State of Illinois
Department of the Lottery

ANNUAL REPORT: FISCAL YEAR 2019

Table of Contents

0. Letter from Acting Director Harold Mays 2

1. Sales Performance 3
   - Total Sales by Game
     - **Table 1A** – FY19 Total Sales by Game
     - **Table 1B** – Total Sales by Game FY17 – FY19
   - iLottery Sales Performance
     - **Table 1C** – Total iLottery Sales by Game by Year
     - **Table 1D –** Online Sales by Year (single ticket purchases)
     - **Table 1E** – Total Online Subscriptions Sales by Year

2. Transfers to Good Causes 5
   - Where the Money Goes
     - **Table 2A** – Total Expenses Paid in FY19 (in $ millions)
   - Common School Fund Transfers
     - **Table 2B** – Yearly CSF Transfers (in $ millions)
   - Capital Projects Fund Transfers
     - **Table 2C** – Yearly CPF Transfers (in $ millions)
   - Specialty Ticket Transfers
     - **Table 2D** – Yearly Specialty Ticket Transfers

3. FY19 Financial Statement Report 6
   - Independent Auditors' Report
   - Basic Financial Statements
     - Statement of Net Position (Deficit)
     - Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
     - Statement of Cash Flows
     - Notes to Basic Financial Statements
   - Supplementary Information
     - Combining Schedule of Net Position (Deficit) – State Lottery Fund
     - Combining Schedule of Accounts – Schedule of Net Position (Deficit) – State Lottery Fund (Collapsed)
     - Combining Schedule of Accounts – Schedule of Net Position (Deficit) – Deferred Prize Winners Fund (Collapsed)
     - Combining Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) – State Lottery Fund
     - Combining Schedule of Accounts – Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) – State Lottery Fund (Collapsed)
     - Combining Schedule of Accounts – Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) – Deferred Prize Winners Fund (Collapsed)
     - Combining Schedule of Cash Flows – State Lottery Fund
     - Combining Schedule of Accounts – Schedule of Cash Flows – State Lottery Fund (Collapsed)
     - Combining Schedule of Accounts – Schedule of Cash Flows – Deferred Prize Winners Fund (Collapsed)

Letter from Acting Director Harold Mays

The Illinois Lottery's mission is to maximize revenue to the state to benefit schools, capital projects and specialty causes in an ethical and socially responsible manner. Amid the additional business and operational changes during Fiscal Year 2019 related to ushering in all new technology, systems and retail equipment to better serve the public, we were able to fulfill that mission in dramatic fashion by setting a sales record of a little more than $2.975 billion, topping the previous year by 1.6 percent.

Instant ticket sales of almost $1.9 billion represented 62 percent of total sales in FY19 but remained relatively flat over the previous year. Draw-based game sales increased 7% over the prior year, with all games slightly increasing or remaining relatively flat year over year, except Lucky Day Lotto. The Department saw the largest sales increase of 71% for the fiscal year in the multi-state Mega Millions game due to the $1.5 billion jackpot in October 2018. The Lottery's sales leader continues to be Pick 3 and Pick 4 with Fireball. These daily games combined account for $526 million in sales in FY19 and represented 18% of total sales.

Record sales led to $754 million in transfers to good causes. The Common School Fund, which helps fund K-12 public education in Illinois, received about $731.25 million, the highest transfer we've ever made to the fund. Another $4.25 million was transferred to special causes the Lottery supports through sales of specialty instant tickets. Those causes include Illinois veterans' assistance, breast cancer awareness, HIV/AIDS awareness, multiple sclerosis research, Special Olympics training programs and Police Memorials. Finally, the Department transferred $18.5 million to the Capital Projects Fund, which support capital projects throughout the State as well as payment of debt service bonds issued for capital projects. Our players also benefited from record sales, with more than $1.9 billion in prizes and claims won. We saw 48 new millionaires be made in calendar year 2019.

As the Lottery's new private manager, Camelot Illinois is responsible for the key revenue drivers for the Illinois Lottery, including sales, marketing, and retailer management. In FY19, Camelot introduced a new website and iLottery platform, as well as helped facilitate one of the largest technology transitions undertaken by a U.S. lottery in recent years. This transition included a new central gaming system, all new retail terminals, equipment and vending machines. This new technology will better position the Lottery to adjust to the needs of our players and retailers and keep current with industry best practices.

We are encouraged that the Department and its new private manager will continue to bring forth the excitement of a new beginning and a renewed focus on delivering products our players want and enjoy, educating and encouraging players to play responsibly and giving players a lottery that they can believe in and feel good about. With over $21.6 billion in contributions to the state since our humble beginning, we look forward to increasing that number during the journey ahead.

1. Sales Performance

Total Sales by Game

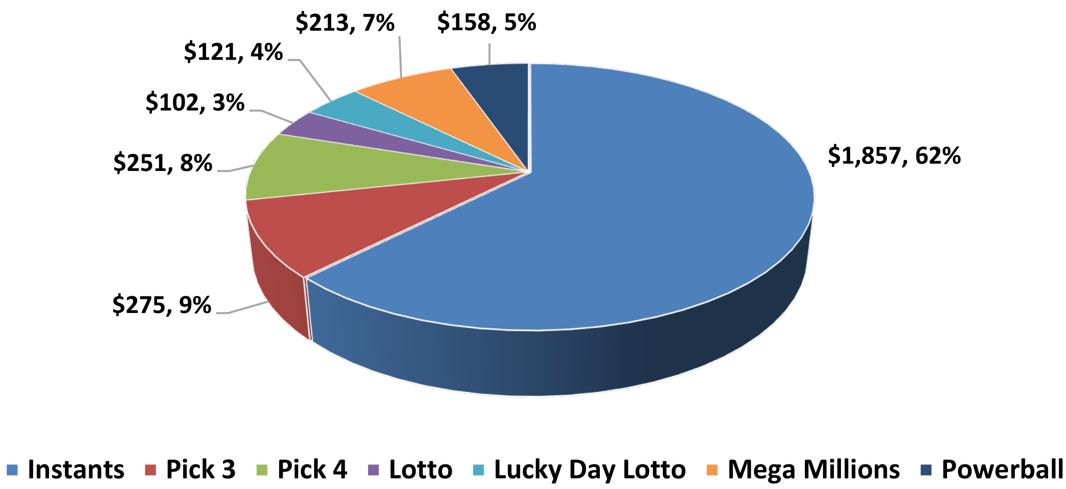


Table 1A – FY19 Total Sales by Game (in $ millions)

Instant tickets remained the biggest part of our sales in FY19 at 62%. However, draw-based game sales are responsible for our record success in FY19. Sales remained flat or increased in all draw games, except Lucky Day Lotto. The Lottery's sales leader continues to be Pick games with Fireball with 18% of total sales. Mega Millions had a strong year, which was fueled by the record breaking $1.5 billion dollar jackpot as well as two $500M+ jackpot runs.

Total Sales by Game 3-year Comparison

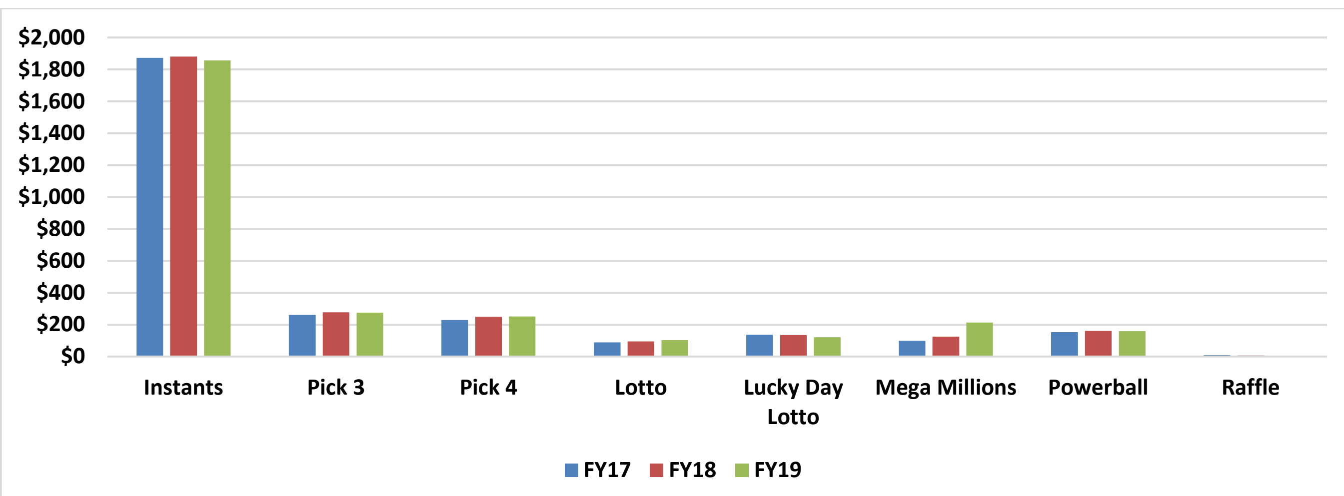
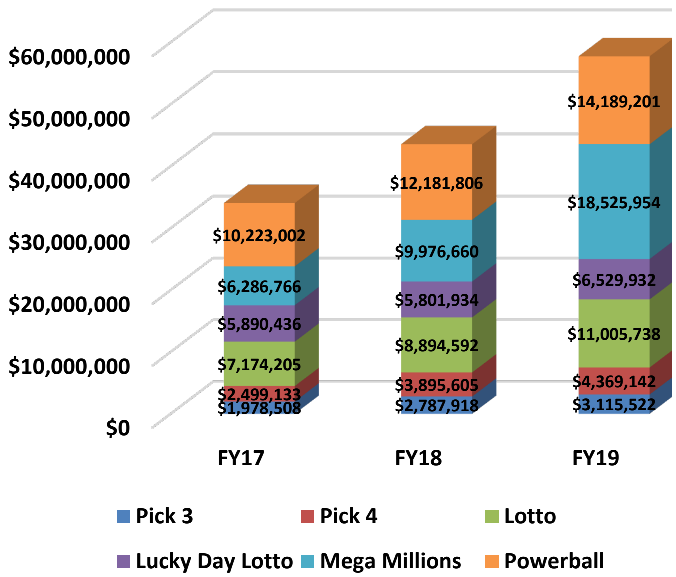


Table 1B – Total Sales by Game FY17 – FY19 (in $ millions)

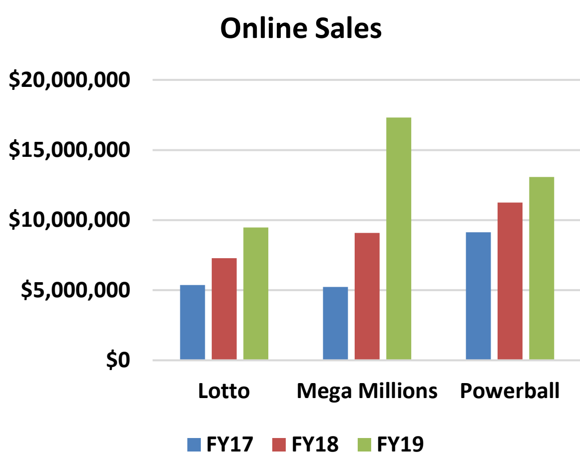
Instant ticket sales were $1.85 billion in FY19, which is a slight decrease of 1% from the previous year. Pick 3, Pick 4, and Powerball remained relatively flat over the previous fiscal year. The Department realized a 70% increase for Mega Millions due to the record breaking $1.5 billion dollar jackpot in October 2018, as well as two $500M+ jackpots and a 9% increase for the Lotto game. Lucky Day Lotto saw a 10% decrease over the previous year and due to poor sales performance, the Department and Camelot elected not to run the St Patrick's Day Millionaire raffle in FY19.

iLottery Sales Performance

Table 1C – Total iLottery Sales by Game by Year



Total iLottery sales combine online purchases of single-draw tickets with that of multi-draw subscriptions. At $57.7 million in FY19 sales, iLottery represents 1.9 percent of our total sales for the year and 5.2% total draw-based game sales. iLottery sales increased by 33% in FY19.



