



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



Alon Superstore,
Conway



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
An Enterprise Fund of the State of Arkansas
Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2022

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WHITNEY,
Scholarship to Arkansas
Northeastern College

INTRODUCTORY SECTION

This is
WINNING!



**Discount Tobacco,
Malvern**



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

OFFICE OF THE SECRETARY
1509 West 7th Street
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December 29, 2022

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, 2022 (FY 2022). The report details the lottery's performance, finances and products. It also provides information on the students who benefit from lottery proceeds, as well as the 1,958 independent and chain retail partners who sell our products.

More than \$1.1 billion has been raised in proceeds for scholarships for Arkansas students since inception. During FY 2022, OAL net proceeds funded \$99.3 million to the Department of Education – Arkansas Division of Higher Education (ADHE) and ADHE distributed \$74.9 million in scholarships to 48,623 deserving students. Three separate scholarships – the Academic Challenge Scholarship, the Workforce Challenge Scholarship and the Concurrent Challenge Scholarship – helped students attend 52 different Arkansas public and private colleges and universities as well as nursing and technical schools.

The OAL paid more than \$32 million in commissions to state lottery retailers during FY 2022, creating tangible economic impact at the local level by providing business owners with added revenue. OAL has paid more than \$352 million to lottery retailers and provided more than \$155 million in state and federal tax revenue since its inception.

In FY 2022, lottery ticket sales were \$579.5 million. Over \$402 million of that amount was returned to the citizens of Arkansas by way of prizes awarded.

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

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

Sincerely,

Larry W. Walther
Secretary



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

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Fax: (501) 683-1878
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December 29, 2022

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

We are pleased to submit to you this Annual Comprehensive Financial Report (ACFR) of the Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) for the fiscal year ended June 30, 2022. The ACFR is prepared in accordance with the requirements set forth in Arkansas Code Annotated (A.C.A.) § 23-115-206(a)(8)(C).

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

Lottery management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the OAL are protected from loss, theft or misappropriation. Adequate accounting data is compiled to provide a reasonable basis for asserting that the financial statements are fairly presented and to assure that the OAL is in compliance with applicable laws and regulations. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, the reliability of financial records for preparing financial statements and compliance with applicable laws and regulations. The structure does not provide a guarantee, but rather reasonable assurances, that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that valuation of costs and benefits require estimates and judgments by management. A.C.A § 23-115-206(b)(1)(A) requires Arkansas Legislative Audit to conduct an annual audit of the OAL, and they may conduct other special reports as may be deemed necessary. The annual audit includes a review of internal controls as they relate to the expression of an opinion on the financial statements. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditor's unmodified opinion on the fair presentation of the OAL's basic financial statements is included in their report on page 1 in the financial section of this report.

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

BACKGROUND

A constitutional amendment, approved by the voters of Arkansas on November 4, 2008, allowed the General Assembly to establish a State of Arkansas lottery with proceeds used to fund college scholarships. With the passage of Acts 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 were initially utilized to fund college scholarships under the Arkansas Academic Challenge Scholarship program administered by the Arkansas Department of Education – 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 lottery proceeds to also 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 legislative session, the Arkansas General Assembly passed Act 456 which amended Arkansas Code Title 6, Chapter 85, to add an additional subchapter to create the Arkansas Concurrent Challenge Scholarship Program. Act 456 provides for the use of lottery proceeds to fund scholarships for students enrolled in an endorsed concurrent enrollment course or certificate program unless other funding opportunities are provided that lower the tuition and mandatory fees below fifty percent.

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, 2022, the OAL released 53 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, 2022, the OAL sold 8 different types of terminal-generated games: Powerball®, Mega Millions®, Natural State Jackpot, Cash 3, Cash 4, Fast Play, AR Progressive Jackpot Fast Play and Lucky for Life®.



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



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



LUCKY FOR LIFE® is a multi-state draw game with drawings every night. 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 of \$7,000 a week for life, or a lump sum. The second-level Lucky for Life® prize is \$25,000 a year for life, or a lump sum.



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 18,731 new player registrations (and 28,535,952 tickets) entered into the program in fiscal year 2022, bringing the membership total to 287,189.



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 eligible instant games, one entry is drawn to win a monetary prize. The same entry mechanism gives players both their Play It Again® entry(s) and Points for Prizes® rewards points. There were two Play It Again® drawings held during fiscal year 2022.



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 309,484,718 points redeemed in the Points for Prizes® program during fiscal year 2022. Points may also be used for special drawing prizes; there were 22 Points for Drawings® held during fiscal year 2022.

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
Fitbit Versa 3 Set	6/22/2021 - 7/19/2021	7/20/2021	3	16,782
Apple Bundle	5/18/2021 - 7/19/2021	7/20/2021	2	97,754
Granite Stone Cookware & Bakeware Set	7/20/2021 - 8/16/2021	8/17/2021	3	36,267
Outdoor Kitchen Package	5/18/2021 - 8/16/2021	8/17/2021	1	48,124
Sony Blu-Ray Player	8/17/2021 - 9/20/2021	9/21/2021	3	10,342
Outdoor Fun Package	7/20/2021 - 9/20/2021	9/21/2021	2	39,418
Outdoor Fire Table	9/21/2021 - 10/18/2021	10/19/2021	3	31,565
Dooney & Bourke Tote Set	10/19/2021 - 11/29/2021	11/30/2021	3	35,199
Game Room Bundle	9/21/2021 - 11/29/2021	11/30/2021	2	28,969
Home Theater Package	8/17/2021 - 11/29/2021	11/30/2021	1	56,390
Nespresso Coffee and Espresso Maker	11/30/2021 - 1/11/2022	1/12/2022	3	21,620
Michael Kors Lexington Gift Set	12/28/2021 - 1/24/2022	1/25/2022	3	21,250
Ultimate Apple Bundle	11/30/2021 - 1/24/2022	1/25/2022	2	86,277
Amazon Echo Package	1/25/2022 - 2/21/2022	2/22/2022	3	17,528
Home Gym Package	11/30/2021 - 2/21/2022	2/22/2022	1	22,827
Gone Fishing Bundle	2/22/2022 - 3/21/2022	3/22/2022	3	21,290
Le Creuset Cast Iron Set	1/25/2022 - 3/21/2022	3/22/2022	2	30,761
Bissell Air Purifier	3/22/2022 - 4/18/2022	4/19/2022	3	11,752
Breville Pressure Cooker	4/19/2022 - 5/16/2022	5/17/2022	3	9,535
Camping Package	3/22/2022 - 5/16/2022	5/17/2022	2	40,233
Outdoor TV and Furniture Package	2/22/2022 - 5/16/2022	5/17/2022	1	59,090
Bose Earbuds	5/17/2022 - 6/21/2022	6/22/2022	3	31,554

ECONOMIC CONDITIONS AND OUTLOOK

For the first ten years of its existence, since September 2009, the OAL experienced a consistent improvement in economic activity, through the end of calendar year 2019, with inflationary adjusted Gross Domestic Product (GDP) and industrial production sharing continued gains. However, due to the global Coronavirus pandemic, the GDP, industrial production, and other economic activity severely declined, and unemployment and business closures significantly increased during the first half of calendar year 2020. For the second half of calendar year 2020 and for calendar year 2021, there was improvement in economic activity as the Coronavirus pandemic lessened. However, due to severe inflation during the first half of calendar year 2022, economic conditions again declined. The outlook for the second half of calendar year 2022 is for slight economic improvement as inflationary pressures begin to ease.

GROSS DOMESTIC PRODUCT

GDP is the broadest measure of economic activity. The economic output of the national economy, as measured by GDP, expanded each quarter since the third quarter of calendar year 2009, when the OAL first started selling lottery tickets, until the first quarter of calendar year 2020. Due to the Coronavirus pandemic, the GDP declined for the first and second quarters of calendar year 2020 but has since expanded. GDP grew by an average of 4.9% during the third and fourth quarters of calendar year 2021 but declined by an average of 1.1% during the first half of calendar year 2022.

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 \$154.383 billion at the end of the June 30, 2022 fiscal year. This represented an increase in personal income of \$5.094 billion, or 3.4% from fiscal year ended June 30, 2021. For the fiscal year ending June 30, 2023, personal income is forecast at \$164.111 billion (current dollars) an increase of \$9.728 billion or 6.3% over the fiscal year ended June 30, 2022.

ARKANSAS WAGE AND SALARY DISBURSEMENTS

Measured in current dollars, wage and salary disbursements rose to \$70.536 billion for the June 30, 2022 fiscal year, an increase of \$6.380 billion or 9.9% from the June 30, 2021 fiscal year. Wage and salary disbursements for the fiscal year ending June 30, 2023 are forecast at \$75.198 billion (current dollars), an increase of \$4.662 billion or 6.6% from the June 30, 2022 fiscal year.

EMPLOYMENT

In fiscal year 2022, revised payroll employment in Arkansas averaged 1,301,400 jobs. This represented an increase of approximately 41,200 jobs or 3.3% compared to fiscal year 2021. In fiscal year 2023, payroll employment is expected to average 1,325,900 jobs. This represents a projected increase of approximately 24,500 jobs or 1.9% from fiscal year 2022. The unemployment rate for the State of Arkansas finished the June 30, 2022 fiscal year end at 3.2%.

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 2022 included:

- Surpassing \$6.2 billion in ticket sales since the lottery's inception.
- Surpassing \$4.2 billion in prizes paid to players since the lottery's inception.
- Transferring over \$1.1 billion to the ADHE for the purpose of funding scholarships since the lottery's inception, including transfers of more than \$99 million for June 30, 2022 fiscal year.
- The ADHE awarded more than \$74 million in scholarships during the fall 2021 and spring 2022 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 Lottery Scholarship Trust Account (the Scholarship Trust Account). Upon request from the director of the Arkansas Department of Education – Division of Higher Education (ADHE), the OAL shall transfer the funds requested from the Scholarship 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, 2022, 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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the eleventh 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 annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A certificate of achievement is valid for a period of one year only. Management believes that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and as required by the requirements of the Arkansas Scholarship Lottery Act, we are submitting it to the GFOA to determine its eligibility for another certificate.

OTHER INFORMATION

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

ACKNOWLEDGEMENTS

The preparation of this ACFR reflects our commitment to maintain the highest standards of public accountability. We affirm our commitment to continually improve our financial management and maintain the public's trust by exhibiting the highest ethical standards and uncompromising integrity. Publication of this report could not have been accomplished without the dedicated efforts of our employees. Management would also like to recognize Arkansas 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,



J. Eric Hagler
Director



Jerold Fetzer
Chief Fiscal Officer

MISSION

“Maximizing Net Proceeds in a responsible manner”

VISION

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

CORE VALUES

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

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

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

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

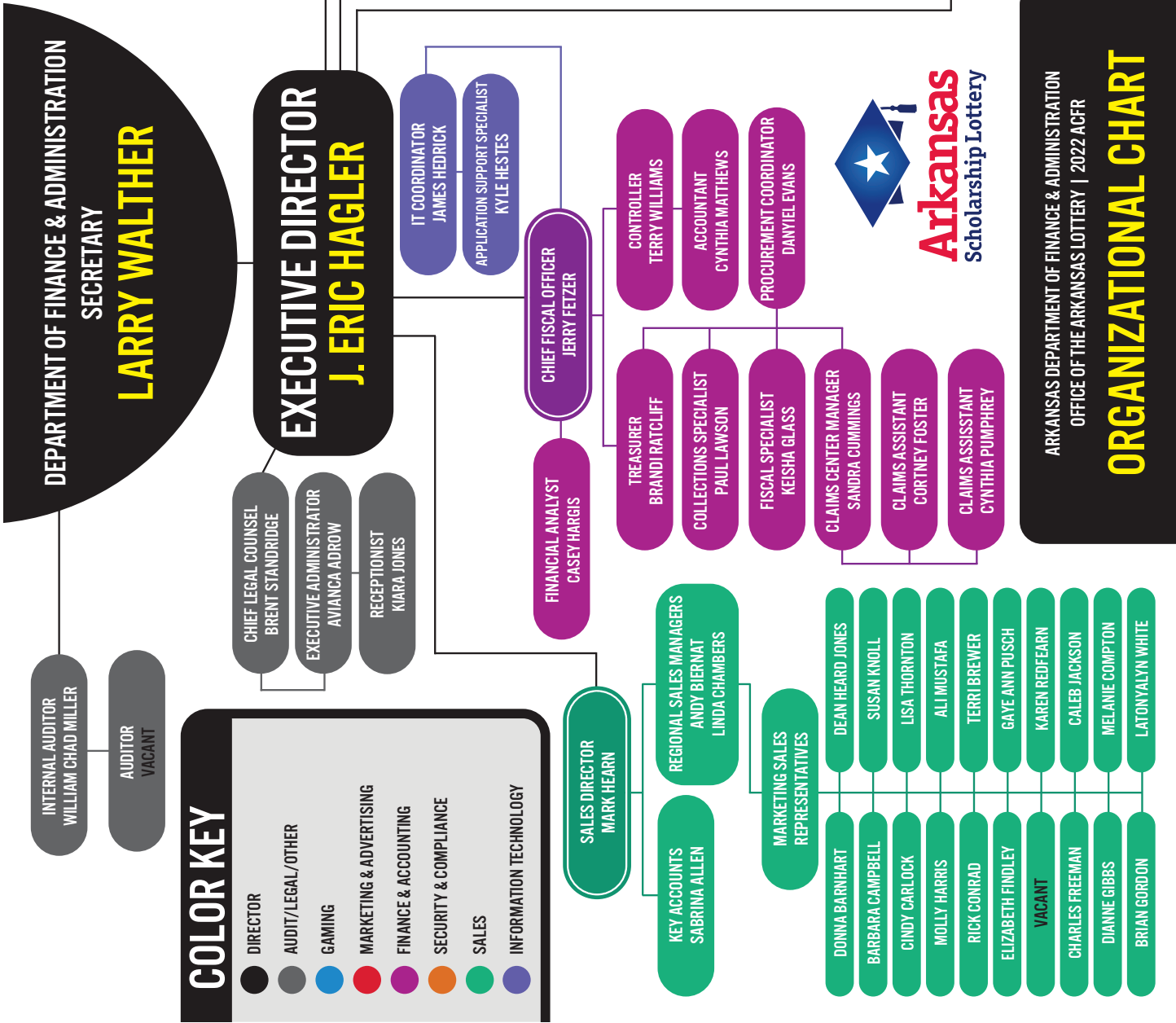
RESPONSIBLE PLAY: We strongly support the concept of offering lottery games in a responsible manner and believe that playing responsibly is key component of this tenet.

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

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

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

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





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

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

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO



AARON,
Scholarship to
University of Arkansas

FINANCIAL SECTION

This is
WINNING!



**Exxon
Superstation #1,
Hope**



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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the major fund of the Department of Finance and Administration (DFA) – Office of the Arkansas Lottery, an office of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the DFA – Office of the Arkansas Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of the DFA – Office of the Arkansas Lottery as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As indicated above, the financial statements of the DFA – 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 DFA – Office of the Arkansas Lottery. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2022, 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.

In 2022, the Office adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2022, on our consideration of the Office's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing and not to provide an opinion on the effectiveness of the Office'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 Office's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
December 29, 2022
SA1661322



FAITH,
Scholarship to
Arkansas State University



MANAGEMENT'S DISCUSSION AND ANALYSIS

This is
WINNING!



Exxon
Tigermart,
Beebe

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2022 (Unaudited)

As the Management of the Arkansas Department of Finance and Administration (DFA) Office of the Arkansas Lottery (OAL), we offer readers of the OAL's financial statements this narrative overview and analysis of the financial activities of the OAL for the fiscal year ended June 30, 2022. Please read it in conjunction with the OAL's financial statements, which follow this section.

