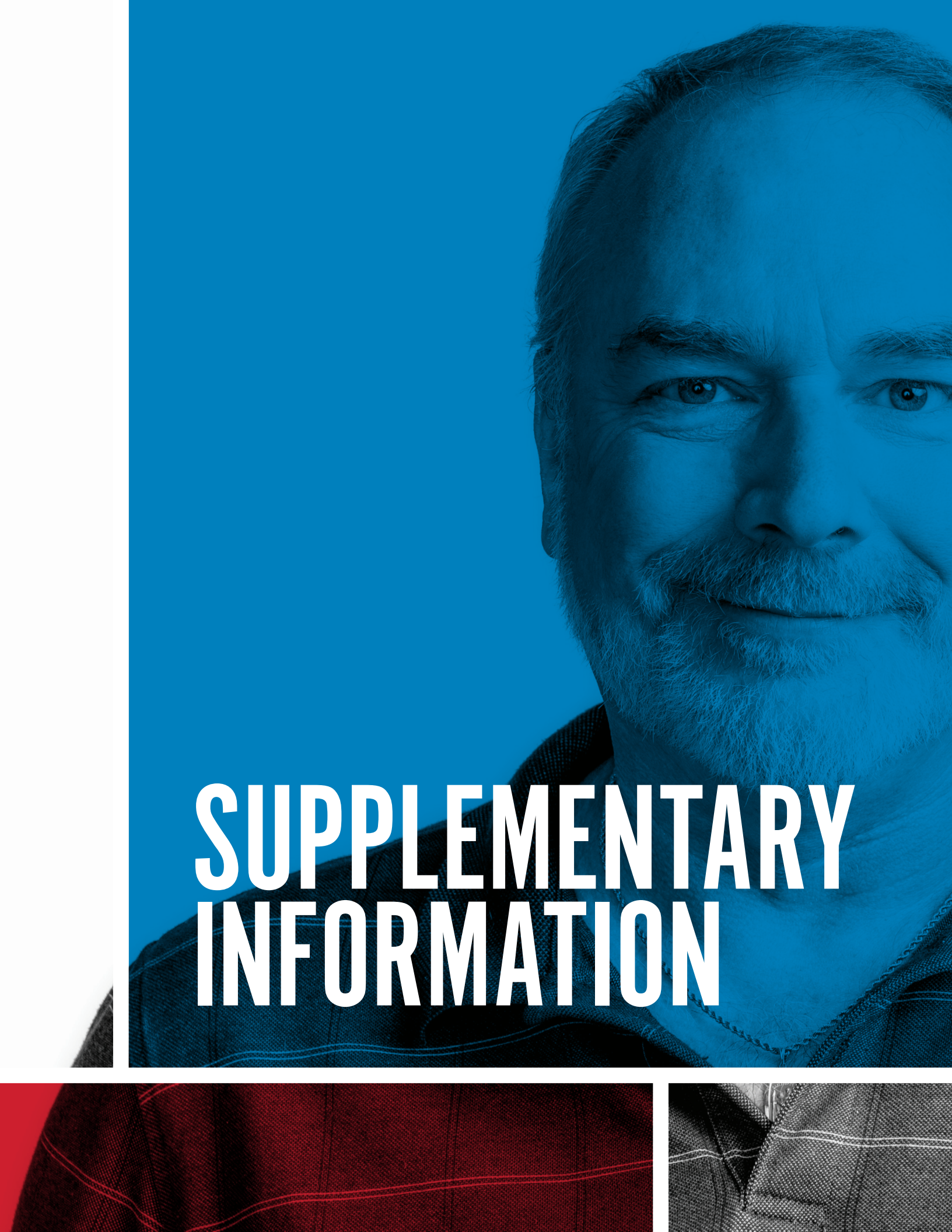
(2) North Dakota and Tennessee instant ticket sales were not reported. Wyoming does not have instant ticket sales.

SOURCE: *La Fluer's Magazine* - September/October 2019

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**DEMOGRAPHIC SUMMARY (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

