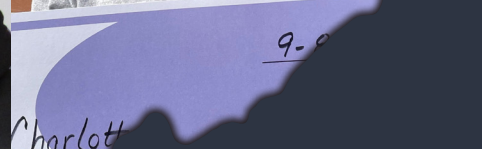
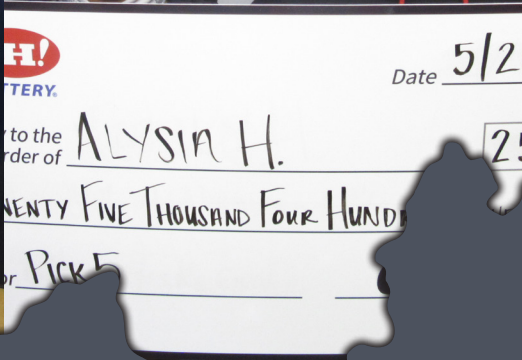
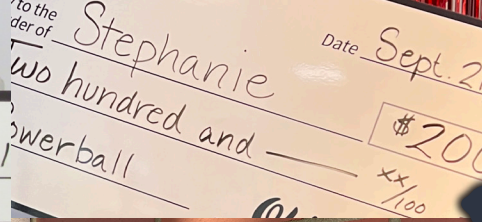
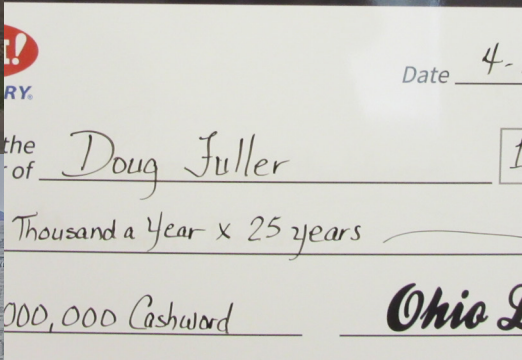


OH! LOTTERY®



FISCAL YEAR 2022

OHIO LOTTERY COMMISSION

An Enterprise Fund of the State of Ohio

The Ohio Lottery Commission

An Enterprise Fund of the State of Ohio
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2022

Prepared by the
Ohio Lottery Office of Finance

Mike DeWine, Governor
Pat McDonald, Executive Director
Matthew Blair, Commission Chairperson
Gregory A. Bowers, Finance Director



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• INTRODUCTORY SECTION •

Celebrating the Ohio Lottery's outstanding employees

Launched in April 2018, **BravOH** is the Ohio Lottery's Employee Recognition program.

Every month, employees are nominated for exemplary performance in the execution of their job duties and their exceptional dependability. Congratulations to the following employees who were acknowledged during Fiscal Year 2022 for going above and beyond.



Marni Santoro



Office of Legal Counsel
July 2021

Rebecca McClemore



Office of Communications
September 2021

Wendy Neilsen



Lorain Regional Office
November 2021

Kristen Calabrese



Office of Information Technology
August 2021

Mary Kotynski



Office of VLT Management
October 2021

Marie Kilbane Seckers



Office of Communications
December 2021

Nyya Weaver



Office of VLT Management
January 2022

Ruthlynn Stillerman



Youngstown Regional Office
March 2022

Danielle Daley



Office of Finance
May 2022

Stephanie Miller



Office of Human Resources
February 2022

Kevin Parker



Office of Security & Investigations
April 2022

Zacchaery Ashcraft



Office of Sales Management
June 2022



School of the Year

Congratulations to **Trinity High School**, The Ohio Lottery's School of the Year. Celebrating its 15th year, the **Partners in Education** program recognizes Ohio students, teachers and schools for outstanding performance and achievement.





THE OHIO LOTTERY COMMISSION
615 WEST SUPERIOR AVENUE
CLEVELAND, OHIO 44113-1879
1-800-686-4208

THE OHIO LOTTERY COMMISSION
615 West Superior Avenue
Cleveland, Ohio 44113-1879
1-800-686-4208
September 30, 2022

To the Governor of the State of Ohio
The Ohio Lottery Commissioners, and
The Citizens of Ohio:

We are pleased to submit to you this Annual Comprehensive Financial Report (ACFR) of the Ohio Lottery Commission (The Ohio Lottery) for the fiscal year ended June 30, 2022. The Office of Finance of the Ohio Lottery has prepared this report in accordance with Generally Accepted Accounting Principles (GAAP). Ohio Lottery management assumes the responsibility for the accuracy and completeness of this report. To the best of our knowledge, the information presented is accurate in all material respects and is reported in a manner designed to present fairly the financial position, the results of operations, and the cash flows of the Lottery. All disclosures necessary to gain an understanding of the Ohio Lottery financial activities have been included. The Independent Auditor's Report is included on pages 18 and 20 of this report.

The Ohio Lottery, an agency of the State of Ohio (the State) launched in 1974, is operated as a business enterprise within the framework of the State's laws and regulations and is included in the State's ACFR. The Ohio Lottery's activity is reported as an enterprise fund type and includes all activity for which the Ohio Lottery is financially accountable. No data related to any other state agency or fund is included in this report.

The Ohio Lottery's mission is supporting education by offering entertaining gaming experiences.

PROFILE OF THE OHIO LOTTERY

The Ohio Lottery was approved in May 1973, through a constitutional amendment approved by voters by a 2-to-1 margin. The first ticket went on sale in August 1974. Throughout the 1980's, the Lottery launched a number of draw games which still exist today, such as Pick 3 and Pick 4. The 1990's were a strong decade for instant "scratch-off" games, with \$2, \$5 and \$10 price points launched during this period. The first \$20 scratch-off ticket was launched in 2003, and the Ohio Lottery later added a \$30 price point in 2014. Encouraged by the ongoing success of its in-state lotto games, the Ohio Lottery formally joined the Mega Millions consortium in fiscal year 2002. In fiscal year 2010, the Ohio Lottery entered into an agreement to sell Powerball. The Ohio Lottery continues to aggressively modernize its game portfolio to better match player demand. For instance, the Ohio Lottery launched EZPlay and Keno in 2008. Furthermore, fast play draw game options were launched in the last several years. The latest example is a \$40 EZ Play progressive jackpot game, Ohio Jackpot 7s launched in early 2021. Recently, it joined a multi-state consortium to offer a "life" prize, Lucky for Life. Today, the Ohio Lottery offers customers a wide variety of draw-based and scratch off games, with new convenient payment options, at nearly 10,000 licensed retailer locations across the state.

In 1983, the Ohio Legislature earmarked Lottery profits to education, which was made permanent via a constitutional amendment in 1987. Since inception, the Ohio Lottery has provided approximately \$29.5 billion to education.

Video Lottery gaming was introduced in Ohio in 2012, when then Governor John Kasich signed Executive Order 2011-22K, which authorized the Ohio Lottery to amend and adopt rules necessary to implement a video lottery program at Ohio's seven (7) horse racing facilities. The Ohio Lottery's role is to regulate the program with the goal of generating revenue for the State of Ohio, while maintaining integrity and transparency.

As of June 30, 2022, 44 states, plus the District of Columbia, the U.S. Virgin Islands and Puerto Rico operate lotteries using computer-based draw games and instant "scratch off" games. The Ohio Lottery routinely ranks in the top ten of all US lotteries in terms of its sales and profits.

ECONOMIC OUTLOOK

According to the Bureau of Economic Analysis (BEA), personal income in the United States increased 4.8 percent in the first quarter of federal fiscal year 2022. The report indicates that personal income grew in 50 states and the District of Columbia. BEA targeted a primary factor behind the increase in personal income, the increase in earnings and property income (dividends, interest, and rent). Of the industries tracked by the BEA, the largest percentage of earnings growth were from professional, scientific, and technical services; construction; and administrative and support and waste management and remediation services. All told, twenty-three of the twenty-four industries tracked saw earnings growth.

The US unemployment rate for June 2022 was 3.6 percent, which is 2.3 percent less than the previous year. This may be attributed to the re-opening of non-essential businesses after the State's stay-at home orders. The three main industries where employment had the most growth were professional/business services, leisure and hospitality, and health care.

Ohio began the first quarter of fiscal year 2022 with a 5.1 percent increase in personal income over the previous quarter. Ohio ranked 25th among states for change of income between the quarters. Throughout fiscal year 2022, the unemployment figures in Ohio have decreased, from 5.2 percent in June of 2021 to 3.9 percent as of June 2022. Ohio's unemployment rate currently sits at 0.3 percent above than the national rate.

Many factors in the national and state economies have a direct impact on revenue generated by the Ohio Lottery. As smaller retail outlets close, national big box retailers and bulk consumer product warehouse clubs open in their place. The Ohio Lottery's revenues may be negatively impacted by this national and statewide trend because these retailers do not consider lottery products to be part of their business model, though the Lottery continues to make inroads into these markets. Additionally, as public places close and a need for entertainment increases, there has been a rapid increase in the sales of scratch off lottery games. This could have a lasting effect on our sales as we introduce more consumers to Ohio Lottery during this period.

LOTTERY PRODUCTS

The Ohio Lottery provides the opportunity for the public to participate in different games with two styles of play, draw-based games and scratch-off games. Descriptions of the games and their portion of sales are as follows:

DRAW - BASED GAMES allow the customer to pick the numbers for their wager or utilize automatic computer-generated plays. Players receive a ticket with the numbers selected and must wait for a drawing to determine if they have matched the numbers and won.



PICK 3 was Ohio's first draw-based game. Players select a three-digit number from 000 to 999 and can play the numbers straight (numbers in exact order), boxed (numbers in any order) or as backup bets (players can win either or both ways). A wheel wager can also be placed. This wager is, in essence, equivalent to a straight bet being made for each number combination. Pick 3 sales for fiscal year 2022 were \$438.2 million, or 10.2 percent of total traditional Ohio Lottery sales.



PICK 4 is played similarly to Pick 3. Players select a four-digit number from 0000 to 9999 and may play it straight, boxed or in back-up bets. Sales for fiscal year 2022 were \$267.7 million, or 6.2 percent of total traditional Ohio Lottery sales.



PICK 5 began in August 2012 and is played similarly to Pick 3 and Pick 4. Players select a five-digit number from 00000 to 99999 and may play it straight, boxed or in back-up bets. Sales for fiscal year 2022 were \$64.5 million, or 1.5 percent of total traditional Ohio Lottery sales. Pick 3, Pick 4 and Pick 5 are drawn middays and evenings Sunday through Saturday.



ROLLING CASH 5 is a lotto game in which players select five numbers from a pool of 1 to 39, with overall odds of winning any prize of 1 in 9. The top prize starts at \$100,000 and increases if not won. Sales for fiscal year 2022 were \$51.2 million, or 1.2 percent of total traditional Ohio Lottery sales. Drawings are held Sunday through Saturday evenings.



CLASSIC LOTTO is an in-state lotto game in which players select six numbers from a pool of 1 to 49. To win the jackpot, all six numbers must be matched. The jackpot starts at \$1.0 million and increases if not won. Drawings are held on Monday, Wednesday, and Saturday evenings. Classic Lotto sales for fiscal year 2022 were \$32.2 million, or 0.7 percent of total traditional Ohio Lottery sales.

Kicker is an add-on game, with a top prize of \$100,000, which may only be purchased as an add-on to Classic Lotto. KICKER was reinstated in April 2012. Sales for fiscal year 2022 were \$4.4 million, or 0.1 percent of total traditional Ohio Lottery sales.



EZPLAY is a hybrid instant/draw game. EZPLAY combines the instant win experience with an online game component. The player purchases an online ticket that consists of two sections, a draw section followed by a play section. Players then match the two sections to determine if they are a winner. Game themes and ticket selling prices are strategically modified to keep the product line fresh. In fiscal year 2013, a progressive jackpot component was added to the game portfolio, which now comprises roughly 63 percent of EZPLAY sales. Sales for fiscal year 2022 were \$110.7 million, or 2.6 percent of total traditional Ohio Lottery sales.



EZPLAY TAP is a series of EZPLAY® Games that include graphical touch-screen style play and is played exclusively on Multi-Purpose Next Generation (MPNG) machines. This was an exclusive, legal gaming option offered by the Ohio Lottery for Veteran and Fraternal Organizations. Today, units are deployed at various fraternal and veteran organizations throughout the State. Several different games are loaded into each machine with play prices starting at twenty-five cents. These games are normally structured to generate an 85-90 percent payout. Sales for fiscal year 2022 were \$59.6 million, or 1.4 percent of total traditional Ohio Lottery sales.



EZPLAY TOUCH & WIN are a style of EZPLAY games that are based on the traditional KENO game. It was originally introduced as QuickKeno in June 2016, and rebranded and renamed in January 2018 to generate more attention. Touch & Win games, which start at \$0.25, are highly interactive, visually entertaining, and played on a Touch & Win terminal. Sales for fiscal year 2022 were \$38.4 million, which represents 0.9 percent of total traditional Ohio Lottery sales.



KENO is a draw game in which players choose from one to 10 numbers (also called spots) for a top prize of \$100,000 by matching 10 of 20 numbers drawn. During fiscal year 2021, changes were made to the frequency of draws. The drawings are held every day starting at 6:04 a.m. and occur every 3.5 minutes, ending at 2:29 a.m. The Ohio Lottery introduced Booster in February 2010. Players may select the Booster option for a chance to increase their winnings at the cost of \$1 for each dollar wagered on KENO. The Booster number drawn can be 1, 2, 3, 4, 5, or 10 and can increase winnings 2, 3, 4, 5, or 10 times. Combined KENO/Booster sales for fiscal year 2022 were \$621.6 million, or 14.5 percent of total traditional Ohio Lottery sales.



THE LUCKY ONE is a monitor game that complements Keno, with drawings held every few minutes. Wagers range between \$1 and \$50. Players choose one number between 1 and 36 and have up to three different ways to play. Sales for fiscal year 2022 were \$32.6 million, or 0.8 percent of total traditional Ohio Lottery sales.



MEGA MILLIONS is a multi-state lotto game. To become more competitive, Mega Millions adjusted its matrix and jackpot amount on October 28, 2017. For each \$2 wager, players select five numbers from a pool of 1 to 70 and select one Mega ball number from a second pool of 1 to 25. To win the jackpot, all six numbers must match. During the COVID-19 pandemic, the consortium voted to change the starting jackpot and minimum rolls to minimize the risk of underfunded jackpots. Starting jackpots and minimum jackpot rolls will be determined based on sales. All jackpots will be announced prior to the drawings.

MEGAPLIER was added to Mega Millions in January 2011. Players may select the Megaplier option for a chance to increase their winnings at the cost of \$1 for each dollar wagered on Mega Millions. The Megaplier number drawn can be 2, 3, 4 or 5, and can increase winnings by that Megaplier number drawn. Megaplier multiplies the winnings by the number drawn for prizes up to \$5,000,000. If a player selects the Megaplier option and then matches all five numbers but not the Mega ball, the prize is automatically \$1.0 million. Drawings are held on Tuesday and Friday evenings. Combined, Mega Millions/Megaplier sales for fiscal year 2022 were \$99.9 million, or 2.3 percent of total traditional Ohio Lottery sales.



POWERBALL is a multi-state, lotto game launched in Ohio in April 2010. For each \$2 wager, players select five numbers from a pool of 1 to 69 and select one Powerball number from a second pool of 1 to 26. To win the jackpot, all six numbers must match. Guaranteed starting jackpot amounts and minimum jackpot increases were eliminated after the April 8, 2020 drawing, and future jackpot increases will be determined and announced by the Product Group prior to each drawing. During fiscal year 2022, changes were made to the frequency of draws. Drawings are held on Monday, Wednesday, and Saturday evenings.

Players may select the **POWER PLAY** feature that allows a winner to increase the original prize amount for an additional \$1 wager. Powerball players winning any prize other than the jackpot will win a larger cash prize. Combined Powerball/Power Play sales for fiscal year 2022 were \$151.2 million or 3.5 percent of total traditional Ohio Lottery sales.



LUCKY FOR LIFE is a small-scale multi-state game that was introduced in Ohio in November 2015. For each \$2 wager, players select five numbers from a pool of 1 to 48 and select one Lucky Ball number from a second pool of 1 to 18. During fiscal year 2022, changes were made to the frequency of draws. Drawings are held seven days a week. The Top Prize is \$1,000 a day for life and the Second Prize is \$25,000 a year for life. The top prize and second prize payouts are divided equally among multiple winners. Sales for fiscal year 2022 were \$37.6 million, or 0.9 percent of total traditional Ohio Lottery sales.



SCRATCH-OFF games are played by scratching the latex covering off a play area to reveal pre-printed combinations. There are different ways to win in a “scratch off” game, such as matching three like dollar amounts, symbols, or letters. If the correct combinations appear, the player becomes an “instant winner” and may immediately submit a claim to cash the ticket. Scratch off games have been the Ohio Lottery’s dominant product since fiscal year 1997. For fiscal year 2022, scratch off game sales were \$2.29 billion or 53.2 percent of total traditional ticket sales. The Ohio Lottery has successfully sold scratch off games at the \$1, \$2, \$3, \$5, \$10, \$20 and \$30 price points. The Ohio Lottery continues to feature several “spotlight” scratch off games, which are games sold at \$10 and \$20 price points with attractive, higher prize payouts.

Overall scratch-off sales saw a total decrease in sales from the previous fiscal year. This was not uncommon throughout the lottery industry, as scratch-off sales achieved in fiscal 2021 set all-time revenue records. The \$20 game \$300 Million Diamond Dazzler was the best-selling game in fiscal year 2022, with over \$116.9 million in total sales. The \$20 and \$30 games lead the way with increases in sales during fiscal year 2022. The \$20 product line was up over 4.4 percent compared to last fiscal year, while the \$30 product line was up over 9.5 percent. In addition, as part of the agency’s new contract for the distribution of tickets to retailers, data analytics was leveraged to develop customized product orders for retailers to maximize sales potential by minimizing excess inventory.

VIDEO LOTTERY was introduced to the State of Ohio in 2012 when Governor Kasich signed Executive Order 2011-22K, which authorized the Lottery to amend and adopt rules necessary to implement a video lottery program at Ohio’s seven (7) horse racing facilities. On June 1, 2012, Scioto Downs in Columbus began video gaming with 1,787 video lottery terminals; as of June 30, 2022 there were 10,653 terminals at seven different racetracks in Ohio. A Video Lottery Terminal (VLT) is a stand-alone device containing a random-number generator. Each VLT connects to a centralized computer system that allows the Lottery to monitor game play and collect revenue activity. The Central Monitoring System (CMS) keeps track of money deposited in a terminal, usage, wins and payouts, machine maintenance and cash removal. Game themes are approved by the Ohio Lottery Commissioners, and independently tested and certified, before placed into operation. The minimum percentage payout in Ohio is 85.0 percent. The VLT total revenue for fiscal year 2022 was \$1,331.3 million, with the Ohio Lottery receiving \$446.0 million as commissions earned.

MAJOR INITIATIVES

During fiscal year 2022, the Ohio Lottery generated \$1.4 billion for the Lottery Profits Education Fund (LPEF). This represents an increase of \$46.3 million compared to fiscal year 2021. Through fiscal year 2022, the Ohio Lottery has provided over \$29.5 billion in profits to the State of Ohio.

Gross gaming revenue generated from VLTs were \$1.33 billion during fiscal year 2022. This was an increase of \$145.1 million from the prior fiscal year. Of this amount, the video lottery operators received \$880.9 million as commissions earned, while the Lottery’s share of revenue equaled \$446.0 million, which represents an increase of \$48.6 million. Funds dedicated towards Problem Gambling programs were \$4.4 million.

Additionally, the Ohio Lottery made several noteworthy achievements during fiscal year 2022.

As part of our continued strategy to reach new consumers and adapt our business model to the changing landscape of how consumers purchase goods and services, the Ohio Lottery continued using a cashless solution accepting Visa, Mastercard, Discover and e-Wallet transactions. In fiscal year 2022, \$330 million in sales were generated utilizing the various forms of “cashless” transactions.

During the pandemic, the Lottery expanded on the convenient ways for players to redeem and claim their prizes. Mobile Cashing has continued to be popular with our players even with the reopening of regional cashing centers. Beginning February 16th, 2022, players can now cash prizes up to \$25,000 using the mobile cashing app. In fiscal year 2022, 185,079 tickets were cashed for over \$56 million.

Effective March 23, 2022, as a result of legislation changes, prizes over \$600 now have state taxes (4%) automatically withheld. Finally, on May 23, 2022, cashing at both the Racinos and Regional offices was expanded to prize levels up to \$25,000. Last, select retailers are continuing to cash mid-tier prizes between \$600-\$5,000.

Total traditional lottery sales totaled nearly \$4.3 billion, the second highest sales level achieved since inception. The Scratch-Off ticket category led the way with sales of \$2.29 billion, a decrease of \$28 million over the previous record-setting fiscal year. The lottery launched several new promotions throughout FY 2022 to help boost sales, including but not limited to:

1. New Year, New You Promotion (Enter non-winning \$20 scratch-off): December 6th - January 16th.
2. The \$20 Priceless Experience Promotion (Enter non-winning \$20 scratch-offs), and
3. The Priceless Experience Promotion Adventure Package (Enter non-winning \$20 scratch-offs) June 20th - August 28th.

With these second chance promotions the \$20 scratch-offs experienced an increase in sales from FY21. Overall, however, scratch-off sales were less than sales generated last year which was consistent throughout the industry and peer lotteries.

Games played primarily in social environments, such as bars/restaurants, increased over last fiscal year by \$64.6 million or 8.1%. These include games such as Keno, EZPlay Tap, and EZPlay Touch & Win. Sales in this game category increased due to restrictions being lifted throughout the pandemic.

Also, Ohio benefited from a couple of large jackpot prize offerings from its Multi-State Jackpot game, Powerball. Two jackpots reached \$685 million in October 2021 and \$630 million January 2022. Both high jackpot sequences generated excitement from our players which contributed substantially to the ability to raise additional profit for our good causes.

In December 2021, the Ohio General Assembly passed legislation (SB 29) legalizing sports gaming in Ohio. The Ohio Lottery has been tasked with the implementation and operation of “type C” sports wagering at Lottery retail locations. The Lottery will contract with Sports Gaming Proprietors and participate in a revenue sharing program. The expected go-live is January 1, 2023.

The Ohio Lottery encourages players to enjoy lottery games responsibly. The Ohio Lottery has demonstrated its historical commitment to responsible gambling by providing mandatory training for all Lottery employees, retailers, and Video Lottery Terminal employees. On its own and in conjunction with its Ohio for Responsible Gambling (ORG) partners, (the Ohio Casino Control Commission, the Ohio State Racing Commission and the Ohio Department of Mental Health and Addiction Services), the Ohio Lottery produces media awareness campaigns that promote methods of practicing responsible gambling and highlight prevention of problem gambling. Based on the findings by the Ohio Problem Gambling Prevalence Studies, a small percentage of Ohioans are at-risk for developing life altering gambling problems. In fiscal year 2022, Ohio for Responsible Gambling continued with their successful prevention

campaign "Get Set Before You Bet", which also targeted select groups, such as seniors, athletes, teenagers, minority groups, and Spanish-speaking adults. The Ohio Lottery debuted the Keep It Fun, Ohio campaign which offers facts, odds of games, tips to play responsibly, and resources for help to those that need it. In fiscal year 2022, the Ohio Lottery collected \$4.4 million from VLT sales agents share of revenue to be spent on problem gambling programs in Ohio.

Additionally, the Ohio Lottery funds regional outpatient treatment programs, training for problem gambling counselors, a statewide multi-agency Voluntary Exclusion Program, and a statewide annual conference which presents cutting edge research and treatment tools to the problem gambling community to better address the issues impacting our citizens.