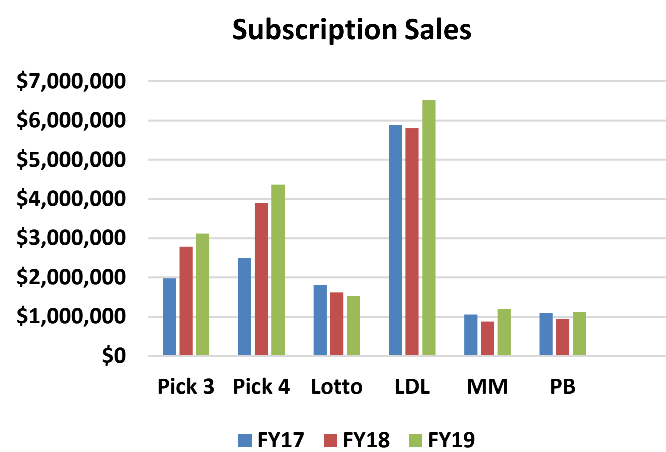


Table 1D – Online Sales by Year (single ticket purchases)

Lotto, Mega Millions (MM) and Powerball (PB) are jackpot games that can be bought online via a single ticket purchase or a multi-draw subscription. MM saw a 90% increase in online single ticket sales due to jackpot performance. Lotto increased 30% due to jackpot performance, while PB increased 16% while total sales remained relatively flat.

Table 1E – Total Online Subscriptions Sales by Year

Our daily draw games Pick 3 (P3), Pick 4 (P4) and Lucky Day Lotto (LDL) can only be sold online via a subscription purchase. Subscription sales can be influenced by high jackpot amounts; however, player habits are the biggest driver. P3, P4, and LDL all saw an increase of 12% in online subscriptions.

2. Transfers to Good Causes

Where the Money Goes

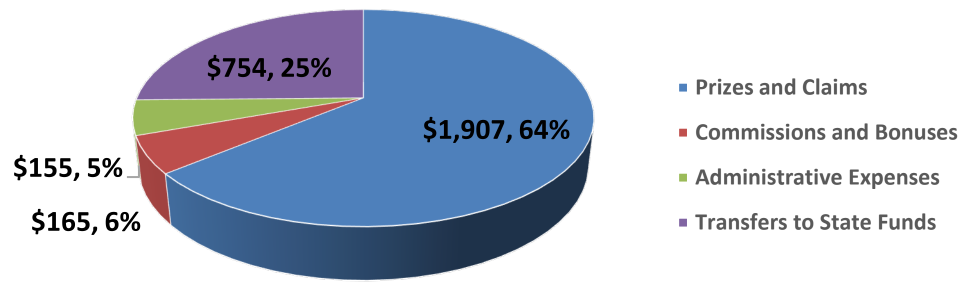


Table 2A – Total Expenses Paid in FY19 (in $ millions)

In FY19 sales topped $2.9 billion with roughly 25% or $754 million going to good causes.

Common School Fund Transfers

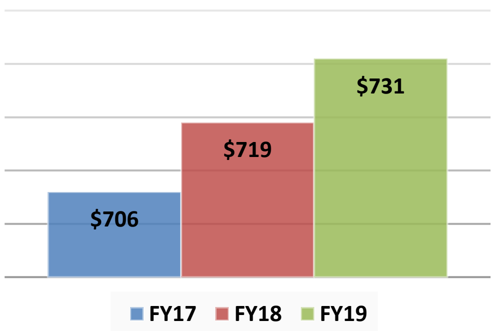


Table 2B – Yearly CSF Transfers (in $ millions)

Capital Projects Fund Transfers

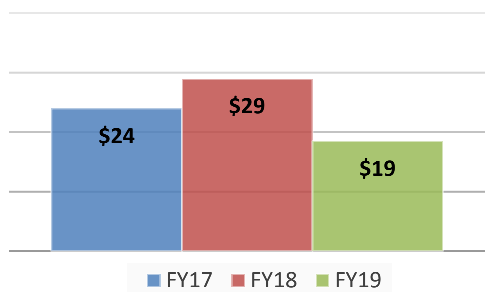


Table 2C – Yearly CPF Transfers (in $ millions)

Specialty Ticket Transfers

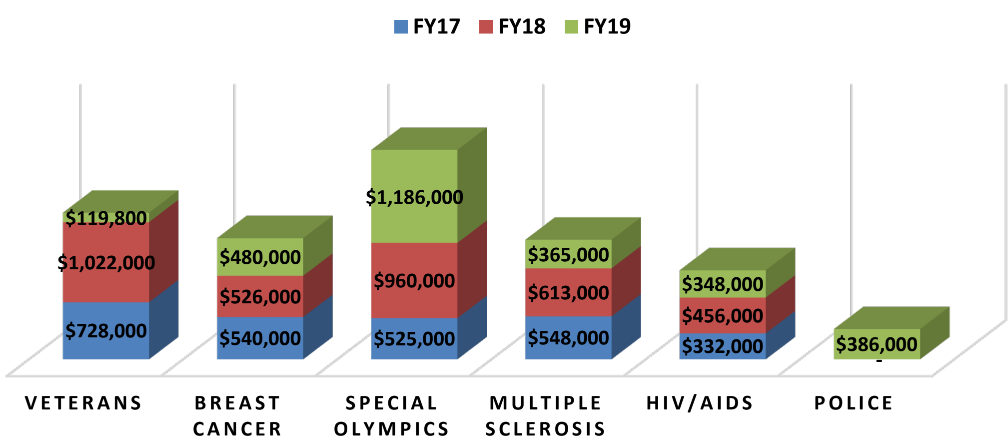


Table 2D – Yearly Specialty Ticket Transfers

3. Independent Audit Report

This audit report is for the year ended June 30, 2019. It has been performed as a Special Assistant Auditors for the Auditor General, State of Illinois.

3201 W. White Oaks Dr., Suite 102
Springfield, IL 62704
217.793.3363

SIKICH.COM

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Lottery Control Board
State of Illinois, Department of the Lottery

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the State Lottery Fund of the State of Illinois, Department of the Lottery (Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State Lottery Fund of the Department as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the financial statements present only the State Lottery Fund and do not purport to, and do not, present fairly the financial position of either the State of Illinois or the Department as of June 30, 2019, and the respective changes in their financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and pension-related, and other postemployment benefit-related required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Lottery Fund's financial statements.

The accompanying supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2020, on our consideration of the Department's internal control over financial reporting of the State Lottery Fund and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, the Lottery Control Board, and the Department's management, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
January 31, 202

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
State Lottery Fund
Statement of Net Position
(Deficit)
June 30, 2019
(in thousands of dollars)

Assets and Deferred Outflows of Resources

Current assets:	
Cash and cash equivalents	$ 18,089
Cash equity in State Treasury	30,840
Investments, short-term	24,375
Accounts receivable, net of allowance of $24,057	57,897
Due from other State funds	4
Prepaid expenses	305
Total current assets	131,510
Noncurrent assets:	
Investments	264,765
Capital assets being depreciated, net	56
Total noncurrent assets	264,821
Total assets	396,331
Deferred outflows of resources:	
Deferred outflows of resources - pension	12,718
Deferred outflows of resources - OPEB	1,212
Total deferred outflows of resources	13,930
Total assets and deferred outflows of resources	410,261

Liabilities and Deferred Inflows of Resources

Current liabilities:	
Prizes Payable	50,942
Accounts payable and accrued liabilities	23,571
Due to other Government – Federal	84
Due to other State funds	20,264
Unearned revenue	1,261
Other liabilities	682
Current portion of long-term annuity prizes payable	23,427
Current portion of leases payable	23
Current portion of OPEB liability	1,091
Total current liabilities	121,345
Noncurrent liabilities:	
Noncurrent portion of long-term annuity prizes payable	240,824
Noncurrent portion of leases payable	14
Due to other State funds	89,045
Net pension liability	80,724
Noncurrent portion of OPEB liability	47,021
Noncurrent other	642
Total noncurrent liabilities	458,270
Total liabilities	579,615
Deferred inflows of resources:	
Deferred inflows of resources - pension	6,740
Deferred inflows of resources - OPEB	16,591
Total deferred inflows of resources	23,331
Total liabilities and deferred inflows of resources	602,946

Net Position (Deficit)

Invested in capital assets	19
Unrestricted	(192,704)
Total net position (deficit)	$ (192,685)

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

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
State Lottery Fund
Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
Year Ended June 30, 2019
(in thousands of dollars)

	Total
Operating revenues:	
Charges for sales and services	$ 2,974,539
Other	6,585
Total operating revenues	2,981,124
Operating expenses:	
Cost of sales and services	165,329
Prizes and claims	1,907,153
General and administrative	154,343
Depreciation	27
Total operating expenses	2,226,852
Operating income	754,272
Nonoperating revenues (expenses):	
Investment income	22,384
Interest expense	(11,181)
Other	(107)
Total nonoperating revenues (expenses), net	11,096
Change in net position (deficit) before transfers	765,368
Transfers from other State funds	-
Transfers to other State funds	(754,165)
Change in net position (deficit)	11,203
Net position (deficit), July 1, 2018	(203,888)
Net position (deficit), June 30, 2019	$ (192,685)

