



# ANNUAL REPORT

## Fiscal Year 2014



All Profits Benefit the Vermont Education Fund



[vtlottery.com](http://vtlottery.com)





Greg Smith,  
Executive Director

The Vermont Lottery connects with our customers in various ways, using our marketing and promotion methods and tracking how our customers respond to us. What had been accomplished in prior years by Instant tickets and jackpot signs in stores has expanded into television and radio ads, websites and social media communication, player accounts and 2nd Chance drawings.

All of this is done with the intent of attracting new players, and keeping current players who play for fun and the hope of winning some money. Getting and staying engaged with your customers is easy to say, but quite a multi-tasking challenge to do well.

In a year that saw only one large jackpot run (\$600 million) and a few medium sized ones (\$300 million), we used good advertisements played on TV, radio and YouTube, supported by social media postings and 2nd Chance contests, to help increase the sales of Instant ticket games. We were spoiled in the prior year with three record-breaking jackpots, so a normal year like this one caused us to shift our focus back to our strongest product line – Instant tickets. We have seen, and players have told us, that reliable wins that improve their month or their year are much more realistic than hoping to win many millions of dollars. But remember, somebody always wins.

I am always surprised when someone asks me where Lottery profits go, or “Do we really send all of our profits to the Education Fund?” Yes, 100% of all Vermont Lottery profits go to the Education Fund. The Lottery staff is focused on responsible growth of revenues through our marketing and sales efforts coupled with accuracy and integrity applied to each transaction. Through these efforts, we work to maintain and grow the sales of Lottery products and the resulting profits.

We will continue to explore new games, new places to play lottery games, and new ways to engage with customers. And while we do this, we will remain mindful that some Vermonters have trouble controlling their gambling habits or addiction. The Vermont Lottery is the sole source of funding for the problem gambling services offered in the state and we monitor the quality of those services to ensure help is available to those who need it.

Martha H. O'Connor, Chair

Greg Smith, Executive Director

## Commissioners



Martha O'Connor  
Chair  
Brattleboro  
Term Expires  
02/17



Karen O'Hagan  
Winooski  
Term Expires  
02/17



Ed Flanagan  
Tri-State  
Commissioner  
11/14  
Montpelier  
Term Expires  
02/16



Virginia Barry  
Vice Chair  
Barre  
Term Expires  
02/15



Tom Scala  
Tri-State  
Commissioner  
Brattleboro  
Resigned  
10/14

## History

Public Act No. 82 was enacted by the 1977 General Assembly establishing the Vermont Lottery Commission. The first Lottery ticket, Green Mountain Game, went on sale to the public February 14, 1978. Since the Lottery's inception, all profits generated by the Vermont Lottery were dedicated for use by the state's General Fund. In July 1998, the Vermont Legislature mandated that all profits from the Lottery go to the state's Education Fund. The Vermont Lottery is run by a small, efficient staff of 21 full-time employees and five Commissioners. It is still one of the smallest staffs of any lottery in the United States, yet generated over \$102 million in revenue during FY14.

## Products

In FY14, the Vermont Lottery offered ten games for sale: Instant tickets, Powerball, Mega Millions, Hot Lotto, Lucky For Life; the Tri-State games Megabucks, Fast Play, Pick 3, Pick 4, and Gimme 5. A few of these had changes to their prizes, odds and rules implemented this year, and more of them have changes planned for next year. We believe that making periodic changes to games causes them to be more appealing to current and potential players. These changes are thoroughly reviewed by

mathematicians, lottery game technicians, market research groups and each state lottery that offers the games to ensure integrity and ease of play. The variety of games, prices, prize levels, odds of winning, and themes allows us to provide games that appeal to a broad demographic mix.

### Lottery Agents

In FY14, there were approximately 685 Lottery agents in Vermont who sold our online games and Instant tickets. Agents received 6% of their total Powerball, Hot Lotto, Mega Millions and Lucky for Life sales and 5.75% of all other Lottery product sales. In addition, agents received a 1% bonus for selling winning tickets of \$500 and up (agent bonus capped at \$30,000). In FY14, the commissions and bonuses paid to agents totaled \$6 million.

### Responsible Gaming

The Vermont Lottery continued its close partnership with the Vermont Council on Problem Gambling (VCPG) so we can provide assistance to Vermonters who need help managing their focus on gambling. We also provided training to the counselors who offer these services throughout Vermont.

The funding provided by the Lottery pays for staffing the 24-hour helpline, website maintenance, training for counselors, literature and event sponsorships. We also create, produce and air TV and radio advertisements all year long. And we will continue to list the helpline number and website address on over 20 million lottery tickets sold each year.

We encourage everyone who knows somebody struggling with a gambling problem to have them call the toll free number or visit the website so they can get on the road to recovery.

