



FLORIDA LOTTERY

AN ENTERPRISE FUND OF THE STATE OF FLORIDA



KEEP FLORIDA'S FUTURE BRIGHT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2023, AND 2022

FLORIDA LOTTERY

An Enterprise Fund of the State of Florida

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2023, and 2022

JOHN F. DAVIS

SECRETARY

Prepared by:

General Accounting

Cindie L. McKenzie, Accounting Director

Holly Hill, Accounting and Finance Manager

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INTRODUCTORY SECTION

RON DESANTIS
Governor



JOHN F. DAVIS
Secretary

January 31, 2024

The People of Florida
The Honorable Ron DeSantis, Governor
The Honorable Kathleen Passidomo, President of the Senate
The Honorable Paul Renner, Speaker of the House of Representatives

To the People of Florida, Governor DeSantis, President Passidomo, and Speaker Renner:

We are pleased to submit the Florida Lottery's (Lottery) Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2023, and 2022 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, 2023, and 2022. 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, 2023, 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 35 years of operation, the Lottery has offered a variety of Scratch-Off and Draw game products and promotions, which have generated over \$146 billion in revenues. Since inception, the Lottery has transferred more than \$44 billion to education. In fiscal year ended June 30, 2023, the Lottery had its twelfth consecutive all-time record-breaking sales year of approximately \$9.8 billion which provided approximately \$2.45 billion in contributions to education.

To date, the Lottery has introduced more than 1,291 Scratch-Off games and continues to launch approximately 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. With the exception of fiscal year 2009 during the height of the Great Recession, Scratch-Off sales have increased annually over the past 22 years. For the second year in a row, Scratch-Off sales have surpassed \$7.0 billion. 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. Product placement initiatives focused on increased facings/footprint at the point-of-sale.

In Fiscal Year 2022-23, sales were driven by industry best-in-class Scratch-Off games, consisting of 41 new games that included two of the three top-performing Scratch-Off games in the country, \$1,000,000 A YEAR FOR LIFE SPECTACULAR and FLORIDA 300X THE CASH. Additionally, the Lottery had the best-selling \$30, \$20, \$5, and \$2 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 FLORIDA X THE CASH, MONOPOLY DOUBLER, and GOLD RUSH DOUBLER families of games, which collectively accumulated more than \$1.97 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®, Megaplier® and Combo™ in conjunction with certain Draw games for additional excitement and opportunities to win more, or bigger prizes.

In Fiscal Year 2022-23, the Lottery’s Draw game portfolio had a record sales year, exceeding \$2.75 billion and generating more than \$984 million in revenue for education. This success was primarily due to the multi-state jackpot games— POWERBALL® and MEGA MILLIONS®—having three jackpots that exceeded \$1 billion, along with a \$754 million jackpot and two FLORIDA LOTTO® jackpots topping \$40 million, culminating in more than \$595 million in revenue for Florida students and schools. Additionally, the in-state, daily FANTASY 5® Draw game was expanded by adding a midday drawing, which produced a 10.8 percent increase in sales over the same time the previous year.

ECONOMIC CONDITION AND FINANCIAL INFORMATION

The main economic factors affecting lottery sales are population growth, personal income growth and employment. Based on the July 2023 Florida Economic Estimating Conference (Conference), Florida’s population is forecasted to increase 1.45 percent and 1.35 percent for the fiscal years ending June 30, 2024, and 2025, respectively. Additionally, the Conference produced forecasts for personal income growth of 5.6 percent and 5.9 percent for the fiscal years ending June 30, 2024, and 2025, respectively. According to the Fall 2023 Conference, Florida’s unemployment rate is about 4.0 percent. Florida’s unemployment rate had been below this level for over two years before the onset of the

pandemic in March 2020. By May 2020, the unemployment rate spiked to 14.1 percent, surpassing the prior peak rate of 10.9 percent experienced in the first four months of 2010 during the Great Recession. Today, Florida's monthly unemployment rate has been remarkably low for at least a year. In July, it matched the 2.7 percent reported for all of last year, not far from the state's lowest recorded rate in modern times (2.4 percent in the first half of 2006). The Conference expects the unemployment rate to average 3.0 percent in Fiscal Year 2023-24 and, due to the Federal Reserve's actions to cool off the economy through higher interest rates, start an upward drift until it reaches 4.3 percent in Fiscal Year 2026-27. After this, the rate plateaus at or slightly above 4.0 percent.

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 support its goal of maximizing contributions to enhance education. Some of the strategies that we continue to actively pursue are:

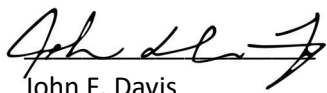
- Increasing the Lottery's player base with innovative new products;
- Refreshing the Lottery brand through innovative approaches to technology;
- Improving market penetration through recruitment and diversification of the Lottery's retailer network; and
- Maximizing the effectiveness of the Lottery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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lottery for its ACFR for the fiscal year ended June 30, 2022. This was the fifth year that the Lottery achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both GAAP and applicable legal requirements.

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,



John F. Davis
Secretary



Rebecca J. Aihar
Chief Financial Officer

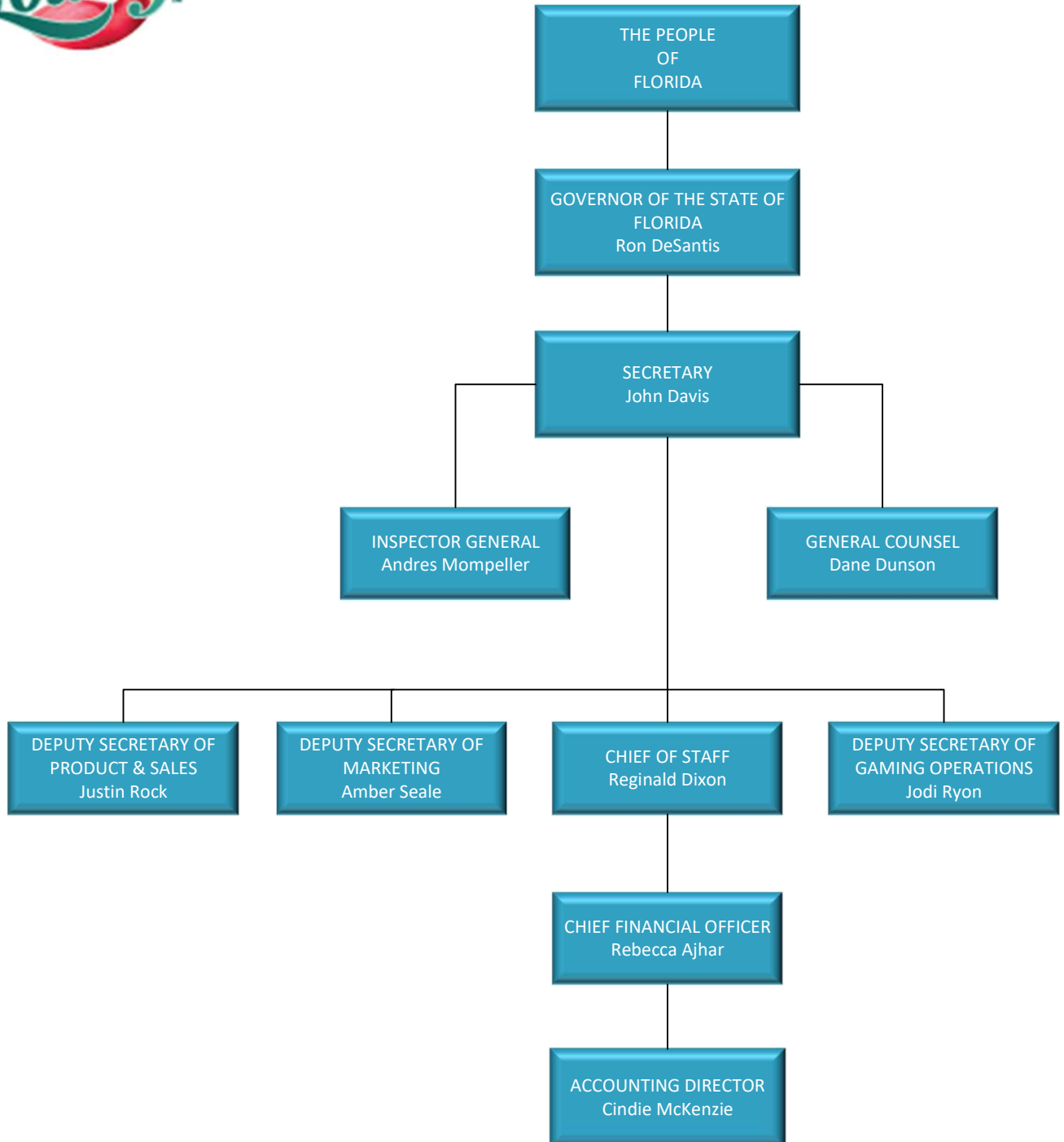


Cindie L. McKenzie
Accounting Director

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DEPARTMENT OF THE LOTTERY





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Florida Lottery

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

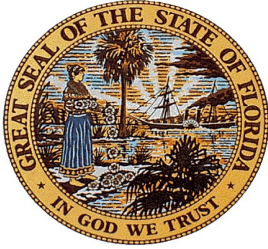
June 30, 2022

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

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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

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, 2023, and June 30, 2022, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Lottery, as of June 30, 2023, and June 30, 2022, 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, 2023, and

June 30, 2022, 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 12 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 appears otherwise 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 31, 2024, 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, 2023, 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,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Sherrill F. Norman, CPA
Tallahassee, Florida
January 31, 2024
Audit Report No. 2024-120

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, 2023, and 2022. 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-fourth consecutive fiscal year, with the past eleven fiscal years exceeding \$5 billion. During the same thirty-four-year period, the transfer to the Educational Enhancement Trust Fund (EETF) has been a minimum of \$800 million annually, with the fiscal year 2023 transfer exceeding \$1 billion for the twenty-first consecutive year.

For the fiscal year ended June 30, 2023:

- Transfers to the EETF were approximately \$2.45 billion this fiscal year compared to \$2.33 billion in the prior fiscal year.
- The Lottery's ticket sales increased by 5.12 percent over the prior fiscal year from approximately \$9.32 billion to \$9.80 billion.
- Approximately 71.86 percent of total sales were provided by the Scratch-Off product line, which increased by 0.26 percent from the prior fiscal year.
- Prize expense increased \$310.25 million, which represents a 4.97 percent increase during fiscal year 2023. 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 66.88 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 2023 expenses for these items increased 7.73 percent over the prior fiscal year expenses in conjunction with the increase 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 \$3.90 million. Administrative operating expenses for fiscal years 2023 and 2022 were \$81.9 million and \$78.00 million, respectively.
- Nonoperating income increased \$38.52 million over the prior fiscal year. The increase was primarily due to an increase of \$29.0 million in net appreciation in fair value of investments along with a decrease in property disposition of \$4.01 million.

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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 2023, 2022, and 2021.

Table 1 - Condensed Statements of Net Position
As of June 30, 2023, 2022, and 2021
(In Thousands)

| | 2023 | 2022 | 2021 |
|--|------------------|------------------|------------------|
| Current Assets | \$ 447,928 | \$ 293,373 | \$ 423,888 |
| Restricted Assets | 344,549 | 345,355 | 383,675 |
| Capital Assets, Net of Depreciation | 27,937 | 26,703 | 7,564 |
| Total Assets | 820,414 | 665,431 | 815,127 |
| Total Deferred Outflows of Resources | 13,802 | 12,799 | 14,583 |
| Current Liabilities | 468,272 | 313,459 | 434,036 |
| Current Liabilities Payable from Restricted Assets | 23,619 | 22,390 | 22,273 |
| Noncurrent Liabilities | 276,575 | 280,827 | 305,069 |
| Total Liabilities | 768,466 | 616,676 | 761,378 |
| Total Deferred Inflows of Resources | 21,609 | 29,033 | 17,018 |
| Net Position: | | | |
| Invested in Capital Assets | 3,663 | 3,897 | 7,564 |
| Restricted Net Position | 118,038 | 91,978 | 105,007 |
| Unrestricted Net Position | (77,560) | (63,354) | (61,257) |
| Total Net Position | \$ 44,141 | \$ 32,521 | \$ 51,314 |

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Financial Analysis

Assets

Total assets at the end of fiscal year 2023 increased \$154.98 million from \$665.43 million at June 30, 2022, to \$820.41 million at June 30, 2023. At the end of fiscal year 2022, total assets were \$149.70 million less than the \$815.13 million at the end of fiscal year 2021.

- The increase in total assets from 2022 to 2023 is primarily related to an increase of \$157.13 million of investments in the State Treasury.
- The decrease in total assets from 2021 to 2022 is primarily related to a decrease of \$113.75 million of investments in the State Treasury.

Deferred Outflows of Resources

Total deferred outflows of resources as of June 30, 2023, were \$13.80 million, reflecting an increase of approximately \$1.00 million over the June 30, 2022, amount of \$12.80 million, due to an increase of \$1.07 million in Pension related items.

At the end of fiscal year 2022, total deferred outflows of resources were \$12.80 million, reflecting a decrease of approximately \$1.78 million over the June 30, 2021, amount of \$14.58 million, due to a decrease of \$2.31 million in Pension related items and an increase of \$523,000 in Other postemployment benefits related items.

Liabilities

Total liabilities at June 30, 2023, were \$768.47 million, which was approximately \$151.79 million higher than the total liabilities of \$616.68 million at June 30, 2022. The total liabilities at June 30, 2022, were \$144.70 million lower than the June 30, 2021, amount of \$761.38 million.

- Current liabilities increased by \$154.81 million from June 30, 2022, to June 30, 2023. This increase can be primarily attributed to the increase of \$84.84 million in the amount to prizewinners, and an increase of \$70.91 million for the amount Due to the EETF. Noncurrent liabilities decreased by \$4.25 million from June 30, 2022, to June 30, 2023. This decrease can be attributed to a decrease of \$11.85 million for Grand prizes payable and an increase of \$13.72 million in pension liability.
- Current liabilities decreased by \$120.58 million from June 30, 2021, to June 30, 2022. This decrease can be primarily attributed to the decrease of \$58.13 million in the amount to prizewinners, and a decrease of \$59.14 million for the amount Due to the EETF. Noncurrent liabilities decreased by \$24.24 million from June 30, 2021, to June 30, 2022. This decrease can be attributed to the decrease of \$17.94 million for pension liability.

Deferred Inflows of Resources

Total deferred inflows of resources as of June 30, 2023, were \$21.61 million, reflecting a decrease of \$7.42 million over June 30, 2022. This decrease was due to a \$12.70 million in pension related items offset by a \$5.28 million increase in other postemployment benefits related items (refer to

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Note 9 to the financial statements for additional details). At the end of fiscal year 2022, deferred inflows increased \$12.02 million over June 30, 2021, which was \$17.02 million.

Net Position

Net position increased \$11.62 million from June 30, 2023, to June 30, 2022. Net position at June 30, 2023, 2022, and 2021 were \$44.14 million, \$32.52 million, and \$51.31 million, respectively.

- The \$11.62 million increase in net position at June 30, 2023, is primarily due to ticket sales exceeding operating expenses and transfers to the EETF by \$12.14 million. The increase resulted in a \$25.66 million increase in restricted for future prizes or special prize promotions and a \$14.21 million decrease in unrestricted net position.
- The \$18.79 million decrease in net position at June 30, 2022, is primarily due to a \$34.72 million decrease in the fair value of investments offset by ticket sales exceeding operating expenses and transfers to the EETF by \$19.18 million. The decrease resulted in a \$40.33 million decrease in restricted for undistributed appreciation on restricted investments and a \$27.47 million increase in restricted for future prizes or special prize promotions.