FINANCIAL AND OPERATING HIGHLIGHTS

- Fiscal year 2022 was a very successful year for the OAL. Only the record sales recorded in fiscal year 2021 were better than those of fiscal year 2022. Operating revenues for fiscal year 2022 were \$580.2 million, which was \$ -52.4 million, or -8.3%, less than the record of \$632.6 million for fiscal year 2021. Instant ticket sales for fiscal year 2022 decreased by \$ -49.3 million, or -9.3%, from fiscal year 2021 sales. Online ticket sales for fiscal year 2022 decreased by \$ -3.1 million, or -3.0%, from fiscal year 2021. But instant tickets were \$56.5 million, or 13.3%, better than budget, while online games sales were \$14.4 million, or 16.9%, better than budget. Resulting operating revenues for fiscal year 2022 of \$580.2 million were \$71.0, or 13.9% better than budget. For fiscal year 2022, Powerball® sales increased by \$4.3 million or 16.0%, from fiscal year 2021, while sales of Mega Millions® decreased by \$ -8.3 million, or -34.9%. 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 2022 of \$0.9 million, or 1.8%, as compared to fiscal year 2021.
- The OAL's operating expenses also decreased in fiscal year 2022, compared to the previous fiscal year, by \$ -49.8 million or -9.4%. This decrease was primarily related to a \$ -35.7 million, or -9.3%, decrease in instant game prizes expense and a corresponding decrease in the online prizes expense of \$ -2.1 million, or -3.7%. Gaming contract costs decreased by \$ -4.3 million, or -12.7%, and retailer commissions decreased by \$ -2.9 million, or -8.2%. Such expense decreases were consistent with the decrease of instant ticket sales and online ticket sales for fiscal year 2022.
- For fiscal year 2022, total transfers of net proceeds to the Lottery Scholarship Trust Account (Scholarship Trust Account) were \$99.4 million, which was \$ -7.0 million, or -6.6% less than the prior fiscal year record transfers of \$106.4 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The statement of net position presents information regarding the OAL's assets and deferred outflows of resources, as compared to its liabilities and deferred inflows of resources, with the difference between the two groupings reported as net position. However, in the opinion of management, the increase in net position for fiscal year ended June 30, 2022 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 Scholarship Trust Account, as a fiduciary account to be used only to fund Academic Challenge, Workforce Challenge or Concurrent 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 Scholarship Trust Account. Also, any refunds of net proceeds or expenses from ADHE during a fiscal year must be placed in the Scholarship Trust Account.

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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 Scholarship 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 as well as its other primary operating activities.

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

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

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Management's Discussion and Analysis
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FINANCIAL ANALYSIS
Net Position

The OAL's total net position at June 30, 2022 and 2021 were as follows:

<u>Condensed Summary of Assets, Liabilities and Net Position</u>		
	June 30, 2022	June 30, 2021
Current assets	\$ 215,501,306	\$ 178,376,187
Non-current assets	22,534,648	22,630,998
Capital assets	2,096,536	1,394,688
Total assets	240,132,490	202,401,873
Deferred outflow s of resources	1,249,606	2,045,222
Total assets and deferred outflow s	\$ 241,382,096	\$ 204,447,095
Current liabilities	\$ 222,500,853	\$ 185,421,337
Long-term liabilities	4,877,354	10,153,079
Total liabilities	227,378,207	195,574,416
Deferred inflow s of resources	4,168,399	665,415
Total liabilities and deferred inflow s	231,546,606	196,239,831
Net position:		
Invested in capital assets	963,903	1,394,688
Restricted	23,534,648	23,630,976
Unrestricted (Deficit)	(14,663,061)	(16,818,400)
Total net position	9,835,490	8,207,264
Total liabilities, deferred inflow s and net position	\$ 241,382,096	\$ 204,447,095

Assets consisted primarily of cash and cash equivalents which were \$205.6 million and \$180.2 million as of June 30, 2022 and 2021 respectively. Accounts receivable were \$30.3 million and \$18.5 million as of June 30, 2022 and 2021 respectively. Capital assets, net of depreciation and amortization, were \$2.1 million and \$1.4 million as of June 30, 2022 and 2021 respectively.

As of June 30, 2022 the OAL's liabilities consisted primarily of amounts due to the Arkansas Department of Education - Division of Higher Education (ADHE), accrued prizes payable, other accrued operating expenses, net pension obligations and other post-employment benefits obligations (OPEB). Also, as of June 30, 2022 total liabilities and deferred inflows of resources were \$231.5 million, which was an increase of \$35.3 million or 18.0% from June 30, 2021.

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As of June 30, 2022, 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 \$9.8 million. This was an increase in total net position of \$1.6 million or 19.8% from June 30, 2021. Also, as of June 30, 2022, restricted net position was approximately \$23.5 million, which was a decrease of \$ -0.1 million, or -0.4% from June 30, 2021. Unrestricted net position (deficit) at the end of fiscal year 2022 was \$ -14.7 million which was a decrease in the deficit of \$ 2.2 million, or 12.8%, from the prior fiscal year. This deficit relates primarily to timing differences related to the adjusted cash basis accounting method used to calculate net proceeds for transfer to ADHE and due to the change in liability for the OAL's unfunded portion of its OPEB liability. In the unlikely event that the OAL ever ceases operations, the Arkansas State Legislature may be required to act to resolve this deficit in unrestricted net position.

Statement of Revenues, Expenses and Changes in Net Position

During fiscal year 2022, the OAL's activities resulted in transfers of net proceeds to the Scholarship Trust Account of \$99.4 million, which was \$ -7.0 million or -6.6% less than for the prior fiscal year. Also, as previously discussed, the total net position of the OAL increased by \$1.6 million or 19.8% 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, 2022, with comparative information for fiscal year 2021 are shown on the following page.

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<u>Summary of Revenues, Expenses and Changes in Net Position</u>		
	<u>2022</u>	<u>2021</u>
Operating revenues		
Instant ticket sales	\$ 480,101,229	\$ 529,369,617
Online ticket sales	99,463,473	102,565,310
Retailer fees	669,288	643,517
Other revenue	1,788	1,450
Total operating revenues	<u>580,235,778</u>	<u>632,579,894</u>
Operating expenses		
Instant game prizes	347,682,702	383,337,055
Online game prizes	54,723,364	56,809,420
Commissions and contract costs	62,546,680	69,812,668
General and administrative expenses	12,432,630	18,629,108
Services provided by other agencies	1,887,845	685,923
Depreciation and Amortization	657,311	448,620
Total operating expenses	<u>479,930,532</u>	<u>529,722,794</u>
Operating income	100,305,246	102,857,100
Non-operating revenue		
Interest Income	726,328	835,596
Interest expense	<u>(16,691)</u>	<u>-</u>
Income before transfers	101,014,883	103,692,696
Transfers to Trust Accounts	<u>(99,386,657)</u>	<u>(106,417,224)</u>
Increase (Decrease) in net position	1,628,226	(2,724,528)
Beginning net position	<u>8,207,264</u>	<u>10,931,792</u>
Ending net position	<u>\$ 9,835,490</u>	<u>\$ 8,207,264</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, 2022 and 2021.

<u>Games Sales for Years Ended June 30, 2022 and 2021</u>					
Game	2022	2021	Change	% Change	
Instant ticket sales	\$ 480,101,229	\$ 529,369,617	\$ (49,268,388)	-9.3%	
Powerball®	31,021,045	26,748,835	4,272,210	16.0%	
Mega Millions®	15,488,984	23,809,304	(8,320,320)	-34.9%	
Fast Play	18,681,356	19,717,873	(1,036,517)	-5.3%	
Natural State Jackpot	9,262,233	10,332,159	(1,069,926)	-10.4%	
Cash 3	12,294,808	12,016,776	278,032	2.3%	
Cash 4	6,474,253	6,548,725	(74,472)	-1.1%	
Lucky for Life®	6,240,794	3,391,638	2,849,156	84.0%	
Total games sales	<u>\$ 579,564,702</u>	<u>\$ 631,934,927</u>	<u>\$ (52,370,225)</u>	-8.3%	

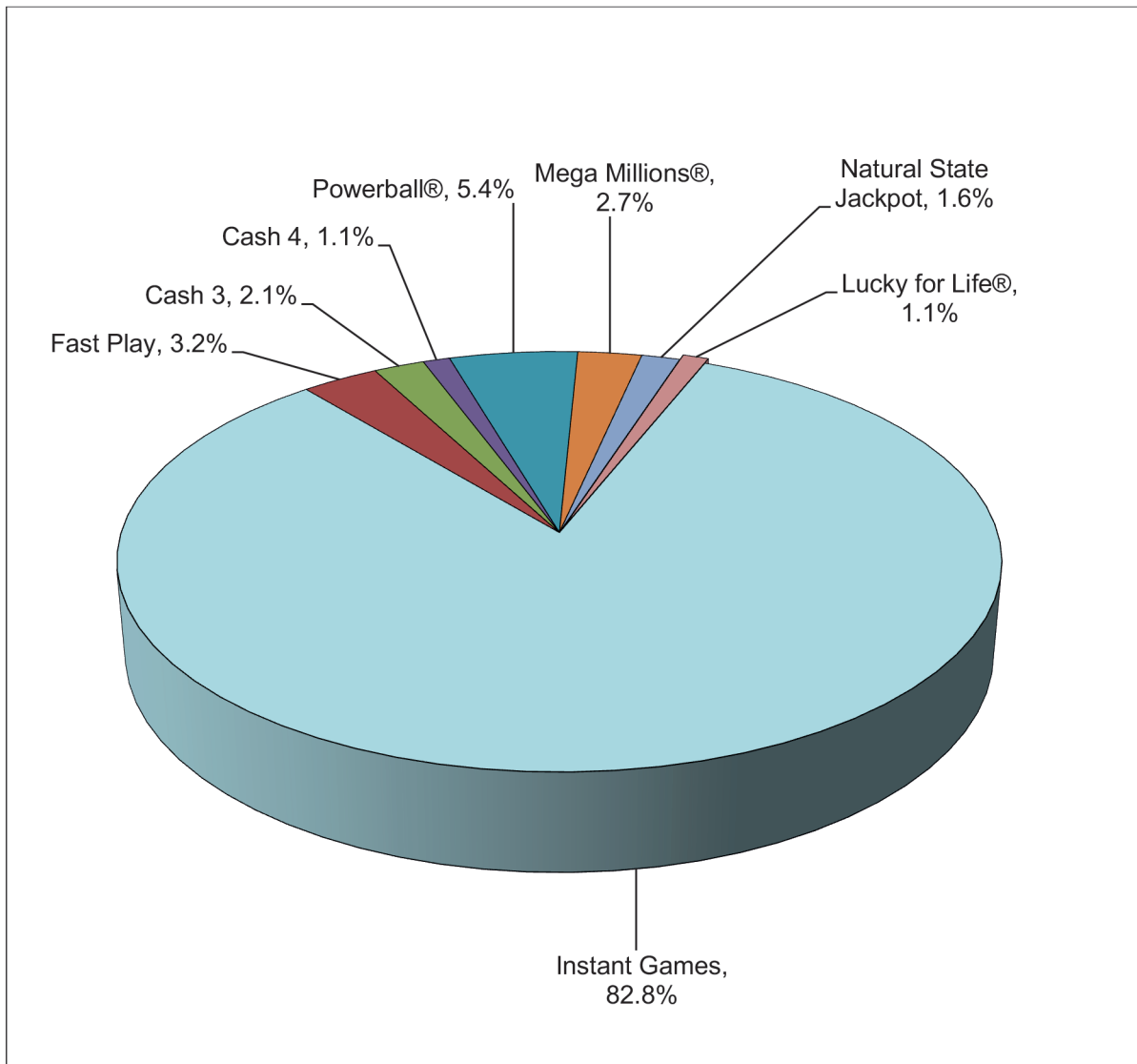
The OAL experienced a decrease in total game sales of \$ -52.4 million or -8.3% for fiscal year 2022 as compared to fiscal year 2021. However, fiscal year 2021 total game sales had increased by \$100.5 million, or 18.9% from fiscal year 2020, which was attributed to players having limited alternatives due to the Covid pandemic. The budget for fiscal year 2022 reflected an expected return to pre-Covid levels of sales. The \$579.6 million in total game sales in fiscal year 2022 was \$70.9 million, or 13.9% better than budget.

Instant ticket sales continued to be the OAL's most popular product contributing 82.8% and 83.8% of total fiscal year sales for 2022 and 2021 respectively. However, for fiscal year 2022, instant ticket sales decreased by \$ -49.3 million, or -9.3%, while online games sales only decreased by \$ -3.1 million, or -3.0%. For fiscal year 2022, Powerball® had a \$4.3 million, or 16.0%, increase in sales from the prior fiscal year, while Mega Millions® had a \$ -8.3 million, or -34.9%, decrease in sales from the prior fiscal year. Also, for fiscal year 2022, Fast Play had a \$ -1.0 million, or 5.3%, decrease in sales, Cash 3 sales increased by \$0.3 million, or 2.3% while Cash 4 sales decreased by \$ -0.1 million, or -1.1%. Natural State Jackpot had a \$ -1.1 million, or -10.4%, decrease in sales. Lucky for Life® sales increased by \$2.8 million, or 84.0% due primarily to that game going to a daily drawing instead of the previous twice weekly draw format.

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The graph below summarizes the fiscal year 2022 sales as a percent of total ticket revenues:

Fiscal Year 2022 Lottery Game Revenues as a Percent of Sales



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OPERATING EXPENSES

Prizes Expense

Prizes are the largest operating expense the OAL incurs. Consistent with the decrease in sales for instant tickets and online games for fiscal year 2022, prizes expense of \$402.4 million reflects a \$ -37.7 million, or -8.6%, decrease from fiscal year 2021 prizes expense of \$440.1 million.

As previously stated, with the expected budget change in sales for fiscal year 2022, the prizes expense budget also reflected an expected return to pre-Covid levels. Accordingly, the \$347.7 million in instant game prizes expense in fiscal year 2022 was \$42.6 million, or 14.0%, greater than budget while online game prizes expense for fiscal year 2022 of \$54.7 million were \$7.6 million, or 16.1%, more than budget. So, consistent with sales, total game prizes expense for fiscal year 2022 of \$402.4 was \$50.2 million, or 14.3%, more than budget.

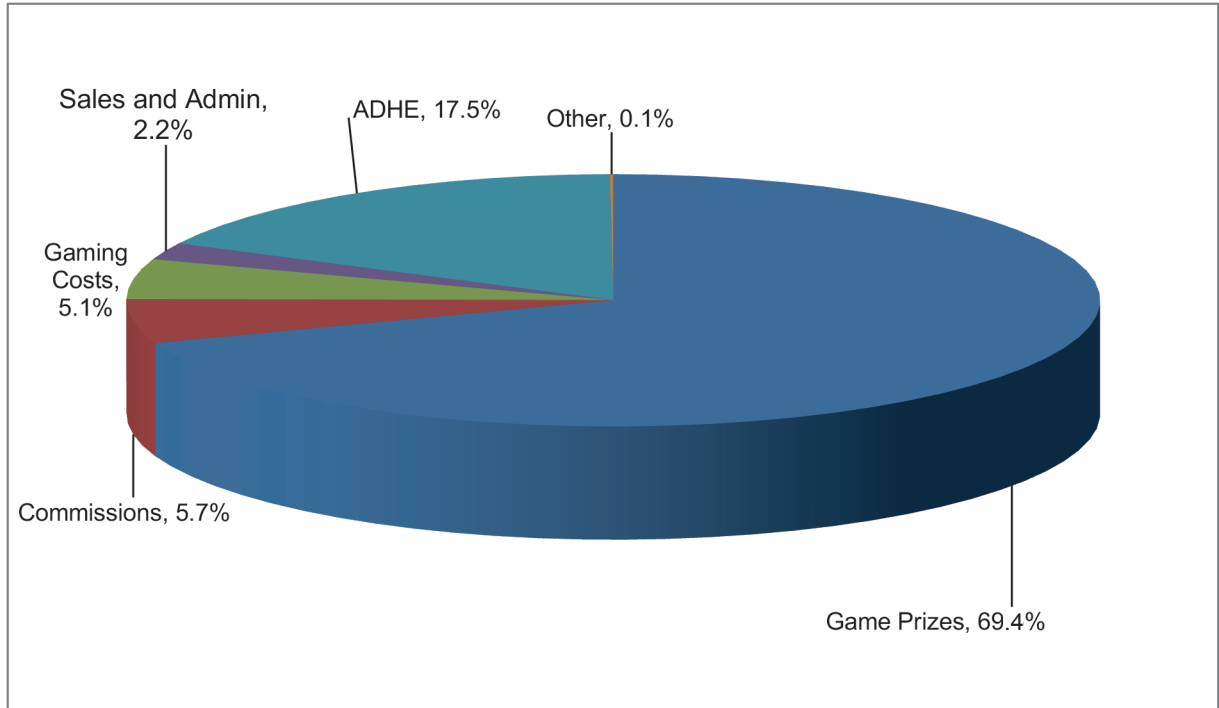
The following table shows prizes expense by lottery game for the years ended June 30, 2022 and 2021 respectively.

