



FLORIDA LOTTERY
AN ENTERPRISE FUND OF THE STATE OF FLORIDA



THE PATH BEHIND, THE FUTURE AHEAD

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2025, AND 2024

FLORIDA LOTTERY
An Enterprise Fund of the State of Florida

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Years Ended June 30, 2025, and 2024

Reginald Dixon
ACTING SECRETARY

Prepared by:
General Accounting
Cindie L. McKenzie, Accounting Director
Christie Wade, Accounting and Finance Manager
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INTRODUCTORY SECTION

RON DESANTIS
Governor



REGINALD D. DIXON
Acting Secretary

January 29, 2026

The People of Florida

The Honorable Ron DeSantis, Governor

The Honorable Ben Albritton, President of the Senate

The Honorable Daniel Perez, Speaker of the House of Representatives

To the People of Florida, Governor DeSantis, President Albritton, and Speaker Perez:

We are pleased to submit the Florida Lottery's (Lottery) Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2025, and 2024 in accordance with Section 24.123, Florida Statutes (F.S.). This report is prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Lottery management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge, the information presented is accurate and complete in all material respects and fairly depicts the financial activities and position of the Lottery.

The Auditor General has issued an opinion on the Lottery's financial statements for the fiscal years ended June 30, 2025, and 2024. The independent auditor's report is located at the front of the financial section of this report. Also, the Auditor General has issued an opinion on internal control over financial reporting for the fiscal year ended June 30, 2025, which is located after the statistical section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE LOTTERY

The operation of the Lottery by the State of Florida was authorized by a constitutional amendment approved by Florida voters in November of 1986. The Lottery was established as a State agency in 1987 with the enactment of the Florida Public Education Lottery Act, as amended, the purpose of which is to implement Section 15, Article X of the Florida Constitution. The Lottery's mission is to maximize revenues for the enhancement of public education while upholding the highest standards of integrity and public trust.

The Lottery is included within the financial reporting entity of the State of Florida as an enterprise fund. The fund is operated in a manner like a private business enterprise.

The Lottery's budget is prepared using the processes set forth in Chapter 216, F.S. The budgetary process for state agencies is outlined in the Other Required Supplementary Information Section of the State of Florida's ACFR or publications of the State of Florida Department of Financial Services, Office of the Chief Financial Officer.

During its 37 years of operation, the Lottery has offered a variety of Scratch-Off and Draw game products and promotions, which have generated over \$155 billion in revenues. Since inception, the Lottery has transferred more than \$48 billion to education. In fiscal year ended June 30, 2025, the Lottery had sales of approximately \$9.1 billion which provided approximately \$2.16 billion in contributions to education.

To date, the Lottery has introduced approximately 1,371 Scratch-Off games launching an average of 38 new games each year. The portfolio of games offered at any given time provides a wide range of play styles, game themes, and price points to appeal to a wide range of players. Prizes have included free tickets, merchandise, vacations, and life-changing top prizes of up to \$25 million. The Lottery has had measurable success strategically launching several "families of games" and has highlighted several key Scratch-Off games in its total advertising efforts. Additionally, the Lottery implements product placement initiatives focused on increased facings/footprint at the point-of-sale.

In Fiscal Year 2024-25, sales were driven by industry best-in-class Scratch-Off games, consisting of 38 new games which resulted in a 3.29% increase in Scratch sales from Fiscal Year 2023-24. The \$50 500X THE CASH and the \$20 GOLD RUSH LEGACY were the top performing Scratch-Off games in their price point. Lottery had the best-selling \$50, \$30, \$20, and \$5 games in the country based upon average weekly sales for the first 12 weeks. Other top-performing products in the Scratch-Off lineup included the MONOPOLY™ SECRET VAULT, GOLD RUSH MULTIPLIER and HOLIDAY BLOWOUT families of games, which collectively accumulated more than \$1.65 billion in sales during the year.

Draw games remain a staple to supporting the Lottery's mission of maximizing revenue to benefit Florida students and schools. The Lottery offers the following Draw games: FLORIDA LOTTO®, POWERBALL®, MEGA MILLIONS®, CASH4LIFE™, FANTASY 5®, JACKPOT TRIPLE PLAY™, PICK 2™, PICK 3™, PICK 4™, PICK 5™, and CASH POP™. Players can also choose add-on features for \$1 more, such as FIREBALL, EZmatch™, Double Play™, Power Play®, and Combo™ in conjunction with certain Draw games for additional excitement and opportunities to win more, or bigger prizes.

In Fiscal Year 2024-25, the Lottery's Draw game portfolio had sales exceeding \$2.30 billion and generating approximately \$779 million in contributions to education. In Fiscal Year 2024-25, the daily draw game Pick 5 had the biggest percentage increase in sales at 9.4% compared to any of the other draw games.

ECONOMIC CONDITION AND FINANCIAL INFORMATION

The main economic factors affecting lottery sales are population growth, personal income growth and employment. Based on the July 2025 Florida Economic Estimating Conference (Conference), Florida's population is forecasted to increase 1.40 percent and 1.32 percent for the fiscal years ending June 30, 2026, and 2027, respectively. Additionally, the July 2025 Conference produced forecasts for personal income growth to stabilize at 5.1 to 5.6 percent per year for Fiscal Year 2025-26 through Fiscal Year 2029-30 after five years at or above 6 percent growth. According to the July 2025 Economic Estimating Conference, Florida's unemployment rate is approximately 4 percent. After nearly four years of a tight labor market with low unemployment, the Conference expects the unemployment rate to near that stable level (3.9 percent) in Fiscal Year 2025-26 before rising further to 4.3 percent in Fiscal year 2026-27 and then to 4.4 percent in Fiscal Years 2027-28 and 2028-29.

ACCOUNTING SYSTEMS AND POLICIES

As an enterprise fund of the State of Florida, the Lottery operates as a business within the State government structure. The Lottery uses the accrual basis of accounting, following GAAP and GASB pronouncements.

INTERNAL CONTROLS

The Lottery maintains a system of internal controls to safeguard assets, prevent fraud and abuse, waste, and ensure the accuracy of financial information. Employee, retailer, and contractor standards are in place to minimize risk of loss or theft. There are inherent limitations with internal controls. Because the cost of an internal control should not exceed the benefits derived from it, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. A second inherent limitation of internal control is the risk of management override due to their levels of access. In addition, internal controls are primarily designed to prevent one individual from being able to steal assets, commit fraud, waste, abuse, or to manipulate the financial records of an entity. Some internal controls can be circumvented when two or more employees collude together.

DEBT ADMINISTRATION

Long-term liabilities are primarily installment payments owed to certain prize winners. Prize liabilities are funded by investments in U.S. Treasury Strips. These liabilities are paid as the securities mature (refer to Note 2 and Note 7 to the financial statements for additional details).

CASH MANAGEMENT

Cash from retailers is collected on a weekly basis through electronic funds transfer and is deposited into the Lottery's bank account. Cash balances are used to fund daily operations, including prize and vendor payments. Surplus cash is maintained in the State Treasury's general pool of investments (refer to Note 2 to the financial statements for additional details).

MAJOR INITIATIVES

The Lottery continuously works on new ways to attract players and increase sales to supports its goal of maximizing contributions to enhance education. Some of the strategies that we continue to actively pursue are:

- Increasing the Lottery's player base with innovative new products;
- Refreshing the Lottery brand through innovative approaches to technology;
- Improving market penetration through recruitment and diversification of the Lottery's retailer network; and
- Maximizing the effectiveness of the Lottery through execution of best practices.

ACKNOWLEDGMENTS

Preparation of the ACFR requires a significant investment of time and resources and would not be possible without the efficient and dedicated efforts of our accounting staff. Their remarkable efforts make this report possible.

Respectfully submitted,



Reginald D. Dixon
Acting Secretary



Rebecca J. Ajhar
Chief Financial Officer



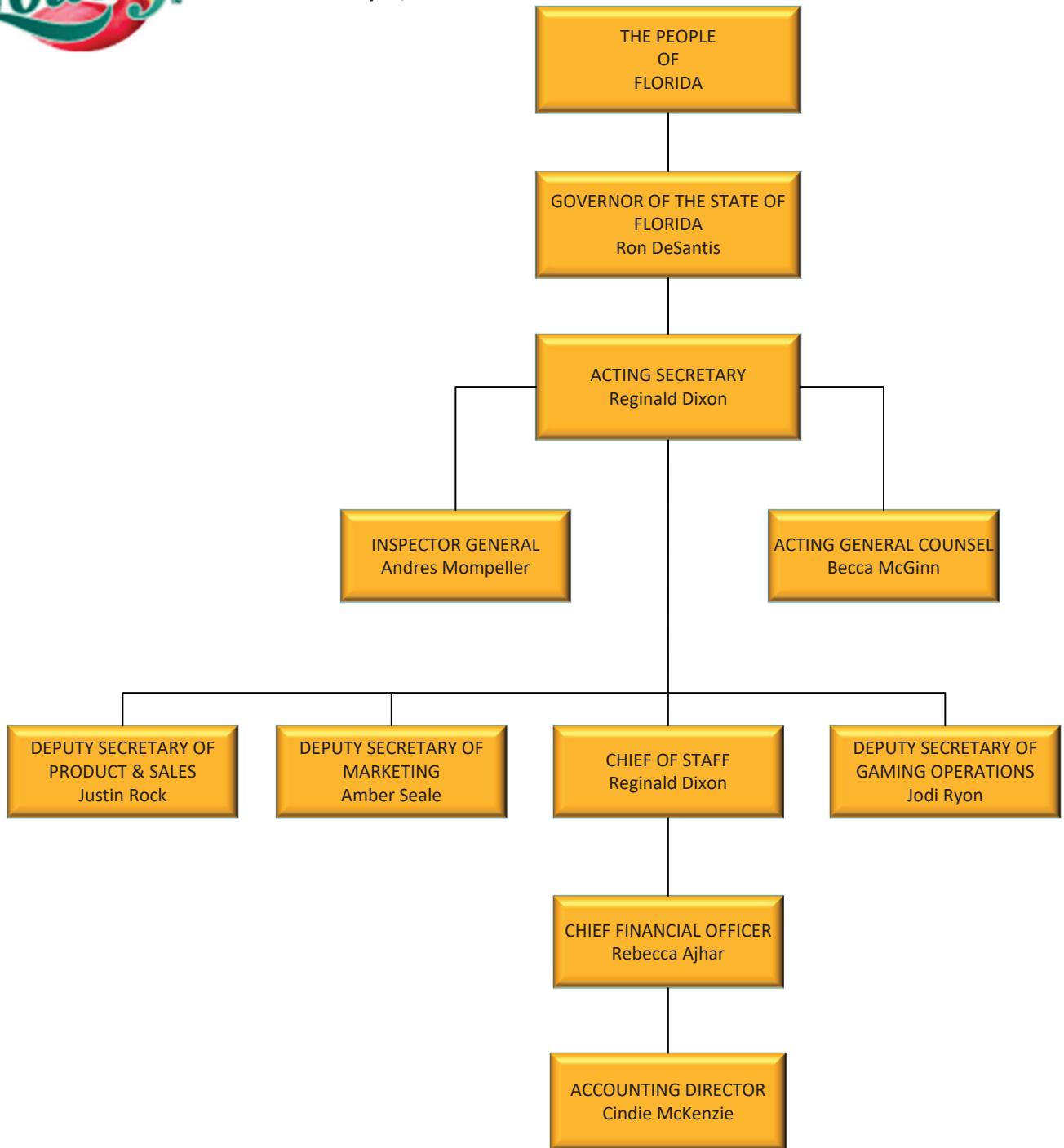
Cindie L. McKenzie
Accounting Director

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DEPARTMENT OF THE LOTTERY

as of January 29, 2026



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FINANCIAL SECTION

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Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Department of the Lottery (Lottery), an enterprise fund of the State of Florida, as of and for the fiscal years ended June 30, 2025, and June 30, 2024, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Lottery, as of June 30, 2025, and June 30, 2024, and the respective changes in financial position and cash flows thereof for the fiscal years then ended in accordance with 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 Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Lottery present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities and major funds of the State that is attributable to the transactions of the Lottery. These financial statements do not purport to, and do not, present fairly the financial position of the State of Florida as of June 30, 2025, and June 30, 2024, or the changes in its financial position and its cash flows for the years then ended in

accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is greater 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **Management's Discussion and Analysis** on pages 19 through 27, the **Schedules of the Lottery's Proportionate Share of the Net Pension Liability and Contributions** on pages 62 through 65, and the **Schedule of the Lottery's Proportionate Share of the State's Total Other Postemployment Benefits Liability** on pages 66 through 67, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the Introductory Section on pages 6 through 11 and the Statistical Section on pages 69 through 95, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026, on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of the Lottery's internal control over financial reporting as of June 30, 2025, based on criteria established in the *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and to express an opinion on the effectiveness of the Lottery's internal control over financial reporting. With respect to compliance, the purpose of that report is not to provide an opinion on compliance, but rather to describe the scope of our testing of compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 29, 2026
Audit Report No. 2026-089

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information presented in the Management's Discussion and Analysis (MD&A) introduces the Florida Lottery's (Lottery) financial statements and provides readers an analytical overview of the Lottery's financial activities and performance for the fiscal years ended June 30, 2025, and 2024. We encourage readers to consider the information presented here in conjunction with the transmittal letter beginning on page 6 of this report and Lottery's financial statements and notes to the financial statements, which begin on page 28.

Financial Highlights

The Lottery has as its mission the maximization of revenues for the benefit of education in a manner consistent with the dignity of the State of Florida and the welfare of its citizens. The Lottery is considered a mature lottery and offers its players a full range of both Scratch-Off and Draw products. The Lottery has been successful in sustaining ticket sales in excess of \$2 billion for the thirty-sixth consecutive fiscal year, with the past thirteen fiscal years exceeding \$5 billion. During the same thirty-six-year period, the transfer to the Educational Enhancement Trust Fund (EETF) has been a minimum of \$800 million annually, with the fiscal year 2025 transfer exceeding \$1 billion for the twenty-third consecutive year.

For the fiscal year ended June 30, 2025:

- Transfers to the EETF were approximately \$2.16 billion this fiscal year compared to \$2.39 billion in the prior fiscal year.
- The Lottery's ticket sales decreased by 3.02 percent over the prior fiscal year from approximately \$9.42 billion to \$9.13 billion.
- Approximately 74.85 percent of total sales were provided by the Scratch-Off product line, which increased by 3.29 percent from the prior fiscal year.
- Prize expense decreased \$48.20 million, which represents a 0.77 percent decrease during fiscal year 2025. The Lottery has the authority to vary the prize expense in order to maximize transfers. This expense typically increases or decreases in proportion to ticket sales and represented approximately 67.96 percent of ticket sales.
- The gaming vendor fees, and retailer commissions are based on sales and therefore fluctuate in direct correlation with sales revenue. Fiscal year 2025 expenses for these items decreased 2.01 percent over the prior fiscal year expenses in conjunction with the decrease in sales.
- Administrative operating expenses, which include advertising, salaries and benefits, leases, utilities and maintenance, professional fees, depreciation, and other administrative expenses, experienced an increase of approximately \$1.36 million. Administrative operating expenses for fiscal years 2025 and 2024 were \$96.81 million and \$95.44 million, respectively.
- Nonoperating income increased \$3.90 million over the prior fiscal year. The increase was primarily due to an increase of \$6.03 million in interest and a decrease of \$2.38 million in net appreciation in the fair value of investments.

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Overview of the Financial Statements

The Lottery is accounted for as an enterprise fund, reporting transactions using the accrual basis of accounting similar to the method used by business entities. This MD&A is intended to serve as an introduction to the Lottery's basic financial statements, including the notes to the financial statements. The Statements of Net Position on page 28, the Statements of Revenues, Expenses, and Changes in Net Position on page 30, and the Statements of Cash Flows on page 31 report the Lottery's net position and changes therein. The notes to the financial statements provide additional information that is essential to a reader's understanding of the data provided in the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

The Lottery transfers its net profits each fiscal year to the EETF. As a result, the Lottery's net position consists of funds invested in capital assets, unrestricted net position, and restricted net position. Unrestricted net position consists of liabilities for which no cash payments will be made and undistributed depreciation in fair value of investments. The restricted net position consists of the investments being held by the Lottery to fund deferred prize payouts, 20 percent of unclaimed prizes designated for future prize payouts or promotions, and the Multi-State Lottery Association (MUSL) deposit amounts. The financial statements do include the cumulative effect of periodic adjustments to recognize the fair value of the grand prize investments despite the fact that the Lottery purchased the investments with the intention of holding the investments until maturity in order to meet the future obligations and, therefore, would not realize any gains or losses related to these investments for distribution as net proceeds.

Summary of Net Position

Table 1 presents a comparative summary of the Lottery's Condensed Statements of Net Position for fiscal years 2025, 2024, and 2023.

**Table 1 - Condensed Statements of Net Position
As of June 30, 2025, 2024, and 2023
(In Thousands)**

	2025	2024	2023
Current Assets	\$ 464,321	\$ 499,573	\$ 447,928
Restricted Assets	363,521	351,030	344,549
Capital Assets, Net of Depreciation	20,904	22,636	27,937
Total Assets	848,746	873,239	820,414
Total Deferred Outflows of Resources	12,458	13,076	13,802
Current Liabilities	468,222	506,702	468,272
Current Liabilities Payable from Restricted Assets	26,686	24,079	23,619
Noncurrent Liabilities	262,075	274,113	276,575
Total Liabilities	756,983	804,894	768,466
Total Deferred Inflows of Resources	15,417	17,610	21,609
Net Position:			
Invested in Capital Assets	2,891	2,786	3,663
Restricted Net Position	158,390	136,228	118,038
Unrestricted Net Position	(72,477)	(75,203)	(77,560)
Total Net Position	\$ 88,804	\$ 63,811	\$ 44,141

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Financial Analysis

Assets

Total assets at the end of fiscal year 2025 decreased \$24.49 million from \$873.24 million at June 30, 2024, to \$848.75 million at June 30, 2025. At the end of fiscal year 2024, total assets were \$52.83 million more than the \$820.41 million at the end of fiscal year 2023.

- The decrease in total assets from 2024 to 2025 is primarily related to a decrease of \$31.91 million in cash and cash equivalents and an increase of \$14.90 million in accounts receivable, net.
- The increase in total assets from 2023 to 2024 is primarily related to an increase of \$62.81 million in cash and cash equivalents and a decrease of \$11.67 million in grand prize investments.

Deferred Outflows of Resources

Total deferred outflows of resources as of June 30, 2025, were \$12.46 million, reflecting a decrease of approximately \$618,000 over June 30, 2024, amount of \$13.08 million, due to a decrease of \$2.38 million in Pension related items and an increase of \$1.76 million in other postemployment benefits related items.