The Lottery joined MUSL fourteen 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 \$32.51 million and \$32.12 million as of June 30, 2023, and June 30, 2022, 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, 2023, and the prior fiscal years ended June 30, 2022, and June 30, 2021, 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, 2023, 2022, and 2021
(In Thousands)**

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|------------------|
| Operating Revenues: | | | |
| Ticket Sales | \$ 9,801,783 | \$ 9,324,628 | \$ 9,076,219 |
| Bad Debt Expense | (1,308) | (426) | (825) |
| Terminal & Retailer Fees and Miscellaneous | 7,489 | 7,671 | 7,651 |
| Total Operating Revenues | <u>9,807,964</u> | <u>9,331,873</u> | <u>9,083,045</u> |
| Operating Expenses: | | | |
| Prizes | 6,555,700 | 6,245,455 | 6,135,198 |
| Retailer Commissions | 571,384 | 523,132 | 509,861 |
| Vendor Commissions | 127,255 | 125,359 | 122,604 |
| Other Expenses | 81,898 | 77,995 | 82,690 |
| Total Operating Expenses | <u>7,336,237</u> | <u>6,971,941</u> | <u>6,850,353</u> |
| Income from Operations | <u>2,471,727</u> | <u>2,359,932</u> | <u>2,232,692</u> |
| Nonoperating Revenue, Net of Expenses | (6,697) | (45,221) | (33,389) |
| Income Before Operating Transfers | <u>2,465,030</u> | <u>2,314,711</u> | <u>2,199,303</u> |
| Transfers from other departments | - | - | 7 |
| Transfers to EETF | (2,453,410) | (2,333,504) | (2,236,639) |
| Change in Net Position | <u>11,620</u> | <u>(18,793)</u> | <u>(37,329)</u> |
| Net Position, Beginning | 32,521 | 51,314 | 88,643 |
| Net Position, End of Year | <u>\$ 44,141</u> | <u>\$ 32,521</u> | <u>\$ 51,314</u> |

Financial Analysis

Sales

Total ticket sales for the fiscal year 2023 increased \$477.16 million from \$9.32 billion for the fiscal year 2022, to \$9.80 billion for fiscal year 2023. At the end of fiscal year 2022, total sales were \$248.41 billion more than the \$9.08 billion for the fiscal year 2021.

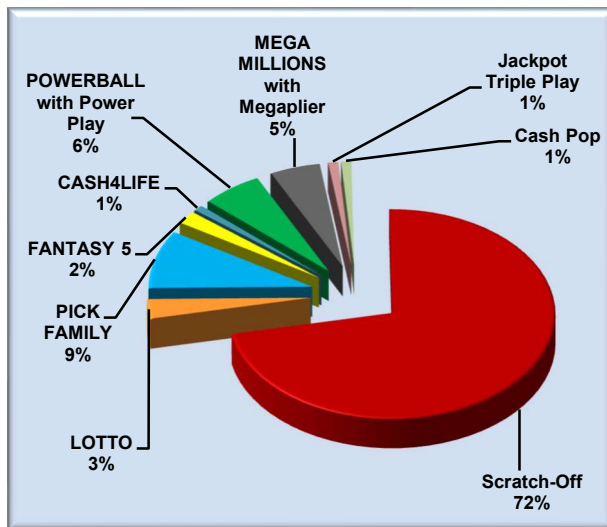
- Scratch-Off sales increased by \$18.58 million in fiscal year 2023. Draw Game sales increased by \$458.58 million in fiscal year 2023. The increase in sales was primarily due to the multi-state jackpot games POWERBALL® and MEGA MILLIONS® having three jackpots that exceeded \$1 billion, along with a \$747 million jackpot and two FLORIDA LOTTO® jackpots topping \$40 million.
- Scratch-Off sales increased by \$197.43 million in fiscal year 2022. The launch of the \$50 ticket, 500X The Cash, contributed to the increase. Draw Game sales increased by \$50.98 million in fiscal year 2022. The increase was primarily related to a rise in Powerball sales.

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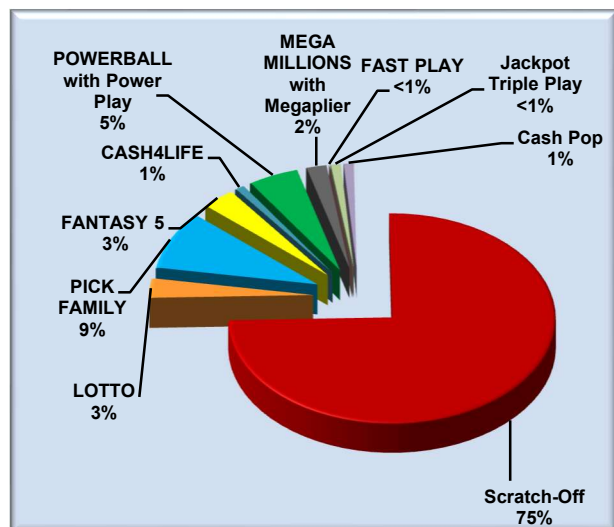
Bad debt expense is reported as a reduction in gross revenue in accordance with GASB requirements. The amount of bad debt expense for the fiscal years ended June 30, 2023, 2022, and 2021, was \$1.31 million, \$426,000, and \$825,000, respectively.

The following charts show sales by product for the various Lottery games during the fiscal years 2023 and 2022:

Sales by Product for Fiscal Year 2022-23



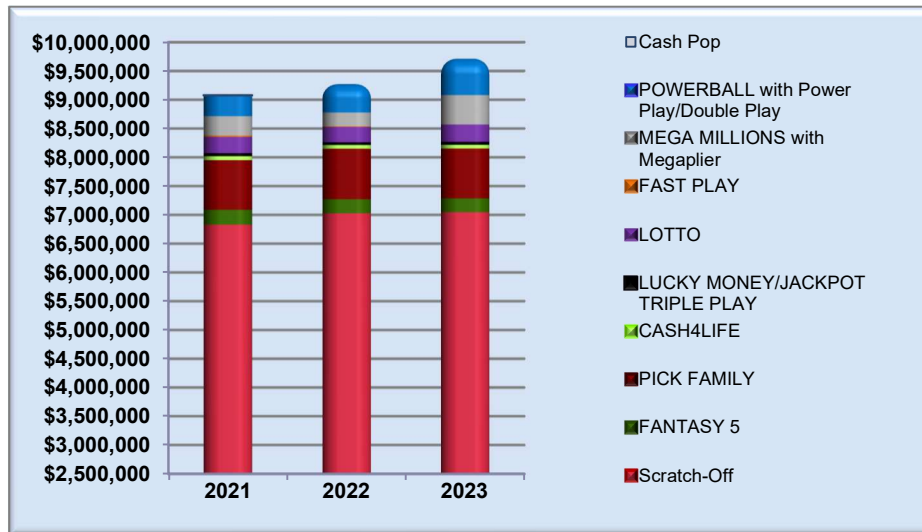
Sales by Product for Fiscal Year 2021-22



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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 | LOTTO | FANTASY 5 | PICK FAMILY | CASH4LIFE | LUCKY MONEY/JACKPOT TRIPLE PLAY | POWERBALL with Power Play/Double Play | MEGA MILLIONS with Megaplier | Fast Play | Cash Pop | Scratch-Off | Combined Sales |
|---------------------------|------------|------------|-------------|-----------|---------------------------------|---------------------------------------|------------------------------|-----------|----------|--------------|----------------|
| 2021 | \$ 284,697 | \$ 257,850 | \$ 862,904 | \$ 69,240 | \$ 52,115 | \$ 363,671 | \$ 337,063 | \$ 20,815 | \$ - | \$ 6,827,864 | \$ 9,076,219 |
| 2022 | 267,899 | 243,465 | 877,709 | 64,820 | 46,395 | 494,132 | 239,215 | 10,830 | 54,865 | 7,025,298 | 9,324,628 |
| 2023 | 300,130 | 240,694 | 866,457 | 64,578 | 50,535 | 632,586 | 511,587 | - | 91,339 | 7,043,877 | 9,801,783 |

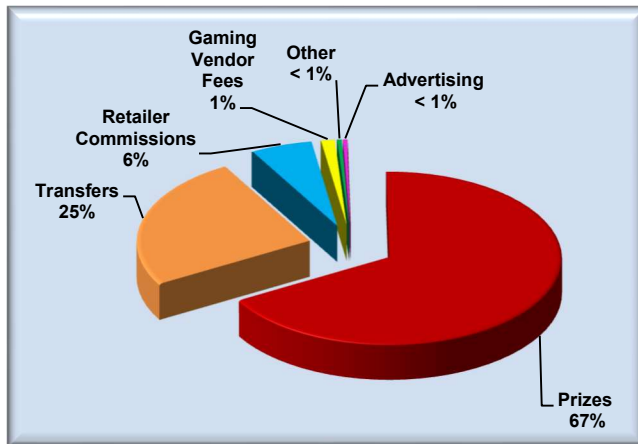
Expenses

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.

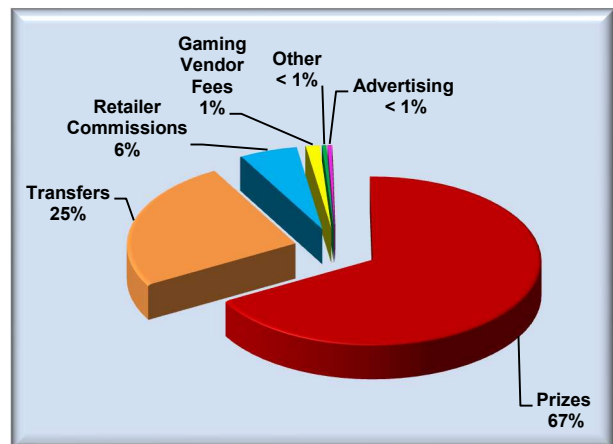
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The following charts show the major components of Lottery operating expenses and transfers as a percentage of ticket sales for the 2023 and 2022 fiscal years:

**Operating Expenses and Transfers
Fiscal Year 2022-23**



**Operating Expenses and Transfers
Fiscal Year 2021-22**



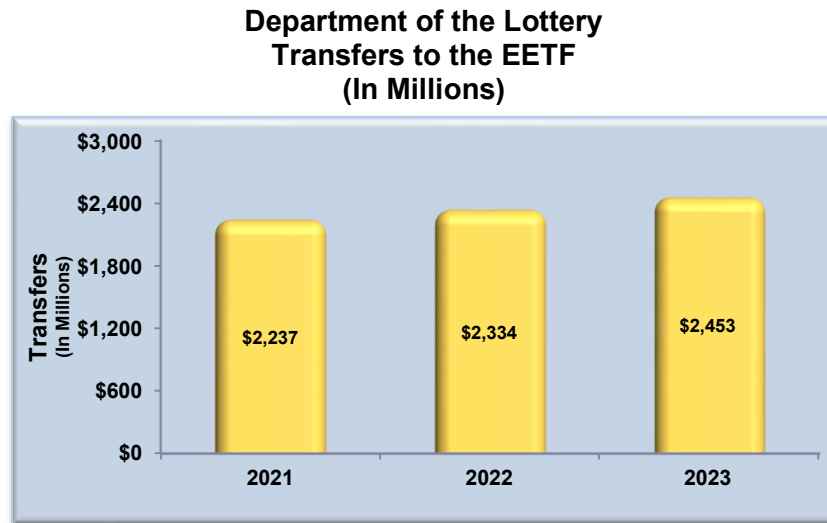
Prizes, commissions, and gaming vendor fees are directly related to sales and fluctuate accordingly. In fiscal year 2023, these expenses changed proportionally; yet as a percentage of total expenses they remained constant. The other expenses, which consisted of advertising, salary and benefits, professional fees, leases, maintenance, and depreciation, decreased slightly. Fiscal year 2023, 2022, and 2021 administrative expenses were \$81.90 million, \$78.00 million, and \$82.69 million, respectively.

Transfers

Since its inception, the Lottery's total transfers to the EETF have reached over \$44 billion. The Lottery's contribution to the EETF for fiscal year ended June 30, 2023, was \$2.45 billion. The Lottery has contributed over \$1 billion for the twenty-first 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 decreased from 2.8 percent in fiscal year 2022 to 2.6 percent during fiscal year 2023. In fiscal year 2023, Lottery sales were approximately \$9.80 billion, setting new sales records for Draw, Scratch-Off, and total game sales. 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.

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BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION AS OF JUNE 30, 2023, AND 2022 (in thousands)

| | June 30, 2023 | June 30, 2022 |
|--|----------------------|----------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 390,171 | \$ 247,906 |
| Interest receivable | 1,148 | 388 |
| Accounts receivable, net | 52,093 | 41,696 |
| Inventories | 1,454 | 1,652 |
| Prepaid expenses | 29 | 372 |
| Security deposits | 3,033 | 1,359 |
| Total Current Assets | 447,928 | 293,373 |
| Noncurrent Assets: | | |
| Restricted Assets | | |
| Cash and cash equivalents | 85,524 | 59,861 |
| Deposit with MUSL | 32,514 | 32,117 |
| Investments, grand prize | 226,511 | 253,377 |
| Total Restricted Assets | 344,549 | 345,355 |
| Capital assets, net | 27,937 | 26,703 |
| Total Noncurrent Assets | 372,486 | 372,058 |
| Total Assets | 820,414 | 665,431 |
| Deferred Outflows of Resources | | |
| Pension related items | 8,626 | 7,558 |
| Other postemployment benefits related items | 5,176 | 5,241 |
| Total Deferred Outflows of Resources | 13,802 | 12,799 |
| Total Assets and Deferred Outflows of Resources | \$ 834,216 | \$ 678,230 |

(Continued)

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

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATEMENTS OF NET POSITION

| | June 30, 2023 | June 30, 2022 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 7,303 | \$ 10,500 |
| Prizes payable | 332,593 | 247,756 |
| Due to Educational Enhancement Trust Fund | 119,410 | 48,504 |
| Deposits payable | 3,101 | 1,412 |
| Compensated absences payable | 872 | 769 |
| Lease payable | 4,438 | 3,981 |
| Net pension liability | 5 | 32 |
| Other postemployment benefits liability | 550 | 505 |
| Total Current Liabilities | 468,272 | 313,459 |
| Current Liabilities Payable from Restricted Assets: | | |
| Grand prizes payable | 23,619 | 22,390 |
| Total Current Liabilities Payable from Restricted Assets | 23,619 | 22,390 |
| Noncurrent Liabilities: | | |
| Grand prizes payable from restricted assets | 208,877 | 220,724 |
| Compensated absences payable | 2,992 | 2,704 |
| Lease liability | 19,836 | 19,221 |
| Net pension liability | 23,540 | 9,819 |
| Other postemployment benefits liability | 21,330 | 28,359 |
| Total Noncurrent Liabilities | 276,575 | 280,827 |
| Total Liabilities | 768,466 | 616,676 |
| Deferred Inflows of Resources | | |
| Pension related items | 3,062 | 15,761 |
| Other postemployment benefits related items | 18,547 | 13,272 |
| Total Deferred Inflows of Resources | 21,609 | 29,033 |
| Net Position | | |
| Invested in capital assets | 3,663 | 3,897 |
| Restricted for future prizes or special prize promotions | 85,524 | 59,861 |
| Restricted for MUSL | 32,514 | 32,117 |
| Unrestricted net position | (77,560) | (63,354) |
| Total Net Position | 44,141 | 32,521 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 834,216 | \$ 678,230 |

