COMPREHENSIVE ANNUAL FINANCIAL REPORT

Prepared by Washington's Lottery Finance Division for the fiscal years ended June 30, 2018 and June 30, 2017.

WASHINGTON'S LOTTERY

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.

WASHINGTON'S LOTTERY

an agency of the State of Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal years ended June 30, 2018 and June 30, 2017

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 Auditor's Report..... 15

Management's Discussion and Analysis..... 17

Basic Financial Statements

Statements of Net Position..... 23

Statements of Revenues, Expenses, and Changes in Net Position..... 24

Statements of Cash Flows..... 25

Notes to the Financial Statements..... 26

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability PERS Plan 1..... 45

Schedule of Proportionate Share of the Net Pension Liability PERS Plan 2/3..... 45

Schedule of Employer Contributions PERS Plan 1..... 45

Schedule of Employer Contributions PERS Plan 2/3..... 45

Schedule of Changes in Total OPEB Liability and Related Ratios..... 46

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters..... 47

Statistical Section

Washington State

Statistical Section..... 50

Demographics of Players..... 51

Top Ten Private Employers..... 53

Net Position Last 10 Fiscal Years..... 54

Changes in Net Position-Last 10 Fiscal Years..... 54

Sales and Other Revenues-Last 10 Fiscal Years..... 55

Expenses and Contributions-Last 10 Fiscal Years..... 56

United States

Comparison of Lottery Revenues and Expenses by State..... 57

Comparison of Lottery Revenues and Expenses per Capita..... 58

Retailers of the year..... 59

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 2018 beneficiaries included Washington Opportunities Pathways Account, CenturyLink Field & Exhibition Center stadium debt reduction, General Fund, Problem Gambling Account and the Governor's Economic Development Account.

Hit 5 winner Tessie from Wenatchee, WA claimed a $191,000 Hit 5 prize. The winner will celebrate by heading to The Big Apple for a Broadway show. It has been a longtime dream to see the musical "Jersey Boys".

Powerball winner James of Blaine, WA claimed a $100,000 Powerball prize. He plans to use his winnings to open his own business where he can work to bring to life some of the inventions that he's been working on over the years. He also wants to travel to visit family in Oregon.

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) 810-2888

October 24, 2018

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, 2018. In fiscal year 2018, the Lottery sales increased by $60.6 million or 9.0 percent compared to fiscal year 2017 and contributed a total of $183.0 million to its beneficiaries for state programs. The Washington's Opportunity Pathways Account received $134.1 million to fund scholarships.

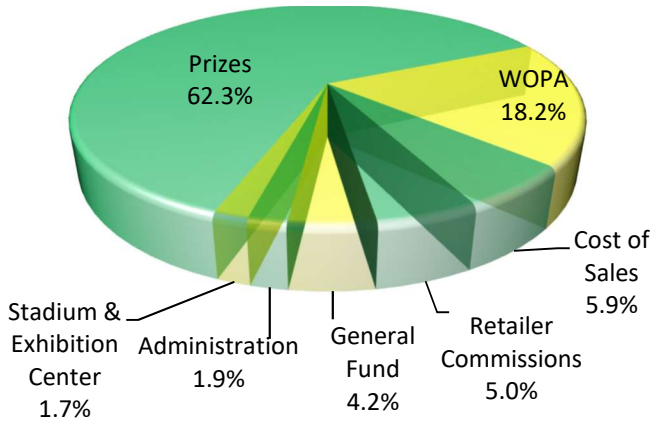
Although state law does not require the Lottery to provide stand-alone audited financial statements, we do so to reflect the highest standards of fiscal transparency and uncompromised accountability to the public, thereby strongly demonstrating our thorough efforts to disclose all relevant information.

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 the public good. In order to operate the business successfully, the Lottery provides personnel in the following disciplines: security, legal, administrative, marketing, sales, finance, management, and information services. The Lottery generated dollars for the Washington Opportunity Pathways Account, Economic Development Account, Problem Gambling Account, General Fund and stadium debt payments for CenturyLink Field. Lottery revenues for fiscal year 2018 totaled $736.7 million. These sales allowed contributions of $134.1 million to the Washington Opportunity Pathways Account (WOPA), $12.6 million to the Stadium and Exhibition Center Account (CenturyLink Field), $31.2 million to the General Fund, $4.6 million to the Economic Development Account and $358.9 thousand to the Problem Gambling Account.

Total Distribution: $735.1 Million Fiscal Year 2018



Amounts not displayed in graph:
Problem Gambling 0.1%; Economic Development .6%

Profit **Cost of doing business**

The legislature decides the beneficiaries and how much the Lottery can spend on administration.

Washington's Lottery constantly focuses on maintaining and increasing ability to generate these funds in support of scholarships by contributing to the Washington 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 2018 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 $8.8 billion in prizes, and retailers have received over $893.1 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 2018, Washington's Lottery paid out more than 36 million winning tickets ranging from $1 to $9.4 million. Eighteen people became millionaires through Washington's Lottery in the last fiscal year. Since inception, the Lottery has made more than 711 people millionaires, and that number continues to grow.

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, Problem Gambling Account, General Fund Account, and stadium debt payments for CenturyLink Field. Since inception, the Lottery has contributed more than $4.2 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 $4.1 million in previously uncollected money. This figure represents $2.4 million in child support payments and $1.7 million in recovered taxes, fees, penalties, welfare, and employment security debts.

Washington State's Economy and Revenue Outlook

Recent economic performance continues to affirm Washington State's economic advantage throughout the expansion, and the state should outperform the nation in job and income growth over the foreseeable future.

Washington's jobless rate moved above the national rate during the past two years after having mirrored the national figures for much of the economic recovery. Washington's rate has traditionally been higher than the national norm due to the state's outsized share of seasonal industries and its attractiveness to in-migrants searching for opportunity and the Northwest experience. Over the past three years, 72 percent of Washington's population growth has been due to migration. More recent forecasts expect Washington's jobless rate to remain above the national average, likely the result of strong population growth and the accompanying frictional lag in employment. In fundamental ways, that reflects the confidence workers have in finding gainful employment. By the end of the next biennium (2019-21), Washington's unemployment rate is projected to fall to 4.3 percent, down from the current 4.5 percent.

Personal income in Washington is expected to make above-average gains over the next biennium. Real personal income should gain 3.5 percent in fiscal year 2019, 3.2 percent in fiscal year 2020 and 2.8 percent in fiscal year 2021, measurably higher than the respective 2.4 percent, 2.7 percent and 2.3 percent projections for the nation. On a per-capita basis, Washington's real personal income should reach $56,946 in fiscal year 2021, more than $5,300 above the U.S. average.

These gains in Washington's personal income will occur notwithstanding the absence of growth in aerospace employment, which is expected to be a constant 83,900 jobs from fiscal year 2019 through fiscal year 2021. However, thanks to gains in software publishing, electronic shopping and mail order, and other technology sectors, Washington is projected to net a 2.7 percent increase in total payroll jobs in fiscal year 2019 , 1.7 percent in fiscal year 2020 and 1.1 percent in fiscal year 2021.

Construction activity in Washington is expected to remain at a robust level in the next biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains have renewed demand for single-family housing. Building permits should reach 42,500 in fiscal year 2019, 44,300 in fiscal year 2020 and then slow to 43,700 in fiscal year 2021. As a result, construction employment should jump by 3.3 percent in fiscal year 2019, 0.1 percent in fiscal year 2020 and then dip by 0.3 percent in fiscal year 2021. That should ease the share of construction jobs to just under 6 percent of total nonfarm employment, still a bit above historic averages yet reflective of a stabilizing housing and commercial building market.