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

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
State Lottery Fund
Statement of Cash Flows
Year Ended June 30, 2019
(in thousands of dollars)

Cash flows from operating activities:	
Cash received from sales and services	$ 2,973,737
Cash receipts from other operating activities	6,312
Cash payments for commissions and bonuses	(165,329)
Cash payments to employees for services	(18,571)
Cash payments for general and administrative expenses	(182,448)
Cash payments for lottery prizes	(1,908,136)
Net cash provided by operating activities	705,565
Cash flows from noncapital financing activities:	
Cash transfers – out to other funds	(734,787)
Net cash used in noncapital financing activities	(734,787)
Cash flows from capital and related financing activities:	
Principal payments under capital lease obligation	(20)
Net cash used in capital and related financing activities	(20)
Cash flows from investing activities:	
Interest and dividends on investments	27
Purchase of investments	(22,077)
Proceeds from investment maturities	22,716
Cash paid for long-term annuity prizes payable	(22,922)
Net cash used in investing activities	(22,256)
Net decrease in cash and cash equivalents	(51,498)
Cash and cash equivalents at beginning of year	100,427
Cash and cash equivalents at end of year	48,929
Reconciliation of cash and cash equivalents to the statement of net position (deficit):	
Total cash and cash equivalents per the statement of net position (deficit)	18,089
Add cash equity in State Treasury	30,840
Cash and cash equivalents at end of year	$ 48,929

This statement is continued on the following page.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
State Lottery Fund
Statement of Cash Flows (Continued)
Year Ended June 30, 2019
(in thousands of dollars)

Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	754,272
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		27
Provision for uncollectible accounts		2,900
Changes in assets and liabilities:		
Increase in accounts receivable		(31,439)
Decrease in due from other funds		364
Decrease in deferred outflows of resources		5,275
Increase in prepaid expenses		(305)
Decrease in prizes payable		(23,060)
Decrease in accounts payable and accrued liabilities		(18,805)
Increase in intergovernmental payables		24
Increase in due to other State funds		54
Decrease in unearned revenues		(542)
Decrease in other liabilities		(310)
Increase in long-term annuity prizes payable		22,077
Increase in deferred inflows of resources		9,104
Decrease in net pension liability		(3,255)
Decrease in OPEB liability		(10,816)
Net cash provided by operating activities	$	705,565

Noncash investing, capital and financing activities:		
Change in fair value of investments	$	(11,203)
Interest accreted on investments		11,181
Interest accreted on long-term annuity prizes payable		(11,181)

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

(1) Organization

The Department of the Lottery (the Department) is a part of the executive branch of government of the State of Illinois (State) and operates under a budget approved by the General Assembly in which resources primarily from the State Lottery Fund are appropriated for the use of the Department. Activities of the Department are subject to the authority of the Office of the Governor, the State's chief executive officer, and other departments of the executive and legislative branches of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the General Assembly. All funds appropriated to the Department and all other cash received are under the custody and control of the State Treasurer, with the exception of all locally-held funds authorized by State law.

The Department is organized to provide for administering and overseeing the operations of the Illinois Lottery with the assistance of a private manager under a management agreement. The Department's mission is to maximize revenue to the State to benefit schools, capital projects and specialty causes in an ethical and responsible manner.

(2) Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

(a) Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2) Fiscal dependency on the primary government.

Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State, the financial statements of the Department are included in the financial statements of the State. The States' Comprehensive Annual Financial Report (CAFR) may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871, or by accessing its website at www.illinoiscomptroller.gov.

(b) Basis of Accounting and Presentation

The financial statements of the State Lottery Fund (Fund) are intended to present the financial position, changes in financial position, and cash flows of only that portion of the activities of the State that are attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State or the Department as of June 30, 2019, and each entities respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As a proprietary fund, the Fund's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The Department accounts for operations of the State Lottery in which a statutorily defined amount of the net income is used for the support of the State's Common School Fund. Any net income remaining after the required transfers to the Common School Fund is transferred to the State's Capital Projects Fund. Certain ticket sales are dedicated for other State funds prior to the determination of the net income available for transfers to the Common School Fund or the Capital Projects Fund.

(c) Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

(d) Investments

Investments are reported at fair value. Additional disclosures surrounding the measurement of these investments are in Note 4. The Department holds investments pursuant to statutory authority for locally held funds.

(e) Fair Value of Financial Instruments

The Department follows guidance for fair value measurements that defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability on the measurement date. The guidance establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data. These inputs are either directly or indirectly observable as of the measurement date.

Level 3 – Unobservable inputs for the asset or liability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the valuation methodologies used to measure the Department's financial instruments at fair value. There have been no changes in the methodologies used at June 30, 2019, when compared to June 30, 2018.

U.S. Treasury bonds—U.S. Treasury bonds are valued using prices quoted in active markets for those securities. These assets are classified as Level 1 assets.

Annuities—Annuities are valued at fair value and are comprised of insurance policies not traded on the open market. These assets are classified as Level 3 assets.

(f) Allowances and Provisions

The allowance for doubtful accounts at June 30, 2019, is based on an analysis of the historical collection experience for accounts receivable, which considers the age of the receivable and current economic conditions.

(g) Interfund Transactions

The Department has the following types of interfund transactions between the Fund and other State funds:

Services provided and used—Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the Statement of Net Position (Deficit).

Transfers—Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. Transfers are reported after nonoperating revenues and expenses.

(h) Capital Assets

Capital assets, which consist of equipment and automobiles, are reported at historical cost. Contributed assets are reported at acquisition value at the time received. Capital assets are depreciated using the straight-line method. The capitalization threshold for capital assets is $5,000 and the estimated useful lives range from 5 to 15 years.

(i) Compensated Absences

The liability for compensated absences reported in the Statement of Net Position (Deficit) consists of unpaid, accumulated vacation and sick leave balances for Department employees. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability has been calculated based on the employees' current salary level and includes salary related costs (e.g., Social Security and Medicare tax).

Legislation that became effective January 1, 1998, capped the paid sick leave for all State Employees' Retirement System (SERS) members at December 31, 1997. Employees continue to accrue twelve sick days per year but will not receive monetary compensation for any additional time earned after December 31, 1997. Sick days earned between January 1, 1984 and December 31, 1997, (with a 50% cash value) would only be used after all days with no cash value are depleted. Any sick days earned and unused after December 31, 1997, will be converted to service time for purposes of calculating employee pension benefits.

(j) Net Position (Deficit)

In the Statement of Net Position (Deficit), equity is displayed in three components as applicable:

Invested in Capital Assets – This consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition of those assets.

Restricted – This consists of net position (deficit) that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted resources first, then unrestricted resources when they are needed. There was no restricted net position (deficit) as of June 30, 2019.

Unrestricted – This consists of net position (deficit) that does not meet the definition of "restricted" or "invested in capital assets."

(k) Classification of Revenues and Expenses

The Department classifies its revenues and expenses as either operating or nonoperating in the Statement of Revenues, Expenses, and Changes in Net Position (Deficit) according to the following criteria:

Revenue

Operating revenues, such as sale of lottery tickets, result from exchange transactions associated with the principal activity of the fund. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities.

Expenses

All expenses are classified as operating, except for interest expense and losses on disposal of capital assets, which are classified as nonoperating.

(l) Lottery Revenue

Draw Games

Revenue from ticket sales for draw based games, such as Mega Millions, Powerball and Lotto is recognized when the related drawing takes place. Receipts from subscription sales and other ticket sales for future drawings are recorded as unearned revenue and will not be recognized as revenue until the related drawing takes place.

Instant Games

Revenue from instant games is recognized based on the dollar value of the total books of tickets settled. Tickets are available for sale upon being activated at the retailer locations.

(m) Prizes and Claims – Instant Ticket Expense

Prize expense is accrued for instant game sales at a percentage equivalent to the total prizes included in all tickets printed for each game based upon the settled books. Prize expense and prizes payable are reduced for an estimate of prizes that will go unclaimed and are increased if amounts claimed exceed the amounts accrued (i.e., early redemption expense). Instant games are closed at the end of the final redemption period and any remaining net payable accrued in prior periods is reversed and recorded as a reduction to prize expense.

(n) Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Pension

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense associated with the Department's contribution requirements, information about the fiduciary net position of the State Employees Retirement System (SERS) and additions to/deductions from the SERS' fiduciary net position have been determined on the same basis as they are reported within the separately issued SERS financial statements. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value.

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of service and the plans' fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liabilities.

(p) Post-Employment Benefits Other Than Pensions (OPEB)

The Department provides health, dental, vision and life insurance benefits for certain retirees and their dependents through the State Employees Group Insurance Program (SEGIP). The total OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense associated with the program have been determined through an actuarial valuation using certain actuarial assumptions as applicable to the current measurement period.

For purposes of measuring the OPEB liability, deferred outflows of resources, deferred inflows of resources, and expense associated with the Department's contribution requirements, information about fiduciary net position of the SEGIP OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported within the separately issued plan financial statements. For this purpose, benefit payments are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

(q) New Accounting Pronouncements

Effective for the year ending June 30, 2019, the Department adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of this statement had no impact on the Department's financial statements, as the Department currently has no asset retirement obligations.

Effective for the year ending June 30, 2019, the Department adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The implementation of this statement had no impact on the Department's financial statements, as the Department currently has no debt.

(r) Future Adoption of GASB Statements

Effective for the year ending June 30, 2020, the Department will adopt GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Effective for the year ending June 30, 2021, the Department will adopt GASB Statement No. 87, *Leases,* which was established to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Effective for the year ending June 30, 2021, the Department will adopt GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost was incurred. Such interest cost will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Effective for the year ending June 30, 2020, the Department will adopt GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which defines a majority equity interest and specifies that a majority equity interest should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. All other holdings of a majority equity interest should be reported as a component unit, and the government that holds the equity interest should report an asset related to the majority equity interest.

Effective for the year ending June 30, 2022, the Department will adopt GASB Statement No. 91, *Conduit Debt Obligations*, which was established to provide a single method of reporting conduit debt obligations and to eliminate diversity of commitments by issuers, conduit debt arrangements, and related note disclosures.

The Department has not yet determined the impact, if any, on its financial statements as a result of adopting these statements.

(3) Deposits and Investments

The State Treasurer is the custodian of the Department's deposits and investments for funds maintained in the State Treasury. These amounts are classified as "Cash equity in State Treasury" on the Statement of Net Position (Deficit). The Department independently manages deposits and investments maintained outside the State Treasury.