Along with offering fair and equitable games, the Ohio Lottery continues its commitment to the community to enhance and expand its various sponsorship programs, such as Partners in Education, MBE/EDGE Programs, and Community Outreach. Moreover, to appeal to a more diverse player and retailer base, the Ohio Lottery plans to implement various social media opportunities. Players and retailers can access the Ohio Lottery via Twitter, Facebook, Instagram, YouTube, WordPress, and both the Ohio Lottery website and app. Going forward, into fiscal year 2023, the Ohio Lottery will continue to develop new ways to enhance its current product offerings and maximize operational efficiency and effectiveness. The Ohio Lottery benchmarks sales results against peer lottery states and reviews best practices to improve the current lottery products.

ACCOUNTING SYSTEMS AND POLICIES

The Ohio Lottery operates under two enterprise funds, each using the full accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. The two Ohio Lottery funds are the Lottery Operating Fund and the Annuity Prize Fund.

The Ohio Lottery's operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, liabilities and deferred inflows of resources associated with operation of the Ohio Lottery are included in the statement of net position. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position. A narrative overview and analysis of the Ohio Lottery's financial activities for the fiscal year ended June 30, 2022 is in the Management's Discussion and Analysis in the financial section of this document.

BUDGETARY CONTROL

Budgetary control for all state agencies is maintained through legislative appropriations and the executive branch allotment. The budget includes all costs to operate the Ohio Lottery except for certain prizes paid to winners and all commissions paid to retailers. Various prize tiers and commissions are funded through the sale of lottery tickets and are not included as part of the biennial budget submitted for approval. An encumbrance system is utilized, whereby purchase orders reserve portions of applicable appropriations. The Ohio Lottery and the State of Ohio Office of Budget and Management monitor the appropriations and the amounts expended within the Ohio Lottery's funds. The adopted budget is divided among the operating offices at the Ohio Lottery, which have responsibility for delivery of service. These offices control the funds within their program. The Office of Finance monitors all accounts via the Ohio Administrative Knowledge System and its accounting reporting system. Additionally, the Ohio Lottery prepares periodic revisions to project revenue and expenditure trends and implements any changes necessary to keep both within appropriation and within internal management targets set by the Director.

INTERNAL CONTROL ENVIRONMENT

Management of the Ohio Lottery is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that the accounting system allows for compilation of accurate and timely financial information. Financial information is reported at monthly public meetings of the Ohio Lottery Commission. Because the cost of a control should not exceed their benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

To enhance controls over accounting procedures, the Ohio Lottery has segregated the following functions: personnel and payroll; purchasing; accounts payable; general ledger; and accounts receivable processing. Additionally, a Contract Compliance Officer monitors the execution of all large vendor contracts. Data input and processing is separate from system programming. An Information Security Manager monitors and audits automated systems. An Electronic Data Processing Audit Plan is executed annually to further improve internal controls. An internal audit team reviews all areas of operations and reports to the Director. The Office of Internal Audit prepares an annual internal audit plan and formally submits the plan to the Office of Budget and Management for approval. Results of these internal audits are submitted to the Auditor of State for review and consideration in its financial audit.

Since the Ohio Lottery manages a valuable ticket inventory and controls the disbursement of prizes, the following steps are taken to ensure that operations remain honest and secure:

- Maintain secure Ohio Lottery facilities with limited access.
- Perform background checks on retailers, key employees at Racino's, contractors and Ohio Lottery employees.
- Print lottery tickets with special paper, inks, dyes and security codes.
- Establish and execute detailed procedures for all game drawings.
- Contract with the Auditor of State as an independent witness to further ensure the integrity of our drawings and the television game show.
- Provide a variety of access and other controls in our computer systems.

FINANCIAL INFORMATION

The Ohio Lottery operates as an enterprise activity, selling lottery tickets to the general public and funding all related support activities from funds internally generated. No general government functions or fiduciary operations are managed by the Ohio Lottery or included in this report.

GFOA CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ohio Lottery for its ACFR for the fiscal year ended June 30, 2021. This was the twenty-fifth consecutive year that the Ohio Lottery has received this prestigious award. To qualify for the Certificate of Achievement Award, the Ohio Lottery published an easily readable and efficiently organized ACFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

INDEPENDENT AUDIT

Ohio law requires an annual audit of the Ohio Lottery by an independent auditor. The Auditor of State for the State of Ohio currently conducts the annual financial audit of the Ohio Lottery. The Ohio Lottery's financial statements audit for fiscal year 2022 has been completed in conformity with generally accepted governmental auditing standards. The auditor's unmodified audit opinion of the Ohio Lottery's financial statements is included in the financial section of this report.

ACKNOWLEDGMENTS

Preparation of this report was made possible by the efficient and dedicated efforts of our employees. A special note of thanks is given to the General Accounting Bureau comprised of Mary Tedeschi-Vittardi, Marisol Halligan, Anna Callas and Greg Schtscherbak and to the entire finance staff. Thanks to Michael M. Bycko, Visual Communications Manager, for the layout and graphics support of this publication.

Publishing this Annual Comprehensive Financial Report reflects our commitment to meet the highest standards of accountability. The Ohio Lottery intends to continually improve financial management and clearly communicate its financial story. It is important for the public to know that the Ohio Lottery's financial condition is properly reported, including payments made to education. Credit is due to Commission Chair Matthew Blair and the members of the Ohio Lottery Commission for their commitment to operating the Ohio Lottery in a responsible and progressive manner.

Respectfully Submitted,



Gregory A. Bowers

Finance Director



Patrick McDonald

Executive Director





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

The Ohio Lottery Commission

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

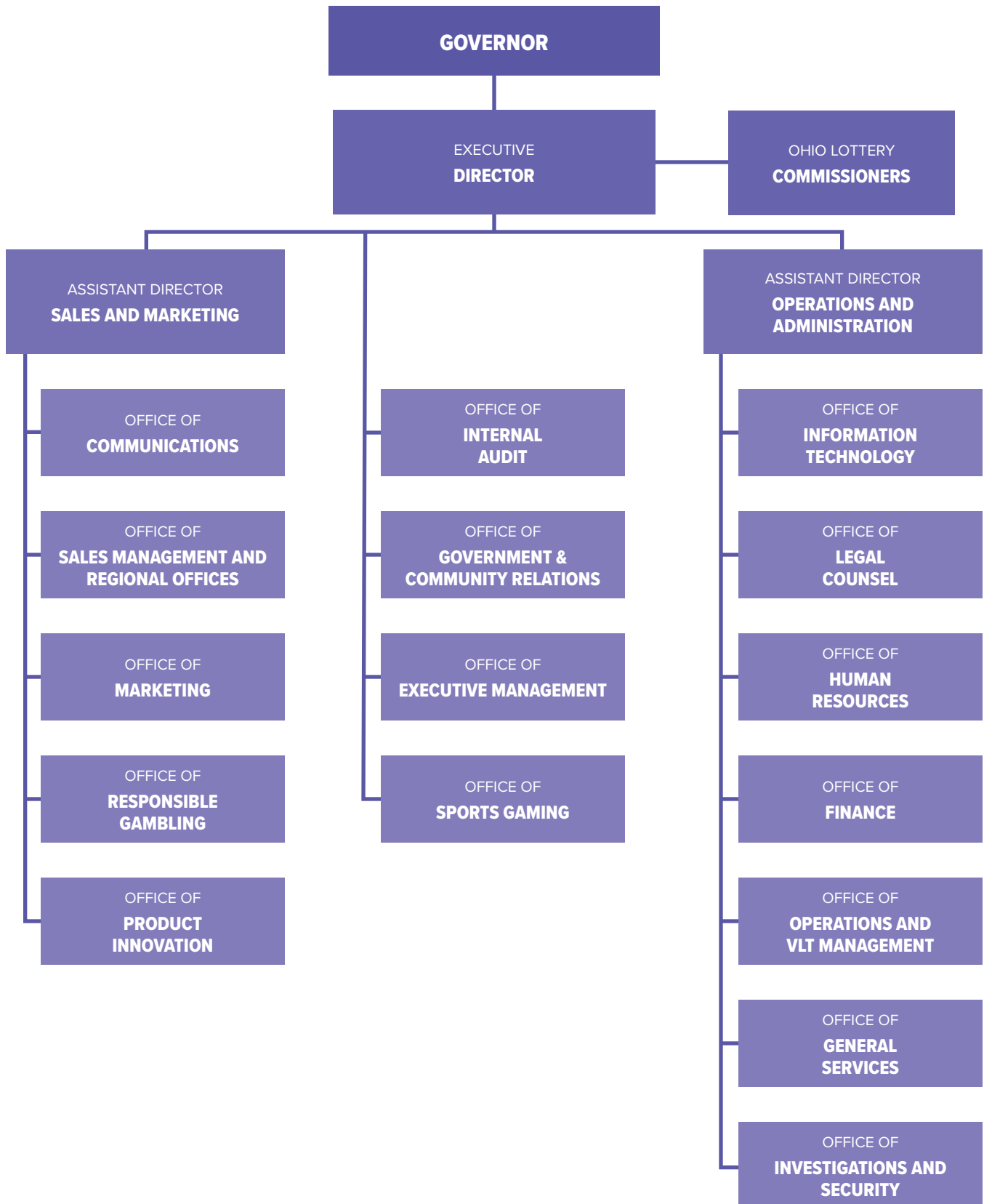
June 30, 2021

Christopher P. Morill

Executive Director/CEO

OHIO LOTTERY COMMISSION

STRUCTURE OF ORGANIZATION • FISCAL YEAR 2022



PRINCIPAL OFFICIALS

AS OF JUNE 30, 2022

MIKE DEWINE

GOVERNOR OF OHIO

PAT MCDONALD

EXECUTIVE DIRECTOR

MATTHEW BLAIR

COMMISSION CHAIRPERSON

TERM ENDS 08/01/2024

JAMES BRADY

COMMISSIONER

TERM ENDS 08/01/2023

CARYN CANDISKY

COMMISSIONER

TERM ENDS 08/01/2023

NITA GUPTA

COMMISSIONER

TERM ENDS 08/01/2022

JONATHAN HUGHES

COMMISSIONER

TERM ENDS 08/01/2022

ANGELA MINGO

COMMISSIONER

TERM ENDS 08/01/2023

MARK RICKEL

COMMISSIONER

TERM ENDS 08/01/2022

MARTIN J SWEENEY

COMMISSIONER

TERM ENDS 08/01/2024

MATTHEW SZOLLOSI

COMMISSIONER

TERM ENDS 08/01/2024

• FINANCIAL SECTION •



More than \$2.8 billion in winnings

Our winners are everywhere! In every corner of Ohio our players are winning big and bigger. In Fiscal Year 2022, players claimed more than \$2.8 Billion in Lottery winnings. When our players win, so do our retailers. In Fiscal Year 2022, our retail partners earned more than \$282 million in commissions.

Below are just some of the thousands of big winners who won big across the state, along with their winning retailer.

\$2 MILLION Hit the Jackpot



Circle Mart • Columbus

\$1 MILLION Millions (#625)



Par Mar #31 • Jackson

\$5 MILLION Monopoly 200x



Mickey Mart #18 • Wellington

\$25,000 Pick 5



Get Go #3390, Brunswick

\$75,990 Twenty 20's



Sold at Buffalo Wild Wings, Ashland

\$150,000 Powerball



Mike's Convenient Food Mart • Cleveland Hts.

\$7,300,000 Lucky for Life



Lost Nation Convenient • Willoughby

\$50,000 Holiday Lucky Times Ten



Giant Eagle #217 • Middleburg Hts.

\$1 MILLION \$1,000,000 Cashword (699)



Cee-Dee Handy Mart, Chaucney

\$238,000

Rolling Cash 5



Mickey Mart #18, Wellington

\$19,414

EZPLAY Perfect Game 300



Winking Lizard Tavern, Canton

\$446,970

Lucky 20's



Nave Lounge • Ashtabula

\$390,000

Lucky for Life



Buffalo Duchess #1210 • Pleasant City

\$10,000

Magic 8 Ball



Kroger #931 • Lancaster

\$50,000

Bingo Times 10



Perkins Convenient Food Mart • Sandusky

\$110,001

Rolling Cash 5



Leen's General Store, Springfield

\$300,980

Ohio Jackpot 7's



Back Draft Bar & Grill • North Olmsted

\$50,000

Holiday Countdown (754)



Shell • Piqua

\$10,000

Max the Money (368)



DTA Petroleum • Dayton

\$158,221

Lucky 5's



Amvets Post #55 • Sheffield Lake

\$100,000

Wild Cash Multiplier (674)



Buckeye Truck Stop • Leipsic



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INDEPENDENT AUDITOR'S REPORT

Ohio Lottery Commission
Cuyahoga County
615 Superior Ave., N.W.
Cleveland, Ohio 44113

To the Commissioners:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund of the Ohio Lottery Commission, Cuyahoga County, Ohio (the Commission), an Agency of the State of Ohio, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission'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 each major fund of the Ohio Lottery Commission, Cuyahoga County, Ohio, an Agency of the State of Ohio, as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Commission, 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 opinions.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Commission. We did not modify our opinion regarding this matter.

Presentation

As discussed in Note 1 to the financial statements, the financial statements of the Commission, an Agency of the State of Ohio, are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the State of Ohio that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of Ohio as of June 30, 2022, the changes in its financial position or, where applicable, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Efficient • Effective • Transparent

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission'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.

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 schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 annual financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Summarized Comparative Information

We have previously audited the Commission's 2021 financial statements, and we expressed unmodified opinions on the financial statements of each major fund dated October 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will also issue our report dated September 30, 2022, on our consideration of the Commission's internal control over financial reporting and 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 that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 30, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ohio Lottery Commission (the Ohio Lottery), we offer readers of the Ohio Lottery's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 6-11 of this report, and the financial statements which begin on page 28.

FINANCIAL HIGHLIGHTS

- Total traditional lottery sales decreased \$32.5 million, or 0.75 percent from fiscal year 2021, resulting in overall sales of \$4.3 billion.
- Gross gaming revenue from Video Lottery Terminals (VLT's) totaled \$1.33 billion, an increase of \$145.1 million over fiscal year 2021. The Ohio Lottery's net VLT revenue increased from \$397.4 million to \$446.0 million or 12.2 percent in fiscal year 2022. This is directly attributed to the racinos being open during the year with new protocols in place.
- When combining traditional lottery sales with VLT net revenue, total sales from all games amounted to \$5.6 billion.
- Draw-based game sales decreased \$4.5 million, or 0.22 percent from last year. This can be attributed to lower multi-state jackpots combined with decreased sales in the daily number games and other categories. Monitor games such as Keno witnessed an increase of 7.7 percent. Traffic increased at the bar/restaurant trade channel along with the racinos as vaccinations increased. The largest jackpots for fiscal year 2022 were \$431.0 million for Mega Millions and \$700.0 million for Powerball.
- Scratch-off ticket sales decreased \$28.0 million, or 1.2 percent from fiscal year 2021. This was not uncommon throughout the Lottery industry. Sales from this category, however, achieved the second-highest sales level since inception.
- Total prize expense for fiscal year 2022 represented 65.0 percent of total ticket sales compared to 65.6 percent in fiscal year 2021. Though the percentage of prize expense remained almost the same, actual prize expense decreased \$49.9 million in fiscal year 2022 as a direct result of decreased sales volume compared to fiscal year 2021.
- Operating expenses increased by \$6.2 million compared to fiscal year 2021 due to relaxed cost savings measures implemented in the previous year, inflationary pressures on certain goods/services, and various increases in select maintenance & service type contracts.
- As a result of increased revenues associated with all games, the Ohio Lottery transferred \$1.4 billion to the Lottery Profits Education Fund (LPEF) in 2022, \$46.3 million more than the 2021 transfer amount.
- The Ohio Lottery's total net position increased \$70.1 million, or 23.6 percent, due an increase in operating income.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to these statements. The basic financial statements by fund include the statement of net position, statement of revenues, expenses and changes in fund net position, statement of cash flows, as well as the notes to the basic financial statements, which disclose detailed information within the financial statements.

The Ohio Lottery's activities are accounted for within the enterprise fund type and are reported using a full accrual basis of accounting, which is comparable to the methods used by private sector entities. The Ohio Lottery manages the following major funds:

LOTTERY OPERATING FUND

Revenues for this fund are provided primarily from traditional ticket sales and net revenue collected from the VLT facilities. Expenses of this fund represent primarily prize expenses (including cash transfers to the Annuity Prize Fund), operating expenses, and transfers to the LPEF. For purposes of this financial report, all financial activity is presented within the Lottery Operating Fund. Please see notes to the basic financial statements for more detailed activity reported within this fund.

ANNUITY PRIZE FUND

Revenues for this fund are provided through cash transfers from the Lottery Operating Fund for the purpose of providing investment principal for funding long-term prize obligations. Expenses of the Annuity Prize Fund primarily represent annuity prize payments.

The statement of net position presents information on all the Ohio Lottery's assets, deferred outflow of resources, liabilities, and deferred inflows of resources. The difference between the two is reported as total net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Ohio Lottery is improving or deteriorating. The statement of revenues, expenses and changes in fund net position reports the revenue and expense activity of the Ohio Lottery. This statement is used to measure the success of the Ohio Lottery's operations over the given period related to sales, expenses, and funding of Ohio education. The statement of cash flows provides information about the Ohio Lottery's cash receipts and cash payments during the reporting period from operating, non-capital and capital financing and investing activities.

FINANCIAL ANALYSIS

The table below provides a summary of the Ohio Lottery's net position at June 30, 2022 compared to June 30, 2021.

NET POSITION (ROUNDED IN THOUSANDS)

	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>
Current Assets: Unrestricted	\$ 494,385	\$ 389,946
Current Assets: Restricted	126,125	126,244
Noncurrent Assets: Restricted	285,977	322,573
Net Capital Assets	6,638	22,889
Net Pension Asset	751	526
Net OPEB Asset	5,093	2,905
Total Assets	918,969	865,083
Deferred Outflows of Resources		
Pension: OPERS	4,381	1,628
OPEB: OPERS	9	1,497
Total Outflows	4,390	3,125
Current Liabilities: Unrestricted	94,794	94,605
Current Liabilities: Restricted	128,342	127,519
Noncurrent Liabilities: Restricted and Unrestricted	296,084	305,201
Net Pension Liability	14,140	24,150
Net OPEB Liability	-	-
Total Liabilities	533,360	551,475
Deferred Inflows of Resources		
Pension: OPERS	17,406	10,659
OPEB: OPERS	5,294	8,877
Total Inflows	22,700	19,536
Net Position:		
Net Investment in Capital Assets	6,609	7,973
Restricted for Net Unrealized Gains on Restricted Investments	84,147	91,013
Unrestricted	276,543	198,211
Total Net Position	\$ 367,299	\$ 297,197

GASB 68/75 NET PENSION LIABILITY & NET OPEB LIABILITY

The net pension liability (NPL) is one of the largest liabilities reported by the Ohio Lottery at June 30, 2022 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions an Amendment of GASB Statement 27." The Ohio Lottery adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Ohio Lottery's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension and net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability/asset or net OPEB liability/asset. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability/asset and the net OPEB liability/asset to equal the Ohio Lottery's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Ohio Lottery is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer

to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Ohio Lottery's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

CURRENT ASSETS – UNRESTRICTED

The Ohio Lottery's Current Assets – Unrestricted increased \$104.4 million compared to fiscal year 2021. Current Assets Unrestricted consists primarily of Cash & Cash Equivalents (including Video Lottery), Cash Equity with the Treasurer of State, Net Receivables from Agents, and other Assets such as Prepaid Assets.

Cash Equity with Treasurer of State increased \$32.7 million, while Cash and Cash Equivalents also increased \$47.7 million. The increase in Cash Equity with Treasurer of State and the increase in balances held in Cash and Cash Equivalents is primarily due to the timing of when funds were transferred from the Gross Revenue Fund to the State Lottery Fund. Cash is typically held in the Gross Revenue Fund for Ohio's share of the multi-state jackpot liability and for prizes paid other than via a state warrant.

Cash and Cash Equivalent – Video Lottery increased by \$8.2 million due to the timing of the transfers. In fiscal year 2021 the final transfer to the Treasurer of State was made before the end of the fiscal year, compared to the final transfer made after the end of fiscal year in 2022.

Net Receivables from Agents increased by \$12.6 million, which is comprised of amounts due from lottery retailers from the sale of traditional lottery tickets, VLT revenue due from the VLT operators and unrecorded scratch-off ticket sales. On a weekly basis, amounts due from retailers are collected electronically from the retailer's bank accounts for the invoices due from the prior week sales. On June 30, 2022, five days of net sales activity was waiting to be collected compared to four days on June 30, 2021. Other Assets increased by 1.7 million over last fiscal year.

CURRENT ASSETS - RESTRICTED

The Lottery's Current Assets – Restricted decreased from \$126.2 million in fiscal year 2021 to \$126.1 million in 2022, or \$119 thousand. Current Assets – Restricted represent investments dedicated to the current years payment of an annuity prize, Obligations under Securities Lending program per GASB 28 requirements, and Interest Receivable. Dedicated Investments decreased \$3.7 million, which is a direct function of the number of winners choosing the annuity option in prior years, and the expiration of annual payments from prior year winners. This is a normal occurrence due to less offerings that have the annuity prize. This category also decreased due to a decrease in the Securities Lending Program.

NONCURRENT ASSETS – RESTRICTED

Noncurrent Assets – Restricted, which is comprised of investments dedicated for the payment of the Lottery's long-term annuity prizes, decreased from \$322.6 million in fiscal year 2021 to \$286.0 million in fiscal year 2022, or \$36.6 million. This decrease is primarily the result of more grand prize winners selecting the cash option as opposed to the annuity option over time.

CURRENT LIABILITIES - UNRESTRICTED

Current Liabilities - Unrestricted increased by \$189 thousand, primarily due to the accounting for GASB 28 and the Securities Lending Program. The amount reported as obligations under security lending increased from \$24.8 million in 2021 to \$26.2 million in 2022, or \$1.4 million. In addition, Due to Other Lotteries decreased \$5.0 million.

CURRENT LIABILITIES - RESTRICTED

Current Liabilities – Restricted increased \$823 thousand. This is attributed to obligations under securities lending increased \$3.5 million as the value and size of the investment portfolio has increased over time.

NONCURRENT LIABILITIES

Noncurrent Liabilities decreased \$19.1 million. This decrease is primarily attributed to the Finance Purchase payable adjustment (GASB 87) which decreased by \$11.4 million. There was also a decrease of \$10.0 million from the change to Net Pension Liability (GASB 68).

The overall effect on liabilities is a decrease of \$18.1 million attributed to the combination of increases and decreases of the various accounts discussed above.

NET POSITION

According to enabling Ohio Statute, the Lottery can retain working capital for its further operations, and as a result, Net Position increased by \$70.1 million, or 23.6 percent in fiscal year 2022 compared to fiscal year 2021. In addition, the increase is primarily attributed to the increase in market value of investments held by the Lottery to pay annuity prizes. Accounting principles dictate that the Lottery record the gain or loss related to the change in market value of investments. Since the full maturity value of the investments is needed to pay the annuity prize, the Lottery does not expect to realize any permanent gain on these investments.

The table below shows the change in the Ohio Lottery's net position for fiscal year 2022 compared to fiscal year 2021, including revenue and expense comparisons.

