

COMPREHENSIVE ANNUAL FINANCIAL REPORT



PREPARED BY WASHINGTON'S LOTTERY
FINANCE DEPARTMENT

For the fiscal year ended June 30, 2015.



DEPT OF IMAGINATION

SHARED VISION:

Washington's Lottery is an engaging and energetic workplace. We cultivate an environment of empowerment, accountability, teamwork, and learning. Communication is open and honest.

The Lottery promotes strong relationships with our players, retailers and partners. We progressively implement new and emerging technologies to improve processes and communication. What we do positively influences the citizens of Washington State.

We are proud to be members of Team Lottery.

MISSION:

Washington's Lottery operates with integrity to offer games of chance that generate revenue for the benefit of the people of Washington.



Scratch
Winner, Laurel Howard



Match 4
Winner, Stephanie Stephens



Match 4
Winner, Mehran



Match 4
Winner, Mr. & Mrs. Sibinga

WASHINGTON'S LOTTERY

an agency of the State of Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2015

prepared by Washington's Lottery's Finance Department

Table of Contents

Introductory Section

Letter of Transmittal.....	3
Certificate of Achievement for Excellence in Financial Reporting.....	11
Principal Officials	12
Organization Chart	12

Financial Section

Independent Auditors' Report.....	15
Management's Discussion and Analysis.....	17
Basic Financial Statements	
Statement of Net Position.....	23
Statement of Revenues, Expenses, and changes in Net Position.....	24
Statement of Cash Flows.....	25
Notes to the Financial Statements.....	26

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension PERS 1.....	39
Schedule of Proportionate Share of the Net Pension PERS 2/3.....	39

Statistical Section

Washington State	
Statistical Section.....	41
Demographics of Players.....	44
Net Position Last 10 Fiscal Years.....	45
Changes in Net Position...Last 10 Fiscal Years.....	45
Sales and Revenues...Last 10 Fiscal Years.....	46
Expenses and Contributions...Last 10 Fiscal Years.....	47
United States	
Comparison of Lottery Revenues and Expenses by State.....	48
Comparison of Lottery Revenues and Expenses per Capita.....	49
Retailers of the year.....	50
Lottery Offices.....	51

Washington's Lottery's games give players the chance to imagine winning, and for some, make dreams a reality. These lottery winners have shared their tales of winning and plans for their prizes.



At the center of the Lottery are its players, their families, and retailers, all of whom support a number of beneficiaries. Fiscal year 2015 beneficiaries included Washington Opportunities Pathways Account, CenturyLink Field & Exhibition Center stadium debt reduction, Problem Gambling Account, Economic Development Account, and Education Legacy Trust Account.

Hit 5 winner Marty Peck of Benton City claimed a \$120,000 Lottery prize in June 2015. The big winner said his favorite hobby is fishing, and he planned to use some of the money to purchase a new fishing boat.

Match 4 winner Yemane Berhane of Cle Elum won \$10,000 in June 2015, and had some exciting plans to pay it forward with his winnings. He said he planned to buy his kids new bikes, as well as treat his daughter to a fun birthday celebration.

Mega Millions winner Richard Middaugh of Woodinville claimed his \$15,000 Mega Millions prize in February 2015. Middaugh shared that he started a group of 10 friends to play Washington's Lottery together just weeks before, and planned to celebrate with the same group after claiming his prize.

Scratch winners Michael and Angel Kuehl of Vancouver, WA claimed a \$200,000 prize in January 2015 after finding a lucky penny, and using it to scratch the winning ticket. The couple said they plan to use the money to celebrate their 30 year wedding anniversary.

INTRODUCTORY SECTION

This section includes a transmittal letter describing Washington's Lottery and its business activities, a list of principal officials, the agency organization chart, and the Certificate of Achievement for Excellence in Financial Reporting awarded for the previous year's report.



Washington's Lottery

PO Box 43000 • Olympia, WA 98504-3000 • 814 4th Ave East • Olympia, WA 98506-3922 • (360) 664-4800

October 13, 2015

To the Citizens of Washington State:

Washington's Lottery is pleased to provide this comprehensive annual financial report for the fiscal year that ended June 30, 2015. In fiscal year 2015, the Lottery increased sales by \$5.8 million or 1 percent compared to fiscal year 2014 and contributed a total of \$141.3 million to its beneficiaries for state programs. The Washington's Opportunity Pathways Account received \$119.0 million to fund scholarships.

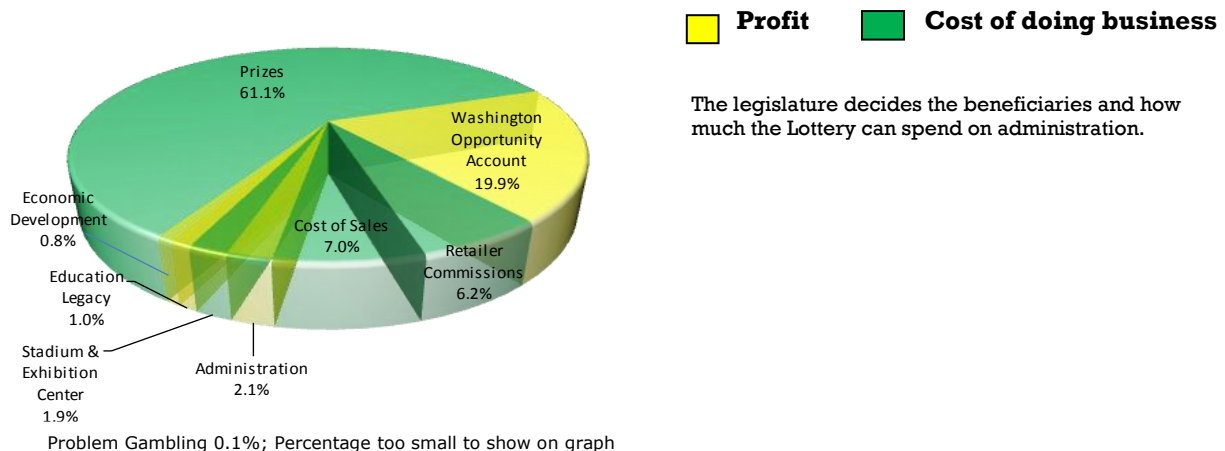
Although state law does not require the Lottery to provide stand-alone audited financial statements, we do so to reflect the highest standards of fiscal transparency and uncompromised accountability to the public, thereby strongly demonstrating our thorough efforts to disclose all relevant information.

To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flow of the agency. All disclosures necessary to gain an understanding of the Lottery's financial activities have been included. Management is responsible for the accuracy and completeness of the contents, and the Lottery maintains strict adherence to its stringent internal control policies.

The Lottery is a state agency mandated to generate funds for the support of state programs.

Washington's Lottery sells tickets for games of chance to the general public. The Lottery is a business funded by sales, which in and of itself pays for the costs of running the business, including producing, marketing, and selling the products, while delivering all of the profits to public good. In order to operate the business successfully, the Lottery provides personnel in the following disciplines: security, legal, administrative, planning and research, marketing, sales, finance, management, and information services. The Lottery generated dollars for the Washington Opportunity Pathways Account, Economic Development Account, Problem Gambling Account, the Education Legacy Trust Account and stadium debt payments for CenturyLink Field. Lottery ticket sales for fiscal year 2015 totaled \$600.3 million. These sales allowed contributions of \$119.0 million to the Washington Opportunity Pathways Account, \$11.2 million to the Stadium and Exhibition Center Account (CenturyLink Field), \$4.7 million to the Economic Development Account, and \$304.7 thousand to the Problem Gambling Account. Contribution to the Education Legacy Trust Account was as a result of legislative mandates requiring the Lottery to transfer \$16.1 million for the 13-15 Biennium to this beneficiary. In fiscal year 2015, the remaining \$6.05 million balance was transferred.

Total Distribution: \$599.3 Million Fiscal Year 2015



Washington's Lottery constantly focuses on maintaining and increasing its ability to generate these funds in support of scholarships by contributing to the Washington's Opportunity Pathways Account and other state programs. Development of new products and game enhancements is an ongoing process with a focus on responsible gaming and increasing long-term revenues. This is consistent with acceptable levels of related expenses, which are intended to increase the ability to support these vital programs. A narrative analysis of the Lottery's performance for fiscal year 2015 and further details regarding specific subjects can be found in Management's Discussion and Analysis in the Financial Section of this document.

Background

Communities throughout the state have benefited from the Lottery.

Since Washington's Lottery sold its first ticket in 1982, it has paid over \$7.6 billion in prizes, and retailers have received over \$786.3 million in sales commissions. Winners tend to spend and invest money in their local communities, and Lottery sales often make a big difference for small merchants. In fiscal year 2015, Washington's Lottery paid out more than 32 million winning tickets ranging from \$1 to \$90.0 million. Sixteen people became millionaires through Washington's Lottery in the last fiscal year. Since inception, the Lottery has made more than 665 people millionaires, and that number is still growing.

The State Legislature decides how the government spends monies contributed by the Lottery. The recipients of Lottery's proceeds include the Washington Opportunity Pathways Account, Economic Development Account, the Problem Gambling Account, Education Legacy Trust Account, and stadium debt payments for CenturyLink Field. Since inception, the Lottery has contributed more than \$3.6 billion to various crucial state programs.

In 1986, the Lottery began collecting outstanding child support and other debts owed to the state. Before winners are paid, these debts are deducted from Lottery prize monies. Over the years, the Lottery has collected \$3.7 million in previously uncollected money. This figure represents \$2.1 million in child support payments and \$1.6 million in recovered taxes, fees, penalties, welfare, and employment security debts.

Washington State's Economy and Revenue Outlook

Summary

Washington's economy has been a step ahead of the nation's during this period of recovery. Recent economic performance has narrowed that gap, but Washington should still maintain an advantage during the next biennium.

Washington's jobless rate remained lower than the national rate for much of the past two years. This was unusual: Washington's rate has traditionally been above the national norm due to the state's outsized share of seasonal industries. More recent figures show Washington's jobless rate edging above the national average, likely the result of an increase in workforce participation. In fundamental ways, that is good news as it reflects an increase in workers' confidence in finding gainful employment. By the end of the next biennium, Washington's unemployment rate is projected to fall to 5.2 percent, down from the current 5.3 percent.

Personal income in Washington is expected to make above-average gains over the next biennium. Real personal income should gain 3.9 percent in fiscal year 2016 and 3.6 percent in fiscal year 2017, slightly higher than projections for the nation. On a per-capita basis, Washington's real personal income should reach \$49,017 at the end of the biennium, more than \$3,500 above the U.S. average.

These gains in Washington's personal income will occur notwithstanding declines in aerospace employment, which is expected to fall by 2.9 percent in fiscal year 2016 and 2.6 percent in fiscal year 2017. Though this places a drag on overall nonfarm employment growth, Washington will still net a 2.4 percent increase in total payroll jobs in fiscal year 2016 and a 1.6 percent increase in fiscal year 2017, again slightly better than projections for the nation.

Construction activity in Washington is expected to increase at a healthy rate during the 2015–17 biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains should renew demand for single-family housing. Building permits should surpass 36,900 in fiscal year 2016 and 41,200 in fiscal year 2017. As a result, construction employment should jump by 4.8 percent and 3.0 percent, respectively. That should boost construction jobs to 5.5 percent of total nonfarm employment, close to historic averages and reflective of a sound housing market.

General Fund-State revenues are forecasted to grow at a 10.2 percent rate across the 2015-17 biennium (5.1 percent in fiscal year 2016 and 4.1 percent in fiscal year 2017) compared to the 9.8 percent gain in the 2013-15 biennium. The expanding economy, accelerated gains in hiring, and recovering housing markets have had a positive effect on revenue growth. Further economic growth and a continued expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

The Lottery's Products



In Washington, *Scratch* is the most popular Lottery game. *Scratch* is called an “instant” game because players learn immediately if they have won a prize. Total *Scratch* sales were \$404.1 million in fiscal year 2015, compared to \$379.4 million in 2014. In fiscal year 2015, *Scratch* sales were \$207.8 million more than all other Lottery games combined. *Scratch* games provided 67.3 percent of total net sales for fiscal year 2015, compared to 63.8 percent in 2014. The Lottery launched 61 *Scratch* games in fiscal year 2015, compared to 81 games in fiscal year 2014.



Washington joined the nation's biggest lottery game—*Mega Millions*—in September 2002. Washington was the first state west of the Mississippi to offer the nation's mega-jackpot lottery game. As of 2015, other *Mega Millions* lotteries included California, Georgia, Illinois, Massachusetts, Michigan, New York, New Jersey, Ohio and Virginia. Other jurisdictions joined the original *Mega Millions* group. A total of forty-six state lotteries, including the District of Columbia and the U.S. Virgin Islands sell *Mega Millions* tickets.

Mega Millions ticket sales in Washington were \$44.8 million for fiscal year 2015, representing 7.5 percent of total net Lottery sales. *Mega Millions* sales were \$53.0 million or 8.9 percent of net sales in fiscal year 2014. In fiscal year 2015, jackpots ranged from \$15 million to \$321 million, with 5 winning jackpots over \$100 million. In fiscal year 2015, *Mega Millions* highest jackpot was \$321 million as compared to \$636 million in the prior year 2014. The relatively smaller jackpots contributed to \$8.2 million in lower sales as compared to prior year 2014.

Mega Millions is a jackpot-based game with nine prize levels. Tickets cost \$1 to play for jackpots of up to hundreds of millions of dollars. Players pick six numbers from two different fields of numbers. They choose five white balls from a field of 75 and one red ball from a field of 15, representing the “*Mega Ball*”, though most players let the computer randomly “Quick Pick” their numbers. Jackpots start at \$15 million and increase if there is no jackpot winner. Drawings are held Tuesdays and Fridays. Prizes are also paid for various combinations of matching numbers. Players have a total of 9 different ways to win, including a \$1.0 million prize if five balls are matched from the pool of 75 balls. Players can buy tickets for up to nine drawings in advance, plus the current drawing.

“Megaplier” is a special feature of *Mega Millions* that when purchased, allows players to multiply a win by 2, 3, 4 or 5 times. A player who purchases the “Megaplier” feature and matches all 5 of the white ball numbers will increase their winnings by the multiply feature purchased, having the chance of winning up to \$5,000,000 on a second-tiered prize win. This multiplication does not include the jackpot prize.



In January 2010, Washington began selling *Powerball*, a multi-state lottery game operated by the Multi-State Lottery Association (MUSL). *Powerball* is sold in forty-seven jurisdictions, including Puerto Rico and the U.S. Virgin Islands. *Powerball* sales were \$47.6 million for fiscal year 2015, representing 8.0 percent of net sales, compared to \$56.4 million or 9.5 percent in fiscal year 2014. In fiscal year 2015, jackpots ranged from \$40 million to \$500 million, with 6 winning jackpots over \$100 million.

Powerball is a jackpot-driven game. Players pick six numbers from two different fields of numbers. They choose five numbers from a field of 59 and one number from a field of 35, representing the “*Powerball*”, though most players let the computer randomly “Quick Pick” their numbers. Drawings are held Wednesdays and Saturdays. Players have a total of 9 different ways to win, including a \$1.0 million prize if all five white balls are matched. Players can buy tickets for up to nine drawings in advance, plus the current drawing.

“Powerplay” is a special feature of *Powerball* that when purchased, allows players to automatically win \$2,000,000 on a second-tiered prize if the “Powerplay” option is chosen at the time of ticket purchase.