	<b>Census1</b>	<b>All Respondents</b>	<b>Players Total</b>	<b>Non-Player Total</b>
<b>Number of respondents =</b>	<b>3.0 Million</b>	<b>1,200</b>	<b>730</b>	<b>470</b>
Male	49%	49%	49%	49%
Female	51%	51%	51%	51%
18-34		30%	31%	29%
35-64		51%	55%	48%
65 or older		19%	14%	23%
Single		28%	24%	32%
Married/cohabitating		52%	61%	46%
Divorced/widowed/separated		20%	15%	22%
Some high school		6%	5%	7%
Completed high school		27%	27%	27%
Technical or vocational school above high school level		8%	8%	8%
Some college or university		31%	33%	30%
College or university degree or diploma (Bachelor's Degree)		18%	19%	16%
Post-graduate degree (Masters, Doctorate, or equivalent)		10%	8%	12%
Hispanic, Latino or Spanish origin	7%	6%	7%	5%
Not of Hispanic, Latino or Spanish origin	93%	94%	93%	95%
Caucasian	81%	80%	82%	78%
African American	16%	16%	15%	18%
Native American or Alaska Native	1%	1%	1%	2%
Asian	2%	1%	1%	1%
Other (includes Multi - racial)	1%	2%	1%	1%
Employed full-time		33%	43%	25%
Employed part-time		7%	8%	7%
Self employed		7%	6%	8%
Homemaker		10%	12%	8%
Student		5%	3%	6%
Retired		24%	19%	28%
Not currently in the workforce		14%	9%	18%
Less than \$25,000		30%	26%	35%
\$25,000 to just under \$50,000		33%	37%	29%
\$50,000 to just under \$75,000		19%	20%	17%
\$75,000 to just under \$100,000		8%	7%	9%
\$100,000 or more		10%	10%	10%

SOURCE: ALC Demographic Research Study January 2015, Crestwood Associates - U.S. Census Bureau, 2005-2009 American Community Survey



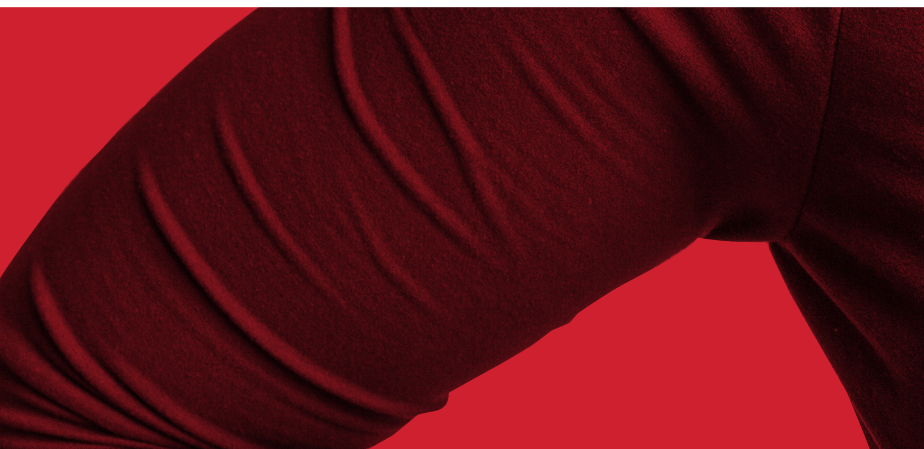
# **SUPPLEMENTARY INFORMATION**



  
*This is*  
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SCHOLARSHIP TO  
UNIVERSITY OF ARKANSAS  
AT PINE BLUFF



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**UNCLAIMED LOTTERY PRIZES (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

<b>Month</b>	<b>Unclaimed lottery prizes</b>	<b>Expenditures from unclaimed lottery prizes</b>	<b>Increase (decrease) in unclaimed prize reserve</b>	<b>Deposits to net lottery proceeds from unclaimed lottery prizes</b>
July	\$ 1,997,466	\$ -	\$ 1,997,466	\$ -
August	1,061,557	-	1,061,557	-
September	247,473	-	247,473	-
October	780,461	-	780,461	-
November	864,775	-	864,775	-
December	156,313	-	156,313	-
January	1,006,865	-	1,006,865	-
February	87,086	-	87,086	-
March	856,503	-	856,503	-
April	90,058	-	90,058	-
May	831,426	-	831,426	-
June	916,864	-	(7,979,983)	8,896,847
<b>Total</b>	<b>\$ 8,896,847</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,896,847</b>

SOURCE: OAL general ledger

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SCHOLARSHIP SHORTFALL RESERVE TRUST ACCOUNT (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

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

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

SOURCE: OAL general ledger and corresponding bank statements

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION  
OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT  
MINORITY AND FEMALE-OWNED BUSINESS PARTICIPATION (UNAUDITED)  
Fiscal Year Ended June 30, 2020**

**Office of the Arkansas Lottery Minority and Female Owned Diversity Compliance Report**

<b><u>VENDORS</u></b>	<b><u>Amount Paid</u></b>	<b><u>Good or Service</u></b>	<b><u>Classification</u></b>
A-Absolute Moving & Hauling	\$ 335	Moving/Hauling	Certified Minority Business Enterprise
Arkansas Business Publishing Group	65	News Service	Women Business Enterprise
Buds Graphics Sales & Service	410	Printing Equipment & Service	Minority Business Enterprise
Government Supply Services	3,729	Office Products	Minority Business Enterprise
Total	<u>\$ 4,539</u>		