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

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2023, AND 2022 (in thousands)

| | June 30, 2023 | June 30, 2022 |
|--|----------------------|----------------------|
| Operating Revenues | | |
| Ticket sales | \$ 9,801,783 | \$ 9,324,628 |
| Bad debt expense | (1,308) | (426) |
| Terminal fees and Miscellaneous | 7,333 | 7,520 |
| Retailer fees | 156 | 151 |
| Total Operating Revenues | 9,807,964 | 9,331,873 |
| Operating Expenses | | |
| Prizes | 6,555,700 | 6,245,455 |
| Retailer commissions | 571,384 | 523,132 |
| Scratch-Off tickets | 54,435 | 56,269 |
| Draw games | 72,820 | 69,090 |
| Advertising | 39,123 | 38,926 |
| Personal services | 29,534 | 26,048 |
| Other contractual services | 6,631 | 6,091 |
| Materials and supplies | 2,351 | 2,443 |
| Depreciation | 4,259 | 4,487 |
| Total Operating Expenses | 7,336,237 | 6,971,941 |
| Operating Income | 2,471,727 | 2,359,932 |
| Nonoperating Revenues (Expenses) | | |
| Interest | 9,606 | 4,410 |
| Investment management fees | (646) | (694) |
| Net appreciation (depreciation) in fair value of investments | (5,714) | (34,717) |
| Property disposition (loss) | (54) | (4,067) |
| Amortization of grand prizes payable | (9,889) | (10,153) |
| Total Nonoperating Revenues (Expenses), Net | (6,697) | (45,221) |
| Income Before Operating Transfers | 2,465,030 | 2,314,711 |
| Transfers to Educational Enhancement Trust Fund | (2,453,410) | (2,333,504) |
| Change in Net Position | 11,620 | (18,793) |
| Net Position, Beginning of Year | 32,521 | 51,314 |
| Net Position, End of Year | \$ 44,141 | \$ 32,521 |

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

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023, AND 2022 (in thousands)

| | June 30, 2023 | June 30, 2022 |
|---|---------------------|---------------------|
| Operating Activities | | |
| Ticket sales | \$ 9,790,078 | \$ 9,311,544 |
| Prizes paid to winners | (6,471,260) | (6,304,228) |
| Commissions paid and payments to retailers | (571,384) | (523,131) |
| Paid to vendors for goods and services | (177,922) | (173,306) |
| Paid to employees | (30,859) | (28,659) |
| Other operating revenue | 7,504 | 7,713 |
| Net Cash Provided by Operating Activities | <u>2,546,157</u> | <u>2,289,933</u> |
| Noncapital Financing Activities | | |
| Payments to Educational Enhancement Trust Fund | (2,382,504) | (2,392,639) |
| Net Cash Used in Noncapital Financing Activities | <u>(2,382,504)</u> | <u>(2,392,639)</u> |
| Capital and Related Financing Activities | | |
| Purchase of capital assets | (4,570) | (4,887) |
| Net Cash Used in Capital and Related Financial Activities | <u>(4,570)</u> | <u>(4,887)</u> |
| Investing Activities | | |
| Cash received from maturity of grand prize investments | 22,919 | 22,801 |
| Cash paid to grand prizewinners upon maturity of grand prize investments | (22,919) | (22,801) |
| Investment income, net of fees | 8,845 | (6,212) |
| Net Cash Provided by Investing Activities | <u>8,845</u> | <u>(6,212)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>167,928</u> | <u>(113,805)</u> |
| Cash and Cash Equivalents, Beginning of Year | 307,767 | 421,572 |
| Cash and Cash Equivalents, End of Year | <u>\$ 475,695</u> | <u>\$ 307,767</u> |
| Reconciliation of Income from Operations to Net Cash Provided by Operating Activities: | | |
| Income from operations | \$ 2,471,727 | \$ 2,359,932 |
| Adjustments to reconcile income from operations to net cash provided by operating activities: | | |
| Depreciation | 4,259 | 4,487 |
| Changes in assets and liabilities | | |
| (Increase) decrease in: | | |
| Accounts receivable | (13,014) | (10,759) |
| Inventories | 199 | 790 |
| Prepaid expenses | 343 | - |
| Increase (decrease) in: | | |
| Allowance for uncollectible accounts | 546 | (741) |
| Accounts payable and accrued liabilities | (1,508) | (2,229) |
| Prizes payable | 84,837 | (58,934) |
| Compensated absences payable | 391 | (219) |
| Net pension liability and related deferred outflows and inflows | (73) | (2,279) |
| Other postemployment benefits liability and related deferred outflows and inflows | (1,643) | (115) |
| Lease Liability | 93 | - |
| Net Cash Provided by Operating Activities | <u>\$ 2,546,157</u> | <u>\$ 2,289,933</u> |
| Noncash Investing, Capital and Financing Activities: | | |
| Increase/(decrease) in fair value of investments | \$ (34,106) | \$ (52,549) |

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.

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

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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 and pension contributions at current rates.

M. Deferred Inflows of Resources

Deferred inflows of resources represents 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, recorded at cost less accumulated depreciation.

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 5.75 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 5.75 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. During the 2020 fiscal year, two emergency orders were issued which extended the period of time for prizewinners to claim their prize from Draw and Scratch-Off games after a game is closed to 360 and 240 days, respectively. These emergency orders expired on June 16, 2021, reinstating the 180-day and 60-day claim expiration deadlines.

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 \$38.60 million per occurrence for named windstorm, \$40.20 million for named floods, and \$255 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. Settlements of claims did not exceed insurance coverage in each of the past three fiscal years.

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, 2023, and June 30, 2022, was \$1,308,000 and \$426,000, respectively.

U. Accounting and Reporting Changes

Governmental Accounting Standards Board (GASB) Statements No. 91, *Conduit Debt Obligations*, No. 94, *Public-Private and Public-Public Partnerships (PPP's) and Availability Payment Arrangements*, and No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* became effective for the fiscal year ended June 30, 2023. Additionally, GASB Statement No. 100, *Accounting Changes and Error Corrections*, was implemented by the Lottery early and became effective for the fiscal year ended June 30, 2023. The Lottery's statements of net position and statements of revenues, expenses, and changes in net position are not affected by the adoption of the applicable GASB provisions, as the Lottery is not an issuer or third-party obligor of conduit debt, has not entered into any PPPs or SBITAs, and did not have accounting changes or error corrections for the fiscal years ended June 30, 2023, and June 30, 2022.

V. Unrestricted Net Position Deficit

The unrestricted net position deficits of \$77,560,000 and \$63,354,000 for the fiscal years ended June 30, 2023, and June 30, 2022, 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 no 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.

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 \$11,188,000 at June 30, 2023, and \$388,000 at June 30, 2022, were insured by either the State's collateral for public deposits in accordance with Section 280.04, Florida Statutes, or Federal depository insurance.

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

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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 \$4,880,000 at June 30, 2023, and \$5,401,000 at June 30, 2022, 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 \$464,507,000 and \$307,379,000 at June 30, 2023, and 2022, 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 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, 2023.

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, 2023 | | As of June 30, 2022 | |
|----------------------------|-------------------|----------------------------|-------------------|
| Time to Maturity | Fair Value | Time to Maturity | Fair Value |
| < 1 year | \$ 23,577 | < 1 year | \$ 22,652 |
| > 1 year to 3 years | 45,758 | > 1 year to 3 years | 45,188 |
| > 3 years to 5 years | 39,059 | > 3 years to 5 years | 46,469 |
| > 5 years to 10 years | 68,620 | > 5 years to 10 years | 80,757 |
| > 10 years to 15 years | 24,280 | > 10 years to 15 years | 27,268 |
| > 15 years to 20 years | 15,604 | > 15 years to 20 years | 17,296 |
| > 20 years to 25 years | 6,356 | > 20 years to 25 years | 9,311 |
| > 25 years | 3,257 | > 25 years | 4,436 |
| Total | \$ 226,511 | Total | \$ 253,377 |

The effective duration of the State Treasury Investment Pool at June 30, 2023, and June 30, 2022, was approximately 3.02 years and 2.66 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, 2023, and June 30, 2022, 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, 2023, and June 30, 2022.

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>Fair Value Measurements Using</u> | | |
|--|-----------------------------|--|--|--|
| | | <u>Quoted prices in active market for identical assets Level 1</u> | <u>Significant other observable inputs Level 2</u> | <u>Significant unobservable inputs Level 3</u> |
| <u>Investments by fair value level:</u> | <u>June 30, 2023</u> | | | |
| U.S. Treasury Strips | \$ 226,511 | \$ - | \$ 226,511 | \$ - |
| Pooled Investments with State Treasury | 464,507 | - | - | 464,507 |
| Total securities measured at fair value | <u>\$ 691,018</u> | <u>\$ -</u> | <u>\$ 226,511</u> | <u>\$ 464,507</u> |

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| | June 30, 2022 | 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: | | | | |
| U.S. Treasury Strips | \$ 253,377 | \$ - | \$ 253,377 | \$ - |
| Pooled Investments with State Treasury | 307,379 | - | - | 307,379 |
| Total securities measured at fair value | \$ 560,756 | \$ - | \$ 253,377 | \$ 307,379 |

I. Investment Summary

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

| Investment Type | June 30, 2023 Carrying Value | June 30, 2022 Carrying Value |
|--|---------------------------------|---------------------------------|
| U.S. Government Obligations & Federally Guaranteed Obligations | \$ 226,511 | \$ 253,377 |
| Pooled Investments with State Treasury | 464,507 | 307,379 |
| Total Investments | \$ 691,018 | \$ 560,756 |

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

| | June 30, 2023 | | | |
|--------------------------------------|-------------------|--------------------------------|------------------------|-------------------|
| | Investments | Cash at Financial Institutions | Cash at State Treasury | Totals |
| Cash and cash equivalents | \$ 378,983 | \$ 11,089 | \$ 99 | \$ 390,171 |
| Restricted cash and cash equivalents | 85,524 | - | - | 85,524 |
| Investments, grand prize | 226,511 | - | - | 226,511 |
| Totals | \$ 691,018 | \$ 11,089 | \$ 99 | \$ 702,206 |

| | June 30, 2022 | | | |
|--------------------------------------|-------------------|--------------------------------|------------------------|-------------------|
| | Investments | Cash at Financial Institutions | Cash at State Treasury | Totals |
| Cash and cash equivalents | \$ 247,518 | \$ 286 | \$ 102 | \$ 247,906 |
| Restricted cash and cash equivalents | 59,861 | - | - | 59,861 |
| Investments, grand prize | 253,377 | - | - | 253,377 |
| Totals | \$ 560,756 | \$ 286 | \$ 102 | \$ 561,144 |

3. ACCOUNTS RECEIVABLE

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

| | 2023 | 2022 |
|--------------------------------------|------------------|------------------|
| Ticket sales receivable | \$ 57,555 | \$ 46,612 |
| Less allowance for doubtful accounts | (5,462) | (4,916) |
| Accounts receivable, net | \$ 52,093 | \$ 41,696 |

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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):

| | 2021-22 | | | 2022-23 | | | Balance June 30, 2023 |
|--|--------------------------|------------|------------|--------------------------|----------|----------|--------------------------|
| | Balance June 30, 2021 | Increase | Decrease | Balance June 30, 2022 | Increase | Decrease | |
| Capital assets, not being depreciated: | | | | | | | |
| Non-amortizable intangibles | \$ 4,516 | \$ - | \$ (4,024) | \$ 492 | \$ - | \$ - | \$ 492 |
| Total capital assets, not being depreciated | 4,516 | - | - | 492 | - | - | 492 |
| Capital assets, being depreciated: | | | | | | | |
| Right-to-Use Equipment | 246 | - | - | 246 | - | - | 246 |
| Right-to-Use Buildings | 30,982 | - | - | 30,982 | 5,150 | (853) | 35,279 |
| Vehicles and equipment | 12,426 | 618 | (385) | 12,659 | 472 | (1,431) | 11,700 |
| Intangible assets and other | 601 | 1 | - | 602 | 2 | - | 604 |
| Total capital assets, being depreciated | 44,255 | 619 | (385) | 44,489 | 5,624 | (2,284) | 47,829 |
| Less accumulated depreciation/amortization for: | | | | | | | |
| Right-to-Use Equipment | 59 | 59 | - | 118 | 60 | - | 178 |
| Right-to-Use Buildings | 3,748 | 4,556 | - | 8,304 | 4,092 | (834) | 11,562 |
| Vehicles and equipment | 9,545 | 179 | (341) | 9,383 | 66 | (1,319) | 8,130 |
| Intangible assets and other | 434 | 39 | - | 473 | 41 | - | 514 |
| Total depreciation | 13,786 | 4,833 | (341) | 18,278 | 4,259 | (2,153) | 20,384 |
| Total capital assets, being depreciated, net | 30,469 | (4,214) | (44) | 26,211 | 1,365 | (131) | 27,445 |
| Total capital assets, net | \$ 34,985 | \$ (4,214) | \$ (44) | \$ 26,703 | \$ 1,365 | \$ (131) | \$ 27,937 |

Capital Asset beginning balances as of July 1, 2022, have been restated to include Right-to-Use Lease Assets per GASB Statement 87, *Leases*.

6. MULTI-STATE LOTTERY ASSOCIATION

MUSL is a non-profit, government benefit association created for the purpose of administering joint lottery games. MUSL included 35 state lottery entities, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands during fiscal year 2023. 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, 2023, and June 30, 2022, the Lottery had deposits with MUSL of \$32,514,000 and \$32,117,000, 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.

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7. LONG-TERM LIABILITIES

A. Grand Prizes Payable

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

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| FLORIDA LOTTO grand prizes (face value) | \$ 153,601 | \$ 168,735 |
| MEGA MONEY grand prizes (face value) | 3,913 | 4,618 |
| Win for Life grand prizes (face value) | 3,436 | 3,592 |
| Lucky for Life grand prizes (face value) | 13,350 | 14,250 |
| Set for Life grand prizes (face value) | 120 | 300 |
| Cash Spectacular grand prizes (face value) | - | 50 |
| Cash for Life grand prizes (face value) | 100 | 110 |
| Loaded for Life grand prizes (face value) | 1,750 | 1,850 |
| Billion Dollar Blockbuster grand prizes (face value) | 2,950 | 3,500 |
| Gas for Life grand prizes (face value) | 120 | 126 |
| 2 Million Dollar Casino Action grand prizes (face value) | 700 | 800 |
| Million Dollar Holiday grand prizes (face value) | 400 | 450 |
| Week for Life grand prizes (face value) | 81,302 | 83,954 |
| Bonus Triple Match grand prizes (face value) | 880 | 920 |
| Monopoly grand prizes (face value) | 3,340 | 3,620 |
| Million Wishes grand prizes (face value) | 450 | 500 |
| X's The Cash grand prizes (face value) | 7,290 | 5,700 |
| Fastest Road to 1 Million grand prizes (face value) | 880 | 920 |
| Flamingo grand prizes (face value) | 2,940 | 3,170 |
| Gold Rush grand prizes (face value) | 9,660 | 10,250 |
| Super Millions grand prizes (face value) | 4,080 | 4,320 |
| \$10mm World Class Cash grand prizes (face value) | 800 | 840 |
| \$2,000,000 24 Karat Cash grand prizes (face value) | 1,600 | 1,680 |
| Cash4Life grand prizes (face value) | 8,840 | 6,760 |
| Jackpot Triple Play grand prizes (face value) | 3,582 | 3,752 |
| \$2,000,000 Cashword grand prizes (face value) | 1,680 | 1,760 |
| Less imputed interest | <u>(75,268)</u> | <u>(83,413)</u> |
| Net present value of grand prizes payable | <u>\$ 232,496</u> | <u>\$ 243,114</u> |
| | | |
| Current prizes payable from restricted assets | \$ 23,619 | \$ 22,390 |
| Noncurrent prizes payable from restricted assets | <u>208,877</u> | <u>220,724</u> |
| Total grand prizes payable | <u><u>\$ 232,496</u></u> | <u><u>\$ 243,114</u></u> |