(a) Deposits

Deposits in the custody of the State Treasurer of approximately $31 million as of June 30, 2019, are pooled and invested with other State funds in accordance with the Deposit of State Moneys Act of the Illinois Compiled Statutes (15 ILCS 520/11). Funds held by the State Treasurer have not been categorized as to credit risk because the Department does not own individual securities. Details on the nature of these deposits and investments are available within the State's CAFR.

Bank deposits for the locally held funds held outside of the State Treasury of approximately $18 million as of June 30, 2019, are held in Federal Deposit Insurance Corporation (FDIC) insured depository institutions. The Department has an agreement under which one of these institutions insures balances in excess of FDIC insurance limits from loss by pledging securities as collateral. The collateral amount exceeded the deposited amount of $8 million at June 30, 2019. The Department has not incurred any losses on deposits exceeding the value of pledged securities and considers the risk minimal.

(b) Investments

As of June 30, 2019, the Department had the following investments outside of the State Treasury:

	Fair value (thousands)	Weighted average maturity (years)
Annuities	$ 165	1.915
U.S. Treasury Bonds	288,975	7.059
Total	$ 289,140	

Interest Rate Risk: The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The Department is limited to investing in direct obligations of the United States of America or backed by the full faith and credit of the United States of America. The Department's investments in annuities are not rated.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, the Department will not be able to recover the value of investment or collateral securities in the possession of an outside party. The Department does not have a formal policy for custodial credit risk of investments held outside of the State Treasury nor is there a policy at the State level. The Department's investments are held in U.S. Treasury obligations. Please see Notes 3 and 4 for additional information concerning the Department's investments.

(4) Fair Value Measurements

The following table presents assets (amounts expressed in thousands) measured at fair value on a recurring basis at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Annuities	$ -	$ -	$ 165	$ 165
U.S. Treasury bonds	288,975	-	-	288,975
Total assets at fair value	$ 288,975	$ -	$ 165	$ 289,140

The change in assets (amounts expressed in thousands) measured at fair value using Level 3 inputs for the year ended June 30, 2019 is as follows:

	2019
Balance, beginning of the year	$ 222
Change in value of annuities	(57)
Balance, end of the year	$ 165

(5) Interfund Balance and Activity

(a) Balance Due from/to Other Funds

The following balance (amounts expressed in thousands) at June 30, 2019, represents amounts due from other State funds.

Fund	Due from Other State funds	2019	Description/Purpose
Lottery	Alcoholism and Substance Abuse	$ 4	Problem Gambler services.
		$ 4	

The following balance (amounts expressed in thousands) at June 30, 2019, represents amounts due to other State funds.

Fund	Due to Other State funds	2019	Description/Purpose
Lottery	Capital Projects	$ 107,549	Due to other State funds for
	Other State funds	1,760	allocation of lottery proceeds and for administrative expenses.
		$ 109,309	

Of the $107.549 million due to the Capital Projects Fund as of June 30, 2019, the Department expects to pay $18.504 million of the amount due by June 30, 2020. The remaining $89.045 million due is not expected to be paid by June 30, 2020.

(b) Transfers to Other Funds

The Department reports transfers out in the Statement of Revenues, Expenses, and Changes in Net Position (Deficit), for the amounts required by statute to be transferred to the Common School Fund, Capital Projects Fund, and other State funds for lottery games designated for special purposes. The following balances (amounts expressed in thousands) for the year ended June 30, 2019 represent amounts transferred to other State funds:

Fund	Transfers out to Other State funds	2019	Description/Purpose
Lottery	Common School	$ 731,250	Transfers to Common School,
	Capital Projects	18,504	Capital Projects, and other State
	Other State funds	4,339	funds pursuant to statutory
Deferred Prize Winners	Other State funds	72	requirements.
		$ 754,165	

(6) Capital Assets

Capital asset activity (amounts expressed in thousands) for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions	Net transfers	Balance June 30, 2019
Capital assets being depreciated:					
Equipment	$ 747	$ -	$ -	$ (105)	$ 642
Less accumulated depreciation	(664)	(27)	-	105	(586)
Total capital assets, net	$ 83	$ (27)	$ -	$ -	$ 56

(7) Long-Term Obligations

(a) Changes in Long-Term Obligations

Changes in long-term obligations (amounts expressed in thousands) for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Amounts Due within one year
Leases payable	$ 57	$ -	$ 20	$ 37	$ 23
Compensated absences	786	1,189	1,228	747	105
Obligations to Lottery prize winners – group contracts	222	-	57	165	60
Obligations to Lottery prize winners – annuities	253,487	22,077	11,478	264,086	23,367
Net pension liability	83,979	-	3,255	80,724	-
OPEB liability	58,928	-	10,816	48,112	1,091
Total long-term obligations	$ 397,459	$ 23,266	$ 26,854	$ 393,871	$ 24,646

(b) Obligations to Lottery Prize Winners

The Department has obligations to certain lottery prize winners for awards payable in annual installments ranging from 19 years to the life of the prize winner, with the first payment made shortly after the claim is presented for payment.

For certain prize winners, annuities (group contracts) were purchased in the name of the Department for which the Department has retained the rights of ownership. The present value of these annuities and the related liability installments owed to prize winners (amounts expressed in thousands) were as follows at June 30, 2019:

Fiscal year	Current	Long-term	Total
2020	$ 62	$ -	$ 62
2021	-	62	62
2022	-	50	50
Total future prize payments	62	112	174
Less present value adjustments	(2)	(7)	(9)
Present value at June 30, 2019	$ 60	$ 105	$ 165

Effective July 30, 1985, State law provides that the State Treasurer, with the consent of the Director of the Lottery, may contract to invest in securities, which provide payments corresponding to the Department's obligation to these winners. The Department has provided for other payments corresponding to the Department's obligation to other prize winners through the purchase of direct obligations of the federal government, primarily in the form of United States Treasury zero coupon bonds. As established by State law, such securities shall be maintained separate and apart from all public money or funds of the State. These investments are purchased in amounts to provide for annual annuity payments to the prize winner(s) of each qualifying individual drawing.

The fair value of the investments approximated $289 million at June 30, 2019. Interest rates range from 1.6% to 7.7% and prizes payable are scheduled annually through 2046 as follows (amounts expressed in thousands):

Fiscal year	Current	Long-term	Total
2020	$ 24,774	$ -	$ 24,774
2021	-	26,525	26,525
2022	-	23,884	23,884
2023	-	25,022	25,022
2024	-	23,649	23,649
2025-2046	-	215,299	215,299
Total future prizes	24,774	314,379	339,153
Adjustments to present value	(1,407)	(73,660)	(75,067)
Present value of future prizes	23,367	240,719	264,086
Adjustments to fair value	948	23,941	24,889
Fair value of future prizes at June 30, 2019	$ 24,315	$ 264,660	$ 288,975

The amortized discount on the prizes payable reflects the interest rates earned by the investments held to fund the related liabilities. The amortization of discount is recorded as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position (Deficit) and amounted to approximately $11 million for the year ended June 30, 2019.

(c) *Leases Payable*

The Department has entered into a lease agreement as lessee for financing the acquisition of office equipment. The lease agreement qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets account. Information regarding operating leases is included in Note 12(a).

Assets under the capital lease amounted to $63 thousand, and the related accumulated depreciation amounted to $30 thousand as of June 30, 2019.

Future minimum lease payments for the capital lease recorded in the Department's Statement of Net Position (Deficit) as of June 30, 2019, are as follows (amounts expressed in thousands):

Year ending June 30,	Principal	Interest
2020	$ 23	$ 1
2021	14	-
Total minimum lease payments	$ 37	$ 1

(8) Pension Plan

Plan Description. Substantially all of the Department's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a single-employer defined benefit pension trust fund in the State of Illinois reporting entity. SERS is governed by article 14 of the Illinois Pension Code (40 ILCS 5/1, et al.). The plan consists of two tiers of contribution requirements and benefit levels based on when an employee was hired. Members who first become an employee and participate under any of the State's retirement plans on or after January 1, 2011 are members of Tier 2, while Tier 1 consists of employees hired before January 1, 2011 or those who have service credit prior to January 1, 2011. The provisions below apply to both Tier 1 and 2 members, except where noted. The SERS issues a separate CAFR available at www.srs.illinois.gov or that may be obtained by writing to the SERS, 2101 South Veterans Parkway,
P.O. Box 19255, Springfield, Illinois, 62794-9255.

Benefit Provisions. SERS provides retirement benefits based on the member's final average compensation and the number of years of service credit that have been established. The retirement benefit formula available to general State employees that are covered under the Federal Social Security Act is 1.67% for each year of service and for noncovered employees it is 2.2% for each year of service. The maximum retirement annuity payable is 75% of final average compensation for regular employees and 80% for alternative formula employees. The minimum monthly retirement annuity payable is $15 for each year of covered service and $25 for each year of noncovered service.

Members in SERS under the Tier 1 and Tier 2 receive the following levels of benefits based on the respective age and years of service credits.

<table>
<tr><th>Regular Formula Tier 1</th><th>Regular Formula Tier 2</th></tr>
<tr><td>A member must have a minimum of eight years of service credit and may retire at:

Age 60, with 8 years of service credit.

Any age, when the member's age (years & whole months) plus years of service credit (years & whole months) equal 85 years (1,020 months) (Rule of 85) with eight years of credited service.

Between ages 55-60 with 25-30 years of service credit (reduced 1/2 of 1% for each month under age 60).

The retirement benefit is based on final average compensation and credited service. Final average compensation is the 48 highest consecutive months of service within the last 120 months of service.

Under the Rule of 85, a member is eligible for the first 3% increase on January 1 following the first full year of retirement, even if the member is not age 60. If the member retires at age 60 or older, he/she will receive a 3% pension increase every year on January 1, following the first full year of retirement.

If the member retires before age 60 with a reduced retirement benefit, he/she will receive a 3% pension increase every January 1 after the member turns age 60 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</td><td>A member must have a minimum of 10 years of credited service and may retire at:

• Age 67, with 10 years of credited service.

• Between ages 62-67 with 10 years of credited service (reduced 1/2 of 1% for each month under age 67).

The retirement benefit is based on final average compensation and credited service. For regular formula employees, final average compensation is the average of the 96 highest consecutive months of service within the last 120 months of service. The retirement benefit is calculated on a maximum salary of $106,800. This amount increases annually by 3% or one-half of the Consumer Price Index, whichever is less.

If the member retires at age 67 or older, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every year on January 1, following the first full year of retirement. The calendar year 2018 rate is $113,645.