Game	Game Prizes Expense		Change	% Change
	2022	2021		
Instant Games	\$ 347,682,702	\$ 383,337,055	\$ (35,654,353)	-9.3%
Powerball®	14,309,397	12,988,468	1,320,929	10.2%
Mega Millions®	7,369,248	11,642,074	(4,272,826)	-36.7%
Natural State Jackpot	5,244,268	5,300,502	(56,234)	-1.1%
Lucky for Life®	4,181,573	2,097,076	2,084,497	99.4%
Fast Play	14,678,338	15,420,650	(742,312)	-4.8%
Cash 3	6,277,540	6,162,650	114,890	1.9%
Cash 4	2,663,000	3,198,000	(535,000)	-16.7%
Total game prizes expense	<u>\$ 402,406,066</u>	<u>\$ 440,146,475</u>	<u>\$ (37,740,409)</u>	-8.6%

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Distribution of the fiscal year 2022 revenues were as follows:

Fiscal Year 2022 Revenue Distribution



The following table shows sales profit margin for instant and online games by for the fiscal years ended June 30, 2022 and 2021.

<u>Game Profit Margins</u>				
	<u>Instant Tickets</u>		<u>Online Games</u>	
	2022	2021	2022	2021
Game revenues	\$ 480,101,229	\$ 529,369,617	\$ 99,463,473	\$102,565,310
Prizes expense	347,682,702	383,337,055	54,723,364	56,809,420
Gross profit	<u>\$ 132,418,527</u>	<u>\$ 146,032,562</u>	<u>\$ 44,740,109</u>	<u>\$ 45,755,890</u>
Gross profit margin percentage	27.6%	27.6%	45.0%	44.6%

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

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, 2022 and 2021 respectively.

<u>Operating Profit Margin</u>				
	2022	2021	Change	Percent Change
Operating revenues	\$ 580,235,778	\$ 632,579,894	\$ (52,344,116)	-8.3%
Operating expenses	479,930,532	529,722,794	(49,792,262)	-9.4%
Operating Income	<u>\$ 100,305,246</u>	<u>\$ 102,857,100</u>	<u>\$ (2,551,854)</u>	-2.5%
Profit margin	17.3%	16.3%		

Other Operating Expenses

In addition to prizes expense, the other significant operating expenses include retailer commissions and gaming contract costs. Retailer commissions for fiscal year 2022 were \$32.8 million, which was a decrease of \$ -2.9 million, or -8.2%, from fiscal year 2021. Gaming contract costs for fiscal year 2022 were \$29.7 million which was a decrease of \$ -4.3 million, or -12.7%, from fiscal year 2021.

Additional other operating expenses include advertising and marketing costs, compensation costs, general administrative costs and depreciation and amortization. These other operating expenses totaled \$15.0 million and \$19.7 million for fiscal years 2022 and 2021 respectively.

NON-OPERATING REVENUES AND TRANSFERS

Non-operating revenues were for interest income on deposited funds of \$726,328 and \$835,596 for the years ended June 30, 2022 and 2021 respectively. Also, for fiscal year 2022 there was imputed interest expense related to right to use assets, which were capitalized as a result of the implementation of GASB 87 on Leases, in the amount of \$16,691.

Net proceeds of \$99.4 million were transferred into the Scholarship Trust Account in fiscal year 2022, compared to transfers of \$106.4 million into the Education Trust Fund in fiscal year 2021. Transfers for the Academic Challenge scholarships to ADHE for fiscal year 2022 were \$71.0 million as compared to \$68.0 for fiscal year 2021. Transfers to ADHE for the Workforce Challenge scholarships for fiscal year 2022 were \$1.25 million, while there were no transfers to ADHE for the Workforce Challenge scholarships for fiscal year 2021. Transfers to ADHE for the Concurrent Challenge scholarships for fiscal years 2022 and 2021 were \$2.5 million and \$2.9 million respectively.

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CAPITAL ASSETS

At June 30, 2022 the OAL had \$2.1 million in net capital assets as compared to \$1.4 million in net capital assets at the prior fiscal year end. Capital assets are primarily composed of equipment, leasehold improvements and right to use assets. The equipment and leasehold improvements are depreciated over their estimated useful lives of 5 to 10 years, while the right to use assets are amortized over a period of 5 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>2022</u>	<u>2021</u>	<u>Change</u>
Equipment	\$ 2,843,570	\$ 2,853,940	-0.4%
Leasehold improvements	492,796	492,796	0.0%
Right to Use Assets	1,359,159	-	100.0%
Total Capital Assets	4,695,525	3,346,736	40.3%
Less: Accum. Deprec. & Amort.	(2,598,989)	(1,952,048)	33.1%
Net Capital Assets	<u>\$ 2,096,536</u>	<u>\$ 1,394,688</u>	50.3%

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.



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BASIC FINANCIAL STATEMENTS

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

Statement of Net Position

June 30, 2022

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 7,291,001
Restricted assets:	
Cash and cash equivalents	177,766,490
Accounts receivable	14,357,022
Inter-Agency Receivables	15,928,172
Prepaid items	158,621
Total current assets	<u>215,501,306</u>
Non-current assets:	
Restricted assets:	
Cash and cash equivalents	20,500,000
Deposits with Multi-State Lottery Association	2,034,648
Capital assets:	
Depreciable-net	963,904
Right to use assets-net	1,132,632
Total non-current assets	<u>24,631,184</u>
Total assets	<u>240,132,490</u>
Deferred outflows of resources:	
Related to pension	745,414
Related to other post employment benefits	504,192
Total deferred outflows of resources	<u>1,249,606</u>
Total assets and deferred outflows of resources	<u>\$ 241,382,096</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 20,266
Prizes payable	22,982,884
Accrued and other liabilities	4,286,394
Due to other funds of the State	1,785,690
Due to Lottery Scholarship Trust Account	192,693,719
Lease liability	259,870
Compensated absences	64,928
Net other post employment benefits	98,211
Unearned revenue	308,891
Total current liabilities	<u>222,500,853</u>
Long-Term liabilities:	
Net other post employment benefits	2,137,345
Compensated absences	379,179
Net pension liability	1,476,746
Lease liability	884,084
Total long-term liabilities	<u>4,877,354</u>
Total liabilities	<u>227,378,207</u>
Deferred inflows of resources:	
Related to pension	2,794,615
Related to other post employment benefits	1,373,784
Total deferred inflows of resources	<u>4,168,399</u>
Total liabilities and deferred inflows of resources	<u>231,546,606</u>
NET POSITION	
Net position:	
Invested in capital assets	963,903
Restricted for:	
Scholarship shortfall reserve	20,000,000
Retailer bond reserve	500,000
Deposits with Multi-State Lottery Association	2,034,648
Unclaimed prizes reserve	1,000,000
Unrestricted (deficit)	<u>(14,663,061)</u>
Total net position	<u>9,835,490</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 241,382,096</u>

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2022

	Year to date
Operating revenues:	
Instant ticket sales	\$ 480,101,229
Online ticket sales	99,463,473
Retailer application, fidelity, bond and service fees	669,288
Other revenue	1,788
	<hr/>
Total operating revenues	580,235,778
	<hr/>
Operating expenses:	
Instant game prizes	347,682,702
Online game prizes	54,723,364
Retailer commissions	32,801,115
Gaming contract costs	29,745,565
Compensation and benefits	3,276,934
Marketing, advertising and promotions	6,542,802
General and administrative expenses	2,612,894
Services provided by Arkansas Department of Education - Division of Higher Education	1,723,995
Services provided by Arkansas Legislative Audit	163,850
Amortization	226,527
Depreciation	430,784
	<hr/>
Total operating expenses	479,930,532
	<hr/>
Operating income	100,305,246
	<hr/>
Non-operating revenue (expense):	
Interest income	726,328
Interest expense	(16,691)
	<hr/>
Income before transfers	101,014,883
	<hr/>
Transfers to:	
Lottery Scholarship Trust Account	(99,386,657)
	<hr/>
Change in net position	1,628,226
	<hr/>
Total net position - beginning	8,207,264
Total net position - ending	<u><u>\$ 9,835,490</u></u>

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash flows from operating activities:

Cash received from retailers and others	\$ 584,515,863
Cash paid for prizes	(404,312,420)
Cash paid for gaming vendors	(31,958,022)
Cash paid for retailer commissions	(32,801,115)
Cash paid for marketing and advertising	(6,492,380)
Cash paid for employee services	(5,104,227)
Cash paid for other expenses	(4,471,029)
Net cash provided by operating activities	<u>99,376,670</u>

Cash flows from non-capital financing activities:

Transfers to Arkansas Department of Education - Division of Higher Education	(74,750,000)
Transfers from Arkansas Department of Education - Division of Higher Education	-
Net cash used by non-capital financing activities	<u>(74,750,000)</u>

Cash flows from investing activities:

Interest received	<u>726,329</u>
Net increase in cash and cash equivalents	25,352,999

Cash and cash equivalents, beginning	180,204,492
Cash and cash equivalents, ending	<u>\$ 205,557,491</u>

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

Operating income	\$ 100,305,246
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	430,784
Amortization	226,526
Pension expense	(764,253)
Other post employment benefits expense	(1,158,914)
Lease Expense	(230,355)
Net changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	4,189,932
Receivable from other funds of the State	(869)
Prepaid items	(33,933)
Deposits with Multi-State Lottery Association	96,328
Increase (decrease) in:	
Accounts payable	15,140
Prizes payable	(2,002,682)
Accrued and other liabilities	(3,020,760)
Due to other funds of the State	1,194,891
Compensated absences	38,568
Unearned revenue	91,021
Net cash provided by operating activities	<u>\$ 99,376,670</u>

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

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. During the 2015 Legislative session, the Arkansas Legislature enacted Act 218 of 2015, which eliminated the ALC 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; Fast Play sales commenced on October 25, 2010; Natural State Jackpot sales commenced on August 27, 2012; and Lucky for Life® commenced sales on January 27, 2015. Powerball®, Mega Millions®, Lucky for Life® are offered through the Multi-State Lottery Association (MUSL).

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

b. Basis of Presentation

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

c. Basis of Accounting

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

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

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

d. Cash and Cash Equivalents

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

e. Accounts Receivable

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

f. Capital Assets

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

Equipment	5 - 7 years
Random Number Generator	5 years
Right to Use Assets	5 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.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

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 Arkansas Department of Education – Division of Higher Education (ADHE), if needed, due to a shortage of funds in the Lottery Scholarship Trust Account (Scholarship 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 Scholarship 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. Leases

The OAL is a lessee for noncancellable leases and recognizes a lease liability and an intangible right-to-use lease asset. The OAL recognizes lease liabilities with an initial individual value of \$5,000 or more. At commencement of a lease, the OAL initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the OAL determines (1) lease discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments. The lease term included the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of variable payments.

The OAL monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with short and long-term liabilities on the statement of net position.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

i. 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.

j. 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).

k. 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.

l. 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 trust account as net proceeds. For financial statement purposes, unclaimed prizes are a reduction to the overall prizes expense recognized.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

m. 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.

n. 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.

o. 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.

p. Bad Debt Expense

Bad debt expense is normally recognized when an OAL retailer's uncollected revenue is significantly past due and is in excess of amounts deemed to be collectible. The amount of expense is based on the retailer's outstanding aged accounts receivable balance. The OAL did record seven bad debt expenses in the amount of \$107,625 for the fiscal year ended June 30, 2022. 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 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 Arkansas Department of Finance and Administration within the Financial Management Guide for use by all State agencies.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

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.

On May 3, 2021, the OAL and Bank OZK executed an Agreement for Contractual Services for Comprehensive Banking Services. The effective date for this agreement was September 2, 2021. The term of this agreement was two years from the effective date with the option of mutually agreeing to up to three one-year extensions. Interest shall be paid at the Federal Funds Target Rate minus 0.09% (or 9 Basis Points) with a floor of .15% APY (or 15 Basis Points) and a ceiling of 1.00 APY (or 100 Basis Points). Treasury management service fees were waived. All of the OAL's cash and equivalents at June 30, 2022 were held in accounts at Bank 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, 2022, the total collateral pledged to the OAL was in the form of one irrevocable standby letter of credit and one security. 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 \$215,000,000. In addition to the letter of credit, the pledged security to OAL had a market value of \$1,394,085. The total value of collateral pledged at June 30, 2022 was \$216,394,085. At June 30, 2022 the OAL's total bank balances were \$206,127,343, so the pledged collateral maximum was 105% 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 \$206,127,343 were exposed to custodial credit risk as of June 30, 2022.

3. ACCOUNTS RECEIVABLE

Management believes that an allowance for uncollectable accounts is not necessary at June 30, 2022 as the Retailer Bond Reserve amount of \$500,000 is sufficient to cover any past due accounts. Amounts due from retailers and others at June 30, 2022 are summarized as follows:

Amount due for activated instant scratch-off tickets, not settled	\$ 12,223,650
Amount due for partial weeks sales through June 30, 2022	2,088,016
Past due accounts and other receivables	10,866
Accounts in litigation	34,490
Total accounts receivable	<u>\$ 14,357,022</u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

Receivable from Other Funds of the State

The amount listed below as a receivable from the Arkansas Department of Education – Division of Higher Education is a refund of excess Net Proceeds over scholarships issued. The amount from the Arkansas Department of Transformation and Shared Services - Office of State Procurement is a rebate for the purchasing cards.

Arkansas Department of Education – Division of Higher Education	\$ 15,927,228
Arkansas Department of Transformation and Shared Services – Office of State Procurement	<u>944</u>
Total receivable from other funds of the state	<u><u>\$ 15,928,172</u></u>

4. TRUST ACCOUNTS 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 were to be deposited into a trust account at one or more financial institutions. 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 above deposit requirement, an Education Trust Account was established with Bank of the Ozarks (now Bank OZK), and as required by GAAP accrual-based accounting principles, the Due to Education Trust Account reflected the corresponding liability on the statement of net position. The Education Trust Account was restricted for transfers to and from the Arkansas Department of Education – Division of Higher Education (ADHE), and funds were only transferred based on requests from ADHE to meet the scholarship needs of the Arkansas Academic Challenge Scholarship Program.

Act 636 of 2021 required the OAL to “establish the Lottery Scholarship Trust Account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program (see note 5), the Arkansas Concurrent Challenge Scholarship Program (see note 5), and any other scholarship funded with net proceeds from the lottery, at a financial institution into which the OAL shall transfer funds.” The balances of the Education Trust Account and the Workforce Challenge Trust Account were transferred into the Scholarship Trust Account in fiscal year 2022.

For financial statement purposes, the total amount reflected for the Scholarship Trust Account as current restricted cash and cash equivalents on the statement of net position at June 30, 2022 was \$192,693,719. Total net proceeds for the fiscal year ended June 30, 2022 were \$99,386,657. During fiscal year 2022 a total of \$74,500,000 was transferred to ADHE for scholarships from the Scholarship Trust Account.