Total deferred outflows of resources as of June 30, 2024, were \$13.08 million, reflecting a decrease of approximately \$726,000 over June 30, 2023, amount of \$13.80 million, due to a decrease of \$239,000 in Pension related items and \$487,000 in other postemployment benefits related items.

Liabilities

Total liabilities at June 30, 2025, were \$756.98 million, which was approximately \$47.91 million lower than the total liabilities of \$804.89 million at June 30, 2024. The total liabilities at June 30, 2024, were \$36.42 million more than the June 30, 2023, amount of \$768.47 million.

- Current liabilities decreased by \$38.48 million from June 30, 2024, to June 30, 2025. This decrease can be primarily attributed to the decrease of \$28.22 million in the amount to prizewinners, and a decrease of \$13.48 million for the amount Due to the EETF. Noncurrent liabilities decreased by \$12.04 million. This decrease can be primarily attributed to a decrease of \$14.26 million in Grand prizes payable.
- Current liabilities increased by \$38.43 million from June 30, 2023, to June 30, 2024. This increase can be primarily attributed to the increase of \$60.92 million in the amount to prizewinners, and a decrease of \$21.83 million for the amount Due to the EETF. Noncurrent liabilities decreased by \$2.46 million from June 30, 2023, to June 30, 2024. This decrease can be primarily attributed to a decrease of \$5.72 million for Grand prizes payable.

Deferred Inflows of Resources

Total deferred inflows of resources as of June 30, 2025, were \$15.42 million, reflecting a decrease of \$2.19 million over June 30, 2024. This decrease was due to a \$3.07 million decrease in other postemployment benefits related items (refer to Note 9 to the financial statements for additional

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details). At the end of fiscal year 2024, deferred inflows decreased \$4.00 million over June 30, 2023, which was \$21.61 million.

Net Position

Net position increased \$24.99 million from June 30, 2024, to June 30, 2025. Net position at June 30, 2025, 2024, and 2023 were \$88.80 million, \$63.81 million, and \$44.14 million, respectively.

- The \$24.99 million increase in net position at June 30, 2025, is primarily due to an increase of \$18.41 million in restricted for future prizes or special prize promotions and a \$3.76 million increase in restricted for MUSL.
- The \$19.67 million increase in net position at June 30, 2024, is primarily due to an increase of \$16.82 million in restricted for future prizes or special prize promotions and a \$2.36 million increase in unrestricted net position.

The Lottery joined MUSL sixteen years ago in order to participate in the Powerball® with Powerplay® game and on May 15, 2013, the Lottery began participating in Mega Millions® with Megaplier®. In accordance with MUSL's rules, the Lottery must contribute to various prize reserve funds maintained by MUSL for unforeseen prize payouts related to the Powerball with Powerplay and Mega Millions® with Megaplier® games. The Lottery's deposits in reserve funds with MUSL totaled \$37.64 million and \$33.89 million as of June 30, 2025, and June 30, 2024, respectively. (Refer to Note 6 to the financial statements for further details.)

Summary of Revenues, Expenses, and Changes in Net Position

The most important element demonstrated with the Lottery's financial statements is the transfer to the EETF. Accordingly, the primary focus of these financial statements is determining net income available for transfer, rather than the change in net position of the Lottery, which primarily reflects the changes in fair value of restricted investments.

Table 2 presents the Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ended June 30, 2025, and the prior fiscal years ended June 30, 2024, and June 30, 2023, as derived from the Lottery's Statements of Revenues, Expenses, and Changes in Net Position.

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**Table 2 - Condensed Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2025, 2024, and 2023
(In Thousands)**

	2025	2024	2023
Operating Revenues:			
Ticket Sales	\$ 9,132,887	\$ 9,417,515	\$ 9,801,783
Bad Debt Expense	(1,176)	(915)	(1,308)
Terminal & Retailer Fees and Miscellaneous	7,723	7,646	7,489
Total Operating Revenues	<u>9,139,434</u>	<u>9,424,246</u>	<u>9,807,964</u>
Operating Expenses:			
Prizes	6,206,453	6,254,657	6,555,700
Retailer Commissions	556,212	571,612	571,384
Vendor Commissions	123,446	121,971	127,255
Other Expenses	96,810	95,441	81,898
Total Operating Expenses	<u>6,982,921</u>	<u>7,043,681</u>	<u>7,336,237</u>
Income from Operations	<u>2,156,513</u>	<u>2,380,565</u>	<u>2,471,727</u>
Nonoperating Revenue, Net of Expenses	<u>30,586</u>	<u>26,689</u>	<u>(6,697)</u>
Income Before Transfers	<u>2,187,099</u>	<u>2,407,254</u>	<u>2,465,030</u>
Transfers to EETF	<u>(2,162,106)</u>	<u>(2,387,584)</u>	<u>(2,453,410)</u>
Change in Net Position	<u>24,993</u>	<u>19,670</u>	<u>11,620</u>
Net Position, Beginning	<u>63,811</u>	<u>44,141</u>	<u>32,521</u>
Net Position, End of Year, as restated (see Note 1W)	<u>\$ 88,804</u>	<u>\$ 63,811</u>	<u>\$ 44,141</u>

Financial Analysis

Sales

Total ticket sales for the fiscal year 2025 decreased \$284.63 million from \$9.42 billion for the fiscal year 2024, to \$9.13 billion for fiscal year 2025. At the end of fiscal year 2024, total sales were \$384.27 million less than the \$9.80 billion for the fiscal year 2023.

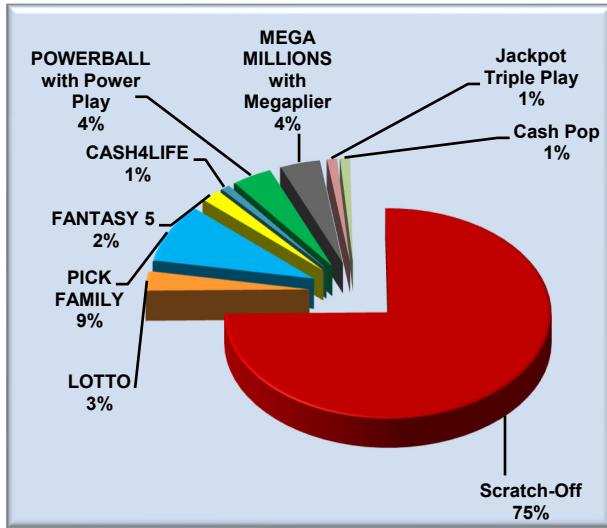
- Scratch-Off sales increased by \$217.68 million while Draw Game sales decreased by \$502.31 million in fiscal year 2025. The decrease in Draw Game sales was primarily due to the multi-state jackpot games POWERBALL® and Mega Millions® only producing one jackpot over \$1 billion each.
- Scratch-Off sales decreased by \$425.80 million while Draw Game sales increased by \$41.53 million in fiscal year 2024. The increase in Draw Game sales was primarily due to the multi-state jackpot games POWERBALL® having three jackpots that exceeded \$1 billion. Fiscal year 2024 saw record inflation and increasing interest rates across the economy. Recognizing the impact rising costs had on discretionary spending, the decline in Scratch-Off sales can be attributed to changes in economic conditions that negatively affected consumer budgets.

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

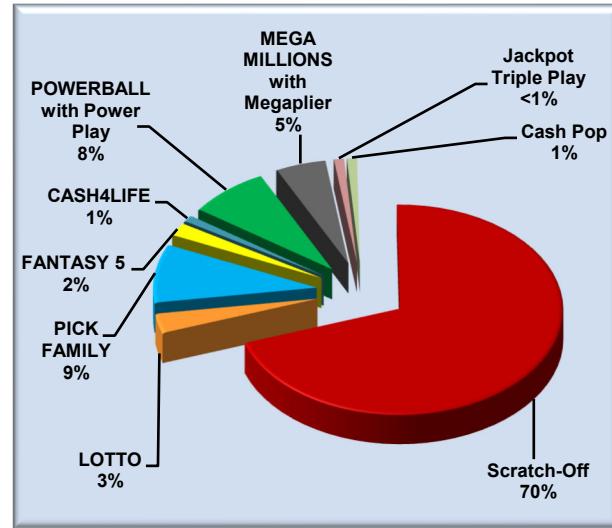
Bad debt expense is reported as a reduction in gross revenue in accordance with GASB requirements. The amount of bad debt expense for the fiscal years ended June 30, 2025, 2024, and 2023, was \$1.18 million, \$915,000, and \$1.31 million, respectively.

The following charts show sales by product for the various Lottery games during the fiscal years 2025 and 2024:

Sales by Product for Fiscal Year 2024-25



Sales by Product for Fiscal Year 2023-24



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The following chart and table show sales by game for the last three fiscal years:

Department of the Lottery Historical Lottery Sales by Game (In Thousands)

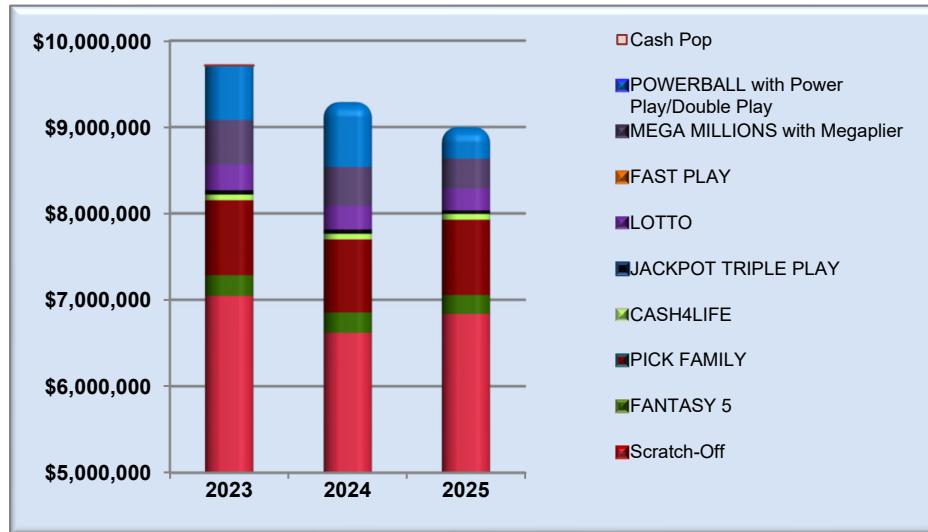


Table 3 Department of the Lottery Historical Lottery Sales by Game Last Three Fiscal Years (In Thousands)

Fiscal Year Ended June 30	POWERBALL with Power Play/Double Play										MEGA MILLIONS with Megaplier			Combined Sales	
	LOTTO	FANTASY 5	PICK FAMILY	CASH4LIFE	JACKPOT TRIPLE PLAY	Play/Double Play	Megaplier	Cash Pop	Scratch-Off						
2023	\$ 300,130	\$ 240,694	\$ 866,457	\$ 64,578	\$ 50,535	\$ 632,586	\$ 511,587	\$ 91,339	\$ 7,043,877						\$ 9,801,783
2024	273,797	234,193	844,165	65,800	49,047	750,904	450,061	131,469	6,618,079						\$ 9,417,515
2025	255,284	218,562	870,121	66,289	42,069	364,593	343,017	137,193	6,835,759						\$ 9,132,887

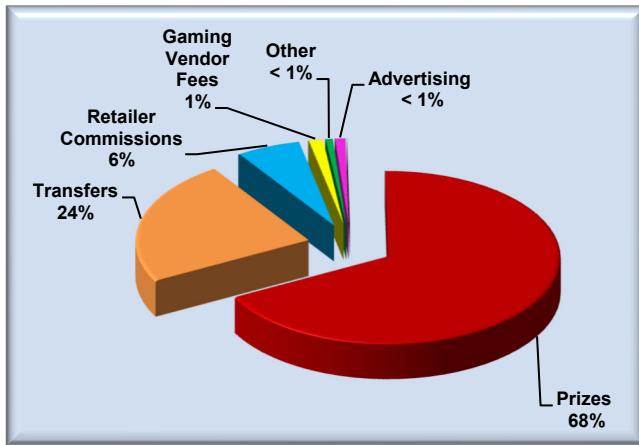
Expenses

Section 24.121, Florida Statutes, stipulates that funds remaining in the Operating Trust Fund after the transfer to the EETF shall be used for the payment of administrative expenses of the Lottery. These expenses include Draw game expenses, Scratch-Off ticket expenses, advertising, and other expenses required for the day-to-day operations of the Lottery.

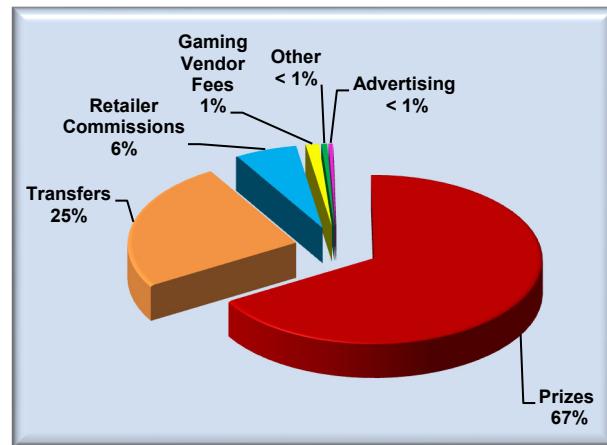
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The following charts show the major components of Lottery operating expenses and transfers as a percentage of ticket sales for the 2025 and 2024 fiscal years:

Operating Expenses and Transfers
Fiscal Year 2024-25



Operating Expenses and Transfers
Fiscal Year 2023-24



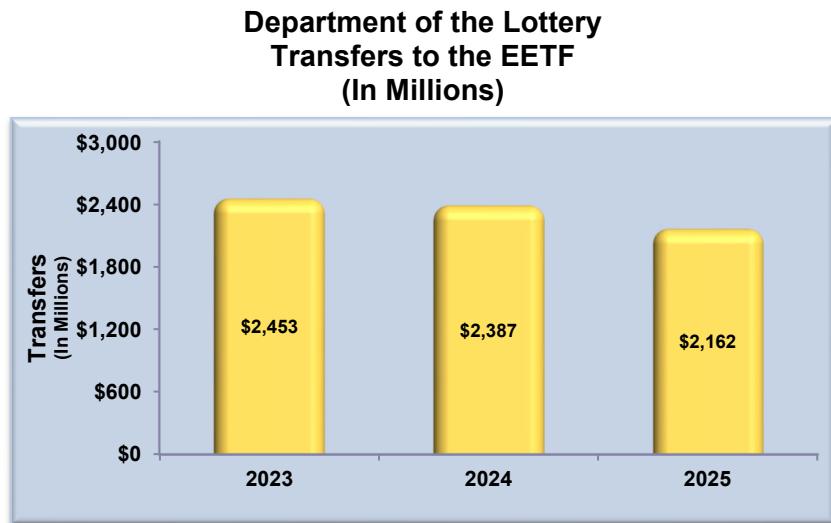
Prizes, commissions, and gaming vendor fees are directly related to sales and fluctuate accordingly. In fiscal year 2025, these expenses changed proportionally; yet as a percentage of total expenses they remained constant. The other expenses, which consisted of advertising, salary and benefits, professional fees, leases, maintenance, and depreciation, reflect an increase. Fiscal year 2025, 2024, and 2023 administrative expenses were \$96.81 million, \$95.44 million, and \$81.90 million, respectively.

Transfers

Since its inception, the Lottery's total transfers to the EETF have reached over \$48 billion. The Lottery's contribution to the EETF for fiscal year ended June 30, 2025, was \$2.16 billion. The Lottery has contributed over \$1 billion for the twenty-third consecutive year.

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The following chart shows the total transfers to the EETF for the past three years:



Economic Factors and Future Impacts

The main economic factors affecting lottery sales are population growth, personal income changes, tourism, and competition for discretionary consumer spending. Florida's unemployment rate increased from 3.3 percent in fiscal year 2024 to 3.7 percent during fiscal year 2025. In fiscal year 2025, Lottery sales were approximately \$9.13 billion. The Lottery's strategies have revolved around enhancing Draw and Scratch-Off games, increasing retailer penetration in the State, and refreshing the Lottery's brand.

Financial Contact

The Lottery's financial statements and this MD&A are designed to give a general overview to the reader. If you have any questions regarding this report or require additional information, please contact the State of Florida, Department of the Lottery, Accounting Director, 250 Marriott Drive, Capitol Complex, Tallahassee, Florida 32399.