If the member retires before age 67 with a reduced retirement benefit, he/she will receive a pension increase of 3% or one-half of the Consumer Price Index for the preceding calendar year, whichever is less, every January 1 after the member turns age 67 and has been retired at least one full year. These pension increases are not limited by the 75% maximum.</td></tr>
</table>

Additionally, the Plan provides an alternative retirement formula for State employees in high-risk jobs, such as State police, fire fighters, and security employees. Employees qualifying for benefits under the alternative formula may retire at an earlier age depending on membership in Tier 1 or Tier 2. The retirement formula is 2.5% for each year of covered service and 3.0% for each year of non-covered service. The maximum retirement annuity payable is 80% of final average compensation as calculated under the alternative formula.

SERS also provides occupational and nonoccupational (including temporary) disability benefits. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least

18 months of credited service with the System. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of State employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll.

This benefit amount is reduced by workers' compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System. Certain nonoccupational death benefits vest after 18 months of credited service. Occupational death benefits are provided from the date of employment.

Contributions. Contribution requirements of active employees and the State are established in accordance with Chapter 40, section 5/14-133 of the Illinois Compiled Statutes. Member contributions are based on fixed percentages of covered payroll ranging between 4.00% and 12.50%. Employee contributions are fully refundable, without interest, upon withdrawal from State employment. Tier 1 members contribute based on total annual compensation. Tier 2 members contribute based on an annual compensation rate not to exceed $106,800 with limitations for future years increased by the lessor of 3% or one-half of the annual percentage increase in the Consumer Price Index. For 2019, this amount was $114,942.

The State is required to make payment for the required departmental employer contributions, all allowances, annuities, any benefits granted under Chapter 40, Article 5/14 of the ILCS and all administrative expenses of the System to the extent specified in the ILCS. State law provides that the employer contribution rate be determined based upon the results of each annual actuarial valuation.

For fiscal year 2019, the required employer contributions were computed in accordance with the State's funding plan. This funding legislation provides for a systematic 50-year funding plan with an ultimate goal to achieve 90% funding of the plan's liabilities. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30, 2010, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved. For fiscal year 2019, the employer contribution rate was 51.614%. The Department's contribution amount for fiscal year 2019 was $5.382 million.

Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to Pensions. At June 30, 2019, the Department reported a liability of $80.724 million for its proportionate share of the State's net pension liability for SERS on the Department's Statement of Net Position (Deficit). The net pension liability was measured as of June 30, 2018 (current year measurement date), and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's portion of the net pension liability was based on the Department's proportion of employer contributions relative to all employer contributions made to SERS during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the Department's proportion was 0.2442%, which was a decrease of 0.011% from its proportion measured as of the prior year measurement date of June 30, 2017. At June 30, 2018, the fiduciary net position of SERS was $17,463.3 million and the net pension liability was $33,056.4 million.

For the year ended June 30, 2019, the Department recognized pension expense of $8.895 million. At June 30, 2019, the Department reported deferred outflows and deferred inflows of resources related to the pension liability, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ -	$ 1,934
Changes of assumptions	4,448	1,852
Net difference between projected and actual investment earnings on pension plan investments	36	-
Changes in proportion	2,852	2,954
Department contributions subsequent to measurement date	5,382	-
Total	$ 12,718	$ 6,740

The Department reported $5.382 million of deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date. These will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (credit) as follows (amounts expressed in thousands):

Year ended June 30,	
2020	$ 1,763
2021	872
2022	(1,473)
2023	(566)
Total	$ 596

Actuarial Methods and Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Mortality: 105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added.

Inflation: 2.50%

Investment Rate of Return: 7.00%, net of pension plan investment expense, including inflation.

Salary increases: Salary increase rates based on age related productivity and merit rates plus inflation.

Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and the lesser of 3.00% or one-half of the annual increase in the Consumer Price Index for Tier 2.

Retirement Age: Experience-based table of rates specific to the type of eligibility condition. Table was last updated for the June 30, 2016, valuation pursuant to an experience study of the period July 1, 2012 to June 30, 2015.

The long-term expected real rate of return on pension plan investments is determined using the best estimates of geometric real rates of return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in SERS' target asset allocation, calculated as of the measurement date of June 30, 2018, the best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	23.0%	5.50%
Developed Foreign Equity	13.0%	5.30%
Ermerging Market Equity	8.0%	7.80%
Private Equity	7.0%	7.60%
Intermediate Investment Grade Bonds	14.0%	1.50%
Long-term Government Bonds	4.0%	1.80%
TIPS	4.0%	1.50%
High Yield and Bank Loans	5.0%	3.80%
Opportunistic Debt	8.0%	5.00%
Emerging Market Debt	2.0%	3.70%
Core Real Estate	5.5%	3.70%
Non Core Real Estate	4.5%	5.90%
Infrastructure	2.0%	5.80%
Total	100%	

Discount Rate. A discount rate of 6.81% was used to measure the total pension liability as of the measurement date of June 30, 2018 as compared to a discount rate of 6.78% used to measure the total pension liability as of the prior year measurement date. The June 30, 2018 single blended discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.62%, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made based on the statutorily required rates under State law. Based on these assumptions, the pension plan's fiduciary net position and future contributions will be sufficient to finance the benefit payments through the year 2075. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2075, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The Department's proportionate share of net pension liability for the plan was calculated using the stated discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate as shown below (amounts expressed in thousands):

	1% Decrease 5.81%		Discount Rate 6.81%		1% Increase 7.81%	
Department's proportionate share of the net pension liability	$	97,725	$	80,724	$	66,795

Payables to the Pension Plan. At June 30, 2019, the Department reported a payable of $534 thousand to SERS for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

(9) Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description. The State Employees Group Insurance Act of 1971 (Act), as amended, authorizes the State Employees Group Insurance Program (SEGIP) to provide health, dental, vision, and life insurance benefits for certain retirees and their dependents. Substantially all of the Department's full-time employees are members of SEGIP. Members receiving monthly benefits from the General Assembly Retirement System (GARS), Judges Retirement System (JRS), State Employees' Retirement System of Illinois (SERS), Teachers' Retirement System (TRS), and State Universities Retirement System of Illinois (SURS) are eligible for these other post-employment benefits (OPEB). The eligibility provisions for each of the retirement systems are defined within the State's CAFR.

The Department of Central Management Services administers these benefits for annuitants with the assistance of the public retirement systems sponsored by the State (GARS, JRS, SERS, TRS and SURS). The State recognizes SEGIP OPEB benefits as a single-employer defined benefit plan. The plan does not issue a stand-alone financial report.

Benefits Provided. The health, dental, and vision benefits provided to and contribution amounts required from annuitants are the result of collective bargaining between the State and the various unions representing the State's and the university component units' employees in accordance with limitations established in the Act. Therefore, the benefits provided and contribution amounts are subject to periodic change. Coverage through SEGIP becomes secondary to Medicare after Medicare eligibility has been reached. Members must enroll in Medicare Parts A and B to receive the subsidized SEGIP premium available to Medicare eligible participants. The Act requires the State to provide life insurance benefits for annuitants equal to their annual salary as of the last day of employment until age 60, at which time, the benefit amount becomes $5,000.

Funding Policy and Annual Other Postemployment Benefit Cost. OPEB offered through SEGIP are financed through a combination of retiree premiums, State contributions and Federal government subsidies from the Medicare Part D program. Contributions are deposited in the Health Insurance Reserve Fund, which covers both active State employees and retirement members. Annuitants may be required to contribute towards health and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute toward health and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced five percent for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health and vision benefits. All annuitants are required to pay for dental benefits regardless of retirement date. The Director of Central Management Services shall, on an annual basis, determine the amount the State shall contribute toward the basic program of group health benefits. State contributions are made primarily from the General Revenue Fund on a pay-as-you-go basis. No assets are accumulated or dedicated to funding the retiree health insurance benefit and a separate trust has not been established for the funding of OPEB.

For fiscal year 2019, the annual cost of the basic program of group health, dental, and vision benefits before the State's contribution was $11,269.44 ($6,698.64 if Medicare eligible) if the annuitant chose benefits provided by a health maintenance organization and $13,823.52 ($4,983.60 if Medicare eligible) if the annuitant chose other benefits. The State is not required to fund the plan other than the pay-as- you-go amount necessary to provide the current benefits to retirees.

***Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Expense Related to OPEB*.** The total OPEB liability, as reported at June 30, 2019, was measured as of June 30, 2018, with an actuarial valuation as of June 30, 2017. At June 30, 2019, the Department recorded a liability of $48.112 million for its proportionate share of the State's total OPEB liability. The Department's portion of the OPEB liability was based on the Department's proportion of employer contributions relative to all employer contributions made to the plan during the year ended June 30, 2018. As of the current year measurement date of June 30, 2018, the Department's proportion was 0.12%, which was a decrease of 0.0226% from its proportion measured as of the prior year measurement date of June 30, 2017.

The Department recognized a credit to OPEB expense for the year ended June 30, 2019, of $2.115 million. At June 30, 2019, the Department reported deferred outflows and deferred inflows of resources, as of the measurement date of June 30, 2018, from the following sources (amounts expressed in thousands):

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	$ 12	$ 1,059
Changes of assumptions	-	4,518
Changes in proportion and differences between employer contributions and proportionate share of contributions	109	11,014
Department contributions subsequent to the measurement date	1,091	-
Total	$ 1,212	$ 16,591

The $1.091 million reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction to the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts expressed in thousands):

Year ended June 30,		
2020	$	(4,284)
2021		(4,284)
2022		(4,284)
2023		(3,276)
2024		(340)
Total	$	(16,468)

Actuarial Methods and Assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified. The actuarial valuation for the SEGIP was based on GARS, JRS, SERS, TRS, and SURS active, inactive, and retiree data as of June 30, 2017, for eligible SEGIP employees, and SEGIP retiree data as of June 30, 2017.

Valuation date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.75%
Projected Salary Increases*	3.00% - 15.00%
Discount Rate	3.62%
Healthcare Cost Trend Rate:	
Medical (Pre-Medicare)	8.0% grading down 0.5% in the first year to 7.5%, then grading down 0.08% in the second year to 7.42%, followed by grading down of 0.5% over 5 years to 4.92% in year 7
Medical (Post-Medicare)	9.0% grading down 0.5% per year of 9 years to 4.5%
Dental	6.0% grading down 0.5% per year over 3 years to 4.5%
Retirees' share of benefit-related costs	Healthcare premium rates for members depend on the date of retirement and the years of service earned at retirement. Members who retired before January 1, 1998, are eligible for single coverage at no cost to the member. Members who retire after January 1, 1998, are eligible for single overage provided they pay a portion of the premium equal to 5 percent for each year of service under 20 years. Eligible dependents receive coverage provided they pay 100 percent of the required dependent premium. Premiums for plan year 2018 and 2019 are based on actual premiums. Premiums after 2019 were projected based on the same healthcare cost trend rates applied to per capital claim costs but excluding the additional trend rate that estimates the impact of the Excise Tax

* Dependent upon service and participation in the respective retirement systems. Includes inflation rate listed.