General Fund-State revenues grew 6.2 percent in fiscal year 2017 and 10 percent in fiscal year 2018. General Fund-State revenues are forecasted to increase 1.8 percent in fiscal year 2019, 8.1 percent in fiscal year 2020 and 4.6 percent in fiscal year 2021. The expanding economy, strong gains in hiring and sound housing markets have had a positive effect on revenue growth and 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 $507.9 million in fiscal year 2018, compared to $472.3 million in 2017. In fiscal year 2018, *Scratch* sales were $281.8 million more than all other Lottery games combined. *Scratch* games provided 69.2 percent of total net sales for fiscal year 2018, compared to 70.1 percent in 2017. The Lottery launched 45 *Scratch* games in fiscal year 2018, compared to 47 games in fiscal year 2017.

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. *Mega Millions* is played in forty-four states, District of Columbia and the U.S. Virgin Islands.

Mega Millions ticket sales in Washington were $54.7 million for fiscal year 2018, representing 7.4 percent of total net Lottery sales. *Mega Millions* sales were $39.3 million or 5.8 percent of net sales in fiscal year 2017. In fiscal year 2018, jackpots ranged from $40 million to $521 million, with 5 winning jackpots over $100 million. In fiscal year 2018, *Mega Millions* highest jackpot was $521 million as compared to $540 million in the prior year 2017.

Mega Millions is a jackpot-based game with nine prize levels. Tickets cost $2 to play for jackpots of up to hundreds of millions of dollars. Players pick six numbers from two different pools of numbers. They choose five balls from a field of 70 and one ball from a field of 25, representing the "*Mega Ball*", though most players let the computer randomly "Quick Pick" their numbers. Jackpots start at $40 million and increase by a minimum of $5 million per draw 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 million prize if five balls are matched from the pool of 70 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 multiplier 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.

Washington began selling *Powerball* in January 2010, a multi-state lottery game operated by the Multi-State Lottery Association (MUSL). *Powerball* is sold in forty-seven jurisdictions, including District of Columbia, Puerto Rico and the U.S. Virgin Islands. *Powerball* sales were $72.9 million for fiscal year 2018, representing 9.9 percent of net sales, compared to $60.0 million or 8.9 percent in fiscal year 2017. In fiscal year 2018, jackpots ranged from $40 million to $700 million, with 7 winning jackpots over $100 million. In fiscal year 2018, Powerball highest jackpot was $700 million as compared to $478 million in the prior year 2017.

Powerball is a jackpot-driven game. Players pick five numbers out of sixty-nine plus one out of twenty-six numbers which represents the "*Powerball*". Most players let the computer randomly "Quick Pick" their numbers. Drawings are held every Wednesday and Saturday as part of the *Powerball* drawing event. Players can buy tickets for up to nine drawings in advance, plus the current drawing.

"*Power play*" is a special feature of *Powerball* that when purchased, allows players to have the chance to win $2,000,000 on a second-tiered prize if the "*Power play*" 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 purchase up to twenty-five consecutive drawings in advance. *Lotto* sales for fiscal year 2018 were $38.6 million, representing 5.3 percent of total net sales. *Lotto* sales in fiscal year 2017 totaled $43.4 million or 6.4 percent of net sales in that year. 7 winning *Lotto* jackpots were drawn in fiscal year 2018 ranging from $1.6 million to $9.4 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. 36 *Hit 5* cashpots were awarded in fiscal year 2018, ranging from $100,000 to $490,000. 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 2018 were $21.6 million or 2.9 percent of net sales compared to $21.3 million or 3.2 percent of net sales in fiscal year 2017. Players can purchase up to twenty-five consecutive 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 2018 were $13.7 million, representing 1.9 percent of net sales compared to $13.4 million or 2.0 percent of net sales in fiscal year 2017. Players can purchase up to twenty-five consecutive drawings in advance. There were 582 prizes in the amount of $10,000 awarded in fiscal year 2018.

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 $18.9 million or 2.6 percent of net sales in fiscal year 2018, similar to the $17.8 million, with a 2.6 percent experienced in fiscal year 2017.

Keno was added to the Lottery's product line in 1992. 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 purchase up to twenty-five consecutive drawings in advance. *Daily Keno* sales totaled $5.7 million or 0.8 percent of net sales in fiscal year 2018, compared to $5.9 million or 0.9 percent in fiscal year 2017.

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 auditor 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 Economic and Revenue Forecast Council, an independent 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 2018, the Lottery employed 128 staff. Headquarters and the offsite warehouse had 74 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 2018 audit of Lottery financial statements has been completed in conformance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial section of this report includes the Independent Auditor's report on the Lottery's financial statements and report on internal controls and compliance with applicable laws and regulations.

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, 2017. This was the twenty- eighth 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 and we appreciate the outstanding contributions they have made to Lottery's success. We also thank the Lottery Commissioners for their dedication and guidance in operating Washington's Lottery.

Respectfully submitted,

Maria Douka
Director of Finance

Marcus Glasper
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, 2017

Christopher P. Morrill

Executive Director/CEO

PRINCIPAL OFFICIALS OF WASHINGTON'S LOTTERY

Marcus Glasper
Lottery Director

Valoria Loveland
Chair
Pasco
Term ends
8/2021

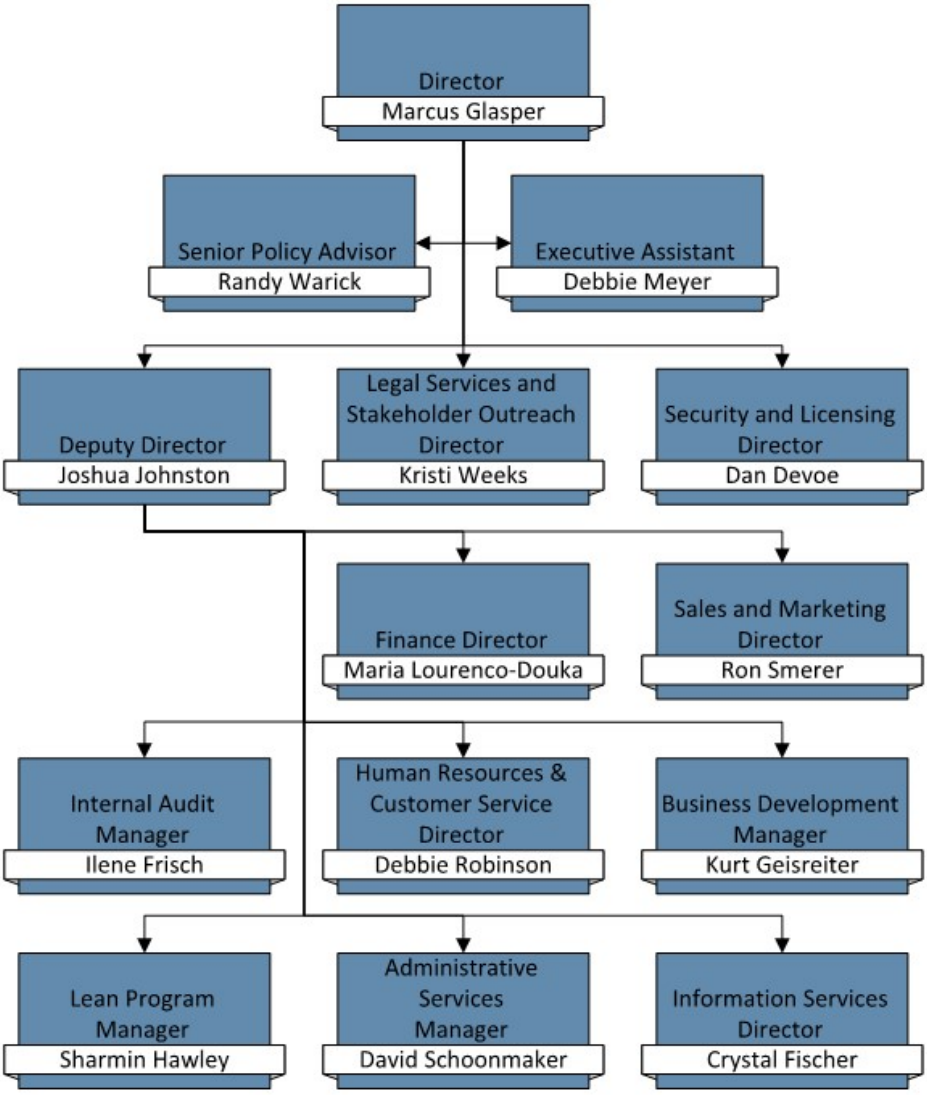
Laura Cantrell
Commissioner
Seattle
Term ends
8/2020

Judy Guenther
Commissioner
Chehalis
Term ends
8/2017

Peter Bogdanoff
Commissioner
Seattle
Term ends
8/2018

Frederick Finn
Commissioner
Olympia
Term ends
8/2022

ORGANIZATION CHART



Scratch winner from Richland, WA claimed a $250,000 prize after buying a $10 "Wild Cash" scratch ticket. Rodriguez purchased the ticket during a quick trip to the store. "I only needed to pick up a couple of things for my job. I bought the ticket on a whim," Rodriguez said.