CHANGES IN NET POSITION
(ROUNDED IN THOUSANDS)

	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>
Ticket Sales	\$ 4,297,700	\$ 4,330,234
VLT and License Revenues	1,331,478	1,186,290
Other Operating Revenues	(5,047)	(1,037)
Non-Operating Revenues	-	-
Total Revenues	5,624,131	5,515,487
Prize Awards	2,791,674	2,841,590
Bonuses and Commissions	282,113	296,283
Commissions - VLT	885,307	788,826
Cost of Tickets Sold	33,889	32,672
Vendor Fees	33,369	41,423
Operating Expenses	85,598	79,391
Non-Operating Expenses	36,721	25,694
Payments to the Lottery Profits Education Fund	1,405,358	1,359,010
Total Expenses	5,554,029	5,464,889
Change in Net Position	70,102	50,598
Total Net Position - Beginning	297,197	246,599
Total Net Position - Ending	\$ 367,299	\$ 297,197

TICKET SALES BY GAME AND VLT REVENUE: FISCAL YEARS 2022 AND 2021
(ROUNDED IN THOUSANDS)

Game	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>
Pick 3	\$ 438,197	\$ 485,861
Pick 4	267,733	283,993
Pick 5	64,480	66,110
Rolling Cash 5	51,243	57,049
Classic Lotto/Kicker	36,593	28,044
Lucky For Life	37,623	22,248
Mega Millions/Megaplier	99,850	152,729
Powerball/Power Play	151,245	120,051
Keno/Booster	621,643	577,361
The Lucky One	32,553	28,716
EZPLAY	110,717	112,162
EZPLAY TAP	59,581	44,791
EZPLAY TOUCH & WIN	38,363	35,185
Total Draw-Based Sales	2,009,821	2,014,300
Scratch Offs	2,287,879	2,315,934
Total Sales	4,297,700	4,330,234
VLT Revenue	1,331,288	1,186,204
VLT License Revenue	190	86
Total VLT Revenue	1,331,478	1,186,290
Total Ticket Sales and VLT Revenue	\$ 5,629,178	\$ 5,516,524

OPERATING ANALYSIS

Sales from traditional lottery games in fiscal year 2022 were \$4.3 billion. This represents a decrease of \$32.5 million or 0.75 percent compared to sales from fiscal year 2021. The following section summarizes traditional lottery sales in fiscal year 2022 by game category.

DAILY NUMBERS GAMES

Sales for the daily numbers games, which consist of Pick 3, Pick 4, and Pick 5, totaled \$770.4 million in fiscal year 2022. This was \$65.6 million, or 7.8 percent lower than sales posted in fiscal year 2021. Sales for both Pick 3 and Pick 4 decreased \$47.7 million and \$16.3 million, respectively, while Pick 5 finished the year down by \$1.6 million. Sales for the daily numbers category were down compared to last year as sales in fiscal year 2021 were inflated due to several factors inter-related to the pandemic, and was consistent throughout the lottery industry.

IN-STATE LOTTO GAMES

Sales for in-state Lotto style games, which consist of Rolling Cash 5, Classic Lotto and KICKER, totaled \$87.8 million for fiscal year 2022. This is \$2.7 million, or 3.2 percent more than sales posted in fiscal year 2021. Fiscal year 2022 sales for Rolling Cash 5 were \$5.8 million less than sales posted in fiscal year 2021. Classic Lotto was up \$8.1 million. This increase can be attributed to higher-than-normal jackpots in fiscal year 2022. Sales for KICKER, an add-on game of Classic Lotto, were \$492 thousand more than sales posted in fiscal year 2021.

MULTI-STATE JACKPOT GAMES

Sales for multi-state jackpot games, which consist of Mega Millions, Megaplier, Powerball, Power Play, and Lucky for Life, totaled \$288.7 million for fiscal year 2022. This is \$6.3 million, or 2.1 percent less than sales posted in fiscal year 2021.

Sales for Mega Millions and Powerball are jackpot driven. Sales for Mega Millions in fiscal year 2022 were \$48.1 million less than sales posted the prior year, while Megaplier, the Mega Millions add-on game, decreased by \$4.7 million. This decrease can be directly correlated to lower jackpots offered during the year. In fiscal year 2022, the highest jackpot for Mega Millions was \$431.0 million, compared to \$1.05 billion during fiscal year 2021.

Powerball sales in fiscal year 2022 were \$27.2 million more than sales generated the prior year, while Power Play, the Powerball add-on game, increased by \$4.0 million. Jackpots were relatively high during the year, with a high of \$700.0 million. It was the second highest jackpot since fiscal year 2019, with a high of \$768.0 million. Therefore, higher jackpots contributed to an industry-wide sales increase.

Sales for Lucky for Life, a multi-state game offering life prizes, increased by \$15.4 million as drawings changed to every-day of the week during the fiscal year.

KENO AND THE LUCKY ONE (MONITOR GAMES)

Sales for monitor games totaled \$654.2 million for the 2022 fiscal year. This is \$48.1 million, or 7.9 percent more than sales posted in fiscal year 2021. Sales for KENO in fiscal year 2022 were \$30.8 million more than sales posted in fiscal year 2021, while Booster increased \$13.5 million. The Lucky One contributed \$32.6 million to the sales total. Sales for Booster in fiscal year 2022 were 28.4 percent of KENO sales. Sales for KENO/Booster increased due to the full opening of businesses and restrictions lifted on bars/restaurants. Typically, over 75 percent of sales for monitor games occur at these trade channels.

EZPLAY

Sales for EZPLAY games, which include EZPLAY, EZPLAY TAP, and EZPLAY TOUCH & WIN, totaled \$208.7 million for the 2022 fiscal year. This is \$16.5 million, or 8.6 percent more than sales posted in fiscal year 2021. Fiscal year 2022 sales for EZPLAY were \$1.4 million less than sales recorded in fiscal year 2021. Fiscal year 2022 sales for EZPLAY TAP were \$14.8 million more than sales posted in fiscal year 2021. The decrease in EZPLAY sales were mitigated by increases in Touch & Win and other interactive touch-screen style games. Increased sales in Touch & Win and Tap games can be attributed to the lift in COVID-19 restrictions and the full opening of retail outlets. EZPLAY TOUCH & WIN games are only played on Multi-Play Touch & Win terminals and available at select Ohio Lottery licensed retailers, mostly the bar/restaurant trade channel which was impacted by the pandemic.

SCRATCH-OFF TICKETS

Sales for scratch-off ticket games totaled nearly \$2.3 billion, which was \$28.0 million, or 1.2 percent less than sales posted during a record-setting fiscal year 2021. The best-selling games at each price point were: \$1 Holiday Cash; \$2 Cash Explosion; \$5 Special Edition Cashword; \$10 \$500,000 Cashword; \$20 Million Diamond Dazzler; and \$30 Monopoly 200x. The \$300 Million Diamond Dazzler scratch off was the best-selling and a customer-favorite game in fiscal year 2022, with over \$116.9 million in total sales. The \$20 and \$30 games lead the way with increases in sales during fiscal year 2022. The \$20 product line was up over 4.4 percent compared to last fiscal year, while the \$30 product line was up over 9.5 percent.

As was the case industry-wide, sales for scratch-off game products were lower compared to a record-setting year in 2021. However, the scratch-off game category performed exceptionally well and finished as the second highest on record. Some of the strategies implemented include enhanced collaboration with our vendor partners, new and improved algorithms & predictive modeling to ensure inventory levels are accurate, and the introduction of data analytics. In addition, a retailer incentive program that incentivizes retailers to grow sales by earning additional commissions based on certain sales increases, also helped spur growth. The Lottery also benefits from the expansion of self-service terminals.

OPERATING RELATED EXPENSES AND PAYMENTS TO EDUCATION • FISCAL YEARS 2022 AND 2021
(ROUNDED IN THOUSANDS)

	<u>JUNE30,2022</u>	<u>JUNE 30, 2021</u>
Prize Awards	\$ 2,791,674	\$ 2,841,590
Bonuses/Commissions - Traditional Retailers	282,113	296,283
Commissions - VLT	885,307	788,826
Cost of Tickets Sold	33,889	32,672
Vendor Fees	33,369	41,423
Operating Expense	85,598	79,391
Payments to Education	<u>1,405,358</u>	<u>1,359,010</u>
Total	<u>\$ 5,517,308</u>	<u>\$ 5,439,195</u>

PRIZE AWARDS

Prize expense for fiscal year 2022, which totaled \$2.8 billion, was \$49.9 million, or 1.8 percent less than fiscal year 2021. Prize expense has a direct correlation to sales. Therefore, since sales volume decreased, the amount of prizes awarded also decreased.

BONUSES/COMMISSIONS

Bonuses/Commissions decreased due to lower sales volume. Also, bonus payments made to retailers for the Retailer Incentive Program were lower in fiscal 2022 compared to fiscal 2021 due to less sales achieved.

This program provides an increase in commissions for retailers when they meet certain sales goals and other mandatory requirements and optional qualifying criteria. Bonuses earned by retailers from this incentive program amounted to \$12.8 million for the year, which consisted of four quarterly payments. Commissions earned in Q4 of fiscal year 2022 were paid in Q1 of fiscal year 2023. Commissions - VLT increased \$96.5 million due to more VLT sales in fiscal year 2022.

COST OF TICKETS SOLD

Expenses in this category include costs associated with the printing of scratch-off tickets as well as other paper stock necessary to sell draw-based games via the point-of-sale terminal at retail. Costs of tickets sold increased due to the timing of paying invoices during the year.

GAMING-RELATED VENDOR FEES

This includes payments made to vendors that provide gaming-related services such as the gaming system and the warehousing and distribution of scratch-off tickets. The gaming system comprises of services such as the software, hardware, communication, technical support, set-up and delivery of terminals, and the general maintenance of the Lottery's online gaming system. This also includes payments made for the purpose of purchasing gaming equipment such as the self-service terminals at retail. Gaming system fees are primarily correlated to sales. Costs associated with gaming-related vendor fees decreased due to lower sales volume during fiscal year 2022.

OPERATING EXPENSE

Total Operating Expenses, which for purposes of this Management Discussion & Analysis, consists of personal services (including salaries and benefits), maintenance & equipment, advertising, travel, utilities, rent, depreciation, and other expenses. Costs associated with travel, utilities, salaries, and certain maintenance & service-related contracts increased. Total operating expenses increased \$6.2 million in fiscal year 2022.

PAYMENTS TO EDUCATION

Payments to education totaled \$1.4 billion, representing an increase of \$46.3 million over last fiscal year. All of this positive variance can be attributed to an increase in VLT revenue.

VIDEO LOTTERY TERMINAL (VLT) GROSS REVENUE

VLT Gross Gaming Revenue, or Net Win, represents revenue generated from VLT machines net of total payouts and other adjustments. Gross Revenue for fiscal year 2022 totaled \$1.33 billion, an increase of \$145.1 million or 12.2 percent over fiscal year 2021. The following table shows VLT statistics for fiscal years 2022 and 2021.

VIDEO LOTTERY TERMINAL - NET WIN (ROUNDED IN THOUSANDS)

RACINO	DATE OPENED	2022 NET WIN	2021 NET WIN
Scioto Downs	June 1, 2012	\$ 232,636	\$ 208,727
Jack Thistle Down	April 9, 2013	191,681	179,488
MGM Northfield Park	December 09, 2013	281,010	243,181
Miami Valley	December 06, 2013	219,291	185,173
Belterra Park	May 1, 2014	94,958	86,420
Hollywood Gaming Mahoning Valley	September 11, 2014	158,506	141,082
Hollywood Gaming Dayton Raceway	August 22, 2014	153,207	142,133
		<u>\$ 1,331,289</u>	<u>\$ 1,186,204</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The table below summarizes the Ohio Lottery's capital assets at the end of fiscal years 2022 and 2021.

CAPITAL ASSETS (NET OF DEPRECIATION) (ROUNDED IN THOUSANDS)

	JUNE 30, 2022	JUNE 30, 2021
Equipment	\$ 5,574	\$ 6,577
Lease Assets - Equipment	28	51
Vehicles	1,036	1,395
Total Net Capital Assets	<u>\$ 6,638</u>	<u>\$ 8,023</u>

CAPITAL ASSETS (NET OF DEPRECIATION)

As of June 30, 2022, the Ohio Lottery had \$6.6 million, net of accumulated depreciation, in Capital Assets. The decrease in Net Capital Assets is a result of no additional gaming equipment acquired in 2022. Also, the inception of GASB 87 eliminated Capital Leases in fiscal year 2022. In July 2009, the Ohio Lottery entered into a contractual agreement with Intralot for gaming services, including leased equipment. The original contract was for two years, with five optional two-year renewals. An additional three optional two-year renewals were added in 2017. The lease meets the requirements of a capital lease and, as a result, the equipment was recorded at present value and is being depreciated over its useful life of five years.

DEBT

The significant components of the Ohio Lottery's debt are annuity prize awards payable, which is payable from restricted assets. Prize Awards Payable from Restricted Assets – Net of Discount (non-current portion only) increased \$2.3 million because more prizewinners chose the annuity option over the cash option in fiscal year 2022.

For more detailed information on long-term debt and capital asset activity, refer to the notes in the financial statements #6 and #3 respectively.

CONTACTING THE OHIO LOTTERY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the legislative and executive branches of government, the Ohio Lottery Commissioners, the public and other interested parties with a general overview of the Ohio Lottery's finances and to demonstrate the Lottery's accountability for the monies it receives. If you have questions about this report or need additional financial information, contact the Ohio Lottery's Finance Director at the Ohio Lottery Commission, 615 W. Superior Avenue, Cleveland, Ohio 44113-1879. You may also access more information about the Ohio Lottery by visiting the Ohio Lottery's website at www.ohiolottery.com.

OHIO LOTTERY COMMISSION

STATEMENT OF NET POSITION - MAJOR FUNDS JUNE 30, 2022 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2022	JUNE 30, 2021
ASSETS:				
Current Assets - Unrestricted				
Cash and Cash Equivalents	\$ 217,765	\$ -	\$ 217,765	\$ 170,067
Cash Equity with Treasurer of State	143,904	-	143,904	111,164
Cash and Cash Equivalents - Video Lottery	35,130	-	35,130	26,896
Collateral on Lent Securities	26,230	-	26,230	24,797
Receivables from Agents, Net	66,702	-	66,702	54,070
Due From Other State Agencies	-	-	-	-
Other Assets	4,654	-	4,654	2,952
Total Current Assets - Unrestricted	494,385	-	494,385	389,946
Current Assets - Restricted				
Cash Equity with Treasurer of State	-	154	154	44
Dedicated Investments	-	38,183	38,183	41,931
Collateral on Lent Securities	-	87,784	87,784	84,269
Interest Receivable	-	4	4	-
Total Current Assets - Restricted	-	126,125	126,125	126,244
Total Current Assets	494,385	126,125	620,510	516,190
Noncurrent Assets				
Dedicated Investments, Restricted	-	285,977	285,977	322,573
Capital Assets				
Equipment	59,550	-	59,550	183,238
Vehicles	3,507	-	3,507	3,623
Lease Assets	51	-	51	-
Accumulated Depreciation & Amortization	(56,470)	-	(56,470)	(163,972)
Net Capital Assets	6,638	-	6,638	22,889
Net Pension Asset	751	-	751	526
Net OPEB Asset	5,093	-	5,093	2,905
Total Noncurrent Assets	12,482	285,977	298,459	348,893
TOTAL ASSETS	506,867	412,102	918,969	865,083
DEFERRED OUTFLOWS OF RESOURCES				
Pension: OPERS	4,381	-	4,381	1,628
OPEB: OPERS	9	-	9	1,497
Total Deferred Outflows of Resources	\$ 4,390	\$ -	\$ 4,390	\$ 3,125

OHIO LOTTERY COMMISSION

STATEMENT OF NET POSITION - MAJOR FUNDS, CONTINUED JUNE 30, 2022 (WITH COMPARATIVE TOTALS AS OF JUNE 30, 2021) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2022	JUNE 30, 2021
LIABILITIES				
Current Liabilities - Unrestricted				
Accounts Payable	\$ 16,714	\$ -	\$ 16,714	\$ 25,869
Prize Awards Payable	46,606	-	46,606	29,664
Obligations under Securities Lending	26,230	-	26,230	24,797
Finance Purchase Payable - Current	-	-	-	3,479
Unearned Revenue	1,987	-	1,987	1,357
Accrued Interest Payable	-	-	-	-
Leased Liabilities	18	-	18	-
Other Liabilities	2,303	-	2,303	3,525
Due to Other Lotteries	936	-	936	5,914
Total Current Liabilities - Unrestricted	94,794	-	94,794	94,605
Current Liabilities - Restricted				
Due to other State Agencies	-	-	-	-
Due for Problem Gambling VLT Expenses	2,216	-	2,216	1,275
Obligations under Securities Lending	-	87,784	87,784	84,269
Prize Awards Payable - Net of Discount	-	38,342	38,342	41,975
Total Current Liabilities - Restricted	2,216	126,126	128,342	127,519
Total Current Liabilities	97,010	126,126	223,136	222,124
Noncurrent Liabilities:				
Prize Awards Payable from Restricted Assets - Net of Discount	-	290,561	290,561	288,308
Finance Purchase Payable - Long-Term	-	-	-	11,438
Workers' Compensation	824	-	824	758
Compensated Absences	4,689	-	4,689	4,697
Leased Liabilities	10	-	10	-
Net Pension Liability	14,140	-	14,140	24,150
Net OPEB Liability	-	-	-	-
Total Noncurrent Liabilities	19,663	290,561	310,224	329,351
TOTAL LIABILITIES	116,673	416,687	533,360	551,475
DEFERRED INFLOWS OF RESOURCES				
Pension: OPERS	17,406	-	17,406	10,659
OPEB: OPERS	5,294	-	5,294	8,877
Total Deferred Inflows of Resources	22,700	-	22,700	19,536
NET POSITION				
Net Investment in Capital Assets	6,609	-	6,609	7,973
Restricted for Net Unrealized Gains on Restricted Investments	-	84,147	84,147	91,013
Unrestricted	365,275	(88,732)	276,543	198,211
TOTAL NET POSITION	\$ 371,884	\$ (4,585)	\$ 367,299	\$ 297,197

The Accompanying Notes to the Basic Financial Statements are an Integral Part of the Statement.

OHIO LOTTERY COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2022	JUNE 30, 2021
REVENUES				
Ticket Sales	\$ 4,297,700	\$ -	\$ 4,297,700	\$ 4,330,234
VLT Revenue, Net	1,331,288	-	1,331,288	1,186,204
VLT License Revenue	\$190	-	190	86
Other Revenues	(5,330)	283	(5,047)	(1,037)
Total Operating Revenues	5,623,848	283	5,624,131	5,515,487
EXPENSES				
Direct Game Costs				
Prize Awards	2,756,360	35,314	2,791,674	2,841,590
Bonuses and Commissions	282,113	-	282,113	296,283
VLT Commissions	885,307	-	885,307	788,826
Cost of Tickets Sold	33,889	-	33,889	32,672
Vendor Fees	33,369	-	33,369	41,423
Total Direct Game Costs	3,991,038	35,314	4,026,352	4,000,794
Operating Expenses				
Personal Services	4,709	-	4,709	4,731
Repairs and Maintenance	10,488	-	10,488	11,551
Salaries Wages and Benefits	40,501	-	40,501	38,203
Advertising	27,183	-	27,183	29,552
Travel	81	-	81	-
Utilities and Rent	974	-	974	966
Depreciation and Amortization	3,895	-	3,895	8,302
Other Expenses	(2,233)	-	(2,233)	(13,914)
Total Operating Expenses	85,598	-	85,598	79,391
OPERATING INCOME (LOSS)	1,547,212	(35,031)	1,512,181	1,435,302
Non-Operating Revenues (Expenses):				
Interest Income	1,288	(26,360)	(25,072)	(12,683)
Amortization of Prize Liabilities	-	(11,401)	(11,401)	(12,819)
Gain (Loss) on Equipment Disposal	(17)	-	(17)	(96)
Interest Expense on Lease	(2)	-	(2)	-
Interest Expense - Borrower Rebates	-	(178)	(178)	(46)
Securities Lending Agent Fees	-	(51)	(51)	(50)
Payments to the Lottery Profits Education Fund	(1,405,358)	-	(1,405,358)	(1,359,010)
Total Non-Operating Revenues (Expenses), Net	(1,404,089)	(37,990)	(1,442,079)	(1,384,704)
INCOME (LOSS) BEFORE TRANSFERS	143,123	(73,021)	70,102	50,598
TRANSFERS:				
Transfers to Annuity Prize Trust Fund	(34,172)	34,172	-	-
Total Transfers	(34,172)	34,172	-	-
Change in Net Position	108,951	(38,849)	70,102	50,598
Total Net Position - Beginning	262,933	34,264	297,197	246,599
TOTAL NET POSITION - ENDING	\$ 371,884	\$ (4,585)	\$ 367,299	\$ 297,197

The Accompanying Notes to the Basic Financial Statements are an Integral Part of this Statement.

OHIO LOTTERY COMMISSION

STATEMENT OF CASH FLOWS - MAJOR FUNDS FOR THE YEAR ENDED JUNE 30, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021) (ROUNDED IN THOUSANDS)

	OPERATING	ANNUITY FUND	TOTALS	
			JUNE 30, 2022	JUNE 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Sales	\$ 5,616,985	\$ -	\$ 5,616,985	\$ 5,533,901
Cash Received from Multi-State Lottery for Grand Prize Winners	13,205	-	13,205	390
Cash Payments for Prize Awards	(2,757,985)	(48,096)	(2,806,081)	(2,884,319)
Cash Payments for Bonuses and Commissions	(1,167,420)	-	(1,167,420)	(1,085,109)
Cash Payments for Goods and Services	(120,063)	-	(120,063)	(103,895)
Cash Payments to Employees	(41,829)	-	(41,829)	(37,335)
Other Operating Revenues	(5,139)	283	(4,856)	(951)
Other Operating Expenses	(8,289)	-	(8,289)	(6,536)
Net Cash Provided (Used) by Operating Activities	1,529,465	(47,813)	1,481,652	1,416,146
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to Other State Agencies	-	-	-	-
Payments to the Lottery Profits Education Fund	(1,405,358)	-	(1,405,358)	(1,359,010)
Transfers In	-	34,172	34,172	17,005
Transfers Out	(34,172)	-	(34,172)	(17,005)
Net Cash Provided (Used) by NonCapital Financing Activities	(1,439,530)	34,172	(1,405,358)	(1,359,010)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Property and Equipment	-	-	-	(1,043)
Proceeds from Sale of Property and Equipment	(2,529)	-	(2,529)	-
Repayment of Lease Obligation	(22)	-	(22)	-
Interest on Lease Obligation	(2)	-	(2)	(1,945)
Net Cash Used by Capital and Related Financing Activities	(2,553)	-	(2,553)	(2,988)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income Received	1,290	534	1,824	(1,787)
Interest Expense and Agent Fees	-	(229)	(229)	(96)
Proceeds from the Sale and Maturity of Investments	-	61,147	61,147	75,443
Purchase of Investments	-	(47,701)	(47,701)	(39,953)
Securities Lending Proceeds	26,230	87,784	114,014	109,064
Securities Lending Payments	(26,230)	(87,784)	(114,014)	(109,064)
Net Cash Provided (Used) by Investing Activities	1,290	13,751	15,041	33,607
Net Increase (Decrease) in Cash & Cash Equivalents	88,672	110	88,782	87,755
Cash and Cash Equivalents - Beginning	308,127	44	308,171	220,416
CASH AND CASH EQUIVALENTS - ENDING	\$ 396,799	\$ 154	\$ 396,953	\$ 308,171
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,547,212	\$ (35,031)	\$ 1,512,181	\$ 1,435,302
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	3,895	-	3,895	8,302
Amortization of Discount of Prize Liabilities	-	11,402	11,402	12,819
Net Changes in Assets and Liabilities				
Receivables from Agents - Net	(12,632)	-	(12,632)	17,663
Other Assets	(1,703)	-	(1,703)	2,338
Prize Awards Payable	16,942	-	16,942	(9,857)
Accounts Payable	(9,155)	-	(9,155)	12,737
Other Liabilities	(5,259)	-	(5,259)	4,785
Unearned Revenue	629	-	629	(200)
Prize Awards Payable from Restricted Assets - Net of Discount	-	(24,184)	(24,184)	(48,082)
Accrued Workers' Compensation	66	-	66	(91)
Compensated Absences	(8)	-	(8)	879
Pension Expense	(6,241)	-	(6,241)	(2,924)
OPEB Expense	(4,281)	-	(4,281)	(17,525)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,529,465	\$ (47,813)	\$ 1,481,652	\$ 1,416,146

DESCRIPTION OF NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Non-Cash items included in investment income were \$-6.9 million and \$-8.5 million of unrestricted net gains/losses for the years ended June 30, 2022 and June 30, 2021, respectively. During fiscal year 2022 the Ohio Lottery did not acquire any new gaming equipment.