Three times a week, on Mondays, Wednesdays, and Saturdays, Lottery players have a chance to win \$1 million or more by playing *Lotto*, the Lottery's flagship game introduced in 1984. Players select 6 of 49 numbers (or let the computer randomly select 6 numbers). Jackpots start at \$1 million, and if no player matches all six numbers, the top prize grows based on ticket sales. Prizes are also paid for matching three, four or five numbers. Players can buy tickets for up to ten drawings in advance. *Lotto* sales for fiscal year 2015 were \$44.8 million, representing 7.5 percent of total net sales. *Lotto* sales in fiscal year 2014 totaled \$47.4 million or 8 percent of net sales in that year. Seven winning *Lotto* jackpots were drawn in fiscal year 2015 ranging from \$1.0 million to \$7.3 million.



Hit 5 is as easy to play as *Lotto*; and it's easier to win. Players select 5 of 39 numbers (or let the computer randomly select 5 numbers) and match them to the ones drawn by the Lottery. The cashpot is paid in one lump sum and is won by matching all five of the numbers drawn by the Lottery. Cashpots start at \$100,000. If no player matches all five numbers, the top prize grows based on ticket sales. Thirty-six *Hit 5* cashpots were awarded in fiscal year 2015, ranging from \$100,000 to \$540,000. Prizes are also paid for matching two, three, or four of the numbers drawn. Drawings are held on Mondays, Wednesdays, and Saturdays. Sales for fiscal year 2015 were \$23.4 million or 3.9 percent of net sales compared to \$23.9 million or 4.0 percent of net sales in fiscal year 2014. Players can purchase tickets for up to ten drawings in advance.



Match 4, the first \$2 price point draw game in Washington, started in August 2008. Players pick 4 out of 24 (or let the computer randomly select 4) numbers and have the opportunity of winning a top prize of \$10,000. If more than one player picks the winning four numbers, each winner gets \$10,000. In other words, a \$10,000 prize is not split equally amongst the winners. Prizes are also paid for matching 2 and 3 numbers. Numbers are drawn seven nights per week. Sales for fiscal year 2015 were \$12.9 million, representing 2.2 percent of net sales compared to \$12.0 million or 2.0 percent of net sales in fiscal year 2014. Players can purchase tickets for up to ten drawings in advance. There were 388 \$10,000 prizes awarded in fiscal year 2015.



Players pick three numbers from 0 through 9 (or choose a computer-generated Quick Pick). They also choose among nine different play options. Numbers are drawn seven nights per week, and players can buy tickets for up to seven drawings in advance. *The Daily Game* sales totaled \$16.8 million or 2.8 percent of net sales in fiscal year 2015, similar to the \$16.7 million, with a 2.8 percent experienced in fiscal year 2014.



Players pick from 1 to 10 *Keno* game spots, and then they choose a number from 1 through 80 for each spot (or they can let the computer choose their numbers with a Quick Pick). Each night, the Lottery draws 20 numbers. Prizes vary depending on how many spots players choose and how many of the players' numbers match the Lottery's numbers. The top prize in *Daily Keno* is \$100,000. Players can buy tickets for up to seven advance drawings for this game, which was added to the Lottery's product line in November 1992. *Daily Keno* sales totaled \$5.8 million or 1.0 percent of net sales in fiscal year 2015, compared to \$5.8 million or 1.0 percent in fiscal year 2014.

FINANCIAL INFORMATION

Internal Controls

Washington's Lottery's policies and procedures tightly control assets, inventory, computer systems, accounting, and the drawing vault. Staffing includes security and law-enforcement personnel. Access to Lottery offices is limited. Risks of loss, theft, or misconduct are minimized through high-level security; strict employee, contractor, and retailer standards; and retailer licensing. Anyone responsible for Lottery tickets or assets, or who works directly with the Lottery, has passed a background check.

When assets could be at risk, responsibilities have been separated (for example, purchasing and accounts payable). Data input and processing are separate from system programming. Management provides approval and oversight. Segregation of duties separates the responsibilities of the custody, authorization, and recording of assets. Reviews of operations and documented procedures are performed internally by general counsel, the internal audit committee, and the management team. External auditors also conduct reviews and their reports are presented to the Lottery's Director.

Measures to guarantee players a fair game:

- Game drawings are held in a locked vault located at Lottery headquarters. Drawings follow strict security procedures and are witnessed by an independent Certified Public Accountant (CPA).
- Lottery digital drawing systems, which include random number generators for *Draw* games and promotions, are stored in locked cases, marked with security seals, and kept in a locked vault.
- Each retail terminal uses independent random-number-generating formulas for Quick Pick numbers.
- Lottery *Scratch* tickets are printed with special inks, dyes, and security codes.

Inherent Limitations of Internal Controls over Financial Reporting

Washington's Lottery's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management does not expect that the internal controls will prevent or detect all errors and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Accounting Systems and Policies

The Lottery uses the accrual basis of accounting and follows generally accepted accounting principles (GAAP). The Legislature, the Office of Financial Management and Lottery's Commissioners control Lottery spending through several Lottery fund accounts. Additional information regarding these accounts can be found in Note 1 in the notes to the financial statements.

Budgetary System and Controls

The Lottery works with the Office of the Governor to create a biennial budget proposal to support administrative costs. This proposal goes to the Legislature for approval. The Senate, the House of Representatives, and the Office of the Governor negotiate any differences. The Office of Financial Management monitors spending through the Lottery's business and administrative accounts, but the Lottery decides when spending will occur. In addition to the Lottery's fixed administrative budget, there are also business plan estimates for business expenses based on sales forecasts, new products introduced, and industry trends. Estimates and forecasts are compared to actual costs and sales throughout the fiscal year with appropriate changes in action plans made as needed.

The Lottery's revenue forecast for state planning and budgeting is prepared by the Revenue Forecast Council, an external State entity. In addition, expense and contribution budgets are approved by the Lottery Commission and submitted to the Office of Financial Management for inclusion in the State budget. The Lottery Commission members are appointed by the Governor.

Employees

At the end of fiscal year 2015, the Lottery employed 131 staff. Headquarters and offsite warehouse had 78 people, with the remaining staff working out of five regional offices in Everett, Federal Way, Spokane, Vancouver, and Yakima.

INDEPENDENT AUDIT

Washington State law requires an audit of the state by the Washington State Auditor's Office, an independently elected public official. As a state agency, Washington's Lottery is included in this audit. The State Auditor's report on internal controls and compliance with applicable laws and regulations can be found in a separately issued Washington State Single Audit report.

In addition, the Lottery obtained a separate audit of the Lottery's stand-alone financial statements. The fiscal year 2015 audit of Lottery financial statements has been completed in conformance with generally accepted auditing standards. The financial section of this report includes the Independent Auditor's report on the Lottery's financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington's Lottery for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the twenty-fifth consecutive year that the Lottery has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Lottery believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and the Lottery is submitting it to the GFOA to determine its eligibility for another certificate.

This report reflects the Lottery's commitment to maintaining public trust through high ethics and uncompromising integrity. It also demonstrates the professionalism and team effort of Lottery employees. We appreciate our employees' fine work. We also thank the Lottery Commissioners for their dedication and guidance in operating Washington's Lottery.

Respectfully submitted,



R J Foster
Director of Finance and Administration



H W Hanson
Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Washington's Lottery

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

PRINCIPAL OFFICIALS OF WASHINGTON'S LOTTERY



H. W. Hanson
Lottery Director



Valoria Loveland
Chair
Pasco
Term ends
8/2021



Laura Cantrell
Commissioner
Seattle
Term ends
8/2020



Judy Guenther
Commissioner
Chehalis
Term ends
8/2017

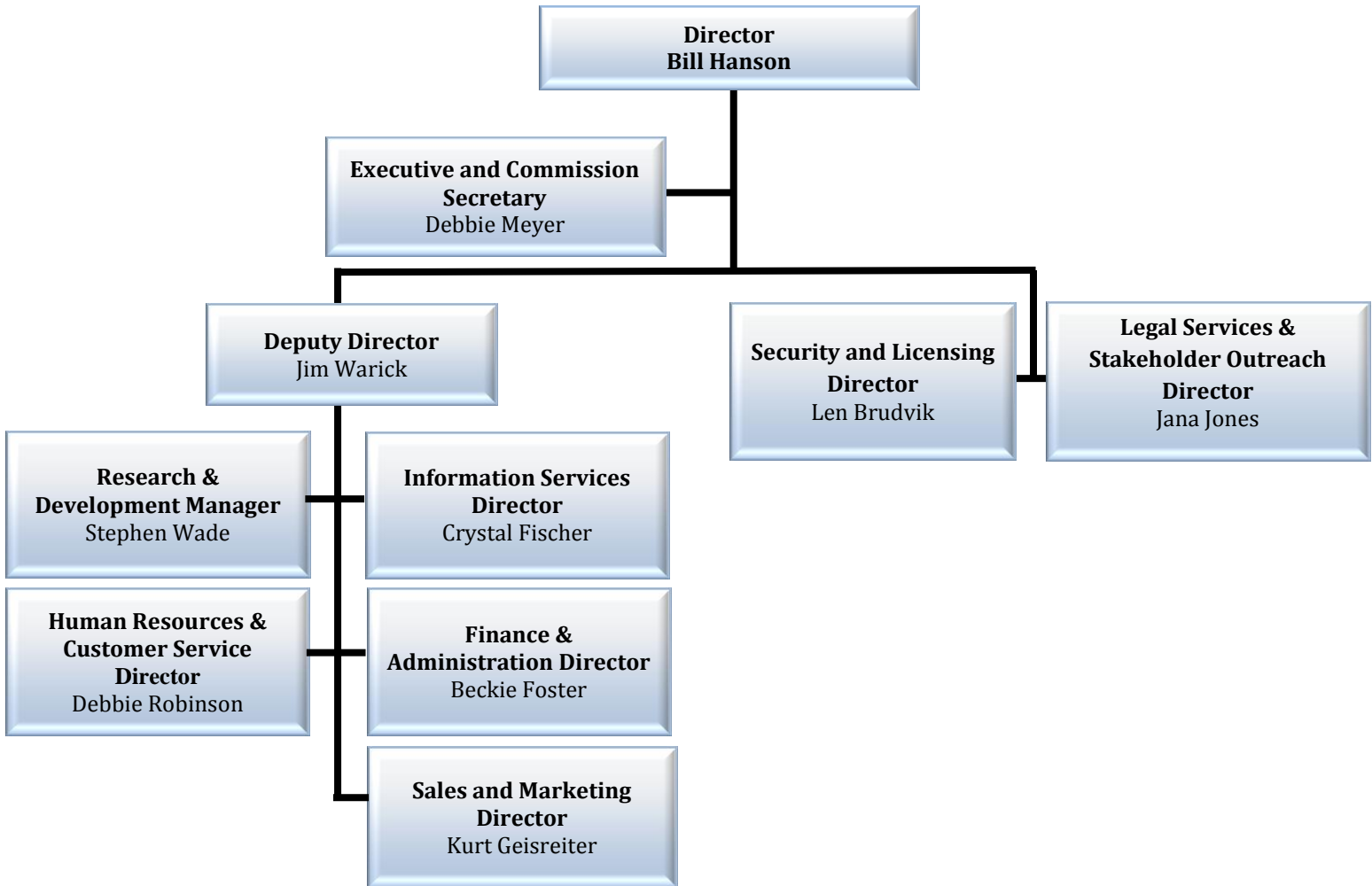


Peter Bogdanoff
Commissioner
Seattle
Term ends
8/2018



Frederick Finn
Commissioner
Olympia
Term ends
8/2016

ORGANIZATION CHART



Powerball ticket winner Lisa N. Quam of Auburn, in December 2014, claimed her \$90 Million Powerball prize. Quam shared the story that on Thanksgiving Day, she took a break from the cooking, and ran to Haggen Northwest Fresh to pick up a newspaper with the Black Friday ads and some pumpkin spice. While in the checkout line, Quam purchased her first-ever Powerball tickets.



FINANCIAL SECTION

This section begins with the Independent Auditor's Report, followed by management's discussion and analysis, the financial statements of and the related notes to the financial statements.



CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Director and Commissioners
Washington's Lottery
Olympia, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Washington's Lottery (the Lottery), an agency of the State of Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Lottery's basic 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. 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 Lottery'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 Lottery'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington's Lottery, as of June 30, 2015, and the 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.

Change in Accounting Principle

As discussed in Notes 1 and 8 to the financial statements, the Lottery has changed its accounting policy for accounting for pensions to adopt the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of the Lottery's Proportionate Share of the Net Pension Liability (PERS 1 and PERS 2/3) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


Boise, Idaho
October 13, 2015

To the Director and Commissioners
Washington's Lottery
Olympia, Washington

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis includes an overview of activities regarding the financial performance of Washington's Lottery (the Lottery) for the fiscal year ended June 30, 2015. The Lottery is an agency of the State of Washington and operates for the purpose of generating revenues for public use for the residents of the state. This analysis is to be used in conjunction with the financial statements.

Financial Highlights

Sales of all Washington's Lottery products were \$600.3 million, a 1 percent increase from fiscal year 2014.

- *Mega Millions* sales were \$44.8 million, with jackpots ranging from \$15 million to \$321 million.
- *Powerball* sales were \$47.6 million, with a high jackpot of \$500 million.
- *Scratch* sales increased by \$24.7 million or 6.5 percent compared to fiscal year 2014.
- Total contributions to Lottery beneficiaries decreased \$6.4 million or 4.3 percent compared to fiscal year 2014. This is primarily related to the legislative mandated payment reduction from \$10.05 million in 2014 to \$6.05 million in 2015.
- Contributions to the Washington Opportunity Pathways Account reached \$119.0 million.
- Contributions to the Stadium & Exhibition Center (CenturyLink Field) totaled \$11.2 million in fiscal year 2015, representing a 4 percent year-over-year legislative mandated increase.
- Contributions to the Economic Development Account totaled \$4.7 million. Amounts contributed to this beneficiary represent one-third of prizes that go unclaimed each fiscal year.
- There was no contribution to the General Fund in fiscal year 2015. *Per RCW 67.70.340(4), if in total, contributions to the Washington Opportunity pathways Account from the in-state and Powerball games are in excess of \$102 million, such excess shall be transferred to the General Fund.*
- Contributions to the Problem Gambling Account totaled \$304.7 thousand. This beneficiary receives thirteen one-hundredths of one percent (0.13%) of "net receipts." "Net receipts" are defined as the difference between revenue received from the sale of Lottery products and the sum of

payments made to winners.

- A total \$6.05 million was distributed to the Education Legacy Trust Account by way of a mandated legislative order, which required the Lottery to transfer a total of \$16.1 million of unclaimed dollars to this beneficiary for the 13-15 Biennium. In fiscal year 2014 \$10.05 million was transferred and the final \$6.05 million was transferred in fiscal year 2015.

Using this Annual Report

By law, the Lottery is required to distribute to its beneficiaries, all of its net income, excluding unrealized gains on investments and two-thirds of its unclaimed prizes. The net position of the Lottery, as shown in Table 1, consist solely of capital assets, restricted income for future prizes, and unrestricted income. The restricted portion of net position represents unclaimed prize amounts set aside for future use as prizes, as required by law (RCW 67.70.190). Unrestricted income is income related to unrealized gain on investments held to fund future payments due on annuitized lottery prizes. Generally accepted accounting principles (GAAP) dictate that the Lottery record in its financial statements the gain or loss related to the change in fair value of these investments. As the Lottery intends to hold the investments to maturity, market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amounts to be distributed.