Rodriguez works as a caretaker and immediately went to work to share the news with her client.

"He was so happy for me! I felt like he was even more excited than I was," Rodriguez said.

With her Scratch win, Rodriguez will be able to fulfill her lifelong dream of purchasing a beautiful manufactured home.

FINANCIAL SECTION

This section begins with the Independent Auditor's Report, followed by management's discussion and analysis, the financial statements of Washington's Lottery and the related notes to the financial statements, required supplementary information and Independent Auditor's Report on Internal Control over financial reporting and on Compliance and Other matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

EideBailly

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 basic financial statements of Washington's Lottery (the Lottery), an agency of the State of Washington, which comprise the statements of net position as of June 30, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lottery as of June 30, 2018 and 2017, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 and 8 to the financial statements, the Lottery adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of June 30, 2017. In accordance with GASB Statement No. 75, the 2017 financial statements have not been restated to reflect this change. 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, the Schedules of the Lottery's Proportionate Share of the Net Pension Liability and Employer Contributions (PERS 1 and PERS 2/3), and Schedule of Changes in Total OPEB Liability and Related Ratios, 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 audits 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 an 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2018 on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
October 23, 2018

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, 2018 and June 30, 2017. 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 $733.9 million, a 9.0 percent increase from fiscal year 2017 and a 5.6 percent increase from fiscal year 2016.

- *Mega Millions* sales were $54.6 million, with jackpots ranging from $40 million to $521 million.
- *Powerball* sales were $72.9 million, with a high jackpot of $700 million.
- *Scratch* sales increased by $35.6 million or 7.5 percent compared to fiscal year 2017. This growth in *Scratch* sales supported increased contributions to beneficiaries.
- Total contributions to Lottery beneficiaries increased by $21.1 million or 13.0 percent compared to fiscal year 2017.
- Contributions to the Washington Opportunity Pathways Account reached $134.2 million.
- Contributions to the Stadium & Exhibition Center (CenturyLink Field) totaled $12.6 million in fiscal year 2018, representing a 4 percent year-over-year legislative mandated increase.
- Contributions to the Economic Development Account totaled $4.6 million in fiscal year 2018. Amounts contributed to this beneficiary represent one-third of prizes that go unclaimed each fiscal year.
- Contributions to the General Fund amounted to $31.2 in fiscal year 2018. 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 $358.9 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.

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. During fiscal year 2016, the legislature mandated that on June 30th of each year, amounts in excess of $10 million in the unclaimed fund be distributed to the Washington Opportunity Pathways Account.

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 and changes in net position are shown in Table 1 below and Table 2 on page 18. Net position decreased in fiscal year 2018 by $11 million, from $(4.4) million in 2017 to $(15.4) million in 2018. The Lottery experienced a decrease of $1.2 million in fair value of investments held to fund future annuitized prize payments.

Table 1: Summary of Net Position (in millions)

	2018	2017	2016
Current assets	$63.6	$66.4	$66.1
Non-current assets - investments	120.5	122.8	135.0
Capital assets - net of depreciation	0.8	0.9	0.4
Total assets	**$184.9**	**$190.1**	**$201.5**
Deferred outflows of resources	**$1.4**	**$1.9**	**$1.1**
Current liabilities	73.8	79.6	79.1
Non-current liabilities	126.0	116.5	117.7
Total liabilities	**$199.8**	**$196.1**	**$196.8**
Deferred inflows of resources	**$1.9**	**$0.3**	**$1.1**
Net Position			
Invested in capital assets	0.8	0.9	0.4
Restricted for future prizes	12.6	10.4	10.3
Unrestricted	(28.8)	(15.7)	(6.0)
Total net position	**($15.4)**	**($4.4)**	**$4.7**

Table 2: Summary of Changes in Net Position (in millions)			
	2018*	2017	2016
Sales	$733.9	$673.3	$694.9
Other operating income	2.8	2.7	2.8
Expenses and non-operating activity	(558.2)	(523.2)	(523.8)
Distributions	(182.9)	(161.9)	(175.5)
Changes in net position	**($4.4)**	**($9.1)**	**($1.6)**
Total net position at beginning of year	**(10.9)**	**4.7**	**6.3**
Total net position at end of year	**($15.4)**	**($4.4)**	**$4.7**

*Due to implementation of GASB 75, the net position beginning balance for 2018 was restated.

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 2018, 2017, and 2016.

Table 3: Sales and Prize Expense (in millions)						
	Scratch Games			*Draw Games*		
	2018	2017	2016	2018	2017	2016
Sales	$507.9	$472.3	$453.9	$226.0	$201.1	$240.9
Prize expense	343.3	316.8	310.6	114.6	105.7	122.3
Net receipts	**$164.6**	**$155.5**	**$143.3**	**$111.4**	**$95.4**	**$118.6**

Scratch product sales increased $35.6 million or 7.5 percent compared to 2017, and increased $54.0 million or 11.9 percent as compared to 2016. The number of tickets sold increased by 2.4 percent from 111 million in fiscal year 2017 to 113.7 million in fiscal year 2018. The average price per ticket increased slightly from $4.25 in fiscal year 2017 to $4.47 in fiscal year 2018. *Scratch* prize expense increased in fiscal year 2018 by $26.5 million, or 8.4 percent compared to fiscal year 2017, and increased $32.7 million, or 10.5 percent compared to fiscal year 2016. The *Scratch* prize expense ratio increased from 67.1 percent in fiscal year 2017 to 67.6 percent in fiscal year 2018. In fiscal year 2018, $11.1 million of *Scratch* prizes went unclaimed compared to $10.9 million in fiscal year 2017.

In fiscal year 2018, *Draw* game sales increased by $24.9 million or 12.4 percent over fiscal year 2017 and decreased by $14.9 million or 6.2 percent compared to fiscal year 2016. In fiscal year 2018, the highest jackpot for *Powerball* game was $700 million, as compared to $478 million in the prior year 2017. The larger *Powerball* jackpot in fiscal year 2018 contributed to the increased sales. During fiscal year 2018, *Hit 5* had 31 winning cashpots, with the highest cashpot valued at $490 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. *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 decreased by $4.9 million or 11.2 percent compared to fiscal year 2017 and decreased by $8 million or 17.3 percent compared to fiscal year 2016. *Match 4* increased by $242 thousand or 1.8 percent compared to 2017, and increased by $656 thousand or 5.0 percent compared to fiscal year 2016.

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 increased in fiscal year 2018 by $8.9 million or 8.4 percent compared to fiscal year 2017 and decreased by $7.7 million or 6.3 percent compared to fiscal year 2016.

Other Operating Expenses

Table 4 compares operating expenses, other than prize expense, for gaming operations and administrative expenses for fiscal years 2018, 2017 and 2016.