Activity in the Scholarship Trust Account for the fiscal year ended June 30, 2022 consisted of the following activities:

Education Trust Account balance at 7/01/21	\$ 31,238,197
Workforce Challenge Trust Account balance at 7/01/21	120,891,636
Net Proceeds	99,386,657
Returns from ADHE for overfunding of scholarships	15,927,229
Payments to ADHE for scholarships	<u>(74,750,000)</u>
Scholarship Trust Account balance at 6/30/22	<u><u>\$ 192,693,719</u></u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

5. ARKANSAS WORKFORCE CHALLENGE SCHOLARSHIP AND ARKANSAS CONCURRENT CHALLENGE SCHOLARSHIP PROGRAMS

During the 2017 legislative session, the Arkansas General Assembly passed Act 613 of 2017 to create the Arkansas Workforce Challenge Scholarship Program ("Workforce Challenge"). Act 613 of 2017 provided for the use of excess lottery proceeds to be deposited to a trust account to fund scholarships for students enrolled in higher education programs that will lead to the students being qualified to work in high-needs occupations. To meet the deposit requirement, a Workforce Challenge Trust Account was established with Bank OZK, and as required by GAAP accrual-based accounting principles, a Due to Workforce Challenge Trust Account reflected the corresponding liability on the statement of net position. The Workforce Challenge Trust Account was restricted for transfers to and from ADHE, and funds were only transferred based on requests. During the 2019 Arkansas General Assembly session, Act 456 amended Arkansas Code Title 6, Chapter 85 to add an additional subchapter to create the Arkansas Concurrent Challenge Scholarship Program ("Concurrent Challenge"). Act 456 provides for the use of lottery proceeds, after the allocation of sufficient funding to the "Workforce Challenge", 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.

6. UNCLAIMED PRIZES RESERVE

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

During fiscal year 2022, in addition to the \$1,000,000 beginning balance the unclaimed prizes totaled \$8,775,096 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, 2022, less \$1,000,000, resulted in a deposit of \$8,775,096 to the Scholarship Trust Account as net proceeds. At June 30, 2022, 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, 2022 consisted of the following activities:

Unclaimed Prizes Reserve at 7/01/21	\$ 1,000,000
Unclaimed prizes for fiscal year ended 6/30/22	8,775,096
Transferred to the Scholarship Trust Account at 6/30/22	<u>(8,775,096)</u>
Unclaimed Prizes Reserve at 6/30/22	<u>\$ 1,000,000</u>

7. SCHOLARSHIP SHORTFALL RESERVE

The Scholarship Shortfall Reserve account represents monies set aside, by the Act, to fund scholarship payment requests to ADHE, if needed, in case of a shortage of funds in the Scholarship Trust Account. The balance of the Scholarship Shortfall Reserve at June 30, 2022 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.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

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 \$50 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 Scholarship Trust Account are made whole. Finally, the amended Rules establish that, at the discretion of the OAL Director, funds from the pool of self-bond fees, in excess of \$500,000, may be released and considered revenues at the end of each fiscal year.

The retailer self-bond fees collected are recorded as a Retailer Bond Reserve, which is reflected as restricted net position on the statement of net position. At June 30, 2022 the balance of the Retailer bond Reserve was \$500,000. The retailer self-bond fees collected are deposited in the OAL operating account. At the end of each month, retailer self-bond fees are transferred to the Bond Account and are classified as non-current restricted cash and cash equivalents. During the fiscal year ended June 30, 2022, the OAL sustained losses that were charged to the Retailer Bond Reserve in the amount of \$107,625.

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, 2022 the OAL was an active participant in several joint venture arrangements with the Multi-State Lottery Association.

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. 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, 2022, the OAL had reserve fund deposits with MUSL of \$2,034,648. MUSL does not maintain prize reserve funds for Lucky for Life®.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
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A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, Attn: Bret Toyne, Executive Director or Shannon Underwood, Director of Finance, 8101 Birchwood Court, Suite R, Johnston, Iowa 50131.

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2022 is summarized in the table below:

	Operating Revenues	Prizes
Powerball®	\$31,021,045	\$14,309,397
Mega Millions®	15,488,984	7,369,248
Lucky for Life®	6,240,794	4,181,573

10. CAPITAL ASSETS

The activity for capital assets for the fiscal year ended June 30, 2022, was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Capital Assets				
Equipment	\$ 2,853,940	\$ -	\$ (10,370)	\$ 2,843,570
Leasehold improvements	492,796	-	-	492,796
Right to use assets	-	1,359,159	-	1,359,159
Total capital assets	3,346,736	1,359,159	(10,370)	4,695,525
 Less accum. depreciation and amortization				
Equipment - depreciation	(1,459,252)	(430,784)	10,370	(1,879,666)
Leasehold improvements - depreciation	(492,796)	-	-	(492,796)
Right to use assets - amortization	-	(226,527)	-	(226,527)
Total accum. depreciation and amortization	(1,952,048)	(657,311)	10,370	(2,598,989)
Capital assets, net	\$ 1,394,688	\$ 701,848	\$ 0	\$ 2,096,536

11. LIABILITIES

a. Prizes Payable

Prizes payable at June 30, 2022 consisted of instant and online game prizes payable 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	\$ 20,565,256
Powerball®	673,686
Mega Millions®	354,176
Natural State Jackpot	251,535
Lucky for Life®	868,029
Fast Play	148,168
Cash 3	53,180
Cash 4	60,700
Income tax and other withholding	8,154
Total	<u>\$ 22,982,884</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 below are for withholdings owed or for services performed for the OAL by these agencies within the normal course of business.

Arkansas Department of Education - Division of Higher Education	\$ 1,723,995
Arkansas Department of Finance and Administration - Statewide Services	49,107
Arkansas Department of Transformation and Shared Services - Division of Information Systems	10,030
Arkansas Department of Finance and Administration	1,429
Arkansas Department of Labor and Licensing – Arkansas Workers’ Compensation Commission	527
Arkansas Department of Corrections	502
Arkansas Department of Transformation and Shared Services - Office of Personnel Management	100
Total	<u>\$ 1,785,690</u>

c. Accounts Payable, Accrued Liabilities and Compensated Absences

Accounts payable consists of amounts due to vendors for operating costs of the lottery. Accrued liabilities consist of amounts due to gaming vendors for gaming costs of the lottery, accrued payroll earned and related health insurance withholdings as of June 30, 2022.

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, 2022 totaled \$444,107. 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, 2022 the current portion of the compensated absences liability increased by \$2,191 to a balance of \$64,928 and the long-term portion increased by \$36,377 to a balance of \$379,179.

Long Term Compensated Absences	Beginning Balances	Increases	Decreases	Ending Balances
Annual	\$ 289,781	\$416,502	(\$375,743)	\$ 330,540
Sick	53,021	3,656	(8,038)	48,639
Total	<u>\$ 342,802</u>	<u>\$420,158</u>	<u>(\$383,781)</u>	<u>\$ 379,179</u>

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d. Unearned Revenue

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

Unearned revenue from online game tickets at June 30, 2022 is summarized as follows:

Powerball®	\$ 94,442
Mega Millions®	131,108
Natural State Jackpot	20,188
Lucky for Life®	10,886
Cash 3	6,015
Cash 4	3,874
Total	<u>\$ 266,513</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, 2022 the amount of unearned revenue which related to retailer licensing and renewal fees was \$42,378.

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 income before transfers. 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, 2022 the cumulative variance due to the modified cash basis method was a debit balance (deficit) in Unrestricted Net Position of \$(12,427,505).

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In addition, the OAL's net OPEB liability at June 30, 2022 (see note 16) of \$2,235,556, which consists of a current liability of \$98,211 and a long-term liability of \$2,137,345, 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, 2022 of (\$2,235,556). The total debit balance (deficit) in Unrestricted Net Position at June 30, 2022 was (\$14,663,061).

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, 2022 consisted of the following:

Powerball®	\$ 31,021,045
Mega Millions®	15,488,984
Fast Play	18,681,356
Natural State Jackpot	9,262,233
Cash 3	12,294,808
Cash 4	6,474,253
Lucky for Life®	<u>6,240,794</u>
Total	<u><u>\$ 99,463,473</u></u>

14. OPERATING LEASES

During the fiscal year ended June 30, 2022, OAL renewed its lease of office space and parking spaces for its headquarters. The noncancellable lease was extended for an additional five-year term starting September 1, 2021 continuing through August 31, 2026. With this contract, the OAL recognizes a lease liability and an intangible right-to-use lease asset. The building lease entered into includes both a lease component (such as a right-to-use asset building) and a non-lease component (such as maintenance and utilities). At the commencement of a lease, the OAL uses the lease component to measure the lease liability at the present value of payments expected to be made during the lease term using the State incremental borrowing rate of 1.615%. The lease asset is measured as the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. The annual rental office expense for the fiscal year ended June 30, 2022 was \$446,801.28. The lease term in the new contract is as follows:

9/1/21 to 8/31/22	\$443,436.12
9/1/22 to 8/31/23	\$443,436.12
9/1/23 to 8/31/24	\$456,398.16
9/1/24 to 8/31/25	\$456,398.16
9/1/25 to 8/31/26	\$469,858.80

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The building lease component that was capitalized is listed below.

Lease Description	Role	Lease Type	Gross Asset Balance	Accumulated Amortization	Net Asset Balance
Union Plaza Building- 25,773 square feet 124 West Capitol Ave Little Rock, AR 72201	Lessee	Operating	\$ 1,224,847	\$ 204,141	\$ 1,020,706
Union Plaza Building- Parking Deck Spaces 124 West Capitol Ave Little Rock, AR 72201	Lessee	Operating	134,312	22,386	111,926
Total			\$ 1,359,159	\$ 226,527	\$ 1,132,632

Along with the lease asset component, an associated lease liability was recorded for \$1,359,159. At year end June 30, 2022, the balance of the liability was split between short-term liability of \$259,870 and long-term liability of \$884,084. Below is the maturity analysis of the lease liability.

Fiscal Year Ending June 30,	Principal	Interest	Total
2022 (10 months)	\$ 215,204	\$ 16,691	\$ 231,895
2023	259,870	16,207	276,077
2024	270,765	11,924	282,689
2025	276,515	7,492	284,007
2026	288,098	2,935	291,033
2027 (2 months)	48,707	33	48,740
	\$ 1,359,159	\$ 55,282	\$ 1,414,441

15. RETIREMENT PLAN

a. Plan Description

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

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

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

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

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

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

b. Benefits Provided

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

c. Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2022, the employer contribution rates as a percentage of active member payroll ranged from 4.00% to 38.99%. 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, 2022, 2021, and 2020 were \$595,752, \$568,216, and \$560,737, 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.

d. Net Pension Liability

At June 30, 2022, the OAL reported a net pension liability of \$1,476,746. The net pension liability was measured as of June 30, 2021, 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 2021 fiscal year of all participating employers. At June 30, 2021, the OAL's proportion was 0.192%.

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Actuarial assumptions

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

Actuarial valuation date:	June 30, 2021
Inflation rate:	3.25% wages, 2.50% prices
Salary increases (Includes assumed inflation):	3.25% to 9.85%
Investment rate of return (Includes assumed inflation):	7.15%
Mortality rates:	RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Actuarial experience study dates:	2012-2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021 to 2030 were based upon capital market assumptions provided by the system's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2021, these best estimates are summarized in the table below.

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

Discount Rate

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

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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	\$4,417,529	\$1,476,746	(\$951,917)

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, 2022, the OAL recognized pension expense of (\$171,622). For the year ended June 30, 2022, the OAL 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	\$ 0	\$ 10,344
Differences between expected and actual experience	33,798	94,709
Net difference between projected and actual investment earnings on pension plan investments	0	2,592,191
Changes in proportion and differences between employer contributions and share of contributions	121,381	97,371
Contributions subsequent to the measurement date	590,235	0
Total	<u>\$ 745,414</u>	<u>\$ 2,794,615</u>

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, 2023. 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:	Total
2022	(\$663,591)
2023	(581,729)
2024	(607,465)
2025	(786,651)

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

b. General Information

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

- Arkansas State Employee Health Plan (ASE) (administered by Arkansas 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.

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ASE

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

Employees Covered by Benefit Terms

At June 30, 2022, the following state employees were covered by the plan:

Inactive employees or beneficiaries currently receiving benefits	16,441
Inactive employees entitled to but not yet receiving benefits	9,741
Active employees	<u>32,113</u>
Total	<u>58,295</u>

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

c. *Total OPEB Liability*

At June 30, 2022, 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, 2022	\$ 1,266,181,345
OAL	June 30, 2022	\$ 2,235,556

Actuarial Assumptions and Other Inputs

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

Actuarial valuation date	June 30, 2022
Inflation rate	2.30%
Discount rate (1)	3.54%
Salary increases	Based on age, in 5 year groupings, starting at 9.85% at age 20 and decreasing to 3.67% at age 60, compounded annually.
Healthcare cost trend rates	5.20% initial, 3.70% ultimate

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Mortality rate	For Healthy Pre-Retirement: RP-2006 Employee benefits weighted generational mortality tables for males and females. For Healthy Post-Retirement: RP-2006 Healthy Annuitant benefits weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females adjusted for fully generational mortality improvements using Scale MP-2017.
Retirees' share of benefit-related costs	Varies by age and Medicare versus non-Medicare retirees
Actuarial experience study dates (2)	July 1, 2012 through June 30, 2017

- (1) The discount rate was determined by using the Bond Buyer General Obligation 20-Bond Municipal Index, a tax-exempt municipal bond rate based on an index of 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
- (2) The actuarial experience study used was the study performed for the APERS plan.

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, 2021	\$2,594,613,634	\$4,616,749
Changes for the year:		
Service cost	129,956,262	229,449
Interest on OPEB liability	57,603,614	101,704
Effect of plan changes	(661,131,649)	(1,167,287)
Effect of economic/demographic (gains) or losses	(214,609,627)	(378,912)
Changes in assumptions or inputs	(574,277,173)	(1,013,937)
Change in proportion	N/A	(35,728)
Benefit payments	(65,973,716)	(116,482)
Net changes	(1,328,432,289)	(2,381,193)
Balance as of June 30, 2022	\$1,266,181,345	\$2,235,556

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	2.54%	\$1,458,979,979	3.54%	\$1,266,181,345	4.54%	\$1,109,730,669
OAL	2.54%	\$ 2,575,959	3.54%	\$ 2,235,556	4.54%	\$ 1,959,328

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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	\$1,084,316,388	N/A	\$1,266,181,345	N/A	\$1,498,732,045
OAL	N/A	\$ 1,914,457	N/A	\$ 2,235,556	N/A	\$ 2,646,145

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

For the year ended June 30, 2022, the State recognized OPEB expense for each plan and in total as follows.

	<u>Total OPEB Expense</u>
ASE	\$ (662,280,920)
OAL	\$ (1,158,914)

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

	<u>ASE</u>		<u>OAL</u>	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Effect of Liability gains or losses	\$ (58,862,392)	\$ 4,075,770	\$(103,927)	\$ 7,196
Effect of assumption changes or inputs	(193,823,154)	125,874,345	(342,212)	222,242
Changes in proportion	N/A	N/A	19,818	26,314
Total	<u>\$(252,685,546)</u>	<u>\$ 129,950,115</u>	<u>\$(426,321)</u>	<u>\$ 255,752</u>

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

Year ended June 30:	<u>ASE</u>	<u>OAL</u>
2023	\$(101,586,031)	\$(179,359)
2024	(64,998,831)	(114,761)
2025	(177,597,109)	(313,564)
2026	(157,777,360)	(278,570)
2027	0	0
Thereafter	0	0

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Total OPEB Expense

	ASE	OAL
Service cost	\$ 129,956,262	\$ 229,449
Interest	57,603,614	101,704
Effect of plan changes	(661,131,649)	(1,167,287)
Recognition of deferred inflows/outflows of resources:		
Recognition of economic/demographic gains or losses	(54,786,622)	(96,731)
Recognition of assumption changes or inputs	(67,948,809)	(119,969)
OPEB expense	(596,307,204)	(1,052,834)
Benefit payments	(65,973,716)	(116,482)
	(662,280,920)	(1,169,316)
Due to change in proportion	0	10,402
Total OPEB expense	<u>\$(662,280,920)</u>	<u>\$ (1,158,914)</u>

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, 2022, 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, 2022 were \$12,229,454.