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION AS OF JUNE 30, 2025, AND 2024 (in thousands)

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 385,875	\$ 436,196
Interest receivable	2,198	1,872
Accounts receivable, net	73,507	58,611
Inventories	1,072	1,235
Prepaid expenses	-	-
Security deposits	1,669	1,659
Total Current Assets	<u>464,321</u>	<u>499,573</u>
Noncurrent Assets:		
Restricted Assets		
Cash and cash equivalents	120,748	102,341
Deposit with MUSL	37,642	33,887
Investments, grand prize	205,131	214,802
Total Restricted Assets	<u>363,521</u>	<u>351,030</u>
Capital assets, net	20,904	22,636
Total Noncurrent Assets	<u>384,425</u>	<u>373,666</u>
Total Assets	<u>848,746</u>	<u>873,239</u>
Deferred Outflows of Resources		
Pension related items	6,011	8,387
Other postemployment benefits related items	6,447	4,689
Total Deferred Outflows of Resources	<u>12,458</u>	<u>13,076</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 861,204</u></u>	<u><u>\$ 886,315</u></u>

(Continued)

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

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATEMENTS OF NET POSITION

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 9,986	\$ 7,187
Prizes payable	365,282	393,508
Due to Educational Enhancement Trust Fund	84,106	97,584
Deposits payable	1,711	1,724
Compensated absences payable	2,001	1,901
Lease payable	4,356	4,186
Net pension liability	-	-
Other postemployment benefits liability	780	612
Total Current Liabilities	<u>468,222</u>	<u>506,702</u>
Current Liabilities Payable from Restricted Assets:		
Grand prizes payable	26,686	24,079
Total Current Liabilities Payable from Restricted Assets	<u>26,686</u>	<u>24,079</u>
Noncurrent Liabilities:		
Grand prizes payable from restricted assets	188,902	203,157
Compensated absences payable	6,158	5,850
Lease liability	13,657	15,664
Net pension liability	26,067	26,520
Other postemployment benefits liability	27,291	22,922
Total Noncurrent Liabilities	<u>262,075</u>	<u>274,113</u>
Total Liabilities	<u>756,983</u>	<u>804,894</u>
Deferred Inflows of Resources		
Pension related items	3,954	3,069
Other postemployment benefits related items	11,463	14,541
Total Deferred Inflows of Resources	<u>15,417</u>	<u>17,610</u>
Net Position		
Invested in capital assets	2,891	2,786
Restricted for future prizes or special prize promotions	120,748	102,341
Restricted for MUSL	37,642	33,887
Unrestricted net position	(72,477)	(75,203)
Total Net Position	<u>88,804</u>	<u>63,811</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 861,204</u></u>	<u><u>\$ 886,315</u></u>

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

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2025, AND 2024 (in thousands)

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Operating Revenues		
Ticket sales	\$ 9,132,887	\$ 9,417,515
Bad debt expense	(1,176)	(915)
Terminal fees and Miscellaneous	7,578	7,509
Retailer fees	145	137
Total Operating Revenues	<u>9,139,434</u>	<u>9,424,246</u>
Operating Expenses		
Prizes	6,206,453	6,254,657
Retailer commissions	556,212	571,612
Scratch-Off tickets	54,340	51,855
Draw games	69,106	70,116
Advertising	38,878	39,278
Personal services	40,820	39,779
Other contractual services	9,177	7,367
Materials and supplies	2,501	2,498
Depreciation	5,434	6,519
Total Operating Expenses	<u>6,982,921</u>	<u>7,043,681</u>
Operating Income	<u>2,156,513</u>	<u>2,380,565</u>
Nonoperating Revenues (Expenses)		
Interest	25,757	19,729
Investment management fees	(790)	(783)
Net appreciation (depreciation) in fair value of investments	14,789	17,168
Property disposition (loss)	(54)	129
Amortization of grand prizes payable	(9,116)	(9,554)
Total Nonoperating Revenues (Expenses), Net	<u>30,586</u>	<u>26,689</u>
Income Before Transfers	<u>2,187,099</u>	<u>2,407,254</u>
Transfers to Educational Enhancement Trust Fund	<u>(2,162,106)</u>	<u>(2,387,584)</u>
Change in Net Position	<u>24,993</u>	<u>19,670</u>
Net Position, Beginning of Year	63,811	44,141
Net Position, End of Year, as restated (see Note 1W)	<u>\$ 88,804</u>	<u>\$ 63,811</u>

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

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2025, AND 2024 (in thousands)

	June 30, 2025	June 30, 2024
Operating Activities		
Ticket sales	\$ 9,116,815	\$ 9,410,082
Prizes paid to winners	(6,238,433)	(6,195,114)
Commissions paid and payments to retailers	(556,212)	(571,612)
Paid to vendors for goods and services	(171,075)	(170,996)
Paid to employees	(37,904)	(34,536)
Other operating revenue	7,701	7,643
Net Cash Provided by Operating Activities	<u>2,120,892</u>	<u>2,445,467</u>
Noncapital Financing Activities		
Payments to Educational Enhancement Trust Fund	(2,175,584)	(2,409,410)
Net Cash Used in Noncapital Financing Activities	<u>(2,175,584)</u>	<u>(2,409,410)</u>
Capital and Related Financing Activities		
Purchase of capital assets	(5,561)	(5,499)
Net Cash Used in Capital and Related Financial Activities	<u>(5,561)</u>	<u>(5,499)</u>
Investing Activities		
Cash received from maturity of grand prize investments	24,652	24,216
Cash paid to grand prizewinners upon maturity of grand prize investments	(24,652)	(24,216)
Investment income, net of fees	28,339	32,284
Net Cash Provided by Investing Activities	<u>28,339</u>	<u>32,284</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(31,914)</u>	<u>62,842</u>
Cash and Cash Equivalents, Beginning of Year	538,537	475,695
Cash and Cash Equivalents, End of Year	<u>\$ 506,623</u>	<u>\$ 538,537</u>
Reconciliation of Income from Operations to Net Cash Provided by Operating Activities:		
Income from operations	\$ 2,156,513	\$ 2,380,565
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	5,434	6,519
Changes in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(17,874)	(6,487)
Inventories	161	218
Prepaid expenses		29
Increase (decrease) in:		
Allowance for uncollectible accounts	(788)	(29)
Accounts payable and accrued liabilities	2,786	(1,493)
Prizes payable	(28,225)	60,915
Compensated absences payable	408	3,886
Net pension liability and related deferred outflows and inflows	2,808	3,221
Other postemployment benefits liability and related defered outflows and inflows	(299)	(1,865)
Lease Liability	(32)	(12)
Net Cash Provided by Operating Activities	<u>\$ 2,120,892</u>	<u>\$ 2,445,467</u>
Noncash Investing, Capital and Financing Activities:		
Increase/(decrease) in fair value of investments	\$ 11,091	\$ (10,351)

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State of Florida, Department of the Lottery (the Lottery) was established as a State agency with the enactment of the Florida Public Education Lottery Act (the Act) in 1987. The purpose of the Act is “to implement Section 15, Article X of the State Constitution in a manner that enables the people of the State to benefit from significant additional moneys for education and also enables the people of the State to play the best lottery games available.”

In evaluating the Lottery as a reporting entity, management has addressed all potential component units for which the Lottery may be financially accountable and, as such, be includable in the Lottery’s financial statements. The Lottery is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Lottery. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Management’s analysis has disclosed no component units that should be included in the Lottery’s financial statements.

B. Basis of Presentation

The Lottery is accounted for as a proprietary type enterprise fund. Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises: (1) where the costs of providing goods and services to the general public on a continuing basis are to be financed through user charges; or (2) where the periodic determination of net income is considered appropriate. The Lottery is reported as an enterprise fund within the State of Florida’s Annual Comprehensive Financial Report.

C. Basis of Accounting

Basis of accounting refers to when the revenues, expenses, transfers, related assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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The measurement focus of proprietary fund types is on a flow of economic resources method, which emphasizes the determination of net income, financial position, and cash flows. All fund assets and liabilities, current and noncurrent, are accounted for on the Statements of Net Position.

The Lottery's operating revenues and expenses generally result from the sale and marketing of lottery tickets and the payment of related prizes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Cash Equivalents

The Lottery considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. This includes cash in banks, petty cash, balances held by the State Board of Administration (SBA), and pooled investments in the State Treasury.

E. Investments

Florida Statutes authorize the Lottery to invest in certain instruments. The Lottery reports investments at fair value. Fair values for investments that are not publicly quoted are estimated by the investment custodian using independent third-party pricing vendors. Details of investments are included in Note 2.

F. Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on an analysis of collectability of accounts receivable, which considers the age of the accounts.

G. Inventories

Supply inventory and promotional items are valued at cost, using the first-in, first-out method. Supply inventory comprised game merchandise, prepaid postage, and prepaid tolls.

H. Prepaid Expenses

Prepaid expenses represent warranty agreements and advanced payments for services paid for during the current year but will not be consumed or used up until a future period.

I. Capital Assets

Capital assets are stated at historical cost less accumulated depreciation. As required by Chapter 273, Florida Statutes, and Department of Financial Services Rules, Chapter 69I-72, Florida Administrative Code, a capitalization threshold of \$5,000 and useful life extending beyond one year are employed for tangible personal property. The Lottery's capitalization

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threshold for intangible assets is \$100,000. The amortization of long-term leases are reported separately from other capital assets as required by GASB Statement No. 87, *Leases*.

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Depreciation on all capital assets is computed using the straight-line method over the following estimated useful lives:

Data processing equipment	3 to 5 years
Office furniture and fixtures	3 to 15 years
Vehicles and other equipment	3 to 20 years
Software	3 to 15 years

When capital assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Statements of Revenues, Expenses, and Changes in Net Position in the period of disposal. See Note 5 for more detailed information on capital assets.

J. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to future periods. See Note 9 for more information on deferred outflows of resources.

K. Long-term Liabilities

Refer to Note 7 for information on grand prizes payable, leases, compensated absences payable, postemployment healthcare benefits liability, and net pension liability, along with changes in long-term liabilities. Also, refer to Note 9 for additional information on net pension liability and postemployment healthcare benefits liability. Refer to Note 10 for additional information on lease liability.

L. Compensated Absences

Employees earn the right to be compensated during absences for vacation, illness, and unused special compensatory leave earned for hours worked on legal holidays. Compensated absences for annual leave are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method. Within the limits established by law or rule, unused leave benefits are paid to employees upon separation from State service. The cost of vacation and calculated sick leave benefits is accrued in the period in which the benefits are earned. The compensated absences are based on current fiscal year-end salary rates and include employer social security, Medicare tax, and pension contributions at current rates.

M. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future reporting period. See Note 9 for more information on deferred inflows of resources.

N. Net Position

Net position includes categories for invested in capital assets, restricted for undistributed appreciation on restricted investments, restricted for future prizes or special prize promotions, restricted for the Multi-State Lottery Association (MUSL), and unrestricted net position resulting from liabilities for which no cash payments will be made. See Note 1.V. for more information on unrestricted net position.

The invested in capital assets category represents the investment in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The restricted for undistributed appreciation on restricted investments category primarily represents the undistributed appreciation for all restricted asset accounts.

The restricted for future prizes or special prize promotions category represents the portion of unclaimed prize obligations legally reverted back to the Lottery and restricted for use in the payment of future prize pools or special prize promotions in accordance with Section 24.115(2), Florida Statutes.

The restricted for MUSL category represents the amount placed into reserve for the Florida Lottery by the MUSL. See Note 6 for more information on MUSL.

O. Revenue Recognition

Lottery games are sold to the public by contracted retailers. Revenue is recognized when Draw game tickets are sold to players and when books of Scratch-Off tickets are settled. Certain games include tickets that entitle the holder to exchange one ticket for another (free tickets). Such tickets are deemed to be replacements and, therefore, are not included in ticket sales.

P. Commissions

Retailers receive a commission of 6.00 percent on ticket sales. The commission on ticket sales for games is based upon total tickets distributed to the players (including free tickets) which, when compared to revenue, causes the percentage to be slightly higher or lower than 6.00 percent at any given time.

Q. Prizes

In accordance with the Act, variable percentages of the gross revenue from the sale of Draw and Scratch-Off lottery tickets shall be returned to the public in the form of prizes paid by the Lottery or retailers as authorized.

Prize expense for Draw games is recorded based on prizes won by the players, as revenue is recognized. Any prize that remains unclaimed at the end of a 180-day period following a draw is considered unclaimed.

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Prize expense for Scratch-Off games is recorded based on the predetermined prize structure for each game, as revenue is recognized. Any prize that remains unclaimed 60 days after a Scratch-Off game is closed is considered unclaimed.

Effective July 1, 2005, 80 percent of all unclaimed prize money is deposited in the Educational Enhancement Trust Fund (EETF). The remaining 20 percent of unclaimed prize money is added to the pool from which future prizes are to be awarded or used for special prize promotions and is reported as restricted for future prizes or special prize promotions.

All prizes are recorded at the actual amount except for the annuity-funded prizes, which are paid out on a deferred basis. The actual prize expense for these types of prizes is based on the present value of an annuity using the interest yield on the investments acquired to fund the annuity.

R. Self-Insurance

The Lottery participates in the various self-insurance programs established by the State of Florida for property and casualty losses and employee health insurance. Coverage includes property, general liability, automobile liability, workers' compensation, court-awarded attorney fees, and Federal civil rights actions. The property insurance program self-insures the first \$2 million per occurrence for all perils except named windstorm and flood. For named windstorm and flood, the property insurance program self-insures the first \$2 million per occurrence but with an annual aggregate retention of \$40 million. Commercial excess insurance is purchased for losses over the self-insured retention up to \$75.25 million per occurrence for named windstorm and flood losses, and \$350 million per occurrence for all other perils. Workers' compensation is provided to comply with the applicable law. The employee health and dental insurance program provides for payment of medical claims of employees and covered dependents.

S. Use of Estimates

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

T. Bad Debt Expense

Bad debt expense is reported as a reduction in gross revenue. Bad debt expense is recognized when a Lottery retailer's uncollected revenue is past due. The amount of expense is based on an accounts receivable age analysis. The bad debt expense for the fiscal years ended June 30, 2025, and June 30, 2024, was \$1,176,000 and \$915,000, respectively.

U. Accounting and Reporting Changes

The Lottery implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, to recognize leave liability that has been earned and is attributable to services already rendered, provided that the leave accumulates and is more likely than not to be used for time off or otherwise paid or settled. Implementation of this Statement resulted in updated measurement methodologies for compensated absences to ensure consistency and comparability in reporting these liabilities. See Note 1W for effect on net position as of June 30, 2024.

The Lottery also implemented GASB Statement No. 102, *Certain Risk Disclosures*, to disclose risks that could affect a government's ability to meet its obligations, including concentrations of risk and constraints related to deposit and investment policies, contingent liabilities, and other vulnerabilities. For the fiscal years ended June 30, 2025, and June 30, 2024, the Lottery has determined that there were no material concentrations of risk and constraints related to investment policies, contingent liabilities, and other vulnerabilities.

V. Unrestricted Net Position Deficit

The unrestricted net position deficits of \$72,477,000 and \$75,203,000 for the fiscal years ended June 30, 2025, and June 30, 2024, respectively, includes the cumulative effect of the Lottery's leases, postemployment healthcare benefits, compensated absences, net pension liabilities, along with the deferred outflows of resources and deferred inflows of resources for pension and postemployment healthcare benefits related items, and undistributed depreciation on investments in excess of the available restricted for undistributed appreciation on restricted investment fund balance. As a result of these items being recorded for reporting purposes only and being excluded from the calculation of transfers to the EETF, the effect is a deficit balance in unrestricted net position.

W. Net Position Restatement

Net position, June 30, 2024, as previously reported (in thousands)	\$67,404
Implementation effect of GASB Statement No. 101 (Refer to Note 7)	<u>(3,593)</u>
Net position, June 30, 2024, as restated	<u>\$63,811</u>

2. CASH AND INVESTMENTS

A. Cash and Cash Equivalents

Cash is held in demand deposits at various financial institutions. These deposits, with a book value of approximately \$1,793,000 at June 30, 2025, and \$19,714,000 at June 30, 2024, were insured by either the State's collateral for public deposits in accordance with Section 280.04, Florida Statutes, or Federal depository insurance.

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Chapter 280, Florida Statutes, generally requires public funds to be deposited in a Qualified Public Depository, which is a bank or savings association that is designated by the State of Florida Chief Financial Officer (State CFO) as authorized to receive deposits in the State and that meets the collateral requirements. The State CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository following guidelines outlined in Section 280.04, Florida Statutes, and Chapter 69C-2, Florida Administrative Code. Collateral pledging levels include 25, 50, 110, and 150 percent of a Qualified Public Depository's average daily deposit balance or, if needed, an amount as prescribed by the State CFO. Collateral may be held by another custodian with approval of the State CFO if conditions are met that protect the State's interest. Eligible collateral includes federal, federally-guaranteed, state and local government obligations, corporate bonds, and other securities designated allowable under conditions set by the State CFO.

Florida Statutes provides that if a loss to public depositors is not covered by deposit insurance, demands of payment under any letters of credit, and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other Qualified Public Depositories according to a statutory based ratio.

Due to the investing policy of the Lottery, book overdrafts were approximately \$3,274,000 at June 30, 2025, and \$1,240,000 at June 30, 2024, representing outstanding prize payment checks and retailer payment checks. These outstanding checks are included as a component of prizes payable and accounts payable. The Lottery has an agreement with a financial institution to honor prize payments and retailer payments, as they are presented to the bank, up to \$75 million.

Surplus cash is maintained in the State Treasury's general pool of investments. The State CFO pools funds from all State agencies. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Council per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes.

The Lottery's share of this investment pool was approximately \$504,830,000 and \$518,823,000 at June 30, 2025, and 2024, respectively. Participants contribute to the pool on a dollar basis. These funds are commingled, and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed, and a total pool fair value is determined. The fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance.

No allocation will be made as to the Lottery's share of the types of investments or their risk categories. The Lottery's share of the assets and liabilities arising from the securities lending agreements administered by the State Treasury will likewise not be carried on the Statements of Net Position since the State Treasury operates on a pooled basis and to do so may give

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the misleading impression that the Lottery itself has entered into such agreements. For further information, refer to the State of Florida's Annual Comprehensive Financial Report or publications of the State of Florida Department of Financial Services, Office of the Chief Financial Officer.

B. Investments, Grand Prize

The grand prize investments consist of U.S. Government obligations held on the Lottery's behalf by the SBA. Grand prize investments and related grand prizes payable are not presented in current assets or liabilities. They are not part of current operations but instead are restricted assets and liabilities that are held by the Lottery for grand prize winnings to be paid on a deferred basis if the cash payment option is not selected.

Grand prize investments are shown at fair value, and the related grand prizes payable are adjusted to the net present value using the yield on the investments. The difference between the fair value of the investments and the net present value of the grand prizes payable is reflected as restricted for undistributed appreciation on restricted investments in net position. This represents the unrealized gains on the investments. Because these investments are held restrictively for grand prizewinners, this balance is not available for transfer to the EETF.

Interest accreted on grand prize investments during the year is reflected as an increase in the carrying value of grand prizes payable on the Statements of Net Position, and as a nonoperating revenue (expense) on the Statements of Revenues, Expenses, and Changes in Net Position. Net appreciation (depreciation) in fair value of investments is reflected as a nonoperating revenue (expense) on the Statements of Revenues, Expenses, and Changes in Net Position, and includes all changes in fair value that occurred during the year, including purchases, maturities, and sales.

C. Investment Credit Risk

Lottery grand prizewinner investments have been limited to U.S. Government guaranteed securities.

The State Treasury Investment Pool's current rating by S&P was AA-f as of June 30, 2025.

D. Investment Interest Rate Risk

The investment policy objective is to match maturities of investments with the maturities of the Lottery prizewinner annuities. Therefore, investments are held to maturity after they are

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purchased thereby eliminating interest rate risk. Listed below are the Lottery's investments in U.S. Treasury Strips (in thousands):

As of June 30, 2025		As of June 30, 2024	
Time to Maturity	Fair Value	Time to Maturity	Fair Value
< 1 year	\$ 26,821	< 1 year	\$ 24,032
> 1 year to 3 years	44,753	> 1 year to 3 years	49,375
> 3 years to 5 years	54,317	> 3 years to 5 years	37,048
> 5 years to 10 years	36,640	> 5 years to 10 years	58,984
> 10 years to 15 years	23,297	> 10 years to 15 years	23,581
> 15 years to 20 years	12,236	> 15 years to 20 years	13,809
> 20 years to 25 years	5,129	> 20 years to 25 years	5,825
> 25 years	1,938	> 25 years	2,148
Total	\$ 205,131	Total	\$ 214,802

The effective duration of the State Treasury Investment Pool at June 30, 2025, and June 30, 2024, was approximately 3.33 years and 3.23 years, respectively.

E. Investment Concentration of Credit Risk

Since all long-term investments are in U.S. Government guaranteed securities, the Lottery has not adopted a policy regarding concentration of credit risk.

F. Investment Custodial Credit Risk

Custodial credit risk is defined as the risk that an entity may not recover securities held by another party. The Lottery does not have a formal policy regarding custodial credit risk.