Table 4: Retail Commissions and Other Operating Expenses (in Millions)			
	2018	2017	2016
Retail commissions	$36.9	$33.9	$36.0
Other game-related expenses	43.3	42.9	44.4
Administrative expenses			
Salaries and benefits	10.9	10.6	10.8
Goods and services	2.5	3.3	3.1
Travel	0.4	0.4	0.4
Depreciation	0.2	0.1	0.1
Total administrative expenses	**$14.0**	**$14.4**	**$14.4**

Retailer commissions increased in fiscal year 2018 by $3 million or 9.0 percent compared to fiscal year 2017; Commission costs as a percentage of sales remained static compared to fiscal year 2017 and decreased 0.2 percent compared to 2016. Other game-related expenses, including vendor costs, advertising and miscellaneous promotional expenses, increased by $413 thousand or 1.0 percent compared to fiscal year 2017. As a percent of sales, these expenses were 5.9 percent for 2018 and 6.4 percent in fiscal years 2017 and 2016, respectively. Vendor expense, which is the largest component of these costs, is for the most

part, paid as a percentage of sales. Advertising expense decreased $988 thousand or 9.4 percent compared to fiscal year 2017 and decreased by $905 thousand or 8.6 percent compared to fiscal year 2016. Promotional and other operational expenses decreased $655 thousand or 15.1 percent compared to fiscal year 2017 and decreased $378 thousand or 9.3 percent compared to fiscal year 2016.

In fiscal year 2018, administrative expenses incurred for the general operation of the agency decreased by 2.9 percent compared to fiscal year 2017, and decreased 3.5 percent compared to fiscal year 2016. Depreciation expense increased by 103.7 percent compared to fiscal year 2017 and increased by 21.6 percent as compared to fiscal year 2016. As a percentage of sales, overall administrative expenses decreased slightly for 2018 to 1.9 percent and were constant at 2.1 percent in fiscal years 2017 and 2016.

Salaries and benefits expense increased by $291 thousand or 2.7 percent compared to fiscal year 2017, and increased by $118 thousand or 1.1 percent compared to fiscal year 2016. Goods and services decreased by $797 thousand or 24.5 percent compared to 2017, and decreased $635 thousand or 20.6 percent compared to fiscal year 2017. Travel expense increased by $10 thousand or 2.4 percent compared to fiscal year 2017, and decreased by $18 thousand or 4.1 percent compared to fiscal year 2016.

Capital Assets

Washington's Lottery's investment in capital assets as of June 30, 2018 amounts to $777 thousand (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and equipment. The net decrease in the Lottery's investment in capital assets for fiscal year 2018 was 17 percent. Table 6 in Note 1 "Summary of Significant Accounting Policies," shows the opening and ending balances for assets and accumulated depreciation.

Debt

At the end of fiscal year 2018, current liabilities consisted, in part, of $14.1 million in annuity prizes payable. Long-term annuity prize liabilities were $113.4 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 fair value of the investments and the present value of the liabilities.

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)

	2018	2017	2016
Investment gain (losses)	($1.2)	($3.7)	$10.2
Amortization of annuity prize liability	(5.1)	(5.8)	(6.3)
Interest and miscellaneous income	0.1	0.0	0.1
Total non-operating revenues (expenses) before payments	**($6.1)**	**($9.5)**	**$4.0**
Proceeds Distribution:			
WA Opportunity Pathways	$129.6	$117.2	$118.6
WOPA - Unclaimed Prizes in Excess of $10M	4.5	9.6	10.1
State General Fund	31.2	16.8	32.0
Stadium and Exhibition Center	12.6	12.1	11.7
Economic Development	4.6	4.9	2.8
Gambling Commission	-	1.0	-
Problem Gambling	0.3	0.3	0.3
Total payments	**$182.9**	**$161.9**	**$175.5**

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 2018 amounted to $182.9 million.

Contributions to the Washington Opportunity Pathways Account reached $134.1 million in fiscal year 2018 compared to $126.8 million in fiscal year 2017 and $128.7 million in fiscal year 2016. 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.

Contributions to the General Fund amounted to $31.2 million in fiscal year 2018, $16.8 million in fiscal year 2017 and $31.9 million in fiscal year 2016. Contributions to this fund for fiscal years 2017 and 2016 were generated from excess funding between the in-state and Powerball games.

Contributions to the Economic Development account amounted to $4.6 million in fiscal year 2018 compared to $4.9 million in fiscal year 2017 and $2.8 million in fiscal year 2016. 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 $358 thousand in fiscal year 2018, compared to $326 thousand in fiscal year 2017 and $340.6 thousand in fiscal year 2016. 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.

Contributions to the Gambling Commission were not made in fiscal year 2018 since the mandate was for 2015-17 Biennium. In fiscal year 2017 $1 million was contributed as outlined in Senate bill 6052, section 806 mandating the Lottery to transfer $1 million in 2015-17 Biennium to the Gambling Commission account.

The remaining payments required by statute are made to the Stadium and Exhibition Center (CenturyLink Field), which consists of semi-annual payments whereby the required payment amount is increased by 4.0 percent year-over-year. Total contribution to this beneficiary was $12.6 million in fiscal year 2018, compared to $12.2 million in fiscal year 2017 and $11.7 million in fiscal year 2016.

This section intentionally left blank

OTHER POTENTIALLY SIGNIFICANT MATTERS IMPACTING NEXT YEAR

Sports Betting

This past May, the US Supreme Court invalidated the Professional and Amateur Sports Protection Act of 1992. The ruling allows any state to legalize sports betting. While it currently remains illegal in Washington, the Legislature could choose to pass a bill legalizing and regulating a wide range of sports betting activities. The Gambling Commission is the state's primary gaming regulatory body and will be integral to any discussions regarding legalization of sports betting in Washington.

App and Loyalty Program

In July 2018, Washington's Lottery, in collaboration with our business partners, began developing a state of the art resource to help drive revenue, customer loyalty, and serve as an adaptive piece of technology to keep Washington's Lottery on the leading edge of meeting customer expectations. The App and Loyalty Program will launch April 1, 2019.

Spokane Regional Office Relocation

On June 25, 2018, Washington's Lottery launched an initiative for a new business model; relocating the Spokane Regional Office into the North Town Mall located in Spokane, Washington.

The initiative's goal is to deliver a proof of concept of a new business model for Washington's Lottery by building out a contemporary office environment in a high traffic area, providing a personalized and engaging experience for our customers.

This new business model will provide a Department of Imagination® area, allowing us to sell our products, offer customers the opportunity to *play for fun*, test new marketing and selling concepts, educate customers on how to play our game, promote responsible gambling and inform the public on the beneficiary work we do. The new Spokane Regional Office is scheduled to open March 1, 2019.

CONTACTING THE LOTTERY

This financial report is provided for interested parties to evaluate the financial results of Lottery activities for fiscal year 2018. If you have questions about this report or need additional financial information, please contact:

Kristi Weeks
Public Records Officer
Director of Legal Services
(360) 810-2881
kweeks@walottery.com

Audrey Price
Public Records Coordinator
Legal Assistant
(360) 701-6672
aprice@walottery.com

This section intentionally left blank

FY18 FUND DISTRIBUTION

1. PRIZES: $457.9M (62.3%)
2. WASHINGTON OPPORTUNITY PATHWAYS: $134.2M (18.2%)
3. COST OF SALES: $43.3M (5.9%)
4. RETAILER COMMISSIONS: $36.9M (5.0%)
5. GENERAL FUND:$31.2M (4.2%)
6. ADMINISTRATION: $14.0M (1.9%)
7. STADIUM & EXHIBITION CENTER:$12.6M (1.7%)
8. ECONOMIC DEVELOPMENT: $4.6M (0.6%)
9. PROBLEM GAMBLING: $0.4M (0.1%)

TOTAL PAYMENTS: $735.1 MILLION

Washington's Lottery
STATEMENTS OF NET POSITION AS OF JUNE 30, 2018 AND JUNE 30, 2017