**Intralot Minority and Female Owned Diversity Compliance Report**

<b><u>VENDORS</u></b>	<b><u>Amount Paid</u></b>	<b><u>Good or Service</u></b>	<b><u>Classification</u></b>
J Kelly Referrals & Information Svcs, Inc	\$ 198,725	Call Center/Information Svcs	Certified Minority Business Enterprise
Total	<u>\$ 198,725</u>		

**Scientific Games Minority and Female Owned Diversity Compliance Report**

<b><u>VENDORS</u></b>	<b><u>Amount Paid</u></b>	<b><u>Good or Service</u></b>	<b><u>Classification</u></b>
Pure Cleaning Services	\$ 4,357	Janitorial Svcs	Minority Business Enterprise
Premier Staffing	18,140	Staffing Svcs	Minority Business Enterprise
Ingage, LLC	1,107,932	Fulfillment Services and Prizes	Women Business Enterprise
Expedited Transportation Svcs	17,020	Transportation Svcs	Disadvantage Business Enterprise
Total	<u>\$ 1,147,449</u>		

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



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**RETAIL SALES BY COUNTY (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

COUNTY	<u>Instant</u> *	<u>Powerball</u> ®*	<u>Mega</u> <u>Millions</u> ®*	<u>Fast Play</u> *	<u>Natural State</u> <u>Jackpot</u> *	<u>Cash 3</u> *	<u>Cash 4</u> *	<u>Lucky for</u> <u>Life</u> ®*	<u>Total</u>
Arkansas	6,037,067	187,253	156,116	149,302	66,393	144,204	83,241	25,776	\$ 6,849,352
Ashley	2,164,850	120,584	78,886	73,763	33,127	182,500	175,729	12,488	2,841,926
Baxter	4,967,936	304,897	221,436	151,074	146,943	35,975	16,766	71,038	5,916,064
Benton	16,101,624	1,353,334	1,066,659	285,763	315,311	91,784	44,795	162,548	19,421,818
Boone	5,931,356	228,089	169,187	417,603	69,524	25,112	25,953	33,794	6,900,617
Bradley	2,006,437	52,677	42,292	34,924	20,349	22,663	30,768	10,408	2,220,517
Calhoun	602,724	20,341	15,993	23,599	8,955	47,805	11,474	4,308	735,199
Carroll	3,075,121	152,019	114,022	110,984	45,975	3,909	7,023	18,796	3,527,849
Chicot	2,368,106	289,620	202,743	64,010	68,747	86,423	60,287	39,320	3,179,255
Clark	4,596,521	148,337	126,202	257,706	64,747	46,058	17,206	16,800	5,273,577
Clay	1,301,614	47,382	37,536	44,628	17,850	2,089	717	7,058	1,458,873
Cleburne	3,449,370	218,029	172,544	254,631	114,332	18,641	3,335	32,620	4,263,502
Cleveland	847,718	21,475	15,839	20,557	7,915	10,010	2,234	12,680	938,428
Columbia	4,107,431	121,051	89,834	230,650	45,127	204,658	88,642	20,694	4,908,087
Conway	5,194,675	189,222	154,185	201,559	90,545	65,286	36,872	20,574	5,952,918
Craighead	19,601,454	595,668	484,903	542,525	212,685	166,763	92,388	69,360	21,765,745
Crawford	4,607,280	361,868	287,209	102,630	136,912	18,953	9,070	40,554	5,564,476
Crittenden	8,191,541	513,786	378,605	123,987	139,562	233,199	156,578	57,952	9,795,209
Cross	3,102,876	93,793	73,491	107,703	35,219	62,522	30,703	12,302	3,518,609
Dallas	2,352,680	54,203	44,985	58,408	22,150	25,717	11,599	8,354	2,578,096
Desha	2,757,446	108,874	94,334	35,459	37,826	32,531	30,973	11,316	3,108,759
Drew	3,494,786	133,896	111,577	99,327	41,777	51,277	29,199	28,458	3,990,296
Faulkner	15,993,380	778,855	642,110	700,767	347,155	138,438	76,536	104,278	18,781,519
Franklin	2,349,195	122,731	97,830	183,581	40,628	5,800	1,919	12,398	2,814,082
Fulton	881,195	35,300	24,303	31,923	19,723	8,766	3,815	10,928	1,015,952
Garland	13,533,583	923,768	789,669	440,022	494,822	160,367	76,834	136,076	16,555,141
Grant	1,980,412	104,307	87,680	113,119	45,572	9,371	3,302	17,794	2,361,557
Greene	8,340,390	274,963	216,855	357,557	94,578	10,306	3,486	36,028	9,334,163
Hempstead	4,416,244	116,069	95,253	174,164	35,615	588,200	205,036	14,156	5,644,737
Hot Springs	4,913,765	195,499	167,852	218,232	82,155	14,151	5,562	29,982	5,627,198
Howard	3,068,202	73,708	60,698	80,965	29,189	424,635	143,160	18,698	3,899,255
Independence	6,902,474	243,658	197,478	516,695	112,626	26,489	15,443	25,130	8,039,993
Izard	929,744	59,998	50,260	73,272	38,622	1,133	517	7,704	1,161,250
Jackson	3,970,890	114,726	96,539	299,227	71,694	185,765	98,687	18,986	4,856,514
Jefferson	18,498,640	637,334	525,239	517,476	280,110	649,353	491,253	100,884	21,700,289
Johnson	3,458,464	139,069	107,792	94,364	53,951	9,216	13,396	15,558	3,891,809
Lafayette	976,623	36,200	27,263	44,936	8,833	117,329	25,337	5,724	1,242,244
Lawrence	3,270,530	97,730	81,453	133,150	31,842	10,892	5,863	14,970	3,646,429
Lee	1,049,712	31,791	26,231	24,346	5,913	38,518	94,539	4,024	1,275,074
Lincoln	1,190,487	51,940	41,717	47,275	28,472	3,733	7,308	10,058	1,380,989