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

| Year Ending June 30 | Amount |
|--|-------------------|
| 2024 | \$ 24,216 |
| 2025 | 23,925 |
| 2026 | 26,439 |
| 2027 | 26,256 |
| 2028 | 19,878 |
| 2029-2033 | 89,945 |
| 2034-2038 | 39,642 |
| 2039-2043 | 32,057 |
| 2044-2048 | 15,968 |
| 2049-2052 ¹ | 9,438 |
| Grand prizes (face value) | 307,764 |
| Less imputed interest | (75,268) |
| Net present value of grand prizes payable | \$ 232,496 |

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

B. Compensated Absences Payable

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

| | 2023 | 2022 |
|---------------------------------|-----------------|-----------------|
| Current compensated absences | \$ 872 | \$ 769 |
| Noncurrent compensated absences | 2,992 | 2,704 |
| Total | \$ 3,864 | \$ 3,473 |

C. Changes in Long-term Liabilities

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

| | 2022-23 | | | Balance June 30, 2023 | Amount Due Within One Year |
|---|--------------------------|------------------|--------------------|--------------------------|----------------------------------|
| | Balance June 30, 2022 | Additions | Reductions | | |
| | Grand prizes payable | \$ 243,114 | \$ 12,301 | | |
| Compensated absences payable | 3,473 | 2,032 | (1,641) | 3,864 | 872 |
| Other postemployment benefits liability | 28,864 | - | (6,984) | 21,880 | 550 |
| Pension liability - HIS | 6,056 | - | (991) | 5,065 | 5 |
| Pension liability - FRS | 3,795 | 14,685 | - | 18,480 | - |
| Lease liability | 23,202 | 5,053 | (3,981) | 24,274 | 4,438 |
| Total long-term liabilities | \$ 308,504 | \$ 34,071 | \$ (36,516) | \$ 306,059 | \$ 29,484 |

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| | 2021-22 | | | | | |
|---|-------------------|------------------|--------------------|-------------------|------------------|----------------------------------|
| | Balance | | | Balance | | Amount Due Within One Year |
| | June 30, 2021 | Additions | Reductions | June 30, 2022 | | |
| Grand prizes payable | \$ 246,839 | \$ 19,076 | \$ (22,801) | \$ 243,114 | \$ 22,390 | |
| Compensated absences payable | 3,692 | 1,887 | (2,106) | 3,473 | 769 | |
| Other postemployment benefits liability | 27,076 | 1,788 | - | 28,864 | 505 | |
| Pension liability - HIS | 6,166 | - | (110) | 6,056 | 32 | |
| Pension liability - FRS | 21,664 | - | (17,869) | 3,795 | - | |
| Lease liability | - | 27,299 | (4,097) | 23,202 | 3,981 | |
| Total long-term liabilities | \$ 305,437 | \$ 50,050 | \$ (46,983) | \$ 308,504 | \$ 27,677 | |

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 \$67,824. 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 \$2,453,410,000 for the fiscal year ended June 30, 2023, (25.0 percent of revenues), and \$2,333,504,000 (25.0 percent of revenues) for the fiscal year ended June 30, 2022.

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):

| | 2023 | 2022 |
|---|--------------------------|-------------------------|
| Draw ticket sales | \$ 2,757,906 | \$ 2,299,330 |
| Average percent transferred | 36% | 35% |
| Transfer of Draw ticket sales ¹ | <u>984,662</u> | <u>822,116</u> |
| Unclaimed Draw ticket prizes | 41,921 | 36,950 |
| Percent transferred | 80% | 80% |
| Transfer of unclaimed Draw ticket prizes | <u>33,537</u> | <u>29,560</u> |
| Scratch-Off ticket sales | 7,043,877 | 7,025,298 |
| Average percent transferred | 19% | 19% |
| Transfer of Scratch-Off ticket sales ¹ | <u>1,336,900</u> | <u>1,371,138</u> |
| Unclaimed Scratch-Off ticket prizes | 103,936 | 132,478 |
| Percent transferred | 80% | 80% |
| Transfer of unclaimed Scratch-Off ticket prizes | <u>83,149</u> | <u>105,982</u> |
| Nonoperating revenues (expenses), net | (6,697) | (45,221) |
| Add: | | |
| Net (appreciation) depreciation in fair value of investments | 5,714 | 34,717 |
| Amortization of grand prizes payable | 9,889 | 10,153 |
| Total Nonoperating revenues, net | <u>8,906</u> | <u>(351)</u> |
| Pension, postemployment healthcare, and compensated absences expenses | (1,233) | (2,612) |
| Terminal fees and miscellaneous revenue | <u>7,489</u> | <u>7,671</u> |
| Due for the year | <u>2,453,410</u> | <u>2,333,504</u> |
| Balance due, beginning of year | 48,504 | 107,639 |
| Paid during the year | <u>(2,382,504)</u> | <u>(2,392,639)</u> |
| Due to Educational Enhancement Trust Fund, June 30 | <u><u>\$ 119,410</u></u> | <u><u>\$ 48,504</u></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 60 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As of June 5, 2023, Senate Bill 7024 provided that all eligible members in a regularly established position can elect to participate in DROP for a period not to exceed a maximum

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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of 96 calendar months, at anytime after a member reached his or her normal retirement date. This provision replaces the previous individual eligibility windows described in the subsection above.

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 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, 2023, were 4.23 percent for regular class, 9.67 percent for special risk class, and 22.15 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, 2023 | Employer Rate Fiscal Year Ended June 30, 2023 ⁽¹⁾ | Employee Rate Fiscal Year Ended June 30, 2022 | Employer Rate Fiscal Year Ended June 30, 2022 ⁽¹⁾ |
|---|--|---|--|---|
| Senior Management Service | 3.00 percent | 31.57 percent | 3.00 percent | 29.01 percent |
| Regular | 3.00 percent | 11.91 percent | 3.00 percent | 10.82 percent |
| Special Risk | 3.00 percent | 27.83 percent | 3.00 percent | 25.89 percent |
| DROP - Applicable to members from all of the above classes | 0.00 percent | 18.60 percent | 0.00 percent | 18.34 percent |

¹ Total employer contribution rates above include 1.66 percent for the fiscal years ended June 30, 2023, and June 30, 2022, 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, 2023, and June 30, 2022, for administration costs of the financial education program and the FRS Investment Plan. Required employee contributions are deducted on a pre-tax basis.

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The Lottery's contributions to the FRS Pension Plan for fiscal years ended June 30, 2023, 2022, and 2021, totaled \$2,282,079, \$2,119,334, and \$1,913,766, respectively. The Lottery's contributions to the FRS Investment Plan for the fiscal years ended June 30, 2023, 2022, and 2021, totaled \$934,026, \$722,941, and \$698,057, respectively.

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, 2023, 2022, and 2021, 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 \$5. The payments to individual retirees or beneficiaries were at least \$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. For the fiscal years ended June 30, 2023, 2022, and 2021, required contributions were 1.66 percent of payroll for all active employees covered by the FRS, pursuant to Section 112.363, Florida Statutes. For the fiscal years ended June 30, 2023, 2022, and 2021, the Lottery contributed \$315,524, \$289,351, and \$290,215, 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.

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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, 2023, the Lottery reported a net pension liability of \$18,479,706 for its proportionate share of the FRS Pension Plan's net pension liability and \$5,064,896 for its proportionate share of the HIS net pension liability, for a total net pension liability of \$23,544,602. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was based on actuarial valuations as of July 1, 2022, for the FRS Pension Plan and HIS. The Lottery's proportionate share of the net pension liability was based on 2021-22 fiscal year contributions to the Plans relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2022, the Lottery's proportionate share of the FRS Pension Plan net pension liability was 0.049665900 percent, which was a 1.13 percent decrease from its proportionate share measured as of June 30, 2021, of 0.050235772 percent. The Lottery's proportionate share of the HIS net pension liability at June 30, 2022, was 0.047819943 percent, which was a 3.15 percent decrease from its proportion as of June 30, 2021, of 0.049372962 percent. For the fiscal year ended June 30, 2023, the Lottery recognized pension expense of \$2,396,275 for the FRS Pension Plan and \$128,226 for the HIS, for pension expense totaling \$2,524,501. At June 30, 2023, 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 | \$ 877,679 | \$ - |
| Changes in assumptions | 2,275,853 | - |
| Net difference between projected and actual earnings on pension plan investments | 1,220,213 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,046,316 | 1,590,761 |
| Employer contributions subsequent to the measurement date | 2,282,079 | - |
| Totals | \$ 7,702,140 | \$ 1,590,761 |

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| | HIS | |
|---|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 153,732 | \$ 22,286 |
| Changes in assumptions | 290,323 | 783,536 |
| Net difference between projected and actual earnings on pension plan investments | 7,333 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 156,485 | 665,244 |
| Employer contributions subsequent to the measurement date | 315,524 | - |
| Totals | \$ 923,397 | \$ 1,471,066 |

The Lottery's contributions subsequent to the measurement date of \$2,282,079 for the FRS Pension Plan and \$315,524 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, 2024. 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 |
| 2024 | \$ 889,265 | \$ (214,890) | \$ 674,375 |
| 2025 | 225,686 | (151,634) | 74,052 |
| 2026 | (526,775) | (127,414) | (654,189) |
| 2027 | 3,089,149 | (154,110) | 2,935,039 |
| 2028 | 151,974 | (155,088) | (3,114) |
| Thereafter | - | (60,058) | (60,058) |
| Totals | \$ 3,829,299 | \$ (863,194) | \$ 2,966,105 |

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 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for the FRS Pension Plan was determined by an actuarial valuation as of July 1, 2022, using the entry age normal actuarial cost method. The HIS was determined by an actuarial valuation prepared as of July 1, 2022. Inflation increases for both plans is assumed at 2.40 percent. Payroll growth for both Plans is assumed at 3.25 percent.

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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 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-2018 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 2022:

FRS Pension Plan: The assumed investment rate of return decreased from 6.8 percent to 6.7 percent for funding purposes.

HIS: The municipal rate used to determine total pension liability increased from 2.16 percent to 3.54 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% | 2.60% |
| Fixed income | 19.80% | 4.40% |
| Global equity | 54.00% | 8.80% |
| Real estate (property) | 10.30% | 7.40% |
| Private equity | 11.10% | 12.00% |
| Strategic investments | 3.80% | 6.20% |
| | 100.00% | |

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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, 2022.

| FRS Pension Plan | | | HIS | | |
|------------------|---------------|--------------|--------------|---------------|--------------|
| Current | | | Current | | |
| 1% Decrease | Discount Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| 5.70% | 6.70% | 7.70% | 2.54% | 3.54% | 4.54% |
| \$ 31,959,381 | \$ 18,479,706 | \$ 7,209,094 | \$ 5,794,657 | \$ 5,064,896 | \$ 4,461,034 |

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.

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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.

The total number of OPEB Plan employees covered by the benefit terms at July 1, 2022, were as follows:

| | |
|---|---------|
| Inactive plan members or beneficiaries currently receiving benefits | 33,953 |
| Inactive plan members entitled to, but not yet receiving benefits* | - |
| Active plan members | 150,038 |
| Total | 183,991 |

*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, 2022. 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 \$7,850,996,000 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2022. The Lottery's proportionate share of that liability reported at June 30, 2023, was \$21,879,476. At June 30, 2022, the Lottery's proportionate share, determined by its proportion of total Lottery employees as compared to total OPEB Plan employees, was 0.278959098 percent, which was a 1.87 percent increase from its proportionate share measured as of June 30, 2021, of 0.273830487 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 | 2.60 percent |
| Discount rate | 4.09 percent |
| Healthcare cost trend rates | 10.31 percent for Preferred Provider Organizations (PPO) and 7.53 percent for Health Maintenance Organizations (HMO) for fiscal years 2022 to 2023, decreasing to an ultimate rate of 4.04 percent for Preferred Provider Organizations (PPO) and 4.04 percent for Health Maintenance Organizations (HMO) for fiscal year 2076 and later years |
| Retirees' share of benefit-related costs | 8.9 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.

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When comparing the July 1, 2020, demographic actuarial assumptions for retirement, disability incidence, and withdrawal it was determined that the number of active subscribers had decreased since the last valuation. Census and enrollment data received as of July 1, 2021, was used to develop GASB 75 results for the fiscal years ended June 30, 2023.

The following changes have been made since the July 1, 2020, valuation:

- The discount rate was changed from 2.18 percent to 4.09 percent.
- Updated health care costs and premiums based on plan experience, and
- Updated health care cost trend rates based on the August 2022 Revenue Estimating Conference report.
- The census data was updated as of July 1, 2022.

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

| | Increase(Decrease) Total OPEB Liability |
|--|--|
| Balance at June 30, 2022 | \$ 28,863,477 |
| Changes for the year: | |
| Service cost | 1,503,816 |
| Interest | 668,214 |
| Differences between expected and actual experience | (1,482,613) |
| Changes of assumptions or other inputs | (7,846,138) |
| Employer benefits payments | (512,540) |
| Changes in proportionate share | 685,260 |
| Net changes | (6,984,001) |
| Balance at June 30, 2023 | \$ 21,879,476 |

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 (3.09 percent) or 1.00 percentage point higher (5.09 percent) than the current rate:

| 1% Decrease 3.09% | Current Discount Rate 4.09% | 1% Increase 5.09% |
|----------------------|-----------------------------------|----------------------|
| \$ 26,127,410 | \$ 21,879,476 | \$ 18,575,194 |

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:

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| 1% Decrease | Current Healthcare Cost Trend | 1% Increase |
|---------------|-------------------------------------|---------------|
| \$ 18,240,892 | \$ 21,879,476 | \$ 26,696,921 |

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

For the fiscal year ended June 30, 2023, the Lottery recognized OPEB expense of (\$1,643,684). At June 30, 2023, 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 | \$ 2,529,932 | \$ 14,295,525 |
| Differences between expected and actual experience | - | 2,392,906 |
| Changes in proportions and differences between Lottery benefit payments and proportionate share of benefit payments | 2,080,089 | 1,859,003 |
| Transactions subsequent to the measurement date | 566,237 | - |
| Totals | \$ 5,176,258 | \$ 18,547,434 |

Of the total amount reported as deferred outflows of resources related to OPEB, \$566,237 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, 2023. 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 |
|---------------------|------------------------|
| 2024 | \$ (2,534,950) |
| 2024 | (2,534,950) |
| 2025 | (2,534,950) |
| 2026 | (1,971,377) |
| 2028 | (1,790,444) |
| Thereafter | (2,570,742) |
| Totals | \$ (13,937,413) |

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10. LEASE LIABILITY

The Lottery is a lessee for a series of noncancellable 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 \$190,401 and \$185,978 for June 30, 2023, and June 30, 2022, respectively. The Lottery subleased portions of the office space and received proceeds of \$295,210 and \$477,783 for fiscal years 2023 and 2022, 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 \$24,273,697 and \$23,202,765 for the fiscal years ended June 30, 2023, and June 30, 2022, respectively. Principal and interest requirements to maturity for the lease liability as of June 30, 2023, are shown below (in thousands):

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|-----------|----------|-----------|
| 2024 | \$ 4,438 | \$ 339 | \$ 4,777 |
| 2025 | 4,171 | 276 | 4,447 |
| 2026 | 4,158 | 232 | 4,390 |
| 2027 | 4,184 | 186 | 4,370 |
| 2028 | 4,141 | 139 | 4,280 |
| 2029-2033 | 3,182 | 187 | 3,369 |
| | \$ 24,274 | \$ 1,359 | \$ 25,633 |

Amortization for the remaining lease terms as of June 30, 2023, is shown below (in thousands):

| Year Ending June 30, | Amortization |
|----------------------|--------------|
| 2024 | \$ 4,426 |
| 2025 | 4,105 |
| 2026 | 4,012 |
| 2027 | 3,960 |
| 2028 | 3,863 |
| 2029-2033 | 3,419 |
| | \$ 23,784 |

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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, 2006, through June 30, 2023, 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.