The Accompanying Notes to the Financial Statements are an Integral Part of this Statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Ohio Lottery Commission (the Ohio Lottery) began selling tickets in August 1974, under Section 3770 of the Ohio Revised Code (ORC). The Ohio Lottery has a nine-member board of commissioners appointed by the Governor with the advice and consent of the Senate. It is classified as an enterprise fund of the State of Ohio (the State) and is presented as such in the State's financial statements.

The Ohio Lottery is required by law to transfer all of its net profits from the sale of lottery tickets to the Lottery Profits Education Fund (LPEF) of the State. The amounts transferred are determined and certified by the Director of the Ohio Lottery and are to be used to help support primary, secondary, vocational, and special education within the State.

In fiscal year 2010 a cross-sale agreement was reached authorizing the Ohio Lottery to sell both Mega Millions and Powerball games. The net proceeds from the sale of Mega Millions and Powerball in Ohio that remain after associated operating expenses, prize disbursements, retailer bonuses and commissions, reimbursements, and any other expenses necessary to comply with the agreements among the member jurisdictions are required to be transferred to the LPEF of the State.

Video Lottery was introduced in the State of Ohio in 2012 when Governor Kasich signed Executive Order 2011-22K, which authorized the Lottery to amend and adopt rules necessary to implement a video lottery program at Ohio's seven (7) horse racing facilities. On June 1, 2012, Scioto Downs in Columbus began video gaming with 1,787 video lottery terminals, since then six additional VLT facilities opened. The Ohio Lottery is responsible for regulating the licensing of video lottery sales agents (VLSA), key gaming employees, VLT manufacturers, collection and disbursement of VLT revenue, as well as compliance. The Ohio Lottery receives the proceeds from the video lottery terminal income less a commission paid to the VLSA.

BASIS OF ACCOUNTING

The Ohio Lottery operates under a series of enterprise funds, each using a full accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. The two Ohio Lottery funds are the Lottery Operating Fund, and the Annuity Prize Fund.

Ohio Lottery operations are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of the Ohio Lottery are included in the statement of net position. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The Ohio Lottery distinguishes operating revenues and expenses from non-operating items within the operating statements. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with selling Ohio Lottery tickets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

LOTTERY OPERATING FUND

Revenues for this fund are provided primarily from the sale of lottery tickets. Starting in June 2012, revenues from VLTs are also included in this fund. Receivables from ticket sales are collected weekly, with net proceeds equal to an individual retailer's gross sales less cash prizes paid and commissions earned. The balance from the Lottery Operating Fund is reduced mainly by the following types of transactions: (1) operating expenses and all non-deferred prize payments; (2) cash transfers to the Annuity Prize Trust Fund; (3) transfers to the LPEF of the State; and (4) transfers to other State agencies to support centralized services.

ANNUITY PRIZE FUND

Revenues for the Annuity Prize Fund are provided through cash transfers from the Lottery Operating Fund for the purpose of supplying investment principal for funding long-term prize obligations of the Ohio Lottery, and the investment income related to those cash transfers. Expenses of the Annuity Prize Fund primarily represent payments for annuity prizes.

CASH AND CASH EQUIVALENTS

Cash equivalents include highly liquid investments with a maturity of 90 days or less from the date of purchase. The Ohio Lottery also considers Cash Equity with Treasurer of State (TOS) to be a cash equivalent. Cash flows related to the payment of prize awards are accounted for as an operating activity.

INVESTMENTS

The Ohio Lottery's investments are stated at fair value (based on quoted market prices) in the accompanying comparative statement of net position, and the change in the fair value of the investments is recorded as investment income along with the interest earned on the investments.

The Ohio Lottery has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the TOS, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission (SEC) as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants", which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts at June 30, 2022 and 2021 of \$639,000 and \$509,000, respectively, is based on an analysis of historical collection experience for accounts receivable, which considers the age of the receivable and current economic conditions.

RESTRICTED ASSETS AND RESTRICTED NET POSITION

Restricted assets represent amounts restricted for the payment of annuity prize awards and payments to other Governmental Agencies. Upon the awarding of an annuity prize, amounts equal to the present value of future prize payments are deposited with the TOS. The Ohio Lottery is either credited with equity in the State of Ohio Common Cash and Investments Account equal to the amounts deposited, or specific State investments are identified and dedicated to the repayment of annuity prizes. Amounts necessary to fund annuity prizes awarded shortly before the end of the fiscal year that will be used to acquire additional equity in State of Ohio general investments in the succeeding year, if any, are recorded as amounts "due from unrestricted assets" in the accompanying statement of net position. In fiscal year 2006, the Ohio Lottery adopted a new method of providing investment capital for future annuity prize payments by purchasing individual securities to fund a specific prize obligation. The restricted net position of the Annuity Fund represents amounts that have been externally imposed by Ohio Lottery winners and are restricted to be used for future prize payments when winners select the annuity option.

CAPITAL ASSETS

Capital assets are defined as assets with an initial, individual cost of more than \$1,000, or otherwise classified as sensitive items as described in the Department of Administrative Services' (DAS) Property Inventory Guidelines and Procedures and are stated on the basis of historical cost. Accumulated depreciation and Amortization is determined by depreciating and Amortizing the cost of the assets over their estimated useful lives on a straight line basis.

The estimated useful life for ticket issuing equipment is five years. The estimated useful life for all other equipment ranges from three to fifteen years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain (loss) is reflected in non-operating revenues (expenses) in the year of disposal.

PRIZE AWARDS

Prize awards that are payable in installments over future years are recorded at their present values based upon interest rates provided to the Ohio Lottery by the TOS. The interest rates represent the expected long term rate of return on the assets restricted for the payment of annuity prize awards. Once established for a particular annuity prize award, the interest rate does not fluctuate with changes in the expected long term rate of return. The difference between the present value and gross amount of the obligations is amortized over the terms of the obligations using the interest method, and the amortization is recognized as a non-operating expense.

UNEARNED REVENUE

Advanced wagers may be placed for all online games. Sales relating to future draws are recorded as unearned revenue when received. Sales revenue is recognized during the month in which the related drawings occur.

COMPENSATED ABSENCES

Ohio Lottery employees earn vacation leave, sick leave and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first four years of employment, up to a maximum rate of 9.2 hours every two weeks after 24 years of employment. Vacation credit may be accumulated to a maximum of three times the annual rate of accrual. At termination or upon other separation from the Ohio Lottery, employees are paid at their hourly rate for 100 percent of unused vacation leave and personal leave. Bargaining unit employees are also eligible to receive 100 percent of unused compensatory time.

Sick leave for all full time employees is accumulated at a rate of 3.1 hours every two weeks. Union employees who have a minimum of five years or exempt employees who have a minimum of one year of service shall convert to cash any sick leave accrued at the employee's regular rate of pay earned at time of separation within three years of separation at the rate of 55 percent for retirement separation and 50 percent for all other separations.

DEFERRED COMPENSATION PLAN

Ohio Lottery employees are eligible to participate in the deferred compensation plan sponsored by the state of Ohio. The state-sponsored plan was created in accordance with IRC Section 457. The plan is available to all Ohio Lottery employees and permits them to defer a portion of their salary until future years. Deferred compensation assets are not available to employees until termination, retirement, death, or unforeseeable emergency.

VIDEO LOTTERY OPERATIONS

The Ohio Lottery commenced Video Lottery Operations in June 2012 at Scioto Downs in Columbus. In April 2013, Thistledown Racino in Cleveland opened. In March 2016, new owners took over and the name changed to JACK Thistledown. In December 2013, Hard Rock Rocksino in Northfield and Miami Valley Gaming in Lebanon opened. In April 2019, new owners took over Hard Rock Rocksino. The property was re-branded as MGM Northfield Park. Later in May 2014, Belterra Park in Cincinnati opened. Hollywood Gaming Dayton opened in August 2014, and Hollywood Mahoning Valley Racecourse opened in September 2014. As of June 30, 2022 the Video Lottery Sales Agents (VLSA) had 10,653 VLTs in operation. A Video Lottery Terminal (VLT) is a stand-alone device containing a random-number generator. Each VLT is connected to a centralized computer system that allows the Lottery to monitor game play and revenue activity. The Central Monitoring System (CMS) keeps track of money deposited in a terminal, usage, wins and payouts, machine maintenance and cash removal. Each game theme is approved by Ohio Lottery Commissioners and independently tested and certified before being placed into operation.

The Ohio Lottery recognizes VLT revenue as "gross gaming revenue." Gross gaming revenue represents gross wagers, net of related prizes. The minimum percentage payout in Ohio is 85 percent. Licensed operators receive 66.5 percent of gross terminal revenue to operate their facility, as commissions earned. Payments to the VLSA are recorded in VLT Commissions. For fiscal year ended June 30, 2022, VLT revenue was \$1,331.3 million with \$880.9 million paid

to VLSA as VLT commission, \$446.0 million representing the Lottery's share and 4.4 million was collected for Problem Gambling Services, as defined in the Ohio revised Code.

NON-OPERATING EXPENSE: PAYMENTS TO THE LOTTERY PROFITS EDUCATION FUND

Payments to the Lottery Profits Education Fund totaled \$1,405.4 million. Of this amount, \$968.9 million represented profits generated from traditional lottery games, while \$436.5 million represented profits generated from the VLT program. Due to a change in how the office of Budget & Management recognizes transfers, VLT Revenue earned in June was transferred and posted to the LPEF in July and will be accounted for in the next fiscal year.

BONUSES AND COMMISSIONS

Retailers receive a commission of 5.5 percent based on their total sales. Cashing bonuses are paid on a weekly basis and equal 1.0 percent of all redeemed tickets. An additional 0.5 percent is awarded to retailers if their cash-to-sales ratio is 49.5 percent or greater. A \$5 claiming bonus is awarded to retailers for validating a winning ticket worth \$600 to \$5,000. In addition, various selling bonuses are in place for online games ranging from \$500 to \$100,000. A retailer is eligible for an instant ticket bonus when selling the top prize of the game with top prize of \$100,000 or more. The bonus is 1.0 percent of the prize, with a maximum of \$10,000. The Game Show selling bonus is 1.0 percent of the championship contestant's total winnings (excluding bonus prize winnings).

In July 2017, the Lottery launched a tiered commission structure to incentivize retailers to increase sales volume in select categories, along with other mandatory qualifying criteria selected by management. Qualified, eligible retailers will receive 0.5 percent commission bonus for achieving a 3.5 percent increase in sales over the same quarter last year, and a 1.0 percent commission bonus for a 6.0 percent increase in sales over the same quarter last year.

A VLSA receives a commission of 66.5 percent of the net win, which is defined as net revenues remaining after payout of prizes to players. The VLT terminal income is calculated as follows: credit(s) played, less credits won, less promotional credits.

FUND EQUITY CLASSIFICATIONS

Fund equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation.
- Restricted – for Net Unrealized Gains on Restricted Investments.
- Unrestricted – represents all other net position that are not classified as invested in capital assets or restricted.

RISK MANAGEMENT

The Ohio Lottery is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Ohio Lottery generally retains the risk of loss; however, the Ohio Lottery is protected for purposes of sales collections by third-party surety bonds or deposits. Upon inception, retailers with an on site consumption D5 liquor license are required to have a deposit of \$500.00. All other retailers are required to carry a minimum bond of \$15,000. On a yearly basis, the retailers' required coverage is based on an evaluation of their average annual sales. The minimum bond coverage is \$15,000 or one twenty-sixth of their annual sales. If an existing business is being purchased the bond coverage is \$15,000 or one twenty-sixth of their annual sales. The amount of loss arising from these risks was not significant for the years ended June 30, 2022, 2021, and 2020. No significant payments were made or liabilities recorded during the years ended June 30, 2022, 2021, and 2020 due to self-insured risks.

The Office of Risk Management implemented the Blanket Bond coverage program, under which all state employees, including elected and appointed officials (other than the Treasurer of State as an individual), are covered. This policy is paid annually and remains in effect until terminated. The premium is split between all participating state agencies and is charged based upon number of employees. It provides a limit of \$500,000 per occurrence, subject to a \$5,000 deductible for employee theft. This policy covers all employees of all the participating agencies, including each commissioner. The Ohio Lottery pays a premium to the State for workers' compensation benefits.

The Ohio Lottery pays a premium assessed by DAS to cover motor vehicle liability related to bodily injury and property damage for a maximum of \$2.0 million per occurrence. The Ohio Lottery retains the risk for any liability exceeding this limit.

The state contracts with Medical Mutual of Ohio and Anthem to serve as the third-party administrators for the Ohio Med PPO, a fully self-insured health benefit plan. This plan allows all employees and any eligible dependents to have access to both network and non-network providers. Medical Mutual and Anthem each serve specific regions of Ohio based upon the home ZIP codes, which determines which administrator the employee will be assigned to. The Ohio Lottery and its participants are charged a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. Employees contributed \$53.60 for single, \$146.81 for family Minus Spouse and \$156.04 for Family Plus Spouse per pay period, while the Ohio Lottery contributed \$302.68 for single and \$830.82 for family coverage per pay period for each eligible employee. Premiums are accounted for in the State of Ohio's Benefits Trust Fund. In the event that liabilities exceed premiums paid, assessed premiums would be increased in the succeeding year. The Ohio Lottery's total contributions to the Health Plans for the last ten fiscal years were 5,525,000, 5,332,000, \$5,516,000, \$5,102,000, \$4,796,000, \$4,280,000, \$3,746,000, \$3,577,000, \$3,198,000 and \$2,682,000.

BUDGETARY ACCOUNTING AND CONTROL

The Ohio Lottery is required to submit, through the Governor, a biennial budget to the Ohio General Assembly (General Assembly). Biennially, the General Assembly approves the appropriations, which are provided in annual amounts.

The Ohio Lottery's official budget, as adopted by the Legislature, is based upon accounting for certain transactions on the basis of cash receipts and disbursements. Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded as expenditures when the purchase commitment is made, is employed for budgetary purposes. Unliquidated encumbrances are generally canceled four months after the end of the fiscal year. Unencumbered appropriations lapse at the end of the biennium for which they were appropriated. The major differences between the budget basis and the GAAP basis of accounting are:

- Prizes and commissions which are not vouchered are not budgeted.
- Revenues are recorded when received in cash (budget) as opposed to when earned (GAAP).
- Expenses (including annuity prizes) are recorded when paid in cash or encumbered (budget) as opposed to when the liability is incurred (GAAP).
- The budget basis excludes depreciation and amortization, as well as gains and losses on the disposition of equipment.

The Ohio Lottery maintains budgetary control by not permitting total expenditures to exceed appropriations without approval of the General Assembly, except for vouchered prize awards for which appropriation amendments may be approved by Ohio OBM and unvouchered prize expenses, which are not budgeted. Certain budget amendments were adopted during the year ended June 30, 2022.

NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued new GASB's, to be implemented for the fiscal year ending June 30, 2022. The Government Accounting Standards Board (GASB) has issued GASB Statement No. 87, "Leases", GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", GASB Statement No 92, "Omnibus 2020" and GASB Statement No 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The Ohio Lottery Commission has implemented GASB Statement No 87, "Leases" for Fiscal Year Ending June 30, 2022. GASB Statements No 89, No, 92 and No 97 have no impact on The Ohio Lottery Commission.

ESTIMATES

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SUMMARIZED COMPARATIVE DATA

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Ohio Lottery's financial statements for the year ended June 30, 2021 from which the summarized information was derived.

SECURITIES LENDING

In accordance with GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions" (GASB 28), the Ohio Lottery reports cash received as collateral on securities lending transactions and any investments made with that cash as assets in the accompanying comparative statement of net position. Liabilities to return the collateral to the borrower are also recognized. Securities received as collateral in connection with securities lending activities are not recorded as the assets and liabilities of the Ohio Lottery, because the Ohio Lottery does not have the ability to pledge or sell the securities without borrower default. The costs of securities lending transactions are reported as expenses in the accompanying comparative statements of revenues, expenses and changes in fund net position.

PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net pension/OPEB liability, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

2. CASH DEPOSITS AND INVESTMENTS

The Ohio Lottery maintains cash on deposit at a commercial bank and with the TOS. The Ohio Lottery is authorized by State statutes to invest its moneys in certificates of deposit, money market accounts, the TOS investment pool STAR Ohio and obligations of the United States government or certain agencies thereof. The Ohio Lottery, through the TOS, may also enter into repurchase agreements with any eligible depository for periods not to exceed 30 days and is also permitted to engage in security lending transactions with qualified broker-dealers.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities of which the face value is at least 102 percent of the total value of public moneys on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States government, and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Ohio Lottery's name.

DEPOSITS

As of June 30, 2022, the deposit accounts were not exposed to custodial credit risk; since the accounts were held in insured depositories approved by the State Board of Deposit and were fully collateralized. The financial institutions holding state deposits collateralize accounts for balances in excess of the amounts insured by FDIC as required by ORC Section 135.18. The carrying amount was \$225,197,593 and bank balances of the Ohio Lottery's deposits with the financial institutions were \$225,217,000.

INVESTMENTS

Although risk exposures are minimized by complying with legal requirements and internal policies adopted by the TOS, the Ohio Lottery's investments are exposed to risks that may lead to a loss of value. The Ohio Lottery's investments at June 30, 2022 consist of the following:

INVESTMENT TYPE (ROUNDED THOUSANDS)	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	INVESTMENT MATURITIES (IN YEARS)				
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Credit Quality Rating	LESS THAN 1	1-5	6-10	>10
Commercial Paper	\$ -		\$ -		A/A-1	\$ -	\$ -	\$ -	\$ -
U.S. Agency Obligations	22,678	-	22,678	-	Unrated	18,136	4,542	-	-
U.S. Agency Obligation Strips	29,321	-	29,321	-	AA/Aa	4,568	18,907	5,846	-
U.S. Government Obligation	269,131	-	269,131	-	AAA	25,061	92,925	88,483	62,662
Total Investments	321,130	-	321,130	-		47,765	116,374	94,329	62,662
<u>Investments not required to be categorized</u>									
Investments in State Treasury Asset Reserve of Ohio (STAR Ohio)	3,029				AAA/Aaa	3,029	-	-	-
Equity in State of Ohio Common Cash & Investments	-					-	-	-	-
Collateral on loaned securities - Lottery's ratable allocation of cash collateral received on securities loans made from the State of Ohio's Common Cash and Investments account	26,230					26,230	-	-	-
Total Lottery Commission - Structured Investments, as of June 30, 2022	\$ 350,389					\$ 77,024	\$ 116,374	\$ 94,329	\$ 62,662
Total Lottery Commission - Investments made with Cash Collateral	87,784								
Total - Statement of Net Position	\$ 438,173								

For Investments held by the Treasurer of State, 6.75 billion classified in Level 2 was valued using either matrix pricing, or, in the case of variable rate notes, were valued by discounting the current and future coupons using a yield calculation or scale based on the characteristics of the security. For matrix pricing, inputs such as benchmark yields, reported trades, broker dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications were used. Interactive Data pricing used by the Treasurer's office also monitors market indicators, and industry and economic events. The Ohio Lottery Commission's structured investments are included in the Treasurer of State's Level 2 investments noted above.

CUSTODIAL CREDIT RISK: A custodial credit risk for investments exists when a government is unable to recover the value of investments or collateral securities that are in possession of an outside party in the event of a failure of a counterparty to a transaction. Investments are exposed to custodial credit risks if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name. The Ohio Lottery is not subject to custodial credit risk because the investments listed above are insured or registered in the State's name, held by the TOS or a TOS agent in the State's name, or uninsured and unregistered with securities held by the counterparty's trust department or agent in the State's name.

INTEREST RATE RISK: An interest rate risk is the risk that an investment's fair value decreases as the market interest rate increases. Typically, this risk is higher in debt instruments with longer maturities. The State's investment policy states that the portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. The Ohio Lottery's portfolio invests in securities with a stated maturity of no more than 30 years from the date of purchase. Notwithstanding these limitations, in no case will the assets be invested in securities with a term to maturity that exceeds the expected disbursement date of those funds. The risks that the Ohio Lottery will realize material losses from its investments in government securities resulting from changes in market interest rates is mitigated by the low probability that these securities will be sold before maturity.

CREDIT RISK: Ohio Lottery does not have a separate policy relating to credit risk of investments. The Ohio Lottery follows the Treasurer of State, Statement of Investment Policy. This policy applies to the investment of all interim funds of the State Treasurer including the Ohio Lottery Annuity Prizes Trust Fund.

CONCENTRATION OF CREDIT RISK: The State's investment policy states that the portfolio should be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, or a specific type of security. The portfolio will be further diversified to limit the exposure to any one issuer. No more than 2 percent of the total average portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Government Obligations 100% maximum
Repurchase Agreements 5%, or \$250 million, whichever is less
Mutual Funds..... 10% maximum

The equity in State of Ohio common cash and investments, collateral on loaned securities, money market mutual fund and an investment in STAR Ohio has not been categorized because these accounts represent investment pools. Equity in the pools is not evidenced by securities that exist in physical or book entry form. Information regarding the classification of the pools' investments and deposits by credit risk may be found in the State of Ohio Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. Investments held by broker-dealers under securities loans are also not categorized pursuant to the provisions of GASB 28.

As of June 30, 2022, the total carrying amount of deposits and investments categorized and disclosed in this note is \$835,126. This amount can be reconciled to the statement of net position as follows:

(ROUNDED THOUSANDS)	DEPOSITS	INVESTMENTS	TOTAL
Unrestricted Assets:			
Cash and Cash Equivalents	\$ 217,765	\$ -	\$ 217,765
Cash Equity with Treasurer of State	143,904	-	143,904
Cash and Cash Equivalents - Video Lottery	35,130	-	35,130
Collateral on Lent Securities		26,230	26,230
Restricted Assets:			
Cash Equity with Treasurer of State	154	-	154
Dedicated Investments	-	324,160	324,160
Collateral on Lent Securities	-	87,784	87,784
Total - per Statement of Net Position	\$ 396,953	\$ 438,174	\$ 835,127

SECURITIES LENDING TRANSACTIONS

The Ohio Lottery, through the TOS's Investment Department, participates in a securities lending program for securities included in the equity in State of Ohio common cash and investments and Dedicated State of Ohio investment accounts. The lending program, authorized under Sections 135.143 and 135.47 of the ORC, is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

Several investments reported as "Collateral on Lent Securities" have terms that make them highly sensitive to interest rate changes. U.S. Agency & Instrumentality Obligations and Master Notes have daily reset dates. Variable Rate Notes have daily, monthly and quarterly reset dates.

Credit risk is calculated as the aggregate of the TOS exposure to individual borrowers or on individual loans, depending on whether individual loans to the same borrower can be aggregated for purposes of offset in the event of default. A lender has exposure if the amount a borrower owes the lender exceeds the amount the lender owes the borrower.

The amount the borrower owes the lender includes the market value of the underlying securities (including accrued interest), unpaid income distributions on the underlying securities and accrued loan premiums or fees. The amount the lender owes the borrower includes the cash collateral received, the fair value of collateral securities (including accrued interest), the face value of letters of credit, unpaid income distributions on collateral securities and accrued borrower rebates.