The Lottery's net position is shown in Table 1 below and Table 2 on page 18. Net position decreased in fiscal year 2015 by \$5.7 million, from \$12.0 million in 2014 to \$6.3 million in 2015. The Lottery experienced an increase of \$5 million in fair value of investments held to fund future annuitized prize payments. The GASB68 implementation in fiscal year 2015 required a \$7.0 million re-statement of the financial net position to reflect the 2014 pension liability.

	2015	2014
Current assets	\$62.0	\$69.8
Non-current assets - investments	130.0	143.4
Capital assets - net of depreciation	0.5	0.3
Deferred outflows of resources	0.6	0.0
Total assets and deferred outflows of resources	\$193.1	\$213.5
Current liabilities	70.3	78.3
Non-current liabilities	114.4	123.2
Deferred inflows	2.1	0.0
Total liabilities and deferred inflows of resources	\$186.8	\$201.5
Net Position		
Invested in capital assets	0.5	0.3
Restricted for future prizes	15.8	12.5
Unrestricted	(10.0)	(0.8)
Total net position	\$6.3	\$12.0

Due to the implementation of GASB 68 as of July 1, 2014, certain comparative information is not available for fiscal year 2014

Table 2: Summary of Changes in Net Position (in millions)

	2015	2014
Sales	\$600.3	\$594.5
Other operating income	\$2.9	\$2.9
Expenses and non-operating activity	(455.6)	(459.7)
Distributions	(141.3)	(147.7)
Changes in net position	\$6.3	(\$10.0)

The Lottery purchases U.S. Treasury Strips to fund annuitized prize payments. As these securities mature, they provide the cash flow to satisfy future payments to prize winners that elect annuitized prize payments. It is important to note that this adjustment to the fair value does not affect the Lottery's ability to meet future liabilities.

Sales and Prize Expense

Table 3 below compares sales, prize expense, and net receipts (sales less prize expenses) for Lottery *Scratch* and *Draw* game products for fiscal years 2015 and 2014.

Table 3: Sales and Prize Expense (in millions)

	<i>Scratch Games</i>		<i>Draw Games</i>	
	2015	2014	2015	2014
Sales	\$404.1	\$379.4	\$196.3	\$215.1
Prize expense	267.4	255.3	98.5	107.3
Net receipts	\$136.7	\$124.1	\$97.8	\$107.8

Scratch product sales increased \$24.7 million or 6.5 percent compared to 2014. The number of tickets sold increased by 3.9 percent from \$104.3 million in fiscal year 2014 to \$108.3 million in fiscal year 2015. The average price per ticket increased slightly from \$3.64 in fiscal year 2014 to \$3.73 in fiscal year 2015. *Scratch* prize expense increased in fiscal year 2015 by \$12.1 million, or 4.7 percent compared to fiscal year 2014. The *Scratch* prize expense ratio decreased from 67.3 percent in fiscal year 2014 to 66.2 percent in fiscal year 2015. In fiscal year 2015, \$10.0 million of *Scratch* prizes went unclaimed compared to \$9.4 million in fiscal year 2014.

In fiscal year 2015, *Draw* game sales decreased by \$18.8 million or 8.7 percent over fiscal year 2014. In fiscal year 2015, the highest jackpot for *Mega Millions* game was \$321 million, as compared to \$636 million in the prior year 2014. During fiscal year 2015, *Hit 5* had thirty-six winning jackpots, with the highest jackpot valued at \$540 thousand. Like other *Draw* games, *Hit 5* sales are jackpot-driven, meaning that as the jackpot rises to higher levels, more people are compelled to participate in the dream of winning the jackpot. The highest jackpot fell short of prior year's, thereby resulting in lower sales in fiscal year 2015. *Lotto* is another example of a jackpot-driven game on a greater scale. *Mega Millions* and *Powerball*, by virtue of being a multi-state game, enjoy co-mingled

sales and rapidly rising jackpots. *Lotto* sales declined by \$2.5 million or 5.3 percent compared to fiscal year 2014. *Match 4* increased by \$901 thousand or 7.5 percent compared to fiscal year 2014.

The remaining active *Draw* games in the product portfolio are *The Daily Game* and *Daily Keno*. These games enjoy a loyal player base as exemplified by consistent sales volumes.

Draw games prize expenses decreased in fiscal year 2015 by \$8.8 million or 8.2 percent compared to fiscal year 2014. In fiscal year 2015, the Lottery changed the manner in which it presented amortization of annuity prize liability. These amounts are now excluded from prize expense. For comparative purposes, a similar change was made to fiscal year 2014.

Other Operating Expenses

Table 4 compares operating expenses, other than prize expense, for gaming operations and administrative expenses for fiscal years 2015 and 2014.

Table 4: Retail Commissions and Other

Operating Expenses (in Millions)		
	2015	2014
Retail commissions	\$37.3	\$37.4
Other game-related expenses	41.9	41.4
Administrative expenses		
Salaries and benefits	9.4	9.6
Goods and services	2.8	2.4
Travel	0.5	0.5
Depreciation	0.1	0.1
Total administrative expenses	\$12.8	\$12.6

Retailer commissions decreased in fiscal year 2015 by \$61 thousand, or 0.2 percent compared to fiscal year 2014. Commission costs as a percentage of sales decreased 0.1 percent compared to fiscal year 2014. Other game-related expenses, including vendor costs, advertising and miscellaneous promotional expenses, increased by \$0.6 million or 1.4 percent compared to fiscal year 2014. As a percent of sales, these expenses remained constant at 7.0 percent in fiscal years 2015 and 2014. Vendor expense, which is the largest component of these costs, is, for the most part, paid as a percentage of sales. Advertising expense increased by \$346.6 thousand or 3.4 percent compared to fiscal year 2014. Promotional and other operational expenses decreased \$1.1 million or 18.9 percent compared to fiscal year 2014.

In fiscal year 2015, administrative expenses incurred for the general operation of the agency increased 1.9 percent compared to fiscal year 2014. Depreciation expense increased compared to

fiscal year 2014 by 9.6 percent. As a percentage of sales, overall administrative expenses were 2.1 percent in fiscal year 2015 compared to 2.1 percent for fiscal year 2014.

Salaries and benefits expense decreased by \$215 thousand or 2.2 percent compared to fiscal year 2014. Goods and services increased \$462 thousand or 19.5 percent compared to fiscal year 2014. Travel expense decreased slightly by \$8 thousand or 1.9 percent compared to fiscal year 2014.

Capital Assets

Washington's Lottery's investment in capital assets as of June 30, 2015 amounts to \$545 thousand (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and equipment. The net increase in the Lottery's investment in capital assets for fiscal year 2015 was 104.5 percent. Table 6 in note 1 to the financial statements shows the opening and ending balances for assets and accumulated depreciation.

Debt

At the end of fiscal year 2015, current liabilities consisted, in part, of \$20.1 million in annuity prizes payable. Long-term annuity prize liabilities were \$109.8 million. Note 5 "Prize Liabilities," shows the current and long-term portions of prize payments.

Non-operating Revenues and Expenses

Investment revenue before fair value adjustments and amortization expense on the annuity prize liability very nearly equal each other on an ongoing basis. The reason is that we fund future prize liability by purchasing U.S. Treasury Strips at a deep discount. In other words, we are able to purchase certain future payments at a fraction of the future maturity value in exchange for foregoing periodic interest payments. In the meantime, we must recognize changes to the book value of the investments and the present value of the liabilities by reporting revenue and amortization expense. Since both the asset value and the future liability are increasing to the same finite amount, the income and expense recognized are identical.

Table 5 shows interest income and expense on long-term investments and liabilities, and payments made to beneficiaries from Lottery proceeds.

Table 5: Non-Operating Revenues (Expenses) (in millions)

	2015	2014
Investment revenue	5.0	3.1
Amortization of annuity prize liability	(7.6)	(8.9)
Interest and miscellaneous income	0.1	0.0
Total non-operating revenues (expenses) before payments	(\$ 2.5)	(\$ 5.8)
Proceeds Distribution:		
WA Opportunity Pathways	119.0	121.9
Education Legacy Trust	6.1	10.1
State General Fund	0.0	0.6
Stadium and Exhibition Center	11.2	10.8
Economic Development	4.7	4.0
Veterans' Innovation Program	0.0	0.0
Problem Gambling	0.3	0.3
Total payments	\$ 141.3	\$ 147.7

Annually, the Lottery makes an adjustment to the current fair value of investment securities held in accordance with Government Accounting Standards Board (GASB) Statement No. 31. Since all securities held in the portfolio are U.S. Treasury securities, prepayment risk and market risk are effectively eliminated for the market valuation. Interest rate risk remains as the primary variable in determining the current fair value. Given the long-term nature of the investment, since they are held for winners up to 30 years in the future, changes in interest rates can have a marked effect on current valuations.

For example, a security was purchased to mature in 20 years and pays 8 percent per year. If one year later, a similar security for the same time frame could be purchased that was paying 10 percent per year, the relative value of the 8 percent security would have dropped significantly. The reason is that if an individual can buy a security paying 10 percent interest, why would they pay the same price for a security paying 8 percent? If the holder wanted to sell their 8 percent security, they would have to drop the price to the level where a purchaser would earn 10 percent. The opposite is also true that if current interest rates were to decrease, another investor would be willing to pay more to get the 8 percent interest payments if they were otherwise to get only 6 percent. The longer the period this discrepancy will exist, the greater the effect on the fair value. For instance, if the security were to mature in one year, the difference in interest payment will be limited to one year, as opposed to if the difference were to be realized year after year over 20 years.

Payments to our beneficiaries as a result of Washington's Lottery operations for fiscal year 2015 amounted to \$141.3 million.

Contributions to the Washington Opportunity Pathways Account reached \$119.0 million in fiscal year 2015 compared to \$121.9 million in fiscal year 2014. Per RCW 67.70.340(4), if in total, contributions

to the Washington Opportunity Pathways Account from the in-state and *Powerball* games is in excess of \$102 million, such excess shall be transferred to the General Fund. High *Powerball* sales in fiscal year 2014 caused excess funding that was transferred to the General Fund.

There was no contribution to the General Fund in fiscal year 2015, compared to \$596 thousand in fiscal year 2014. Contributions to this fund for fiscal year 2014 was generated from excess funding between the in-state and *Powerball* games.

Contributions to the Economic Development account amounted to \$4.7 million in fiscal year 2015 compared to \$4.0 million in fiscal year 2014. Amounts to this beneficiary represent one-third of the amount of prizes which go unclaimed. Unclaimed prizes are those expected prizes that do not get presented for claim within 180 days of the particular game closure or drawing date.

Contributions to Problem Gambling were \$304.7 thousand in fiscal year 2015 compared to \$301.4 thousand in fiscal year 2014. Contributions to this beneficiary are calculated based on thirteen one-hundredths of one percent of "net receipts." "Net receipts" are defined as the difference between revenue received from the sale of Lottery products and the sum of payments made to winners.

The remaining payment required by statute was made to the Stadium and Exhibition Center (CenturyLink Field), which consists of semi-annual payment whereby the required payment amount is increased by 4.0 percent year-over-year. Total contribution to this beneficiary was \$11.2 million in fiscal year 2015, compared to \$10.8 million in fiscal year 2014.

A final \$6.05 million was distributed to the Education Legacy Trust Account by way of a mandated legislative order, which required the Lottery to transfer a total of \$16.1 million of unclaimed dollars to this beneficiary for the 13-15 Biennium. The first \$10.05 was transferred in fiscal year 2014.

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OTHER POTENTIALLY SIGNIFICANT MATTERS IMPACTING NEXT YEAR

Gaming Vendor System

The Lottery maintains a gaming network of approximately 3,742 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through self-service terminals. GTECH Corporation (GTECH) is responsible for operating all traditional Lottery games, including maintenance of terminals and related communication services, under a contract expiring June 30, 2016. On July 1, 2016 the gaming system will be upgraded to better serve the Lottery's needs in the processing of prize and annuity payments.

Advertising Contract

A new 3 year Advertising contract began November 8, 2014. The initial term expires November 2017; however, the contract has 3 one year extension option. The value of this contract is \$12M per year.

Retailer Commissions

The legislature mandated the Lottery to reduce its compensation to retailers by \$12M for the 2017 Biennium (July 1, 2015 to June 30, 2017). In order for the Lottery to comply with this requirement, several reductions needed to occur. 1) The commission for each ticket sold will be reduced to 5% from 6% for most games and 7% for Powerball and Mega Millions. 2) The elimination of retailer selling bonuses on jackpot games, including; Lotto, Hit 5, Mega Millions and Powerball. 3) Eliminate the additional percent commission when Lotto jackpots reach over six million dollars. By making these changes, the legislature hopes to add \$12 million additional revenue for the Lottery beneficiaries.

New Unclaimed Prizes Legislative Change

The Lottery was originally mandated for the 2015 Biennium (July 1, 2013 to June 30, 2015), to transfer \$12.1 million of its unclaimed funds to the Education Legacy Trust Account. However, in fiscal year 2014, the Lottery received an

amendment, which mandated it to transfer an additional \$4.0 million in fiscal year 2014, for a total of \$16.1 million for the 2015 Biennium. \$10.05 million was transferred in fiscal year 2014, with the remaining \$6.05 million transferred in fiscal year 2015. Effective July 1, 2015, the Legislature passed a bill requiring: "On June 30th of each fiscal year, any balance of unclaimed prizes in excess of ten million dollars must be transferred to the Washington opportunity pathways account".

Changes to Powerball

The Multi-State Lottery Association (MUSL) has approved changes to the structure of the Powerball game effective October, 7 2015. Players will see no change in the way the game is played, and the cost per play will remain the same at \$2. Jackpot odds rise from 1:175 million to 1:292.2 million; however overall odds of winning a prize goes from 1:31.8 to 1:24.9. All prize levels remain the same except that the Match 4 + 1 prize increases from \$10,000 to \$50,000.

MUSL has also approved a change to the Power Play option to include a 10X for starting jackpots. The 10X will be available at the advertised annuity jackpot levels of \$150 million and below. Also, the match 5 + 0 with Power Play increases the winnings from \$1M to \$2M.