Continued...

\*Estimates - Cash Sales, not on accrual basis  
SOURCE: OAL Gaming Division

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**RETAIL SALES BY COUNTY (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

<b>COUNTY</b>	<b>Instant*</b>	<b>Powerball®*</b>	<b>Mega Millions®*</b>	<b>Natural State Fast Play*</b>	<b>Jackpot*</b>	<b>Cash 3*</b>	<b>Cash 4*</b>	<b>Lucky for Life®*</b>	<b>Total</b>
Little River	1,777,349	66,008	54,894	85,783	15,634	70,422	36,039	8,210	2,114,339
Logan	2,836,520	137,992	102,863	106,559	51,325	12,693	2,553	11,998	3,262,503
Lonoke	12,155,799	567,201	476,837	422,750	235,091	140,548	62,223	74,762	14,135,211
Madison	1,081,665	70,969	55,568	19,583	20,433	836	479	7,142	1,256,674
Marion	2,522,486	114,357	88,927	102,263	78,016	38,990	16,430	26,926	2,988,395
Miller	7,637,942	223,418	192,143	208,874	65,324	339,569	150,289	42,832	8,860,391
Mississippi	7,744,625	225,067	179,437	249,369	59,530	594,472	234,999	24,972	9,312,470
Monroe	2,176,450	89,902	72,420	54,158	30,755	98,834	24,076	6,266	2,552,860
Montgomery	319,438	29,618	24,703	21,946	9,718	607	1,800	2,716	410,546
Nevada	2,512,471	51,018	45,139	50,029	16,363	40,767	29,480	11,140	2,756,407
Newton	523,023	23,148	18,374	52,685	9,106	114	379	2,528	629,357
Ouachita	7,103,940	169,864	124,372	221,718	67,235	173,546	67,213	24,562	7,952,450
Perry	1,451,032	56,351	47,344	25,634	21,860	8,373	4,488	5,772	1,620,854
Phillips	2,629,268	202,876	150,334	75,026	44,558	108,119	70,202	27,034	3,307,417
Pike	1,723,964	68,243	56,666	150,017	36,880	3,176	2,287	10,454	2,051,686
Poinsett	6,435,396	153,173	119,870	225,446	53,923	105,528	17,351	13,354	7,124,041
Polk	1,850,816	126,189	92,410	71,663	54,124	10,924	812	17,168	2,224,105
Pope	10,473,960	465,754	398,773	267,060	188,624	54,998	26,004	59,320	11,934,493
Prairie	2,406,190	66,929	55,163	80,884	19,839	27,211	19,305	5,936	2,681,457
Pulaski	82,949,440	3,641,182	3,190,876	2,950,954	1,583,677	1,541,747	1,268,002	613,176	97,739,054
Randolph	1,944,402	95,606	78,122	111,512	26,609	2,026	4,584	14,398	2,277,258
Saint Francis	3,867,221	168,876	131,975	66,776	48,018	258,287	157,122	21,250	4,719,525
Saline	14,499,619	801,984	683,061	1,422,607	404,507	259,614	89,457	144,116	18,304,965
Scott	1,051,996	67,050	48,163	66,462	16,383	1,330	336	6,334	1,258,054
Searcy	957,590	44,558	35,083	21,917	19,924	1,552	7,287	8,496	1,096,406
Sebastian	11,697,686	919,039	748,806	213,786	352,707	144,648	50,253	132,930	14,259,855
Sevier	1,960,516	67,614	65,446	17,538	20,357	54,774	5,696	11,462	2,203,403
Sharp	3,103,776	149,965	112,347	180,221	69,674	14,594	2,980	20,064	3,653,621
Stone	1,271,593	72,133	60,547	67,122	44,205	12,880	4,490	9,856	1,542,826
Union	10,305,985	290,689	222,076	340,118	89,798	695,991	301,417	47,196	12,293,270
Van Buren	1,988,832	106,179	83,713	76,982	50,617	11,068	9,414	11,640	2,338,445
Washington	19,123,792	1,276,023	1,023,839	369,387	397,235	152,642	79,811	159,248	22,581,977
White	12,286,500	453,401	383,457	683,765	196,504	64,530	33,659	61,762	14,163,578
Woodruff	1,410,862	48,067	39,030	28,184	14,345	29,797	25,245	6,210	1,601,740
Yell	3,328,533	114,773	90,236	111,860	55,294	5,607	1,918	12,834	3,721,055
Grand Total	\$ 449,695,220	\$ 20,579,260	\$ 16,827,814	\$ 16,662,501	\$ 8,031,663	\$ 9,061,332	\$ 5,045,609	\$ 2,964,638	\$ 528,868,037