At June 30, 2025, and June 30, 2024, all investments held were either insured or registered and held by the Lottery or its agents in the Lottery's name and thus were not subject to custodial credit risk.

G. Foreign Currency Risk

The Lottery had no exposure to foreign currency risk as of June 30, 2025, and June 30, 2024.

H. Fair Value Hierarchy

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Lottery's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

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Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset.

The categorization of investments within the hierarchy is based upon the pricing transparency of this instrument and should not be perceived as the particular investment's risk.

Level 1 – Debt securities classified in Level 1 of the fair value hierarchy are valued by the custodian bank's external pricing vendors using prices quoted in active market for those securities.

Level 2 – Debt securities classified in Level 2 of the fair value hierarchy are valued by the custodian bank's external pricing vendors using pricing methodology that involves the use of evaluation models such as matrix pricing, which is based on a security's relationship to benchmark quoted prices.

Level 3 – Debt securities classified in Level 3 of the fair value hierarchy are valued by the custodian bank's external pricing vendors and are subject to being priced by an alternative pricing source utilizing discounted cash flow models and broker bids, or may have an estimated fair value equal to cost, due to a lack of an independent pricing source.

The following schedules summarize all investments by fair value hierarchy level at June 30 (in thousands):

<u>Investments by fair value level:</u>	<u>June 30, 2025</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted prices in active market for identical assets</u>	<u>Significant other observable inputs</u>	<u>Significant unobservable inputs</u>
<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		
U.S. Treasury Strips	\$ 205,131	\$ -	\$ 205,131	\$ -
Pooled Investments with State Treasury	504,830	-	-	504,830
Total securities measured at fair value	<u>\$ 709,961</u>	<u>\$ -</u>	<u>\$ 205,131</u>	<u>\$ 504,830</u>

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	Fair Value Measurements Using		
	Quoted prices in active market for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Investments by fair value level:	June 30, 2024		
U.S. Treasury Strips	\$ 214,802	\$ -	\$ 214,802
Pooled Investments with State Treasury	518,823	-	518,823
Total securities measured at fair value	<u>\$ 733,625</u>	<u>\$ -</u>	<u>\$ 214,802</u>
			<u>\$ 518,823</u>

I. Investment Summary

The following schedule summarizes all investments at June 30 (in thousands):

Investment Type	June 30, 2025 Carrying Value	June 30, 2024 Carrying Value
U.S. Government Obligations & Federally Guaranteed Obligations	\$ 205,131	\$ 214,802
Pooled Investments with State Treasury	504,830	518,823
Total Investments	<u>\$ 709,961</u>	<u>\$ 733,625</u>

The following schedules reconcile cash and investments to the Statements of Net Position at June 30 (in thousands):

	June 30, 2025			
	Investments	Cash at Financial Institutions		Cash at State Treasury
				Totals
Cash and cash equivalents	\$ 384,082	\$ 347	\$ 1,446	\$ 385,875
Restricted cash and cash equivalents	120,748	-	-	120,748
Investments, grand prize	205,131	-	-	205,131
Totals	<u>\$ 709,961</u>	<u>\$ 347</u>	<u>\$ 1,446</u>	<u>\$ 711,754</u>

	June 30, 2024			
	Investments	Cash at Financial Institutions		Cash at State Treasury
				Totals
Cash and cash equivalents	\$ 416,482	\$ 326	\$ 19,388	\$ 436,196
Restricted cash and cash equivalents	102,341	-	-	102,341
Investments, grand prize	214,802	-	-	214,802
Totals	<u>\$ 733,625</u>	<u>\$ 326</u>	<u>\$ 19,388</u>	<u>\$ 753,339</u>

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3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, consisted of (in thousands):

	2025	2024
Ticket sales receivable	\$ 78,151	\$ 64,044
Less allowance for doubtful accounts	(4,644)	(5,433)
Accounts receivable, net	\$ 73,507	\$ 58,611

4. SECURITY DEPOSITS AND DEPOSITS PAYABLE

The Lottery receives certificates of deposit and cashier's checks from certain vendors and retailers in order to secure contract performance. Certificates of deposit are held in trust by the State with any interest earnings being credited to the vendor or retailer. Cashier's checks are held as cash by the Lottery. These deposits are established to reduce the potential financial risk to the Lottery in the event of a breach of contract. The certificates appear on the Statements of Net Position, in assets as Security deposits, and in liabilities as Deposits payable. The checks appear on the Statements of Net Position, in assets as Cash and cash equivalents, and in liabilities as Deposits payable.

5. CAPITAL ASSETS

Changes in capital assets are summarized as follows (in thousands):

	2023-24			2024-25			Balance June 30, 2025
	Balance June 30, 2023	Increase	Decrease	Balance June 30, 2024	Increase	Decrease	
Capital assets, not being depreciated:							
Non-amortizable intangibles	\$ 492	\$ -	\$ -	\$ 492	\$ -	\$ -	\$ 492
Total capital assets, not being depreciated	492	-	-	492	-	-	492
Capital assets, being depreciated:							
Right-to-Use Equipment	246	5	-	251	-	(189)	62
Right-to-Use Buildings	35,279	-	(5)	35,274	2,587	(1,516)	36,345
Vehicles and equipment	11,700	1,406	(1,303)	11,803	1,533	(1,045)	12,291
Intangible assets and other	604	-	-	604	-	-	604
Total capital assets, being depreciated	47,829	1,411	(1,308)	47,932	4,120	(2,750)	49,302
Less accumulated depreciation/amortization for:							
Right-to-Use Equipment	178	57	(14)	221	26	(189)	58
Right-to-Use Buildings	11,562	4,368	-	15,930	4,366	(1,515)	18,781
Vehicles and equipment	8,130	2,053	(1,101)	9,082	1,000	(628)	9,454
Intangible assets and other	514	41	-	555	42	-	597
Total depreciation	20,384	6,519	(1,115)	25,788	5,434	(2,332)	28,890
Total capital assets, being depreciated, net	27,445	(5,108)	(193)	22,144	(1,314)	(418)	20,412
Total capital assets, net	\$ 27,937	\$ (5,108)	\$ (193)	\$ 22,636	\$ (1,314)	\$ (418)	\$ 20,904

6. MULTI-STATE LOTTERY ASSOCIATION

MUSL is a non-profit, government benefit association created for the purpose of administering joint lottery games. MUSL included 36 state lottery entities, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands during fiscal year 2025. Through membership in the association the Lottery is eligible to participate in Powerball with Powerplay, Mega Millions with Megaplier, and several other Draw games in participating states. The chief executive officer of each member lottery serves on the MUSL board of directors.

As a member of MUSL, the Lottery is required to contribute to various prize reserve funds maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize payments. MUSL periodically reallocates the prize reserve funds among the states based on relative Powerball with Powerplay and Mega Millions with Megaplier sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), will be returned to the Lottery upon leaving MUSL, less any portion of unanticipated prize claims that may have been paid from the fund.

As of June 30, 2025, and June 30, 2024, the Lottery had deposits with MUSL of \$37,642,000 and \$33,887,000, respectively, representing the Lottery's deposits of reserve funds.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 8101 Birchwood Ct., Suite R, Johnston, Iowa 50131.

7. LONG-TERM LIABILITIES

A. Grand Prizes Payable

Grand prizes payable at June 30 consisted of (in thousands):

	2025	2024
FLORIDA LOTTO grand prizes (face value)	\$ 123,333	\$ 138,467
MEGA MONEY grand prizes (face value)	2,568	3,208
Win for Life grand prizes (face value)	3,332	3,037
Lucky for Life grand prizes (face value)	16,880	12,450
Set for Life grand prizes (face value)	-	60
Cash for Life grand prizes (face value)	80	90
Loaded for Life grand prizes (face value)	1,550	1,650
Billion Dollar Blockbuster grand prizes (face value)	1,850	2,400
Gas for Life grand prizes (face value)	108	114
2 Million Dollar Casino Action grand prizes (face value)	500	600
Million Dollar Holiday grand prizes (face value)	300	350
Week for Life grand prizes (face value)	75,478	78,390
Bonus Triple Match grand prizes (face value)	800	840
Monopoly grand prizes (face value)	2,780	3,060
Million Wishes grand prizes (face value)	350	400
X's The Cash grand prizes (face value)	9,230	9,760
Fastest Road to 1 Million grand prizes (face value)	800	840
Flamingo grand prizes (face value)	2,480	2,710
Gold Rush grand prizes (face value)	8,480	9,070
Super Millions grand prizes (face value)	3,600	3,840
\$10mm World Class Cash grand prizes (face value)	720	760
\$2,000,000 24 Karat Cash grand prizes (face value)	1,440	1,520
Cash4Life grand prizes (face value)	14,994	15,567
Jackpot Triple Play grand prizes (face value)	3,602	3,412
\$2,000,000 Cashword grand prizes (face value)	3,440	1,600
Payday Bonus	1,920	-
Less imputed interest	<u>(65,027)</u>	<u>(66,959)</u>
Net present value of grand prizes payable	<u>\$ 215,588</u>	<u>\$ 227,236</u>
 Current prizes payable from restricted assets	 \$ 26,686	 \$ 24,079
Noncurrent prizes payable from restricted assets	188,902	203,157
Total grand prizes payable	<u>\$ 215,588</u>	<u>\$ 227,236</u>

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The following depicts by fiscal year the value (in thousands) of the grand prize annuities to pay prizewinners:

<u>Year Ending June 30</u>	<u>Amount</u>
2026	\$ 27,418
2027	27,250
2028	20,872
2029	23,889
2030	39,570
2031-2035	49,684
2036-2040	41,113
2041-2045	28,528
2046-2050	15,167
2051-2055 ¹	7,124
Grand prizes (face value)	280,615
Less imputed interest	(65,027)
Net present value of grand prizes payable	\$ 215,588

¹ The latest maturing security matures on February 15, 2052.

B. Compensated Absences Payable

Compensated absences payable at June 30 consisted of (in thousands):

	<u>2025</u>	<u>2024¹</u>
Current compensated absences	\$ 2,001	\$ 1,901
Noncurrent compensated absences	6,158	5,850
Total	\$ 8,159	\$ 7,751

¹ June 30, 2024, compensated absences payable were restated based on the implementation of GASB Statement No. 101, Compensated Absences. See Note 1W.

C. Changes in Long-term Liabilities

Changes in long-term liabilities are summarized as follows (in thousands):

	<u>2024-25</u>				<u>Amount Due Within One Year</u>	
	<u>Balance</u>		<u>Reductions</u>	<u>Balance</u>		
	<u>June 30, 2024</u>	<u>Additions</u>				
Grand prizes payable	\$ 227,236	\$ 13,004	\$ (24,652)	\$ 215,588	\$ 26,686	
Compensated absences payable	7,751	2,566	(2,158)	8,159	2,001	
Other postemployment benefits liability	23,534	4,537	-	28,071	780	
Pension liability - HIS	7,617	-	(79)	7,538	-	
Pension liability - FRS	18,903	-	(374)	18,529	-	
Lease liability	19,850	2,575	(4,412)	18,013	4,356	
Total long-term liabilities	\$ 304,891	\$ 22,682	\$ (31,675)	\$ 295,898	\$ 33,823	

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	2023-24					Amount Due Within One Year
	Balance June 30, 2023		Additions	Reductions	Balance June 30, 2024	
Grand prizes payable	\$ 232,496	\$ 18,956	\$ (24,216)	\$ 227,236	\$ 24,079	
Compensated absences payable	3,864	5,826	(1,939)	7,751	1,901	
Other postemployment benefits liability	21,880	1,654	-	23,534	612	
Pension liability - HIS	5,065	2,552	-	7,617	-	
Pension liability - FRS	18,480	423	-	18,903	-	
Lease liability	24,274	14	(4,438)	19,850	4,186	
Total long-term liabilities	\$ 306,059	\$ 29,425	\$ (30,593)	\$ 304,891	\$ 30,778	

D. Unused Lines of Credit

Under the State of Florida's purchasing card program, the Lottery has an unused line of credit in the amount of \$64,438 for the fiscal year ended June 30, 2025. Also, pursuant to agreement with the Lottery's banking institution, the Lottery has up to \$75 million in overdraft protection in the event expected wire transfers are not received timely. Overdrafts are immediately due and payable, unless the banking institution agrees otherwise in writing, and result in overdraft fees, including attorney's fees and other costs and expenses the banking institution incurs in recovering the overdraft.

8. DUE TO EDUCATIONAL ENHANCEMENT TRUST FUND

In accordance with the Act, effective July 1, 2005, variable percentages of the gross revenue from the sale of Draw games and Scratch-Off lottery tickets as determined by the Lottery, and other earned revenue, excluding application processing fees, shall be deposited in the EETF as provided in Section 24.121, Florida Statutes, as amended. The amount transferred to the EETF was \$2,162,106,000 for the fiscal year ended June 30, 2025, (23.7 percent of revenues), and \$2,387,584,000 (25.0 percent of revenues) for the fiscal year ended June 30, 2024.

Because the net appreciation or depreciation in fair value of investments and amortization of grand prizes payable, included in nonoperating revenue and expenses, relate to valuations of the restricted grand prize investments and grand prizes payable, they are excluded from the determination of transfers to the EETF.

Effective July 1, 2005, provisions of the Act relating to the allocation of revenues for public education were revised. The changes in the provisions were designed to maximize the transfers of moneys to the EETF. These revisions resulted in changes in the methodology used to calculate the transfer based on a business model of revenue minus expenses rather than a percent of revenue.

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The amount due to the EETF at June 30 was as follows (in thousands):

	2025	2024
Draw ticket sales	\$ 2,297,128	\$ 2,799,436
Average percent transferred	34%	37%
Transfer of Draw ticket sales ¹	<u>778,608</u>	<u>1,038,474</u>
Unclaimed Draw ticket prizes	38,614	66,798
Percent transferred	80%	80%
Transfer of unclaimed Draw ticket prizes	<u>30,891</u>	<u>53,438</u>
Scratch-Off ticket sales	6,835,759	6,618,079
Average percent transferred	18%	18%
Transfer of Scratch-Off ticket sales ¹	<u>1,244,685</u>	<u>1,215,330</u>
Unclaimed Scratch-Off ticket prizes	90,461	60,472
Percent transferred	80%	80%
Transfer of unclaimed Scratch-Off ticket prizes	<u>72,369</u>	<u>48,378</u>
Nonoperating revenues (expenses), net	30,586	26,689
Add:		
Net (appreciation) depreciation in fair value of investments	(14,789)	(17,168)
Amortization of grand prizes payable	9,116	9,554
Total Nonoperating revenues, net	<u>24,913</u>	<u>19,075</u>
Pension, postemployment healthcare, and compensated absences expenses	2,917	5,243
Retailer fees and Terminal fees and miscellaneous revenue	<u>7,723</u>	<u>7,646</u>
Due for the year	<u>2,162,106</u>	<u>2,387,584</u>
Balance due, beginning of year	97,584	119,410
Paid during the year	<u>(2,175,584)</u>	<u>(2,409,410)</u>
Due to Educational Enhancement Trust Fund, June 30	<u>\$ 84,106</u>	<u>\$ 97,584</u>

¹ Amounts do not foot due to rounding of average percent transferred.

9. PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

A. Retirement Programs

The Florida Department of Management Services (DMS) administers the State's pension plans referenced below. Financial statements and other required supplementary information for the plans are included in the Florida Department of Management Services' Florida Retirement System Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report (Pension ACFR). Copies of the Pension ACFR can be obtained from the DMS, Division of Retirement (Division), Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone at 844-377-1888 or 850-907-6500; by e-mail at rep@dms.fl.gov; or at the Division's Web site (www.frs.myflorida.com).

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Florida Retirement System. The Florida Retirement System (FRS) is a State-administered cost-sharing multiple-employer retirement plan administered by the DMS that offers members (Regular Class, Special Risk Class, and Senior Management Service Class)¹ an initial choice between participating in a defined benefit plan (FRS Pension Plan) or a defined contribution plan (FRS Investment Plan) and one additional choice to change plans before retirement. FRS provisions are established by Chapters 121, 122, and 238, Florida Statutes; Chapter 112, Part IV, Florida Statutes; and DMS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, required employer and employee contributions, and benefits are defined and described in detail. Unless otherwise provided, all employees of participating employers in regularly established positions must be enrolled as members of the FRS or other non-integrated defined contribution plans in lieu of FRS membership.

Benefits in the FRS Pension Plan vest at six years of service for members initially enrolled before July 1, 2011, and at eight years for members initially enrolled on or after July 1, 2011. For members initially enrolled before July 1, 2011, Special Risk Class members are eligible for normal retirement benefits at age 55 and vested or after 25 years of service at any age. All other members initially enrolled before July 1, 2011, are eligible for normal retirement benefits at age 62 and vested or at any age after 30 years of service. For members initially enrolled on or after July 1, 2011, Special Risk Class members are eligible for normal retirement benefits at age 60 and vested or after 30 years of service at any age. All other members initially enrolled on or after July 1, 2011, are eligible for normal retirement benefits at age 65 and vested or at any age after 33 years of service.

Early retirement is available but imposes a five percent benefit reduction for each year a member retires before his or her normal retirement age. Retirement, disability, and death benefits are provided. Retirees with service prior to July 1, 2011, receive annual cost-of-living adjustments. Retirees only with service accrued on or after July 1, 2011, do not receive annual cost-of-living adjustments. Benefits are calculated at retirement based on the age, years of service, accrual value by membership class, and average final compensation (average of highest five fiscal years' salaries if initially enrolled before July 1, 2011, or the average of highest eight fiscal years' salaries if initially enrolled on or after July 1, 2011).

Members of the FRS Pension Plan who reach normal retirement may participate in the Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091(13), Florida Statutes. DROP participants are technically retired, deferring termination and receipt of monthly retirement benefits for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

FRS Investment Plan benefits are established in Part II, Chapter 121, Florida Statutes, and participation is available to all FRS members in lieu of the FRS Pension Plan. Members vest

¹ Regular Class includes members of the FRS who do not qualify for membership in the other classes. Special Risk Class includes members who are employed as law enforcement officers and the Senior Management Service Class includes members in senior management level positions.

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after one year of creditable service for Investment Plan contributions. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, six years or eight years depending upon initial enrollment date of service (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. Benefits under the FRS Investment Plan are based on the account balance at retirement composed of contributions plus investment gains less investment losses and fees. If the member is totally and permanently disabled from all employment, the member can transfer the account balance to the FRS Pension Plan to receive a monthly disability benefit. Employer and employee contributions are a percentage of salary based on membership class. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices offered under the plan. Additionally, the Lottery is required to make a contribution as a percent of covered payroll that is transferred to the FRS Trust Fund to help amortize the unfunded actuarial liability (UAL). The required UAL contribution rates for the fiscal year ended June 30, 2025, were 4.84 percent for regular class, 12.07 percent for special risk class, and 23.90 percent for senior management service class.