SGI prints, warehouses, and distributes the instant game tickets to retailers. In accordance with its contract with the OAL, SGI receives the fee, set per the contract, 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, 2021 through August 17, 2022. Should the total net sales of instant tickets exceed \$360 million in a contract year, SGI will receive a bonus payment in an amount equivalent to 4.5% of all incremental sales exceeding \$360 million. Instant ticket sales during the fiscal year ended June 30, 2022 did exceed \$360 million during the contract year. During the fiscal year ended June 30, 2022, SGI was compensated \$11,681,825, which represents a rate of 2.43% 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, 2022 these other SGI fees totaled \$5,743,676 or 1.20 % of instant ticket sales. Total fees paid to SGI for all services for the fiscal year ended June 30, 2022 were \$17,425,501.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

The OAL also has a contract with Camelot Global Services (CGS) to provide consultancy services. The original contract was effective November 30, 2015 and expired on June 30, 2020 with two optional extension periods of twelve months each. On July 1, 2020 the OAL exercised the first option to extend the contract for a period of one year. Effective July 1, 2021 the OAL and CGS entered into Amendment No. 003 to the original contract. The amendment commenced on the effective date and terminated on June 30, 2022. The amendment could be terminated, without penalty by either party with thirty (30) days written notice. The amendment also reflected a change in pricing. The OAL will negotiate the parameters and pricing of any CGS consultancy services it accepts.

For fiscal year 2022 the OAL and CGS agreed upon the pricing that CGS was paid as base compensation not to exceed \$500,000 per annum, paid monthly. Any reduction in days used will result in a reduced cost at \$1,000 per day up to the allocated 500 days. The base compensation was paid in monthly payments of \$41,666.

The contract also specifies an incentive compensation structure for the period of July 1, 2021 to June 30, 2022 as follows:

- a. CGS shall receive 10% of all net operating income or adjusted net operating income, as applicable, that exceeds \$88,600,000 (for the avoidance of doubt, all ticket sales are included in the net operating income) and the maximum incentive compensation shall not exceed \$1,000,000.
- b. In the event of all current games of Powerball® or Mega Millions® jackpots exceed \$400,000,000, then the parties agree that revenue directly earned from ticket sales of the Powerball® or Mega Millions® jackpots games that exceed \$400,000,000 shall be deducted from the net operating income (adjusted net operating income) for incentive compensation purposes. CGS shall receive 4% of gross profits for each draw of Powerball® and Mega Millions® jackpots games that exceed \$400,000,000.
- c. CGS shall receive proceeds from any instant game in which any instant ticket price point exceeds \$20. OAL and CGS shall agree upon an incentive compensation amount for such game prior to the commencement or launch of such game.
- d. CGS shall receive proceeds from any in-state draw game. OAL and CGS shall agree upon an incentive compensation amount for such game launched after July 1, 2021 prior to the commencement or launch of such game.

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

For the fiscal year ended June 30, 2022 the OAL paid or accrued total incentive compensation to CGS of \$1,000,000.

18. CONTINGENCIES

At June 30, 2022 there were no pending lawsuits or claims to which the OAL is a party.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Notes to Financial Statements
June 30, 2022

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 \$1.86 million per loss event for all perils. Losses from earthquake and flood are also subject to an annual aggregate loss for the State of up to \$200 million. Workers' compensation is provided in compliance with the applicable law. The employee health and dental insurance program provides for payment of medical claims of employees and covered dependents. Claims and settlements incurred for fiscal years ended June 30, 2022, 2021, and 2020 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, 2022, but prior to December 29, 2022, the date the financial statements were available to be issued. Such evaluation subsequently identified the following transactions:

On August 10, 2022, ADHE refunded \$15,927,228 to the OAL for the fiscal year ended June 30, 2022. This amount was due to a reduction in awards and payments from ADHE.

On September 23, 2022 a payment of \$30,000,000 was made from the Scholarship Trust Account to ADHE for the Academic Challenge Scholarship, and on December 7, 2022 a payment was made in the amount of \$2,000,000 for the Concurrent Challenge Scholarship program.

Per the amended contract with SGI, upon the completion of the contract year on August 17, 2022, instant game sales totaled \$475,816,248 for the period from August 18, 2021 through the end of the contract year. The amount of sales exceeded the pro-rated bonus calculation base by \$115,816,248 resulting in a bonus amount of \$5,211,731, which was paid to SGI on September 16, 2022.





MAKAELA,
Scholarship to University
of Arkansas - Fort Smith

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
OAL proportion of the net pension liability (asset)	0.19%	0.19%	0.19%
OAL proportionate share of the net pension liability (asset)	\$ 1,476,746	\$ 5,317,319	\$ 4,646,795
OAL covered payroll (2)	\$ 3,708,982	\$ 3,660,163	\$ 3,678,231
OAL proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.82%	145.28%	126.33%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration. The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

N/A The OAL implemented GASB Statement 68 in fiscal year 2015.
Information for this schedule was not available prior to fiscal year 2015.

2) Since the pension asset and liability are based on last year's actuarial study, the OAL covered payroll is using last year's amount

Source: State of Arkansas ACFR and OAL Finance Division

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 - 2013</u>
0.19%	0.20%	0.20%	0.23%	0.24%	N/A
\$ 4,301,376	\$ 5,110,275	\$ 4,732,352	\$ 4,415,000	\$3,408,000	
\$ 3,651,448	\$ 3,564,158	\$ 3,649,566	\$ 3,992,710	4,244,368	
117.80%	143.38%	129.67%	110.58%	80.29%	
79.59%	76.65%	75.50%	80.39%	84.15%	

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily determined contribution	\$ 595,752	\$ 568,216	\$ 560,737	\$ 563,505
Contributions in relation to the statutorily determined contribution	<u>595,752</u>	<u>568,216</u>	<u>560,737</u>	<u>563,505</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,888,718	\$ 3,708,982	\$ 3,660,163	\$ 3,678,231
Contributions as a percentage of covered payroll	15.32%	15.32%	15.32%	15.32%

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

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

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

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

**Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability
Last Ten Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017-2013</u>
Service cost	\$ 229,449	\$ 220,097	\$ 124,540	\$ 115,489	\$ 122,032	N/A
Interest	101,704	99,690	121,545	135,469	127,429	
Changes of benefit terms	(1,167,287)	-	-	-	-	
Difference between expected and actual experience	(378,912)	13,126	(117,328)	22,506	(23,182)	
Changes in assumptions or other inputs	(1,013,937)	(189,458)	1,182,650	(357,709)	(160,833)	
Changes in proportion	(35,728)	30,438	-	-	-	
Benefit payments	(116,482)	(98,807)	(94,599)	(104,567)	(100,606)	
Net Change in Total OPEB Liability	<u>\$ (2,381,193)</u>	<u>\$ 75,086</u>	<u>\$ 1,216,808</u>	<u>\$ (188,812)</u>	<u>\$ (35,160)</u>	
Total OPEB liability beginning	\$ 4,616,749	\$ 4,541,662	\$ 3,324,854	\$ 3,513,666	\$ 3,548,826	
Total OPEB liability ending	\$ 2,235,556	\$ 4,616,749	\$ 4,541,662	\$ 3,324,854	\$ 3,513,666	
Covered-employee payroll	\$ 2,717,703	\$ 2,410,720	\$ 2,155,335	\$ 1,906,339	\$ 1,741,853	
Total as a percentage of covered payroll	82.26%	191.51%	210.72%	174.41%	201.72%	

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Analysis of Budgetary Variations
Fiscal Year Ended June 30, 2022

	Original Budget FY 2022 (1)	Actual Results FY 2022	Variation
Operating revenues:			
Instant ticket sales	\$ 423,600,000	\$ 480,101,229	\$ 56,501,229
Online ticket sales	85,100,000	99,463,473	14,363,473
Retailer fees and other revenues	506,000	671,076	165,076
Total operating revenues	<u>509,206,000</u>	<u>580,235,778</u>	<u>71,029,778</u>
Operating expenses:			
Instant game prizes	305,137,000	347,682,702	42,545,702
Online game prizes	47,078,000	54,723,364	7,645,364
Retailer commissions	28,742,000	32,801,115	4,059,115
Gaming contract costs	23,057,000	29,745,565	6,688,565
Compensation and benefits	5,600,000	3,276,934	(2,323,066)
Marketing, advertising and promotions	6,700,000	6,542,802	(157,198)
General and administrative expenses	4,180,000	4,500,739	320,739
Depreciation and amortization	435,700	657,311	221,611
Total operating expenses	<u>420,929,700</u>	<u>479,930,532</u>	<u>59,000,832</u>
Operating income	88,276,300	100,305,246	12,028,946
Non-operating revenue (expense):			
Interest income	330,000	726,328	396,328
Interest expense	<u>0</u>	<u>(16,691)</u>	<u>(16,691)</u>
Income before transfers	88,606,300	101,014,883	12,408,583
Transfers to Lottery Scholarship Trust Account	<u>(88,600,000)</u>	<u>(99,386,657)</u>	<u>(10,786,657)</u>
Change in net position	<u>\$ 6,300</u>	<u>\$ 1,628,226</u>	<u>\$ 1,621,926</u>

Note: 1) No amended budget was prepared for Fiscal Year 2022





CORRIGAN,
Scholarship to University
of Arkansas - Little Rock

STATISTICAL SECTION

This is
WINNING!



Flash Market #25,
Forrest City

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

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery Annual Comprehensive 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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DEMOGRAPHICS AND OPERATION INFORMATION 57

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..... 61

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

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

	2022	2021	2020	2019
Operating revenues:				
Instant ticket sales:				
Instant games sales	<u>\$ 480,101,229</u>	<u>\$ 529,369,617</u>	<u>\$ 452,281,204</u>	<u>\$ 407,825,514</u>
Online ticket sales:				
Powerball®	31,021,045	26,748,835	20,530,932	34,162,016
Mega Millions®	15,488,984	23,809,304	16,863,474	33,552,661
Fast Play	18,681,356	19,717,873	16,662,501	15,329,643
Natural State Jackpot	9,262,233	10,332,159	8,027,906	9,303,843
Cash 3	12,294,808	12,016,776	9,060,396	7,677,432
Cash 4	6,474,253	6,548,725	5,045,304	4,430,762
Decades of Dollars	-	-	-	-
AR Million Dollar Raffle	-	-	-	-
Arkansas 50/50 Raffle	-	-	-	-
Lucky for Life®	6,240,794	3,391,638	2,971,144	3,211,636
Monopoly™ Millionaires' Club	-	-	-	-
Total online ticket sales	<u>99,463,473</u>	<u>102,565,310</u>	<u>79,161,657</u>	<u>107,667,993</u>
Retailer application, fidelity, bond & service fees	669,288	643,517	489,153	728,897
Other revenue	<u>1,788</u>	<u>1,450</u>	<u>69,221</u>	<u>14,439</u>
Total operating revenues	<u>580,235,778</u>	<u>632,579,894</u>	<u>532,001,235</u>	<u>516,236,843</u>
Non-operating revenue:				
Interest income	726,328	835,596	2,123,634	2,569,816
Other non-operating income	<u>(16,691)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating revenue	<u>709,637</u>	<u>835,596</u>	<u>2,123,634</u>	<u>2,569,816</u>
Total revenues	<u><u>\$ 580,945,415</u></u>	<u><u>\$ 633,415,490</u></u>	<u><u>\$ 534,124,869</u></u>	<u><u>\$ 518,806,659</u></u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
Source: OAL Annual Comprehensive Financial Report for fiscal years 2022, 2021
OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015
ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013

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

2018	2017	2016	2015	2014	2013
<u>\$ 407,604,791</u>	<u>\$ 368,454,561</u>	<u>\$ 360,007,743</u>	<u>\$ 335,000,613</u>	<u>\$ 322,415,276</u>	<u>\$ 355,061,785</u>
36,745,344	32,755,119	48,073,339	27,099,705	35,042,460	47,409,700
19,598,073	14,313,090	14,632,244	15,158,385	19,847,674	13,891,465
12,731,621	12,313,567	10,993,360	10,770,484	10,126,554	3,391,691
7,918,644	7,047,543	7,567,005	7,035,843	8,863,034	6,994,820
7,736,793	7,128,685	7,184,616	6,712,769	6,255,740	6,161,706
4,516,508	4,238,553	3,823,987	3,832,385	3,606,991	3,324,150
-	-	-	612,932	2,345,532	2,927,572
-	-	-	-	1,426,490	-
-	-	-	38,210	143,375	385,105
2,856,202	2,889,910	3,317,108	2,013,064	-	-
-	-	-	388,990	-	-
<u>92,103,185</u>	<u>80,686,467</u>	<u>95,591,659</u>	<u>73,662,767</u>	<u>87,657,850</u>	<u>84,486,209</u>
776,503	769,959	717,150	550,952	554,292	556,792
<u>5,849</u>	<u>5,749</u>	<u>9,259</u>	<u>20,346</u>	<u>10,550</u>	<u>4,490</u>
<u>500,490,328</u>	<u>449,916,736</u>	<u>456,325,811</u>	<u>409,234,678</u>	<u>410,637,968</u>	<u>440,109,276</u>
1,269,083	489,046	232,275	224,546	252,614	322,722
-	-	1,875	-	461,047	-
<u>1,269,083</u>	<u>489,046</u>	<u>234,150</u>	<u>224,546</u>	<u>713,661</u>	<u>322,722</u>
<u>\$ 501,759,411</u>	<u>\$ 450,405,782</u>	<u>\$ 456,559,961</u>	<u>\$ 409,459,224</u>	<u>\$ 411,351,629</u>	<u>\$ 440,431,998</u>

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

	2022	2021	2020	2019
Operating revenues:				
Instant ticket sales	\$ 480,101,229	\$ 529,369,617	\$ 452,281,204	\$ 407,825,514
Online ticket sales	99,463,473	102,565,310	79,161,657	107,667,993
Retailer application, fidelity, bond & service fees	669,288	643,517	489,153	728,897
Other revenue	1,788	1,450	69,221	14,439
Total operating revenues	580,235,778	632,579,894	532,001,235	516,236,843
Operating expenses:				
Instant game prizes	347,682,702	383,337,055	325,816,713	293,635,992
Online game prizes	54,723,364	56,809,420	43,791,459	56,240,230
Retailer commissions	32,801,115	35,732,276	30,108,024	29,062,835
Gaming contract costs	29,745,565	34,080,392	26,360,780	23,691,567
Compensation and benefits	3,276,934	5,525,220	5,400,746	4,829,725
Marketing, advertising and promotions	6,542,802	7,229,142	7,801,436	7,251,773
General and administrative expenses	2,612,894	5,874,746	3,847,612	5,622,715
Services provided by other agencies:				
Arkansas Department of Education - Division of Higher Education	1,723,995	530,853	500,335	427,384
Arkansas Legislative Audit	163,850	155,070	128,160	131,880
Amortization	226,527	-	-	-
Depreciation	430,784	448,620	409,285	123,426
Total operating expenses	479,930,532	529,722,794	444,164,550	421,017,527
Operating income	100,305,246	102,857,100	87,836,685	95,219,316
Non-operating revenue:				
Interest income	726,328	835,596	2,123,634	2,569,816
Other non-operating income	(16,691)	-	-	-
Total non-operating revenue	709,637	835,596	2,123,634	2,569,816
Income before transfers	101,014,883	103,692,696	89,960,319	97,789,132
Transfers to:				
Education Trust Account	-	(68,000,000)	(73,000,000)	(75,000,000)
Workforce Challenge Trust Account	-	(38,417,224)	(16,265,394)	(23,639,040)
Lottery Scholarship Trust Account	(99,386,657)	-	-	-
Arkansas Department of Human Services	-	-	-	-
Total transfers	(99,386,657)	(106,417,224)	(89,265,394)	(98,639,040)
Change in net position	\$ 1,628,226	\$ (2,724,528)	\$ 694,925	\$ (849,908)

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
2) During the 91th General Assembly, Act 613 of 2017 was enacted which created the Arkansas Workforce Challenge Scholarship which provides for the use of excess Lottery Proceeds to fund students enrolled in Higher Education Programs that will lead to the Students being qualified to work in High-Needs Occupations.
3) During the 93 General Assembly, Act 636 of 2021 established the Lottery Scholarship Trust Account to fund the Arkansas Academic Challenge Scholarship Program, the Arkansas Workforce Challenge Scholarship Program and any other scholarship funded with net proceeds from the state lottery.