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

| 2022-23 Vendor Support Funds | | | | |
|-------------------------------------|--------------------------|-----------------|-------------------|--------------------------|
| | Balance June 30, 2022 | Additions | Deletions | Balance June 30, 2023 |
| IGT | \$ 457 | \$ 360 | \$ (373) | \$ 444 |
| Scientific Games | 1,973 | 5,200 | (6,965) | 208 |
| Total Vendor Support | \$ 2,430 | \$ 5,560 | \$ (7,338) | \$ 652 |

| 2021-22 Vendor Support Funds | | | | |
|-------------------------------------|--------------------------|-----------------|-------------------|--------------------------|
| | Balance June 30, 2021 | Additions | Deletions | Balance June 30, 2022 |
| IGT | \$ 468 | \$ 360 | \$ (371) | \$ 457 |
| Scientific Games | 3,162 | 5,200 | (6,389) | 1,973 |
| Total Vendor Support | \$ 3,630 | \$ 5,560 | \$ (6,760) | \$ 2,430 |

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. 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, 2023, and 2022, was \$72,820,000 and \$69,090,000, 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

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vending machines amounted to \$54,435,000 for the fiscal year ended June 30, 2023, and \$56,269,000 for the fiscal year ended June 30, 2022.

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⁽¹⁾

| | 2022 ⁽²⁾ | 2021 ⁽²⁾ | 2020 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|
| Lottery's proportion of the net pension liability | 0.049665900% | 0.050235772% | 0.049983465% |
| Lottery's proportionate share of the net pension liability | \$ 18,479,706 | \$ 3,794,742 | \$ 21,663,570 |
| Lottery's covered payroll | \$ 17,426,997 | \$ 17,479,154 | \$ 17,527,166 |
| | | | |
| Lottery's proportionate share of the net pension liability as a percentage of its covered payroll | 106.04% | 21.71% | 123.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.89% | 96.40% | 78.85% |

(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:

Changes in actuarial assumptions: The long-term expected rate of return was decreased from 6.80% in 2021 to 6.70% in 2022. In 2022, the assumed investment rate of return was decreased from 6.80% to 6.70% for funding purposes.

Schedule of the Lottery's Contributions

Last Ten Fiscal Years

| | 2023 ⁽¹⁾ | 2022 ⁽¹⁾ | 2021 ⁽¹⁾ |
|--|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 2,282,079 | \$ 2,119,334 | \$ 1,913,766 |
| Contributions in relation to the contractually required contribution | (2,282,079) | (2,119,334) | (1,913,766) |
| Contribution deficiency (excess) | - | - | - |
| Lottery's covered payroll | 19,002,512 | 17,426,997 | 17,479,154 |
| Contributions as a percentage of covered payroll | 12.01% | 12.16% | 10.95% |

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

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

| 2019 ⁽²⁾ | 2018 ⁽²⁾ | 2017 ⁽²⁾ | 2016 ⁽²⁾ | 2015 ⁽²⁾ | 2014 ⁽²⁾ |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 0.054013536% | 0.053883272% | 0.052889273% | 0.054090117% | 0.055549065% | 0.054080631% |
| \$ 18,601,510 | \$ 16,229,921 | \$ 15,644,292 | \$ 13,657,797 | \$ 7,174,907 | \$ 3,299,714 |
| \$ 18,276,513 | \$ 17,945,878 | \$ 17,435,001 | \$ 17,562,079 | \$ 15,985,814 | \$ 16,266,000 |
| 101.78% | 90.44% | 89.73% | 77.77% | 44.88% | 20.29% |
| 82.61% | 84.26% | 83.89% | 84.88% | 92.00% | 96.09% |

| 2020 ⁽¹⁾ | 2019 ⁽¹⁾ | 2018 ⁽¹⁾ | 2017 ⁽¹⁾ | 2016 ⁽¹⁾ | 2015 ⁽¹⁾ | 2014 ⁽¹⁾ |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,660,729 | \$ 1,674,809 | \$ 1,535,630 | \$ 1,376,838 | \$ 1,319,074 | \$ 1,354,333 | \$ 1,184,595 |
| (1,660,729) | (1,674,809) | (1,535,630) | (1,376,838) | (1,319,074) | (1,354,333) | (1,184,595) |
| - | - | - | - | - | - | - |
| 17,527,166 | 18,276,513 | 17,945,878 | 17,435,001 | 17,562,079 | 15,985,814 | 16,266,000 |
| 9.48% | 9.16% | 8.56% | 7.90% | 7.51% | 8.47% | 7.28% |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Schedule of the Lottery's Proportionate Share of Net Pension Liability and Related Ratios

Last Ten Fiscal Years⁽¹⁾

| | 2022 ⁽²⁾ | 2021 ⁽²⁾ | 2020 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|
| Lottery's proportion of the net pension liability | 0.047819943% | 0.049372962% | 0.050500009% |
| Lottery's proportionate share of the net pension liability | \$ 5,064,896 | \$ 6,056,335 | \$ 6,165,969 |
| Lottery's covered payroll | \$ 17,426,997 | \$ 17,479,154 | \$ 17,527,166 |
| | | | |
| Lottery's proportionate share of the net pension liability as a percentage of its covered payroll | 29.06% | 34.65% | 35.18% |
| Plan fiduciary net position as a percentage of the total pension liability | 4.81% | 3.56% | 3.00% |

(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:

Changes in actuarial assumptions: The municipal rate used to determine total pension liability was increased from 2.16 in 2021 to 3.54% in 2022.

Schedule of the Lottery's Contributions

Last Ten Fiscal Years⁽¹⁾

| | 2023 ⁽¹⁾ | 2022 ⁽¹⁾ | 2021 ⁽¹⁾ |
|--|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 315,524 | \$ 289,351 | \$ 290,215 |
| Contributions in relation to the contractually required contribution | (315,524) | (289,351) | (290,215) |
| Contribution deficiency (excess) | - | - | - |
| Lottery's covered payroll | 19,002,512 | 17,426,997 | 17,479,154 |
| Contributions as a percentage of covered payroll | 1.66% | 1.66% | 1.66% |

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

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

| 2019 ⁽²⁾ | 2018 ⁽²⁾ | 2017 ⁽²⁾ | 2016 ⁽²⁾ | 2015 ⁽²⁾ | 2014 ⁽²⁾ |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 0.054579054% | 0.054610115% | 0.054020990% | 0.056217445% | 0.056262384% | 0.057588909% |
| \$ 6,106,850 | \$ 5,779,995 | \$ 5,776,174 | \$ 6,551,910 | \$ 5,737,878 | \$ 5,384,704 |
| \$ 18,253,617 | \$ 17,836,604 | \$ 17,219,001 | \$ 17,354,507 | \$ 15,969,897 | \$ 16,175,000 |
| 33.46% | 32.41% | 33.55% | 37.75% | 35.93% | 33.29% |
| 2.63% | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% |

| 2020 ⁽¹⁾ | 2019 ⁽¹⁾ | 2018 ⁽¹⁾ | 2017 ⁽¹⁾ | 2016 ⁽¹⁾ | 2015 ⁽¹⁾ | 2014 ⁽¹⁾ |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 291,008 | \$ 303,072 | \$ 296,152 | \$ 285,895 | \$ 288,150 | \$ 215,070 | \$ 197,280 |
| (291,008) | (303,072) | (296,152) | (285,895) | (288,150) | (215,070) | (197,280) |
| - | - | - | - | - | - | - |
| 17,527,166 | 18,253,617 | 17,836,604 | 17,219,001 | 17,354,507 | 15,969,897 | 16,175,000 |
| 1.66% | 1.66% | 1.66% | 1.66% | 1.66% | 1.35% | 1.22% |

2023 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⁾

| | 2022 ⁽²⁾ | 2021 ⁽²⁾ | 2020 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|
| Lottery's proportion of the OPEB liability | 0.278959098% | 0.273830487% | 0.263132349% |
| Lottery's proportionate share of the total OPEB liability | \$ 21,879,476 | \$ 28,863,477 | \$ 27,076,438 |
| Lottery's covered-employee payroll | \$ 17,426,997 | \$ 17,479,154 | \$ 17,527,166 |
| | | | |
| Lottery's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll | 125.55% | 165.13% | 154.48% |
| 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 2.18 as of June 30, 2021, to 4.09 as of June 30, 2022. (Refer to Note 9 to the financial statements for further detail.)

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

| <u>2019⁽²⁾</u> | <u>2018⁽²⁾</u> | <u>2017⁽²⁾</u> |
|---------------------------|---------------------------|---------------------------|
| 0.280924900% | 0.288278422% | 0.279755700% |
| \$ 35,560,179 | \$ 30,417,848 | \$ 30,246,920 |
| \$ 18,276,513 | \$ 17,945,878 | \$ 17,435,001 |
| | | |
| 194.57% | 169.50% | 173.48% |
| 0.00% | 0.00% | 0.00% |

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STATISTICAL SECTION

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2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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 |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

Schedule A-1

| | Fiscal Year | | | |
|---|------------------|------------------|-------------------|------------------|
| | 2014 | 2015 | 2016 | 2017 |
| Invested in capital assets | \$ 4,243 | \$ 5,820 | \$ 6,106 | \$ 6,264 |
| Restricted for undistributed appreciation on restricted investments | 58,009 | 51,800 | 70,871 | 40,440 |
| Restricted for MUSL ⁽¹⁾ | 19,817 | 21,766 | 22,793 | 24,177 |
| Restricted for future prizes or special prize promotions | 15,592 | 21,528 | 28,268 | 30,882 |
| Unrestricted | - | (19,371) | (20,608) | (23,366) |
| Total Net Position | \$ 97,661 | \$ 81,543 | \$ 107,430 | \$ 78,397 |
| Percent change from prior year | (23%) | (17%) | 32% | (27%) |

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

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule A-1

| Fiscal Year | | | | | |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$ 6,987 | \$ 7,170 | \$ 7,273 | \$ 7,564 | \$ 3,897 | \$ 3,663 |
| 26,092 | 45,368 | 80,850 | 40,334 | - | - |
| 26,676 | 33,745 | 34,181 | 32,278 | 32,117 | 32,514 |
| 39,223 | 51,445 | 24,239 | 32,395 | 59,861 | 85,524 |
| <u>(50,743)</u> | <u>(53,165)</u> | <u>(57,900)</u> | <u>(61,257)</u> | <u>(63,354)</u> | <u>(77,560)</u> |
| <u>\$ 48,235</u> | <u>\$ 84,563</u> | <u>\$ 88,643</u> | <u>\$ 51,314</u> | <u>\$ 32,521</u> | <u>\$ 44,141</u> |
| (38%) | 75% | 5% | (42%) | (37%) | 36% |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

Schedule A-2

| | Fiscal Year | | | |
|--|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 |
| Operating Revenues | | | | |
| Scratch-Off | \$ 3,417,143 | \$ 3,723,995 | \$ 3,954,701 | \$ 4,243,602 |
| LOTTO | 349,114 | 300,961 | 291,382 | 253,039 |
| FANTASY 5 | 288,237 | 287,803 | 296,307 | 275,663 |
| PICK 3/CASH 3 | 339,636 | 363,251 | 379,757 | 348,724 |
| PICK 4/PLAY 4 | 257,752 | 276,217 | 291,651 | 249,312 |
| RAFFLE | - | - | 11,724 | 11,357 |
| MEGA MONEY/LUCKY MONEY/JACKPOT TRIPLE PLAY | 79,483 | 103,196 | 84,881 | 89,436 |
| LUCKY LINES | - | - | - | - |
| MEGA MILLIONS with Megaplier | 167,573 | 147,370 | 149,950 | 147,381 |
| POWERBALL with Power Play and Double Play | 469,292 | 375,057 | 602,001 | 434,263 |
| MONOPOLY MILLIONAIRES | - | 5,481 | - | - |
| PICK 2 | - | - | - | 23,931 |
| PICK 5 | - | - | - | 50,996 |
| CASH4LIFE | - | - | - | 28,775 |
| FAST PLAY | - | - | - | - |
| CASH POP | - | - | - | - |
| Total ticket sales | 5,368,230 | 5,583,331 | 6,062,354 | 6,156,479 |
| Bad debt expense | (1,337) | (1,263) | (1,487) | (1,073) |
| Net Ticket Sales | 5,366,893 | 5,582,068 | 6,060,867 | 6,155,406 |
| Terminal fees and miscellaneous | 7,611 | 7,456 | 7,439 | 7,436 |
| Retailer fees | 206 | 196 | 181 | 175 |
| Total Operating Revenues | 5,374,710 | 5,589,720 | 6,068,487 | 6,163,017 |
| Operating Expenses | | | | |
| Prizes | 3,431,092 | 3,627,939 | 3,868,970 | 3,996,632 |
| Retailer commissions | 298,651 | 311,981 | 337,007 | 343,608 |
| Scratch-Off tickets | 48,157 | 51,665 | 55,591 | 58,615 |
| Draw games | 28,895 | 29,970 | 32,650 | 30,301 |
| Advertising | 37,486 | 37,513 | 41,180 | 39,452 |
| Personal services | 27,614 | 27,320 | 28,379 | 30,117 |
| Other contractual services | 7,656 | 8,344 | 7,941 | 7,486 |
| Materials and supplies | 1,057 | 2,078 | 1,662 | 2,180 |
| Depreciation | 715 | 441 | 959 | 1,570 |
| Total Operating Expenses | 3,881,323 | 4,097,251 | 4,374,339 | 4,509,961 |
| Operating Income | 1,493,387 | 1,492,469 | 1,694,148 | 1,653,056 |
| Non-Operating Revenue (Expenses) | | | | |
| Interest | 2,776 | 4,032 | 4,695 | 4,829 |
| Securities lending income | 1,534 | 997 | 1,163 | - |
| Securities lending fees | (327) | (505) | (645) | - |
| Investment management fees | (532) | (370) | (405) | (418) |
| Net appreciation (depreciation) in fair value of investments | 13,718 | 12,604 | 34,246 | (17,825) |
| Property disposition (loss) | 124 | 64 | 15 | (57) |
| Amortization of grand prizes payable | (22,911) | (18,040) | (14,779) | (12,270) |
| Total Nonoperating Revenues (Expenses), Net | (5,618) | (1,218) | 24,290 | (25,741) |
| Income Before Operating Transfers | 1,487,769 | 1,491,251 | 1,718,438 | 1,627,315 |
| Transfers from other departments | - | - | - | - |
| Total Transfers to Educational Enhancement Trust Fund | (1,495,409) | (1,496,371) | (1,692,551) | (1,656,348) |
| Change in Net Position | (7,640) | (5,120) | 25,887 | (29,033) |
| Net Position, Beginning of Year | 105,301 | 97,661 | 81,543 | 107,430 |
| Implementation effect of GASB Statements No. 68 & 75 | - | (10,998) | - | - |
| Net Position, End of Year | \$ 97,661 | \$ 81,543 | \$ 107,430 | \$ 78,397 |