The Florida Legislature established uniform contribution rates for participating FRS employees. FRS employers pay the same contribution rate by membership class regardless of whether the members participate in the FRS Pension Plan or FRS Investment Plan. Contribution rates as a percentage of gross salary are as follows:

Class	Employee Rate Fiscal Year Ended June 30, 2025	Employer Rate Fiscal Year Ended June 30, 2025 ⁽¹⁾	Employee Rate Fiscal Year Ended June 30, 2024	Employer Rate Fiscal Year Ended June 30, 2024 ⁽¹⁾
Senior Management Service	3.00 percent	34.52 percent	3.00 percent	34.52 percent
Regular	3.00 percent	13.63 percent	3.00 percent	13.57 percent
Special Risk	3.00 percent	32.79 percent	3.00 percent	32.67 percent
DROP - Applicable to members from all of the above classes	0.00 percent	21.13 percent	0.00 percent	21.13 percent

¹ Total employer contribution rates above include 2.00 percent for fiscal year ended June 30, 2025, and June 30, 2024, for the Retiree Health Insurance Subsidy Program. Also, employer rates, other than for DROP participants, include 0.06 percent for fiscal years ended June 30, 2025, and June 30, 2024, for administration costs of the financial education program and the FRS Investment Plan. Required employee contributions are deducted on a pre-tax basis.

The Lottery's contributions to the FRS Pension Plan for fiscal years ended June 30, 2025, 2024, and 2023, totaled \$2,395,925, \$2,712,186, and \$2,282,079 respectively. The Lottery's contributions to the FRS Investment Plan for the fiscal years ended June 30, 2025, 2024, and 2023, totaled \$466,865, \$1,254,565, and \$934,026 respectively.

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Retiree Health Insurance Subsidy Program. The HIS was created by the Florida Legislature in 1987 to assist FRS retirees in paying health insurance costs. HIS is a nonqualified, cost sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. For the fiscal years ended June 30, 2025, 2024, and 2023, eligible retirees or beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$7.50 for the fiscal years ended June 30, 2025 and June 30, 2024 and multiplied by \$5 for the fiscal year ended June 30, 2023. The payments to individual retirees or beneficiaries were at least \$45 but not more than \$225 per month for the fiscal years ended June 30, 2025 and 2024. For the fiscal year ended June 30, 2023, the minimum payment was \$30, but not more than \$150 per month. To be eligible to receive HIS, an FRS retiree must apply for the benefit, certify health insurance coverage, which can include Medicare, and be approved.

HIS is funded by required contributions from FRS participating employers. Required contributions of payroll for all active employees covered by the FRS were 2.0 percent for fiscal years ended June 30, 2025, and June 30, 2024 and 1.66 percent for fiscal year ending June 30, 2023, pursuant to Section 112.363, Florida Statutes. For the fiscal years ended June 30, 2025, 2024, and 2023, the Lottery contributed \$459,706, \$425,467, and \$315,524, respectively, in employer contributions to the HIS. HIS contributions are deposited in a DMS trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to legislative appropriation. If these contributions or appropriation fail to provide full subsidy benefits to all participants, the Legislature may reduce or cancel the subsidy payments.

Deferred Compensation Plan. The Lottery, through the State of Florida, offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan (refer to Section 112.215, Florida Statutes), available to all regular payroll State employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries as mandated by Title 26, Section 457(g)(1), United State Code.

The Lottery does not contribute to the plan. Participation under the plan is solely at the discretion of the employee.

The State has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary and prudent investor. Pursuant to Section 112.215, Florida Statutes, the Deferred Compensation Trust Fund is created in the State Treasury.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For purposes of measuring the net pension liabilities, pension expense, and related deferred outflows/inflows of resources, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the DMS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the Plans' fiduciary net position is available in the Pension ACFR.

At June 30, 2025, the Lottery reported a net pension liability of \$18,528,501 for its proportionate share of the FRS Pension Plan's net pension liability and \$7,538,628 for its proportionate share of the HIS net pension liability, for a total net pension liability of \$26,067,129. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was based on actuarial valuations as of July 1, 2024, for the FRS Pension Plan and HIS. The Lottery's proportionate share of the net pension liability was based on 2023-24 fiscal year contributions to the Plans relative to the total 2022-23 fiscal year contributions of all participating members. At June 30, 2024, the Lottery's proportionate share of the FRS Pension Plan net pension liability was 0.047896196 percent, which was a 0.97 percent increase from its proportionate share measured as of June 30, 2023, of 0.047438134 percent. The Lottery's proportionate share of the HIS net pension liability at June 30, 2024, was 0.050254246 percent, which was a 4.77 percent increase from its proportion as of June 30, 2023, of 0.047965330 percent. For the fiscal year ended June 30, 2025, the Lottery recognized pension expense of \$2,543,491 for the FRS Pension Plan and \$264,181 for the HIS, for pension expense totaling \$2,807,672. At June 30, 2025, the Lottery reported deferred outflows of resources and deferred inflows of resources related to the Plans from the following sources:

FRS Pension Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,871,876	\$ -
Changes in assumptions	2,539,500	-
Net difference between projected and actual earnings on pension plan investments	-	1,231,501
Changes in proportion and differences between employer contributions and proportionate share of contributions	918,507	1,396,670
Totals	\$ 5,329,883	\$ 2,628,171

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HIS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 72,791	\$ 14,474
Changes in assumptions	133,416	892,476
Net difference between projected and actual earnings on pension plan investments	-	2,726
Changes in proportion and differences between employer contributions and proportionate share of contributions	475,259	416,548
Totals	\$ 681,466	\$ 1,326,224

The Lottery's contributions subsequent to the measurement date of \$2,862,790 for the FRS Pension Plan and \$459,706 for the HIS are reported as deferred outflows of resources and will be recognized as a reduction of the total net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	FRS			
	June 30	Pension Plan	HIS	Totals
2026	\$ (543,111)	\$ (157,553)	\$ (700,664)	
2027	2,949,344	(185,542)	2,763,802	
2028	116,989	(189,636)	(72,647)	
2029	2,258	(91,421)	(89,163)	
2030	176,233	(16,919)	159,314	
Thereafter	-	(3,690)	(3,690)	
Totals	\$ 2,701,713	\$ (644,761)	\$ 2,056,952	

Actuarial Methods and Assumptions. Actuarial assumptions for both defined benefit cost-sharing plans, the FRS Pension Plan and the HIS, are reviewed annually by the Florida Retirement System Actuarial Assumption Conference. The most recent experience study for the FRS Pension Plan was completed in 2024 for the period July 1, 2018, through June 30, 2023. Because the HIS is funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor.

The total pension liability for the FRS Pension Plan was determined by an actuarial valuation as of July 1, 2024, using the entry age normal actuarial cost method. The HIS was determined by an actuarial valuation prepared as of July 1, 2024. Inflation increases for both plans is assumed at 2.40 percent. Payroll growth for both Plans is assumed at 3.50 percent.

Both the discount rate and the long-term expected rate of return used for the FRS Pension Plan investments are 6.70 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution

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rate and that contributions from participating employers will be made at the statutorily required rates. Based on these assumptions, the FRS Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability.

Because the HIS uses a pay-as-you-go funding structure, a municipal bond rate is used as the discount rate to determine the total pension liability for the plan. Mortality assumptions were based on PUB-2010 base tables projected generationally with Scale MP-2021 for the FRS Pension Plan and HIS (refer to the valuation reports at www.frs.myflorida.com for more information).

There were no changes in benefit terms for either the FRS Pension Plan or the HIS that affected the total pension liability since the prior measurement date. There were no changes between the measurement date and the reporting date which significantly impact the Lottery's proportionate share of the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for either the FRS Pension Plan or the HIS.

The following changes in actuarial assumptions occurred in 2024:

HIS: The municipal rate used to determine total pension liability increased from 3.65 percent to 3.93 percent.

The long-term expected rate of return on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Real Rates of Return
Cash	1.00%	3.30%
Fixed income	29.00%	5.70%
Global equity	45.00%	8.60%
Real estate (property)	12.00%	8.10%
Private equity	11.00%	12.40%
Strategic investments	2.00%	6.60%
	<u>100.00%</u>	

Sensitivity Analysis. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Lottery's proportionate share of each plan's net pension liability if the discount rate was 1.00 percent higher or 1.00 percent lower than the current discount rate at June 30, 2024.

FRS Pension Plan			HIS		
1% Decrease	Current	1% Increase	1% Decrease	Current	1% Increase
5.70%	Discount Rate 6.70%	7.70%	2.93%	Discount Rate 3.93%	4.93%
\$ 32,590,985	\$ 18,528,501	\$ 6,748,188	\$ 8,581,760	\$ 7,538,628	\$ 6,672,661

B. Postemployment Healthcare Benefits

Effective July 1, 2017, the Lottery implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State of Florida's State Employees' Group Health Insurance Program (Program) which significantly changed the Lottery's accounting for Other Postemployment Benefits (OPEB).

General Information about the OPEB Plan

Plan Description. The Lottery participates in the Program, a State-administered cost-sharing multiple-employer defined benefit plan that provides group health benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the State of Florida are eligible to participate in the Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The State of Florida subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Medicare program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

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The total number of OPEB Plan employees covered by the benefit terms at July 1, 2024, were as follows:

Inactive plan members or beneficiaries currently receiving benefits	32,305
Inactive plan members entitled to, but not yet receiving benefits*	-
Active plan members	160,818
Total	193,123

*There are currently zero inactive plan members entitled to but not yet receiving benefits because the State does not provide a vested termination benefit prior to July 1, 2024. In subsequent years, there may be plan members included in this category due to the passage of HB 5009.

Proportionate Share of the Total OPEB Liability

The Program's total OPEB liability of \$10,215,564,000 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2024. The Lottery's proportionate share of that liability reported at June 30, 2025, was \$28,070,517. At June 30, 2024, the Lottery's proportionate share, determined by its proportion of total Lottery employees as compared to total OPEB Plan employees, was 0.275120996 percent, which was a 2.16 percent decrease from its proportionate share measured as of June 30, 2023, of 0.281194656 percent.

Actuarial Assumptions and Other Inputs.

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40 percent
Discount rate	4.21 percent
Healthcare cost trend rates	7.86 percent for Preferred Provider Organizations (PPO) and 7.68 percent for Health Maintenance Organizations (HMO) for fiscal years 2024 to 2025, decreasing to an ultimate rate of 4.00 percent for Preferred Provider Organizations (PPO) and 4.00 percent for Health Maintenance Organizations (HMO) for fiscal year 2075 and later years
Retirees' share of benefit-related costs	7.8 percent of projected health insurance premiums for Pre-Medicare eligible and Medicare-Eligible employees

The discount rate was based on a 20-year S&P Municipal Bond High Grade Rate Index.

When comparing the July 1, 2024, demographic actuarial assumptions for retirement, disability incidence, and withdrawal it was determined that the number of active subscribers

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had increased since the last valuation. Census and enrollment data received as of July 1, 2024, was used to develop GASB 75 results for the fiscal years ended June 30, 2025.

The following changes have been made since the prior valuation:

- Census data reflects changes in status for the twenty-four month period since July 1, 2022.
- The discount rate was changed from 4.13 percent to 4.21 percent.
- The maximum DROP participation period was extended from 60 to 96 months for all groups.
- Special Risk eligibility was updated to age 55 with 8 years of Credited Service or with 25 years of Credited Service for those hired on and after July 1, 2011.
- Retirement and DROP participation rates were updated to those used in the actuarial valuation of the FRS.
- The assumed claims and premiums reflect the actual claims information that was provided as well as the premiums that are actually being charged to participants. The recent claims experience along with changes in the demographics of the population resulted in pharmacy claims costs higher than projected and lower premium rates than expected. The net result was an increase in liabilities due to claims and premiums as of June 30, 2024.
- Age related claims were updated to use gaining factors developed in a study completed by Dale Yamamoto for the Society of Actuaries. These rates are believed to more accurately account for the way in which claims costs vary with age.
- Medical trend assumptions were updated based on the Getzen Model, resulting in a small increase in the liability, due primarily to higher trend rates in the first several years.

The Lottery's changes in total OPEB Liability for the fiscal year are as follows:

	Increase(Decrease)	
	Total OPEB Liability	
Balance at June 30, 2024	\$ 23,533,874	
Changes for the year:		
Service cost	892,175	
Interest	975,558	
Changes in benefit terms	1,393,218	
Differences between expected and actual experience	(670,320)	
Changes of assumptions or other inputs	3,291,426	
Employer benefits payments	(609,417)	
Changes in proportionate share	(735,997)	
Net changes	<hr/> 4,536,643	
Balance at June 30, 2025	<hr/> \$ 28,070,517	

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Sensitivity of the Lottery's Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Lottery's proportionate share of the total OPEB liability, as well as what the Lottery's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (3.21 percent) or 1.00 percentage point higher (5.21 percent) than the current rate:

1% Decrease 3.21%	Current Discount Rate 4.21%	1% Increase 5.21%
\$ 32,938,900	\$ 28,070,517	\$ 24,174,289

Sensitivity of the Lottery's Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the Lottery's proportionate share of the total OPEB liability, as well as what the Lottery's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
\$ 23,793,226	\$ 28,070,517	\$ 33,589,285

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

For the fiscal year ended June 30, 2025, the Lottery recognized OPEB expense of (\$299,312). At June 30, 2025, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	\$ 4,138,357	\$ 7,850,082
Differences between expected and actual experience	-	2,072,727
Changes in proportions and differences between Lottery benefit payments and proportionate share of benefit payments	1,496,723	1,540,290
Transactions subsequent to the measurement date	811,920	-
Totals	\$ 6,447,000	\$ 11,463,099

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Of the total amount reported as deferred outflows of resources related to OPEB, \$811,920 resulting from transactions (e.g., benefit payments and administrative expenses) subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the fiscal year ending June 30, 2025. Other amounts reported as deferred inflows of resources and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	Amount
2026	\$ (2,090,717)
2027	(1,527,143)
2028	(1,346,211)
2029	(391,179)
2030	(391,179)
Thereafter	(81,590)
Totals	\$ (5,828,019)

10. LEASE LIABILITY

The Lottery is a lessee for a series of noncancelable leases of office space for its headquarters and district offices as well as office equipment. Certain leases are renewable at the option of the Lottery. The Lottery has adopted GASB 87 to account for all such leases. In doing so the Lottery has recognized a lease liability. The liability was initially measured at the present value of the payments expected to be made over the terms of the various leases. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The Lottery utilized the Consolidated Equipment Financing Program rates to establish the discount rate. Lease-related interest expense under all leases totaled \$355,796 and \$388,172 for June 30, 2025, and June 30, 2024, respectively. The Lottery subleased portions of the office space and received proceeds of \$301,123 and \$298,167 for fiscal years 2025 and 2024, respectively. These subleases are cancelable by either party with 90 days notice which do not meet the definition of GASB 87 leases.

Leases liability totaled \$18,012,777 and \$19,850,791 for the fiscal years ended June 30, 2025, and June 30, 2024, respectively. Principal and interest requirements to maturity for the lease liability as of June 30, 2025, are shown below (in thousands):

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Year Ending June 30,	Principal	Interest	Total
2026	\$ 4,356	\$ 309	\$ 4,665
2027	4,395	258	4,653
2028	4,367	203	4,570
2029	1,232	128	1,360
2030	1,105	103	1,208
2031-2034	2,558	161	2,719
Totals	\$ 18,013	\$ 1,162	\$ 19,175

Amortization for the remaining lease terms as of June 30, 2025, is shown below (in thousands):

Year Ending June 30,	Amortization
2026	\$ 4,271
2027	4,219
2028	4,122
2029	1,323
2030	1,145
2031-2034	2,488
Totals	\$ 17,568

11. VENDOR SUPPORT FUNDS

Each of the gaming vendor contracts requires the vendors to provide a fund for marketing support activities as directed by the Lottery. The vendors are required to make deposits into the designated accounts either weekly or monthly and distribute the funds as directed by the Lottery. The funds are used for market research and other expenses directly linked to product sales. Vendor balances committed for marketing research vary with timing of marketing initiatives, industry developments, and changes in technology. Actual cash balances for these funds at June 30, 2016, through June 30, 2025, ranged from \$652,000 to \$5,196,000. Each contract requires that any funds remaining in the accounts at the end of each contract's term will be returned to the Lottery for transfer to the EETF. Historically, no balances have reverted to the Lottery.

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Vendor support fund activities are summarized as follows (in thousands):

2024-25 Vendor Support Funds				
	Balance June 30, 2024	Additions	Deletions	Balance June 30, 2025
IGT	\$ 909	\$ 979	\$ (718)	\$ 1,170
Scientific Games	818	5,200	(4,224)	1,794
Total Vendor Support	\$ 1,727	\$ 6,179	\$ (4,942)	\$ 2,964

2023-24 Vendor Support Funds				
	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
IGT	\$ 444	\$ 977	\$ (512)	\$ 909
Scientific Games	208	5,200	(4,590)	818
Total Vendor Support	\$ 652	\$ 6,177	\$ (5,102)	\$ 1,727

12. OTHER COMMITMENTS

The Lottery has contractual agreements under which Draw and Scratch-Off lottery game vendors provide gaming systems, tickets, and related services. The Draw gaming vendor was compensated at a rate of 0.7384 percent of net Draw and Scratch-off ticket sales through July 21, 2024, and 0.7532 percent from July 22, 2024. The vendor's compensation for Draw games, gaming equipment, and for the provision of full service vending machines for the fiscal years ended June 30, 2025, and 2024, was \$69,106,000 and \$70,116,000, respectively.

The Lottery's Scratch-Off ticket vendor was compensated at rates that range from 0.6290 percent to 1.4980 percent based on ticket price points and total annual sales. Compensation under this agreement and the agreement for the provision of instant ticket vending machines amounted to \$54,340,000 for the fiscal year ended June 30, 2025, and \$51,855,000 for the fiscal year ended June 30, 2024.

13. LITIGATION

The Lottery is involved in litigation and other claims incidental to the ordinary course of its operations. In the opinion of Lottery management, based on the advice of legal counsel, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the Lottery.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEARS ENDED JUNE 30

FLORIDA RETIREMENT SYSTEM

Schedule of the Lottery's Proportionate Share of the Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2024 ⁽¹⁾	2023 ⁽¹⁾	2022 ⁽¹⁾
Lottery's proportion of the net pension liability	0.047896196%	0.047438134%	0.049665900%
Lottery's proportionate share of the net pension liability	\$ 18,528,501	\$ 18,902,595	\$ 18,479,706
Lottery's covered payroll	\$ 21,266,974	\$ 19,002,512	\$ 17,426,997
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	87.12%	99.47%	106.04%
Plan fiduciary net position as a percentage of the total pension liability	83.70%	82.38%	82.89%

(1) The amounts presented for the fiscal year were determined as of 6/30.