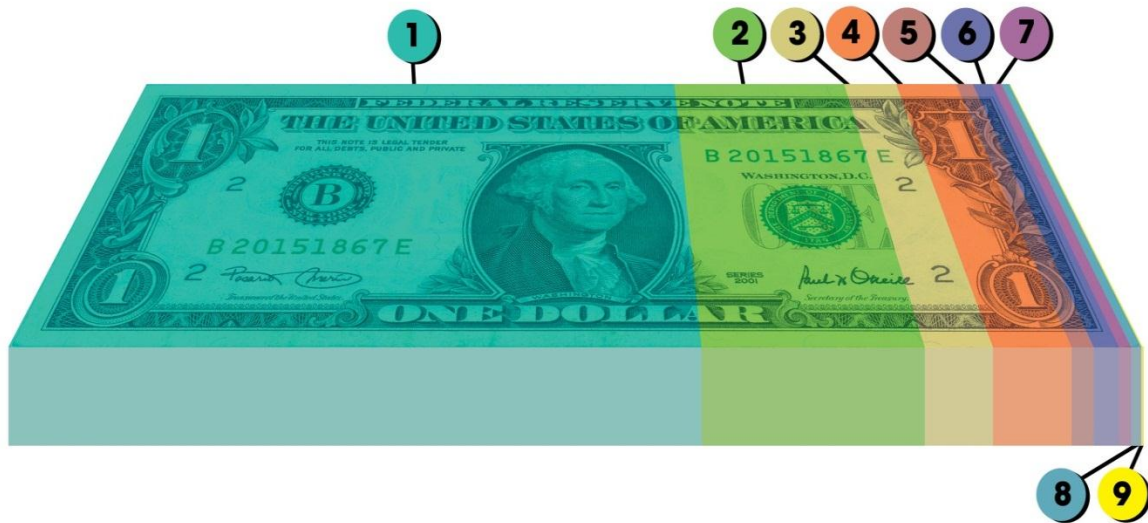
CONTACTING THE LOTTERY

This financial report is provided for interested parties to evaluate the financial results of Lottery activities for fiscal year 2015. If you have questions about this report or need additional financial information, please contact:

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FISCAL YEAR 2015 FUND DISTRIBUTION



- | | |
|--|--|
| 1 Prizes: \$365.9M (61.1%) | 6 Administration: \$12.8M (2.1%) |
| 2 Washington Opportunities Pathways: \$119.0M (19.9%) | 7 Education Legacy: 6.1M (1.0%) |
| 3 Retailer Commissions: \$37.3M (6.2%) | 8 Economic Development: \$4.7M (0.8%) |
| 4 Cost of Sales: \$41.9M (7.0%) | 9 Problem Gambling: \$0.3M (0.1%) |
| 5 Stadium & Exhibition Center: \$11.2M (1.9%) | |

Total Payments: \$599.3 Million

Washington's Lottery
STATEMENT OF NET POSITION AS OF JUNE 30, 2015

Assets	
Current assets	
Cash and cash equivalents	\$19,488,202
Accounts receivable, net of allowances	18,488,310
Investments, current portion	23,392,121
Due from the state	1,588
Inventory	428,985
Prepaid expenses	154,996
Total current assets	61,954,202
Non-current assets	
Investments less current portion	129,998,205
Capital assets, net of accumulated depreciation	544,960
Total non-current assets	130,543,165
Deferred Outflows of Resources	
Deferred Outflows Pensions	639,515
Total deferred outflows of resources	639,515
Total assets and deferred outflows of resources	193,136,882
Liabilities and Net Position	
Current liabilities	
Accounts payable	6,385,806
Prizes payable	28,158,357
Annuity prizes payable, current portion	20,129,159
Due to the state	13,724,460
Salaries and benefits payable	441,210
Unearned revenue	4,366
Total current liabilities	68,843,358
Non-current liabilities	
Annuity prizes payable, net of current portion	109,776,679
Accrued leave payable	829,356
Net pension liability	5,205,875
Total non-current liabilities	115,811,910
Deferred Inflows of Resources	
Deferred Inflows Pensions	2,142,640
Total deferred inflows of resources	2,142,640
Total liabilities and deferred inflows of resources	186,797,908
Net Position	
Invested in capital assets	544,959
Restricted for future prizes	15,829,819
Unrestricted	(10,035,804)
Total Net Position	\$6,338,974

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

Washington's Lottery
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR
FISCAL YEAR ENDED JUNE 30, 2015

Sales	
<i>Scratch</i> ticket sales	\$404,097,793
<i>Draw</i> game sales	196,250,355
Total sales	600,348,148
Other Operating Income	2,850,714
Cost of sales	
Prize expense	365,929,999
Retailer commissions	37,307,646
Vendor expense	26,852,529
Advertising expense	10,468,738
Miscellaneous promotional & other operating expenses	4,624,697
Total cost of sales	445,183,609
Administrative expenses	
Salaries and benefits	9,404,819
Goods and services	2,830,400
Travel	452,426
Depreciation	136,005
Total administrative expenses	12,823,650
Operating income	145,191,603
Non-operating revenues (expenses)	
Investment revenue (loss)	5,007,809
Amortization of annuity prize liability	(7,605,541)
Interest income	40,067
Fee income	10,235
Total non-operating revenues (expenses)	(2,547,430)
Payments to Washington Opportunity Pathways Account	(119,000,660)
Payments to Education Legacy Trust Account	(6,050,000)
Payments to Stadium and Exhibition Center Account	(11,237,887)
Payments to Economic Development	(4,661,950)
Payments to Problem Gambling	(304,744)
Total payments	(141,255,241)
Net non-operating expense	(143,802,671)
Change in net Position	1,388,932
Total net position at beginning of year, as restated	\$4,950,042
Total net position at end of year	\$6,338,974

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

Washington's Lottery

STATEMENT OF CASH FLOWS FOR FISCAL YEAR ENDED JUNE 30, 2015

Cash flows from operating activities	
Cash received from players and retailers (net of commissions)	\$569,618,327
Cash payments for prizes	(393,398,981)
Cash payments to suppliers of goods or services	(45,291,909)
Cash payments to employees	(9,273,095)
Cash payments for other operating costs	(452,426)
Net cash provided by operating activities	121,201,916
Cash flows from non-capital financing activities	
Cash payments to Washington Opportunity Pathways Account	(120,218,403)
Cash payments to General Fund	(595,852)
Cash payments to Stadium and Exhibition Center Account	(11,237,887)
Cash payments to Economic Development Account	(4,699,747)
Cash payments to Problem Gambling Account	(304,637)
Cash payments to Education Legacy Trust Account	(6,050,000)
Net cash used in non-capital financing activities	(143,106,526)
Cash flows from capital financing activities	
Payments for acquisition of equipment	(414,436)
Net cash used in capital financing activities	(414,436)
Cash flows from investing activities	
Receipts of interest	50,302
Proceeds from maturity of investments	28,405,333
Payments for investments	(4,968,465)
Net cash provided by investing activities	23,487,170
Net (decrease) increase in cash and cash equivalents	1,168,124
Cash and cash equivalents at the beginning of year	18,320,078
Cash and cash equivalents at end of year	19,488,202
Reconciliation of operating income to cash provided by operating activities	
Operating income	145,191,603
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	136,005
Pension adjustment (GASB 68)	(330,517)
Decrease (increase) in:	
Accounts receivable	4,335,955
Prepaid expenses	(55,245)
Inventory	(237,101)
Increase (decreases) in:	
Accounts payable	107,318
Prizes payable	71,081
Lotto and win for life payments	(27,540,063)
Accrued payroll	131,724
Unearned revenue	(608,844)
Total adjustments	(23,989,687)
Net cash provided by operating activities	\$121,201,916
Schedule of non-cash investing, capital, and financing activities	
Increase (decrease) in fair value of investments	\$5,007,809
Amortization of long-term annuity prize liability	\$7,605,541

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

WASHINGTON'S LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – Summary of Significant Accounting Policies

Reporting Entity

Washington's Lottery (the Lottery), an agency within the state, was established under the provisions of Chapter 67.70, Revised Code of Washington (RCW), in 1982. A five-member Commission consisting of Washington residents is appointed by the Governor to promulgate rules governing the Lottery. The Director, who is also appointed by the Governor, administers the agency.

For financial reporting purposes, Washington's Lottery is a part of the primary government of the state of Washington and is included in the basic financial statements of the state. Disclosures related to Washington's deferred compensation plan, self-insurance funds, unemployment insurance compensation, state pension plans, post-employment benefits, and workers' compensation benefits are included in the state of Washington's Comprehensive Annual Financial Report.

The financial statements presented within this document represent all Lottery activity and do not include any activity related to any other state agency or fund.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounting methods and procedures adopted by Washington's Lottery conform to generally accepted accounting principles (GAAP) for governmental enterprise funds. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges (sales).

The financial transactions of the Lottery are accounted for by using the following three accounts:

- The State Lottery Account is classified as a non-appropriated/allotted enterprise account. It accounts for all revenues from the sale of lottery products or any other source authorized by law, and expenses limited to payment of prizes to lottery winners, cost of sales, and retailer commissions. The account is allotted based on projected revenues.

- The Shared Game Lottery Account is classified as a non-appropriated/allotted enterprise account. It accounts for all revenues from the sale of shared-game lottery tickets or any other source authorized by law. The account is allotted based on projected revenues.

- The Lottery Administrative Account is an appropriated enterprise account. Costs of operation and administration of the Lottery are paid from this account. All revenues received are generated from Lottery product sales, but the amount that can be spent is limited to a legislatively approved appropriation. Spending cannot exceed this biennial appropriation. Spending authority cannot be carried forward into an ensuing biennium. The appropriation approved for the period July 1, 2013, through June 30, 2015, was \$25.6 million.

The Lottery Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of the Lottery are included on the statement of net position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Lottery distinguishes operating revenue and expenses from non-operating items and presents them as such in the operating statements. Operating revenue is comprised of sales from Draw and Scratch games, as well as line fees charged to retailers. Operating expenses include cost of sales and administrative expenses.

The Lottery uses the accrual basis of accounting. Under this basis, revenues are recognized when earned, and expenses are recognized when the related liability is incurred. Internal receivables and payables have been eliminated.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of State of Washington's Lottery (PERS 1 and PERS 2/3, collectively the Plans) and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits

and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

Implementation of New Standards

As of July 1, 2014, the State of Washington’s Lottery adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. See Note 7 for additional disclosures related to pensions and Note 8 for the effects of implementation on the beginning net position.

Deposits and Investments

The balance in the cash accounts is available to meet current operating requirements. For purposes of reporting cash flows, cash and cash equivalents include all cash accounts, deposits with the State Treasurer, and investments with an original maturity of three months or less.

The Office of State Treasurer (OST) manages the Lottery’s deposits with the state. RCW 43.84.080 authorizes the OST to buy and sell the following types of investments: U.S. Treasury and Agency securities, bankers’ acceptances, and certificates of deposit with qualified public depositories. Securities underlying repurchase and reverse repurchase agreements are limited to those stated above. RCW 39.59.020 authorizes the Lottery to invest in any investments authorized by law for the OST.

Fixed-income investments (U.S. Treasury Strips) are purchased in the name of the Lottery for annuity prize payments. Investments are stated at fair value based on quoted market prices.

Receivables

Receivables are reported at gross value, reduced by the estimated portion that is expected to be uncollectible. Total uncollectible amounts represent less than 1 percent of the Lottery’s receivable.

Revenue and accounts receivable from *Draw* games are recognized when each draw takes place. Sales for *Draw* tickets sold before year end that represent purchases for future draws in the following fiscal year are classified as unearned revenue on the Statement of Net Position. For *Scratch* tickets, revenue and accounts receivable are recognized when retailers activate tickets for sale.

Inventory and Prepaid Expenses

Inventories are valued at the lower of cost or market using the first-in, first-out method. The cost of consumable supplies is expensed as they are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Lottery’s pension obligation qualifies for reporting in this category. The pension obligation results from changes in assumptions or other inputs in the actuarial calculation of the Lottery’s net pension liability and contributions to the plan after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Lottery’s employer pension assumptions qualifies for reporting in this category. The employer pension assumption results from the differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of the Lottery’s net pension liability.

Capital Assets

The state of Washington’s level for capitalization of Leasehold Improvements is \$100,000 and other capital assets are \$5,000. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Leasehold Improvements	5
Computer Equipment	5
Furniture and Equipment	10

Table 6: Capital Assets				
Capital asset activity for the year ended June 30, 2015 was as follows:				
Capital assets being depreciated:	Beginning Balance	Increases	Decreases	Ending Balance
Leasehold Improvements	\$666,340	-	-	\$666,340
Equipment	831,035	414,436	-	1,245,471
Total capital assets being depreciated	1,497,375	\$414,436	-	1,911,811
Less accumulated depreciation for:				
Leasehold improvements	(649,671)	(15,652)	-	(665,323)
Equipment	(581,175)	(120,353)	-	(701,528)
Total accumulated depreciation	(1,230,846)	(136,005)	-	(1,366,851)
Total capital assets being depreciated, net	\$266,529	\$278,431	-	\$544,960

Prizes Payable

The prizes payable account represents the difference between the prize liability and the actual prizes redeemed. Per RCW 67.70.190 "unclaimed prizes shall be retained in the state lottery account for the person entitled thereto for one hundred eighty days after the drawing in which the prize is won, or after the official end of the game for instant prizes. If no claim is made for the prize within this time, all rights to the prize shall be extinguished, and the prize shall be retained in the state lottery fund for further use as prizes, except that one-third of all unclaimed prize money shall be deposited in the economic development strategic reserve account created in RCW 43.330.250."

Due to the State and Other Agencies

Interagency receivables and payables arise from transactions with other state agencies and are recorded by all agencies affected in the period in which transactions occur. At fiscal year-end 2015 the breakdown was as follows:

Due to State and Other Agencies	
	2015
WA Opportunity Pathways	\$ 13,152,013
Economic Development	549,210
General Fund	-
Problem Gambling	23,237
Other Agencies	-
Total Due to State and Other Agencies	\$ 13,724,460

Prize Expense

RCW 67.70.040(1)(k)(i) states that a minimum of 45 percent of gross annual revenue must be paid as prizes. For the fiscal years ended June 30, 2015, the prize expense as a percentage of sales was 61.0 percent. Effective with fiscal year 2015, the Lottery now reports the amortization of its prize liability as a non-operating activity excluding it from prize expense. The percentages mentioned above include

that change. Prize expense represents the amount of winnings to be paid out for a particular game or drawing. In the case of *Scratch* games, the overall prize expense ratio for a given game is recorded in relationship to the amount of sales of the game. *Draw* game prize expense is recorded from the number of winning tickets sold at a given prize level. These expected prize payments are then adjusted 180 days following closure of a *Scratch* game or drawing, as appropriate. This adjustment reduces prize expense to the extent that the anticipated winning tickets do not get presented for payment within the specified time period. These dollars become unclaimed prizes and become restricted net position.

Retailer Commissions

Commissions for fiscal year 2015 on in-state games were computed as 6 percent of net ticket sales. In addition, the Lottery paid an additional 1 percent commission on *Lotto* ticket sales when the declared jackpot exceeded \$6 million or more. Commissions for *Mega Millions* and *Powerball* were paid at a 7 percent rate.

Retailer Selling Bonus

In fiscal year 2015, the Lottery paid retailers a selling bonus of 1 percent of the jackpot amount if they sell a jackpot-winning ticket for *Lotto* or *Hit 5*. Each retailer who sold a jackpot-winning *Mega Millions* or *Powerball* ticket receives a \$50,000 bonus. Retailers selling a *Mega Millions* second-tier prize-winning ticket worth \$250,000 received a \$2,500 bonus, up to \$10,000 for selling a second-tiered prize with the *Megaplier* feature.

For *Powerball*, the retailer was paid up to \$10,000 for a second-tier prize-winning ticket worth \$1.0 million. The *Powerplay* feature does not change the selling bonus amount.

Payments to Washington Opportunity Pathways Account

Payments to the Washington Opportunity Pathways Account consist of the balance of revenues less expenses from all Lottery products, less legislatively mandated payments to the Stadium and Exhibition Center (CenturyLink Field), Problem Gambling, Economic Development, the General Fund and Education Legacy Trust Account. Contributions to the Opportunity Pathways Account totaled \$119.0 million in fiscal year 2015.

Payments to the Stadium and Exhibition Center

The Lottery is legislatively mandated to make payments to the Stadium and Exhibition Center for the

purpose of paying principal and interest payments on bonds issued to construct CenturyLink Field and Exhibition Center, a multi-purpose stadium and exhibition center. Scheduled payments began in 1998 and increase annually by 4.0 percent. These semi-annual payments are scheduled to be made into fiscal year 2021. Payments to the Stadium and Exhibition Center totaled \$11.2 million in fiscal year 2015.