\*Estimates - Cash Sales, not on accrual basis  
SOURCE: OAL Gaming Division

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**DEMOGRAPHIC REPORT FROM THE DEPARTMENT OF EDUCATION -**  
**ARKANSAS DIVISION OF HIGHER EDUCATION (ADHE) (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

<b>Institution</b>	<b>Awards</b>	<b>Scholarships</b>
Arkansas Baptist College	53	\$ 64,584
Arkansas Colleges of Health Education	5	9,375
Arkansas Northeastern College	178	116,750
Arkansas State University Beebe	751	532,874
Arkansas State University Jonesboro	6,500	10,687,250
Arkansas State University Mid South	56	44,000
Arkansas State University Mountain Home	239	183,750
Arkansas State University Newport	278	245,125
Arkansas State University Three Rivers	102	86,875
Arkansas Tech University	6,060	9,430,648
Arkansas Tech University Ozark Campus	325	279,625
Baptist Health College Little Rock	162	227,000
Barry University, Miami Shores, FL	2	4,000
Black River Technical College	239	207,125
Central Baptist College	387	628,777
Champion Christian College	10	18,500
Cossatot Community College UA	237	175,250
Crowley's Ridge College	81	134,500
East Arkansas Community College	153	125,250
Ecclesia College	28	46,500
Harding University	1,239	2,087,839
Henderson State University	2,578	4,044,923
Hendrix College	815	1,375,750
Jefferson School of Nursing	17	20,875
John Brown University	614	1,000,250
Logan College of Chiropractic, Chesterfield, MO	5	10,250
Louisiana State University, Baton Rouge, LA	4	8,375
Lyon College	520	825,625
National Park College	433	351,375
North Arkansas College	455	376,125
Northwest Arkansas Community College	964	672,722
Northwest Technical Institute	3	3,500
Oklahoma State University, Stillwater, OK	2	4,000
Ouachita Baptist University	1,277	2,150,299
Ozarka College	185	149,625
Parker College of Chiropractic, Irving, TX	1	1,250
Philander Smith College	202	307,125
Phillips Community College UA	107	82,625
Shorter College	3	3,000
South Arkansas Community College	153	152,375
Southeast Arkansas College	216	185,250
Southern Arkansas University	2,369	3,798,987
Southern Arkansas University Tech	179	146,125
Southern College of Optometry, Memphis, TN	3	7,500
University of Arkansas at Monticello College of Technology - Crossett	15	21,125
University of Arkansas at Monticello College of Technology - McGehee	8	7,000
University of Arkansas Community College Batesville	296	237,625
University of Arkansas Community College Hope	185	172,125
University of Arkansas Community College Morrilton	523	392,750
University of Arkansas Community College Rich Mountain	170	123,000
University of Arkansas Fayetteville	11,313	18,315,806
University of Arkansas Medical Sciences	518	1,070,375
University of Arkansas Fort Smith	3,296	5,065,125
University of Arkansas Little Rock	2,990	4,927,463
University of Arkansas Monticello	1,184	1,874,457
University of Arkansas Pine Bluff	825	1,371,108
University of Arkansas Pulaski Technical College	628	451,625
University of Central Arkansas	8,158	12,981,249
University of Missouri, Columbia, MO	2	5,000
University of Tennessee, Memphis, TN	9	20,875
University of the Ozarks	346	550,750
Williams Baptist College	387	526,750
<b>Total</b>	<b>59,043</b>	<b>\$ 89,127,736</b>

Totals include Traditional, Nontraditional, Current Achiever and Original Challenge Recipients.  
SOURCE: The Department of Education - Arkansas Division of Higher Education (ADHE)

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**EXPENDITURES AND PROJECTED OBLIGATIONS FROM SCHOLARSHIP AND GRANT FUNDING SOURCES**  
**FROM THE DEPARTMENT OF EDUCATION - ARKANSAS DIVISION OF HIGHER EDUCATION (ADHE) (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