Notes to Schedule:

Changes in actuarial assumptions: The assumed investment rate of return remained at 6.70% for funding purposes.

Schedule of the Lottery's Contributions Last Ten Fiscal Years

	2025 ⁽¹⁾	2024 ⁽¹⁾	2023 ⁽¹⁾
Contractually required contribution	\$ 2,395,925	\$ 2,712,186	\$ 2,282,079
Contributions in relation to the contractually required contribution	(2,395,925)	(2,712,186)	(2,282,079)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Lottery's covered payroll	\$ 2,298,094	\$ 21,266,974	\$ 19,002,512
Contributions as a percentage of covered payroll	10.43%	12.75%	12.01%

(1) The amounts presented for the fiscal year were determined as of 6/30.

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2021 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾
0.050235772%	0.049983465%	0.054013536%	0.053883272%	0.052889273%	0.054090117%	0.055549065%
\$ 3,794,742	\$ 21,663,570	\$ 18,601,510	\$ 16,229,921	\$ 15,644,292	\$ 13,657,797	\$ 7,174,907
\$ 17,479,154	\$ 17,527,166	\$ 18,276,513	\$ 17,945,878	\$ 17,435,001	\$ 17,562,079	\$ 15,985,814

21.71%	123.60%	101.78%	90.44%	89.73%	77.77%	44.88%
96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

2022 ⁽¹⁾	2021 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾
\$ 2,119,334	\$ 1,913,766	\$ 1,660,729	\$ 1,674,809	\$ 1,535,630	\$ 1,376,838	\$ 1,319,074
(2,119,334)	(1,913,766)	(1,660,729)	(1,674,809)	(1,535,630)	(1,376,838)	(1,319,074)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 17,426,997	\$ 17,479,154	\$ 17,527,166	\$ 18,276,513	\$ 17,945,878	\$ 17,435,001	\$ 17,562,079
12.16%	10.95%	9.48%	9.16%	8.56%	7.90%	7.51%

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RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Schedule of the Lottery's Proportionate Share of Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2024 ⁽¹⁾	2023 ⁽¹⁾	2022 ⁽¹⁾
Lottery's proportion of the net pension liability	0.050254246%	0.047965330%	0.047819943%
Lottery's proportionate share of the net pension liability	\$ 7,538,628	\$ 7,617,533	\$ 5,064,896
Lottery's covered payroll	\$ 21,266,974	\$ 19,002,512	\$ 17,426,997
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	35.45%	40.09%	29.06%
Plan fiduciary net position as a percentage of the total pension liability	4.80%	4.12%	4.81%

(1) The amounts presented for the fiscal year were determined as of 6/30.

Notes to Schedule:

Changes in actuarial assumptions: The municipal rate used to determine total pension liability was increased from 3.65% in 2023 to 3.93% in 2024.

Schedule of the Lottery's Contributions Last Ten Fiscal Years⁽¹⁾

	2025 ⁽¹⁾	2024 ⁽¹⁾	2023 ⁽¹⁾
Contractually required contribution	\$ 459,706	\$ 425,467	\$ 315,524
Contributions in relation to the contractually required contribution	(459,706)	(425,467)	(315,524)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Lottery's covered payroll	\$ 22,980,094	\$ 21,266,974	\$ 19,002,512
Contributions as a percentage of covered payroll	2.00%	2.00%	1.66%

(1) The amounts presented for the fiscal year were determined as of 6/30.

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2021 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾
0.049372962%	0.050500009%	0.054579054%	0.054610115%	0.054020990%	0.056217445%	0.056262384%
\$ 6,056,335	\$ 6,165,969	\$ 6,106,850	\$ 5,779,995	\$ 5,776,174	\$ 6,551,910	\$ 5,737,878
\$ 17,479,154	\$ 17,527,166	\$ 18,253,617	\$ 17,836,604	\$ 17,219,001	\$ 17,354,507	\$ 15,969,897

34.65%	35.18%	33.46%	32.41%	33.55%	37.75%	35.93%
3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

2022 ⁽¹⁾	2021 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾
\$ 289,351	\$ 290,215	\$ 291,008	\$ 303,072	\$ 296,152	\$ 285,895	\$ 288,150
(289,351)	(290,215)	(291,008)	(303,072)	(296,152)	(285,895)	(288,150)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 17,426,997	\$ 17,479,154	\$ 17,527,166	\$ 18,253,617	\$ 17,836,604	\$ 17,219,001	\$ 17,354,507
1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Schedule of the Lottery's Proportionate Share of the
Total Other Postemployment Benefits (OPEB) Liability and Related Ratios
Last Ten Fiscal Years⁽¹⁾**

	2024⁽²⁾	2023⁽²⁾	2022⁽²⁾
Lottery's proportion of the OPEB liability	0.275120996%	0.281194656%	0.278959098%
Lottery's proportionate share of the total OPEB liability	\$ 28,070,517	\$ 23,533,874	\$ 21,879,476
Lottery's covered-employee payroll	\$ 21,266,974	\$ 19,002,512	\$ 17,426,997
Lottery's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	131.99%	123.85%	125.55%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%

(1) This schedule is intended to report information for ten years. Additional information will be displayed as it becomes available.

(2) The amounts presented for the fiscal year were determined as of 6/30.

Notes to Schedule:

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

Changes of Assumptions. The amounts reported as changes of assumptions resulted from a change in the discount rate of return from 4.13% as of June 30, 2023, to 4.21% as of June 30, 2024. (Refer to Note 9 to the financial statements for further detail.)

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

—

2021 ⁽²⁾	2020 ⁽²⁾	2019 ⁽²⁾	2018 ⁽²⁾	2017 ⁽²⁾
0.273830487%	0.263132349%	0.280924900%	0.288278422%	0.279755700%
\$ 28,863,477	\$ 27,076,438	\$ 35,560,179	\$ 30,417,848	\$ 30,246,920
\$ 17,479,154	\$ 17,527,166	\$ 18,276,513	\$ 17,945,878	\$ 17,435,001
165.13%	154.48%	194.57%	169.50%	173.48%
0.00%	0.00%	0.00%	0.00%	0.00%

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STATISTICAL SECTION

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Overview

This part of the Lottery's Annual Comprehensive Financial Report provides additional detailed information for use in assessing its financial condition.

Financial Trends – These schedules contain trend information to help assess how the Lottery's financial position has changed over time.

Schedule A-1 - Net Position by Component	72
Schedule A-2 - Changes in Net Position.....	74
Schedule A-3 - Transfers to EETF, Ticket Sales, Prize Expense, and Retailer Commissions	76

Revenue Capacity – These schedules present information on the Lottery's most significant revenue sources and can assist with evaluating the government's ability to produce its own-source revenues.

Schedule B-1 - Sales by Game.....	78
Schedule B-2 - Ticket Sales Percentages	79
Schedule B-3 - Scratch-Off Game Launches and Sales by Price Point.....	80
Schedule B-4 - Number of Retailers and Sales by District.....	82

Demographic and Economic Information – These schedules include demographic and economic information to communicate the Lottery's socioeconomic environment.

Schedule C-1 - Demographic and Economic Statistics.....	84
Schedule C-2 - Industry Sector Employment.....	86
Schedule C-3 - Lottery Player Demographics	88

Operating Information – These schedules include operating data to assist with understanding how information in the Lottery's financial reports relate to services provided or activities performed by the Lottery.

Schedule D-1 - Schedule of Lottery Employees	90
Schedule D-2 - Operating Indicators.....	92
Schedule D-3 - Capital Assets by Category.....	94

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Net Position by Component
For the Last Ten Fiscal Years
(in thousands)**

Schedule A-1

	Fiscal Year			
	2016	2017	2018	2019
Invested in capital assets	\$ 6,106	\$ 6,264	\$ 6,987	\$ 7,170
Restricted for undistributed appreciation on restricted investments	70,871	40,440	26,092	45,368
Restricted for MUSL ⁽¹⁾	22,793	24,177	26,676	33,745
Restricted for future prizes or special prize promotions	28,268	30,882	39,223	51,445
Unrestricted	<u>(20,608)</u>	<u>(23,366)</u>	<u>(50,743)</u>	<u>(53,165)</u>
Total Net Position	<u>\$ 107,430</u>	<u>\$ 78,397</u>	<u>\$ 48,235</u>	<u>\$ 84,563</u>
Percent change from prior year	32%	(27%)	(38%)	75%

Note: Reporting standards require that net position be reported in three components in the financial statements: net investment in capital assets; restricted; and unrestricted. See Schedule A-2 for changes in net position from year to year.

Source: Florida Lottery, General Accounting

⁽¹⁾ Multi-State Lottery Association

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule A-1

Fiscal Year											
2020		2021		2022		2023		2024		2025	
\$	7,273	\$	7,564	\$	3,897	\$	3,663	\$	2,786	\$	2,891
80,850		40,334		-		-		-		-	
34,181		32,278		32,117		32,514		33,887		37,642	
24,239		32,395		59,861		85,524		102,341		120,747	
(57,900)		(61,257)		(63,354)		(77,560)		(75,203)		(72,476)	
<u>\$</u>	<u>88,643</u>	<u>\$</u>	<u>51,314</u>	<u>\$</u>	<u>32,521</u>	<u>\$</u>	<u>44,141</u>	<u>\$</u>	<u>63,811</u>	<u>\$</u>	<u>88,804</u>
	5%		(42%)		(37%)		36%		53%		39%

**Changes in Net Position
For the Last Ten Fiscal Years
(in thousands)**

Schedule A-2

	Fiscal Year			
	2016	2017	2018	2019
Operating Revenues				
Scratch-Off	\$ 3,954,701	\$ 4,243,602	\$ 4,652,295	\$ 4,937,779
LOTTO	291,382	253,039	240,015	223,504
FANTASY 5	296,307	275,663	264,417	258,409
PICK 3/CASH 3	379,757	348,724	366,073	380,330
PICK 4/PLAY 4	291,651	249,312	259,271	253,423
RAFFLE	11,724	11,357	-	-
MEGA MONEY/LUCKY MONEY/JACKPOT TRIPLE PLAY	84,881	89,436	74,193	74,632
MEGA MILLIONS with Megaplier	149,950	147,381	220,619	416,963
POWERBALL with Power Play and Double Play	602,001	434,263	474,039	459,392
MONOPOLY MILLIONAIRES	-	-	-	-
PICK 2	-	23,931	20,267	20,860
PICK 5	-	50,996	52,618	54,649
CASH4LIFE	-	28,775	59,219	50,337
FAST PLAY	-	-	17,785	20,958
CASH POP	-	-	-	-
Total ticket sales	6,062,354	6,156,479	6,700,811	7,151,236
Bad debt expense	(1,487)	(1,073)	(1,158)	(1,041)
Net Ticket Sales	6,060,867	6,155,406	6,699,653	7,150,195
Terminal fees and miscellaneous	7,439	7,436	8,014	7,513
Retailer fees	181	175	208	175
Total Operating Revenues	6,068,487	6,163,017	6,707,875	7,157,883
Operating Expenses				
Prizes	3,868,970	3,996,632	4,394,400	4,638,488
Retailer commissions	337,007	343,608	373,819	398,162
Scratch-Off tickets	55,591	58,615	63,654	64,935
Draw games	32,650	30,301	31,863	38,275
Advertising	41,180	39,452	38,323	39,649
Personal services	28,379	30,117	31,064	31,273
Other contractual services	7,941	7,486	8,802	8,176
Materials and supplies	1,662	2,180	1,904	2,019
Depreciation	959	1,570	1,108	1,078
Total Operating Expenses	4,374,339	4,509,961	4,944,937	5,222,055
Operating Income	1,694,148	1,653,056	1,762,938	1,935,828
Non-Operating Revenue (Expenses)				
Interest	4,695	4,829	5,551	8,933
Securities lending income	1,163	-	-	-
Securities lending fees	(645)	-	-	-
Investment management fees	(405)	(418)	(415)	(479)
Net appreciation (depreciation) in fair value of investments	34,246	(17,825)	(3,870)	30,405
Property disposition (loss)	15	(57)	(13)	5
Amortization of grand prizes payable	(14,779)	(12,270)	(11,409)	(11,310)
Total Nonoperating Revenues (Expenses), Net	24,290	(25,741)	(10,156)	27,554
Income Before Transfers	1,718,438	1,627,315	1,752,782	1,963,382
Transfers from other departments	-	-	-	-
Total Transfers to Educational Enhancement Trust Fund	(1,692,551)	(1,656,348)	(1,758,329)	(1,927,054)
Change in Net Position	25,887	(29,033)	(5,547)	36,328
Net Position, Beginning of Year	81,543	107,430	78,397	48,235
Implementation effect of GASB Statements No. 68 & 75	-	-	(24,615)	-
Net Position, End of Year	\$ 107,430	\$ 78,397	\$ 48,235	\$ 84,563

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

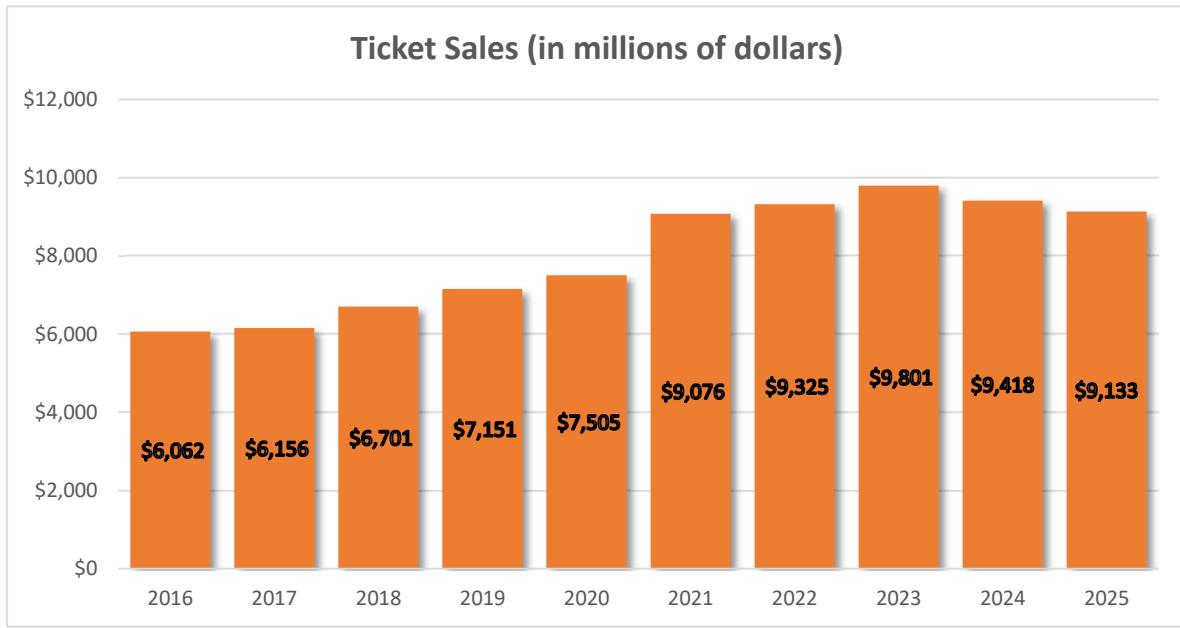
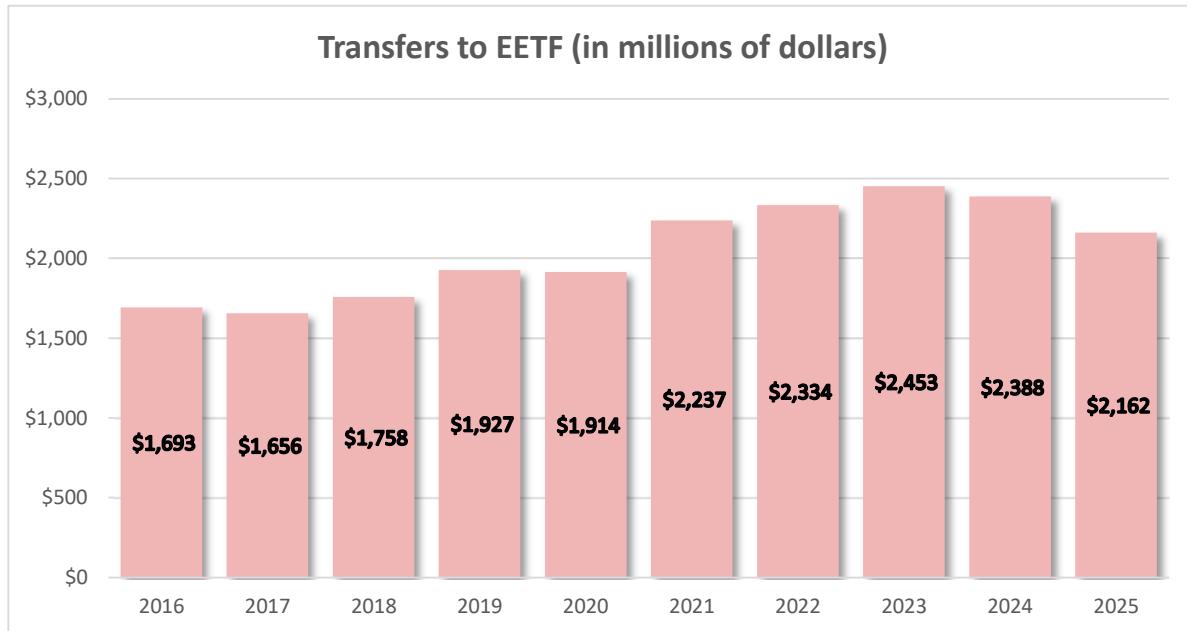
Schedule A-2