Payments to Economic Development

The Lottery is legislatively mandated to make payments to the Economic Development Strategic Reserve Account. The Economic Development Strategic Reserve Account was created for the Governor, with the recommendation of the Director of the Department of Community, Trade and Economic Development and Economic Development Commission, to make expenditures for the economic good of the state. This includes preventing the closure of a business or facility, preventing relocation of a business or facility outside the state or to recruit a business or facility to the state. Payments to this account are defined to be one-third of the Lottery's unclaimed prize money. Payments to Economic Development totaled \$4.7 million in fiscal year 2015. In fiscal year 2015, two \$1.0 million dollar *Power Ball* prizes went unclaimed, adding to the increased contribution compared to fiscal year 2014.

Payments to the General Fund

There was no contribution to the General Fund in fiscal year 2015. *Per RCW 67.70.340(4), if in total, contributions to the Washington Opportunity pathways Account from the in-state and Powerball games are in excess of \$102 million, such excess shall be transferred to the General Fund.*

Payments to Problem Gambling

The Lottery is legislatively mandated to make payments to the Problem Gambling Account. This account was created for the prevention and treatment of problem and pathological gambling and the training of professionals in the identification and treatment of problem and pathological gambling. Lottery payments to this account is defined as thirteen one-hundredths of one percent of "net receipts", defined as the difference between revenue received from the sale of lottery tickets and the sum of payments made to winners. Payments to Problem Gambling totaled \$304.7 thousand in fiscal year 2015.

Payments to Education Legacy Trust

A total of \$6.05 million was distributed to the Education Legacy Trust Account by way of a mandated legislative order, which required the

Lottery to transfer a total of \$16.1 million of unclaimed dollars to this beneficiary for the 13-15 Biennium. In fiscal year 2015 the final \$6.05 million was transferred.

Net Position

Restricted net position represent amounts set aside for unclaimed prizes retained for future use as prizes, as required by RCW 67.70.190. During fiscal year 2015, \$14.0 million of prizes went unclaimed. Of this amount:

1. \$4.6 million was used for contributions to the Economic Development Strategic Reserve Account.
2. \$6.05 million was distributed to the Education Legacy Trust Account by way of a mandated legislative order.

Unrestricted net position represents the net position available for future operations and unrealized gains or losses on investments. GASB Statement No. 31 requires that certain investments be reported at fair value with gains and losses reflected in the statement of operations. The Lottery uses investments only to fund its annuity prize obligations and intends to hold the investments to maturity. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amounts due to beneficiaries.

NOTE 2 – General Budgetary Policies and Procedures

As an agency of Washington State, the Lottery is required to submit a budget through the Governor to the State Legislature no later than December 20th of the year preceding odd-year sessions of the Legislature. The budget is a proposal for expenses in the ensuing biennial period based upon anticipated revenues from the sources existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenses in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approval by the Governor. Operating appropriations are made at the fund/account and agency level. Capital appropriations are generally made at the fund/account, agency, and project level. The legal

level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances.

The Lottery's appropriated and non-appropriated/allotted accounts are monitored by the executive branch through the allotment process. This process allocates the expense plan into monthly allotments by program, source of funds, and object of expense. According to RCW 43.88.110, the original biennial allotments are approved by the Governor and may be revised at the request of the Office of Financial Management (OFM), or upon the Lottery's initiative, on a quarterly basis. The revisions must be accompanied by an explanation of the reasons for significant changes. Also, OFM is authorized to make allotments based on the availability of unanticipated receipts. Appropriations are strict legal limits on expenses and over expenditures are prohibited. Appropriations lapse at the end of the biennium.

As an enterprise fund, the Lottery Fund is budgeted using a combination of fixed and flexible budgets. Fixed budgets are employed using the appropriation and allotment process. Fixed budgets are included with flexible estimates in business plans prepared by the Lottery for operations under its control. These business plans constitute a full-accrual GAAP budget. The Lottery does not employ encumbrance accounting.

NOTE 3 – Detailed Notes on Account Balances

Deposits and Investments

As of June 30, 2015, the amount of cash on deposit was \$19,488,202. All Lottery deposits in a financial institution are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple-financial-institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC is a statutory authority established under RCW 39.58. There are provisions for PDPC to make additional pro-rata assessments of need to cover a loss. Accordingly, the deposits covered by the PDPC are considered to be insured.

The Lottery's investment policy is to purchase U.S. Treasury Stripped Coupons (TINTS), or U.S. Treasury (non-callable) Principal Strips to fund annuity prize payments and to hold these investments to maturity. The investment maturities approximate the annuity prize payment dates.

For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the Lottery will not be able to recover the value of its investments that

are in the possession of an outside party. The Lottery has limited custodial risk because the U.S. Treasury Strips are held in the Lottery's name by its custodian.

U.S. Treasury Strips are explicitly guaranteed by the U.S. government and, therefore, have limited credit risk.

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. It's the Lottery's policy that interest rate risk is insignificant because, while the fair value is reported, it is the Lottery's policy to hold the investments to maturity. In the event of a winner's death, the estate has the option of continuing the annuity payments or settling the Lottery's obligation, which would be accomplished by paying the proceeds received from the sale of the investments.

U.S. Treasury Strips investments held on June 30, 2015 were as follows:

Maturity	Amount
Less than 1	\$23,392,121
1-5	68,438,942
6-10	42,159,487
11-15	13,331,117
16-20	3,877,090
21-25	1,482,956
26-28	708,613
Fair Value	\$153,390,326

NOTE 4 – Operating Leases

The Lottery leases office and warehouse facilities in Everett, Lacey, Olympia, Federal Way, Spokane, Vancouver, and Yakima under long-term operating leases, which expire at various dates through December 31, 2019. Total costs for such leases were \$758,569 for the fiscal year ended June 30, 2015. All leases, which are for periods of one to five years, include a special termination provision allowing the Lottery to terminate the lease.

The aggregate lease commitment for the Lottery, provided cancellation options are not used, is as follows as of June 30, 2015:

Fiscal Year	Operating Leases
2016	\$758,569
2017	675,082
2018	282,113
2019	157,362
2020	64,829
Total	\$1,937,955

NOTE 5 – Prize Liabilities

Presented below is a summary of the annuity prize payment requirements as of June 30, 2015:

Fiscal Year	Principal	Interest	Total
2016	\$20,129,159	\$3,262,841	\$23,392,000
2017	15,958,150	1,631,850	17,590,000
2018	11,686,753	1,803,247	13,490,000
2019	10,767,380	2,722,620	13,490,000
2020	10,165,621	3,272,379	13,438,000
2021-2025	38,908,676	19,137,324	58,046,000
2026-2030	12,505,973	8,182,027	20,688,000
2031-2035	4,915,041	4,572,959	9,488,000
2036-2040	2,531,822	2,656,178	5,188,000
2041-2045	825,769	1,114,231	1,940,000
2046-2050	536,268	719,732	1,256,000
2051-2055	391,383	496,617	888,000
2056-2060	370,297	457,703	828,000
2061-2065	213,546	254,454	468,000
Total	\$129,905,838	\$50,284,162	\$180,190,000

This debt represents annual payments owed to *Lotto* jackpot winners and lifetime winners. Annuity *Lotto* jackpot prizes are paid in 25 installments, with the first installment on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury Strips purchased by the Lottery. Lifetime prizes are paid semi-annually or annually for the life of the winner, and are funded with U.S. Treasury Strips.

Activity of annuity prize payments for the year ended June 30, 2015 was as follows:

Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2015	\$149,840,360	12,574,006	(32,508,528)	\$129,905,838	\$20,129,159

Compensated Absences

Lottery employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at the employee's anniversary date. The expense and accrued liability is recognized when the annual leave is earned. The Lottery's liability for accumulated annual leave, including the employer share of pension benefits and payroll taxes, was \$542,380 on June 30, 2015. The Lottery estimates that approximately \$500,000 of its annual leave total liability will be paid within one year, and as such is considered short-term.

With no limit on accumulation, sick leave is earned at 12 days per year. Sick leave is not vested; i.e., employees are not paid for unused sick leave upon termination except upon employee death or retirement, at which time the Lottery is liable for 25 percent of the employee's accumulated sick leave.

Each January, employees who have accumulated sick leave in excess of 60 days have the option to redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave. Accumulated sick leave balances, including the employer share of payroll taxes as of June 30, 2015, represent possible future payments of \$1,292,686 depending on employee options, not probable payments. As a result, only the estimated dollar value of sick leave that will be paid to employees is recognized as an expense and accrued liability. The estimates of \$286,976 on June 30, 2015, are based on the actuarially-determined factor of the probability that current employees will receive payments for sick leave buyouts. The Lottery estimates that approximately 8-10 percent, or \$129,269 of its sick leave total liability will be paid within one year, and as such is considered short-term.

Long-term liability activity of leave benefits for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Annual Leave	\$530,128	\$509,129	(\$496,877)	\$542,380
Sick Leave	\$271,977	\$77,398	(\$62,399)	\$286,976

NOTE 6 – Risk Management

The Lottery faces various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters, for which the Lottery participates in Washington State's risk management and insurance program. In order to participate, an annual premium in proportion to the anticipated exposure to liability losses is assessed.

NOTE 7 – Pension Plans

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and three defined benefit/defined contribution plans, of which the Lottery participates in the following plans:

Public Employees' Retirement System (PERS)

Plan 1 - defined benefit

- Plan 2 - defined benefit
- Plan 3 - defined benefit/defined contribution

The remaining plans administered by DRS do not contain any current or former Lottery employees.

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan. All plans are administered through trust arrangements.

Administration of the PERS and other systems and plans was funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

Pursuant to RCW 41.50.770, the state offers its employees and employees of those political subdivisions that elect to participate, a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at:

<http://www.drs.wa.gov/administration/annual-report/>.

Plan Description.

The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit / defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are

accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members, with the following provisions:

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	PERS Plan 1	PERS Plan 2	PERS Plan 3
Vesting years of service	5 Years	5 Years	10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Immediately vested in the defined contribution portion.
Eligibility for retirement	30 Years	30 Years	30 Years
Retirement age	60 with 5 years of service, 55 with 25 years of service.	65 with 5 years of service.	
Monthly benefit	2% of average final compensation (AFC) per year of service capped at 60%.	2% of AFC per year of service.	Defined benefit portion, 1% of the AFC per year of service. No service cap.
Reductions	Inactive status prior to 65 could reduce benefits	Optional early retirement but reduction in benefits.	
Cost of living allowance	Optional by member election, automatic to CPI, capped at 3%, but reduces benefits.	CPI, capped at 3%.	
Disability	Duty disability prior to age 60, \$350 per month in a temporary life annuity, or 2/3 of monthly AFC, whichever is less. Converted to service retirement at age 60. Non-duty disability must have 5 years of covered employment. Before age 55, 2% of the AFC for each year of service, reduced by 2% for each year the member's age is less than 55. 60% of AFC limit.	2 percent of the AFC per year of service. No cap on years of service credit.	1 percent of the AFC per year of service. No cap on years of service credit.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose out of the member's covered employment, if found eligible by the director of the Department of Labor and Industries.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the director of DRS. During fiscal year 2014, the rate was 5.5 percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by DRS at the close of the fiscal year 2014, we as follows:

	Employer			Employee		
	PERS 1	PERS 2	PERS 3 (DB portion)	PERS 1	PERS 2	PERS 3
Contribution percentage	9.0%	5.0%	5.0%	6.0%	4.9%	Variable
Admin Fee	0.2%	0.2%	0.2%	N/A	N/A	N/A
Plan 1 UAAL	0.0%	4.1%	4.1%	N/A	N/A	N/A
Total	9.2%	9.2%	9.2%	6.0%	4.9%	Variable

OSA - Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table

published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Rates of Return	
	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

Employer's Proportionate Share of Net Pension Liability (Asset) (in thousands)			
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	4,450	3,610	2,890
PERS 2/3	6,655	1,595	(2,269)
Total	\$11,105	\$5,205	\$621

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, PERS 1 recognized pension expense of \$215 thousand, and PERS 2/3 recognized pension expense of \$265 thousand. At June 30, 2014, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source (expressed in thousands), irrespective of state contributions subsequent to the measurement date:

	Deferred Outflows of Resources	Deferred Inflows of Resources
(Amounts in thousands)		
PERS 1		
Net difference between projected and actual earnings on pension plan investments		\$451
Lottery contributions subsequent to measurement date	\$325	
PERS 2/3		
Net difference between projected and actual earnings on pension plan investments		1692
Lottery contributions subsequent to measurement date	315	
Total	\$640	\$2,143

The \$639,515 reported as deferred outflows of resources related to pensions resulting from Lottery contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2015. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (not applicable for PERS 3):

	Years ended June 30, Increase / (Reduction in Pension Expense)		
	(Amounts in thousands)		
	PERS 1	PERS 2	Total
2015	(\$113)	(\$423)	(\$536)
2016	(113)	(423)	(536)
2017	(113)	(423)	(536)
2018	(112)	(423)	(535)
Total	(\$451)	(\$1,692)	(\$2,143)

Collective Net Pension Liability/Asset. At June 30, 2014, the Lottery reported a liability of \$3.6 million for its proportionate share of the collective net pension liability for PERS 1 and \$1.6 million for PERS 2/3. The Lottery's proportion for PERS 1 was .072025 percent, a decrease of 1.96 percent since the prior reporting period, and .079354 percent for PERS 2/3, a decrease of 1.05 percent. The proportions are based on the Lottery's contributions to the pension plan relative to the contributions of all participating employers. The collective net pension liability was measured as of June 30, 2013 with the results rolled forward to June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date.

DEFINED CONTRIBUTION PLAN - Public Employees' Retirement System Plan 3. Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined

contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

NOTE 8 – Adoption of New Standard

As of July 1, 2014, the State of Washington's Lottery adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position at June 30, 2014, as previously reported	\$11,989,559
Net Pension Liability at June 30, 2014	(7,700,909)
Deferred outflows of resources related to contributions made during the year ended June 30, 2014	661,392
Net position at July 1, 2014, as restated	<u>\$4,950,042</u>

- 2) Under a contract that expires on March 17, 2020, Pollard Banknote Limited is an alternate supplier of Instant Game tickets.
- 3) Under a contract that expires on March 17, 2020, GTECH Printing Corporation is an alternate supplier of Instant Game tickets.

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NOTE 9 – Commitments and Contingencies

Gaming Vendor System Contractual Arrangements

The Lottery maintains a gaming network of approximately 3,742 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through self-service terminals. GTECH Corporation (GTECH) is responsible for operating all traditional Lottery games, including maintenance of terminals and related communication services, under a contract expiring June 30, 2016. On May 15, 2015, a new contract was signed for ten years, commencing July 1, 2016. The contract may be extended up to ten (10) additional years, in any number of extensions.

Instant Game sales are also supported by services provided under additional contracts initiated March 17, 2015:

- 1) Under a contract that expires on March 17, 2020, Scientific Games International is the primary supplier of Instant Game tickets.

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

RSI

Required Supplementary Information PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of the Lottery's Proportionate Share of the Net Pension Liability

Schedule of the Lottery's Proportionate Share of the Net Pension Liability
Public Employee' Retirement System (PERS) Plan 1
Measurement Date of June 30, 2015
(dollars in thousands)

	2015
Lottery's PERS 1 employer's proportion of the net pension liability	0.072025%
Lottery's PERS 1 employer's proportionate share of the net pension liability	\$ 3,610
Lottery's PERS 1 employer's covered-employee payroll	\$ 521
Lottery's PERS 1 employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	693%
Plan fiduciary net position as a percentage of the total pension liability	61.19%

*GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Lottery will present information for those use for which information is available.