Assets	2018	2017
Current assets		
Cash and cash equivalents	$21,449,044	$23,516,883
Accounts receivable, net of allowances	26,629,392	24,437,391
Investments	15,033,060	14,492,364
Due from the state	34,737	3,413,478
Inventory	450,321	475,581
Prepaid expenses	32,937	53,739
Total current assets	**63,629,491**	**66,389,436**
Non-current assets		
Investments	120,547,555	122,831,498
Capital assets, net of accumulated depreciation	776,927	932,430
Total non-current assets	**121,324,482**	**123,763,928**
Deferred Outflows of Resources		
Deferred Outflows Pensions	1,320,511	1,891,736
Deferred Outflow of Resources on OPEB	95,919	-
Total deferred outflows of resources	**1,416,430**	**1,891,736**
Total assets and deferred outflows of resources	**186,370,403**	**192,045,100**
Liabilities and Net Position		
Current liabilities		
Accounts payable	4,265,381	4,856,146
Prizes payable	34,967,567	40,397,961
Annuity prizes payable, current portion	14,131,233	13,498,517
Due to the state	19,546,437	20,451,908
Salaries and benefits payable	394,097	444,653
Unearned revenue	478,657	653
Other Postemployment Benefits	95,919	-
Total current liabilities	**73,879,291**	**79,649,838**
Non-current liabilities		
Annuity prizes payable, net of current portion	113,379,333	107,877,293
Accrued leave payable	883,560	886,986
Net pension liability	5,743,843	7,768,629
Other Postemployment Benefits	5,965,077	-
Total non-current liabilities	**125,971,813**	**116,532,908**
Deferred Inflows of Resources		
Deferred Inflows Pensions	965,400	241,761
Deferred Inflow of Resources on OPEB	971,383	-
Total deferred Inflows of resources	**1,936,783**	**-**
Total liabilities and deferred inflows of resources	**201,787,887**	**196,182,746**
Net Position		
Invested in capital assets	776,927	932,430
Restricted for future prizes	12,652,367	10,428,362
Unrestricted	(28,846,778)	(15,740,199)
Total Net Position	**($15,417,484)**	**($4,379,407)**

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

	2018	2017
Sales		
Scratch ticket sales	$ 507,900,498	$ 472,252,828
Draw game sales	226,037,994	201,077,571
Total sales	**733,938,492**	**673,330,399**
Other Operating Income	2,769,971	2,688,541
Total Revenue	**736,708,463**	**676,018,940**
Cost of sales		
Prize expense	457,904,034	422,536,021
Retailer commissions	36,927,642	33,893,194
Vendor expense	30,036,116	27,979,137
Advertising expense	9,577,293	10,565,659
Miscellaneous promotional & other operating expenses	3,673,122	4,328,458
Total cost of sales	**538,118,207**	**499,302,469**
Administrative expenses		
Salaries and benefits	10,946,749	10,655,860
Goods and services	2,454,812	3,252,080
Travel	421,226	411,287
Depreciation	163,249	80,130
Total administrative expenses	**13,986,036**	**14,399,357**
Operating income	**184,604,220**	**162,317,114**
Non-operating revenues (expenses)		
Gains (Losses) on Investments	(1,156,453)	(3,785,665)
Amortization of annuity prize liability	(5,083,091)	(5,757,685)
Interest income	99,940	21,397
Miscellaneous income	7,589	-
Fee income	10,725	10,100
Gain (Loss) on disposal of capital assets	155	5,180
Total before payments to beneficiaries	**(6,121,135)**	**(9,506,673)**
Payments to Washington Opportunity Pathways Account (WOPA)	(129,629,385)	(117,213,116)
Payments to WOPA - Unclaimed Prizes Excess of $10M	(4,540,670)	(9,584,773)
Payments to Stadium and Exhibition Center Account	(12,641,094)	(12,154,899)
Payments to Economic Development	(4,629,950)	(4,869,712)
Payments to Problem Gambling	(358,845)	(326,033)
Payments to Gambling Commission	-	(1,000,000)
Payments to General Fund	(31,170,784)	(16,751,322)
Total payments to beneficiaries	**(182,970,728)**	**(161,899,855)**
Net non-operating expense	**(189,091,863)**	**(171,406,528)**
Total net position at beginning of year	**(4,379,407)**	**4,710,007**
Restatement - Adoption of new accounting standard	**(6,550,434)**	**-**
Change in net position	**(4,487,643)**	**(9,089,414)**
Total net position at end of year	**($15,417,484)**	**($4,379,407)**

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

Washington's Lottery
STATEMENTS OF CASH FLOWS FOR FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

	2018	2017
Cash flows from operating activities		
Cash received from players and retailers (net of commissions)	$ 701,445,565	$ 635,601,706
Cash payments for prizes	(462,282,763)	(431,392,300)
Cash payments to suppliers of goods or services	(46,929,223)	(46,000,714)
Cash payments to employees	(11,000,731)	(10,632,590)
Cash payments for other operating costs	(421,226)	(411,287)
Net cash provided by operating activities	**180,811,622**	**147,164,815**
Cash flows from non-capital financing activities		
Cash payments to Washington Opportunity Pathways Account (WOPA)	(124,003,765)	(117,024,684)
Cash payments to WOPA Unclaimed Prizes in Excess of $10M	(4,540,670)	(9,584,773)
Cash payments to General Fund	(38,528,408)	(14,768,983)
Cash payments to Stadium and Exhibition Center Account	(12,641,094)	(12,154,899)
Cash payments to Economic Development Account	(3,517,948)	(4,792,386)
Cash payments to Problem Gambling Account	(345,034)	(326,584)
Cash payments to Gambling Commission	-	(1,000,000)
Net cash used by non-capital financing activities	**(183,576,919)**	**(159,652,309)**
Cash flows from capital and related financing activities		
Proceeds from sales of equipment	155	5,180
Payments for acquisition of equipment	(7,746)	(594,343)
Net cash used by capital and related financing activities	**(7,591)**	**(589,163)**
Cash flows from investing activities		
Receipts of interest	118,254	31,497
Proceeds from maturity of investments	14,948,000	18,248,000
Payments for investments	(14,361,205)	(6,118,917)
Net cash provided by investing activities	**705,049**	**12,160,580**
Net increase (decrease) in cash and cash equivalents	**(2,067,839)**	**(916,077)**
Cash and cash equivalents at the beginning of year	23,516,883	24,432,960
Cash and cash equivalents at end of year	**$ 21,449,044**	**$ 23,516,883**
Reconciliation of operating income to cash provided by operating activities		
Operating income	**$ 184,604,220**	**$ 162,317,114**
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	163,249	80,130
Pension and OPEB adjustment	(343,897)	(26,849)
Changes in assets and liabilities		
Receivables	1,186,740	(5,375,220)
Prepaid expenses	20,802	21,663
Inventory	25,260	410,555
Accounts Payable	(890,045)	(280,749)
Prizes payable	(5,430,394)	1,607,802
Lotto and win for life payments	1,051,665	(10,464,081)
Accrued payroll	(53,982)	23,270
Unearned revenue	478,004	(1,148,820)
Total adjustments	**(3,792,598)**	**(15,152,299)**
Net cash provided by operating activities	**$ 180,811,622**	**$ 147,164,815**
Schedule of non-cash investing, capital, and financing activities		
Increase (decrease) in fair value of investments	($1,156,453)	($3,785,665)
Amortization of long-term annuity prize liability	$5,083,091	$5,757,685

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

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, 2017, through June 30, 2019, is $28 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 administration 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 Washington State Department of Retirement Systems (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, 2017, the Lottery adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the Total OPEB Liability (non-trusted plan), deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 8 and the additional disclosures required by this standard is included in Note 9.

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 on a recurring basis.

The Lottery categorizes the fair value measurements of its investments based on the hierarchy established by GASB 72. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are unadjusted quoted prices for identical assets in active markets that the Lottery has the ability to access. Level 2 inputs are quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the assets, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are unobservable and significant to the fair value measurement.

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 Lottery receivables. 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 and other postemployment benefits 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. The OPEB obligation include the difference when expected experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; and changes in the State's proportionate share of total OPEB liability is greater than actual experience. These are amortized over the average expected remaining service lives of all employees, active and inactive, that are provided with OPEB through the OPEB plan. The Lottery's contributions to the OPEB plan, made subsequent to the measurement date, are also deferred and reduce total OPEB liability in the subsequent year.