Fiscal Year					
2020	2021	2022	2023	2024	2025
\$ 5,665,324	\$ 6,827,864	\$ 7,025,298	\$ 7,043,877	\$ 6,618,079	\$ 6,835,759
210,098	284,697	267,899	300,130	273,797	255,284
245,842	257,850	243,465	240,694	234,193	218,562
396,338	465,136	469,440	462,312	441,443	453,877
258,571	293,297	305,139	304,905	302,043	307,929
-	-	-	-	-	-
54,452	52,115	46,395	50,535	49,047	42,069
225,035	337,063	239,215	511,587	450,061	343,017
282,152	363,671	494,132	632,586	750,904	364,593
-	-	-	-	-	-
22,280	29,429	26,397	22,435	20,896	21,030
59,673	75,042	76,733	76,805	79,783	87,285
65,321	69,240	64,820	64,578	65,800	66,289
20,026	20,815	10,830	-	-	-
-	-	54,865	91,339	131,469	137,193
7,505,112	9,076,219	9,324,628	9,801,783	9,417,515	9,132,887
(1,318)	(825)	(426)	(1,308)	(915)	(1,176)
7,503,794	9,075,394	9,324,202	9,800,475	9,416,600	9,131,711
7,702	7,495	7,520	7,333	7,509	7,578
131	156	151	156	137	145
<u>7,511,627</u>	<u>9,083,045</u>	<u>9,331,873</u>	<u>9,807,964</u>	<u>9,424,246</u>	<u>9,139,434</u>
5,030,240	6,135,198	6,245,455	6,555,700	6,254,657	6,206,453
420,843	509,861	523,132	571,384	571,612	556,212
52,409	55,398	56,269	54,435	51,855	54,340
55,905	67,206	69,090	72,820	70,116	69,106
39,455	39,914	38,926	39,123	39,278	38,878
33,047	32,015	26,048	29,534	39,779	40,820
8,517	4,272	6,091	6,631	7,367	9,177
574	1,783	2,443	2,351	2,498	2,501
857	4,706	4,487	4,259	6,519	5,434
<u>5,641,847</u>	<u>6,850,353</u>	<u>6,971,941</u>	<u>7,336,237</u>	<u>7,043,681</u>	<u>6,982,921</u>
<u>1,869,780</u>	<u>2,232,692</u>	<u>2,359,932</u>	<u>2,471,727</u>	<u>2,380,565</u>	<u>2,156,513</u>
13,102	9,034	4,410	9,606	19,729	25,757
-	-	-	-	-	-
-	-	-	-	-	-
(524)	(675)	(694)	(646)	(783)	(790)
46,596	(31,056)	(34,717)	(5,714)	17,168	14,789
(16)	(50)	(4,067)	(54)	129	(54)
(11,059)	(10,642)	(10,153)	(9,889)	(9,554)	(9,116)
48,099	(33,389)	(45,221)	(6,697)	26,689	30,586
<u>1,917,879</u>	<u>2,199,303</u>	<u>2,314,711</u>	<u>2,465,030</u>	<u>2,407,254</u>	<u>2,187,099</u>
-	7	-	-	-	-
<u>(1,913,799)</u>	<u>(2,236,639)</u>	<u>(2,333,504)</u>	<u>(2,453,410)</u>	<u>(2,387,584)</u>	<u>(2,162,106)</u>
4,080	(37,329)	(18,793)	11,620	19,670	24,993
84,563	88,643	51,314	32,521	44,141	63,811
-	-	-	-	-	-
<u>\$ 88,643</u>	<u>\$ 51,314</u>	<u>\$ 32,521</u>	<u>\$ 44,141</u>	<u>\$ 63,811</u>	<u>\$ 88,804</u>

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Transfers to EETF, Ticket Sales, Prize Expense, and Retailer Commissions For the Last Ten Fiscal Years

Schedule A-3

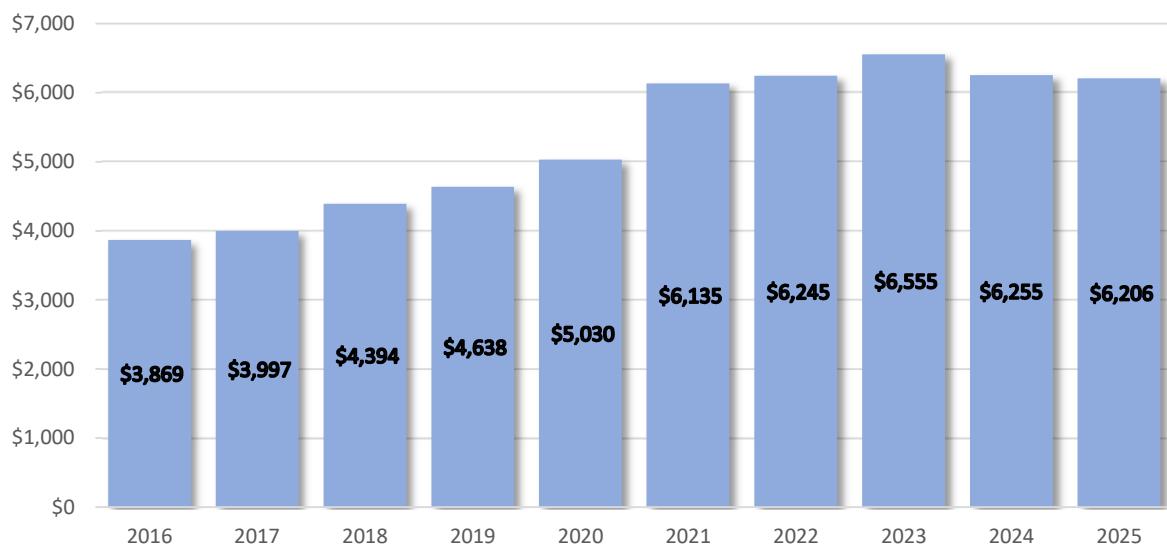


Source: Florida Lottery, General Accounting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule A-3

Prize Expense (in millions of dollars)



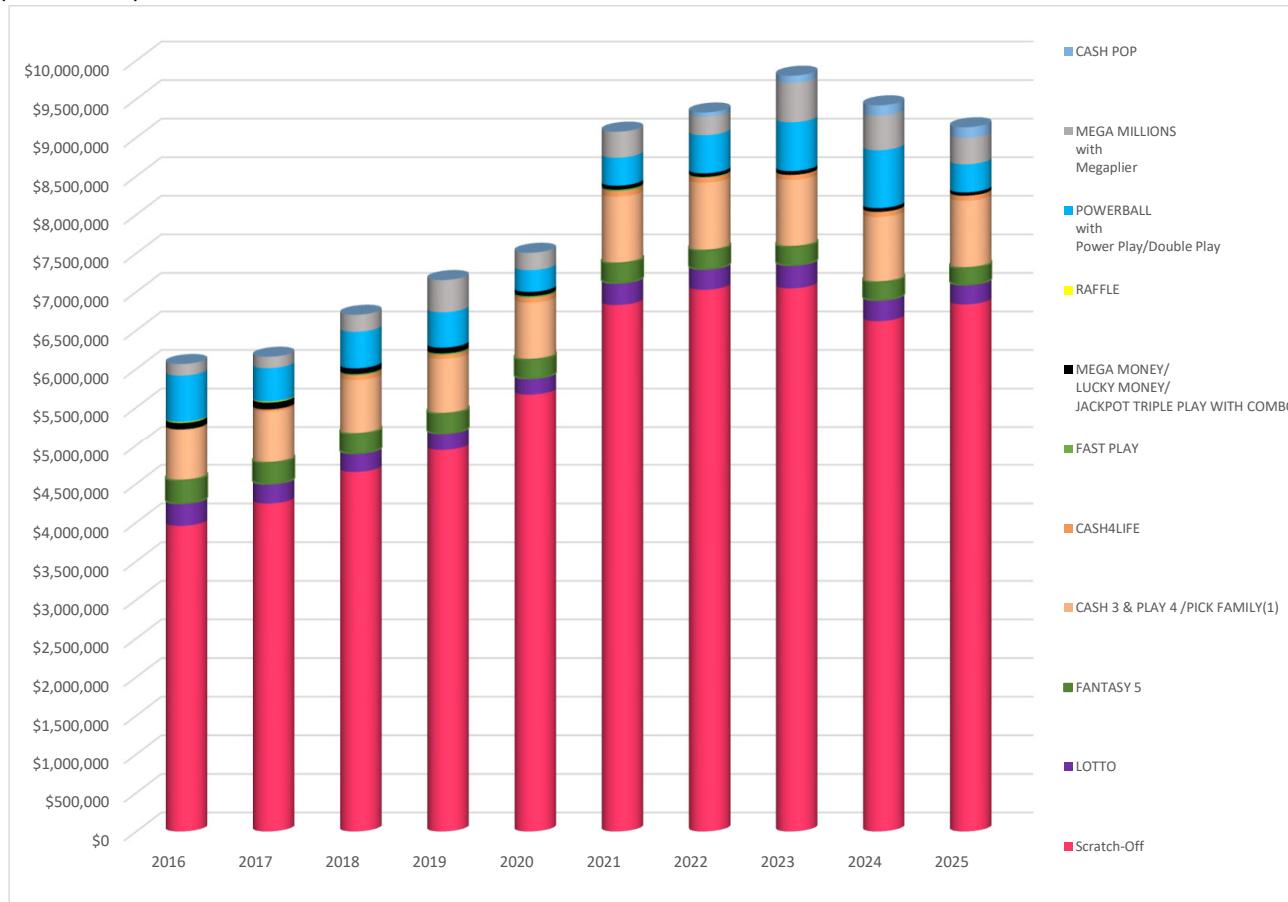
Retailer Commissions (in millions of dollars)



2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule B-1

Sales by Game
For the Last Ten Fiscal Years
(in thousands)



Fiscal Year Ended June 30	CASH 3 & PLAY 4 / PICK FAMILY ⁽¹⁾				MEGA MONEY/ LUCKY MONEY/ JACKPOT TRIPLE PLAY WITH COMBO			POWERBALL with Power Play/Double Play		MEGA MILLIONS with Megaplier			CASH POP	Combined Sales
	Scratch-Off	LOTTO	FANTASY 5	CASH4LIFE	FAST PLAY	TRIPLE PLAY WITH COMBO	RAFFLE	Play/Double Play	Power Play	MEGA MILLIONS with Megaplier	CASH POP	Combined Sales		
2016	\$ 3,954,701	\$ 291,382	\$ 296,307	\$ 671,408	\$ -	\$ -	\$ 84,881	\$ 11,724	\$ 602,001	\$ 149,950	\$ -	\$ 6,062,354		
2017	4,243,602	253,039	275,663	672,963	28,775	-	89,436	11,357	434,263	147,381	-	6,156,479		
2018	4,652,295	240,015	264,418	698,229	59,219	17,784	74,193	-	474,039	220,619	-	6,700,811		
2019	4,937,779	223,504	258,409	709,262	50,337	20,958	74,632	-	459,392	416,963	-	7,151,236		
2020	5,665,324	210,098	245,842	736,863	65,321	20,026	54,452	-	282,151	225,035	-	7,505,112		
2021	6,827,864	284,697	257,850	862,904	69,240	20,815	52,115	-	363,671	337,063	-	9,076,219		
2022	7,025,298	267,899	243,465	877,709	64,820	10,830	46,395	-	494,132	239,215	54,865	9,324,628		
2023	7,043,877	300,130	240,694	866,457	64,578	-	50,535	-	632,586	511,587	91,339	9,801,783		
2024	6,618,079	273,797	234,193	844,165	65,800	-	49,047	-	750,904	450,061	131,469	9,417,515		
2025	6,835,759	255,284	218,562	870,121	66,289	-	42,069	-	364,593	343,017	137,193	9,132,887		

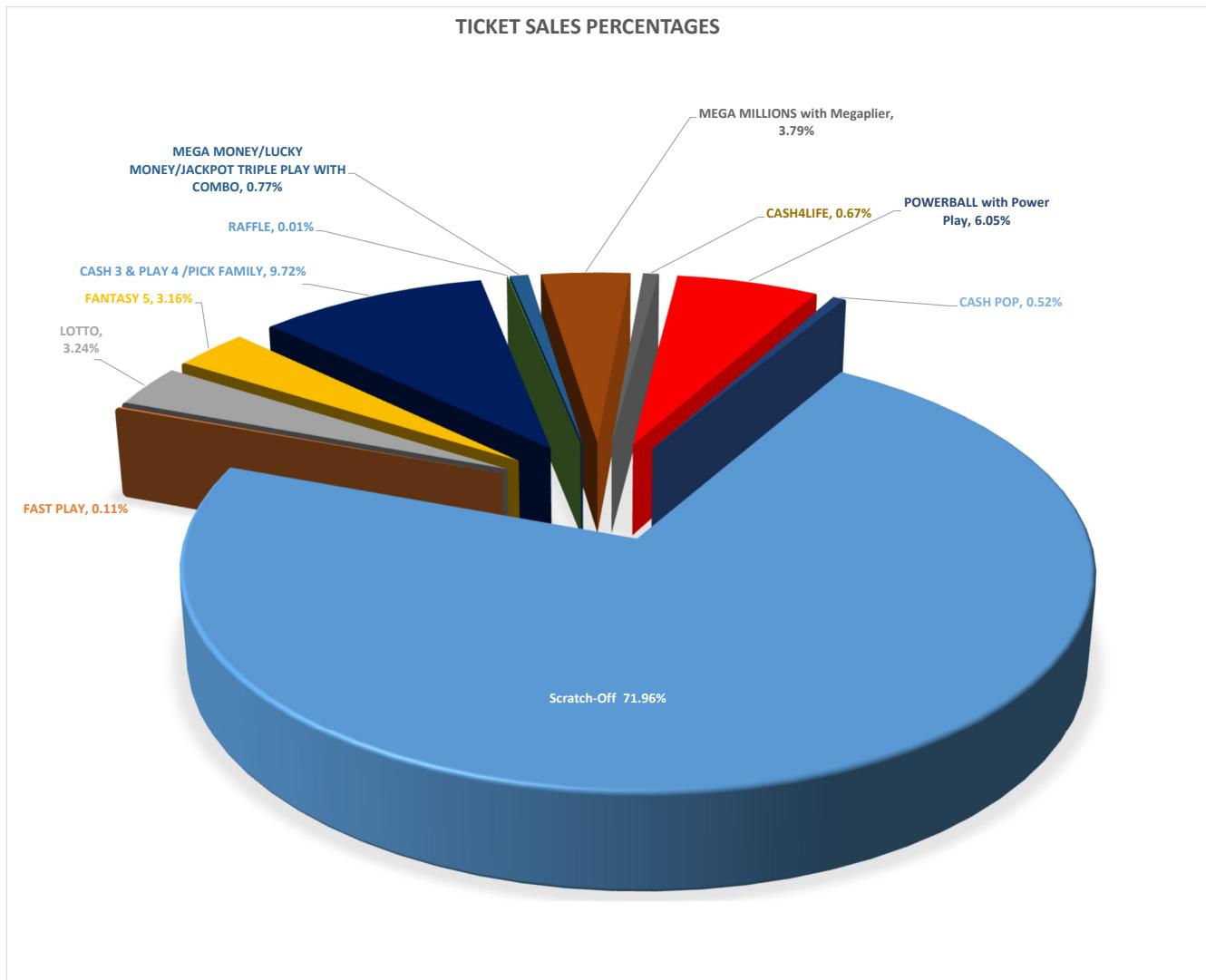
⁽¹⁾ In August of 2016, Cash 3 and Play 4 were changed to Pick 3 and 4 to become the PICK FAMILY along with the introduction of Pick 2 and 5.

Source: Florida Lottery, General Accounting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Ticket Sales Percentages For the Last Ten Fiscal Years

Schedule B-2



Source: Florida Lottery, General Accounting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Scratch-Off Game Launches and Sales by Price Point
For the Last Ten Fiscal Years**

Schedule B-3

Price Point	Fiscal Year					
	2016	2017	2018	2019	2020	2021
Number of Game Launches						
\$1	8	9	9	9	9	8
\$2	9	11	10	10	10	10
\$3	1	3	2	2	1	2
\$5	9	11	9	9	8	10
\$10	3	4	5	5	4	6
\$20	1	2	1	2	2	1
\$25	1	1	-	-	-	-
\$30	-	-	1	1	1	1
\$50	-	-	-	-	-	-
	32	41	37	38	35	38
Sales (in thousands)						
\$1	\$ 196,556	\$ 194,399	\$ 195,523	\$ 169,501	\$ 179,660	\$ 174,200
\$2	502,346	508,240	558,165	564,103	624,658	594,595
\$3	135,399	154,243	145,030	158,266	191,569	172,745
\$5	875,444	867,577	1,036,310	1,013,246	1,044,741	1,201,551
\$10	567,977	655,227	821,977	995,395	1,466,911	1,718,731
\$20	973,527	1,146,288	959,818	1,142,781	1,199,024	1,731,192
\$25	703,452	717,628	583,135	48,489	-	-
\$30	-	-	352,337	845,998	958,761	1,234,850
\$50	-	-	-	-	-	-
	\$ 3,954,701	\$ 4,243,602	\$ 4,652,295	\$ 4,937,779	\$ 5,665,324	\$ 6,827,864

Source: Florida Lottery, General Accounting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule B-3

Fiscal Year						
2022	2023	2024	2025	Total	% of Total 2025	
Number of Game Launches						
9	9	7	5	82	13.16%	
9	10	9	10	98	26.32%	
2	2	2	1	18	2.63%	
9	11	10	10	96	26.32%	
7	6	5	7	52	18.42%	
1	1	3	3	17	7.89%	
-	-	-	-	2	0.00%	
-	1	-	1	6	2.63%	
1	1	1	1	4	2.63%	
38	41	37	38	375	100.00%	
Sales (in thousands)						
\$ 162,391	\$ 134,003	\$ 122,886	\$ 94,324	\$ 1,623,443	1.44%	
498,476	436,290	373,770	326,926	4,987,569	5.00%	
171,476	167,419	138,365	125,480	1,559,992	1.92%	
1,196,535	1,191,619	1,095,269	1,070,829	10,593,121	16.38%	
1,827,537	1,635,083	1,492,059	1,392,493	12,573,390	21.31%	
1,416,189	1,051,462	1,368,561	1,437,178	12,426,020	21.99%	
-	-	-	-	2,052,704	0.00%	
948,391	801,260	477,613	389,217	6,008,427	5.96%	
804,303	1,626,741	1,549,556	1,699,312	5,679,912	26.00%	
\$ 7,025,298	\$ 7,043,877	\$ 6,618,079	\$ 6,535,759	\$ 57,504,578	100.00%	

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Number of Retailers and Sales by District
For the Last Ten Fiscal Years**

Schedule B-4

Number of Retailers by District

District	Fiscal Year					
	2016	2017	2018	2019	2020	2021
Fort Myers	1,257	1,266	1,262	1,292	1,309	1,328
Gainesville	829	823	818	818	826	828
Jacksonville	1,018	1,020	1,022	1,017	1,020	1,038
Miami	3,202	3,172	3,155	3,172	3,146	3,142
Orlando	2,183	2,197	2,194	2,180	2,151	2,200
Pensacola	665	681	703	692	715	723
Tallahassee	389	386	379	381	383	379
Tampa	2,375	2,355	2,358	2,382	2,415	2,472
West Palm Beach	1,245	1,254	1,253	1,272	1,263	1,295
	<u>13,163</u>	<u>13,154</u>	<u>13,144</u>	<u>13,206</u>	<u>13,228</u>	<u>13,405</u>