Source: OAL Annual Comprehensive Financial Report for fiscal years 2022, 2021
OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015
ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013

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

2018	2017	2016	2015	2014	2013
\$ 407,604,791	\$ 368,454,561	\$ 360,007,743	\$ 335,000,613	\$ 322,415,276	\$ 355,061,785
92,103,185	80,686,467	95,591,659	73,662,767	87,657,850	84,486,209
776,503	769,959	717,150	550,952	554,292	556,792
5,849	5,749	9,259	20,346	10,550	4,490
<u>500,490,328</u>	<u>449,916,736</u>	<u>456,325,811</u>	<u>409,234,678</u>	<u>410,637,968</u>	<u>440,109,276</u>
292,489,286	263,190,873	258,461,952	241,758,220	229,462,196	250,246,337
49,406,134	43,238,515	50,485,363	38,708,574	45,487,903	41,877,845
28,196,969	25,315,020	25,704,177	23,253,196	23,046,410	24,986,551
21,967,841	19,090,227	19,384,187	20,622,707	20,511,439	22,116,163
5,092,375	5,024,854	5,232,605	5,382,544	5,990,541	6,049,048
6,477,277	5,861,130	4,798,502	5,032,317	4,472,456	4,414,655
4,949,440	3,801,799	3,383,068	1,286,531	1,421,328	1,253,719
454,932	441,317	396,995	538,487	751,556	794,016
144,000	139,760	143,360	129,960	139,080	142,720
-	-	-	-	-	-
<u>104,011</u>	<u>96,917</u>	<u>95,063</u>	<u>158,363</u>	<u>188,270</u>	<u>182,158</u>
<u>409,282,265</u>	<u>366,200,412</u>	<u>368,085,272</u>	<u>336,870,899</u>	<u>331,471,179</u>	<u>352,063,212</u>
91,208,063	83,716,324	88,240,539	72,363,779	79,166,789	88,046,064
1,269,083	489,046	232,275	224,546	252,614	322,722
-	-	1,875	-	461,047	-
<u>1,269,083</u>	<u>489,046</u>	<u>234,150</u>	<u>224,546</u>	<u>713,661</u>	<u>322,722</u>
92,477,146	84,205,370	88,474,689	72,588,325	79,880,450	88,368,786
(83,500,000)	(71,000,000)	(85,274,927)	(72,619,369)	(81,488,844)	(90,257,161)
(8,344,929)	(14,157,060)	-	-	-	-
-	-	-	-	-	-
-	-	-	(200,000)	(200,000)	(200,000)
<u>(91,844,929)</u>	<u>(85,157,060)</u>	<u>(85,274,927)</u>	<u>(72,819,369)</u>	<u>(81,688,844)</u>	<u>(90,457,161)</u>
<u>\$ 632,217</u>	<u>\$ (951,690)</u>	<u>\$ 3,199,762</u>	<u>\$ (231,044)</u>	<u>\$ (1,808,394)</u>	<u>\$ (2,088,375)</u>

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

	2022	2021	2020 (4)	2019
Net position:				
Invested in capital assets	\$ 963,903	\$ 1,394,688	\$ 1,782,439	\$ 1,249,343
Restricted for:				
Scholarship shortfall reserve	20,000,000	20,000,000	20,000,000	20,000,000
Retailer fidelity reserve	-	-	-	207,608
Retailer bond reserve	500,000	500,000	500,000	709,671
Deposits with Multi-State				
Lottery Association	2,034,648	2,130,976	2,515,353	2,579,250
Unclaimed prizes reserve	1,000,000	1,000,000	1,000,000	1,000,000
Unrestricted (deficit)	<u>(14,663,061)</u>	<u>(16,818,400)</u>	<u>(14,866,000)</u>	<u>(15,509,005)</u>
 Total net position (deficit)	 <u>\$ 9,835,490</u>	 <u>\$ 8,207,264</u>	 <u>\$ 10,931,792</u>	 <u>\$ 10,236,867</u>

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

Source: OAL Annual Comprehensive Financial Report for fiscal years 2022, 2021
OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015
ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013

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

2018	2017 (3)	2016	2015	2014 (2)	2013
\$ 345,095	\$ 384,288	\$ 376,417	\$ 223,178	\$ 246,113	\$ 358,372
20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
182,514	158,355	136,900	113,582	91,133	70,586
583,166	373,312	163,872	-	-	-
2,165,572	1,948,071	1,847,611	1,762,386	1,794,079	1,773,620
1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(13,189,572)	(13,409,468)	(10,752,564)	(13,526,672)	(13,327,807)	(7,591,547)
<u>\$ 11,086,775</u>	<u>\$10,454,558</u>	<u>\$ 12,772,236</u>	<u>\$ 9,572,474</u>	<u>\$ 9,803,518</u>	<u>\$15,611,031</u>

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

	2022	2021	2020	2019
Cash flows from operating activities:				
Cash received from retailers and others	\$ 584,515,863	\$ 631,663,508	\$ 527,425,949	\$ 515,478,097
Cash paid for prizes	(404,312,420)	(437,271,456)	(368,268,399)	(347,546,374)
Cash paid for gaming vendors	(31,958,022)	(31,520,711)	(24,165,209)	(23,731,011)
Cash paid for retailer commissions	(32,801,115)	(35,732,276)	(30,108,024)	(29,062,835)
Cash paid for marketing and advertising	(6,492,380)	(7,528,145)	(7,923,598)	(6,593,736)
Cash paid for employee services	(5,104,227)	(4,798,539)	(4,986,502)	(4,859,829)
Cash paid for other expenses	(4,471,029)	(6,628,343)	(4,193,322)	(5,939,380)
Cash received from other non-operating income	-	-	-	-
Net cash provided (used) by operating activities	99,376,670	108,184,038	87,780,895	97,744,932
Cash flows from non-capital financing activities:				
Transfers to Arkansas Department of Education - Division of Higher Learning	(74,750,000)	(70,900,000)	(74,000,000)	(76,000,000)
Transfers from Arkansas Department of Education - Division of Higher Learning	-	4,466,023	3,904,288	11,710,439
Transfers to Arkansas Department of Human Services	-	-	-	-
Net cash provided (used) by non-capital financing activities	(74,750,000)	(66,433,977)	(70,095,712)	(64,289,561)
Cash flows from capital and related financing activities:				
Purchases of capital assets	-	(60,869)	(942,381)	(1,056,195)
Loss on disposal of fixed assets	-	-	-	-
Net cash flows from capital and related financing activities	-	(60,869)	(942,381)	(1,056,195)
Cash flows from investing activities:				
Interest received	726,329	835,596	2,123,634	2,569,816
Net increase in cash and cash equivalents	25,352,999	42,524,788	18,866,436	34,968,992
Cash and cash equivalents, beginning	180,204,492	137,679,704	118,813,268	83,844,276
Cash and cash equivalents, ending	<u>\$ 205,557,491</u>	<u>\$ 180,204,492</u>	<u>\$ 137,679,704</u>	<u>\$ 118,813,268</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 100,305,246	\$ 102,857,100	\$ 87,836,685	\$ 95,219,316
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	430,784	448,620	409,285	123,426
Amortization	226,526			
Pension Earnings	(764,253)	236,441	213,549	(64,654)
Other post employment benefits expense	(1,158,914)	300,428	260,169	42,587
Lease expense	(230,355)			
Other non-operating income		-	-	-
Net changes in assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	4,189,932	(855,829)	(4,587,967)	(785,562)
Receivable from other Funds of the State	(869)	-	(55)	97
Prepaid items	(33,933)	(83,728)	(15,468)	201,182
Deposits with Mult-State Lottery Association	96,328	384,377	63,897	(413,677)
Increase (decrease) in liabilities:				
Accounts payable	15,140	(914,625)	356,091	521,412
Prizes payable	(2,002,682)	2,490,641	1,275,877	2,743,525
Accrued and other liabilities	(3,020,760)	3,370,119	1,824,167	168,340
Due to other funds of the State	1,194,891	32,952	64,388	(46,969)
Compensated absences	38,568	(21,903)	67,542	9,189
Unearned revenue	91,021	(60,555)	12,735	26,720
Net other post employment benefits	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 99,376,670</u>	<u>\$ 108,184,038</u>	<u>\$ 87,780,895</u>	<u>\$ 97,744,932</u>

Note: 1) During the 90th General Assembly, Act 218 of 2015 was enacted which eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) within the Arkansas Department of Finance and Administration.
Source: OAL Annual Comprehensive Financial Report for fiscal years 2022, 2021
OAL Comprehensive Annual Financial Report for fiscal years 2020, 2019, 2018, 2017, 2016, 2015
ACL Comprehensive Annual Financial Report for fiscal years 2014, 2013

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

2018	2017	2016	2015	2014	2013
\$ 500,126,133 (342,721,524) (21,710,991) (28,196,969) (6,861,300) (4,783,897) (5,526,375) -	\$ 448,872,673 (305,141,493) (19,154,160) (25,400,020) (5,492,302) (4,749,058) (5,645,415) -	\$ 457,634,809 (310,865,471) (19,540,446) (25,742,753) (5,413,835) (4,834,544) (2,412,905) 1,875	\$ 407,714,967 (279,650,934) (20,638,704) (23,253,196) (4,772,451) (5,432,980) (2,139,793) -	\$ 410,690,974 (275,024,448) (20,308,816) (23,046,410) (4,319,538) (5,725,930) (2,402,273) 461,047	\$ 440,234,069 (289,313,701) (22,410,639) (24,986,551) (4,863,664) (5,691,914) (2,228,385) -
90,325,077	83,290,225	88,826,730	71,826,909	80,324,606	90,739,215
(83,500,000)	(71,000,000)	(77,000,000)	(80,000,000)	(95,000,000)	(115,000,000)
4,887,237 -	542,198 -	286,177 -	2,319,469 (200,000)	2,138,092 (200,000)	6,342,312 (200,000)
(78,612,763)	(70,457,802)	(76,713,823)	(77,880,531)	(93,061,908)	(108,857,688)
(36,296) -	(104,787) -	(248,302) -	(138,605) 3,177	(76,011) -	- -
(36,296)	(104,787)	(248,302)	(135,428)	(76,011)	-
1,269,083	489,046	232,275	224,546	252,614	322,722
12,945,101	13,216,682	12,096,880	(5,964,504)	(12,560,699)	(17,795,751)
70,899,175	57,682,493	45,585,613	51,550,117	64,110,816	81,906,567
\$ 83,844,276	\$ 70,899,175	\$ 57,682,493	\$ 45,585,613	\$ 51,550,117	\$ 64,110,816
\$ 91,208,063	\$ 83,716,324	\$ 88,240,539	\$ 72,363,779	\$ 79,166,789	\$ 88,046,064
104,011	96,917	95,063	158,363	188,270	182,158
186,455 112,052	11,108 -	(90,790) -	(201,028) -	- -	- -
-	-	1,875	-	461,047	-
(280,305) (117) (36,830) (217,501)	(929,311) 3,579 (156,757) (100,460)	1,166,802 (3,576) (9,191) (85,225)	(1,493,924) - 59,650 31,693	33,527 7,020 (51,876) (20,459)	157,254 (7,020) 414 (89,814)
(84,155) (608,602) 2,212 20,579 2,990 (83,775) -	118,383 1,388,353 (973,880) (4,626) 33,716 (114,751) 201,630	(481,522) (1,832,930) 1,261,440 (66,992) 16,613 142,196 472,428	(609,762) 784,166 864,662 (248,295) (38,879) (25,787) 182,271	871,837 (53,889) (481,765) (123,695) 5,449 19,479 302,872	(273,839) 2,900,295 (494,883) 16,659 38,032 (32,461) 296,356
\$ 90,325,077	\$ 83,290,225	\$ 88,826,730	\$ 71,826,909	\$ 80,324,606	\$ 90,739,215

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

<u>Calendar year</u>	<u>Total population (in thousands)</u>	<u>Total personal income (in millions)</u>	<u>Per capita personal income</u>	<u>Unemployment rate</u>
2022	3,036	\$ 153,107	\$ 50,435	3.4%
2021	3,036	\$ 148,825	\$ 49,023	5.2%
2020	3,023 *	\$ 142,192	\$ 47,037	5.1%
2019	3,021 *	\$ 130,457	\$ 43,183	3.7%
2018	3,013 *	\$ 125,715	\$ 41,724	3.8%
2017	3,004 *	\$ 123,313	\$ 41,050	3.7%
2016	2,988 *	\$ 118,770	\$ 39,749	3.9%
2015	2,976 *	\$ 116,249	\$ 39,062	5.0%
2014	2,965 *	\$ 112,619	\$ 37,983	6.0%
2013	2,957 *	\$ 106,430	\$ 35,993	7.2%

* Estimated Amounts

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

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
State of Arkansas Principal Employers (Unaudited)
Year 2022 as Compared to 2013

2022	Employers	Total Employees	% of Total Arkansas Employment
1	Wal-Mart Stores, Inc.	55,504	4.1%
2	Arkansas State Government (excluding education)	24,635	2.0%
3	Tyson Foods, Inc.	24,000	1.9%
4	U.S. Government	20,605	1.6%
5	University of Arkansas for Medical Sciences (UAMS)	11,041	0.9%
6	Baptist Health	10,558	0.9%
7	J.B. Hunt Transport Services, Inc.	7,904	0.4%
8	Mercy	5,610	0.5%
9	University of Arkansas	4,264	0.4%
10	Simmons Foods Inc & Affiliates	4,900	0.4%
		<u>169,021</u>	<u>13.1%</u>

2013	Employers	Total Employees	% of Total Arkansas Employment
1	Arkansas State Government	57,421	4.8%
2	Wal-Mart Stores, Inc.	47,774	4.0%
3	Tyson Foods, Inc.	23,300	2.0%
4	U.S. Government	20,500	1.7%
5	Baptist Health	7,737	0.7%
6	Sisters of Mercy Health System	6,200	0.5%
7	Arkansas Children's Hospital	4,194	0.4%
8	Arvest Bank Group, Inc.	3,470	0.3%
9	J.B. Hunt Transport Services, Inc.	3,269	0.3%
10	Simmons Foods, Inc.	3,264	0.3%
		<u>177,129</u>	<u>15.0%</u>

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

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

Function	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Executive	1	1	1	1	1	1	1	1	1	1
Human Resources	1	1	1	0	0	0	0	0	2	2
Legal Counsel	1	1	1	2	2	2	1	2	2	2
Internal Audit	1	1	3	3	3	2	3	3	2	2
Sales	23	21	23	23	24	24	23	22	23	23
Marketing	4	4	4	3	3	4	4	4	7	7
Security	6	5	4	5	4	4	6	6	6	5
Draw Managers	0	1	2	2	2	2	2	2	2	2
Licensing	4	3	4	4	4	4	4	3	3	3
Gaming	1	1	1	1	1	1	1	1	1	1
IT-Gaming	6	6	6	6	6	6	6	6	6	6
Product Development	3	3	3	3	3	3	3	3	3	3
Finance	1	1	1	1	1	1	1	1	1	1
Treasurer	3	3	3	2	3	3	3	3	3	3
Claims Center	3	3	3	3	3	3	3	3	9	9
Controller	2	2	2	2	2	2	2	2	5	5
Procurement	2	2	1	1	1	1	1	1	2	2
IT-Admin	2	2	1	1	2	2	1	2	3	3
Financial Analyst	1	1	1	1	1	1	0	0	0	0
Total Employees	65	62	65	64	66	66	65	65	81	80
Gender:										
Female	34	30	31	30	30	30	30	28	40	39
Male	31	32	34	34	36	36	35	37	41	41
Race:										
Black/Non-Hispanic	21	15	16	17	14	16	16	15	19	19
Caucasian	41	43	46	44	49	45	43	43	53	54
Hispanic	0	0	0	0	0	2	2	2	3	3
Other	3	4	3	3	3	3	4	5	6	4
Age:										
Under 40	17	17	18	14	20	19	20	21	29	31
40+	48	45	47	50	46	47	45	44	52	49

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Capital Assets by Department (Unaudited)
Year Ended June 30, 2022