Additionally, the demographic assumptions used in this OPEB valuation are identical to those used in the June 30, 2017 valuations for GARS, JRS, SERS, TRS, and SURS as follows:

	Retirement age experience study^	**Mortality^ ^**
GARS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
JRS	July 2012 - June 2015	RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, set forward 1 year for males and set back 1 year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales
SERS	July 2009 - June 2013	105 percent of the RP 2014 Healthy Annuitant mortality table, sex distinct, with rates projected to 2015; generational mortality improvement factors were added
TRS	July 2014 - June 2017	RP-2014 with future mortality improvements on a fully generational basis using projection table MP-2017
SURS	July 2014 - June 2017	RP-2014 White Collar, gender distinct, projected using MP-2014 two-dimensional mortality improvement scale, set forward one year for male and female annuitants

^ The actuarial assumptions used in the respective actuarial valuations are based on the results of actuarial experience studies for the periods defined. A modified experience review w as completed for SERS for the 3-year period ending June 30, 2015. Changes w ere made to the assumptions regarding investment rate of return, projected salary increases, inflation rate, and mortality based on this review . All other assumptions remained unchanged.

^^ Mortality rates are based on mortality tables published by the Society of Actuaries' Retirement Plans Experience Committee.

Discount Rate. Retirees contribute a percentage of the premium rate based on service at retirement. The State contributes additional amounts to cover claims and expenses in excess of retiree contributions. Because plan benefits are financed on a pay-as-you-go basis, the single discount rate is based on a tax-exempt municipal bond rate index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. A single discount rate of 3.56% at June 30, 2017, and 3.62% at June 30, 2018, was used to measure the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Single Discount Rate. The following presents the Department's total OPEB liability, calculated using a Single Discount Rate of 3.62%, as well as what the Department's total OPEB liability would be if it were calculated using a Single Discount rate that is one percentage point higher (4.62%) or lower (2.62%) than the current rate (amounts expressed in thousands):

	1% Decrease (2.62%)	Current Single Discount Rate Assumption (3.62%)	1% Increase (4.62%)
Department's proportionate share of total OPEB liability	$ 56,405	$ 48,112	$ 41,528

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the Department's total OPEB liability, calculated using the healthcare cost trend rates as well as what the Department's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point higher or lower, than the current healthcare cost trend rates (amounts in table expressed in thousands). The key trend rates are 8.0% in 2019 decreasing to an ultimate trend rate of 4.92% in 2026, for non-Medicare coverage, and 9.0% decreasing to an ultimate trend rate of 4.5% in 2028 for Medicare coverage.

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
Department's proportionate share of total OPEB liability	$ 40,636	$ 48,112	$ 57,825

(10) Risk Management

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; and natural disasters. In addition, the Department is exposed to various risks of loss related to employee health and dental insurance programs as described in the CAFR. The State retains the risk of loss (i.e., self-insured) for these risks.

The Department's risk management activities are financed through appropriations to the Department of Central Management Services and are accounted for in the General Fund of the State. The claims are not considered to be a liability of the Department; and accordingly, have not been reported in the Department's financial statements for the year ended June 30, 2019.

(11) Private Management Agreement

On October 13, 2017, the State (acting through the Department) and in compliance with the Illinois Lottery Law (20 ILCS 1605/9.1) entered into a 10-year private management agreement (PMA) with Camelot Illinois, LLC (Camelot), for the purpose of providing specified lottery management services to the State. The effective date of the contract is October 13, 2017, and the term includes a period for transitioning from Northstar Lottery Group, LLC to Camelot. The contract with Northstar, ended on January 1, 2018, and Camelot commenced its management contract obligations on January 2, 2018.

Under the terms of the agreement, the compensation to be paid under the PMA is comprised of operating expenses and incentive compensation payments. Incentive compensation is subject to annual adjustments and is only earned if net income meets statutorily required transfers in accordance with the agreement. For the year ended June 30, 2019, total compensation for operating expenses to Camelot under the PMA was $125.4 million and earned incentive compensation of $4.8 million, which are included in general and administrative expenses. Of this amount, $18 million was outstanding at June 30, 2019, and is included in accounts payable and accrued liabilities.

The Department has recorded a receivable from Camelot at June 30, 2019, in the amount of $32.5 million. This amount is comprised solely of excess advance for expenses incurred during fiscal year 2019.

(12) Commitments and Contingencies

(a) Lease Commitments

The Department leases certain facilities and equipment necessary for operations, primarily from other State agencies. The majority of the Department's leases are month-to-month operating leases. Total operating lease costs for the year ended June 30, 2019 amounted to $227 thousand. Information regarding the Department's capital lease is included in Note 7(c).

(b) Litigation

The Department is routinely involved in a number of legal proceedings and claims that cover a wide range of matters.

The Department does not believe the outcome of these matters will have any material adverse effect on the financial position or results of operations of the Department.

(13) Subsequent Events

The Department is not aware of any additional facts, decisions, or conditions that might be expected to have a significant effect on the financial position or results of operation during this and future fiscal years.

SUPPLEMENTARY INFORMATION

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Net Position (Deficit) - State Lottery Fund
June 30, 2019
(in thousands of dollars)

Assets and Deferred Outflows of Resources	**State Lottery (Collapsed)**	**Deferred Prize Winners (Collapsed)**	**Lottery Security Deposits (1309)**	**Eliminations**	**Total State Lottery Fund**
Current assets:					
Cash and cash equivalents	$ 17,514	$ -	$ 575	$ -	$ 18,089
Cash equity in State Treasury	29,173	1,667	-	-	30,840
Investments, short-term	60	24,315	-	-	24,375
Accounts receivable, net of allowance of $24,057	57,897	-	-	-	57,897
Other receivables	-	-	-	-	-
Due from other Department funds	1,678	-	1	(1,679)	-
Due from other State funds	4	-	-	-	4
Prepaid expenses	305	-	-	-	305
Total current assets	106,631	25,982	576	(1,679)	131,510
Noncurrent assets:					
Investments	105	264,660	-	-	264,765
Capital assets being depreciated, net	56	-	-	-	56
Total noncurrent assets	161	264,660	-	-	264,821
Total assets	106,792	290,642	576	(1,679)	396,331
Deferred outflows of resources:					
Deferred outflows of resources - pension	12,718	-	-	-	12,718
Deferred outflows of resources - OPEB	1,212	-	-	-	1,212
Total deferred outflows of resources	13,930	-	-	-	13,930
Total assets and deferred outflows of resources	120,722	290,642	576	(1,679)	410,261
Liabilities and Deferred Inflows of Resources					
Current liabilities:					
Prizes payable	50,942	-	-	-	50,942
Accounts payable and accrued liabilities	23,571	-	-	-	23,571
Due to other Government – Federal	84	-	-	-	84
Due to other Department funds	1	1,678	-	(1,679)	-
Due to other State funds	20,264	-	-	-	20,264
Unearned revenue	1,261	-	-	-	1,261
Provision for private management contract dispute	-	-	-	-	-
Other liabilities	106	-	576	-	682
Current portion of long-term annuity prizes payable	60	23,367	-	-	23,427
Current portion of leases payable	23	-	-	-	23
Current portion of OPEB liability	1,091	-	-	-	1,091
Total current liabilities	97,403	25,045	576	(1,679)	121,345
Noncurrent liabilities:					
Noncurrent portion of long-term annuity prizes payable	105	240,719	-	-	240,824
Noncurrent portion of leases payable	14	-	-	-	14
Due to other State funds	89,045	-	-	-	89,045
Net pension liability	80,724	-	-	-	80,724
Noncurrent portion of OPEB liability	47,021	-	-	-	47,021
Noncurrent other	642	-	-	-	642
Total noncurrent liabilities	217,551	240,719	-	-	458,270
Total liabilities	314,954	265,764	576	(1,679)	579,615
Deferred inflows of resources:					
Deferred inflows of resources - pension	6,740	-	-	-	6,740
Deferred inflows of resources - OPEB	16,591	-	-	-	16,591
Total deferred inflows of resources	23,331	-	-	-	23,331
Total liabilities and deferred inflows of resources	338,285	265,764	576	(1,679)	602,946
Net Position (Deficit)					
Invested in capital assets	19	-	-	-	19
Unrestricted	(217,582)	24,878	-	-	(192,704)
Total net position (deficit)	$ (217,563)	$ 24,878	$ -	$ -	$ (192,685)

See accompanying independent auditors' report.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Accounts - Schedule of Net Position (Deficit) - State Lottery Fund (Collapsed)
June 30, 2019
(in thousands of dollars)

Assets and Deferred Outflows of Resources	**State Lottery (0711)**	**Lottery Prize Payment Fund (1279**	**Agent Sales Sweep Account Fund (1373)**	**Elimination**	**Total State Lottery (Collapsed)**
Current assets:					
Cash and cash equivalents					
Cash equity in State Treasury	$ -	$ 10,000	$ 7,514	$ -	
Investments, short-term	29,173	-	-	-	$ 17,514
Accounts receivable, net of allowance of $24,057	60	-	-	-	29,173
Due from other Department funds	57,897	-	-	-	60
Due from other State funds	24,096	4,622	-	(27,040)	57,897
Prepaid expenses	4	-	-	-	1,678
Total current assets					4
	-	305	-	-	305
	111,230	14,927	7,514	(27,040)	106,631
Noncurrent assets:					
Investments	105	-	-	-	105
Capital assets being depreciated, net	56	-	-	-	56
Total noncurrent assets	161	-	-	-	161
Total assets	111,391	14,927	7,514	(27,040)	106,792
Deferred outflows of resources:					
Deferred outflows of resources - pension	12,718	-	-	-	12,718
Deferred outflows of resources - OPEB	1,212	-	-	-	1,212
Total deferred outflows of resources	13,930	-	-	-	13,930
Total assets and deferred outflows of resources	125,321	14,927	7,514	(27,040)	120,722
Liabilities and Deferred Inflows of Resources					
Current liabilities:					
Prizes payable	50,942	-	-	-	50,942
Accounts payable and accrued liabilities	23,555	16	-	-	23,571
Due to other Government – Federal	77	7	-	-	84
Due to other Department funds	4,623	14,904	7,514	(27,040)	1
Due to other State funds	20,264	-	-	-	20,264
Unearned revenue	1,261	-	-	-	1,261
Other liabilities	106	-	-	-	106
Current portion of long-term annuity prizes payable	60	-	-	-	60
Current portion of leases payable	23	-	-	-	23
Current portion of OPEB liability	1,091	-	-	-	1,091
Total current liabilities	102,002	14,927	7,514	(27,040)	97,403
Noncurrent liabilities:					
Noncurrent portion of long-term annuity prizes payable	105	-	-	-	105
Noncurrent portion of leases payable	14	-	-	-	14
Due to other State funds	89,045	-	-	-	89,045
Net pension liability	80,724	-	-	-	80,724
Noncurrent portion of OPEB liability	47,021	-	-	-	47,021
Noncurrent other	642	-	-	-	642
Total noncurrent liabilities	217,551	-	-		217,551
Total liabilities	319,553	14,927	7,514	(27,040)	314,954
Deferred inflows of resources:					
Deferred inflows of resources - pension	6,740	-	-	-	6,740
Deferred inflows of resources - OPEB	16,591	-	-	-	16,591
Total deferred inflows of resources	23,331	-	-	-	23,331
Total liabilities and deferred inflows of resources	342,884	14,927	7,514	(27,040)	338,285
Net Position (Deficit)					
Invested in capital assets	19	-	-	-	19
Unrestricted	(217,582)	-	-	-	(217,582)
Total net position (deficit)	$ (217,563)	$ -	$ -	$ -	$ (217,563)

See accompanying independent auditors' report.