JUNE 30, 2022 • OHIO LOTTERY SECURITIES LENDING (ROUNDED THOUSANDS)

BORROWER OWES TO LENDER		LENDER OWES TO BORROWER	
MV of Loaned Securities	\$ 86,730	Cash Collateral	\$ 87,735
Unpaid Distributions	-	Unpaid Distributions	-
Accrued Premiums	-	Accrued Rebates	43
Total	\$ 86,730	Total	\$ 87,778

Since the Lender owes the Borrowers \$1,048,000 more than the Borrowers owe the Lender, there is no credit risk to the Lender as of June 30, 2022.

The Ohio Lottery has minimized its exposure to credit risk due to borrower default by requiring the custodial agent to ensure that the lent securities are collateralized at no less than 102 percent of the fair value.

For loaned contracts, the TOS executes on the Ohio Lottery's behalf not more than 15.0 percent of the State's cash and investment portfolio can be lent to a single broker-dealer.

During the fiscal year, the TOS lent U.S. Agency and Instrumentality Obligations (excluding Strips) and U.S. Agency and Instrumentality Obligation – Strips in exchange for collateral consisting of cash and/or U.S. government obligations. The Ohio Lottery cannot sell securities received as collateral unless the borrower defaults. At June 30, 2022 the collateral the Ohio Lottery had received for securities lent consisted entirely of cash, some of which had been temporarily invested by the Ohio Lottery in various securities. The Ohio Lottery invests cash collateral in short-term obligations, which have a weighted average maturity of 3.4 days and generally match the maturities of the securities loans at year-end. Loan contracts do not provide any loss indemnification by securities lending agents in cases of borrower default. However, during fiscal year 2021, the Ohio Lottery did not experience any losses due to credit or market risk on securities lending activities. The Ohio Lottery did not experience any losses on securities lending transactions resulting from the default of a borrower or lending agent, therefore, there were no recoveries during fiscal year 2022 due to prior-period losses.

SECURITIES LENDING PROGRAM • INVESTMENTS MADE WITH CASH COLLATERAL

Investments at June 30, 2022 consist of the following:

INVESTMENT TYPE (ROUNDED IN THOUSANDS)	FAIR VALUE	CREDIT QUALITY RATING	INVESTMENT MATURITIES (IN YEARS)			
			LESS THAN 1	1-5	6-10	>10
Repurchase Agreements	\$ 65,911	A/A-1, BBB/Baa	\$ 65,911	\$ -	\$ -	-
U.S. Government Obligation Strips	-		-	-	-	-
U.S. Agency Obligations-strips	-		-	-	-	-
U.S. Agency Obligations	-	AA/Aa	-	-	-	-
Corporate Bonds and Notes	500	A/A-1	500	-	-	-
Certificates of Deposits (Negotiable)	-		-	-	-	-
Commercial Paper	12,354	A/A-1	12,354	-	-	-
Other Investments:						
Master Note	-		-	-	-	-
Variable Rate Note	8,991	A/A-1	8,991	-	-	-
Star Ohio	-	AAA/Aaa	-	-	-	-
Investments Not Required to be Categorized:						
Money Market Funds	-		-	-	-	-
Allocated Cash Collateral ⁽¹⁾	28		28	-	-	-
Total - Investments made with Cash Collateral, as of June 30, 2022	\$ 87,784		\$ 87,784	\$ -	\$ -	-

(1) The Ohio Lottery has been allocated \$28,000 cash collateral bases on the amount of cash equity from the State's common cash and investment account.

3. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2022 and 2021 was as follows:

(ROUNDED IN THOUSANDS)	2021	INCREASES	DECREASES	2022
Equipment	\$ 183,238	\$ 2,532	\$ 126,220	\$ 59,550
Vehicles	3,623	-	116	3,507
Lease Assets- Equipment	-	51	-	51
Total Capital Assets	186,861	2,583	126,336	63,108
Less Accumulated Depreciation & Amortization:				
Equipment	(161,744)	(3,529)	111,297	(53,976)
Vehicles	(2,228)	(343)	100	(2,471)
Leased Assets - Equipment	-	(23)	-	(23)
Total Accumulated Depreciation & Amortization	(163,972)	(3,895)	111,397	(56,470)
Net Capital Assets	\$ 22,889	\$ (1,312)	\$ 14,939	\$ 6,638
	2020	INCREASES	DECREASES	2021
Equipment	\$ 168,815	\$ 14,561	\$ 138	\$ 183,238
Vehicles	3,700	466	543	3,623
Total Capital Assets	172,515	15,027	681	186,861
Less Accumulated Depreciation & Amortization:				
Equipment	(153,934)	(7,901)	91	(161,744)
Vehicles	(2,287)	(401)	460	(2,228)
Total Accumulated Depreciation & Amortization	(156,221)	(8,302)	551	(163,972)
Net Capital Assets	\$ 16,294	\$ 6,725	\$ 130	\$ 22,889

4. PRIZE AWARDS PAYABLE

Prize awards payable from restricted assets as of June 30, 2022 and 2021 consist of the following:

(ROUNDED IN THOUSANDS)	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2021</u>
Current portion - face amount	\$ 46,682	\$ 51,563
Less: Unamortized discount	<u>(8,340)</u>	<u>(9,588)</u>
Current portion - present value	38,342	41,975
Noncurrent portion - face amount	344,565	346,813
Less: Unamortized discount	<u>(54,004)</u>	<u>(58,505)</u>
Noncurrent portion - present value	<u>290,561</u>	<u>288,308</u>
Total Prize Awards Payable - Net of Discount	<u>\$ 328,903</u>	<u>\$ 330,283</u>

Interest rates used to determine the present values ranged from 2.0 percent to 7.0 percent. The present value of future payments from restricted assets for deferred prize awards as of June 30, 2022 is summarized as follows:

FISCAL YEAR ENDING JUNE 30 (ROUNDED IN THOUSANDS)

	<u>AMOUNT</u>
2023	\$ 46,682
2024	37,889
2025	33,357
2026	28,455
2027	27,555
2028 through 2032	122,253
2033 through 2037	57,574
2038 through 2042	28,222
2043 through 2047	9,260
Subtotal	391,247
Unamortized Discount	<u>(62,344)</u>
Net Prize Liability	<u>\$ 328,903</u>

Prize liabilities are reduced by an estimate of the amount of prizes that will ultimately be unclaimed. The Ohio Lottery is required by law to award prizes to holders of winning lottery tickets equal to at least 50 percent of total revenues from the sale of lottery tickets. The prize structure of certain games played exceeded this percentage; accordingly, additional amounts have been allocated for prize awards. These amounts approximated \$643.0 million and \$679.0 million for the years ended June 30, 2022 and 2021, respectively.

5. OTHER LIABILITIES

The composition of other liabilities balances as of June 30, 2022 and 2021 is as follows:

(ROUNDED IN THOUSANDS)	<u>2022</u>	<u>2021</u>
Accrued Liabilities	\$ 1,453	\$ 2,729
Worker's Compensation - Current Portion	125	110
Compensated Absences - Current Portion	<u>725</u>	<u>686</u>
Total	<u>\$ 2,303</u>	<u>\$ 3,525</u>

6. CURRENT AND NONCURRENT LIABILITIES

Current and Noncurrent liabilities activity for the years ended June 30, 2022 and 2021 was as follows:

(ROUNDED IN THOUSANDS)	NON-CURRENT			CURRENT			CURRENT		
	NON-CURRENT LIABILITIES 2021	ADDITIONS	REDUCTIONS	NON-CURRENT LIABILITIES 2022	CURRENT LIABILITIES 2021	ADDITIONS	REDUCTIONS	CURRENT LIABILITIES 2022	
Prize Awards Payable from Restricted Assets- Net of Discount	\$ 288,308	\$ 2,253	\$ -	\$ 290,561	\$ 41,975	\$ -	\$ (3,633)	\$ 38,342	
Capital Lease Payable	11,438	-	(11,438)	-	3,479	-	(3,479)	-	
Accrued Workers' Compensation	758	66	-	824	110	15	-	125	
Compensated Absences	4,697	3,387	(3,395)	4,689	686	39	-	725	
Lease Assets	-	51	(41)	10	-	18	-	18	
Net Pension Liability	24,150	-	(10,010)	14,140	-	-	-	-	
Net OPEB Liability	-	-	-	-	-	-	-	-	
Total Current and Noncurrent Liabilities	\$ 329,351	\$ 5,757	\$ (24,884)	\$ 310,224	\$ 46,250	\$ 72	\$ (7,112)	\$ 39,210	
	NON-CURRENT LIABILITIES 2020	ADDITIONS	REDUCTIONS	NON-CURRENT LIABILITIES 2021	CURRENT LIABILITIES 2020	ADDITIONS	REDUCTIONS	CURRENT LIABILITIES 2021	
Prize Awards Payable from Restricted Assets- Net of Discount	\$ 308,642	\$ 33,207	\$ (53,541)	\$ 288,308	\$ 44,085	\$ -	\$ (2,110)	\$ 41,975	
Capital Lease Payable	1,664	9,774	-	11,438	1,247	2,232	-	3,479	
Accrued Workers' Compensation	849	-	(91)	758	112	-	(2)	110	
Compensated Absences	3,818	3,105	(2,226)	4,697	628	58	-	686	
Net Pension Liability	32,291	-	(8,141)	24,150	-	-	-	-	
Net OPEB Liability	22,441	-	(22,441)	-	-	-	-	-	
Total Current and Noncurrent Liabilities	\$ 369,705	\$ 46,086	\$ (86,440)	\$ 329,351	\$ 46,072	\$ 2,290	\$ (2,112)	\$ 46,250	

The amounts due within one year for accrued worker's compensation and compensated absences are reported as current liabilities. Current liabilities for prize awards payable from restricted assets were \$38.3 million and \$42.0 million for the years ended June 30, 2022 and June 30, 2021 respectively.

7. DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

NET PENSION LIABILITY/ASSET AND NET OPEB ASSET

The net pension liability/asset and the net OPEB asset reported on the statement of net position represents a liability or asset to employees for pensions and OPEB, respectively.

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions and OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability/asset and the net OPEB asset represent the Ohio Lottery's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Ohio Lottery's obligation for this liability to annually required payments. The Ohio Lottery cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Ohio Lottery does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in other liabilities on the accrual basis of accounting.

The remainder of this note includes the pension disclosures. See Note 8 for the OPEB disclosures.

PLAN DESCRIPTION - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - Ohio Lottery employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Report referenced above for additional information, including requirements for reduced and unreduced benefits):

GROUP A	GROUP B	GROUP C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
STATE AND LOCAL	STATE AND LOCAL	STATE AND LOCAL
<p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</p> <p>Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30</p>	<p>Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit</p> <p>Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30</p> <p>Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30</p>	<p>Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit</p> <p>Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35</p> <p>Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35</p>

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2022 STATUTORY MAXIMUM CONTRIBUTION RATE		STATE AND LOCAL
Employer		14.0 %
Employee*		10.0 %

2022 ACTUAL CONTRIBUTION RATE		STATE AND LOCAL
Employer:		
Pension		14.0 %
Post-employment Health Care Benefits**		0.0 %
Total Employer		14.0 %
Employee		10.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Ohio Lottery's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$3,803,000 for fiscal year 2022.

NET PENSION LIABILITIES/ASSETS, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

The net pension liability and net pension asset for OPERS was measured as of December 31, 2021, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. The Ohio Lottery's proportion of the net pension liability or asset was based on the Ohio Lottery's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

PERS	TRADITIONAL	COMBINED	TOTAL
Proportionate of the Net Pension Liability/Asset Prior Measurement Date	0.163091%	0.182182%	
Proportionate of the Net Pension Liability/Asset Current Measurement Date	0.162522%	0.190728%	
Change in Proportionate Share	-0.000569%	0.008546%	
Proportionate Share of the Net Pension Liability (Asset)	\$ 14,140,000	\$ (751,000)	\$ 13,389,000
Proportionate Share of the Net Pension Expense	\$ (4,365,000)	\$ (27,000)	\$ (4,392,000)

At June 30, 2022, the Ohio Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS	TRADITIONAL	COMBINED	TOTAL
Deferred Outflows of Resources			
Difference between expected and actual experience	\$ 721,000	\$ 5,000	\$ 726,000
Changes of Assumptions	1,768,000	38,000	1,806,000
OLC contributions subsequent to the measurement date	1,849,000	-	1,849,000
Total Deferred Outflows of Resources	\$ 4,338,000	\$ 43,000	\$ 4,381,000
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 310,000	\$ 84,000	\$ 394,000
Net difference between projected and actual earnings on pension plan investments	16,819,000	161,000	16,980,000
Changes in employer's proportionate percentage/difference between employer contributions	32,000	-	32,000
Total Deferred Inflows of Resources	\$ 17,161,000	\$ 245,000	\$ 17,406,000

\$1,849,000 reported as deferred outflows of resources related to pension resulting from Ohio Lottery contributions subsequent to the measurement date will be recognized as a reduction/increase to the net pension liability/asset in the fiscal year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

FISCAL YEAR ENDING JUNE 30,	TRADITIONAL	COMBINED	TOTAL
2023	\$ (2,253,000)	\$ (49,000)	\$ (2,302,000)
2024	(5,789,000)	(68,000)	(5,857,000)
2025	(3,955,000)	(45,000)	(4,000,000)
2026	(2,675,000)	(33,000)	(2,708,000)
2027	-	(4,000)	(4,000)
Thereafter	-	(3,000)	(3,000)
Total	<u>\$ (14,672,000)</u>	<u>\$ (202,000)</u>	<u>\$ (14,874,000)</u>

ACTUARIAL ASSUMPTIONS - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2021, are presented below.

KEY METHODS AND ASSUMPTIONS USED IN VALUATION OF TOTAL PENSION LIABILITY		
Actuarial Information	Traditional Pension Plan	Combined Plan
Measurement and Valuation Date	December 31, 2021	December 31, 2021
Experience Study	5 Year Period Ended December 31, 2020	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age	Individual entry age
ACTUARIAL ASSUMPTIONS		
Investment Rate of Return		
Current Measurement Date	6.90 %	6.90 %
Prior Measurement Date	7.20 %	7.20 %
Wage Inflation		
Current Measurement Date	2.75 %	2.75 %
Prior Measurement Date	3.25 %	3.25 %
PROJECTED SALARY INCREASES		
Current Measurement Date	2.75 %-10.75 % (includes wage inflation at 3.25 %)	2.75 %-8.25 % (includes wage inflation at 3.25 %)
Prior Measurement Date	3.25 %-10.75 % (includes wage inflation at 3.25 %)	3.25 %-8.25 % (includes wage inflation at 3.25 %)
COST-OF-LIVING ADJUSTMENTS		
Current Measurement Date	Pre 1/7/2013 Retirees: 3.00 % Simple Post 1/7/2013 Retirees: 3.00 % Simple through 2022, then 2.05 % Simple	Pre 1/7/2013 Retirees: 3.00 % Simple Post 1/7/2013 Retirees: 3.00 % Simple through 2022, then 2.05 % Simple
Prior Measurement Date	Pre 1/7/2013 Retirees: 3.00 % Simple Post 1/7/2013 Retirees: 0.50 % Simple through 2021, then 2.15 % Simple	Pre 1/7/2013 Retirees: 3.00 % Simple Post 1/7/2013 Retirees: 0.50 % Simple through 2021, then 2.15 % Simple

For the current measurement date, pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

For the prior measurement date, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3% for 2021.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION FOR 2021	WEIGHTED AVERAGE LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Fixed Income	24.00%	1.03%
Domestic Equities	21.00%	3.78%
Real Estate	11.00%	3.66%
Private Equity	12.00%	7.43%
International Equities	23.00%	4.88%
Risk Parity	5.00%	2.92%
Other Investments	4.00%	2.85%
TOTAL	100.00%	4.21%

DISCOUNT RATE - The discount rate used to measure the total pension liability/asset was 6.90%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2021 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE OHIO LOTTERY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET TO CHANGES IN THE DISCOUNT RATE - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 6.90%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

SENSITIVITY OF NET PENSION LIABILITY/(ASSET) TO CHANGES IN THE DISCOUNT RATE

EMPLOYERS' NET PENSION LIABILITY/(ASSET) AS OF DECEMBER 31, 2021	1% DECREASE 5.9%	CURRENT DISCOUNT RATE 6.9%	1% INCREASE 7.9%
Traditional Pension Plan	\$37,281,000	\$14,140,000	(\$5,116,000)
Combined Plan	(\$561,000)	(\$751,000)	(\$900,000)

8. DEFINED BENEFIT OPEB PLANS

NET OPEB ASSET

See Note 7 for a description of the net OPEB asset.

PLAN DESCRIPTION - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

The health care trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Ohio Lottery did not make any contributions to fund health care.

NET OPEB ASSET, OPEB EXPENSE, AND DEFERRED OUTFLOWS OR RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Ohio Lottery's proportion of the net OPEB liability was based on the Ohio Lottery's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	OPEB
Proportionate of the Net OPEB Liability Prior Measurement Date	0.163044%
Proportionate of the Net OPEB Asset Current Measurement Date	<u>0.162592%</u>
Change in Proportionate Share	<u>-0.000452%</u>
Proportionate Share of the Net OPEB Asset	\$ (5,093,000)
Proportionate Share of the Net OPEB Expense	\$ (4,281,000)

At June 30, 2022, the Ohio Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PERS	OPEB
Deferred Outflows of Resources	
Changes in employer's proportionate percentage/difference between employer contributions	\$ 9,000
Total Deferred Outflows of Resources	<u>\$ 9,000</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 772,000
Net difference between projected and actual earnings on pension plan investments	2,428,000
Changes of Assumptions	2,061,000
Changes in employer's proportionate percentage/difference between employer contributions	<u>33,000</u>
Total Deferred Inflows of Resources	<u>\$ 5,294,000</u>

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

FISCAL YEAR ENDING JUNE 30,	TRADITIONAL
2023	\$ (3,266,000)
2024	(1,140,000)
2025	(530,000)
2026	<u>(349,000)</u>
Total	<u>\$ (5,285,000)</u>

ACTUARIAL ASSUMPTIONS - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

KEY METHODS AND ASSUMPTIONS USED IN VALUATION OF TOTAL OPEB LIABILITY	
ACTUARIAL INFORMATION	OPEB PLAN
Actuarial Valuation Date	December 31, 2020
Roll-Forward Measurement Date	December 31, 2021
Experience Study	5 Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Investment Rate of Return	
Current Measurement Date	6.00%
Prior Measurement Date	6.00%
Municipal Bond Rate	
Current Measurement Date	1.84%
Prior Measurement Date	2.00%
Wage Inflation	
Current Measurement Date	2.75%
Prior Measurement Date	3.25%
Projected Salary Increases	
Current Measurement Date	2.75%-10.75%
	(includes wage inflation at 2.75%)
Prior Measurement Date	3.25%-10.75%
	(includes wage inflation at 3.25%)
Health Care Cost Trend Rate	
Current Measurement Date	5.50% initial, 3.50% ultimate in 2034
Prior Measurement Date	8.50% initial, 3.50% ultimate in 2035

For the current measurement date, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

For the prior measurement date, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

The long-term expected rate of return on health care investment assets 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3% for 2021.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION FOR 2021	WEIGHTED AVERAGE LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00%	3.78%
REITs	7.00%	3.71%
International Equities	25.00%	4.88%
Risk Parity	2.00%	2.92%
Other Investments	7.00%	1.93%
TOTAL	100.00%	3.45%

Discount Rate - A single discount rate of 6.00% was used to measure the total OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 1.84%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2121. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the Ohio Lottery's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB asset calculated using the single discount rate of 6.00%, as well as what the proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

EMPLOYERS' NET OPEB ASSET AS OF DECEMBER 31, 2021	SENSITIVITY OF NET OPEB ASSET TO CHANGES IN THE DISCOUNT RATE		
	1% DECREASE 5.00%	CURRENT DISCOUNT RATE 6.00%	1% INCREASE 7.00%
OPEB	\$2,995,000	\$5,093,000	\$6,834,000

Sensitivity of the Ohio Lottery's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health care cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

SENSITIVITY OF NET OPEB ASSET TO CHANGES IN THE TREND RATE			
EMPLOYERS' NET OPEB ASSET AS OF DECEMBER 31, 2021	1% DECREASE	CURRENT TREND RATE	1% INCREASE
OPEB	\$5,148,000	\$5,093,000	\$5,027,000

9. INTERFUND TRANSACTIONS

During the course of normal operations, the Ohio Lottery records numerous transactions between funds including expenditures and transfers of resources to provide services, subsidize operations and service debt. The Ohio Lottery has the following types of transactions among funds:

Nonreciprocal interfund transfers - Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes transfers to subsidize various funds.

For the year ended June 30, 2022 transfers consist of the following:

TRANSFER OUT	TRANSFER IN
Operating Fund	Annuity Fund
	\$34,172

10. LITIGATION

The Ohio Lottery is a party to legal proceedings. A liability for a claim is established if information indicates that it is probable that a liability has been incurred as of the date of issuance of the financial statement and if the amount of the associated loss is estimable. In the opinion of management, the ultimate outcome of such legal proceedings cannot be determined at this time. Its impact on the Ohio Lottery's financial position, therefore, is also unknown.

11. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Commission. The Commission's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Commission's future operating revenues and expenses cannot be estimated.

12. LEASES

The Ohio Lottery has entered into \$51,000 in lease agreements for the right to use copier and postage equipment. The leases were entered into for either three-year or five-year periods and carry a 6.00% interest rate. For fiscal year 2022, principal and interest payments were made in the amount of \$23,000 and \$2,000 respectively.