### Results of Operations

FY14 ended with overall revenue of \$102,311,700. The total profit contributed to the state's Education Fund was \$22.6 million. In addition to the profits to the Education Fund, \$65 million was returned to players in the form of prizes, and \$6.1 million was paid to Lottery agents as commissions and bonuses on sales.

### Sales

Total FY14 sales equaled \$102,309,458. Sales by game were as follows:

	<b>2014</b>	<b>2013</b>
Instant games	\$ 75,972,763	\$ 74,214,288
<i>Online games:</i>		
Powerball	9,498,896	12,034,883
Mega Millions	3,986,661	2,796,901
Hot Lotto	781,827	991,188
Lucky for Life	2,054,307	2,588,726
Megabucks	3,923,082	4,889,349
Pick 3	1,354,018	1,365,930
Pick 4	1,198,851	1,254,733
Raffle	140,860	—
Gimme 5	868,628	141,737
Fast Play	<u>2,529,565</u>	<u>1,809,653</u>
<b>Total Sales</b>	<b><u>\$ 102,309,458</u></b>	<b><u>\$ 102,087,388</u></b>

### Operating Expenses

Administrative costs for the Lottery were \$2,985,065, a decrease of \$43,830 from FY13. Administrative costs include salaries and benefits, contracted services, equipment, and supplies that were components of the Lottery's annual operating budget appropriation from the Legislature. The budget appropriation came from Lottery revenues.

Other operating expenses, dependent on Lottery sales, included Lottery tickets, courier system, and agent network expenses and facilities management fees to our gaming vendor (Intralot, Inc.). The total cost of other operations for FY14 was \$7,498,682, an increase of \$96,760 over FY13. This includes the administrative costs of \$2,985,065 mentioned above.

### Tri-State Expenses

The Tri-State operating, communications and facilities management costs totaled \$1,155,084, a decrease of \$27,913 from FY13.

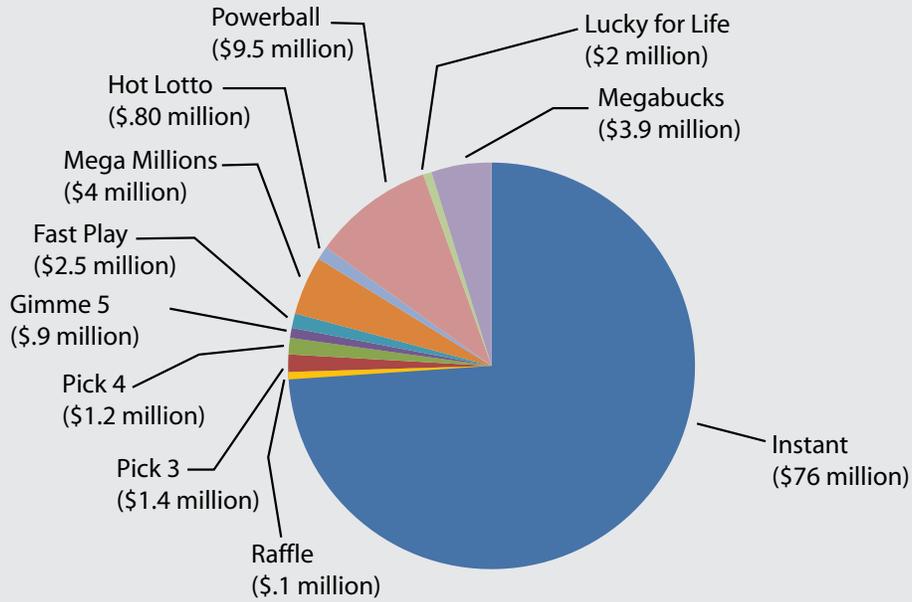
### Prizes and Commissions

The total prizes paid to players in FY14 were \$65,029,356 and the total commissions and bonuses paid to agents were \$6,082,393.

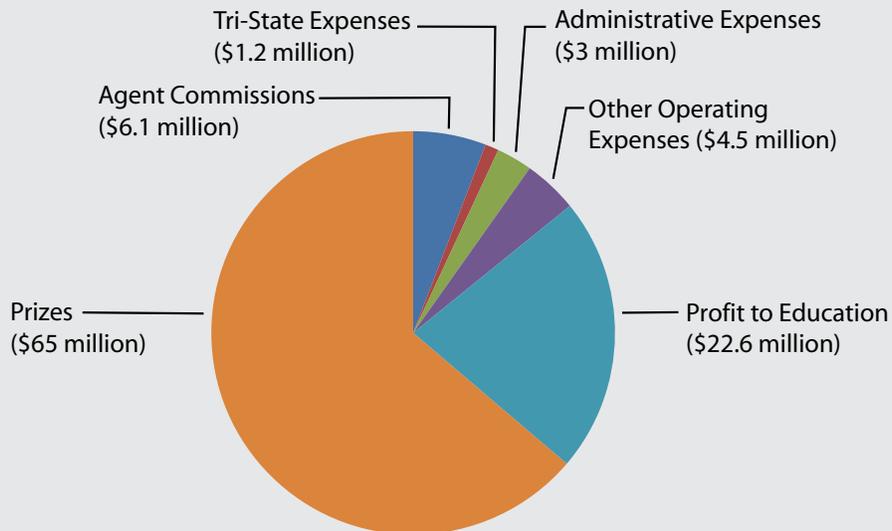
## Contribution to Vermont Education Fund