STATE OF ILLINOIS

DEPARTMENT OF THE LOTTERY

Combining Schedule of Accounts - Schedule of Net Position (Deficit) - Deferred Prize Winners Fund (Collapsed)

June 30, 2019

(in thousands of dollars)

Assets and Deferred Outflows of Resources	Deferred Prize Winners (0978)	Deferred Lottery Prize Winners Trust Fund (2978)	Eliminations	Total Deferred Prize Winners (Collapsed)
Current assets:				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Cash equity in State Treasury	1,667	-	-	1,667
Investments, short-term	-	24,315	-	24,315
Accounts receivable, net of allowance of $24,057	-	-	-	-
Other receivables	-	-	-	-
Due from other Department funds	24,315	-	(24,315)	-
Due from other State funds	-	-	-	-
Prepaid expenses	-	-	-	-
Total current assets	25,982	24,315	(24,315)	25,982
Noncurrent assets:				
Investments	-	264,660	-	264,660
Due from other Department funds	264,660	-	(264,660)	-
Capital assets being depreciated, net	-	-	-	-
Total noncurrent assets	264,660	264,660	(264,660)	264,660
Total assets	290,642	288,975	(288,975)	290,642
Deferred outflows of resources:				
Deferred outflows of resources - pension	-	-	-	-
Deferred outflows of resources - OPEB	-	-	-	-
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	290,642	288,975	(288,975)	290,642
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Prizes payable	-	-	-	-
Accounts payable and accrued liabilities	-	-	-	-
Due to other Government – Federal	-	-	-	-
Due to other Department funds	1,678	24,315	(24,315)	1,678
Due to other State funds	-	-	-	-
Unearned revenue	-	-	-	-
Provision for private management contract dispute		-	-	-
Other liabilities	-	-	-	-
Current portion of long-term annuity prizes payable	23,367	-	-	23,367
Current portion of leases payable	-	-	-	-
Current portion of OPEB liability	-	-	-	-
Total current liabilities	25,045	24,315	(24,315)	25,045
Noncurrent liabilities:				
Noncurrent portion of long-term annuity prizes payable	240,719	-	-	240,719
Noncurrent portion of leases payable	-	-	-	-
Due to other Department funds	-	264,660	(264,660)	-
Due to other State funds	-	-	-	-
Net pension liability	-	-	-	-
Noncurrent portion of OPEB liability	-	-	-	-
Noncurrent other	-	-	-	-
Total noncurrent liabilities	240,719	264,660	(264,660)	240,719
Total liabilities	265,764	288,975	(288,975)	265,764
Deferred inflows of resources:				
Deferred inflows of resources - pension	-	-	-	-
Deferred inflows of resources - OPEB	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Total liabilities and deferred inflows of resources	265,764	288,975	(288,975)	265,764
Net Position (Deficit)				
Invested in capital assets	-	-	-	-
Unrestricted	24,878	-	-	24,878
Total net position (deficit)	$ 24,878	$ -	$ -	$ 24,878

See accompanying independent auditors' report.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) - State Lottery Fund
Year Ended June 30, 2019
(in thousands of dollars)

	State Lottery (Collapsed)	Deferred Prize Winners (Collapsed)	Lottery Security Deposits (1309)	Eliminations	Total State Lottery Fund
Operating revenues:					
Charges for sales and services	$ 2,974,539	$ -	$ -	$ -	$ 2,974,539
Other	6,585	-	-	-	6,585
Total operating revenues	2,981,124	-	-	-	2,981,124
Operating expenses:					
Cost of sales and services	165,329	-	-	-	165,329
Prizes and claims	1,907,153	-	-	-	1,907,153
General and administrative	154,343	-	-	-	154,343
Depreciation	27	-	-	-	27
Total operating expenses	2,226,852	-	-	-	2,226,852
Operating income	754,272	-	-	-	754,272
Nonoperating revenues (expenses):					
Investment income	-	22,384	-	-	22,384
Interest expense	-	(11,181)	-	-	(11,181)
Other	(27)	(80)	-	-	(107)
Total nonoperating revenues (expenses), net	(27)	11,123	-	-	11,096
Change in net position (deficit) before transfers	754,245	11,123	-	-	765,368
Transfers from other State funds	(152)	-	-	152	-
Transfers to other State funds	(754,093)	80	-	(152)	(754,165)
Change in net position (deficit)	-	11,203	-	-	11,203
Net position (deficit), July 1, 2018	(217,563)	13,675	-	-	(203,888)
Net position (deficit), June 30, 2019	$ (217,563)	$ 24,878	$ -	$ -	$ (192,685)

See accompanying independent auditors' report.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY

Combining Schedule of Accounts - Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) - State Lottery Fund (Collapsed)

Year Ended June 30, 2019
(in thousands of dollars)

	State Lottery (0711)	Lottery Prize Payment Fund (1279)	Agent Sales Sweep Account Fund (1373)	Eliminations	Total State Lottery (Collapsed)
Operating revenues:					
Charges for sales and services	$ 2,052	$ -	$ 2,972,487	$ -	$ 2,974,539
Other	2,787	13,760	3,743	(13,705)	6,585
Total operating revenues	4,839	13,760	2,976,230	(13,705)	2,981,124
Operating expenses:					
Cost of sales and services					
Prizes and claims	1,016	-	164,313	-	165,329
General and administrative	304,263	134,908	1,481,687	(13,705)	1,907,153
Depreciation	152,804	42	1,497	-	154,343
	27	-	-	-	27
Total operating expenses	458,110	134,950	1,647,497	(13,705)	2,226,852
Operating income	(453,271)	(121,190)	1,328,733	-	754,272
Nonoperating revenues (expenses):					
Investment income	-	-	-	-	-
Interest expense	-	-	-	-	-
Other	(27)	-	-	-	(27)
Total nonoperating revenues (expenses), net	(27)	-	-	-	(27)
Change in net position (deficit) before transfers	(453,298)		1,328,733		754,245
Transfers from other State funds	1,328,581		-		(152)
Transfers to other State funds	(875,283)	-	(1,328,733)		(754,093)
Change in net position (deficit)	-	-	-		-
Net position (deficit), July 1, 2018	(217,563)	-	-		(217,563)
Net position (deficit), June 30, 2019	$ (217,563)	$ -	$ -		$ (217,563)

See accompanying independent auditors' report.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Accounts - Schedule of Revenues, Expenses, and Changes in Net Position (Deficit) - Deferred Prize Winners Fund (Collapsed)
Year Ended June 30, 2019
(in thousands of dollars)

	Deferred Prize Winners (0978)	Deferred Lottery Prize Winners Trust Fund (2978)	Eliminations	Total Deferred Prize Winners (Collapsed)
Operating revenues:				
Charges for sales and services	$ -	$ -	$ -	$ -
Other	-	-	-	-
Total operating revenues	-	-	-	-
Operating expenses:				
Cost of sales and services	-	-	-	-
Prizes and claims	-	-	-	-
General and administrative	-	-	-	-
Depreciation	-	-	-	-
Total operating expenses	-	-	-	-
Operating income	-	-	-	-
Nonoperating revenues (expenses):				
Investment income	-	22,384	-	22,384
Interest expense	(11,181)	-	-	(11,181)
Other	(80)	-	-	(80)
Total nonoperating revenues (expenses), net	(11,261)	22,384	-	11,123
Change in net position (deficit) before transfers	(11,261)	22,384	-	11,123
Transfers from other State funds	22,384	-	(22,384)	-
Transfers to other State funds	80	(22,384)	22,384	80
Change in net position (deficit)	11,203	-	-	11,203
Net position (deficit), July 1, 2018	13,675	-	-	13,675
Net position (deficit), June 30, 2019	$ 24,878	$ -	$ -	$ 24,878

See accompanying independent auditors' report.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Cash Flows - State Lottery Fund
Year Ended June 30, 2019
(in thousands of dollars)

	State Lottery (Collapsed)	Deferred Prize Winners (Collapsed)	Lottery Security Deposits (1309)	Eliminations	Total State Lottery Fund
Cash flows from operating activities:					
Cash received from sales and services	$ 2,973,737	$ -	$ -	$ -	$ 2,973,737
Cash receipts from other operating activities	6,585	22,077	(273)	(22,077)	6,312
Cash payments for commissions and bonuses	(165,329)	-	-	-	(165,329)
Cash payments to employees for services	(18,571)	-	-	-	(18,571)
Cash payments for general and administrative expenses	(182,448)	-	-	-	(182,448)
Cash payments for lottery prizes	(1,930,213)	-	-	22,077	(1,908,136)
Net cash provided by operating activities	683,761	22,077	(273)	-	705,565
Cash flows from noncapital financing activities:					
Cash transfers – out to other funds	(734,715)	(72)	-	-	(734,787)
Net cash used in noncapital financing activities	(734,715)	(72)	-	-	(734,787)
Cash flows from capital and related financing activities:					
Principal payments under capital lease obligation	(20)	-	-	-	(20)
Net cash used in capital and related financing activities	(20)	-	-	-	(20)
Cash flows from investing activities:					
Interest and dividends on investments	(27)	54	-	-	27
Purchase of investments	-	(22,077)	-	-	(22,077)
Proceeds from investment maturities	57	22,659	-	-	22,716
Cash paid for long-term annuity prizes payable	(57)	(22,865)	-	-	(22,922)
Net cash used in investing activities	(27)	(22,229)	-	-	(22,256)
Net decrease in cash and cash equivalents	(51,001)	(224)	(273)	-	(51,498)
Cash and cash equivalents at beginning of year	97,688	1,891	848	-	100,427
Cash and cash equivalents at end of year	$ 46,687	$ 1,667	$ 575	$ -	$ 48,929
Reconciliation of cash and cash equivalents to the statement of net position (deficit):					
Total cash and cash equivalents per the statement of net position (deficit)	$ 17,514	$ -	$ 575	$ -	$ 18,089
Add cash equity in State Treasury	29,173	1,667	-	-	30,840
Cash and cash equivalents at end of year	$ 46,687	$ 1,667	$ 575	$ -	$ 48,929