<b>Program</b>	<b>FY 20 Expenditures</b>	<b>FY 21 Budget</b>
Academic Challenge Scholarships	\$ 20,000,000	\$ 20,000,000
AR Geographical Critical Needs Program	81,750	150,000
Arkansas Future Grant	1,569,619	3,809,974
Law Enforcement Dependents	393,048	400,000
Governor's Scholars Program	20,220,596	21,000,000
Go! Opportunities Grants	680,435	1,500,000
Military Dependents	1,567,626	1,500,000
National Guard Tuition Assistance	1,032,556	1,400,000
Single Parent Scholarship	175,000	175,000
SREB Minority Doctoral Scholars	175,000	175,000
State Teacher Education Program	1,455,498	2,000,000
SURF Program	149,262	150,000
Teacher Opportunity Program	1,837,532	2,000,000
Tuition Adjustment	350,000	350,000
Washington Center Scholarships	47,000	100,000
Arkansas Health Education Grants:		
Dental Aid	2,606,100	3,000,000
Dental Loans	1,068,000	987,370
Optometry Grants	518,400	650,000
Optometry Loans	105,000	140,000
Veterinary Aid	1,462,210	1,750,000
Veterinary Loan Forgiveness	-	250,000
Chiropractic	149,173	260,000
Podiatry	13,000	80,000
<b>Total All Financial Aid Programs</b>	<b>\$ 55,656,805</b>	<b>\$ 61,827,344</b>

SOURCE: The Department of Education - Arkansas Division of Higher Education (ADHE)



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**ACADEMIC CHALLENGE SCHOLARSHIP PROGRAM COUNTY REPORT**  
**Fiscal Year Ended June 30, 2020**

<b><u>County</u></b>	<b><u>2019 Population Estimate</u></b>	<b><u>% State Population</u></b>	<b><u>Awards</u></b>		<b><u>Amount</u></b>
Arkansas	17,486	0.58%	950	\$	1,065,000
Ashley	19,657	0.65%	403		611,750
Baxter	41,932	1.39%	670		1,004,750
Benton	279,141	9.25%	4,671		7,116,540
Boone	37,432	1.24%	676		951,647
Bradley	10,763	0.36%	217		307,729
Calhoun	5,189	0.17%	54		81,375
Carroll	28,380	0.94%	347		512,125
Chicot	10,118	0.34%	141		203,917
Clark	22,320	0.74%	510		819,750
Clay	14,551	0.48%	223		344,625
Cleburne	24,919	0.83%	416		585,000
Cleveland	7,956	0.26%	267		388,881
Columbia	23,457	0.78%	482		732,125
Conway	20,846	0.69%	431		607,750
Craighead	110,332	3.66%	2,020		3,089,970
Crawford	63,257	2.10%	1,494		2,252,000
Crittenden	47,955	1.59%	729		1,122,658
Cross	16,419	0.54%	338		476,500
Dallas	7,009	0.23%	169		249,433
Desha	11,361	0.38%	218		327,875
Drew	18,219	0.60%	462		737,272
Faulkner	126,007	4.18%	3,338		5,044,198
Franklin	17,715	0.59%	496		671,125
Fulton	12,477	0.41%	174		243,375
Garland	99,386	3.29%	1,811		2,666,676
Grant	18,265	0.61%	412		600,502
Greene	45,325	1.50%	839		1,307,016
Hempstead	21,532	0.71%	294		476,625
Hot Spring	33,771	1.12%	619		953,646
Howard	13,202	0.44%	310		419,500
Independence	37,825	1.25%	786		1,155,875
Izard	13,629	0.45%	259		347,000
Jackson	16,719	0.55%	222		311,875
Jefferson	66,824	2.21%	1,213		1,834,667
Johnson	26,578	0.88%	543		837,750
Lafayette	6,624	0.22%	100		128,250
Lawrence	16,406	0.54%	327		454,000
Lee	8,857	0.29%	64		96,750
Lincoln	13,024	0.43%	256		384,500
Little River	12,259	0.41%	191		272,250
Logan	21,466	0.71%	536		775,625
Lonoke	73,309	2.43%	1,980		2,992,875
Madison	16,576	0.55%	266		413,000
Marion	16,694	0.55%	172		250,500
Miller	43,257	1.43%	638		932,125
Mississippi	40,651	1.35%	662		933,875

(continued)

SOURCE: The Department of Education - Arkansas Division of Higher Education (ADHE); U.S. Census Bureau

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**ACADEMIC CHALLENGE SCHOLARSHIP PROGRAM COUNTY REPORT**  
**Fiscal Year Ended June 30, 2020**