The following is a schedule of future lease payments under the lease agreement:

(ROUNDED IN THOUSANDS)

FISCAL YEAR ENDING JUNE 30,	TOTAL		
2023	\$ 18	\$ 1	\$ 19
2024	10	-	10
Total	\$ 28	\$ 1	\$ 29

13. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For fiscal year 2022, the Ohio Lottery has implemented GASB Statement No. 87, "Leases" and GASB Implementation Guide 2019-3, "Leases". GASB Statement No. 87 and GASB Implementation Guide 2019-3 enhance the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

These changes were incorporated in the Ohio Lottery's fiscal year 2022 financial statements. The Ohio Lottery recognized \$51,000 in leases payable and this entire amount was offset by the intangible asset, lease assets - equipment. The Ohio Lottery also eliminated \$14,917,000 in capital assets, net of accumulated depreciation, and \$14,917,000 in capital leases payable liabilities as these no longer met the definition of a lease under GASB Statement No. 87. The amounts at June 30, 2021 and for the year ended June 30, 2021 on the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position, respectively, have not been restated for practicality reasons and because the impact of these changes had no impact on the fund balance/net position at June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL, COMBINED AND MEMBER-DIRECT LAST NINE FISCAL YEARS⁽¹⁾

PERS	2022	2021	2020	2019	2018	2017	2016	2015	2014
OLC's Proportion (Percentage) of the Collective Net Pension Liability									
Traditional	0.162550 %	0.163091 %	0.163371 %	0.163433 %	0.164436 %	0.160915 %	0.159630 %	0.155623 %	0.155623 %
Combined	0.190728 %	0.182182 %	0.170169 %	0.127235 %	0.125481 %	0.130520 %	0.107980 %	0.094337 %	0.094337 %
OLC's Proportionate share (amount) of the Collective Net Pension Liability									
Traditional	\$ 13,389,000	\$ 23,624,000	\$ 31,936,000	\$ 44,619,000	\$ 25,626,000	\$ 36,468,000	\$ 27,607,000	\$ 18,734,000	\$ 18,336,000
Combined	\$ 14,140,000	\$ 24,150,000	\$ 32,291,000	\$ 44,761,000	\$ 25,797,000	\$ 36,541,000	\$ 27,660,000	\$ 18,770,000	\$ 18,346,000
Combined	(751,000)	(526,000)	(355,000)	(142,000)	(171,000)	(73,000)	(53,000)	(36,000)	(10,000)
OLC's Covered Payroll	\$ 20,850,000	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000	\$ 16,929,000	\$ 16,239,000	\$ 14,805,000
OLC's Proportionate share (amount) of the Collective Net Pension Liability as a Percentage of the OLC's Covered Payroll									
	64.2 %	112.1 %	161.1 %	235.1 %	137.5 %	204.4 %	163.1 %	115.4 %	123.9 %
The Pension Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability									
Traditional	92.6 %	86.9 %	82.2 %	74.7 %	84.7 %	77.3 %	81.1 %	86.4 %	86.4 %
Combined	169.9 %	157.7 %	145.3 %	126.6 %	137.3 %	116.6 %	116.9 %	114.8 %	104.6 %
Member-Direct	171.8 %	188.2 %	118.8 %	113.4 %	124.5 %	103.4 %	103.9 %	107.1 %	102.9 %

(1) Information prior to 2014 is not available

SCHEDULE OF OHIO LOTTERY CONTRIBUTIONS • LAST TEN FISCAL YEARS

PERS	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions (2)										
Traditional	\$ 3,803,000	\$ 3,318,000	\$ 3,466,000	\$ 3,351,000	\$ 3,094,000	\$ 2,785,000	\$ 2,557,000	\$ 2,435,000	\$ 2,293,000	\$ 2,042,000
Combined	3,643,000	3,179,000	3,320,000	3,210,000	2,964,000	2,668,000	2,450,000	2,333,000	2,197,000	1,956,000
Combined	62,000	54,000	56,000	54,000	50,000	45,000	41,000	39,000	37,000	33,000
Member-Direct	98,000	86,000	89,000	86,000	80,000	72,000	66,000	63,000	59,000	53,000
Contributions in Relation to the Contractually Required Contributions										
	(3,803,000)	(3,318,000)	(3,466,000)	(3,351,000)	(3,094,000)	(2,785,000)	(2,557,000)	(2,435,000)	(2,293,000)	(2,042,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OLC's Covered Payroll	\$ 22,587,000	\$ 20,850,000	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000	\$ 16,929,000	\$ 16,239,000	\$ 14,805,000
Contributions as a Percentage of Covered-Employee Payroll	16.8 %	15.9 %	16.5 %	16.9 %	16.3 %	14.9 %	14.3 %	14.4 %	14.1 %	13.8 %

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION

Changes in benefit terms

There were no changes in benefit terms from the amounts reported for fiscal year 2014-2022.

Changes in assumptions:

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%
- (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25%
- (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018. For fiscal year 2019, the most significant changes of assumptions that affected the total pension liability since the prior measurement date was the reduction in the actuarially assumed rate of return from 7.50% down to 7.20%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2020-2021.

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- (a) reduction in the actuarially assumed rate of return from 7.20% down to 6.90%
- (b) for defined benefit investments, decreasing the wage inflation from 3.25% to 2.75%
- (c) changing the future salary increases from a range of 3.25%-10.75% to 2.75%-10.75%.
- (d) changing the cost-of-living adjustment from for post 1/7/2013 retirees from 0.50% simple through 2021, then 2.15% simple to 3.00% through 2022, then 2.05% simple.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM • LAST SIX FISCAL YEARS (1)

PERS	2022	2021	2020	2019	2018	2017
OLC's Proportion (Percentage) of the Collective Net OPEB Liability (Asset)	0.162592 %	0.163044 %	0.162469 %	0.160666 %	0.161070 %	0.161070 %
OLC's Proportionate share (amount) of the Collective Net OPEB Liability (Asset)	\$ (5,093,000)	\$ (2,905,000)	\$ 22,441,000	\$ 20,947,000	\$ 17,491,000	\$ 16,269,000
OLC's Covered Payroll	\$ 20,850,000	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000
OLC's Proportionate share (amount) of the Collective Net OPEB Liability (Asset) as a Percentage of the OLC's Covered Payroll	24.4 %	13.8 %	113.2 %	110.4 %	93.9 %	91.2 %
The Pension Plan's Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	128.2 %	115.6 %	47.8 %	46.3 %	54.1 %	54.1 %

(1) Information prior to 2017 is not available

SCHEDULE OF OHIO LOTTERY CONTRIBUTIONS • LAST TEN FISCAL YEARS

PERS	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	\$ -	\$ -	\$ -	\$ -	\$ 124,000	\$ 343,000	\$ 426,000	\$ 406,000	\$ 277,000	\$ 442,000
Contributions in Relation to the Contractually Required Contributions	-	-	-	-	(124,000)	(343,000)	(426,000)	(406,000)	(277,000)	(442,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OLC's Covered Payroll	\$ 22,587,000	\$ 20,850,000	\$ 21,067,000	\$ 19,829,000	\$ 18,977,000	\$ 18,635,000	\$ 17,844,000	\$ 16,929,000	\$ 16,239,000	\$ 14,805,000
Contributions as a Percentage of Covered Payroll	0.0	0.0 %	0.0 %	0.0 %	0.7 %	1.8 %	2.4 %	2.4 %	1.7 %	3.0 %

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB

Changes in benefit terms

There were no changes in benefit terms from the amounts reported for fiscal year 2017-2020.

For fiscal year 2021, the the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020 measurement date health care valuation.

There were no changes in benefit terms from the amounts reported for fiscal year 2022.

Changes in assumptions:

For fiscal year 2017, the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date was the reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2018.

For fiscal year 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- (a) increase in the discount rate from 3.85% up to 3.96%
- (b) decrease in the investment rate of return from 6.50% down to 6.00%
- (c) increase in the municipal bond rate from 3.31% to 3.71%
- (d) change in the health care cost trend rate from 7.50% initial, 3.25% ultimate in 2028 to 10.00% initial, 3.25 ultimate in 2029.

For fiscal year 2020, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- (a) decrease in the discount rate from 3.96% down to 3.16%
- (b) decrease in the municipal bond rate from 3.71% down to 2.75%
- (c) change in the health care cost trend rate from 10.00% initial, 3.25% ultimate in 2029 to 10.50% initial, 3.50% ultimate in 2030.

For fiscal year 2021, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- (a) increase in the discount rate from 3.16% up to 6.00%
- (b) decrease in the municipal bond rate from 2.75% down to 2.00%
- (c) change in the health care cost trend rate from 10.50% initial, 3.50% ultimate in 2030 to 8.50% initial, 3.50% ultimate in 2035.

For fiscal year 2022, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- (a) decrease in the municipal bond rate from 2.00% down to 1.84%
- (b) change in the health care cost trend rate from 8.50% initial, 3.50% ultimate in 2035 to 5.50% initial, 3.50% ultimate in 2034.



• STATISTICAL SECTION •

Cash Explosion Super Show

During Fiscal Year 2022, the Cash Explosion game show celebrated its 35th anniversary. The celebration culminated with a special event at the Taft Coliseum during the Ohio State Fair. For the first time ever, eight lucky contestants were drawn live from the studio audience to compete with 8 other pre-selected contestants.

More than 5,000 people attended the show. Holly Curry, Mansfield - a contestant drawn live at the show - was the grand prize winner, walking away with \$350,000.

Overall, a combined \$609,300 was awarded to the 16 contestants. More than \$50,000 in cash prizes was given away to audience members as well.





STATISTICAL SECTION

This section of the Ohio Lottery's Annual Comprehensive Financial Report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Lottery's overall financial health.

FINANCIAL TRENDS

These schedules contain trend information to help readers understand how the Lottery's financial performance and position has changed over time. The information presented includes changes in net position, sales, and transfer data specific to the Lottery as well as the lottery industry as a whole.

REVENUE CAPACITY

These schedules contain information to help readers assess the Lottery's most significant revenue source. Sales information, included in the financial trends section, provides data about the various games available to the public. The Lottery's statewide retailer network determines the market exposure for the Lottery's games.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help readers understand the environment within which the Lottery operates.

OPERATING INFORMATION

These schedules contain information about the Lottery's organization and efficiency.

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports or the audited financial statements for the relevant year.

OHIO LOTTERY - CHANGE IN NET POSITION

LAST TEN FISCAL YEARS • IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Plus: Total Operating Revenues	\$ 2,939.8	\$ 3,288.0	\$ 3,776.4	\$ 3,987.2	\$ 3,933.3	\$ 4,153.3	\$ 4,423.6	\$ 4,294.2	\$ 5,515.5	\$ 5,624.1
Less: Prizes & Commissions	1,945.1	2,158.9	2,568.5	2,699.0	2,711.9	2,861.3	3,067.2	3,038.7	3,926.7	3,959.0
Less: Cost of Tickets Sold/ Vendor Fees	-	-	55.0	55.4	60.1	49.7	53.3	61.4	74.1	67.3
Less: Operating Expenses	121.4	121.0	75.9	89.5	90.9	92.2	105.9	96.2	79.4	85.6
Operating Income (Loss)	\$ 873.3	\$ 1,008.2	\$ 1,077.0	\$ 1,143.3	\$ 1,070.4	\$ 1,150.1	\$ 1,197.2	\$ 1,097.9	\$ 1,435.3	\$ 1,512.2
Plus: Non-Operating Income	-	16.9	19.1	35.1	(7.4)	2.4	35.7	43.5	(12.7)	(25.1)
Less: Non-Operating Expense	137.6	30.7	30.3	24.4	21.3	20.9	17.8	15.1	13.0	11.6
Less: Transfers	803.1	1,004.3	1,090.0	1,116.1	1,040.6	1,087.7	1,153.9	1,127.1	1,359.0	1,405.4
Change In Net Position	\$ (67.4)	\$ (9.9)	\$ (24.2)	\$ 37.9	\$ 1.1	\$ 43.9	\$ 61.2	\$ (0.8)	\$ 50.6	\$ 70.1
Change In Net Position	(67.4)	(9.9)	(41.6)	37.9	0.9	43.9	61.2	(0.8)	50.6	70.1
Total Net Position - Beginning	238.5	171.1	161.2	119.6	157.5	142.3	186.2	247.4	246.6	297.2
Total Net Position - Ending(2)	\$ 171.1	\$ 161.2	\$ 119.6	\$ 157.5	\$ 158.4	\$ 186.2	\$ 247.4	\$ 246.6	\$ 297.2	\$ 367.3

OHIO LOTTERY - NET POSITION

LAST TEN FISCAL YEARS • IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Investment In Capital Assets	\$ 1.7	\$ 2.1	\$ 15.7	\$ 26.8	\$ 20.9	\$ 25.6	\$ 17.3	\$ 13.4	\$ 8.0	\$ 6.6
Restricted For Net Unrealized Gains On Restricted Investments	85.1	73.8	66.3	77.4	47.0	28.0	57.2	99.5	91.0	84.2
Unrestricted	84.3	85.3	37.6	53.3	90.5	132.6	172.9	133.7	198.2	276.5
Total Net Position	\$ 171.1	\$ 161.2	\$ 119.6	\$ 157.5	\$ 158.4	\$ 186.2	\$ 247.4	\$ 246.6	\$ 297.2	\$ 367.3

OHIO LOTTERY - CAPITAL ASSETS

LAST TEN FISCAL YEARS • IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capital Assets										
Lottery Equipment	\$ (0.3)	\$ -	\$ 13.8	\$ 24.4	\$ 18.4	\$ 23.2	\$ 14.9	\$ 10.4	\$ 4.9	\$ 2.1
Vehicles	1.1	1.4	1.3	1.6	1.9	1.8	1.8	1.4	1.4	1.0
Data / Office Equipment	0.8	0.7	0.6	0.8	0.6	0.6	0.6	1.6	1.7	3.5
Net Investments In Capital Assets	\$ 1.6	\$ 2.1	\$ 15.7	\$ 26.8	\$ 20.9	\$ 25.6	\$ 17.3	\$ 13.4	\$ 8.0	\$ 6.6

RATIO OF OUTSTANDING DEBT SCHEDULE • CAPITAL LEASE

LAST TEN FISCAL YEARS • IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Capital Lease ⁽¹⁾	\$ 33.0	\$ 15.4	\$ 13.1	\$ 10.1	\$ 6.3	\$ 3.2	\$ 4.7	\$ 2.9	\$ 14.9	\$ 11.4
Percentage of Annual Lottery Sales	1.2%	0.6%	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.3%	0.3%

(1) The Debt will be paid by Lottery Ticket Sales.

(2) Net position in Fiscal Year 2018 was restated in Fiscal Year 2018 to reflect the adjustment made for the cumulative effect of change in accounting principles.

Note: The Ohio Lottery changed the way expenses are classified for Fiscal Year 2015 and subsequent fiscal years

REVENUES

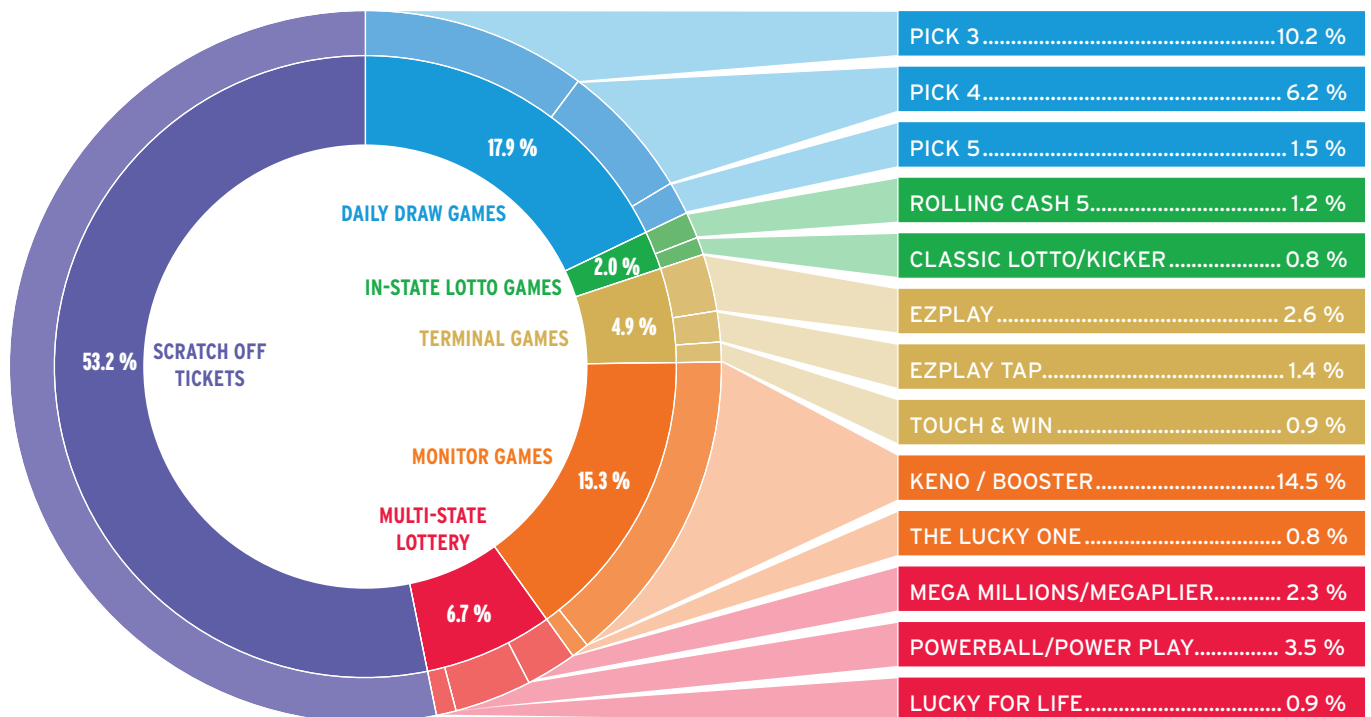
LAST TEN FISCAL YEARS - IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Draw Sales										
Pick 3	\$ 345.2	\$ 339.0	\$ 338.0	\$ 343.0	\$ 340.0	\$ 340.1	\$ 354.0	\$ 400.6	\$ 485.9	\$ 438.2
Pick 4	189.8	185.8	192.8	200.3	201.0	205.1	216.9	240.5	284.0	267.7
Pick 5	28.0	27.9	33.3	36.4	38.1	40.8	44.5	51.2	66.1	64.5
Ten-OH ⁽¹⁾	0.8	-	-	-	-	-	-	-	-	-
Rolling Cash 5	61.5	63.4	62.6	60.3	55.5	53.0	52.1	51.7	57.0	51.2
Classic Lotto/Kicker ⁽²⁾	46.6	60.1	35.7	35.8	30.9	34.4	31.4	28.8	28.0	36.6
Raffle/Multi-State Raffle	9.1	1.0	7.0	-	3.6	-	-	-	-	-
EZPLAY	68.0	84.8	99.8	115.2	120.2	113.2	100.4	88.4	112.2	110.7
EZPLAY Tap	-	-	24.0	31.5	30.0	31.8	40.8	38.9	44.8	59.6
Touch & Win ⁽³⁾	-	-	-	0.7	16.0	19.5	30.4	31.4	35.2	38.4
Keno / Booster	251.5	298.1	329.5	365.9	396.3	421.1	453.9	439.4	577.4	621.6
The Lucky One ⁽⁴⁾	-	-	-	-	-	11.6	16.9	20.1	28.7	32.6
Mega Millions/Megaplier ⁽²⁾	102.8	133.4	113.3	102.2	93.3	120.1	192.7	102.0	152.7	99.9
Powerball/Power Play	166.6	122.8	105.0	193.5	129.8	148.1	143.3	85.2	120.1	151.2
Lucky For Life	-	-	-	14.1	19.9	20.7	20.4	19.5	22.2	37.6
Total Draw-Based Sales	1,269.9	1,316.3	1,341.0	1,498.9	1,474.6	1,559.5	1,697.7	1,597.7	2,014.3	2,009.8
Scratch Off Sales	1,428.0	1,426.8	1,551.0	1,560.7	1,527.1	1,600.6	1,663.0	1,873.8	2,315.9	2,287.9
Total Ticket Sales	2,697.9	2,743.1	2,892.0	3,059.6	3,001.7	3,160.1	3,360.7	3,471.5	4,330.2	4,297.7
VLT Revenue	165.5	437.6	773.0	868.9	926.6	987.3	1058.6	820.9	1,186.2	1,331.3
VLT License Revenue	70.0	100.1	105.2	50.1	0.1	0.1	0.2	0.2	0.1	0.1
Other Revenues	6.3	7.2	6.2	8.6	4.9	5.8	4.1	1.6	(1.0)	(5.0)
Total Revenues	\$ 2,939.8	\$ 3,288.0	\$ 3,776.4	\$ 3,987.2	\$ 3,933.3	\$ 4,153.3	\$ 4,423.6	\$ 4,294.2	\$ 5,515.5	\$ 5,624.1

- (1) In August 2012, the Ten-OH game was replaced by Pick 5.
- (2) The Kicker was retired from Mega Millions in 2011 and was replaced by Megaplier; Kicker was reintroduced in 2012 as a add-on feature to Classic Lotto.
- (3) QuickKeno was rebranded to EZPLAY Touch & Win in January 2018.
- (4) The Lucky One game was introduced on January 21, 2018

SALES BY GAME

FISCAL YEAR 2022



PRIZE PAYOUT AS A PERCENTAGE OF TRADITIONAL LOTTERY SALES

LAST TEN FISCAL YEARS • IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SALES										
Draw-Based	\$ 1,269.9	\$ 1,316.3	\$ 1,341.0	\$ 1,498.9	\$ 1,474.6	\$ 1,559.5	\$ 1,697.7	\$ 1,597.7	\$ 2,014.3	\$ 2,009.8
Scratch Offs	1,428.0	1,426.8	1,551.0	1,560.7	1,527.1	1,600.6	1,663.0	1,873.8	2,315.9	2,287.9
Total Ticket Sales	\$ 2,697.9	\$ 2,743.1	\$ 2,892.0	\$ 3,059.6	\$ 3,001.7	\$ 3,160.1	\$ 3,360.7	\$ 3,471.5	\$ 4,330.2	\$ 4,297.7
PRIZE EXPENSE										
Draw-Based	\$ 683.0	\$ 705.7	\$ 758.5	\$ 838.2	\$ 834.2	\$ 879.9	\$ 981.9	\$ 927.0	\$ 1,168.2	\$ 1,133.6
Scratch Offs	985.1	992.3	1,116.8	1,094.4	1,075.8	1,118.8	1,157.9	1,332.3	1,673.4	1,658.1
Total Prize Expense	\$ 1,668.1	\$ 1,698.0	\$ 1,875.3	\$ 1,932.6	\$ 1,910.0	\$ 1,998.7	\$ 2,139.8	\$ 2,259.3	\$ 2,841.6	\$ 2,791.7
PRIZE PAYOUT PERCENTAGE										
Draw-Based	53.8%	53.6%	56.6%	55.9%	56.6%	56.2%	57.8%	58.0%	58.0%	56.4%
Scratch Offs	69.0%	69.5%	72.0%	70.1%	70.4%	69.9%	69.6%	71.1%	72.3%	72.5%

TRADITIONAL LOTTERY EXPENSES

LAST TEN FISCAL YEARS • IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Prizes	\$ 1,668.1	\$ 1,698.0	\$ 1,875.3	\$ 1,932.6	\$ 1,910.0	\$ 1,998.7	\$ 2,139.8	\$ 2,259.3	\$ 2,841.6	\$ 2,791.7
Bonuses/Commissions	166.9	169.9	179.2	188.6	185.7	206.1	223.4	233.6	296.3	282.1
Cost of Tickets Sold and Vendor Fees	-	-	55.4	55.0	60.1	49.7	53.3	61.4	74.1	67.3
Operating Expenses	116.5	113.8	75.9	89.5	90.9	92.2	105.9	86.5	70.1	80.6
Payments to Education	752.5	764.9	739.9	784.1	739.4	794.7	810.1	846.3	958.6	968.9
Total Sales	\$ 2,697.9	\$ 2,743.1	\$ 2,892.0	\$ 3,059.6	\$ 3,001.7	\$ 3,160.1	\$ 3,360.7	\$ 3,471.5	\$ 4,330.2	\$ 4,297.7

VIDEO LOTTERY TERMINALS (VLT)

GROSS GAMING REVENUE, COMMISSIONS TO VLSA'S, OPERATING EXPENSES AND PAYMENTS TO EDUCATION

LAST TEN FISCAL YEARS - IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Commissions to VLSA's	\$ 110.1	\$ 291.0	\$ 514.0	\$ 577.8	\$ 616.2	\$ 656.6	\$ 704.0	\$ 545.9	\$ 788.8	\$ 885.3
Lottery Net Revenue	55.5	146.6	259.0	291.1	310.4	330.7	354.6	275.0	397.4	446.0
Operating Expenses	4.9	7.2	8.8	9.1	9.2	9.2	10.8	9.7	9.3	5.0
Accrued - Profits to Education - Paid in July	-	-	-	-	-	28.5	29.5	14.3	36.7	36.7
Payments to Education	50.6	139.4	250.1	282.0	301.2	293.0	343.8	264.5	400.4	436.5
Gross Gaming Revenue	\$ 165.6	\$ 437.6	\$ 773.0	\$ 868.9	\$ 926.6	\$ 987.3	\$ 1,058.6	\$ 820.9	\$ 1,186.2	\$ 1,331.3