This statement is continued on the following page.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Statement of Cash Flows - State Lottery Fund (Continued)
Year Ended June 30, 2019

(in thousands of dollars)

	State Lottery (Collapsed)	Deferred Prize Winners (Collapsed)	Lottery Security Deposits (1309)	Eliminations	Total State Lottery Fund
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 754,272	$ -	$ -	$ -	$ 754,272
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation					
Provision for uncollectible accounts	27	-	-	-	27
Changes in assets and liabilities:	2,900	-	-	-	2,900
Increase in accounts receivable					
Decrease (Increase) in due from other funds	(31,439)	-	-	-	(31,439)
Decrease in deferred outflows of resources	364	-	(1)	1	364
Increase in prepaid expenses	5,275	-	-	-	5,275
Decrease in prizes payable	(305)	-	-	-	(305)
Decrease in accounts payable and accrued liabilities	(23,060)	-	-	-	(23,060)
Increase in intergovernmental payables	(18,805)	-	-	-	(18,805)
Increase in due to other State funds	24	-	-	-	24
Decrease in unearned revenues	55	-	-	(1)	54
Decrease in other liabilities	(542)	-	-	-	(542)
Increase in long-term annuity prizes payable	(38)	-	(272)	-	(310)
Increase in deferred inflows of resources	-	22,077	-	-	22,077
Decrease in net pension liability	9,104	-	-	-	9,104
Decrease in OPEB liability	(3,255)	-	-	-	(3,255)
Net cash provided by operating activities	(10,816)	-	-	-	(10,816)
	$ 683,761	$ 22,077	$ (273)	$ -	$ 705,565
Noncash investing, capital and financing activities:					
Change in fair value of investments	$ -	$ (11,203)	$ -	$ -	$ (11,203)
Interest accreted on investments	-	11,181	-	-	11,181
Interest accreted on long-term annuity prizes payable	-	(11,181)	-	-	(11,181)

See accompanying independent auditors' report.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Accounts - Schedule of Cash Flows -
State Lottery Fund (Collapsed)
Year Ended June 30, 2019
(in thousands of dollars)

	State Lottery (0711)	**Lottery Prize Payment Fund (1279)**	**Agent Sales Sweep Account Fund (1373)**	**Eliminations**	**Total State Lottery (Collapsed)**
Cash flows from operating activities:					
Cash received from sales and services	$ 1,250	$ -	$ 2,972,487	-	$ 2,973,737
Cash receipts from other operating activities	-	13,853	3,743	(11,011)	6,585
Cash payments for commissions and bonuses	(1,016)	-	(164,313)	-	(165,329)
Cash payments to employees for services	(18,571)	-	-	-	(18,571)
Cash payments for general and administrative expenses	(166,931)	(13,839)	(1,678)	-	(182,448)
Cash payments for other operating activities	(11,011)	-	-	11,011	-
Cash payments for lottery prizes	(313,301)	(135,225)	(1,481,687)	-	(1,930,213)
Net cash provided by operating activities	(509,580)	(135,211)	1,328,552	-	683,761
Cash flows from noncapital financing activities:					
Cash transfers – in from other funds	1,328,733	121,190	-	(1,449,923)	-
Cash transfers – out to other funds	(855,905)	-	(1,328,733)	1,449,923	(734,715)
Net cash used in noncapital financing activities	472,828	121,190	(1,328,733)	-	(734,715)
Cash flows from capital and related financing activities:					
Principal payments under capital lease obligation	(20)	-	-	-	(20)
Net cash used in capital and related financing activities	(20)	-	-	-	(20)
Cash flows from investing activities:					
Interest and dividends on investments	(27)	-	-	-	(27)
Purchase of investments	-	-	-	-	-
Proceeds from investment maturities	57	-	-	-	57
Cash paid for long-term annuity prizes payable	(57)	-	-	-	(57)
Net cash used in investing activities	(27)	-	-	-	(27)
Net decrease in cash and cash equivalents	(36,799)	(14,021)	(181)	-	(51,001)
Cash and cash equivalents at beginning of year	65,972	24,021	7,695	-	97,688
Cash and cash equivalents at end of year	$ 29,173	$ 10,000	$ 7,514	-	$ 46,687
Reconciliation of cash and cash equivalents to the statement of net position (deficit):					
Total cash and cash equivalents per the statement of net position (deficit)	$ -	$ 10,000	$ 7,514	$ -	$ 17,514
Add cash equity in State Treasury	29,173	-	-	-	29,173
Cash and cash equivalents at end of year	$ 29,173	$ 10,000	$ 7,514	-	$ 46,687

This statement is continued on the following page.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Accounts - Schedule of Cash Flows -
State Lottery Fund (Collapsed) (Continued)
Year Ended June 30, 2019
(in thousands of dollars)

	State Lottery (0711)	**Lottery Prize Payment Fund (1279)**	**Agent Sales Sweep Account Fund (1373)**	**Eliminations**	**Total State Lottery (Collapsed)**
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ (453,271)	$ (121,190)	$ 1,328,733	$ -	$ 754,272
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	27	-	-	-	27
Provision for uncollectible accounts	2,900	-	-	-	2,900
Changes in assets and liabilities:					
Increase in accounts receivable	(31,439)	-	-	-	(31,439)
Decrease in due from other funds	271	93	-		364
Decrease in deferred outflows of resources	5,275	-	-	-	5,275
Increase in prepaid expenses	-	(305)	-	-	(305)
Decrease in prizes payable	(23,060)	-	-	-	(23,060)
Increase (Decrease) in accounts payable and accrued liabilities	(18,807)	2	-	-	(18,805)
Increase (Decrease) in intergovernmental payables	38	(14)	-	-	24
Increase (Decrease) in due to other State funds	14,033	(13,797)	(181)	-	55
Decrease in unearned revenues	(542)	-	-	-	(542)
Decrease in other liabilities	(38)	-	-	-	(38)
Increase in deferred inflows of resources	9,104	-	-	-	9,104
Decrease in net pension liability	(3,255)	-	-	-	(3,255)
Decrease in OPEB liability	(10,816)	-	-	-	(10,816)
Net cash provided by operating activities	$ (509,580)	$ (135,211)	$ 1,328,552	$ -	$ 683,761
Noncash investing, capital and financing activities:					
Change in fair value of investments	$ -	$ -	$ -	$ -	$ -
Interest accreted on investments	-	-	-	-	-
Interest accreted on long-term annuity prizes payable	-	-	-	-	-

See accompanying indpendent auditors' report.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Accounts - Schedule of Cash Flows -
Deferred Prize Winners Fund (Collapsed)
Year Ended June 30, 2019
(in thousands of dollars)

	Deferred Prize Winners (0978)	Deferred Lottery Prize Winners Trust Fund (2978)	Eliminations	Total Deferred Prize Winners (Collapsed)
Cash flows from operating activities:				
Cash received from sales and services	$ -	$ -	$ -	$ -
Cash receipts from other operating activities	22,077	-	-	22,077
Cash payments for commissions and bonuses	-	-	-	-
Cash payments for general and administrative expenses	-	-	-	-
Cash payments for lottery prizes	-	-	-	-
Net cash provided by operating activities	22,077	-	-	22,077
Cash flows from noncapital financing activities:				
Cash transfers – out to other funds	(72)	-	-	(72)
Net cash used in noncapital financing activities	(72)	-	-	(72)
Cash flows from capital and related financing activities:				
Principal payments under capital lease obligation	-	-	-	-
Net cash used in capital and related financing activities	-	-	-	-
Cash flows from investing activities:				
Interest and dividends on investments	54	-	-	54
Purchase of investments	(22,077)	-	-	(22,077)
Proceeds from investment maturities	22,659	22,659	(22,659)	22,659
Cash paid for long-term annuity prizes payable	(22,865)	(22,659)	22,659	(22,865)
Net cash used in investing activities	(22,229)	-	-	(22,229)
Net decrease in cash and cash equivalents	(224)	-	-	(224)
Cash and cash equivalents at beginning of year	1,891	-	-	1,891
Cash and cash equivalents at end of year	$ 1,667	$ -	$ -	$ 1,667
Reconciliation of cash and cash equivalents to the statement of net position (deficit):				
Total cash and cash equivalents per the statement of net position (deficit)	$ -	$ -	$ -	$ -
Add cash equity in State Treasury	1,667	-	-	1,667
Cash and cash equivalents at end of year	$ 1,667	$ -	$ -	$ 1,667

This statement is continued on the following page.

STATE OF ILLINOIS
DEPARTMENT OF THE LOTTERY
Combining Schedule of Accounts - Schedule of Cash Flows -
Deferred Prize Winners Fund (Collapsed) (Continued)
Year Ended June 30, 2019
(in thousands of dollars)

	Deferred Prize Winners (0978)	Deferred Lottery Prize Winners Trust Fund (2978)	Eliminations	Total Deferred Prize Winners (Collapsed)
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ -	$ -	$ -	$ -
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	-	-	-	-
Provision for uncollectible accounts	-	-	-	-
Changes in assets and liabilities:				
Increase in accounts receivable	-	-	-	-
Decrease in due from other funds	-	-	-	-
Decrease in deferred outflows of resources	-	-	-	-
Increase in prepaid expenses	-	-	-	-
Decrease in prizes payable	-	-	-	-
Decrease in accounts payable and accrued liabilities	-	-	-	-
Increase in intergovernmental payables	-	-	-	-
Increase in due to other State funds	-	-	-	-
Decrease in unearned revenues	-	-	-	-
Decrease in other liabilities	-	-	-	-
Increase in long-term annuity prizes payable	22,077	-	-	22,077
Increase in deferred inflows of resources	-	-	-	-
Decrease in net pension liability	-	-	-	-
Decrease in OPEB liability	-	-	-	-
Net cash provided by operating activities	$ 22,077	$ -	$ -	$ 22,077
Noncash investing, capital and financing activities:				
Change in fair value of investments	$ (11,203)	$ -	$ -	$ (11,203)
Interest accreted on investments	11,181	-	-	11,181
Interest accreted on long-term annuity prizes payable	(11,181)	-	-	(11,181)

See accompanying independent auditors' report.