Schedule of the Lottery's Proportionate Share of the Net Pension Liability
Public Employee' Retirement System (PERS) Plans 2/3
Measurement Date of June 30, 2015
(dollars in thousands)

	2015
Lottery's PERS 2/3 employer's proportion of the net pension liability	0.079354%
Lottery's PERS 2/3 employer's proportionate share of the net pension liability	\$ 1,596
Lottery's PERS 2/3 Employer's covered-employee payroll	\$ 6,584
Lottery's PERS 2/3 Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	24.24%
Plan fiduciary net position as a percentage of the total pension liability	93.29%

*GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Lottery will present information for those use for which information is available.

PENSION PLAN INFORMATION

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarial Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS – The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 RCW. Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the Fall of 2014,

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STATISTICAL SECTION

**This section offers relevant financial, economic and demographic statistical information, including
National lottery industry trend data**

Financial Trends

Lottery's sales increased by \$5.8 million or 1.0 percent over fiscal year 2014. Strong sales in *Scratch* games in fiscal year 2015, contributed to the growth compared to fiscal year 2014. Overall sales for *Lotto*, *Mega Millions* and *Powerball* were down from prior year. The total number of *Scratch* tickets sold increased by 3.9 percent in fiscal year 2015, compared to 2014, and the average price per ticket increased slightly from \$3.64 in fiscal year 2014 to \$3.73 in fiscal year 2015. Operating expenses are dominated by prizes, retailer commissions, gaming vendor commissions, marketing and advertising. Prize expenses increased in fiscal year 2015 by \$3.2 million, or 0.9 percent compared to fiscal year 2014. Net operating profit increased by \$1.8 million or 1.2 percent compared to fiscal year 2014.

Net position is affected by the fluctuation in the value of securities, and the Lottery saw an increase by \$5.0 million in the value of its securities. These are impacted by changes in interest rates from year to year. Because nearly all securities are held to maturity, there is no real change in their value. All net assets for the Lottery are incorporated into one enterprise fund.

Changes in Net Position



Revenue Capacity

The Lottery's sole focus is the sale of tickets for games of chance. These products are divided into two main types: *Scratch*, or "instant" game tickets, and "draw" game tickets. The Lottery offers seven different *Draw* games in which winning numbers are drawn either two, three or seven times a week, depending upon the game. The Lottery launched 61 *Scratch* games during fiscal year 2015.

The number and type of retail locations that sell Lottery products in Washington also impact the

revenue capacity. During fiscal year 2015, the Lottery reduced a net of 1 retailer bringing the total number at the end of fiscal year 2015 to 3,742 compared to 3,743 for the prior year.

Debt Capacity

The Lottery offers *Lotto* winners the option to receive their prize over a 25-year period. *Mega Millions* and *Powerball* winners have the option of taking their winnings over a 30-year period. Some *Scratch* games have "For Life" winnings. This long-term liability is backed by the Lottery purchasing Treasury Strips, or annuities, at a deep discount. In other words, the Lottery is able to purchase certain future payments at a fraction of the future payments.

Operating Information

The Lottery consists of six divisions; Executive, Finance & Administration, Information Services, Security, Human Resources/Customer Service and Marketing/Sales. The Executive Division includes 7 employees. These employees include the Director, Deputy Director, Legal Counsel/Legislative Liaison, and Research and Development. The Sales/Marketing Division is the largest with 70 employees working in headquarters and the five regions throughout the state. Supporting the Sales/Marketing staff are the Finance and Administration Division with 22 employees, Information Services Division with 17 employees, Security Division with 4 employees, and Human Resources/Customer Service Division with 11 employees.

The table below shows an eight-year trend of Lottery employees, and is comprised of 100 percent government employees (headcount) as of June 30th each year. The Lottery is overseen by a five-member Commission appointed by the Governor with the consent of the Senate. The Commission advises and makes recommendations to the Director for the operation and administration of the Lottery. No data prior to fiscal year 2007 is available, and the Lottery will continue to gather information in order to report the required 10 years of information.

Department	2015	2014	2013	2012	2011	2010	2009	2008	2007
Executive	7	7	8	8	10	11	12	12	12
Finance & Administration	22	22	22	20	19	21	20	22	21
Information Services	17	15	16	13	15	14	13	13	13
Security	4	4	5	5	5	5	5	5	5
Human Resources/Customer Service	11	10	11	12	5	5	5	5	4
Sales/Marketing	70	72	71	11	12	9	11	10	10
Sales	0	0	0	63	72	72	73	73	74
Total	131	130	133	132	138	137	139	140	139

Demographic and Economic Information

Washington State's population is almost 7.1 million people. As of November 2014 forecast, 5,288,178 were over 18 years of age and eligible to purchase Lottery products. Median household income in Washington in 2014 was \$58,686 and per capita personal income was \$49,583. Washington's unemployment rate in 2014 was 6.3 percent. Presented below, is an 9-year history for each of the categories above. No data prior to fiscal year 2007 is available, and the Lottery will continue to gather information in order to report the required 10 years of information.

Year of CAFR	Population (Millions)	Median Household Income	Per Capita Personal Income	WA's Unemployment Rate
2007	6.4	\$ 56,807	\$ 32,458	4.9%
2008	6.5	59,119	34,592	4.5%
2009	6.6	55,771	34,343	5.3%
2010	6.7	56,317	42,933	8.9%
2011	6.7	54,888	42,570	9.6%
2012	6.7	55,550	43,878	9.2%
2013	6.9	56,444	45,693	8.2%
2014	6.9	58,577	47,031	7.0%
2015	7.1	58,686	49,583	6.3%

players. About 90% of the population reports White/Caucasian or Asian/Pacific Islander ethnicity.

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The demographic charts in the following section display the population separated by age, education, ethnic background, employment status, and annual income. These categories are further broken out into players versus non-players.

Age: Age: Lottery play is less prevalent in the youngest (under 24) and oldest (over 65) age classes. More than two-thirds of Lottery players are between 30 and 65 years old.

Income: The median household income category is \$50 to \$75 thousand per year for both players and non-players. Although the distribution of household income is very similar between players and non-players, players are less likely to report household income less than \$20,000 per year.

Education: The majority of both players and non-players had some education beyond high school. Players were more likely to have high school diplomas, two-year degrees or technical certificates than non-players. Players were less likely to have postgraduate degrees than non-players.

Employment Status: The majority of both players and non-players were employed. Players were more likely to be employed full-time than non-players.

Ethnic Background: People reporting Hispanic/Latino and Asian/Pacific Islander ethnicity comprise a greater proportion of players than of non-

The top ten private employers in Washington for fiscal years 2007-2015 are displayed below. No data prior to fiscal year 2007 is available, and the Lottery will continue to gather information in order to report the required 10 years of information.

		2015		
#	Employer	City	Employees Count	Percentage
1	The Boeing Company	Seattle	80,066	24%
2	Joint Base Lewis-McChord	Lewis-McChord	60,000	17%
3	Microsoft Corp	Redmond	41,728	12%
4	Navy Regional Northwest	Silverdale	37,682	11%
5	University of Washington	Seattle	34,700	10%
6	Amazon.com, Inc	Seattle	24,000	7%
7	Wal-Mart Stores, Inc	Bentonville, AR	18,147	5%
8	Providence Health & Services	Renton	17,553	5%
9	Fred Meyer Stores	Portland, OR	15,915	5%
10	Costco Wholesale Corp	Issaquah	14,921	4%
Total			344,712	100%

		2014		
#	Employer	City	Employees Count	Percentage
1	The Boeing Company	Seattle	85,000	25%
2	Joint Base Lewis-McChord	Lewis-McChord	56,000	17%
3	Navy Regional Northwest	Silverdale	43,000	13%
4	Microsoft Corp	Redmond	41,664	13%
5	University of Washington	Seattle	29,800	9%
6	Providence Health & Services	Renton	20,240	6%
7	Wal-Mart Stores, Inc	Bentonville, AR	18,000	5%
8	Fred Meyer Stores	Portland, OR	14,590	4%
9	King County Government	Seattle	12,993	4%
10	United States Postal Service	Federal Way	11,914	4%
Total			333,201	100%

		2013		
#	Employer	City	Employees Count	Percentage
1	The Boeing Co.	Seattle	85,000	25%
2	Joint Base Lewis-McChord	McChord	56,000	17%
3	Navy Region Northwest	Silverdale	43,000	13%
4	Microsoft Corp	Redmond	41,664	13%
5	University of Washington	Seattle	29,800	9%
6	Providence Health and Services	Renton	20,240	6%
7	Wal-Mart Stores, Inc	Bentonville, AR	18,000	5%
8	Fred Meyer Stores	Portland, OR	14,590	4%
9	King County Government	Seattle	12,993	4%
10	United States Postal Service	Federal Way	11,914	4%
Total			333,201	100%

		2012		
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	31%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	19%
3	Providence Health & Services	Renton	19,000	17%
4	NVAL Air Station Whidbey Island	Oak Harbor	10,000	9%
5	South Seattle Community College	Seattle	5,000	4%
6	Barrett Business Service Inc	Moses Lake	5,000	4%
7	Pacific Northwest National Lab	Richland	4,700	4%
8	Stewart Title	Seatac	4,500	4%
9	Fairchild Air Force Base	Fairchild AFB	4,500	4%
10	St Joseph Medical Center	Tacoma	4,400	4%
Total			113,100	100%

		2011		
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	31%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	19%
3	Providence Health & Services	Renton	19,000	17%
4	NVAL Air Station Whidbey Island	Oak Harbor	10,000	9%
5	Pacific Northwest National Lab	Richland	4,700	4%
6	Fairchild Air Force Base	Fairchild AFB	4,500	4%
7	Stewart Title Co	Seatac	4,500	4%
8	St Joseph Medical Ctr	Tacoma	4,000	4%
9	Providence Sacred Heart Med	Spokane	4,000	4%
10	Sacred Heart Children's Hosp	Spokane	3,900	4%
Total			110,600	100%

		2010		
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	36%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	21%
3	Tacoma General Hospital	Tacoma	8,500	8%
4	Multicare Hospice & Palliative	Tacoma	8,000	8%
5	University of WA OB/GYN	Seattle	6,000	6%
6	Barrett Business Service Inv	Moses Lake	5,000	5%
7	Seattle Main Clinic	Seattle	5,000	5%
8	Stewart Title	Seatac	4,500	4%
9	Sacred Heart Children's Hospital	Spokane	3,900	4%
10	Harborview Medical Center	Seattle	3,400	3%
Total			100,300	100%

		2009		
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	32%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	20%
3	Boeing Co	Kent	10,000	9%
4	Tacoma General Hospital	Tacoma	8,500	8%
5	Multicare Hospice & Palliative	Tacoma	8,000	7%
6	University of WA OB/GYN	Seattle	6,000	6%
7	Barrett Business Service Inv	Moses Lake	5,000	5%
8	Seattle Main Clinic	Seattle	5,000	5%
9	Stewart Title	Seatac	4,500	4%
10	Sacred Heart Children's Hospital	Spokane	3,900	4%
Total			106,900	100%

		2008		
#	Employer	City	Employees Count	Percentage
1	University of Washington	Seattle	27,000	24%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	19%
3	Microsoft Corp	Redmond	20,000	18%
4	Boeing Co	Kent	10,000	9%
5	University of WA OB/GYN	Seattle	6,000	5%
6	Washington State University	Pullman	5,770	5%
7	South Seattle Community College	Seattle	5,000	5%
8	Virginia Mason Medical Ctr	Seattle	5,000	5%
9	Multi Care Health System	Tacoma	5,000	5%
10	BBSI	Moses Lake	5,000	5%
Total			109,770	100%

		2007		
#	Employer	City	Employees Count	Percentage
1	University of Washington	Seattle	27,000	23%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	18%
3	Microsoft Corp	Redmond	20,000	17%
4	Boeing Co	Kent	10,000	8%
5	MulticareHospice & Palliative	Tacoma	8,000	7%
6	Multicare Health System	Tacoma	8,000	7%
7	University of WA OB/GYM	Seattle	8,000	7%
8	Washington State University	Pullman	5,770	5%
9	BBSI	Moses Lake	5,000	4%
10	Multicare Health System	Tacoma	5,000	4%
Total			117,770	100%

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Note: In fiscal year 2013, Washington's Lottery changed the source to gather the top 10 employers, which caused a shift in how employers are reported.

WHO PLAYS WASHINGTON'S LOTTERY GAMES?

Demographics of Lottery Players and Non-Players

The following charts reflect the results of the Fiscal Year 2015 demographic survey. The respondents were categorized as Lottery players and non-players. These charts reflect the percentage of respondents in these two categories by selected demographics.



Data Source: Washington's Lottery Usage and Attitude Tracking Study conducted by IPSOS-Reid.

Ten Years of Net Position

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Position										
Invested in capital assets	259,804	387,936	307,841	276,746	355,401	275,584	358,544	403,881	266,529	544,959
Restricted for future prizes	12,234,490	11,216,128	15,107,376	7,824,817	3,659,665	3,600,628	9,535,984	16,777,500	12,555,919	15,829,819
Unrestricted	22,699,110	20,945,418	35,024,787	37,511,394	28,756,516	8,139,532	19,350,886	4,893,069	(832,889)	(10,035,804)
Total net position	35,193,404	32,549,482	50,440,004	45,612,957	32,771,582	12,015,744	29,245,414	22,074,450	11,989,559	6,338,974

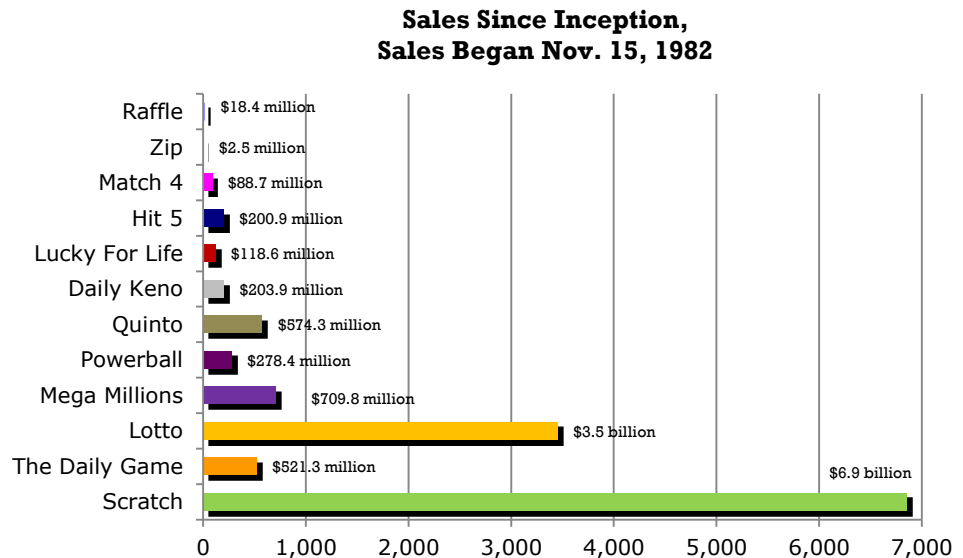
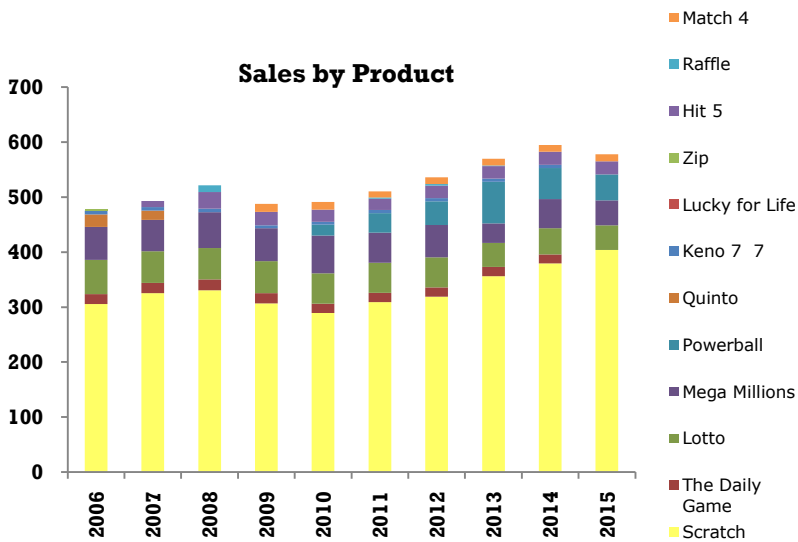
Ten Years of Changes in Net Position