<b><u>County</u></b>	<b><u>2019 Population Estimate</u></b>	<b><u>% State Population</u></b>	<b><u>Awards</u></b>	<b><u>Amount</u></b>
Monroe	6,701	0.22%	103	155,750
Montgomery	8,986	0.30%	164	207,184
Nevada	8,252	0.27%	150	217,375
Newton	7,753	0.26%	125	170,875
Ouachita	23,382	0.77%	490	743,281
Perry	10,455	0.35%	238	368,125
Phillips	17,782	0.59%	250	364,164
Pike	10,718	0.36%	279	436,905
Poinsett	23,528	0.78%	356	501,500
Polk	19,964	0.66%	408	582,572
Pope	64,072	2.12%	1,548	2,300,875
Prairie	8,062	0.27%	150	208,875
Pulaski	391,911	12.99%	7,293	11,421,751
Randolph	17,958	0.60%	332	486,167
St. Francis	24,994	0.83%	3,107	4,839,008
Saline	122,437	4.06%	227	306,375
Scott	10,281	0.34%	132	190,500
Searcy	7,881	0.26%	2,993	4,622,792
Sebastian	127,827	4.24%	364	508,250
Sevier	17,007	0.56%	246	338,500
Sharp	17,442	0.58%	224	294,500
Stone	12,506	0.41%	202	295,000
Union	38,682	1.28%	733	1,139,497
Van Buren	16,545	0.55%	310	466,750
Washington	239,187	7.93%	3,960	6,172,025
White	78,753	2.61%	1,721	2,538,298
Woodruff	6,320	0.21%	99	142,000
Yell	21,341	0.71%	470	720,875
Not Reported			210	295,717
<b>Total</b>	<b><u>3,017,804</u></b>	<b><u>100%</u></b>	<b><u>59,280</u></b>	<b><u>\$ 89,127,738</u></b>

SOURCE: The Department of Education - Arkansas Division of Higher Education (ADHE); U.S. Census Bureau

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION  
OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FUND BALANCE AND OTHER INFORMATION FROM DEPARTMENT OF EDUCATION -  
ARKANSAS DIVISION OF HIGHER EDUCATION (ADHE) (UNAUDITED)  
Fiscal Year Ended June 30, 2020**

**Fund Balances**

Higher Education Grants Fund	\$	17,112,189
Lottery Net Proceeds Trust Account (1)	\$	4,444,093

**Arkansas Challenge Scholarship Trust Account**

Deposits	\$	93,073,377
Disbursements		88,629,284
June 30, 2020 Balance	\$	4,444,093

**Evaluation of Net Proceeds**

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

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

None

NOTE: 1) Trust accounts maintained by the director of the The Department of Education - Arkansas Division of Higher Education (ADHE) to hold transfers of net proceeds from the OAL.  
SOURCE: The Department of Education - Arkansas Division of Higher Education (ADHE); U.S. Census Bureau

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**DEBT SET-OFF COLLECTIONS (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

**Department of Finance and Administration:**

<b>Taxes due to the State</b>	<b>\$ 92,018</b>
<b>Delinquent Child Support</b>	<b><u>23,308</u></b>
<b>Total</b>	<b><u><u>\$ 115,326</u></u> (1)</b>

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

SOURCE: OAL Finance Division



**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**RETAILER SALES (UNAUDITED)**  
**Fiscal Year Ended June 30, 2020**

<b>Retail Type</b>	<b>Number of retailers*</b>	<b>Instant Sales*</b>	<b>Online Sales*</b>	<b>Total Sales*</b>
Grocery/food stores	131	\$ 14,349,281	\$ 3,478,529	\$ 17,827,810
Convenience stores	854	183,904,686	31,173,248.97	\$ 215,077,935
C-store/gas	902	204,388,366	34,435,572.79	\$ 238,823,939
Restaurant/bar	7	304,415	227,550.76	\$ 531,966
Liquor stores	104	7,197,243	1,936,963.76	\$ 9,134,207
Merchandise	87	2,253,165	340,101.05	\$ 2,593,266
Service businesses	14	352,884	103,629.07	\$ 456,513
Newstands/smoke	135	33,133,966	6,614,325.99	\$ 39,748,292
Miscellaneous	31	3,811,214	862,896	\$ 4,674,110
<b>Total</b>	<b>2,265</b>	<b>\$ 449,695,220</b>	<b>\$ 79,172,817</b>	<b>\$ 528,868,037</b>

\*Estimates - cash sales, not on accrual basis  
SOURCE: OAL Finance Division

**ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION**  
**OFFICE OF THE ARKANSAS LOTTERY • COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TERM CONTRACTS FOR GOODS AND SERVICES**  
**Fiscal Year Ended June 30, 2020**