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 and other postemployment benefits 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. The employer OPEB assumption results include the difference when expected experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; and changes in the state's proportionate share of total OPEB liability is less than actual experience. These are amortized over the average expected remaining service lives of all employees active and inactive that are provided with OPEB through the OPEB plan.

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, 2018 was as follows:				
Capital assets being depreciated:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Leasehold Improvements	$889,425	$0	$0	$889,425
Equipment	1,475,566	8,701	-	1,484,267
Total capital assets being depreciated	**2,364,991**	**8,701**	**0**	**2,373,692**
Less accumulated depreciation for:				
Leasehold improvements	(666,339)	(44,617)	-	(710,956)
Equipment	(766,222)	(119,587)	-	(885,809)
Total accumulated depreciation	**(1,432,561)**	**(164,204)**	**0**	**(1,596,765)**
Total capital assets being depreciated, net	**$932,430**	**($155,503)**	**$0**	**$776,927**

Capital asset activity for the year ended June 30, 2017 was as follows:				
Capital assets being depreciated:	**Beginning Balance**	**Increases**	**Decreases**	**Ending Balance**
Leasehold Improvements	$666,340	$223,085	$0	$889,425
Equipment	1,140,412	371,258	(36,104)	1,475,566
Total capital assets being depreciated	**1,806,752**	**594,343**	**(36,104)**	**2,364,991**
Less accumulated depreciation for:				
Leasehold improvements	(666,339)	-	-	(666,339)
Equipment	(722,196)	(80,130)	36,104	(766,222)
Total accumulated depreciation	**(1,388,535)**	**(80,130)**	**36,104**	**(1,432,561)**
Total capital assets being depreciated, net	**$418,217**	**$514,213**	**$0**	**$932,430**

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. 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 created in RCW 28B.76.526."

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 2018 and 2017 the breakdown was as follows:

Due to State and Other Agencies		
	2018	**2017**
WA Opportunity Pathways	$ 8,557,823	$ 2,932,203
Economic Development	1,326,183	214,181
General Fund	9,395,781	16,753,405
Problem Gambling	39,306	25,495
Other Agencies	227,344	526,624
Total Due to State and Other Agencies	**$ 19,546,437**	**$ 20,451,908**

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, 2018 and 2017, the prize expense as a percentage of sales decreased slightly to 62.4 from 62.8 during the prior year. The Lottery reports the amortization of its prize liability as a non-operating activity excluding it from prize expense. 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

In fiscal year 2018 and 2017, the commission rate for all scratch tickets and draw games sold were paid at 5% of sales.

The retailer selling bonuses were reinstated in fiscal year 2017. The Lottery paid retailers a selling bonus of 1 percent of the jackpot amount for selling a jackpot-winning ticket for Lotto or Hit 5. Each retailer who sold a jackpot-winning *Mega Millions* or *Powerball* ticket received a $50,000 bonus.

Retailers that sell a Mega Millions second-tier prize winning ticket worth $1 million will receive a $10,000 bonus. The *Megaplier* feature will not change the selling bonus amount.

Retailers that sell a *Powerball* second-tier prize winning ticket worth $1 million will receive a $10,000 bonus. The *PowerPlay* feature will 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, Gambling Commission and the General Fund. Contributions to the Washington Opportunity Pathways Account derived from these revenues totaled $129.6 million in fiscal year 2018 and $117.2 million in fiscal year 2017.

Effective in fiscal year 2016, the legislature mandated in RCW 28B.76.526 that additional funds be transferred to Washington Opportunity Pathways Account. It was required amounts in excess of $10 million in unclaimed prizes at the end of each fiscal year be distributed for education. Contributions arising from this mandate in fiscal year 2018 were $4.5 million, compared to $9.6 in fiscal year 2017.

These mandates resulted in a total of $134.1 and $126.8 being distributed to the Washington Opportunity Pathways Account in fiscal years 2018 and 2017, respectively.

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 through fiscal year 2021. Payments to the Stadium and Exhibition Center totaled $12.6 million in fiscal year 2018 and $12.2 million in fiscal year 2017.

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 in 2006 for the Governor, with the recommendation of the Director of the former Department of Community, Trade and Economic Development (now Department of Commerce) 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 $4.6 million in fiscal year 2018 and $4.9 million in fiscal year 2017.

Payments to the General Fund

Contributions to the General Fund in fiscal year 2018 amounted to $31.1 million, compared to $16.8 million in fiscal year 2017. *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 $359 thousand in fiscal year 2018 and $326 thousand in fiscal year 2017.

Net Position

Restricted net position represent amounts set aside from unclaimed prizes in a non-cash balance sheet account retained for future use as prizes, as required by RCW 67.70.190. During fiscal year 2018, $13.8 million of prizes went unclaimed, of which $11.5 million was paid out. The following transfers were made out of the unclaimed prize fund for fiscal year

2018:

1. $4.6 million was used for contributions to the Economic Development Strategic Reserve Account.
2. $4.5 million was distributed to the Washington Opportunity Pathways Account as mandated by the legislature for all amounts in excess of $10 million in the unclaimed fund be distributed to WOPA.
3. $2.4 million was used to purchase securities to fund future prizes.

As of June 30, 2018, the unclaimed reserve contained a balance of $12.6 million compared to $10.4 as of June 30, 2017.

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, 2018 and June 30, 2017, the amount of cash on deposit was $21,449,044 and $23,516,883, respectively. 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, 2018 were as follows:

Table 7: Maturities in Years	
Less than 1	$15,033,060
1-5	65,370,975
6-10	27,653,030
11-15	14,607,518
16-20	8,906,913
21-25	3,109,943
26-30	899,176
Fair Value	**$135,580,615**

Fair value measurements of the Lottery's investments in U.S. Treasury Strips, valued at $135,580,615 and $137,323,862 on June 30, 2018 and 2017, respectively, are based on quoted market prices using matrix pricing technique by the pricing source that values securities based on their relationship to benchmark quoted prices (Level 2 inputs). The Lottery does not have any investments that are measured using Level 1 or 3 inputs.

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 September 30, 2027. Total costs for such leases were $760,366 and $783,957 for the fiscal years ended June 30, 2018 and June 30, 2017, respectively. All leases 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, 2018:

Table 8: Lease Commitment	
Fiscal Year	**Operating Leases**
2019	$755,508
2020	665,806
2021	577,874
2022	492,729
2023	407,474
2024 - 2028	1,672,879
Total	**$4,572,270**

NOTE 5 – Prize Liabilities

Presented below is a summary of the annuity prize payment requirements as of June 30, 2018:

Fiscal Year	Principal	Interest	Total
2019	$14,131,233	$1,146,767	$15,278,000
2020	13,588,339	1,689,661	15,278,000
2021	12,962,696	2,315,304	15,278,000
2022	12,358,478	2,919,522	15,278,000
2023	11,837,823	3,240,177	15,078,000
2024-2028	30,534,366	11,137,634	41,672,000
2029-2033	13,790,479	8,137,521	21,928,000
2034-2038	9,214,320	6,869,680	16,084,000
2039-2043	4,846,027	3,497,973	8,344,000
2044-2073	4,246,805	4,665,195	8,912,000
Total	**$127,510,566**	**$45,619,434**	**$173,130,000**

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 years ended June 30, 2018 and 2017 was as follows:

Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2018	$121,375,810	21,509,322	(15,374,566)	$127,510,566	$14,131,233
2017	$126,082,206	11,942,353	(16,648,749)	$121,375,810	$13,498,517

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 $608,461 and $592,754 on June 30, 2018 and June 30, 2017, respectively. 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, 2018 and 2017, represent possible future payments of $1,250,450 and $1,337,419, respectively 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 $275,099 and $294,232 on June 30, 2018 and 2017, respectively, 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 $125,045 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, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Annual Leave	$592,754	$614,235	($598,527)	$608,461
Sick Leave	$294,232	$87,171	($106,304)	$275,099

Long-term liability activity of leave benefits for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Annual Leave	$594,826	$555,564	($557,636)	$592,754
Sick Leave	$292,437	$81,860	($80,065)	$294,232

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

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.