Source: Department generated from gaming vendor data

**Sales by District
(in thousands)**

District	2016	2017	2018	2019	2020	2021
Fort Myers	\$ 615,229	\$ 628,123	\$ 697,588	\$ 759,736	\$ 801,054	\$ 968,213
Gainesville	343,318	356,612	387,452	411,490	446,857	536,476
Jacksonville	458,174	477,954	522,998	551,029	626,094	798,243
Miami	1,367,195	1,333,364	1,447,985	1,524,352	1,526,493	1,836,781
Orlando	1,050,312	1,071,251	1,157,163	1,227,247	1,278,238	1,521,875
Pensacola	351,814	364,132	391,488	432,160	449,837	546,566
Tallahassee	189,304	191,233	201,239	218,261	230,358	282,697
Tampa	1,052,556	1,088,431	1,192,114	1,275,011	1,373,501	1,678,496
West Palm Beach	634,452	645,379	702,784	751,950	772,680	906,872
	<u>\$ 6,062,354</u>	<u>\$ 6,156,479</u>	<u>\$ 6,700,811</u>	<u>\$ 7,151,236</u>	<u>\$ 7,505,112</u>	<u>\$ 9,076,219</u>

Source: Department generated from gaming vendor data

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule B-4

Fiscal Year

2022	2023	2024	2025
1,360	1,327	1,354	1,358
848	847	851	864
1,042	1,052	1,070	1,065
3,099	3,078	3,082	3,078
2,194	2,197	2,206	2,194
758	774	797	818
381	378	385	393
2,468	2,472	2,485	2,492
1,311	1,303	1,314	1,317
13,461	13,428	13,544	13,579

2022	2023	2024	2025	Total	% of Total Sales
\$ 1,024,567	\$ 1,094,176	\$ 1,056,128	\$ 995,380	\$ 8,640,194	10.76%
550,118	561,286	538,446	538,967	4,671,022	5.81%
814,816	822,056	779,336	785,467	6,636,167	8.26%
1,888,109	1,987,310	1,906,035	1,818,025	16,635,649	20.71%
1,559,344	1,641,964	1,573,661	1,515,426	13,596,481	16.93%
543,966	583,394	563,820	536,511	4,763,688	5.93%
265,654	269,535	263,767	266,121	2,378,169	2.96%
1,742,818	1,822,167	1,738,779	1,692,186	14,656,059	18.25%
935,236	1,019,895	997,543	984,804	8,351,595	10.40%
\$ 9,324,628	\$ 9,801,783	\$ 9,417,515	\$ 9,132,887	\$ 80,329,024	100.00%

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Demographic and Economic Statistics For the Last Ten Calendar Years

Schedule C-1

Year	Population			Personal Income (in millions)		
	Florida - April 1	Prior Year	Percent Change from	Prior Year	Percent Change from	U.S.
			U.S. - July 1		Florida	
2015	19,879,230	1.50%	320,738,994	0.74%	\$ 905,451	\$ 15,467,113
2016	20,201,450	1.62%	323,071,755	0.73%	938,986	15,884,741
2017	20,524,865	1.60%	325,122,128	0.63%	1,011,002	16,658,962
2018	20,854,945	1.61%	326,838,199	0.53%	1,078,011	17,514,402
2019	21,189,849	1.61%	328,329,953	0.46%	1,145,461	18,343,601
2020	21,538,187	1.64%	331,526,933	0.97%	1,221,122	19,609,985
2021	21,898,945	1.67%	332,048,977	0.16%	1,376,880	21,392,812
2022	22,276,132	1.72%	333,271,411	0.37%	1,441,599	21,820,248
2023	22,634,867	1.61%	334,914,895	0.49%	1,551,385	22,981,665
2024	23,002,597	1.62%	336,673,595	0.53%	1,622,692	24,057,505

⁽¹⁾ Unemployment rates are annualized (average of monthly rates).

⁽²⁾ School enrollment as of December is by state fiscal year and other data are by calendar year, April 1, or July 1.

Note: Historical data are from the: U.S. Department of Commerce; University of Florida; U.S. Department of Labor; and Florida Department of Education. Forecast data are based on the Florida Demographic, National Economic, and Florida Economic Estimating Conferences (July 2024).

Source: Florida Department of Financial Services, Bureau of Financial Reporting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule C-1

Per Capita Personal Income	Unemployment Rate ⁽¹⁾	Median Age	Public School Enrollment ⁽²⁾
Florida	U.S.	Florida	U.S.
\$ 45,548	\$ 48,223	5.5%	5.3%
46,481	49,168	4.9%	4.9%
49,257	51,239	4.3%	4.4%
51,691	53,587	3.6%	3.9%
54,057	55,869	3.2%	3.7%
56,696	59,151	8.1%	8.1%
62,874	64,427	4.6%	5.3%
64,715	65,473	2.9%	3.6%
68,540	68,619	2.7%	3.6%
70,544	71,456	3.3%	4.0%
			Florida
			Florida

**Industry Sector Employment
For Calendar Years 2024 and 2015
(in thousands)**

Schedule C-2

Industry	Calendar Year 2024		Calendar Year 2015	
	Employment	Percentage of Total Employment ⁽¹⁾	Employment	Percentage of Total Employment ⁽¹⁾
		Employment		Employment
Health Care and Social Assistance	1,323	13.24%	1,041	12.71%
Retail Trade	1,158	11.58%	1,065	13.00%
Accommodation and Food Services	1,055	10.55%	919	11.22%
Professional and Technical Services	755	7.55%	512	6.25%
Local Government	741	7.41%	702	8.57%
Administrative and Waste Services	729	7.29%	618	7.54%
Construction	651	6.51%	432	5.27%
Finance and Insurance	466	4.66%	362	4.42%
Manufacturing	429	4.29%	346	4.22%
Transportation and Warehousing	412	4.12%	252	3.08%
Total	7,719	77.22%	6,249	76.28%

Note: Privacy requirements prevent the state from obtaining and reporting specific information about the largest employers in the state's jurisdiction. Reporting by industry reveals the degree of concentration in the state's total employment base.

In December 2024, Florida's seasonally adjusted total nonagricultural employment was 10,002,100, an increase of 140,100 jobs (+1.4 percent) over the year. The industries gaining the most jobs over the year were education and health services (+44,000 jobs); and government (+25,900 jobs). As of December 2024, Florida employers have added jobs in 53 of the last 56 months since May of 2020.

(1) "Employment" is being calculated based on average total employment by industry for each calendar year. Percentages of "Total" employment are based on the following:

	2024	2015
Total non-agricultural employment	9,935	8,116
Total agricultural employment	61	76
Total employment	9,996	8,192

Source: Florida Department of Financial Services, Bureau of Financial Reporting

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2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Lottery Player Demographics For the Last 10 Fiscal Years

Schedule C-3

	Fiscal Year					
	2016	2017	2018	2019	2020	2021
Gender						
Male	51%	51%	51%	51%	50%	52%
Female	49%	49%	49%	49%	50%	48%
Age						
18 to 34	24%	25%	26%	25%	24%	26%
35 to 54	39%	38%	38%	39%	36%	36%
55+	37%	37%	36%	36%	40%	38%
Education						
HS or Less	15%	15%	18%	21%	19%	19%
Some Post Secondary	22%	20%	22%	23%	22%	19%
University+	63%	65%	60%	56%	59%	62%
Race						
White	84%	84%	84%	84%	83%	82%
Other	16%	16%	16%	16%	17%	18%
Hispanic						
Yes	20%	21%	20%	20%	25%	26%
No	80%	79%	80%	80%	75%	74%
Income						
<\$20K	12%	11%	12%	12%	12%	11%
\$20K-\$29K	10%	8%	10%	10%	11%	11%
\$30K-\$49K	21%	21%	21%	23%	23%	20%
\$50K-\$69K	21%	21%	20%	19%	20%	18%
\$70K+	36%	39%	37%	36%	34%	40%
I don't know	0%	0%	0%	0%	0%	0%

Source: The Lottery's marketing and research firm, Ipsos-Reid, Inc., based on surveys conducted during the fiscal years.

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule C-3

Fiscal Year			
2022	2023	2024	2025
52%	51%	52%	52%
48%	49%	48%	48%
24%	24%	25%	25%
37%	37%	35%	36%
39%	39%	40%	39%
21%	21%	22%	23%
35%	35%	35%	33%
44%	44%	43%	44%
82%	83%	81%	79%
18%	17%	19%	21%
25%	26%	26%	26%
75%	74%	74%	74%
12%	12%	11%	10%
11%	11%	10%	10%
19%	18%	21%	19%
17%	19%	20%	20%
39%	38%	36%	39%
2%	2%	2%	2%

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule of Lottery Employees For the Last Ten Fiscal Years

Schedule D-1

	Fiscal Year					
	2016	2017	2018	2019	2020	2021
Sales:						
Tallahassee	11	10	11	11	11	11
Fort Myers	16	18	18	17	17	17
West Palm Beach	19	18	19	19	19	19
Miami	38	36	37	38	38	38
Pensacola	14	14	15	14	14	14
Jacksonville	16	15	16	16	16	16
Gainesville	13	13	13	14	14	14
Orlando	27	28	27	28	28	28
Tampa	26	31	30	30	30	30
Sales Subtotal	180	183	186	187	187	187
Administrative and Other	232	230	233	232	232	231
Total	412	413	419	419	419	418

Note: Figures above are as of June 30 of the respective fiscal years.

Source: Florida Lottery, General Accounting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule D-1

Fiscal Year			
2022	2023	2024	2025
10	10	10	10
18	18	18	18
19	19	19	19
38	38	38	43
14	14	14	14
16	16	16	16
14	14	14	14
28	28	28	28
30	30	30	30
187	187	187	192
232	232	239	248
419	419	426	440

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Operating Indicators
Last Ten Fiscal Years
(dollar values in thousands)

Schedule D-2

	Fiscal Year					
	2016	2017	2018	2019	2020	2021
<u>Scratch-Off Games</u>						
Sales	\$ 3,954,701	\$ 4,243,602	\$ 4,652,295	\$ 4,937,779	\$ 5,665,324	\$ 6,827,864
Prize Expense	\$ 2,880,963	\$ 3,103,450	\$ 3,410,041	\$ 3,629,531	\$ 4,135,818	\$ 5,046,267
Percent of Sales	72.85%	73.13%	73.30%	73.51%	73.00%	73.91%
Vendor Fees	\$ 55,591	\$ 58,615	\$ 63,654	\$ 64,935	\$ 52,409	\$ 55,398
Percent of Sales	1.41%	1.38%	1.37%	1.32%	0.93%	0.81%
<u>Draw Games</u>						
Sales	\$ 2,107,653	\$ 1,912,877	\$ 2,048,516	\$ 2,213,457	\$ 1,839,788	\$ 2,248,355
Prize Expense	\$ 1,054,995	\$ 966,230	\$ 1,051,764	\$ 1,096,540	\$ 923,522	\$ 1,152,008
Percent of Sales	50.06%	50.51%	51.34%	49.54%	50.20%	51.24%
Vendor Fees	\$ 32,650	\$ 30,301	\$ 31,863	\$ 38,275	\$ 55,905	\$ 67,206
Percent of Sales	1.55%	1.58%	1.56%	1.73%	3.04%	2.99%
<u>Total Games</u>						
Sales	\$ 6,062,354	\$ 6,156,479	\$ 6,700,811	\$ 7,151,236	\$ 7,505,112	\$ 9,076,219
Commissions	\$ 337,007	\$ 343,608	\$ 373,819	\$ 398,162	\$ 420,843	\$ 509,861
Percent of Sales	5.56%	5.58%	5.58%	5.57%	5.61%	5.62%
Administrative Costs	\$ 80,121	\$ 80,805	\$ 81,201	\$ 82,195	\$ 82,450	\$ 82,466
Percent of Sales	1.32%	1.31%	1.21%	1.15%	1.10%	0.91%
Number of Employees	412	413	419	419	419	418
Number of Retailers	13,163	13,154	13,144	13,206	13,228	13,405

Source: Florida Lottery, General Accounting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule D-2

Fiscal Year				
2022	2023	2024	2025	
\$ 7,025,298	\$ 7,043,877	\$ 6,618,079	\$ 6,835,759	
\$ 5,238,527	\$ 5,247,703	\$ 4,953,983	\$ 5,126,822	
74.57%	74.50%	74.86%	75.00%	
\$ 56,269	\$ 54,435	\$ 51,855	\$ 54,340	
0.80%	0.77%	0.78%	0.79%	
\$ 2,299,330	\$ 2,757,906	\$ 2,799,436	\$ 2,297,128	
\$ 1,169,775	\$ 1,450,406	\$ 1,420,679	\$ 1,205,055	
50.87%	52.59%	50.75%	52.46%	
\$ 69,090	\$ 72,820	\$ 70,116	\$ 69,106	
3.00%	2.64%	2.50%	3.01%	
\$ 9,324,628	\$ 9,801,783	\$ 9,417,515	\$ 9,132,887	
\$ 523,132	\$ 571,384	\$ 571,612	\$ 556,212	
5.61%	5.83%	6.07%	6.09%	
\$ 84,283	\$ 81,898	\$ 91,848	\$ 96,810	
0.90%	0.84%	0.98%	1.06%	
419	419	426	440	
13,461	13,428	13,544	13,579	

Capital Assets by Category
Last Ten Fiscal Years
 (in thousands)

Schedule D-3

	Fiscal Year					
	2016	2017	2018	2019	2020	2021
Right-to-Use Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 246
Right-to-Use Buildings	-	-	-	-	-	30,982
Vehicles and equipment	11,445	12,295	12,970	12,950	12,405	12,426
Intangible assets and other	3,319	3,816	4,162	4,484	4,848	5,117
Total Capital Assets	14,764	16,111	17,132	17,434	17,253	48,771
Less Right-to-Use amortization	-	-	-	-	-	3,807
Less accumulated depreciation	8,658	9,847	10,145	10,264	9,980	9,979
Total Capital Assets, net	\$ 6,106	\$ 6,264	\$ 6,987	\$ 7,170	\$ 7,273	\$ 34,985

Source: Florida Lottery, General Accounting

2025 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule D-3

Fiscal Year				
2022	2023	2024	2025	
\$ 246	\$ 246	\$ 251	\$ 63	
30,982	35,279	35,273	36,345	
12,659	11,700	11,803	12,291	
1,094	1,096	1,097	1,096	
44,981	48,321	48,424	49,795	
8,422	11,740	16,151	18,840	
9,856	8,644	9,637	10,051	
<u>\$ 26,703</u>	<u>\$ 27,937</u>	<u>\$ 22,636</u>	<u>\$ 20,904</u>	

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Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

Opinion on Internal Control Over Financial Reporting

We have audited the Department of the Lottery's (Lottery's) internal control over financial reporting as of June 30, 2025, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Lottery maintained, in all material respects, effective internal control over financial reporting as of June 30, 2025, based on criteria established in the *Internal Control – Integrated Framework* (2013), issued by COSO.

We have also audited, 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, the financial statements of the Lottery, as of and for the fiscal years ended June 30, 2025, and June 30, 2024, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and our report thereon dated January 29, 2026, expressed an unmodified opinion.

Basis for Opinion

We conducted our audit in accordance with GAAS and *Government Auditing Standards*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting*** section of our report. We are required to be independent of the Lottery and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Report on Other Legal and Regulatory Requirements

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

Additional Matters

We noted certain additional matters related to information technology controls and minority retailer participation that we reported to management as Findings 1 and 2 in the **FINDINGS AND RECOMMENDATIONS** accompanying this report.

Management's Response to Findings

The Lottery's response to the findings described in the **FINDINGS AND RECOMMENDATIONS** accompanying this report is included as **MANAGEMENT'S RESPONSE**. The Lottery's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 29, 2026
Audit Report No. 2026-089

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RON DESANTIS
Governor



REGINALD D. DIXON
Acting Secretary

Management's Report on Internal Control Over Financial Reporting

The Florida Department of the Lottery's (Department's) internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Department management is responsible for designing, implementing, and maintaining effective internal control over financial reporting. Management assessed the effectiveness of the Department's internal control over financial reporting as of June 30, 2025, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the Internal Control – Integrated Framework (2013). Based on that assessment, management concluded that, as of June 30, 2025, the Department's internal control over financial reporting is effective, based on the criteria established in the Internal Control – Integrated Framework (2013).

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Florida Department of the Lottery

A handwritten signature in blue ink, appearing to read "Reginald D. Dixon".

Reginald D. Dixon
Acting Secretary

January 29, 2026

FINDINGS AND RECOMMENDATIONS

ADDITIONAL MATTERS

Finding 1: Information Technology Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit procedures disclosed that certain Lottery IT security controls need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Lottery data and related IT resources. However, we have notified appropriate Lottery management of the specific issues.

Without appropriate IT security controls, the risk is increased that the confidentiality, integrity, and availability of Lottery data and related IT resources may be compromised. Similar findings were communicated to Lottery management in connection with prior audits of the Lottery, most recently with our report No. 2025-098 (Finding 1).

Recommendation: We recommend that Lottery management make the necessary IT security control enhancements to address the issues identified.

Finding 2: Minority Retailer Participation

Section 24.113, Florida Statutes, requires that 15 percent of the Lottery's retailers be minority business enterprises, as defined in Section 288.703(3), Florida Statutes; however, no more than 35 percent of such retailers shall be owned by the same type of minority person, as defined by Section 288.703(4), Florida Statutes.

In prior audit reports, most recently in our report No. 2025-098 (Finding 2), we disclosed that retailers comprising one minority type totaled more than 35 percent of the total number of the Lottery's minority retailers. Our audit disclosed that, contrary to State law, as of June 30, 2025, retailers comprising one minority type totaled approximately 73.5 percent of the total number of minority retailers, an increase of 2.1 percent from the 2023-24 fiscal year.

Recommendation: We recommend that the Lottery work to increase retailer participation in under-represented minority groups.

RON DESANTIS
Governor



REGINALD D. DIXON
Acting Secretary

January 27, 2026

Sherrill F. Norman, CPA
Florida Auditor General
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

The Lottery has received the list of preliminary and tentative audit findings and recommendations resulting from your audit of the Lottery's Financial Statements for the fiscal year ended June 30, 2025. Below is our response to each finding and recommendation:

Finding 1: Information Technology Security Controls

Recommendation: We recommend that Lottery management make the necessary IT security control enhancements to address the issues identified.

Lottery's Response: The Lottery recognizes the importance of maintaining effective IT security controls to protect the confidentiality, integrity, and availability of Lottery data and systems. Management appreciates the Auditor General's work in identifying opportunities for improvement and will evaluate the specific issues communicated. Corrective actions will be prioritized based on risk, operational needs, and available resources as part of our ongoing efforts to strengthen security controls.

Finding 2: Minority Retailer Participation

Recommendation: We recommend that the Lottery work to increase retailer participation in under-represented minority groups.

Lottery's Response: The Lottery will continue to look for opportunities to recruit retailers, including those in under-represented minority groups. Additionally, the Lottery sales force will continue to recruit minority-owned businesses as a part of their standard sales practices.

Thank you for your audit efforts and recommendations. I look forward to receiving your final report.

Sincerely,



Reginald D. Dixon
Acting Secretary

cc: Andy Mompeller, Inspector General

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