Source: Florida Lottery, General Accounting

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

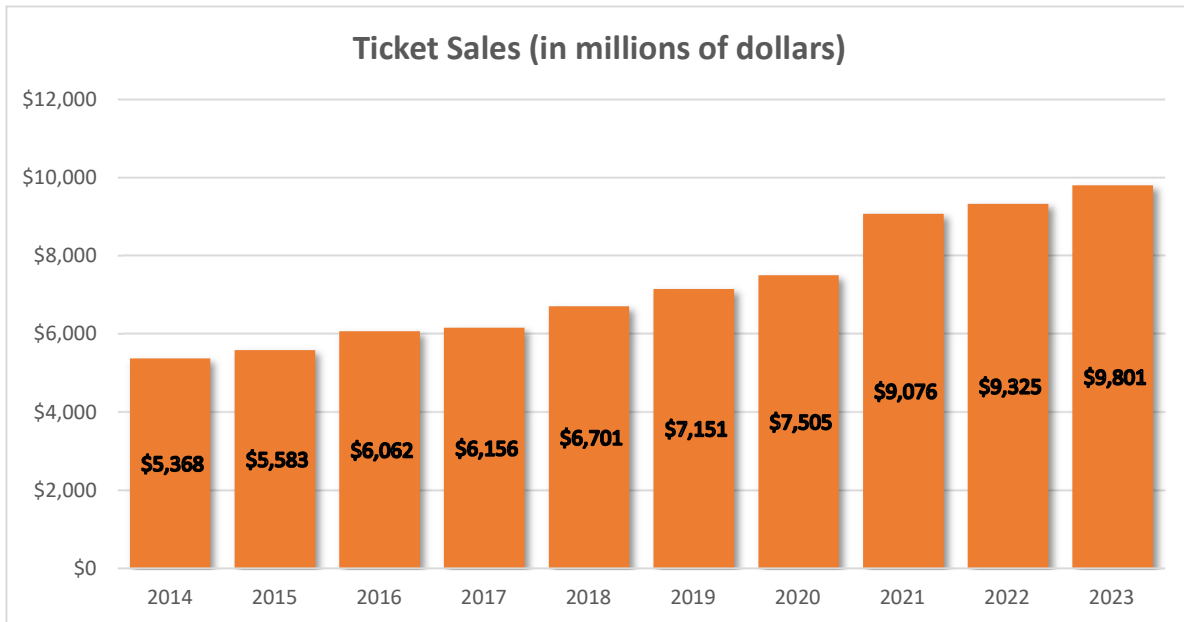
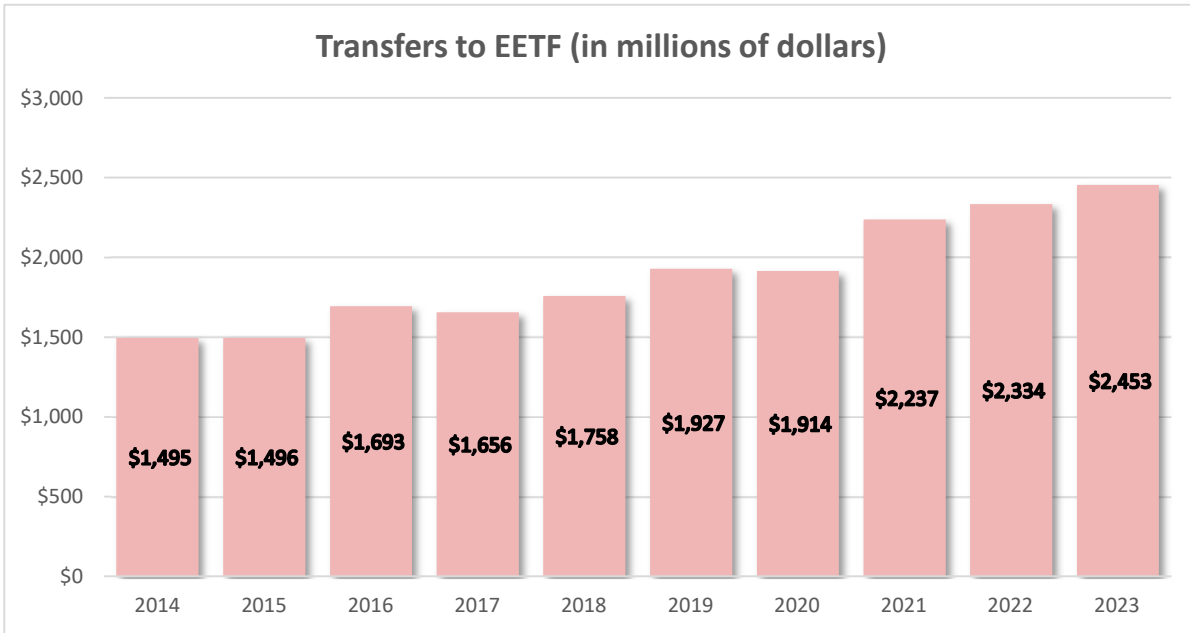
Schedule A-2

| Fiscal Year | | | | | |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| \$ 4,652,295 | \$ 4,937,779 | \$ 5,665,324 | \$ 6,827,864 | \$ 7,025,298 | \$ 7,043,877 |
| 240,015 | 223,504 | 210,098 | 284,697 | 267,899 | 300,130 |
| 264,417 | 258,409 | 245,842 | 257,850 | 243,465 | 240,694 |
| 366,073 | 380,330 | 396,338 | 465,136 | 469,440 | 462,312 |
| 259,271 | 253,423 | 258,571 | 293,297 | 305,139 | 304,905 |
| - | - | - | - | - | - |
| 74,193 | 74,632 | 54,452 | 52,115 | 46,395 | 50,535 |
| - | - | - | - | - | - |
| 220,619 | 416,963 | 225,035 | 337,063 | 239,215 | 511,587 |
| 474,039 | 459,392 | 282,152 | 363,671 | 494,132 | 632,586 |
| - | - | - | - | - | - |
| 20,267 | 20,860 | 22,280 | 29,429 | 26,397 | 22,435 |
| 52,618 | 54,649 | 59,673 | 75,042 | 76,733 | 76,805 |
| 59,219 | 50,337 | 65,321 | 69,240 | 64,820 | 64,578 |
| 17,785 | 20,958 | 20,026 | 20,815 | 10,830 | - |
| - | - | - | - | 54,865 | 91,339 |
| 6,700,811 | 7,151,236 | 7,505,112 | 9,076,219 | 9,324,628 | 9,801,783 |
| (1,158) | (1,041) | (1,318) | (825) | (426) | (1,308) |
| 6,699,653 | 7,150,195 | 7,503,794 | 9,075,394 | 9,324,202 | 9,800,475 |
| 8,014 | 7,513 | 7,702 | 7,495 | 7,520 | 7,333 |
| 208 | 175 | 131 | 156 | 151 | 156 |
| 6,707,875 | 7,157,883 | 7,511,627 | 9,083,045 | 9,331,873 | 9,807,964 |
| 4,394,400 | 4,638,488 | 5,030,240 | 6,135,198 | 6,245,455 | 6,555,700 |
| 373,819 | 398,162 | 420,843 | 509,861 | 523,132 | 571,384 |
| 63,654 | 64,935 | 52,409 | 55,398 | 56,269 | 54,435 |
| 31,863 | 38,275 | 55,905 | 67,206 | 69,090 | 72,820 |
| 38,323 | 39,649 | 39,455 | 39,914 | 38,926 | 39,123 |
| 31,064 | 31,273 | 33,047 | 32,015 | 26,048 | 29,534 |
| 8,802 | 8,176 | 8,517 | 4,272 | 6,091 | 6,631 |
| 1,904 | 2,019 | 574 | 1,783 | 2,443 | 2,351 |
| 1,108 | 1,078 | 857 | 4,706 | 4,487 | 4,259 |
| 4,944,937 | 5,222,055 | 5,641,847 | 6,850,353 | 6,971,941 | 7,336,237 |
| 1,762,938 | 1,935,828 | 1,869,780 | 2,232,692 | 2,359,932 | 2,471,727 |
| 5,551 | 8,933 | 13,102 | 9,034 | 4,410 | 9,606 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (415) | (479) | (524) | (675) | (694) | (646) |
| (3,870) | 30,405 | 46,596 | (31,056) | (34,717) | (5,714) |
| (13) | 5 | (16) | (50) | (4,067) | (54) |
| (11,409) | (11,310) | (11,059) | (10,642) | (10,153) | (9,889) |
| (10,156) | 27,554 | 48,099 | (33,389) | (45,221) | (6,697) |
| 1,752,782 | 1,963,382 | 1,917,879 | 2,199,303 | 2,314,711 | 2,465,030 |
| - | - | - | 7 | - | - |
| (1,758,329) | (1,927,054) | (1,913,799) | (2,236,639) | (2,333,504) | (2,453,410) |
| (5,547) | 36,328 | 4,080 | (37,329) | (18,793) | 11,620 |
| 78,397 | 48,235 | 84,563 | 88,643 | 51,314 | 32,521 |
| (24,615) | - | - | - | - | - |
| \$ 48,235 | \$ 84,563 | \$ 88,643 | \$ 51,314 | \$ 32,521 | \$ 44,141 |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

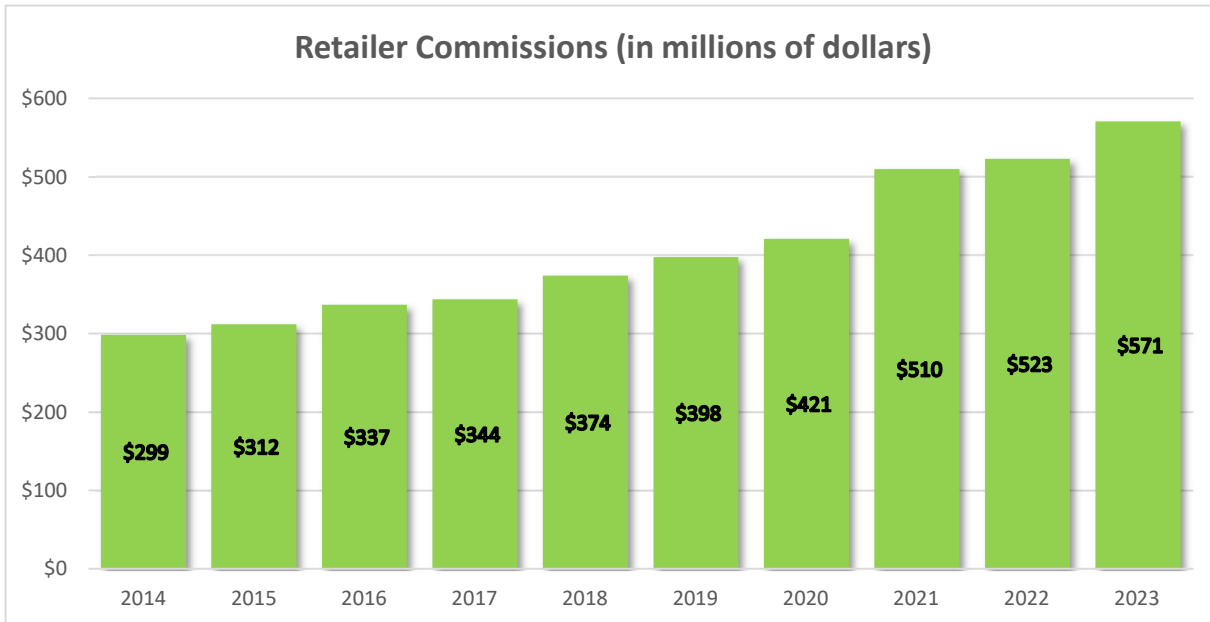
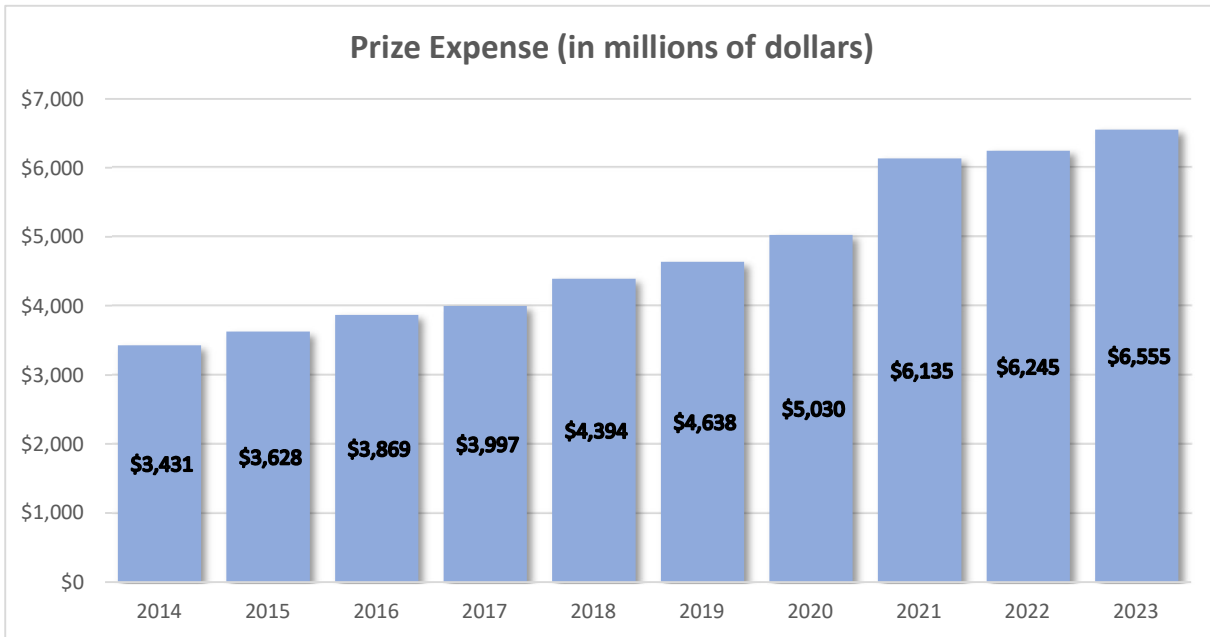
Schedule A-3