TOTAL EXPENSES, INCLUDING VLT ACTIVITY

LAST TEN FISCAL YEARS • IN MILLIONS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Sales (including GGR)	\$ 2,863.5	\$ 3,180.7	\$ 3,665.0	\$ 3,928.5	\$ 3,928.3	\$ 4,147.4	\$ 4,419.3	\$ 4,292.4	\$ 5,516.4	\$ 5,629.0
Direct Game Costs:										
Prizes	1,668.1	1,698.0	1,875.3	1,932.6	1,910.0	1,998.7	2,139.8	2,259.3	2,841.6	2,791.7
Bonuses and Commission	277.0	460.9	693.2	766.4	801.9	862.7	927.4	779.5	1,085.1	1,167.4
Cost of Tickets Sold and Vendor Fees	-	-	55.4	55.0	60.1	49.7	53.3	61.4	74.1	67.3
Operating Expenses	121.4	121.0	84.7	98.6	100.1	101.4	116.7	96.2	79.4	85.6
Accrued - Profits to Education - Paid in July	-	-	-	-	-	28.5	29.5	14.3	36.7	36.7
Payments to Education	\$ 803.1	\$ 904.3	\$ 990.0	\$ 1,066.1	\$ 1,040.6	\$ 1,087.7	\$ 1,153.9	\$ 1,127.1	\$ 1,359.0	\$ 1,405.4

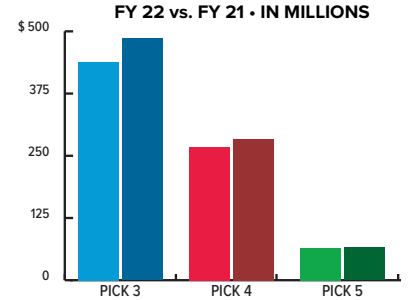
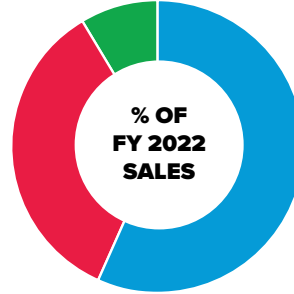
OHIO LOTTERY • REVENUES

LAST 10 FISCAL YEARS • IN MILLIONS

DAILY DRAW

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PICK 3	\$ 345.2	\$ 339.0	\$ 338.0	\$ 343.0	\$ 340.0	\$ 340.1	\$ 354.0	\$ 400.6	\$ 485.9	\$ 438.2
PICK 4	189.8	185.8	192.8	200.3	201.0	205.1	216.9	240.5	284.0	267.7
PICK 5 ⁽¹⁾	28.0	27.9	33.3	36.4	38.1	40.8	44.5	51.2	66.1	64.5
TOTAL DAILY DRAW SALES	\$ 563.0	\$ 552.7	\$ 564.1	\$ 579.7	\$ 579.1	\$ 586.0	\$ 615.4	\$ 692.3	\$ 836.0	\$ 770.4

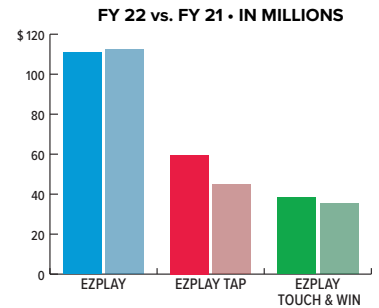
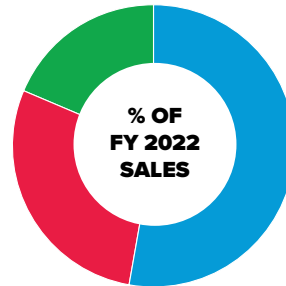
SALES	% OF FY22 SALES	FY22	FY21	DIFF
PICK 3	56.9 %	\$ 438.2	\$ 485.9	\$ (47.7)
PICK 4	34.7 %	267.7	284.0	(16.3)
PICK 5	8.4 %	64.5	66.1	(1.6)
	<u>100.0 %</u>	<u>\$ 770.4</u>	<u>\$ 836.0</u>	<u>\$ (65.6)</u>



EZPLAY GAMES

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EZPLAY	\$ 68.0	\$ 84.8	\$ 99.8	\$ 115.2	\$ 120.2	\$ 113.2	\$ 100.4	\$ 88.4	\$ 112.2	\$ 110.7
EZPLAY TAP	-	-	24.0	31.5	30.0	31.8	40.8	38.9	44.8	59.6
EZPLAY Touch & Win	-	-	-	0.7	16.0	19.5	30.4	31.4	35.2	38.4
TOTAL EZPLAY SALES	\$ 68.0	\$ 84.8	\$ 123.8	\$ 147.4	\$ 166.2	\$ 164.5	\$ 171.6	\$ 158.7	\$ 192.2	\$ 208.7

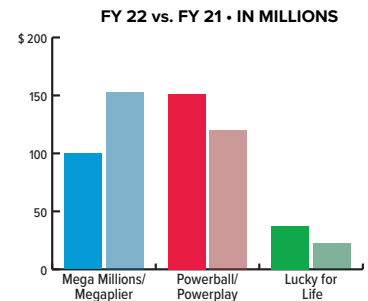
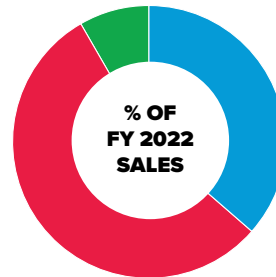
SALES	% OF FY22 SALES	FY22	FY21	DIFF
EZPLAY	53.0 %	\$ 110.7	\$ 112.2	\$ (1.5)
EZPLAY TAP	28.6 %	59.6	44.8	14.8
EZPLAY TOUCH & WIN	18.4 %	38.4	35.2	3.2
	<u>100.0 %</u>	<u>\$ 208.7</u>	<u>\$ 192.2</u>	<u>\$ 16.5</u>



MULTI-STATE GAMES

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
MEGA MILLIONS/MEGAPLIER ⁽²⁾	\$ 102.8	\$ 133.4	\$ 113.3	\$ 102.2	\$ 93.3	\$ 120.1	\$ 192.7	\$ 102.0	\$ 152.7	\$ 99.9
POWERBALL/POWER PLAY ⁽³⁾	166.6	122.8	105.0	193.5	129.8	148.1	143.3	85.2	120.1	151.2
LUCKY FOR LIFE	-	-	-	14.1	19.9	20.7	20.4	19.5	22.2	37.6
TOTAL MULTI-STATE SALES	\$ 269.4	\$ 256.2	\$ 218.3	\$ 309.8	\$ 243.0	\$ 288.9	\$ 356.4	\$ 206.7	\$ 295.0	\$ 288.7

SALES	% OF FY22 SALES	FY22	FY21	DIFF
MEGA MILLIONS/MEGAPLIER	34.6 %	\$ 99.9	\$ 152.7	\$ (52.8)
POWERBALL/POWER PLAY	52.4 %	151.2	120.1	31.1
LUCKY FOR LIFE	13.0 %	37.6	22.2	15.4
	<u>100.0 %</u>	<u>\$ 288.7</u>	<u>\$ 295.0</u>	<u>\$ (6.3)</u>



OHIO LOTTERY • REVENUES

LAST 10 FISCAL YEARS • IN MILLIONS

DAILY LOTTO

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CLASSIC LOTTO/KICKER ⁽²⁾	\$ 46.6	\$ 60.1	\$ 35.7	\$ 35.8	\$ 30.9	\$ 34.4	\$ 31.4	\$ 28.8	\$ 28.0	\$ 36.6
RAFFLE/MULTI-STATE RAFFLE	9.1	1.0	7.0	-	3.6	-	-	-	-	-
TEN-OH ⁽¹⁾	0.8	-	-	-	-	-	-	-	-	-
ROLLING CASH 5	61.5	63.4	62.6	60.3	55.5	53.0	52.1	51.7	57.0	51.2
TOTAL DAILY LOTTO GAME SALES	\$ 118.0	\$ 124.5	\$ 105.3	\$ 96.1	\$ 90.0	\$ 87.4	\$ 83.5	\$ 80.5	\$ 85.0	\$ 87.8

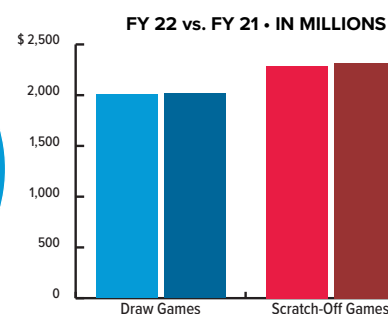
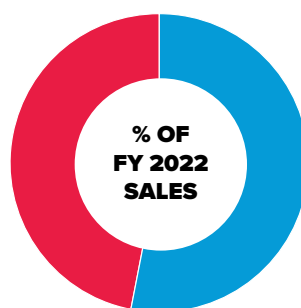
KENO

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
KENO/BOOSTER ⁽³⁾	\$ 251.5	\$ 298.1	\$ 329.5	\$ 365.9	\$ 396.3	\$ 421.1	\$ 453.9	\$ 439.4	\$ 577.4	\$ 621.6
THE LUCKY ONE ⁽⁴⁾	-	-	-	-	-	11.6	16.9	20.1	28.7	32.6

TOTAL REVENUE

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
DRAW GAME TICKET SALES	\$ 1,269.9	\$ 1,316.3	\$ 1,341.0	\$ 1,498.9	\$ 1,474.6	\$ 1,559.5	\$ 1,697.7	\$ 1,597.7	\$ 2,014.3	\$ 2,009.8
SCRATCH-OFF GAMES SALES	1,428.0	1,426.8	1,551.0	1,560.7	1,527.1	1,600.6	1,663.0	1,873.8	2,315.9	2,287.9
VLT REVENUE	165.5	437.6	773.0	868.9	926.6	987.3	1,058.6	820.9	1,186.2	1,331.3
VLT LICENSE REVENUE	70.0	100.1	105.2	50.1	0.1	0.1	0.2	0.2	0.1	0.1
OTHER REVENUES ⁽⁵⁾	6.3	7.2	6.2	8.6	4.9	5.8	4.1	1.6	(1.0)	(5.0)
TOTAL REVENUES	\$ 2,939.7	\$ 3,288.0	\$ 3,776.4	\$ 3,987.2	\$ 3,933.3	\$ 4,153.3	\$ 4,423.6	\$ 4,294.2	\$ 5,515.5	\$ 5,624.1

SALES	% OF FY22 SALES	FY22	FY21	DIFF
DRAW GAME TICKET SALES	46.8%	\$ 2,009.8	\$ 2,014.3	\$ (4.5)
SCRATCH-OFF TICKET SALES	53.2%	2,287.9	2,315.9	(28.0)
	100.0%	\$ 4,297.7	\$ 4,330.2	\$ (32.5)



(1) In August 2012, the Ten-OH game was replaced by Pick 5.

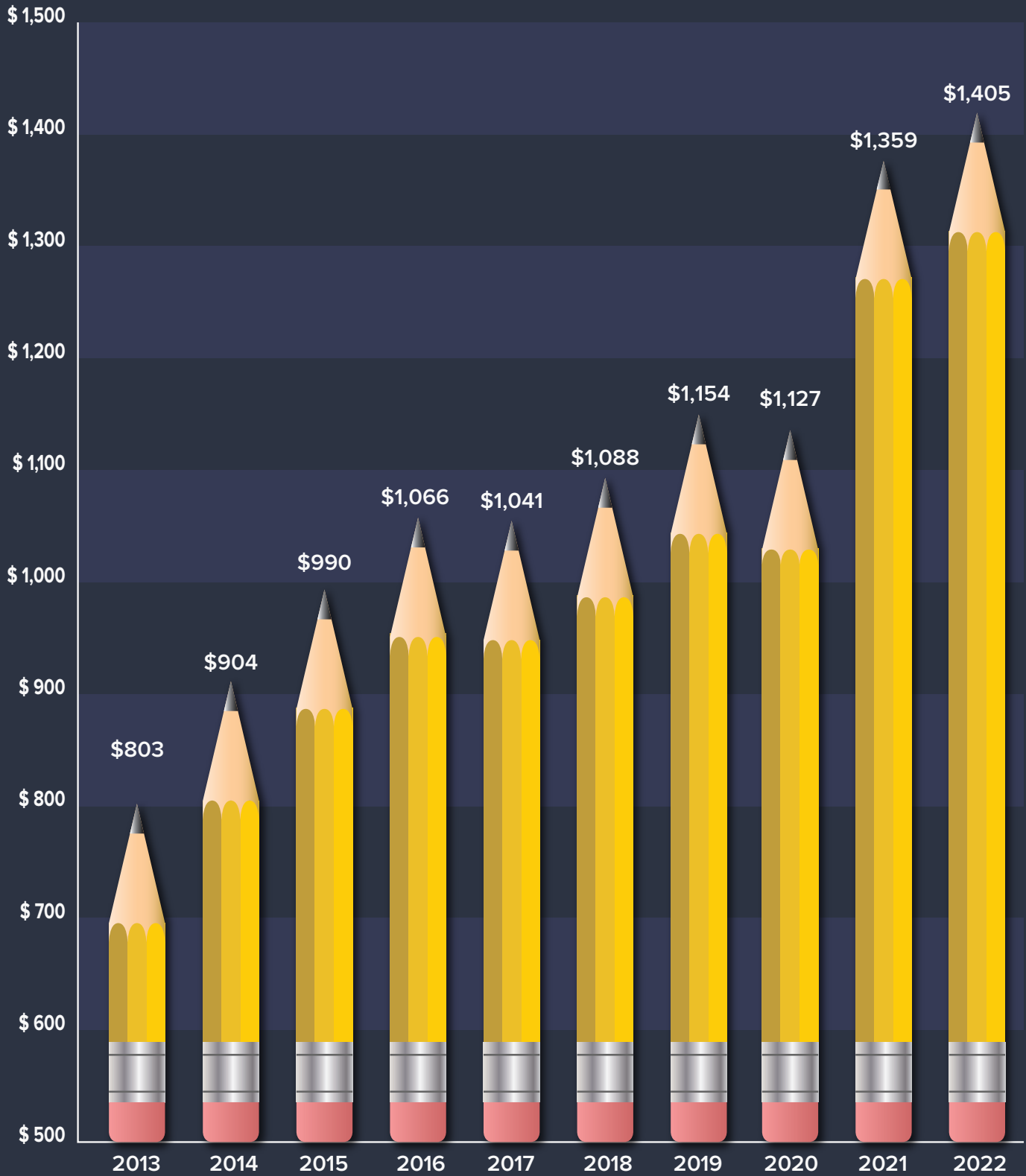
(2) The Kicker was retired from Mega Millions in 2011 and was replaced by Megaplier; Kicker was reintroduced in 2012 as an add-on feature to Classic Lotto.

(3) Booster option and Powerball/Powerplay added in Fiscal Year 2010.

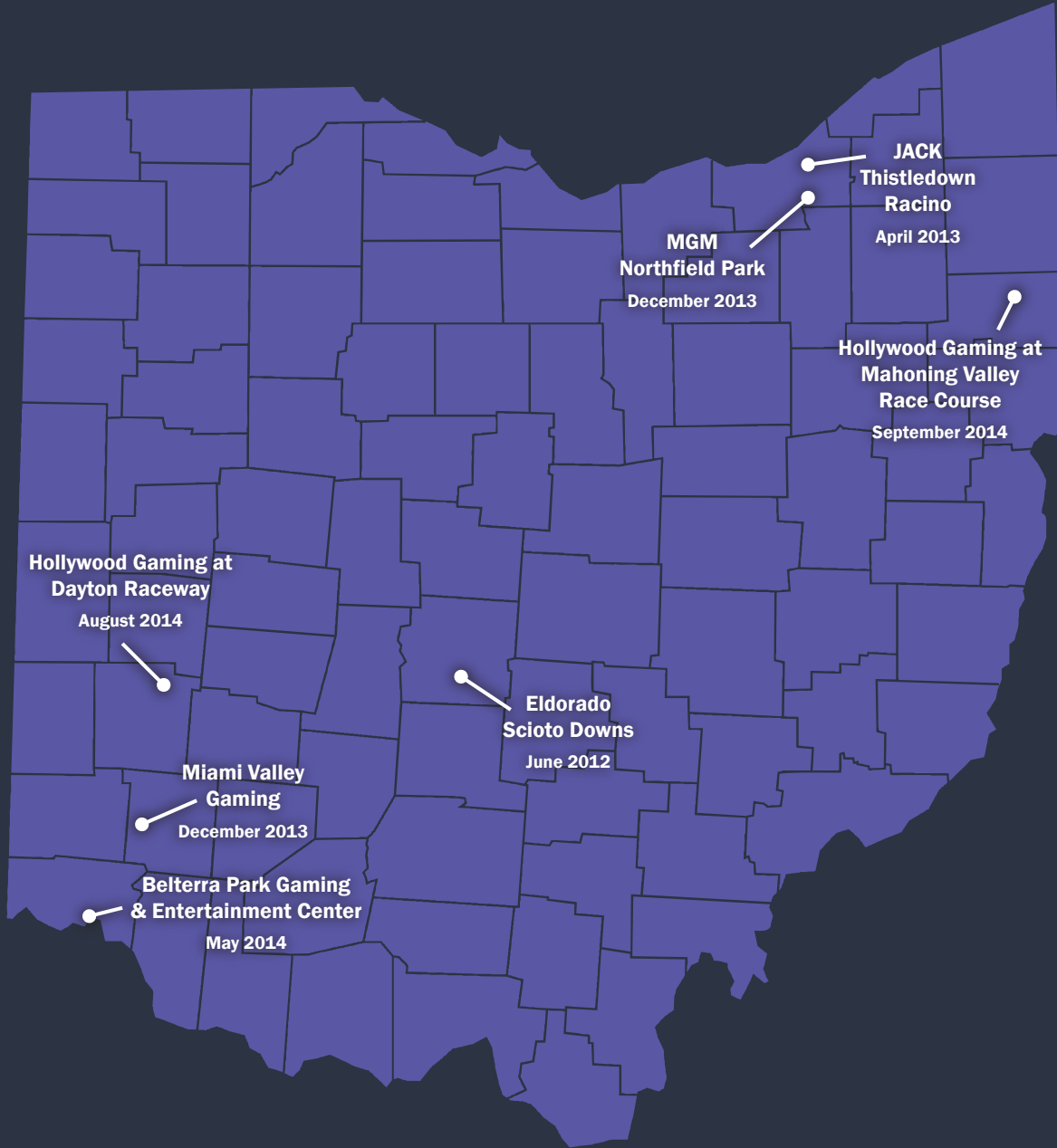
(4) The Lucky One game was introduced on January 21, 2018

(5) Other revenues include interest income and an adjustment for unrealized gain/losses as a result of GASB 31 reporting.

OHIO LOTTERY • TRANSFERS TO EDUCATION
LAST 10 FISCAL YEARS • IN MILLIONS



**TOTAL VIDEO LOTTERY TERMINAL (VLT) SALES
IN MILLIONS**



**Percent Change of
Net Win from FY 2021**



	ELDORADO SCIOTO DOWNS	JACK THISTLEDOWN RACINO	MGM AT NORTHFIELD PARK	MIAMI VALLEY GAMING	BELTERRA PARK GAMING	HOLLYWOOD GAMING AT DAYTON RACEWAY	HOLLYWOOD GAMING AT MAHONING VALLEY	TOTAL
DATE OPENED	JUNE 2012	APRIL 2013	DECEMBER 2013	DECEMBER 2013	MAY 2014	AUGUST 2014	SEPTEMBER 2014	
Average # of VLTs	2,081	1,560	1,654	2,180	1,177	974	1,027	10,653
Net Win FY22	\$232.6	\$191.7	\$281.0	\$219.3	\$95.0	\$153.2	\$158.5	1,331.3
Racino Commission	153.9	126.8	186.0	145.1	62.8	101.4	104.9	880.9
Ohio Lottery Commission	78.0	64.2	94.1	73.5	31.8	51.3	53.1	446.0
Problem Gambling Services	0.8	0.7	0.9	0.7	0.3	0.5	0.5	4.4

U.S. LOTTERY INDUSTRY STATEMENT OF OPERATIONS

RANK BY SALES^(a) FISCAL YEAR 2021^(b)

IN MILLIONS

	U. S. LOTTERY	POPULATION	TOTAL TICKET SALES	PRIZES	BONUSES/ COMMISSIONS	OPERATING EXPENSES	PRIZES AS % OF TOTAL SALES	PER CAPITA SALES
1	Florida	21.8	\$9,076.2	\$6,135.2	\$509.9	\$205.1	67.6%	\$417
2	California	39.2	8,417.9	5,610.6	585.9	353.6	66.7%	215
3	Texas	29.5	8,107.2	5,418.3	432.1	279.6	66.8%	275
4	New York	19.8	7,666.1	4,414.5	458.9	-	57.6%	386
5	Massachusetts	7.0	5,820.9	4,283.6	333.3	99.5	73.6%	833
6	Georgia	10.8	5,634.4	3,709.3	342.9	210.1	65.8%	522
7	Pennsylvania	13.0	5,420.0	3,539.9	306.7	248.9	65.3%	418
8	Michigan	10.1	5,046.1	3,057.0	370.9	200.7	60.6%	502
9	OHIO	11.8	4,330.1	2,841.6	296.3	153.5	65.6%	368
10	North Carolina	10.6	3,805.4	2,462.4	261.7	147.8	64.7%	361
11	New Jersey	9.3	3,795.1	2,245.2	214.3	126.1	59.2%	410
12	Illinois	12.7	3,447.7	2,329.4	166.6	182.4	67.6%	272
13	Virginia	8.6	3,259.0	2,206.8	139.3	147.3	67.7%	377
14	Maryland	6.2	2,600.6	1,656.0	197.2	-	63.7%	422
15	South Carolina	5.2	2,415.8	1,593.7	170.0	50.3	66.0%	465

(a) Sales excludes video lottery, (b) Latest information available

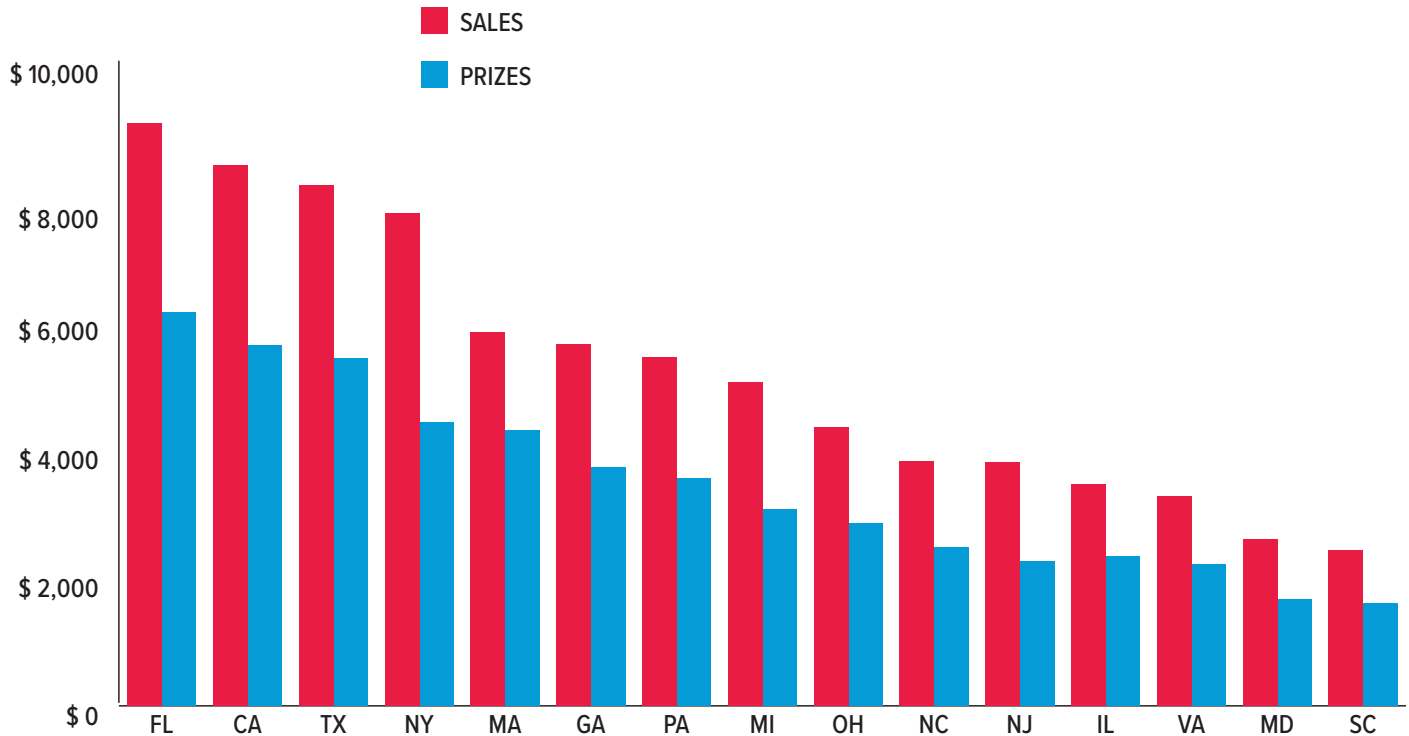
The fiscal year ends June 30 for all US states except New York (March 31), Texas (August 31), and Michigan (September 30).