Administration of the PERS and other systems and plans was funded by an employer rate of 11.18 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:

This section intentionally left blank

	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.	65 with 10 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. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee 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 2017, were as follows:

	Employer			Employee		
	PERS 1	PERS 2	PERS 3	PERS 1	PERS 2	PERS 3
Contribution percentage	6.2%	6.2%	6.2%	6.0%	6.1%	Variable
Admin Fee	0.2%	0.2%	0.2%	N/A	N/A	N/A
Plan 1 UAAL	4.8%	4.8%	4.8%	N/A	N/A	N/A
Total	**11.2%**	**11.2%**	**11.2%**	**6.0%**	**6.1%**	**Variable**

OSA - Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2016 with the results rolled forward to June 30, 2017, 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, 2016, 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 2016 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 Office of the State Actuary (OSA) selected a 7.5 percent long-term expected rate of return on pension plan investments. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered CMAs and simulated expected investment returns provided by WSIB. Refer to the 2016 Report on Financial Condition and Economic Experience Study on the OSA website for additional background on how this assumption was selected.

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 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 7.7 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 7.5 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 7.5 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the fiscal year 2018 employer net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 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	$ 3,807	$ 3,125	$ 2,535
PERS 2/3	$ 7,055	$ 2,619	(1016)
Total	**$10,862**	**$ 5,743**	**$1,518**

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2018, PERS 1 recognized pension expense of $195 thousand, and PERS 2/3 recognized pension expense of $364 thousand. At June 30, 2018, 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:

This section intentionally left blank

Deferred Outflows/Inflows as of June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Dollar amounts in thousands)	
PERS 1		
Net difference between projected and actual earnings on pension plan investments		$ 117
Lottery contribution subsequent to measurement date*	$ 445	
PERS 2/3		
Difference between expected and actual experience	$ 265	$ 86
Changes of assumptions	28	
Net difference between projected and actual earnings on pension plan investments		698
Change in proportion	(6)	64
Lottery contributions subsequent to measurement date*	589	
Total	**$1,321**	**$965**

*PERS 1 employer contributions includes Plan 1 UAAL contributions. Plan 1 UAAL also consists of PERS Plan 1 employer contribution portion of PERS Plan 2/3 contributions, which RCW 41.45.060 requires fund the unfunded actuarily acrrued liability.

Deferred Outflows/Inflows as of June 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
	(Dollar amounts in thousands)	
PERS 1		
Net difference between projected and actual earnings on pension plan investments	$ 96	
Lottery contribution subsequent to measurement date	$ 45	
PERS 2/3		
Difference between expected and actual experience	$ 211	$ 131
Changes of assumptions	41	
Net difference between projected and actual earnings on pension plan investments	486	
Change in proportion	195	111
Lottery contributions subsequent to measurement date	818	
Total	**$1,892**	**$242**

The $1.3 million and $1.9 million 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 subsequent years. 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
2019	$ (79)	$ (263)	$ (342)
2020	25	87	112
2021	(6)	(55)	(61)
2022	(57)	(277)	(334)
2023	-	28	28
Thereafter	-	(81)	(81)
Total	**$ (117)**	**$ (561)**	**$ (678)**

Collective Net Pension Liability/Asset.

At June 30, 2018, the Lottery reported a liability of $3.1 million for its proportionate share of the collective net pension liability for PERS 1 and $2.6 million for PERS 2/3. For June 30, 2017, the Lottery reported a liability of $3.8 million for its proportionate share of the collective net pension liability for PERS 1 and $3.9 million for PERS 2/3. The Lottery's proportion for PERS 1 was .065273 percent, and .070679 percent for the years ending June 30, 2018 and 2017, respectively. The Lottery's portion of the PERS 2/3 was .074469 percent and .078492 percent for the years ended June 30, 2018 and 2017, respectively.

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, 2016 with the results rolled forward to June 30, 2017, 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 percent 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 on employee contributions and investment earnings on those contributions. 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, 2017 Washington's Lottery adopted GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions.* The implementation of this standard replaces the requirement of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability and deferred outflows of resources related to contributions made after the measurement date as follows:

Net position at June 30, 2017, as previously stated	$	(4,379,407)
Add Total OPEB Liability under GASB Statement No. 75 at June 30, 2017	$	(6,650,881)
Deferred outflows of resources related to contributions made during the year ended June 30, 2017	$	100,447
Net position at July 1, 2017, as restated	$	(10,929,841)

NOTE 9 – Other Postemployment Benefits

General Information

The state implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* for fiscal year 2018 financial reporting. In addition to pension benefits as described in Note 7, the state, through the Health Care Authority (HCA), administers a single employer defined benefit other postemployment benefit (OPEB) plan. The Lottery, as an agency of the state, participates in the plan and records its portion of the OPEB liability and related activity.

Plan Description. Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers, their employees, and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan in effect at the time of each valuation. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between the HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is funded on a pay-as-you-go basis and is reported in governmental funds using the modified accrual basis and the current financial resources measurement focus. For all proprietary and fiduciary funds, the OPEB plan is reported using the economic resources measurement focus and the accrual basis of accounting. It has no assets. The PEBB OPEB plan does not issue a publicly available financial report.

Employees Covered by Benefit Terms. Employers participating in the PEBB plan include the state (which includes general government agencies and higher education institutions), 76 of the state's K-12 schools and educational service districts (ESDs), and 249 political subdivisions and tribal governments. Additionally, the PEBB plan is available to the retirees of the remaining 227 K-12 schools and ESDs. The PEBB plan is also available to charter schools, but none of the charter schools currently participate in PEBB. As of June 2017, membership in the PEBB plan consisted of the following:

Active Employees	123,379
Retirees Receiving Benefits*	46,180
Retirees Not Receiving Benefits**	6,000
	175,559

*Enrollment data for June 2017 from Report1: PEBB Total Member Enrollment for June 2017 Coverage report. PEBB Retirees only.

**This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system. PEBB members are covered in the following retirement systems: PERS, PSERS, TRS, SERS, WSPRS, Higher Education, Judicial, and LEOFF 2. However, not all employers who participate in these plans offer PEBB to retirees.

Benefits Provided. Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on a claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium. In calendar year 2016, the average weighted implicit subsidy was valued at $304 per adult unit per month, and in calendar year 2017, the average weighted implicit subsidy is projected to be $327 per adult unit per month. In calendar year 2018, the average weighted implicit subsidy is projected to be $348 per adult unit per month.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In

calendar year 2017, the explicit subsidy was up to $150 per member per month, and it remained up to $150 per member per month in calendar years 2017 and 2018. This will increase in calendar year 2019 to up to $168 per member per month.

Contribution Information. Administrative costs as well as implicit and explicit subsidies are funded by required contributions (RCW 41.05.050) from participating employers. The subsidies provide monetary assistance for medical benefits.

Contributions are set each biennium as part of the budget process. The benefits are funded on a pay-as-you-go basis.

For calendar year 2017, the estimated monthly cost for PEBB benefits for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

Required Premium*		
Medical	$	1,071
Dental		80
Life		4
Long-term disability		2
Total		1,157
Employer contribution		1,001
Employee contribution		156
	$	1,157

*Per 2017 PEBB Financial Projection Model 8.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on CY2017 which includes projected claims cost at the time of this reporting.

Each participating employer in the plan is required to disclose additional information with regard to funding policy, the employer's annual OPEB costs and contributions made, the funded status and funding progress of the employer's individual plan, and actuarial methods and assumptions used.

For information on the results of an actuarial valuation of the employer provided subsidies associated with the PEBB plan, refer to:

http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx.

Total OPEB Liability

As of June 30, 2018, the Lottery reported a total OPEB Liability of $6.1 million. This liability was determined based on a measurement date as of June 30, 2017.