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales										
Scratch ticket sales	305,512,725	325,197,396	330,520,307	307,004,644	289,324,733	309,045,103	318,149,502	356,021,877	379,352,242	404,097,793
Draw game sales	172,372,789	167,393,768	190,582,290	180,714,035	201,696,753	201,412,321	217,047,664	213,565,366	215,171,218	196,250,355
Total Sales	477,885,514	492,591,164	521,102,597	487,718,679	491,021,486	510,457,424	535,197,166	569,587,243	594,523,460	600,348,148
Other operating income						2,966,318	2,985,900	2,875,510	2,865,770	2,850,714
Cost of Sales										
Prize expense	291,773,401	304,834,285	314,923,284	301,279,527	291,827,949	295,155,493	311,545,285	339,365,820	362,666,491	365,929,999
Retailer commissions	30,345,420	31,190,099	32,391,044	30,751,766	31,005,437	31,941,021	33,383,737	35,545,701	37,368,870	37,307,646
Vendor expense	14,655,710	14,250,830	14,637,059	14,026,413	14,283,685	19,948,887	21,823,707	23,978,757	25,542,925	26,852,529
Advertising expense	6,844,990	9,767,655	11,292,640	12,161,926	12,315,924	11,813,258	10,882,354	10,194,020	10,122,178	10,468,738
Misc. promotional & other operating expenses	1,903,783	6,442,018	5,057,841	5,008,198	4,055,394	4,208,989	4,106,779	4,215,283	5,704,670	4,624,697
Total Cost of Sales	345,523,304	366,484,887	378,301,868	363,227,830	353,488,389	363,067,648	381,741,862	413,299,581	441,405,134	445,183,609
Administrative expenses										
Salaries and benefits	8,511,768	8,861,222	9,232,680	9,446,681	9,687,211	9,853,525	9,567,271	9,585,980	9,619,930	9,404,819
Goods and services	2,268,688	2,490,003	2,658,744	2,375,804	2,294,355	2,173,778	2,279,971	2,640,333	2,368,232	2,830,400
Travel	408,116	476,157	519,150	369,462	409,270	381,979	434,622	452,446	460,997	452,426
Depreciation	94,896	114,165	117,647	110,969	121,305	120,772	132,145	131,664	124,135	136,005
Total Administrative Expenses	11,283,468	11,941,547	12,528,221	12,302,916	12,512,141	12,530,054	12,414,009	12,810,423	12,573,294	12,823,650
Operating Income	121,078,742	114,164,730	130,272,508	112,187,933	125,020,956	137,826,040	144,027,195	146,352,749	143,410,802	145,191,603
Non-Operating Revenues (expenses)										
Investment revenue (loss)	(7,993,787)	23,871,431	38,105,795	22,480,606	21,777,420	6,266,376	23,979,561	(3,612,981)	3,045,060	5,007,809
Amortization of annuity prize liability	(28,344,906)	(27,099,716)	(22,658,996)	(20,000,662)	(17,351,689)	(14,981,731)	(12,819,949)	(10,743,345)	(8,866,388)	(7,605,541)
Interest income	2,329,880	2,757,471	2,421,131	841,625	150,319	87,571	58,387	51,111	49,403	40,067
Misc. income (expense)	5,534	24,086	27,175	37,412	36,415	160,896	13,201	(10,260)	(60,573)	-
Fee income	18,000	19,825	10,636	18,125	17,894	12,764	14,968	14,497	11,050	10,235
Loss on disposal of capital assets	(122,338)	(10,932)	-	-	-	-	(5,340)	3,881	121	-
Total non-operating revenues (expenses)	(34,107,617)	(437,835)	17,905,741	3,377,106	4,630,359	(8,454,124)	11,240,828	(14,297,097)	(5,821,327)	(2,547,430)
Payments to:										
Education Funds	(102,000,000)	(101,932,376)	(102,000,000)	(102,000,000)	(97,368,911)	-	-	-	-	-
Washington Opportunity Pathways Account	-	-	-	-	-	(112,262,295)	(121,840,501)	(115,578,117)	(121,905,022)	(119,000,660)
Education Legacy Trust Account	-	-	-	-	(13,100,000)	(11,900,000)	-	-	(10,050,000.00)	(6,050,000)
Other state funds	-	-	-	-	-	-	-	-	-	-
King County	(4,355,334)	(4,529,547)	(4,710,730)	(4,899,160)	(5,095,125)	(5,298,930)	(2,701,415)	-	-	-
Stadium and Exhibition Center Account	(7,895,591)	(8,211,414)	(8,539,871)	(8,881,466)	(9,236,724)	(9,609,193)	(9,990,441)	(10,390,059)	(10,805,661)	(11,237,887)
Economic Development	(3,034,511)	(2,975,639)	(3,677,118)	(2,377,226)	(4,573,866)	(3,739,469)	(2,967,678)	(3,620,758)	(4,016,417)	(4,661,950)
Problem Gambling	(186,129)	(244,084)	(268,038)	(243,995)	(258,950)	(279,892)	(290,747)	(299,288)	(301,414)	(304,744)
Veterans' Innovation Program	-	-	-	-	-	-	(247,571)	-	-	-
General Fund	(7,617,611)	-	(11,091,970)	(1,990,239)	(12,859,114)	(7,037,975)	-	(9,338,395)	(595,852)	-
Total payments	(125,089,176)	(117,893,060)	(130,287,727)	(120,392,086)	(142,492,690)	(150,127,754)	(138,038,353)	(139,226,617)	(147,674,366)	(141,255,241)
Net non-operating expense	(159,196,793)	(118,330,895)	(112,381,986)	(117,014,980)	(137,862,331)	(158,581,878)	(126,797,525)	(153,523,714)	(153,495,693)	(143,802,671)
Change in net position	(38,118,051)	(4,166,165)	17,890,522	(4,827,047)	(12,841,375)	(20,755,838)	17,229,670	(7,170,965)	(10,084,891)	1,388,932
Prior period adjustment to net position	-	1,522,243	-	-	-	-	-	-	(7,039,517)	-
Total net position at beginning of year	73,311,455	35,193,404	32,549,482	50,440,004	45,612,957	32,771,582	12,015,744	29,245,415	22,074,450	4,950,042
Total net position at end of year	35,193,404	32,549,482	50,440,004	45,612,957	32,771,582	12,015,744	29,245,415	22,074,450	4,950,042	6,338,974

Ten Years of Sales and Other Revenues

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Scratch	305,512,725	325,197,396	330,520,307	307,004,644	289,324,733	309,045,103	318,149,502	356,021,877	379,352,242	404,097,793
Draw:										
<i>The Daily Game</i>	18,167,348	18,977,376	19,799,094	18,341,004	16,993,685	16,736,124	16,597,018	16,747,637	16,660,795	16,856,367
<i>Lotto</i>	61,886,078	57,108,545	56,918,875	58,245,291	54,805,991	54,559,716	54,468,198	43,785,467	47,372,657	44,844,196
<i>Mega Millions</i>	60,055,375	57,197,968	65,445,763	59,577,333	68,642,733	55,036,067	59,196,654	35,485,582	52,992,207	44,811,063
<i>Powerball</i>	-	-	-	-	19,995,130	35,588,849	42,858,045	75,935,191	56,433,962	47,573,226
<i>Quinto</i>	23,068,753	16,694,094	-	-	-	-	-	-	-	-
<i>Keno</i>	6,687,377	6,739,225	6,507,227	5,523,027	5,271,489	5,550,604	5,633,672	5,651,905	5,752,923	5,816,200
<i>Lucky for Life</i>	-	-	-	-	-	-	-	-	-	-
<i>Zip</i>	2,507,858	-	-	-	-	-	-	-	-	-
<i>Hit 5</i>	-	10,676,560	29,799,251	24,433,740	22,340,255	20,649,685	22,961,307	22,764,290	23,913,846	23,403,505
<i>Raffle</i>	-	-	12,112,080	-	-	2,117,470	2,925,910	1,279,240	-	-
<i>Match 4</i>	-	-	-	14,593,640	13,647,470	11,173,806	12,406,860	11,916,054	12,044,828	12,945,798
Total Draw	172,372,789	167,393,768	190,582,290	180,714,035	201,696,753	201,412,321	217,047,664	213,565,366	215,171,218	196,250,355
Total Sales	477,885,514	492,591,164	521,102,597	487,718,679	491,021,486	510,457,424	535,197,166	569,587,243	594,523,460	600,348,148
Other operating income	-	-	-	-	-	2,966,318	2,985,900	2,875,510	2,865,770	2,850,714
Interest	2,329,880	2,757,471	2,421,131	841,625	150,319	87,571	58,387	51,112	49,403	40,067
License Fees	18,000	19,825	27,175	18,125	17,894	12,764	14,968	14,497	11,050	10,235
Miscellaneous	(116,804)	24,086	1,482,154	37,411	36,415	160,896	(53,832)	(6,379)	(60,452)	-
Total Other Revenues	2,231,076	2,801,382	3,930,460	897,161	204,628	261,231	19,523	59,230	1	50,302
Total Sales and Other Revenues	480,116,590	495,392,546	525,033,057	488,615,840	491,226,114	513,684,973	538,202,589	572,521,983	597,389,231	603,249,164

46



Ten Years of Expenses

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Prizes	280,862,647	291,773,401	304,834,285	314,923,284	301,279,527	291,827,949	295,155,493	311,545,285	339,365,820	362,666,491	365,929,999
Retailer Commissions	28,747,652	30,345,420	31,190,099	32,391,044	30,751,766	31,005,437	31,941,021	33,383,737	35,545,701	37,368,870	37,307,646
Cost of Sales	22,468,418	23,404,483	30,460,503	30,987,540	31,192,738	30,655,003	35,971,134	36,812,840	38,388,061	41,369,773	41,945,964
Administration	11,424,322	11,283,468	11,941,547	12,528,221	12,302,916	12,512,141	12,530,054	12,414,009	12,810,423	12,573,294	12,823,650
Total Expenses	343,503,039	356,806,772	378,426,434	390,830,089	375,526,947	366,000,530	375,597,702	394,155,871	426,110,005	453,978,428	458,007,259

Note: Non-operating expenses are not included.

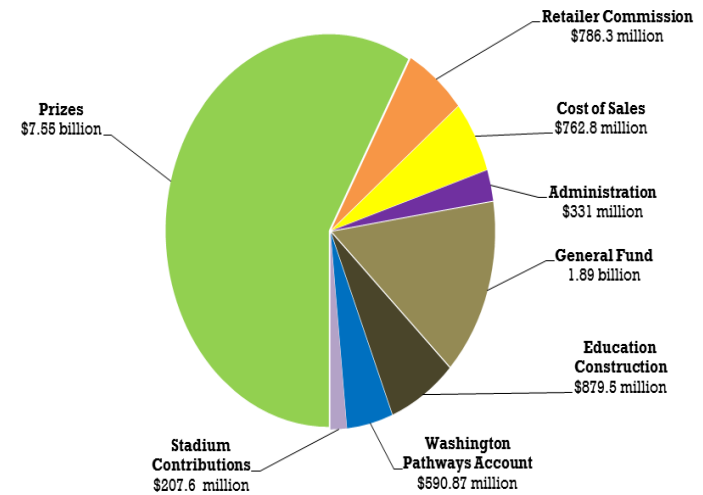
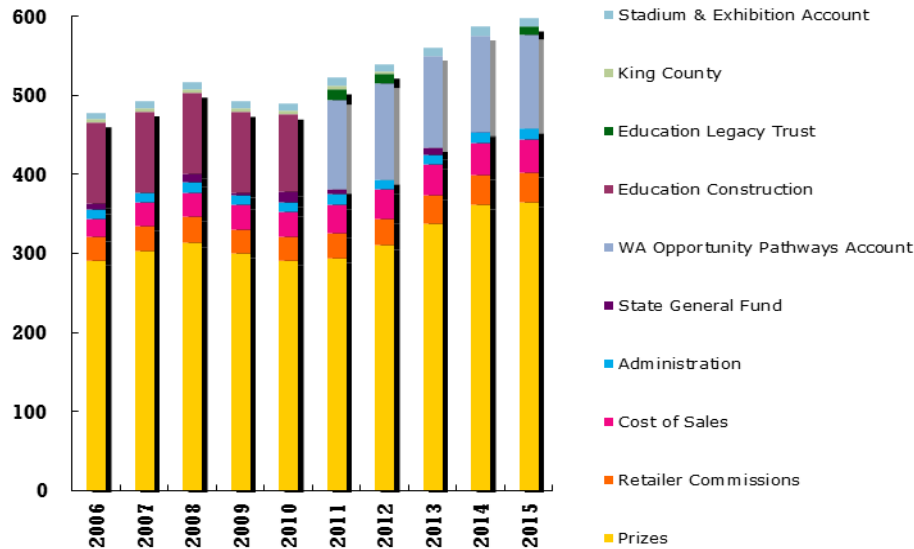
Washington's Lottery retroactively reclassified the reporting of the amortization portion of its securities. These amounts are now included in Other Operating Income.