Source: Florida Lottery, General Accounting

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

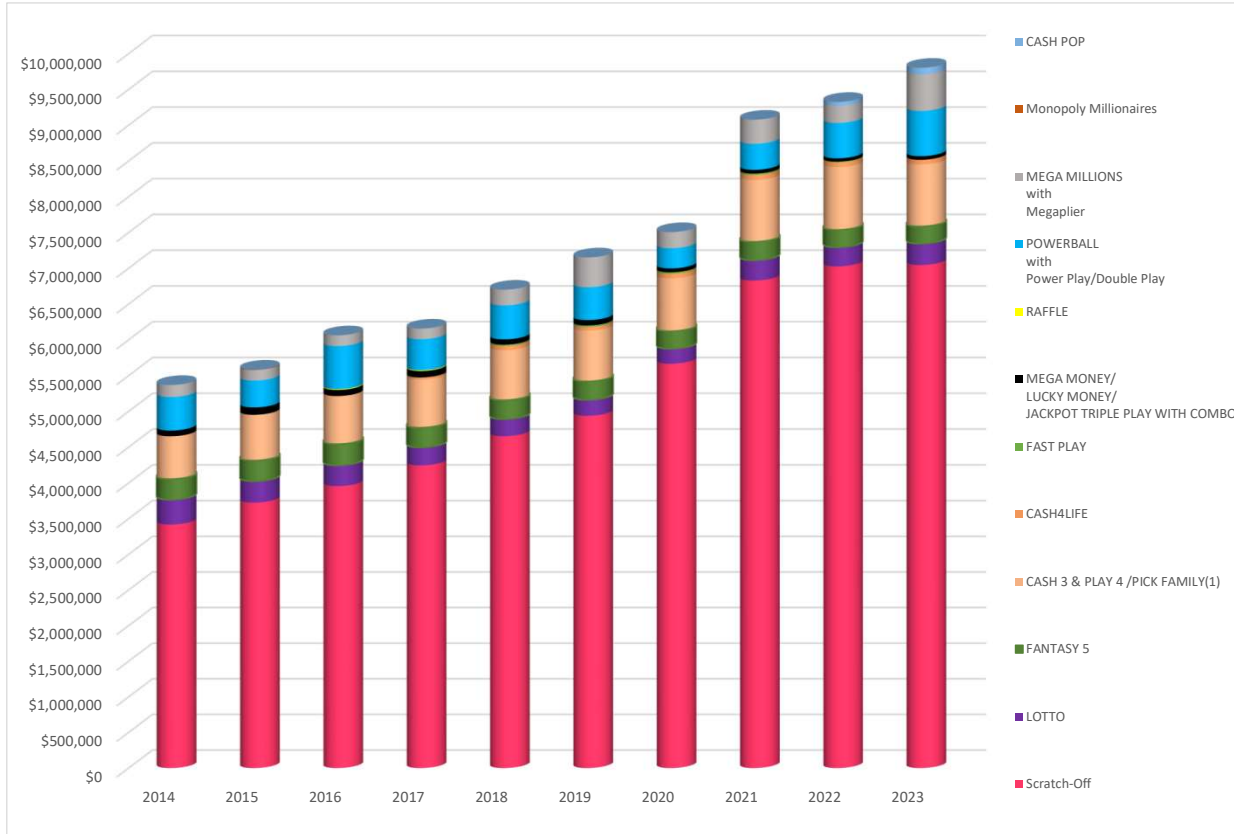
Schedule A-3



2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

Schedule B-1



| Fiscal Year Ended June 30 | Scratch-Off | LOTTO | FANTASY 5 | CASH 3 & PLAY 4 /PICK FAMILY ⁽¹⁾ | CASH4LIFE | FAST PLAY | MEGA MONEY/ LUCKY MONEY/ JACKPOT TRIPLE PLAY WITH COMBO | RAFFLE | POWERBALL with Power Play/Double Play | MEGA MILLIONS with Megaplier | Monopoly Millionaires | CASH POP | Combined Sales |
|---------------------------|--------------|------------|------------|---|-----------|-----------|---|--------|---------------------------------------|------------------------------|-----------------------|----------|----------------|
| 2014 | \$ 3,417,143 | \$ 349,114 | \$ 288,237 | \$ 597,388 | \$ - | \$ - | \$ 79,483 | \$ - | \$ 469,292 | \$ 167,573 | \$ - | \$ - | \$ 5,368,230 |
| 2015 | 3,723,995 | 300,961 | 287,803 | 639,468 | - | - | 103,196 | - | 375,057 | 147,370 | 5,481 | - | 5,583,331 |
| 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 |

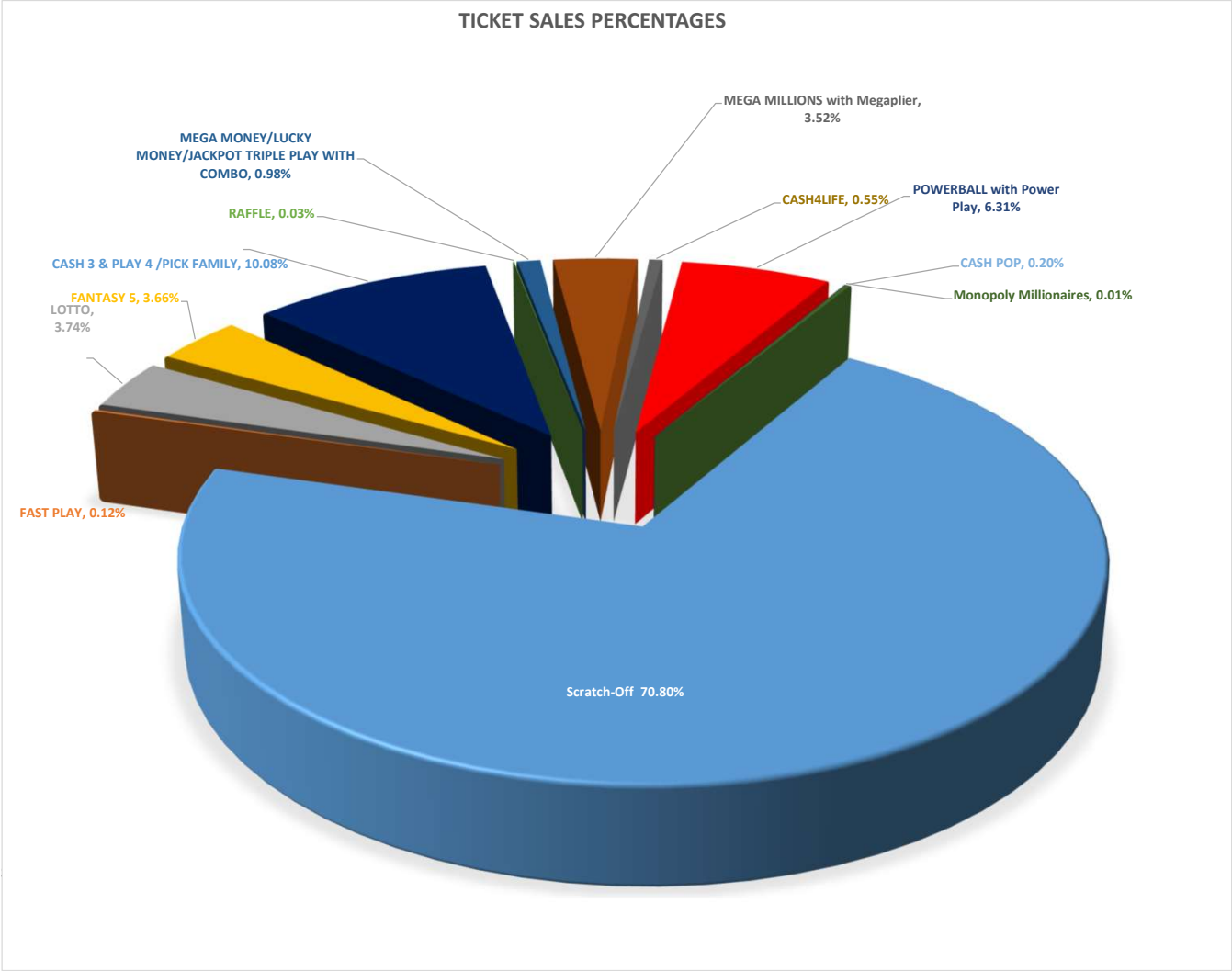
⁽¹⁾ In August of 2016, Cash 3 and Play 4 were changed to Pick 3 and 4 to become the PICK FAMILY along with the introduction of Pick 2 and 5.

Source: Florida Lottery, General Accounting

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Ticket Sales Percentages
For the Last Ten Fiscal Years

Schedule B-2



2023 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 | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Number of Game Launches | | | | | | |
| \$1 | 10 | 10 | 8 | 9 | 9 | 9 |
| \$2 | 12 | 12 | 9 | 11 | 10 | 10 |
| \$3 | 3 | 2 | 1 | 3 | 2 | 2 |
| \$5 | 10 | 10 | 9 | 11 | 9 | 9 |
| \$10 | 3 | 4 | 3 | 4 | 5 | 5 |
| \$20 | 2 | 1 | 1 | 2 | 1 | 2 |
| \$25 | 1 | 1 | 1 | 1 | - | - |
| \$30 | - | - | - | - | 1 | 1 |
| \$50 | - | - | - | - | - | - |
| | 41 | 40 | 32 | 41 | 37 | 38 |
| Sales (in thousands) | | | | | | |
| \$1 | \$ 181,772 | \$ 186,155 | \$ 196,556 | \$ 194,399 | \$ 195,523 | \$ 169,501 |
| \$2 | 444,056 | 477,036 | 502,346 | 508,240 | 558,165 | 564,103 |
| \$3 | 173,207 | 157,783 | 135,399 | 154,243 | 145,030 | 158,266 |
| \$5 | 702,937 | 743,071 | 875,444 | 867,577 | 1,036,310 | 1,013,246 |
| \$10 | 404,989 | 501,139 | 567,977 | 655,227 | 821,977 | 995,395 |
| \$20 | 969,861 | 1,002,548 | 973,527 | 1,146,288 | 959,818 | 1,142,781 |
| \$25 | 540,321 | 656,263 | 703,452 | 717,628 | 583,135 | 48,489 |
| \$30 | - | - | - | - | 352,337 | 845,998 |
| \$50 | - | - | - | - | - | - |
| | \$ 3,417,143 | \$ 3,723,995 | \$ 3,954,701 | \$ 4,243,602 | \$ 4,652,295 | \$ 4,937,779 |

Source: Florida Lottery, General Accounting

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule B-3

| Fiscal Year | | | | | | |
|--------------------------------|--------------|--------------|--------------|---------------|-----------------|--|
| 2020 | 2021 | 2022 | 2023 | Total | % of Total 2023 | |
| Number of Game Launches | | | | | | |
| 9 | 8 | 9 | 9 | 90 | 21.95% | |
| 10 | 10 | 9 | 10 | 103 | 24.39% | |
| 1 | 2 | 2 | 2 | 20 | 4.88% | |
| 8 | 10 | 9 | 11 | 96 | 26.83% | |
| 4 | 6 | 7 | 6 | 47 | 14.63% | |
| 2 | 1 | 1 | 1 | 14 | 2.44% | |
| - | - | - | - | 4 | 0.00% | |
| 1 | 1 | - | 1 | 5 | 2.44% | |
| - | - | 1 | 1 | 2 | 2.44% | |
| 35 | 38 | 38 | 41 | 381 | 100.00% | |
| Sales (in thousands) | | | | | | |
| \$ 179,660 | \$ 174,200 | \$ 162,391 | \$ 134,003 | \$ 1,774,160 | 1.90% | |
| 624,658 | 594,595 | 498,476 | 436,290 | 5,207,965 | 6.19% | |
| 191,569 | 172,745 | 171,476 | 167,419 | 1,627,137 | 2.38% | |
| 1,044,741 | 1,201,551 | 1,196,535 | 1,191,619 | 9,873,031 | 16.92% | |
| 1,466,911 | 1,718,731 | 1,827,537 | 1,635,083 | 10,594,966 | 23.21% | |
| 1,199,024 | 1,731,192 | 1,416,189 | 1,051,462 | 11,592,690 | 14.93% | |
| - | - | - | - | 3,249,288 | 0.00% | |
| 958,761 | 1,234,850 | 948,391 | 801,260 | 5,141,597 | 11.38% | |
| - | - | 804,303 | 1,626,741 | 2,431,044 | 23.09% | |
| \$ 5,665,324 | \$ 6,827,864 | \$ 7,025,298 | \$ 7,043,877 | \$ 51,491,878 | 100.00% | |

2023 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 | Fiscal Year | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| District | | | | | | |
| Fort Myers | 1,247 | 1,250 | 1,257 | 1,266 | 1,262 | 1,292 |
| Gainesville | 842 | 839 | 829 | 823 | 818 | 818 |
| Jacksonville | 1,026 | 1,016 | 1,018 | 1,020 | 1,022 | 1,017 |
| Miami | 3,231 | 3,193 | 3,202 | 3,172 | 3,155 | 3,172 |
| Orlando | 2,202 | 2,179 | 2,183 | 2,197 | 2,194 | 2,180 |
| Pensacola | 666 | 658 | 665 | 681 | 703 | 692 |
| Tallahassee | 383 | 382 | 389 | 386 | 379 | 381 |
| Tampa | 2,415 | 2,363 | 2,375 | 2,355 | 2,358 | 2,382 |
| West Palm Beach | 1,254 | 1,241 | 1,245 | 1,254 | 1,253 | 1,272 |
| | <u>13,266</u> | <u>13,121</u> | <u>13,163</u> | <u>13,154</u> | <u>13,144</u> | <u>13,206</u> |

Source: Department generated from gaming vendor data

**Sales by District
(in thousands)**

| District | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fort Myers | \$ 537,065 | \$ 565,408 | \$ 615,229 | \$ 628,123 | \$ 697,588 | \$ 759,736 |
| Gainesville | 299,433 | 317,574 | 343,318 | 356,612 | 387,452 | 411,490 |
| Jacksonville | 404,505 | 428,266 | 458,174 | 477,954 | 522,998 | 551,029 |
| Miami | 1,208,118 | 1,227,125 | 1,367,195 | 1,333,364 | 1,447,985 | 1,524,352 |
| Orlando | 928,474 | 981,175 | 1,050,312 | 1,071,251 | 1,157,163 | 1,227,247 |
| Pensacola | 309,236 | 321,788 | 351,814 | 364,132 | 391,488 | 432,160 |
| Tallahassee | 167,641 | 180,174 | 189,304 | 191,233 | 201,239 | 218,261 |
| Tampa | 943,959 | 981,708 | 1,052,556 | 1,088,431 | 1,192,114 | 1,275,011 |
| West Palm Beach | 569,799 | 580,113 | 634,452 | 645,379 | 702,784 | 751,950 |
| | <u>\$ 5,368,230</u> | <u>\$ 5,583,331</u> | <u>\$ 6,062,354</u> | <u>\$ 6,156,479</u> | <u>\$ 6,700,811</u> | <u>\$ 7,151,236</u> |

Source: Department generated from gaming vendor data

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule B-4

| Fiscal Year | | | | | |
|---------------|---------------|---------------|---------------|--|--|
| 2020 | 2021 | 2022 | 2023 | | |
| 1,309 | 1,328 | 1,360 | 1,327 | | |
| 826 | 828 | 848 | 847 | | |
| 1,020 | 1,038 | 1,042 | 1,052 | | |
| 3,146 | 3,142 | 3,099 | 3,078 | | |
| 2,151 | 2,200 | 2,194 | 2,197 | | |
| 715 | 723 | 758 | 774 | | |
| 383 | 379 | 381 | 378 | | |
| 2,415 | 2,472 | 2,468 | 2,472 | | |
| 1,263 | 1,295 | 1,311 | 1,303 | | |
| <u>13,228</u> | <u>13,405</u> | <u>13,461</u> | <u>13,428</u> | | |

| 2020 | 2021 | 2022 | 2023 | Total | % of Total Sales |
|---------------------|---------------------|---------------------|---------------------|----------------------|------------------|
| \$ 801,054 | \$ 968,213 | \$ 1,024,567 | \$ 1,094,176 | \$ 7,691,159 | 10.57% |
| 446,857 | 536,476 | 550,118 | 561,286 | 4,210,616 | 5.79% |
| 626,094 | 798,243 | 814,816 | 822,056 | 5,904,135 | 8.12% |
| 1,526,493 | 1,836,781 | 1,888,109 | 1,987,310 | 15,346,832 | 21.10% |
| 1,278,238 | 1,521,875 | 1,559,344 | 1,641,964 | 12,417,043 | 17.07% |
| 449,837 | 546,566 | 543,966 | 583,394 | 4,294,381 | 5.90% |
| 230,358 | 282,697 | 265,654 | 269,535 | 2,196,096 | 3.02% |
| 1,373,501 | 1,678,496 | 1,742,818 | 1,822,167 | 13,150,761 | 18.08% |
| 772,680 | 906,872 | 935,236 | 1,019,895 | 7,519,160 | 10.34% |
| <u>\$ 7,505,112</u> | <u>\$ 9,076,219</u> | <u>\$ 9,324,628</u> | <u>\$ 9,801,783</u> | <u>\$ 72,730,183</u> | <u>100.00%</u> |

2023 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 | Percent Change from Prior Year | U.S. - July 1 | Percent Change from Prior Year | Florida | U.S. |
| 2013 | 19,337,590 | 1.06% | 316,059,947 | 70.00% | 802,976 | 14,189,228 |
| 2014 | 19,585,096 | 1.28% | 318,386,329 | 0.74% | 861,412 | 14,969,527 |
| 2015 | 19,879,230 | 1.50% | 320,738,994 | 0.74% | 919,835 | 15,681,233 |
| 2016 | 20,201,450 | 1.62% | 323,071,755 | 0.73% | 954,070 | 16,092,713 |
| 2017 | 20,524,865 | 1.60% | 325,122,128 | 0.63% | 1,023,855 | 16,837,337 |
| 2018 | 20,854,945 | 1.61% | 326,838,199 | 0.53% | 1,088,795 | 17,671,054 |
| 2019 | 21,189,849 | 1.61% | 328,329,953 | 0.46% | 1,165,093 | 18,575,467 |
| 2020 | 21,538,187 | 1.64% | 331,501,080 | 0.97% | 1,235,793 | 19,812,171 |
| 2021 | 21,898,945 | 1.67% | 331,893,745 | 0.12% | 1,356,319 | 21,288,709 |
| 2022 | 22,251,246 | 1.61% | 332,838,183 | 0.28% | 1,384,563 | 21,688,212 |

⁽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. Historically reported figures may be updated as better information is obtained.