1. On July 10, 2019, the Department of Finance and Administration Office of the Arkansas Lottery (OAL) and Bank OZK, entered into an Agreement for Contractual Services for Comprehensive Banking Services. The Term of Agreement: two (2) years from the effective date of September 2, 2019. Terms of Compensation: Interest shall be paid at the Federal Funds Rate plus 20 (or 20 Basis Points) with a start rate and floor of .55%. The estimated net value is one dollar (\$1.00).
2. On October 9, 2019, OAL and Scientific Games International (SGI) entered into a Non-Exclusive Licensing Agreement. The Non-Exclusive Licensing Agreement granted to OAL the non-exclusive right in the state of Arkansas to reproduce, use, and make copies of the Property in association with the sale, marketing, advertising, and promotion of a scratch-off instant win lottery game conducted by OAL and identified as AR-543 "SCRABBLE™" Crossword. The term of the agreement shall commence on the date the Working Papers are signed and shall expire on the last day for claiming game prizes as established by OAL. Value of the Agreement: The base instant game contract price is 1.30% of net sales. There is a price of \$1.89 per 1,000 tickets for FailSafe Barcode Services and a price of 1.35% of the prize fund for Points for Prizes Rewards/Merchandise Prizes and Fulfillment. The preceding costs are standard for OAL instant games. Additionally, there is a contractual price of \$4.50 per 1000 tickets for use of SureMark™, which is a necessity for some instant games of the Crossword/Bingo variety. There are no additional costs for the use of SCRABBLE™.
3. On December 20, 2019, OAL and Cranford Johnson Robinson Woods (CJRW) entered into a First Amendment to the Agreement for Contractual Services for Advertising, Marketing, and Public Relations Services. The Term of the Agreement is as set forth in the Contractual Services Agreement dated February 16, 2017. Terms of Compensation: Creative Development will be billed at a rate of \$115.00 per hour effective December 20, 2019. The estimated net value of the First Amendment to the Agreement is one dollar (\$1.00).
4. On May 1, 2020, OAL and SGI entered into a Non-Exclusive Licensing Agreement. The Non-Exclusive Licensing Agreement granted to OAL the non-exclusive right in the state of Arkansas to reproduce, use, and make copies of the Property in association with the sale, marketing, advertising, and promotion of a scratch-off instant win lottery game conducted by OAL and identified as AR-576 "Wooo Pig Sooiel®". All rights not specifically granted to SGI are reserved by OAL and/or Licensor. The term of the agreement shall commence on the date the Working Papers are signed and shall expire on the last day for claiming game prizes as established by OAL. Value of the Agreement: The base instant game contract price is 1.30% of net sales. There is a price of \$1.89 per 1000 tickets for FailSafe Barcode Services and a price of 1.35% of the prize fund for Points for Prizes Rewards/merchandise Prizes and Fulfillment. The preceding costs are standard for OAL instant games. In addition, SGI shall invoice OAL in the amount of seventy-five thousand dollars (\$75,000.00) for payment of the License Fee for this game.
5. On July 1, 2020, OAL and Camelot Global Services (North America) Inc. (Camelot) entered into a Second Amendment to Agreement for Contractual Services for Business Plan and Consultancy Services. Term of the Second Amendment: July 1, 2020, through June 30, 2022 (First Extended Term). Base Compensation Terms: Beginning July 1, 2020, and for each Fiscal Year of the OAL during the First Extended Term, OAL will pay Camelot a Compensation not to exceed \$650,000 per annum. Camelot will provide a minimum of 650 dedicated days to the services provided pursuant to the Agreement. Incentive Compensation Terms: For FY 2021, Camelot will receive 11.75% of all Net Operating Income between \$78,200,000.00 and \$88,039,952.00 and 20% of any net operating income above \$88,039,952.00. This compensation applies to all current games of the OAL until Powerball and/or Mega Millions jackpots exceed \$400 million dollars. For Powerball and Mega Millions jackpots exceeding \$400 million dollars, Camelot will receive 4% of gross profits of each draw of Powerball and Mega Millions. The gross profit will be considered 39.43% for Powerball and 40% for Mega Millions. Prior to the launch of any Instant Ticket price point exceeding \$20, the OAL and Camelot shall agree to an incentive compensation amount to be paid for proceeds from that game. Incentive Compensation for FY 2022: OAL and Camelot will agree upon an incentive compensation plan by April 1, 2021. The value of the Agreement, which includes the initial term and the two additional extension periods of twelve months each, is \$18,950,000.00.





# OTHER REPORTS





  
*This is*  
**WINNING!**



**Patricia**

**\$10K+ AR PROGRESSIVE JACKPOT WINNER**



Sen. Jason Rapert  
Senate Chair  
Sen. Eddie Cheatham  
Senate Vice Chair



Rep. Richard Womack  
House Chair  
Rep. DeAnn Vaught  
House Vice Chair

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

**LEGISLATIVE JOINT AUDITING COMMITTEE  
ARKANSAS LEGISLATIVE AUDIT**

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the major fund of the Department of Finance and Administration – Office of the Arkansas Lottery (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department of Finance and Administration - Office of the Arkansas Lottery's basic financial statements, and have issued our report thereon dated November 10, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT




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

Little Rock, Arkansas  
November 10, 2020



  
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