Ten Years of Contributions

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
State General Fund	1,851,979	7,617,611	-	11,091,971	1,990,239	12,859,114	7,037,975	-	9,338,396	595,852	-
Washington Opportunity Pathways Account	-	-	-	-	-	-	112,262,295	121,840,501	115,578,116	121,905,022	119,000,660
Education Funds	102,000,000	102,000,000	101,932,376	102,000,000	102,000,000	97,368,911	-	-	-	-	-
Education Legacy Trust Fund	-	-	-	-	-	13,100,000	11,900,000	-	-	10,050,000	6,050,000
Economic Development	-	3,034,511	2,975,639	3,677,118	2,377,226	4,573,866	3,739,469	2,967,678	3,620,758	4,016,417	4,661,950
Problem Gambling	-	186,129	244,084	268,038	243,995	258,950	279,892	290,747	299,288	301,414	304,744
Veterans' Innovation Program	-	-	-	-	-	-	-	247,571	-	-	-
King County	4,187,821	4,355,334	4,529,547	4,710,730	4,899,160	5,095,125	5,298,930	2,701,415	-	-	-
Stadium & Exhibition Account	7,591,914	7,895,591	8,211,414	8,539,871	8,881,466	9,236,724	9,609,193	9,990,441	10,390,059	10,805,661	11,237,887
Total Contributions	115,631,714	125,089,176	117,893,060	130,287,728	120,392,086	142,492,690	150,127,754	138,038,353	139,226,617	147,674,366	141,255,241

47

Expenses and Contributions (amounts in millions)



Economic Development Contributions \$35.6 million, amount too small to show on graph
 Education Legacy Trust Account \$41.1 million; amount too small to show on graph
 Veterans Innovations Program \$248 thousands; amount too small to show on graph
 Problem Gambling \$2.7 million, amount too small to show on graph

Washington's Lottery

COMPARATIVE STATEMENT OF LOTTERY REVENUES AND EXPENSES BY LOTTERY FOR FISCAL YEAR 2014

Lottery	Millions of Dollars					As Percentage of Sales			
	Sales	Prizes	Commissions	Expenses	Net Income	Prizes	Commissions	Expenses	Net Income
New York	7,314.17	4,409.27	439.31	1,100.37	1,260.31	60.28%	6.01%	15.04%	17.23%
Florida	5,368.23	3,431.09	298.65	151.58	1,487.77	63.91%	5.56%	2.82%	27.71%
California	5,034.66	3,082.38	345.51	280.12	1,326.97	61.22%	6.86%	5.56%	26.36%
Massachusetts	4,853.64	3,514.59	277.79	95.40	973.88	72.41%	5.72%	1.97%	20.06%
Texas	4,384.60	2,741.19	237.50	185.44	1,223.33	62.52%	5.42%	4.23%	27.90%
Pennsylvania	3,799.57	2,376.68	202.37	140.91	1,081.50	62.55%	5.33%	3.71%	28.46%
Georgia	3,739.92	2,413.84	239.32	154.49	943.20	64.54%	6.40%	4.13%	25.22%
New Jersey	2,908.14	1,731.96	162.11	91.54	956.82	59.56%	5.57%	3.15%	32.90%
Illinois	2,791.80	1,755.27	159.12	156.50	796.80	62.87%	5.70%	5.61%	28.54%
Ohio	2,743.14	1,698.00	169.87	120.99	747.58	61.90%	6.19%	4.41%	27.25%
Michigan	2,596.41	1,559.86	188.50	113.23	755.69	60.08%	7.26%	4.36%	29.11%
North Carolina	1,839.27	1,135.05	128.55	77.60	504.15	61.71%	6.99%	4.22%	27.41%
Virginia	1,810.82	1,082.47	101.52	89.74	538.55	59.78%	5.61%	4.96%	29.74%
Maryland	1,723.99	1,022.03	122.11	148.21	429.20	59.28%	7.08%	8.60%	24.90%
Tennessee	1,319.06	850.79	92.49	42.82	337.29	64.50%	7.01%	3.25%	25.57%
South Carolina	1,264.44	811.06	89.23	37.08	330.76	64.14%	7.06%	2.93%	26.16%
Missouri	1,157.05	766.23	70.56	57.40	276.80	66.22%	6.10%	4.96%	23.92%
Connecticut	1,112.40	668.79	62.08	49.47	332.14	60.12%	5.58%	4.45%	29.86%
Indiana	1,018.73	636.60	68.16	65.39	250.63	62.49%	6.69%	6.42%	24.60%
Kentucky	843.26	523.78	52.77	41.41	224.02	62.11%	6.26%	4.91%	26.57%
Arizona	723.95	456.42	49.22	43.14	175.62	63.05%	6.80%	5.96%	24.26%
Washington	594.52	371.53	37.37	53.94	137.59	62.49%	6.29%	9.07%	23.14%
Wisconsin	568.84	326.69	38.44	43.58	158.72	57.43%	6.76%	7.66%	27.90%
Colorado	545.03	336.51	40.21	39.87	129.37	61.74%	7.38%	7.32%	23.74%
Minnesota	531.52	327.99	31.86	44.86	127.01	61.71%	5.99%	8.44%	23.90%
Louisiana	448.97	237.39	25.02	26.45	161.66	52.87%	5.57%	5.89%	36.01%
Arkansas	410.07	274.95	23.05	33.18	80.18	67.05%	5.62%	8.09%	19.55%
Iowa	314.06	186.95	20.13	29.92	77.20	59.53%	6.41%	9.53%	24.58%
Oregon	310.08	201.98	26.26	24.31	63.43	65.14%	8.47%	7.84%	20.46%
New Hampshire	275.61	171.85	15.82	15.84	72.48	62.35%	5.74%	5.75%	26.30%
Kansas	245.71	138.74	14.44	20.17	73.33	56.46%	5.88%	8.21%	29.84%
Rhode Island	242.79	145.96	17.44	25.23	55.19	60.12%	7.18%	10.39%	22.73%
Maine	229.96	146.85	14.94	17.63	52.42	63.86%	6.50%	7.67%	22.80%
District of Columbia	216.04	121.27	14.18	25.49	55.12	56.13%	6.56%	11.80%	25.51%
Idaho	208.89	133.23	12.14	16.77	47.59	63.78%	5.81%	8.03%	22.78%
Oklahoma	191.13	97.50	12.65	12.29	69.13	51.01%	6.62%	6.43%	36.17%
W. Virginia	188.63	111.76	13.21	6.96	68.88	59.25%	7.00%	3.69%	36.52%
Nebraska	157.90	92.82	10.13	18.09	37.11	58.78%	6.42%	11.46%	23.50%
Delaware	148.37	101.99	9.40	18.66	18.32	68.74%	6.34%	12.58%	12.35%
New Mexico	136.00	74.06	8.78	12.01	41.21	54.46%	6.46%	8.83%	30.30%
Vermont	102.31	65.03	6.08	8.69	22.49	63.56%	5.94%	8.49%	21.98%
South Dakota	54.10	31.25	2.95	6.37	13.89	57.76%	5.45%	11.77%	25.67%
Montana	53.09	29.55	3.01	8.75	11.82	55.66%	5.67%	16.48%	22.26%
North Dakota	26.93	13.80	1.35	4.12	7.79	51.24%	5.01%	15.30%	28.93%
Total	64,547.8	40,407.00	3,955.60	3,756.01	16,534.94	62.60%	6.13%	5.82%	25.62%

Note to Table: fiscal year 2014 is the latest data available. Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). 1 Source: U.S. Census Bureau; 2 Source: U.S. Bureau of Economic Analysis; 3 This data represents only revenue from traditional lottery games; 4 Prizes do not include VLT prizes paid; 5 Traditional lottery commissions only; 6 Traditional lottery expenses only; 7 Includes transfers for VLT operations; Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income. ** Reflects operating income only. Source: "La Fleur's 2012 World Lottery Almanac," TLF Publications, Inc.

Washington's Lottery

COMPARISON OF LOTTERY REVENUES AND EXPENSES PER CAPITA BY LOTTERY FOR FISCAL YEAR 2014

Figures Per Capita						
Lottery	Population (M)	Sales	Prizes	Commissions	Expenses	Net Income
California	38.80	129.76	79.44	08.90	07.22	34.20
Texas	26.96	162.63	101.68	08.81	06.88	45.38
Florida	19.89	269.90	172.50	15.02	07.62	74.80
New York	19.75	370.34	223.25	22.24	55.71	63.81
Illinois	12.90	216.42	136.07	12.33	12.13	61.77
Pennsylvania	12.79	297.07	185.82	15.82	11.02	84.56
Ohio	11.59	236.68	146.51	14.66	10.44	64.50
Georgia	10.10	370.29	238.99	23.70	15.30	93.39
North Carolina	9.94	185.04	114.19	12.93	07.81	50.72
Michigan	9.81	264.67	159.01	19.22	11.54	77.03
New Jersey	8.94	325.30	193.73	18.13	10.24	107.03
Virginia	8.33	217.39	129.95	12.19	10.77	64.65
Washington **	7.06	84.21	52.62	5.29	7.64	19.49
Massachusetts	6.75	719.06	520.68	41.15	14.13	144.28
Arizona	6.73	107.57	67.82	07.31	06.41	26.10
Indiana	6.60	154.35	96.45	10.33	09.91	37.97
Tennessee	6.55	201.38	129.89	14.12	06.54	51.49
Missouri	6.06	190.93	126.44	11.64	09.47	45.68
Maryland	5.98	288.29	170.91	20.42	24.78	71.77
Wisconsin	5.76	98.76	56.72	06.67	07.57	27.56
Minnesota	5.46	97.35	60.07	05.84	08.22	23.26
Colorado	5.36	101.68	62.78	07.50	07.44	24.14
South Carolina	4.83	261.79	167.92	18.47	07.68	68.48
Louisiana	4.65	96.55	51.05	05.38	05.69	34.77
Kentucky	4.41	191.22	118.77	11.97	09.39	50.80
Oregon ¹	3.97	78.11	50.88	06.61	06.12	15.98
Oklahoma	3.79	50.43	25.73	03.34	03.24	18.24
Connecticut	3.60	309.00	185.78	17.24	13.74	92.26
Iowa	3.11	100.98	60.11	06.47	09.62	24.82
Arkansas	2.97	138.07	92.58	07.76	11.17	27.00
Kansas	2.90	84.73	47.84	04.98	06.96	25.29
New Mexico	2.09	65.07	35.44	04.20	05.75	19.72
Nebraska	1.88	83.99	49.37	05.39	09.62	19.74
West Virginia ¹	1.85	101.96	60.41	07.14	03.76	37.23
Idaho	1.63	128.15	81.74	07.45	10.29	29.20
Maine	1.33	172.90	110.41	11.23	13.26	39.41
New Hampshire	1.33	207.23	129.21	11.89	11.91	54.50
Rhode Island ¹	1.06	229.05	137.70	16.45	23.80	52.07
Montana	1.02	52.05	28.97	02.95	08.58	11.59
D.C.	0.94	157.84	108.50	10.00	19.85	19.49
South Dakota	0.85	63.65	36.76	03.47	07.49	16.34
North Dakota	0.74	36.39	18.65	01.82	05.57	10.53
Delaware ¹	0.66	327.33	183.74	21.48	38.62	83.52
Vermont	0.63	162.40	103.22	09.65	13.79	35.70
Total	302.4	213.45	133.62	13.08	12.42	54.68

Note to Table: fiscal year 2014 is the latest data available. Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30).

¹ Source: U.S. Census Bureau; ² Source: U.S. Bureau of Economic Analysis; ³ This data represents only revenue from traditional lottery games; ⁴ Prizes do not include VLT prizes paid; ⁵ Traditional lottery commissions only; ⁶ Traditional lottery expenses only; ⁷ Includes transfers for VLT operations;

Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income.

** Reflects operating income only. Source: "La Fleur's 2012 World Lottery Almanac," TLF Publications, Inc.

Retailers of the year

Washington's Lottery awarded five retailers across the state with the title of Retailer of the Year. These great retailers include:

- Spokane region winner: Valley View Conoco
 - Yakima region winner: Desert Food Mart
- Federal Way region winner: Café Truong Nguyen
 - Vancouver region winner: Quickway Market
- Everett region winner: Quick N Easy Food Store

The annual Retailers of the Year award gives Washington's Lottery an opportunity to recognize premier retailers from every region of the state. The employees at these stores strive to provide the best service possible to all of their customers. Additionally, the retailers recognize Washington's Lottery as an organization that adds value by adding an element of fun and an opportunity to dream for their customers.

Washington's Lottery

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Mailing Address:
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Olympia, WA 98504-3000

Regional Offices and Prize Claim Centers

Everett Regional Office

11419 19th Ave SE, Suite A106
Everett, WA 98208-5120

Federal Way Regional Office

33701 9th Ave S
Federal Way, WA 98003-6762

Spokane Regional Office

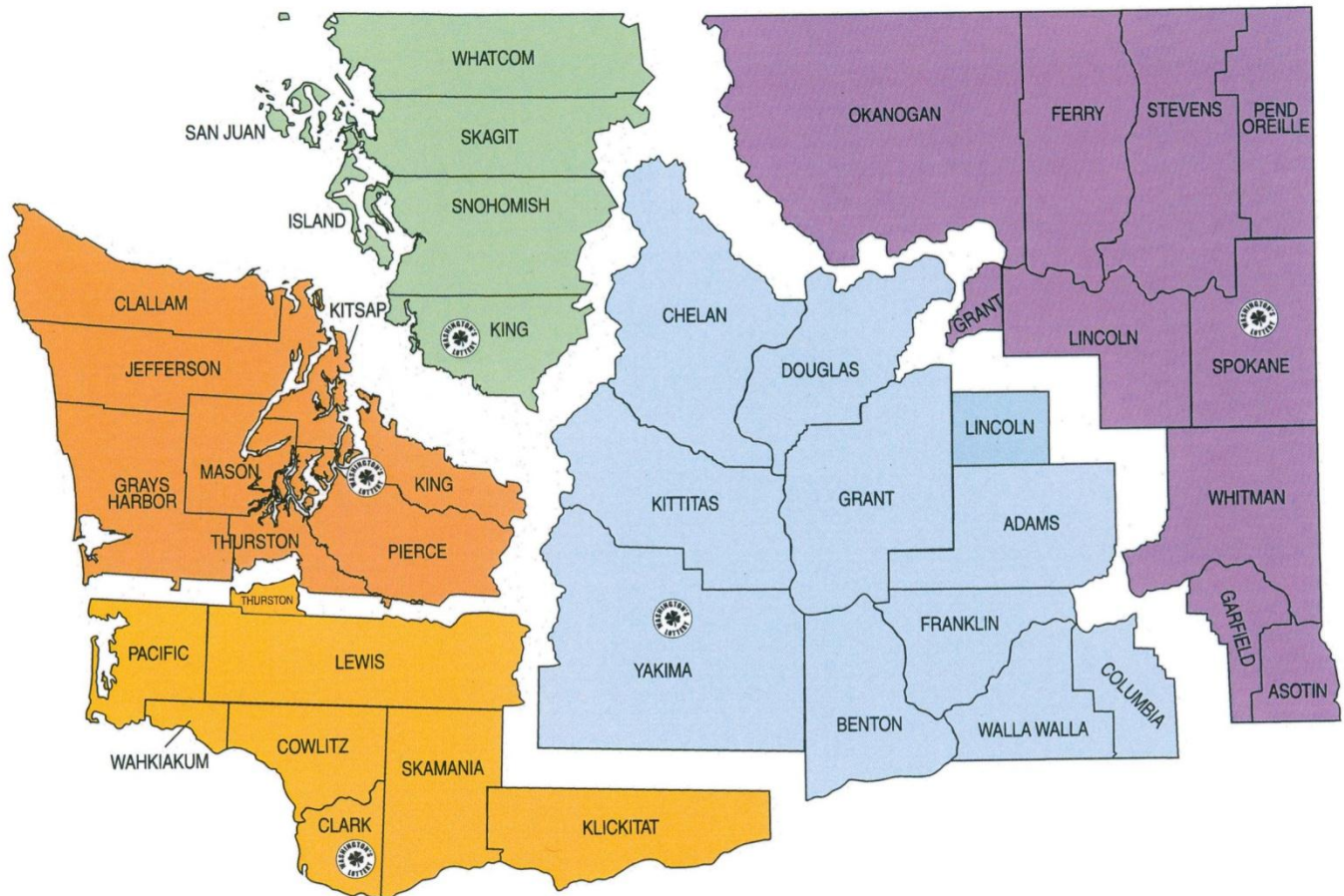
10517 East Sprague Ave,
Spokane Valley, WA 99206-3631

Vancouver Regional Office

1503 Northeast 78th St, Suite #4,
Vancouver, WA 98665-9668

Yakima Regional Office

9 South 5th Ave,
Yakima, WA 98902-3432



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