Function	2022
Executive:	
Furniture and fixtures	\$ 3,623
Computer equipment	3,032
Vehicles	3,408
Buildings/building improvements	36,710
Total executive assets	<u>46,773</u>
Sales and Marketing:	
Furniture and fixtures	32,608
Computer equipment	2,158,345
Vehicles	30,668
Buildings/building improvements	330,395
Total sales and marketing assets	<u>2,552,016</u>
Gaming and Security:	
Furniture and fixtures	24,154
Computer equipment	212,106
Vehicles	22,717
Buildings/building improvements	244,737
Total gaming and security assets	<u>503,714</u>
Finance:	
Furniture and fixtures	18,115
Computer equipment	15,158
Vehicles	17,038
Buildings/building improvements	183,552
Total finance assets	<u>233,863</u>
Total assets	<u><u>\$ 3,336,366</u></u>

Source: OAL Finance Division

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
U.S. Lotteries' Sales (Unaudited)
Fiscal Year 2022

Lottery Jurisdiction	Population (in millions)	Sales (in millions)	Sales Per Capita	Instant Sales (in millions)	Instant Sales Per Capita
Arizona	7.3	\$ 1,368.4	\$ 188	\$ 1,043.2	\$ 143
Arkansas	3.0	579.6	192	480.1	160
California	39.2	8,865.8	226	6,842.6	175
Colorado	5.8	826.9	142	590.3	102
Connecticut	3.6	1,452.1	403	801.3	223
D.C. (1)	0.7	205.5	307	45.9	66
Delaware	1.0	230.7	230	110.9	111
Florida	21.8	9,324.6	428	7,025.3	322
Georgia	10.8	5,793.9	536	3,742.9	347
Idaho	1.9	378.8	199	224.7	118
Illinois	12.7	3,396.3	268	2,156.9	170
Indiana	6.8	1,703.1	250	1,343.1	198
Iowa	3.2	432.7	136	293.1	92
Kansas	2.9	326.1	111	220.3	76
Kentucky	4.5	1,480.4	328	963.5	214
Louisiana	4.6	582.9	126	292.8	64
Maine	1.4	385.8	281	311.0	222
Maryland	6.2	2,649.6	430	1,009.5	163
Massachusetts	7.0	5,834.9	835	3,898.7	557
Michigan (1)	10.1	4,882.4	486	2,364.3	234
Minnesota	5.7	740.2	130	561.6	99
Mississippi	3.0	436.4	148	343.7	115
Missouri	6.2	1,623.3	263	1,196.7	193
Montana	1.1	71.9	65	26.6	24
Nebraska	2.0	202.5	103	117.5	59
N. Hampshire	1.4	504.4	363	314.0	224
New Jersey	9.3	3,778.3	408	2,201.1	237
New Mexico	2.1	136.9	65	80.1	38
New York (1)	19.8	8,178.1	412	4,517.7	228
N. Carolina	10.6	3,887.1	368	2,649.7	250
N. Dakota (2)	0.8	29.2	38	-	-
Ohio	11.8	4,291.2	364	2,287.8	194
Oklahoma	4.0	350.3	88	263.5	66
Oregon	4.2	397.1	94	163.4	39
Pennsylvania	13.0	5,131.2	396	3,513.4	270
Rhode Island	1.1	295.6	270	130.6	119
S. Carolina	5.2	2,253.6	434	1,599.0	308
South Dakota	0.9	75.3	84	48.3	54
Texas (1)	29.5	8,296.9	281	6,727.3	228
Vermont	0.6	151.5	234	121.3	202
Virginia	8.6	2,618.1	303	1,325.1	154
Washington	7.7	907.7	117	665.2	86
West Virginia	1.8	242.8	136	168.8	94
Wisconsin	5.9	887.8	151	637.8	108
Wyoming (2)	0.6	25.6	44	-	-
Total	311.4	\$ 96,213.5	\$ 309	\$ 63,420.6	\$ 204

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 2022

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

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

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 2022

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Demographic Summary (Unaudited)
Fiscal Year Ended June 30, 2022

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

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



CADE,
Scholarship to
Arkansas State University

SUPPLEMENTARY INFORMATION

This is
WINNING!



Highway 10
Gas & Market,
Little Rock

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Unclaimed Lottery Prizes (Unaudited)
Fiscal Year Ended June 30, 2022

Month	Unclaimed lottery prizes	Expenditures from unclaimed lottery prizes	Increase (decrease) in unclaimed prize reserve	Deposits to net lottery proceeds from unclaimed lottery prizes
July	\$ 645,750	\$ -	\$ 645,750	\$ -
August	913,988	-	913,988	-
September	126,066	-	126,066	-
October	127,936	-	127,936	-
November	915,181	-	915,181	-
December	1,069,444	-	1,069,444	-
January	1,137,024	-	1,137,024	-
February	159,264	-	159,264	-
March	1,196,759	-	1,196,759	-
April	1,055,738	-	1,055,738	-
May	100,892	-	100,892	-
June	1,327,054	-	(7,448,042)	8,775,096
Total	\$ 8,775,096	\$ -	\$ -	\$ 8,775,096

Source: OAL general ledger

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Scholarship Shortfall Reserve Trust Account (Unaudited)
Fiscal Year Ended June 30, 2022

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

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

Source: OAL general ledger and corresponding bank statements

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Minority and Female-owned Business Participation (Unaudited)
Fiscal Year Ended June 30, 2022

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

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
A-Absolute Moving & Hauling	\$ 3,641	Moving/Hauling	Certified Minority Business Enterprise
Government Supply Services	3,800	Office Products	Certified Minority Business Enterprise
LaHarpe's Office Furniture	1,222	Office Furniture	Women Business Enterprise
Total	<u>\$ 7,441</u>		

Intralot Minority and Female Owned Diversity Compliance Report

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
J Kelly Referrals and Information Svcs, Inc	\$ 605,396	Call Center/Information Svcs	Certified Minority Business Enterprise
Total	<u>\$ 605,396</u>		

Scientific Games Minority and Female Owned Diversity Compliance Report

<u>VENDORS</u>	<u>Amount Paid</u>	<u>Good or Service</u>	<u>Classification</u>
Pure Cleaning Services	\$ 15,341	Janitorial Svcs	Minority Business Enterprise
Ingage, LLC	834,508	Fulfillment Services and Prizes	Women Business Enterprise
Expedited Transportation Svcs	65,050	Transportation Svcs	Disadvantage Business Enterprise
Total	<u>\$ 914,899</u>		

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Retail Sales by County (Unaudited)
Fiscal Year Ended June 30, 2022

County	Instant*	Powerball ® *	Mega Millions ® *	Fast Play*	Natural State Jackpot*	Cash 3*	Cash 4*	Lucky for Life ® *	Total
ARKANSAS	5,950,312.00	221,998.00	117,071.00	190,573.00	62,742.00	253,045.00	130,451.00	41,934.00	\$ 6,968,126
ASHLEY	2,408,955.00	149,360.00	65,878.00	159,418.00	33,873.00	192,846.50	183,221.00	28,094.00	3,221,646
BAXTER	5,827,537.00	458,135.00	218,280.00	234,366.00	158,239.00	41,817.50	26,812.00	115,266.00	7,080,453
BENTON	17,902,245.00	2,087,187.00	974,276.00	369,134.00	379,476.00	116,145.50	49,391.50	275,858.00	22,153,713
BOONE	5,707,103.00	325,648.00	157,016.00	359,514.00	71,396.00	33,293.00	32,563.00	30,796.00	6,717,329
BRADLEY	2,153,021.00	82,877.00	40,854.00	37,675.00	24,829.00	22,063.50	58,312.50	19,476.00	2,439,108
CALHOUN	720,833.00	26,271.00	11,241.00	22,623.00	9,080.00	38,097.50	11,084.50	13,148.00	852,378
CARROLL	3,604,145.00	214,291.00	99,187.00	138,038.00	50,220.00	7,511.50	10,827.00	30,686.00	4,154,906
CHICOT	2,198,771.00	185,017.00	93,018.00	71,808.00	42,678.00	105,720.50	46,019.00	45,236.00	2,788,268
CLARK	4,670,729.00	230,993.00	116,419.00	353,524.00	71,860.00	43,961.00	13,393.50	45,274.00	5,546,154
CLAY	1,508,059.00	69,766.00	35,914.00	40,446.00	24,323.00	11,051.50	598.00	16,924.00	1,707,082
CLEBURNE	4,012,036.00	309,383.00	157,981.00	343,028.00	125,543.00	27,224.00	8,569.50	64,786.00	5,048,551
CLEVELAND	783,511.00	32,414.00	14,856.00	30,010.00	7,325.00	12,135.00	3,168.50	12,970.00	896,390
COLUMBIA	4,500,365.00	173,513.00	78,598.00	132,218.00	48,571.00	210,396.50	94,688.00	53,924.00	5,292,274
CONWAY	5,213,826.00	281,673.00	136,786.00	183,976.00	131,128.00	85,226.00	29,322.00	66,560.00	6,128,497
CRAIGHEAD	22,117,140.00	900,531.00	432,154.00	677,078.00	219,801.00	216,833.00	125,910.50	129,820.00	24,819,268
CRAWFORD	4,930,833.00	504,708.00	249,440.00	148,303.00	123,571.00	29,706.50	11,731.00	77,890.00	6,076,183
CRITTENDEN	9,180,224.00	742,548.00	347,491.00	248,956.00	123,944.00	458,255.50	244,498.00	95,380.00	11,441,297
CROSS	4,114,178.00	132,526.00	61,643.00	151,718.00	44,894.00	78,149.50	34,468.00	17,700.00	4,635,277
DALLAS	2,591,354.00	77,903.00	36,773.00	57,753.00	26,699.00	25,924.00	12,473.00	9,486.00	2,838,365
DESHA	2,853,890.00	136,416.00	71,134.00	84,708.00	38,509.00	38,177.00	22,195.50	16,186.00	3,261,216
DREW	4,520,773.00	183,174.00	94,714.00	131,744.00	45,473.00	52,370.00	27,902.00	44,784.00	5,100,934
FAULKNER	16,783,931.00	1,058,291.00	532,459.00	531,274.00	360,713.00	168,915.50	72,232.50	204,456.00	19,712,272
FRANKLIN	2,503,574.00	198,162.00	91,721.00	195,480.00	46,751.00	7,399.50	1,745.50	20,716.00	3,065,549
FULTON	837,176.00	50,600.00	24,822.00	65,221.00	15,702.00	4,773.50	9,203.50	7,838.00	1,015,336
GARLAND	14,949,916.00	1,310,474.00	674,786.00	507,400.00	531,087.00	166,673.50	86,476.50	292,046.00	18,518,859
GRANT	1,984,086.00	155,413.00	75,780.00	123,592.00	47,621.00	10,885.00	9,183.50	29,958.00	2,436,519
GREENE	8,321,609.00	390,203.00	180,240.00	305,721.00	101,404.00	12,997.50	8,128.50	57,412.00	9,377,715
HEMPSTEAD	4,938,708.00	183,422.00	89,263.00	140,107.00	36,591.00	1,049,338.00	300,414.00	41,328.00	6,779,171
HOT SPRING	5,095,103.00	256,408.00	135,854.00	221,587.00	80,575.00	13,630.50	5,820.50	46,974.00	5,855,952
HOWARD	3,207,510.00	115,024.00	59,814.00	132,634.00	32,476.00	670,971.00	179,300.00	26,494.00	4,424,223
INDEPENDENCE	7,768,327.00	328,073.00	168,579.00	689,496.00	94,694.00	52,827.50	26,997.00	56,372.00	9,185,366
IZARD	1,266,735.00	82,504.00	46,053.00	70,357.00	30,590.00	2,515.00	1,710.00	9,504.00	1,509,968
JACKSON	3,784,071.00	154,594.00	75,704.00	248,305.00	61,524.00	232,961.50	142,144.00	23,298.00	4,722,602
JEFFERSON	16,813,189.00	913,868.00	456,157.00	454,467.00	306,206.00	844,209.50	551,903.00	235,124.00	20,575,124
JOHNSON	3,548,132.00	194,396.00	97,680.00	81,119.00	57,332.00	15,610.00	17,112.00	28,946.00	4,040,327
LAFAYETTE	1,297,159.00	54,267.00	30,102.00	29,767.00	8,205.00	200,636.50	48,309.00	10,124.00	1,678,570
LAWRENCE	3,620,521.00	145,223.00	73,227.00	191,487.00	36,469.00	8,502.50	1,928.00	18,900.00	4,096,258
LEE	1,077,496.00	52,821.00	26,929.00	33,260.00	8,221.00	49,963.50	153,915.00	8,370.00	1,410,976
LINCOLN	1,386,083.00	74,935.00	37,997.00	33,951.00	22,949.00	5,373.00	9,111.50	18,916.00	1,589,316
LITTLE RIVER	1,713,274.00	94,876.00	48,020.00	47,536.00	20,095.00	87,562.50	53,557.50	13,038.00	2,077,959
LOGAN	2,925,565.00	179,634.00	88,735.00	129,025.00	50,228.00	1,886.50	540.50	21,344.00	3,396,958
LONOKE	13,954,300.00	816,714.00	428,109.00	658,848.00	278,574.00	164,345.00	88,806.50	144,924.00	16,534,621

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Retail Sales by County (Unaudited)
Fiscal Year Ended June 30, 2022

County	Instant*	Powerball ® *	Mega Millions ® *	Fast Play*	Natural State Jackpot*	Cash 3*	Cash 4*	Lucky for Life ® *	Total
MADISON	1,216,156.00	115,727.00	57,135.00	16,466.00	22,208.00	502.00	891.00	19,868.00	1,448,953
MARION	2,425,905.00	144,787.00	71,372.00	141,934.00	65,621.00	120,328.00	27,300.00	40,132.00	3,037,379
MILLER	8,113,630.00	341,047.00	185,029.00	203,119.00	89,651.00	419,624.00	166,375.50	99,304.00	9,617,780
MISSISSIPPI	9,511,733.00	332,526.00	161,313.00	229,519.00	55,830.00	737,487.00	311,897.00	27,768.00	11,368,073
MONROE	2,601,832.00	142,076.00	71,246.00	406,701.00	39,559.00	204,838.50	107,570.50	16,518.00	3,590,341
MONTGOMERY	387,055.00	47,109.00	21,202.00	45,289.00	11,674.00	371.50	196.00	3,356.00	516,253
NEVADA	2,293,969.00	70,716.00	37,344.00	19,367.00	16,368.00	65,767.50	31,178.00	16,520.00	2,551,230
NEWTON	534,598.00	27,118.00	13,029.00	30,937.00	9,320.00	1,763.50	471.50	3,900.00	621,137
OUACHITA	8,183,786.00	257,893.00	119,994.00	281,771.00	75,900.00	220,271.50	100,441.50	56,408.00	9,296,465
PERRY	1,571,614.00	91,807.00	47,124.00	64,710.00	35,428.00	12,975.50	6,884.00	17,992.00	1,848,535
PHILLIPS	3,379,425.00	183,042.00	88,423.00	84,070.00	43,846.00	170,736.00	69,821.50	31,190.00	4,050,554
PIKE	1,705,823.00	93,737.00	47,924.00	151,685.00	41,587.00	4,147.50	2,359.50	19,882.00	2,067,145
POINSETT	7,269,211.00	220,609.00	99,534.00	289,669.00	54,272.00	62,332.50	12,910.50	24,072.00	8,032,610
POLK	2,224,540.00	161,916.00	84,500.00	107,313.00	57,578.00	16,730.50	1,723.00	30,332.00	2,684,633
POPE	10,701,229.00	692,213.00	365,816.00	313,337.00	206,728.00	45,175.00	15,933.50	104,756.00	12,445,188
PRAIRIE	2,358,032.00	92,576.00	44,154.00	70,568.00	24,230.00	48,427.50	13,992.00	10,262.00	2,662,242
PULASKI	84,199,109.00	6,806,701.00	3,626,543.00	3,320,593.00	2,355,490.00	2,101,716.50	1,680,580.50	1,973,792.00	106,064,525
RANDOLPH	2,105,065.00	175,907.00	92,396.00	101,437.00	35,959.00	2,177.50	1,019.00	36,284.00	2,550,245
SAINT FRANCIS	4,691,405.00	252,564.00	110,428.00	68,966.00	52,252.00	319,092.50	158,996.50	35,382.00	5,689,086
SALINE	14,969,266.00	1,110,476.00	562,465.00	860,380.00	413,861.00	284,820.50	94,614.50	249,512.00	18,545,395
SCOTT	1,153,337.00	89,869.00	44,843.00	35,800.00	20,619.00	5,126.50	971.50	14,518.00	1,365,084
SEARCY	1,117,216.00	63,677.00	33,156.00	58,476.00	19,448.00	1,200.50	2,689.00	13,666.00	1,309,529
SEBASTIAN	11,856,152.00	1,304,056.00	628,270.00	315,685.00	366,626.00	141,644.50	47,287.00	211,092.00	14,870,813
SEVIER	2,340,101.00	113,798.00	64,014.00	37,002.00	28,207.00	53,123.00	6,883.00	17,068.00	2,660,196
SHARP	3,942,056.00	240,447.00	119,784.00	193,689.00	70,047.00	12,774.00	5,217.00	27,346.00	4,611,360
STONE	1,234,176.00	86,412.00	46,915.00	147,932.00	41,078.00	10,936.50	2,027.00	12,822.00	1,582,299
UNION	11,864,131.00	418,780.00	195,012.00	501,882.00	109,753.00	964,903.00	472,195.50	82,102.00	14,608,759
VAN BUREN	2,615,422.00	163,382.00	82,896.00	172,128.00	69,411.00	14,452.50	11,053.00	26,304.00	3,155,049
WASHINGTON	21,273,420.00	2,006,986.00	949,143.00	537,418.00	458,396.00	224,332.00	101,876.50	304,634.00	25,856,206
WHITE	12,926,032.00	634,138.00	315,463.00	666,511.00	196,925.00	123,340.50	47,840.00	101,810.00	15,012,060
WOODRUFF	1,709,163.00	70,005.00	35,663.00	61,953.00	19,047.00	23,455.50	16,273.00	13,962.00	1,949,522
YELL	3,180,128.00	159,475.00	80,277.00	87,804.00	55,095.00	8,222.00	7,327.50	22,550.00	3,600,879
Grand Total	\$ 480,901,022	\$ 31,047,806	\$ 15,555,162	\$ 18,681,356	\$ 9,254,195	\$ 12,294,723	\$ 6,472,933	\$ 6,233,364	\$ 580,440,561