The population figures used for the U.S. states were published by the Bureau of the Census on July 1, 2022.

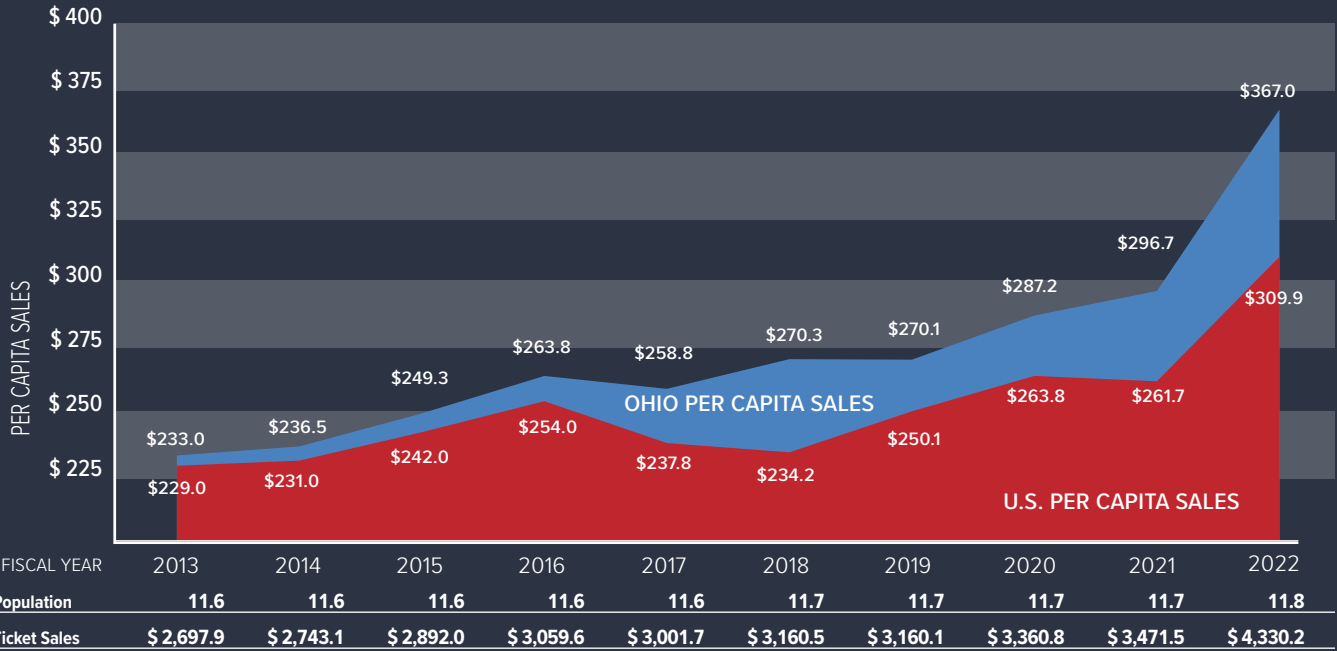
Source: "La Fleur's 2021 World Lottery Almanac"

U.S. LOTTERY INDUSTRY • FISCAL YEAR 2021

IN MILLIONS



OHIO LOTTERY • PER CAPITA SALES LAST TEN FISCAL YEARS • IN MILLIONS

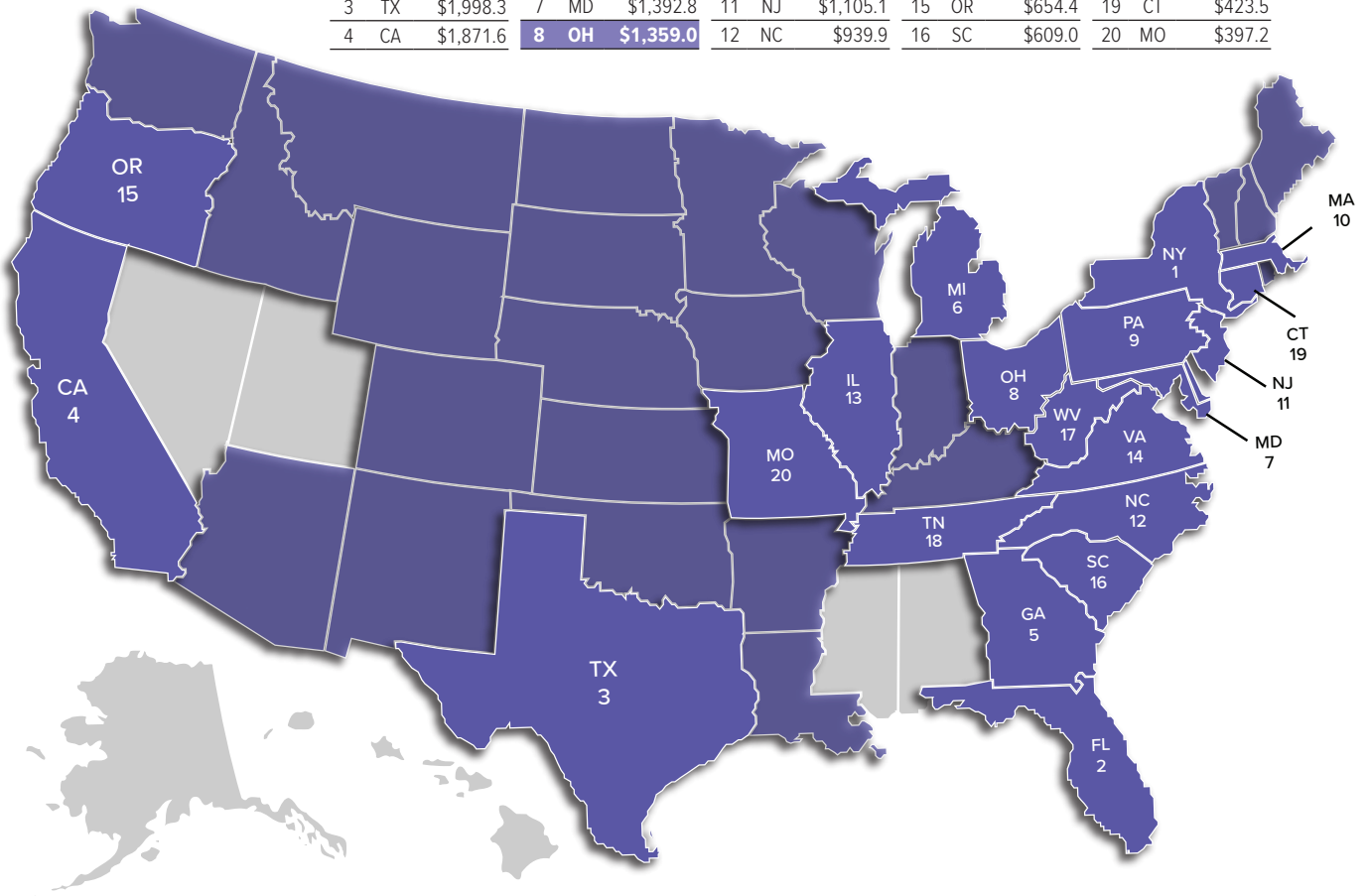


Source: "La Fleur's 2022 World Lottery Almanac" • ⁽¹⁾ 2020 US Lotteries Per Capita Sales is estimated

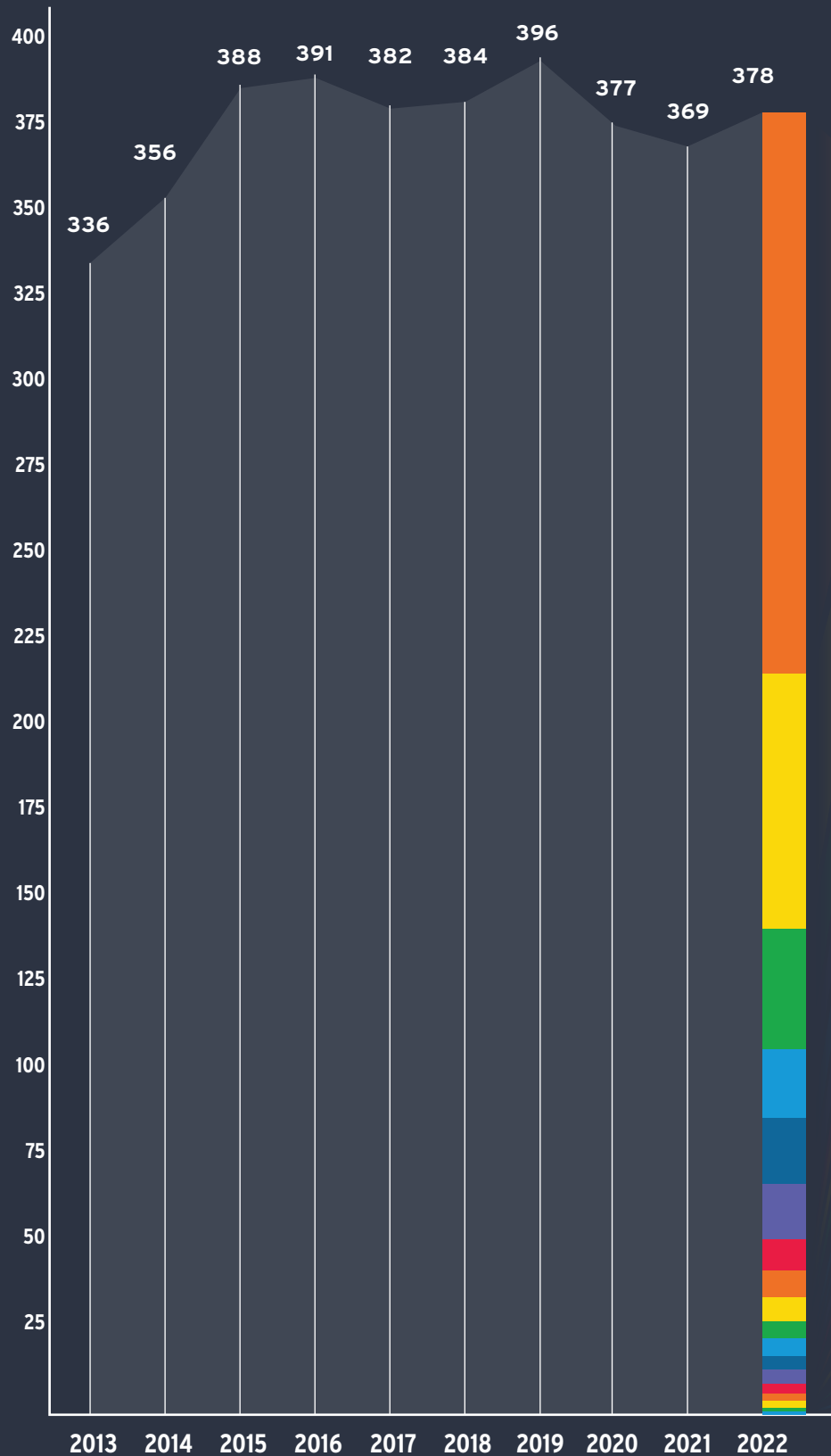
TOP 20 U.S. LOTTERY GOVERNMENT TRANSFERS • FY 2021

IN MILLIONS

1 NY	\$2,902.0	5 GA	\$1,545.0	9 PA	\$1,324.5	13 IL	\$776.3	17 WV	\$577.4
2 FL	\$2,236.6	6 MI	\$1,425.3	10 MA	\$1,112.6	14 VA	\$766.7	18 TN	\$501.5
3 TX	\$1,998.3	7 MD	\$1,392.8	11 NJ	\$1,105.1	15 OR	\$654.4	19 CT	\$423.5
4 CA	\$1,871.6	8 OH	\$1,359.0	12 NC	\$939.9	16 SC	\$609.0	20 MO	\$397.2



OHIO LOTTERY • NUMBER OF EMPLOYEES
 LAST TEN FISCAL YEARS • AS OF JUNE 30, 2022



TOTAL EMPLOYEES
378

EMPLOYEES BY OFFICE

Sales	163
Investigations & Security	74
Information Technology	35
Finance	20
General Services	19
Operations	16
Commissioners	9
Marketing	8
Human Resources and Labor Relations	7
Executive Management	5
Internal Audit	5
Legal Counsel	4
Sports Gaming	4
Communications	3
Product Development, Strategic Planning and Analytics	2
Responsible Gambling Department	2
Government & Community Relations	1
Legislative Department	1

OHIO LOTTERY • ACTIVE RETAILERS BY REGION AS OF JUNE 30, 2022

TOTAL LOTTERY RETAILERS:

10,185

CHANGE FROM
PRIOR FISCAL YEAR:

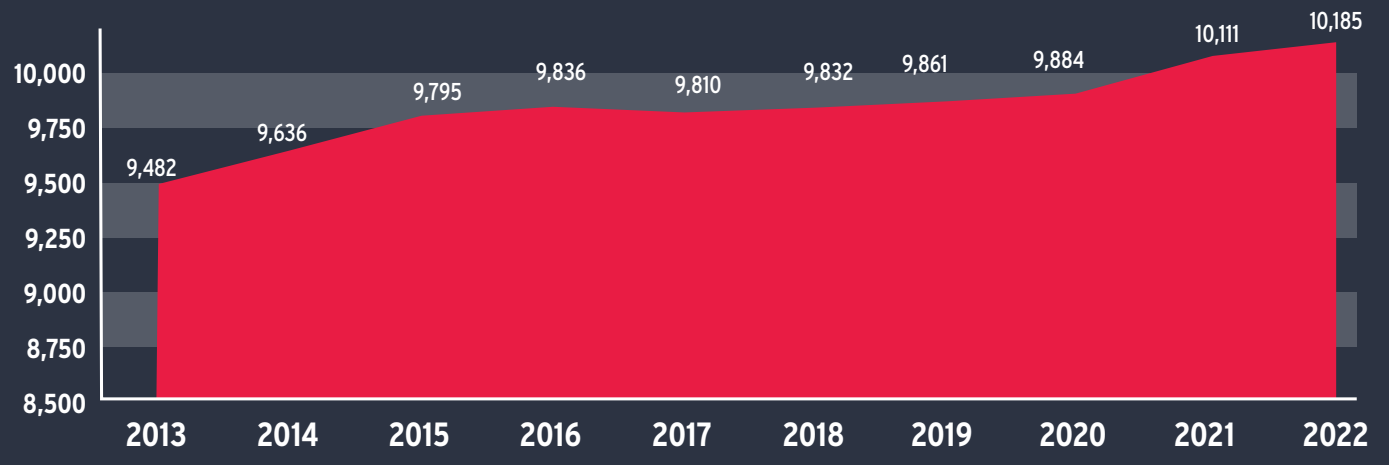
+74



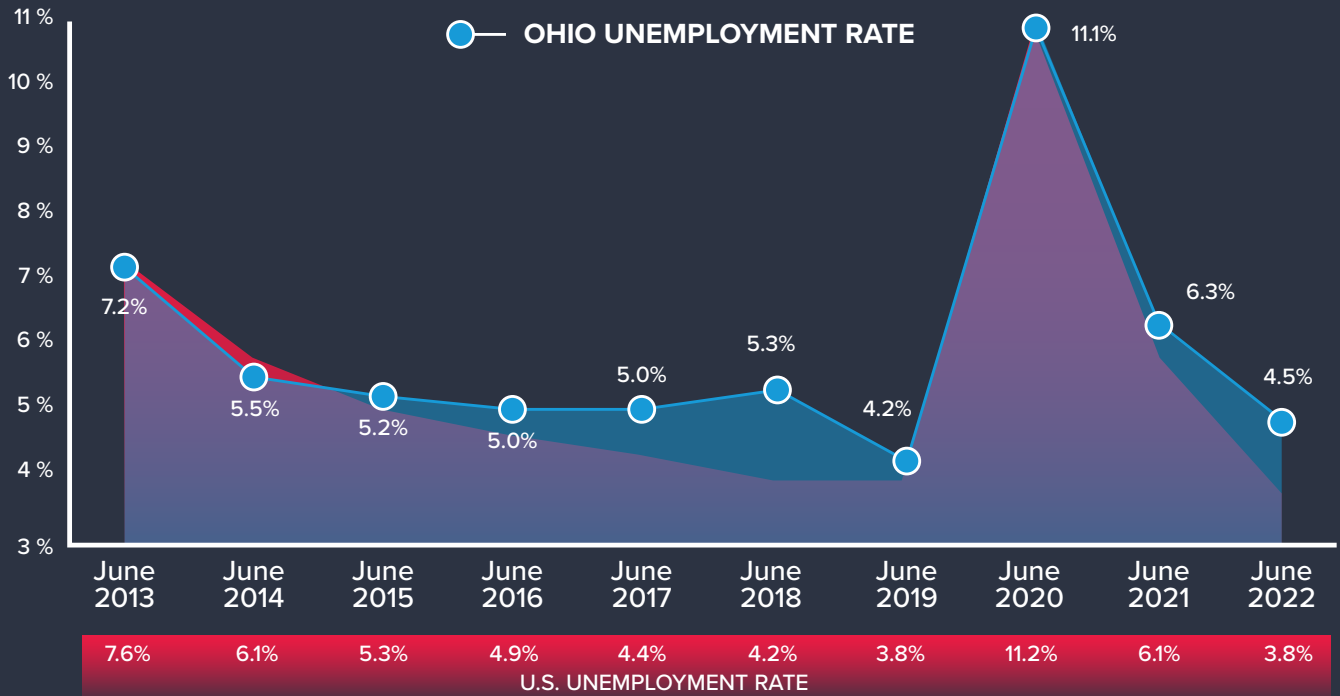
Region 1 - Cleveland
Region 2 - Toledo
Region 3 - Dayton
Region 4 - Cincinnati
Region 5 - Columbus
Region 6 - Athens
Region 7 - Akron-Canton
Region 8 - Youngstown
Region 9 - Lorain

TOTAL RETAILERS	REGION	PERCENT OF TOTAL	NET CHANGE
1,178	5. COLUMBUS	11.6%	-12
1,282	7. AKRON-CANTON	12.6%	22
1,065	4. CINCINNATI	10.5%	23
1,303	2. TOLEDO	12.8%	6
1,739	1. CLEVELAND	17.1%	-6
541	3. DAYTON	5.3%	10
1,323	8. YOUNGSTOWN	13.0%	4
936	9. LORAIN	9.2%	9
818	6. ATHENS	8.0%	18

LOTTERY RETAILERS • LAST TEN FISCAL YEARS



UNEMPLOYMENT RATES • SEASONALLY ADJUSTED

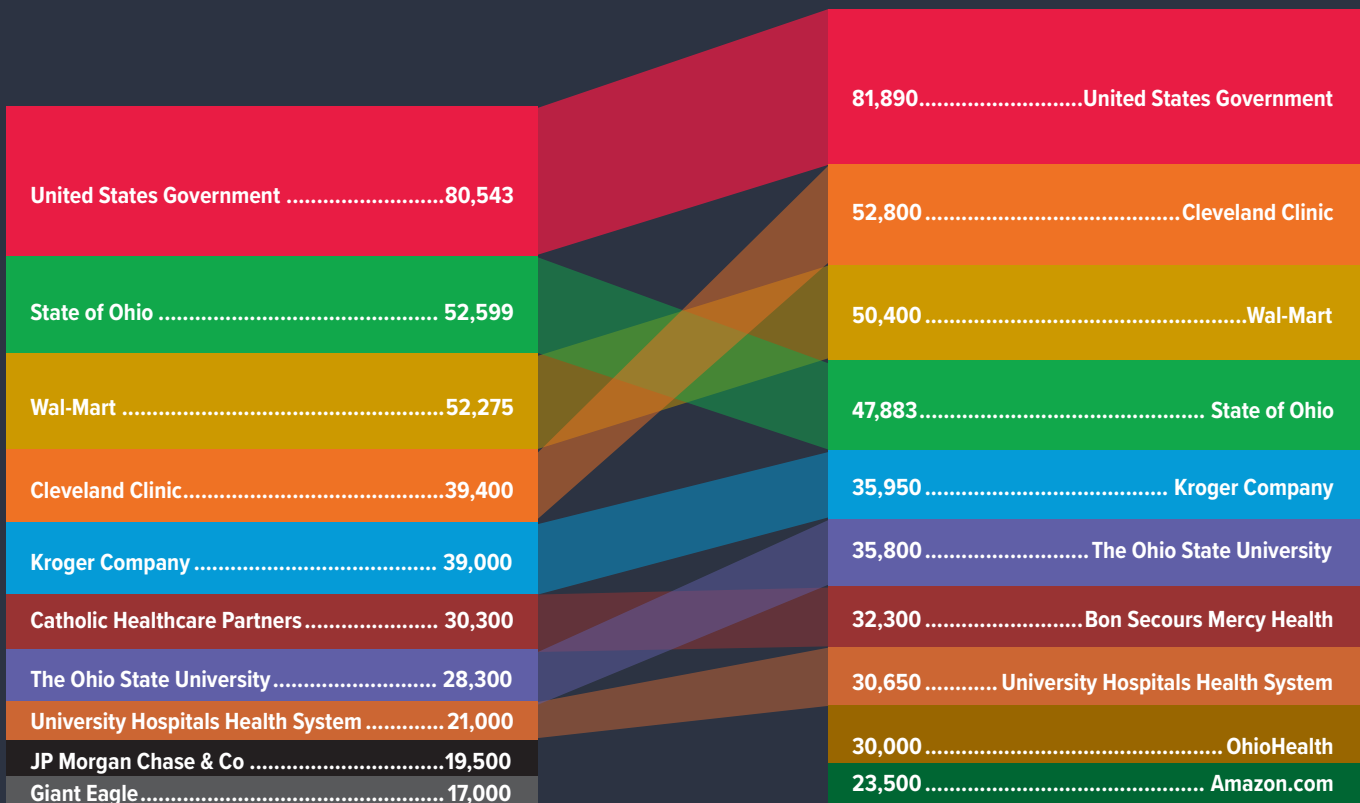


Source: Ohio Department of Job & Family Services

STATE OF OHIO • PRINCIPAL EMPLOYERS FOR CALENDAR YEARS 2011 AND 2020

2011

2020



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; Ohio Department of Services Agency, Office of Strategic Research; State of Ohio Comprehensive Annual Report for Fiscal Year 2021



OHIO LOTTERY COMMISSION

An Equal Opportunity Employer and Service Provider
615 West Superior Avenue • Cleveland, Ohio 44113-1875