Total profits contributed to the Vermont Education Fund were \$22,560,467.

### Where the sales were:



### Where the money went:



#### Vermont Lottery Commission

1311 U.S. Route 302, Suite 100, Barre, VT 05641

(802) 479-5686 • Fax (802) 479-4294

Email: [staff@vtlottery.com](mailto:staff@vtlottery.com)

STATEMENTS OF  
NET POSITION\*  
JUNE 30, 2014 AND 2013

ASSETS	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,203,934	\$ 3,784,668
Accounts receivable, net	2,070,088	1,843,443
Due from State Education Fund	18,567	8,680
Inventory	466,455	491,788
Prepaid expenses	4,067	6,569
Total current assets	<u>6,763,111</u>	<u>6,135,148</u>
PROPERTY AND EQUIPMENT, net	<u>5,138</u>	<u>11,132</u>
<b>OTHER ASSETS</b>		
Investments	<u>1,532,327</u>	<u>1,757,232</u>
Total other assets	<u>1,532,327</u>	<u>1,757,232</u>
Total assets	<u>\$ 8,300,576</u>	<u>\$ 7,903,512</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 703,568	\$ 542,971
Accrued payroll and compensated absences	151,577	134,403
Reserve for future and unclaimed prizes	4,962,633	4,487,653
Due to winners, current	260,362	254,537
Deferred revenue	<u>178,876</u>	<u>178,832</u>
Total current liabilities	<u>6,257,016</u>	<u>5,598,396</u>
<b>NONCURRENT LIABILITIES</b>		
Due to winners, net of current portion	1,054,567	1,250,154
Due to State Treasurer	<u>300,000</u>	<u>300,000</u>
Total non-current liabilities	<u>1,354,567</u>	<u>1,550,154</u>
Total liabilities	<u>7,611,583</u>	<u>7,148,550</u>
NET POSITION, unrestricted	<u>688,993</u>	<u>754,962</u>
Total liabilities and net position	<u>\$ 8,300,576</u>	<u>\$ 7,903,512</u>

STATEMENTS OF  
REVENUES, EXPENSES AND CHANGES IN NET POSITION\*  
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES:</b>		
Ticket sales	\$ 102,309,458	\$ 102,087,388
Agents' license fees and other receipts	<u>2,242</u>	<u>1,256</u>
Total revenues	<u>102,311,700</u>	<u>102,088,644</u>
<b>OPERATING EXPENSES:</b>		
Prize expense	65,029,357	64,556,404
Agents commissions	6,082,393	6,020,216
Lottery tickets	1,186,603	1,186,633
Ticket dispensers	89,954	46,232
Courier system	213,551	220,746
Facilities management fee - instant	2,494,537	2,398,108
Facilities management fee - online	489,978	548,331
Tri-State expenses	1,155,086	1,182,997
MUSL expenses	26,278	93,679
Personal services	1,537,664	1,475,351
Advertising	750,656	769,222
Other operating expenses	590,143	540,019
Depreciation	5,994	6,785
Department of Health	150,000	150,000
Total operating expenses	<u>79,802,194</u>	<u>79,194,723</u>
OPERATING INCOME	<u>22,509,506</u>	<u>22,893,921</u>
<b>NON-OPERATING EXPENSES</b>		
Investment income (loss)	(15,008)	(87,518)
Total non-operating (expenses)	<u>(15,008)</u>	<u>(87,518)</u>
<b>INCOME BEFORE OPERATING TRANSFERS</b>		
OPERATING TRANSFERS	<u>22,494,498</u>	<u>22,806,403</u>
<b>NET PROFIT TRANSFERRED TO THE EDUCATION FUND</b>		
Change in net position	(65,969)	(120,702)
NET POSITION, beginning of year	<u>754,962</u>	<u>875,664</u>
NET POSITION, end of year	<u>\$ 688,993</u>	<u>\$ 754,962</u>

\*A copy of the complete financial statements with the Independent Auditor's Reports is available upon request.