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Demographic Report from the Arkansas Department of Education - Division of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2022

Institution	Awards	Scholarships
Arkansas Baptist College	38	\$ 66,000
Arkansas Northeastern College	126	105,125
Arkansas State University Beebe	665	588,875
Arkansas State University Jonesboro	5,105	8,554,500
Arkansas State University Mid South	53	46,000
Arkansas State University Mountain Home	234	186,625
Arkansas State University Newport	190	143,750
Arkansas State University Three Rivers	48	43,250
Arkansas Tech University	4,544	7,668,417
Arkansas Tech University Ozark Campus	166	131,750
Baptist Health College Little Rock	44	62,625
Black River Technical College	211	178,500
Central Baptist College	300	446,375
Champion Christian College	8	12,750
Cossatot Community College UA	148	122,875
Crowley's Ridge College	74	110,500
East Arkansas Community College	85	80,375
Ecclesia College	41	79,750
Harding University	1,102	1,763,625
Henderson State University	1,791	3,124,500
Hendrix College	849	1,375,625
Jefferson School of Nursing	17	20,625
John Brown University	506	872,375
Lyon College	457	801,875
National Park College	357	319,875
North Arkansas College	301	252,250
Northwest Arkansas Community College	640	539,488
Ouachita Baptist University	1,297	2,095,625
Ozarka College	130	114,375
Philander Smith College	104	192,500
Phillips Community College UA	87	86,125
Shorter College	2	2,625
South Arkansas Community College	107	95,638
Southeast Arkansas Community College	84	75,750
Southern Arkansas University	1,953	3,210,434
Southern Arkansas University Tech	172	154,750
University of Arkansas Community College Batesville	189	168,500
University of Arkansas Community College Hope	148	126,750
University of Arkansas Community College Morrilton	450	375,250
University of Arkansas Community College Rich Mountain	265	226,989
University of Arkansas Fayetteville	10,994	17,075,674
University of Arkansas Medical Sciences	304	647,625
University of Arkansas Fort Smith	2,426	3,868,000
University of Arkansas Little Rock	1,909	3,309,049
University of Arkansas Monticello	858	1,373,500
University of Arkansas at Monticello College of Technology - Crossett	15	11,500
University of Arkansas at Monticello College of Technology - McGehee	6	9,000
University of Arkansas Pine Bluff	566	998,625
University of Arkansas Pulaski Technical College	679	592,250
University of Central Arkansas	7,008	11,209,287
University of the Ozarks	299	504,750
Williams Baptist College	471	698,875
Total	48,623	\$ 74,921,726

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Expenditures and Projected Obligations from Scholarship and Grant Funding Sources
from Arkansas Department of Education - Division of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2022

Program	Expenditures	Budget
Academic Challenge Scholarships	\$ 20,000,000	\$ 20,000,000
AR Geographical Critical Needs	51,825	150,000
Arkansas Future Grant	2,678,382	5,000,000
Law Enforcement Dependents	659,407	400,000
Governor's Scholars Program	19,905,417	22,000,000
Go! Opportunities Grants	12,500	15,000
Military Dependents	2,633,182	1,500,000
National Guard Tuition Assistance	2,249,837	1,400,000
Single Parent Scholarship	175,000	175,000
SREB Minority Doctoral Scholars	175,000	175,000
State Teacher Education Program	1,032,013	2,000,000
SURF Program	144,660	150,000
Teacher Opportunity Program	1,728,285	2,500,000
Tuition Adjustment	347,301	350,000
Washington Center Scholarships	18,000	150,000
Arkansas Health Education Grants:		
Dental Aid	2,671,800	2,950,000
Dental Loans	972,000	987,370
Optometry Grants	518,400	650,000
Optometry Loans	90,000	140,000
Veterinary Aid	1,383,711	1,750,000
Veterinary Loan Forgiveness	-	250,000
Chiropractic	138,339	260,000
Podiatry	5,000	80,000
Total All Financial Aid Programs	<u>\$ 57,590,059</u>	<u>\$ 63,032,370</u>

Source: Arkansas Department of Education - Division of Higher Education

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Academic Challenge Scholarship Program County Report (Unaudited)
Fiscal Year Ended June 30, 2022

<u>County</u>	<u>2022 Population</u> <u>Estimate</u>	<u>% State</u> <u>Population</u>	<u>Awards</u>	<u>Amount</u>
Arkansas	16,775	0.55%	1,098	\$ 1,605,675
Ashley	18,504	0.61%	318	485,000
Baxter	41,649	1.37%	554	777,750
Benton	296,931	9.80%	3,733	5,835,354
Boone	37,467	1.24%	478	630,875
Bradley	10,353	0.34%	196	264,637
Calhoun	4,613	0.15%	40	66,000
Carroll	28,422	0.94%	232	349,125
Chicot	9,890	0.33%	106	163,875
Clark	21,136	0.70%	382	584,875
Clay	14,246	0.47%	154	233,000
Cleburne	24,459	0.81%	336	521,375
Cleveland	7,322	0.24%	237	358,625
Columbia	22,451	0.74%	404	646,442
Conway	20,603	0.68%	391	587,875
Craighead	114,189	3.77%	1,789	2,869,538
Crawford	59,769	1.97%	1,139	1,780,125
Crittenden	47,615	1.57%	471	774,875
Cross	16,625	0.55%	241	370,250
Dallas	6,156	0.20%	134	201,500
Desha	11,073	0.37%	193	306,625
Drew	17,118	0.56%	317	566,625
Faulkner	125,550	4.14%	2,755	4,272,272
Franklin	16,891	0.56%	359	544,091
Fulton	12,041	0.40%	148	183,000
Garland	101,012	3.33%	1,361	2,128,681
Grant	17,978	0.59%	379	601,125
Greene	46,466	1.53%	727	1,103,391
Hempstead	19,557	0.65%	231	360,000
Hot Spring	33,064	1.09%	558	826,895
Howard	12,585	0.42%	254	363,500
Independence	38,196	1.26%	564	875,375
Izard	13,553	0.45%	187	272,500
Jackson	16,507	0.54%	176	259,534
Jefferson	65,224	2.15%	810	1,306,086
Johnson	25,791	0.85%	474	757,500
Lafayette	6,040	0.20%	82	124,752
Lawrence	15,976	0.53%	276	416,817
Lee	8,236	0.27%	71	91,750
Lincoln	12,703	0.42%	170	283,125
Little River	11,798	0.39%	153	211,838
Logan	20,887	0.69%	394	581,750
Lonoke	75,147	2.48%	1,668	2,487,323

Source: Arkansas Department of Education - Division of Higher Education; U.S. Census Bureau

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Academic Challenge Scholarship Program County Report (Unaudited)
Fiscal Year Ended June 30, 2022

<u>County</u>	<u>2022 Population Estimate</u>	<u>% State Population</u>	<u>Awards</u>	<u>Amount</u>
Madison	16,681	0.55%	206	315,375
Marion	16,860	0.56%	133	166,254
Miller	42,428	1.40%	559	911,786
Mississippi	39,525	1.30%	502	752,625
Monroe	6,529	0.22%	61	87,000
Montgomery	8,284	0.27%	152	227,864
Nevada	8,172	0.27%	121	184,625
Newton	7,005	0.23%	72	104,250
Ouachita	21,956	0.72%	390	602,250
Perry	9,933	0.33%	188	273,500
Phillips	15,530	0.51%	152	239,000
Pike	9,947	0.33%	189	263,920
Poinsett	22,641	0.75%	268	385,598
Polk	18,933	0.62%	374	538,375
Pope	63,707	2.10%	1,272	2,001,033
Prairie	8,196	0.27%	112	164,750
Pulaski	402,401	13.28%	6,174	9,675,161
Randolph	18,691	0.62%	289	423,500
St. Francis	22,056	0.73%	172	254,750
Saline	126,676	4.18%	2,621	4,104,104
Scott	9,556	0.32%	160	240,521
Searcy	7,754	0.26%	88	137,125
Sebastian	128,211	4.23%	2,441	3,922,180
Sevier	15,595	0.51%	285	393,248
Sharp	17,273	0.57%	208	276,875
Stone	12,351	0.41%	151	238,500
Union	38,538	1.27%	611	960,906
Van Buren	15,496	0.51%	247	337,755
Washington	254,433	8.40%	3,566	5,480,487
White	76,772	2.53%	1,444	2,210,625
Woodruff	6,071	0.20%	74	113,375
Yell	19,879	0.66%	394	613,332
Not Reported			206	289,750
Total	<u>3,030,648</u>	<u>100%</u>	<u>48,622</u>	<u>\$ 74,921,725</u>

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Fund Balance and Other Information from Arkansas Department of Education - Division of Higher Education (Unaudited)
Fiscal Year Ended June 30, 2022

Fund Balances

Higher Education Grants Fund	\$ 17,472,527
Lottery Net Proceeds Trust Account (1)	\$ 15,945,472

Arkansas Challenge Scholarship Trust Account

Deposits	\$ 91,050,270
Disbursements	75,104,798
June 30, 2022 Balance	<u>\$ 15,945,472</u>

Evaluation of Net Proceeds

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

Recommendations by the Arkansas Department of Education - Division of Higher Education for changes to the program:

None

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Debt Set-off Collections (Unaudited)
Fiscal Year Ended June 30, 2022

Department of Finance and Administration:	
Taxes due to the State	\$ 129,502
Delinquent Child Support	<u>56,598</u>
Total	<u><u>\$ 186,100</u></u> (1)

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Retailer Sales (Unaudited)
Fiscal Year Ended June 30, 2022

Retail Type	Number of retailers*	Instant Sales*	Online Sales*	Total Sales*
Grocery/food stores	197	\$ 15,824,919	\$ 4,483,910	\$ 20,308,829
C-stores	249	34,163,012	6,283,927	40,446,939
C-store with gas	1,290	355,908,727	66,482,007	422,390,734
Restaurant	8	444,231	367,509	811,740
Drug / Pharmacy	2	564,012	173,222	737,234
Liquor (ABC)	118	9,525,255	3,252,868	12,778,123
Merchandise store	6	142,675	28,114	170,789
News/smoke	162	42,782,859	9,510,771	52,293,630
Kiosk	82	15,553,661	7,923,841	23,477,502
Miscellaneous / other	56	5,991,671	1,295,245	7,286,916
Total	2,170	\$ 480,901,022	\$ 99,801,414	\$580,702,436

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

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Term Contracts for Goods and Services
Fiscal Year Ended June 30, 2022

1. On February 14, 2022, OAL and the Multi-State Lottery Association (MUSL) entered into a perpetual contract wherein MUSL agrees to provide emergency draw procedures to OAL in the event that OAL is unable to complete the duties relating to its in-state draw games including Cash 3-Mid-day, Cash 4-Mid-day, Cash 3-Evening, Cash 4-Evening, and Natural State Jackpot. The purpose of the contract is to ensure the integrity of the draw process by defining and establishing a consistent and repeatable process for selecting unbiased random numbers using proprietary, computerized digital draw systems.
2. With an effective date of February 16, 2022, OAL and CJRW entered into a second contract amendment whereby CJRW was to provide advertising, marketing, and public relations services to OAL for a period of February 16, 2022 through June 30, 2022. The amendment further provided that the parties could agree to a final extension of the original contract for period of one (1) additional year up to and including June 30, 2022, or a portion thereof. The amount to be paid under the amendment was to be within the parameters of the fiscal year 2022 Advertising and Marketing Budget which was currently in effect. All provisions of the original contract and first amendment thereto were to continue and remain in full force and effect.
3. With a term beginning March 1, 2022 through March 1, 2023, OAL entered into a one (1) year contract with the Louisiana Association of Compulsive Gambling (LACG) whereby LACG is to provide to OAL a helpline service to address problem gambling. This service includes having a telephone answering service available twenty-four (24) hours per day, seven (7) days per week whereby specialists will field calls and provide crisis intervention for individuals who call the helpline with problem gambling problems and issues. Per the contract the confidentiality of callers is to be maintained. In addition to providing crisis intervention including referral resources, LACG is required to collect data from each caller and collect daily statistics in an electronic format that will be sent to OAL on a monthly basis in a general report format. The cost of the contract is \$1,665 monthly.
4. On June 7, 2022, OAL entered into a contract with Camelot Global Services North America, Inc. for commercial consulting services to be provided to OAL. This contract is in the form of a special procurement contract for a period of one (1) year, with no extensions. The commercial consulting services to be provided to OAL include consultation, analytic support and reporting, and implementation of a new draw game "LOTTO" that is sold exclusively in Arkansas, by Arkansas retailers for the benefit of Arkansas students. The specific terms of the contract include a term of one (1) year (July 1, 2022 through June 30, 2023) and a maximum contract value of \$1,500,000.00.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION | OFFICE OF THE ARKANSAS LOTTERY
Term Contracts for Goods and Services
Fiscal Year Ended June 30, 2022

5. In May of 2022, OAL and CJRW entered into a third contract amendment whereby CJRW is to provide advertising, marketing, and public relations services to OAL for a period of July 1, 2022 to June 30, 2023, a final extension of the original contract between the parties. The amount of payment under this amendment was not to exceed \$6,880,00.00 as provided for by the OAL fiscal year 2023 budget. All provisions of the original contact, first amendment, and second amendment were to remain in full force in effect provided that such provisions were consistent with the provisions of the third amendment.

6. On July 29, 2022, OAL entered into a sponsorship contract with the Arkansas Livestock Show Association for a term of October 14, 2022 through October 23, 2022 wherein OAL was a major sponsor of the Arkansas State Fair and as such received benefits including an advertising and media campaign promoting the lottery. The contract further established the Arkansas Scholarship Lottery Program whereby two (2) \$1,000.00 scholarships were awarded to deserving Grand Champion Division Winners and the Arkansas Livestock Show Association was to award scholarship/prize money to selected division winners based on need and comparison allocation or a representative of OAL was to select the winners of the scholarships. The cost of the contract was \$47,500.00.



Arkansas
Scholarship Lottery





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OTHER REPORTS

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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 (DFA) – Office of the Arkansas Lottery (the “Agency”), an office of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the DFA – Office of the Arkansas Lottery’s basic financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to 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
December 29, 2022