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

2023 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. | Florida | Florida |
| 41,524 | 44,894 | 7.5% | 7.4% | 41.3 | 2,691,322 |
| 43,983 | 47,017 | 6.4% | 6.2% | 41.3 | 2,720,074 |
| 46,271 | 48,891 | 5.5% | 5.3% | 41.5 | 2,756,127 |
| 47,228 | 49,812 | 4.9% | 4.9% | 41.6 | 2,791,244 |
| 49,884 | 51,788 | 4.3% | 4.4% | 41.6 | 2,817,076 |
| 52,208 | 54,067 | 3.7% | 3.9% | 41.7 | 2,833,115 |
| 54,984 | 56,576 | 3.2% | 3.7% | 41.7 | 2,846,857 |
| 57,377 | 59,765 | 8.2% | 8.1% | 41.8 | 2,858,949 |
| 61,935 | 64,143 | 4.6% | 5.3% | 41.9 | 2,791,687 |
| 62,224 | 65,161 | 3.4% | 3.7% | 42.0 | 2,833,179 |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Industry Sector Employment For Calendar Years 2022 and 2013 (in thousands)

Schedule C-2

| Industry | Calendar Year 2022 | | Calendar Year 2013 | |
|-------------------------------------|--------------------|---|--------------------|---|
| | Employment | Percentage of Total Employment ⁽¹⁾ | Employment | Percentage of Total Employment ⁽¹⁾ |
| Health Care and Social Assistance | 1,205 | 12.70% | 979 | 12.77% |
| Retail Trade | 1,129 | 11.90% | 994 | 12.96% |
| Accommodation and Food Services | 1,005 | 10.59% | 841 | 10.97% |
| Local Government | 705 | 7.43% | 702 | 9.16% |
| Administrative and Waste Services | 747 | 7.87% | 559 | 7.29% |
| Professional and Technical Services | 711 | 7.49% | 473 | 6.17% |
| Construction | 601 | 6.33% | 366 | 4.77% |
| Finance and Insurance | 453 | 4.77% | 351 | 4.58% |
| Manufacturing | 410 | 4.32% | 325 | 4.24% |
| Wholesale | 377 | 3.97% | 318 | 4.15% |
| Total | 7,343 | 77.37% | 5,908 | 77.06% |

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 2022, Florida's seasonally adjusted total nonagricultural employment was 9,620,100, an increase of 447,800 jobs (+4.88 percent) over the year. The industries gaining the most jobs were professional and business services (+96,000 jobs); leisure and hospitality (+90,000 jobs); and education and health services (+78,500 jobs).

(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:

| | 2022 | 2013 |
|-----------------------------------|--------------|--------------|
| Total non-agricultural employment | 9,423 | 7,585 |
| Total agricultural employment | 68 | 82 |
| Total employment | 9,491 | 7,667 |

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

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2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Lottery Player Demographics For the Last 10 Fiscal Years

Schedule C-3

| | Fiscal Year | | | | | |
|---------------------|-------------|------|------|------|------|------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Gender | | | | | | |
| Male | 51% | 51% | 51% | 51% | 51% | 51% |
| Female | 49% | 49% | 49% | 49% | 49% | 49% |
| Age | | | | | | |
| 18 to 34 | 24% | 25% | 24% | 25% | 26% | 25% |
| 35 to 54 | 38% | 38% | 39% | 38% | 38% | 39% |
| 55+ | 38% | 37% | 37% | 37% | 36% | 36% |
| Education | | | | | | |
| HS or Less | 21% | 20% | 15% | 15% | 18% | 21% |
| Some Post Secondary | 29% | 26% | 22% | 20% | 22% | 23% |
| University+ | 50% | 54% | 63% | 65% | 60% | 56% |
| Race | | | | | | |
| White | 84% | 86% | 84% | 84% | 84% | 84% |
| Other | 16% | 14% | 16% | 16% | 16% | 16% |
| Hispanic | | | | | | |
| Yes | 21% | 21% | 20% | 21% | 20% | 20% |
| No | 79% | 79% | 80% | 79% | 80% | 80% |
| Income | | | | | | |
| <\$20K | 17% | 13% | 12% | 11% | 12% | 12% |
| \$20K-\$29K | 14% | 12% | 10% | 8% | 10% | 10% |
| \$30K-\$49K | 25% | 25% | 21% | 21% | 21% | 23% |
| \$50K-\$69K | 20% | 20% | 21% | 21% | 20% | 19% |
| \$70K+ | 24% | 30% | 36% | 39% | 37% | 36% |
| 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.

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule C-3

| Fiscal Year | | | |
|-------------|------|------|------|
| 2020 | 2021 | 2022 | 2023 |
| 50% | 52% | 52% | 51% |
| 50% | 48% | 48% | 49% |
| 24% | 26% | 24% | 24% |
| 36% | 36% | 37% | 37% |
| 40% | 38% | 39% | 39% |
| 19% | 19% | 21% | 21% |
| 22% | 19% | 35% | 35% |
| 59% | 62% | 44% | 44% |
| 83% | 82% | 82% | 83% |
| 17% | 18% | 18% | 17% |
| 25% | 26% | 25% | 26% |
| 75% | 74% | 75% | 74% |
| 12% | 11% | 12% | 12% |
| 11% | 11% | 11% | 11% |
| 23% | 20% | 19% | 18% |
| 20% | 18% | 17% | 19% |
| 34% | 40% | 39% | 38% |
| 0% | 0% | 2% | 2% |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Schedule of Lottery Employees
For the Last Ten Fiscal Years**

Schedule D-1

| | Fiscal Year | | | | | |
|---------------------------------|-------------|------------|------------|------------|------------|------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Sales: | | | | | | |
| Tallahassee | 11 | 11 | 11 | 10 | 11 | 11 |
| Fort Myers | 15 | 17 | 16 | 18 | 18 | 17 |
| West Palm Beach | 19 | 19 | 19 | 18 | 19 | 19 |
| Miami | 38 | 37 | 38 | 36 | 37 | 38 |
| Pensacola | 14 | 14 | 14 | 14 | 15 | 14 |
| Jacksonville | 16 | 15 | 16 | 15 | 16 | 16 |
| Gainesville | 13 | 12 | 13 | 13 | 13 | 14 |
| Orlando | 27 | 26 | 27 | 28 | 27 | 28 |
| Tampa | 30 | 30 | 26 | 31 | 30 | 30 |
| Sales Subtotal | 183 | 181 | 180 | 183 | 186 | 187 |
| Administrative and Other | 220 | 227 | 232 | 230 | 233 | 232 |
| Total | 403 | 408 | 412 | 413 | 419 | 419 |

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

Source: Florida Lottery, General Accounting

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule D-1

| Fiscal Year | | | |
|-------------------|-------------------|-------------------|-------------------|
| <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| 11 | 11 | 10 | 10 |
| 17 | 17 | 18 | 18 |
| 19 | 19 | 19 | 19 |
| 38 | 38 | 38 | 38 |
| 14 | 14 | 14 | 14 |
| 16 | 16 | 16 | 16 |
| 14 | 14 | 14 | 14 |
| 28 | 28 | 28 | 28 |
| 30 | 30 | 30 | 30 |
| <u>187</u> | <u>187</u> | <u>187</u> | <u>187</u> |
| <u>232</u> | <u>231</u> | <u>232</u> | <u>232</u> |
| <u>419</u> | <u>418</u> | <u>419</u> | <u>419</u> |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

Schedule D-2

| | Fiscal Year | | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| <u>Scratch-Off Games</u> | | | | | | |
| Sales | \$3,417,143 | \$3,723,995 | \$3,954,701 | \$4,243,602 | \$4,652,295 | \$4,937,779 |
| Prize Expense | \$2,484,259 | \$2,712,474 | \$2,880,963 | \$3,103,450 | \$3,410,041 | \$3,629,531 |
| Percent of Sales | 72.70% | 72.84% | 72.85% | 73.13% | 73.30% | 73.51% |
| Vendor Fees | \$ 48,157 | \$ 51,665 | \$ 55,591 | \$ 58,615 | \$ 63,654 | \$ 64,935 |
| Percent of Sales | 1.41% | 1.39% | 1.41% | 1.38% | 1.37% | 1.32% |
| <u>Draw Games</u> | | | | | | |
| Sales | \$1,951,087 | \$1,859,336 | \$2,107,653 | \$1,912,877 | \$2,048,516 | \$2,213,457 |
| Prize Expense | \$ 995,240 | \$ 962,779 | \$1,054,995 | \$ 966,230 | \$1,051,764 | \$1,096,540 |
| Percent of Sales | 51.01% | 51.78% | 50.06% | 50.51% | 51.34% | 49.54% |
| Vendor Fees | \$ 28,895 | \$ 29,970 | \$ 32,650 | \$ 30,301 | \$ 31,863 | \$ 38,275 |
| Percent of Sales | 1.48% | 1.61% | 1.55% | 1.58% | 1.56% | 1.73% |
| <u>Total Games</u> | | | | | | |
| Sales | \$5,368,230 | \$5,583,331 | \$6,062,354 | \$6,156,479 | \$6,700,811 | \$7,151,236 |
| Commissions | \$ 298,651 | \$ 311,981 | \$ 337,007 | \$ 343,608 | \$ 373,819 | \$ 398,162 |
| Percent of Sales | 5.56% | 5.59% | 5.56% | 5.58% | 5.58% | 5.57% |
| Administrative Costs | \$ 74,528 | \$ 75,696 | \$ 80,121 | \$ 80,805 | \$ 81,201 | \$ 82,195 |
| Percent of Sales | 1.39% | 1.36% | 1.32% | 1.31% | 1.21% | 1.15% |
| Number of Employees | 403 | 408 | 412 | 413 | 419 | 419 |
| Number of Retailers | 13,266 | 13,121 | 13,163 | 13,154 | 13,144 | 13,206 |

Source: Florida Lottery, General Accounting

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule D-2

| Fiscal Year | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|
| 2020 | 2021 | 2022 | 2023 |
| \$5,665,324 | \$6,827,864 | \$7,025,298 | \$7,043,877 |
| \$4,135,818 73.00% | \$5,046,267 73.91% | \$5,238,527 74.57% | \$5,247,703 74.50% |
| \$ 52,409 0.93% | \$ 55,398 0.81% | \$ 56,269 0.80% | \$ 54,435 0.77% |
| \$1,839,788 | \$2,248,355 | \$2,299,330 | \$2,757,906 |
| \$ 923,522 50.20% | \$1,152,008 51.24% | \$1,169,775 50.87% | \$1,450,406 52.59% |
| \$ 55,905 3.04% | \$ 67,206 2.99% | \$ 69,090 3.00% | \$ 72,820 2.64% |
| \$7,505,112 | \$9,076,219 | \$9,324,628 | \$9,801,783 |
| \$ 420,843 5.61% | \$ 509,861 5.62% | \$ 523,132 5.61% | \$ 571,384 5.83% |
| \$ 82,450 1.10% | \$ 82,466 0.91% | \$ 84,283 0.90% | \$ 81,898 0.84% |
| 419 13,228 | 418 13,405 | 419 13,461 | 419 13,428 |

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

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

Schedule D-3

| | Fiscal Year | | | | | |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Right-to-Use Equipment | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Right-to-Use Buildings | - | - | - | - | - | - |
| Vehicles and equipment | 11,732 | 12,754 | 11,445 | 12,295 | 12,970 | 12,950 |
| Intangible assets and other | 2,855 | 3,000 | 3,319 | 3,816 | 4,162 | 4,484 |
| Total Capital Assets | <u>14,587</u> | <u>15,754</u> | <u>14,764</u> | <u>16,111</u> | <u>17,132</u> | <u>17,434</u> |
| Less Right-to-Use amortization | - | - | - | - | - | - |
| Less accumulated depreciation | 10,344 | 9,934 | 8,658 | 9,847 | 10,145 | 10,264 |
| Total Capital Assets, net | <u>\$ 4,243</u> | <u>\$ 5,820</u> | <u>\$ 6,106</u> | <u>\$ 6,264</u> | <u>\$ 6,987</u> | <u>\$ 7,170</u> |

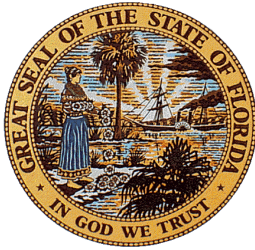
Source: Florida Lottery, General Accounting

2023 FLORIDA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

Schedule D-3

| Fiscal Year | | | |
|-----------------|------------------|------------------|------------------|
| 2020 | 2021 | 2022 | 2023 |
| \$ - | \$ 246 | \$ 246 | \$ 246 |
| - | 30,982 | 30,982 | 35,279 |
| 12,405 | 12,426 | 12,659 | 11,700 |
| 4,848 | 5,117 | 1,094 | 1,096 |
| 17,253 | 48,771 | 44,981 | 48,321 |
| - | 3,807 | 8,422 | 11,740 |
| 9,980 | 9,979 | 9,856 | 8,644 |
| <u>\$ 7,273</u> | <u>\$ 34,985</u> | <u>\$ 26,703</u> | <u>\$ 27,937</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, 2023, 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, 2023, 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, 2023, and June 30, 2022, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and our report thereon dated January 31, 2024, 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 31, 2024
Audit Report No. 2024-120

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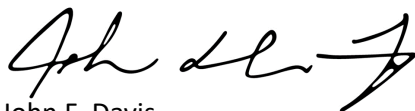
Management's Report on Internal Control Over Financial Reporting

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.

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.

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, 2023, 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, 2023, the Department's internal control over financial reporting is effective, based on the criteria established in the *Internal Control – Integrated Framework* (2013).

The Florida Department of the Lottery

A handwritten signature in black ink, appearing to read "John F. Davis".

John F. Davis
Secretary

January 31, 2024

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 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. 2023-109 (Finding 2).

Recommendation: We again 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. 2023-109 (Finding 3), we disclosed that retailers comprising one minority type totaled more than 35 percent of the total number of the Lottery's minority retailers. Although the Lottery continued to utilize an outreach program to increase retailer participation in under-represented minority groups, our audit disclosed that, contrary to State law, as of June 30, 2023, retailers comprising one minority type totaled approximately 70.2 percent of the total number of minority retailers, an increase of 0.7 percent from the 2021-22 fiscal year.

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

January 26, 2024

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 your January 23, 2024, 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, 2023. Below is our response to each finding and recommendation:

Finding 1: Information Technology Controls

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

Lottery's Response: The Lottery has made the necessary enhancements presented by this audit or is in the process of implementing the enhancements. The Lottery has an ongoing process to improve IT controls and will continue to reengineer where necessary to tighten controls.

Finding 2: Minority Retailer Participation

Recommendation: We recommend that the Lottery continue its efforts 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. The Lottery will also continue to work with retail trade associations to reach out to minority-owned businesses. Finally, 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,



John F. Davis
Secretary

cc: Reggie Dixon, Chief of Staff
Andy Mompeller, Inspector General

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