Actuarial Methodology. The total OPEB liability was determined using the following methodologies:

Actuarial valuation date	1/1/2017
Actuarial measurement date	6/30/2017
Actuarial cost method	Entry Age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - No Assets

In order to calculate the beginning total OPEB liability balance under GASB 75, the January 1, 2017 actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017 valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan's assumed service cost, assumed interest, and expected benefit payments.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members (active employees and retirees) to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial Assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	3%
Projected salary changes	3.75% Plus Service-based Salary Increases
Health care trend rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is approximately 7%, reaching an ultimate rate of approximately 5% in 2080.
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

In projecting the growth of the explicit subsidy, the cap is assumed to remain constant until 2019, at which time the explicit subsidy cap is assumed to grow at the health care trend rates. The Legislature determines the value of cap and no future increases are guaranteed, however based on historical growth patterns, future increases to the cap are assumed.

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.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2015 Economic Experience Study.

Discount Rate. Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016 measurement date and 3.58 percent for the June 30, 2017 measurement date.

Changes in assumptions resulted from an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate resulting in an overall decrease in total OPEB liability for the measurement date of June 30, 2017.

Additional detail on assumptions and methods can be found on OSA's website: http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx

Changes in Total OPEB Liability. As of June 30, 2018, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for Washington's Lottery are represented in the following table:

Washington State Lottery		
Proportionate Share (%)	0.10403678379%	
Service Cost	$	409,921
Interest Cost	$	192,467
Difference Between Expected and Actual Experience	$	-
Changes in Assumptions	$	(938,860)
Changes of Benefit Terms	$	-
Benefit Payments	$	(98,085)
Changes in Proportionate Share	$	(155,328)
Other	$	-
Net Change in Total OPEB Liability	$	(589,885)
Total OPEB Liability - Beginning	$	6,650,881
Total OPEB Liability - Ending	$	6,060,996

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

As of June 30, 2018 the components that make up OPEB expense for State Lottery Commission are as follows:

Washington State Lottery		
Proportionate Share (%)	0.10403678379%	
Service Cost	$	409,921
Interest Cost	$	192,467
Amortization of Difference Between Expected and Actual Experience	$	-
Amortization of Changes in Assumptions	$	(104,318)
Changes of Benefit Terms	$	-
Amortization of Changes in Proportion	$	(17,047)
Administrative Expenses	$	-
Total OPEB Expense	$	481,023

On June 30, 2018, the deferred inflows and deferred outflows of resources for Washington's Lottery are as follows:

Washington State Lottery		
Proportionate Share (%)		0.10403678379%
Deferred Inflows/Outlfows of Resources	Deferred Inflows	Deferred Outflows
Deifference between expected and actual experience	$ -	$ -
Changes in Assumptions	$ 834,484	$ -
Transactions subsequent to the measurement date	$ -	$ 95,919
Changes in Proportion	$ 136,899	$ -
Total Deferred (Inflows)/Outflows	$ 971,383	$ 95,919

Amounts currently reported as deferred outflows of resources will be recognized in fiscal year 2019 as a direct reduction to the total OPEB liability.

Amounts currently reported as deferred inflows of resources related OPEB will be recognized as OPEB expense in subsequent years for Washington's Lottery as follows:

Washington State Lottery	
Proportionate Share (%)	0.10403678379%
2019	$ (121,423)
2020	$ (121,423)
2021	$ (121,423)
2022	$ (121,423)
2023	$ (121,423)
Thereafter	$ (364,268)

The change in Washington's Lottery proportionate share of OPEB liability and deferred inflows and deferred outflows of resources based on measurement date are represented in the following table:

Washington State Lottery	
Proportionate Share (%) 2016	0.10654063574%
Proportionate Share (%) 2017	0.10403678379%
Total OPEB Liability - Ending 2016	$ 6,650,881
Total OPEB Liability - Beg 2017 (chnge in prop)	$ 6,494,575
Total OPEB Liability Change in Proportion	$ (156,306)
Total Deferred Inflows/Outflows 2016	$ 100,445
Total Deferred Inflows/Outflows 2017 (chng in prop)	$ 98,085
Total Deferred Inflows/Outflows Change in Proportion	$ (2,360)
Total Change in Proportion	$ (153,946)

Sensitivity of the Total Liability to Changes in the Discount Rate. The following represents the total OPEB liability of Washington's Lottery calculated using the discount rate of 3.58 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

Discount Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 7,395,164	$ 6,060,996	$ 5,028,566

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates. The following represents the total OPEB liability of Washington's Lottery calculated using the health care trend rate of 7.00 percent as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower or 1 percentage point higher than the current rate:

Health Care Cost Trend Rate Sensitivity		
1% Decrease	Current Discount Rate	1% Increase
$ 4,896,451	$ 6,060,996	$ 7,623,921

NOTE 10 – Commitments and Contingencies

Gaming Vendor System Contractual Arrangements

The Lottery maintains a gaming network of approximately 3,606 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through self-service terminals. IGT (formerly GTECH) is responsible for operating all traditional Lottery games, including maintenance of terminals and related communication services, under a contract expiring June 30, 2026. 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.
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, IGT Printing is an alternate supplier of Instant Game tickets.

This section left blank intentionally

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

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
(Dollar amounts in thousands)

	2017	2016	2015	2014
Lottery's PERS 1 employer's proportion of the net pension liability	0.0652730%	0.070679%	0.067046%	0.072025%
Lottery's PERS 1 employer's proportionate share of the net pension liability	$ 3,125	$ 3,800	$ 3,510	$ 3,610
Lottery's PERS 1 employer's covered-employee payroll	$ 404	$ 483	$ 521	$ 515
Lottery's PERS 1 employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	774%	787%	674%	701%
Plan fiduciary net positon as a percentage of the total pension liability	61.24%	57.03%	59.10%	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 years 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
(Dollar amounts in thousands)

	2017	2016	2015	2014
Lottery's PERS 2/3 employer's proportion of the net pension liability	0.074469%	0.078492%	0.073460%	0.079354%
Lottery's PERS 2/3 employer's proportionate share of the net pension liability	$ 2,619	$ 3,968	$ 2,626	$ 1,596
Lottery's PERS 2/3 Employer's covered-employee payroll	$ 7,320	$ 7,335	$ 6,584	$ 6,789
Lottery's PERS 2/3 Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	35.77%	54.10%	39.88%	23.51%
Plan fiduciary net positon as a percentage of the total pension liability	90.97%	85.82%	89.20%	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 years for which information is available.

Schedules of Employer Contributions

Schedule of Employer Contributions
Public Employee' Retirement System (PERS) Plan 1
Measurement Date of June 30
(Dollar amounts in thousands)

	2018	2017	2016	2015
Lottery's PERS 1 statutorily required contributions	$ 32	$ 45	$ 54	$ 48
Lottery's PERS 1 contributions in relation to the statutorily reqired contributions	$ 32	$ 45	$ 54	$ 48
Lottery's PERS 1 contributions (deficiency) excess	$ -	$ -	$ -	$ -
Lottery's PERS 1 employer's covered employee payroll	$ 255	$ 404	$ 483	$ 521
Lottery's PERS 1 contributions as a percentage of covered employee payroll	12.7%	11.2%	11.2%	9.2%

*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 years for which information is available.

Schedule of Employer Contributions
Public Employee' Retirement System (PERS) Plan 2/3
Measurement Date of June 30
(Dollar amounts in thousands)

	2018	2017	2016	2015
Lottery's PERS 2/3 statutorily required contributions	$ 968	$ 818	$ 820	$ 606
Lottery's PERS 2/3 contributions in relation to the statutorily reqired contributions	$ 968	$ 818	$ 820	$ 606
Lottery's PERS 2/3 contributions (deficiency) excess	$ -	$ -	$ -	$ -
Lottery's PERS 2/3 employer's covered employee payroll	$ 7,622	$ 7,320	$ 7,335	$ 6,584
Lottery's PERS 2/3 contributions as a percentage of covered employee payroll	12.7%	11.2%	11.2%	9.2%

*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 years 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, determines the ADC for the period beginning July 1, 2015, and ending June 30, 2017.

RSI
Required Supplementary Information
OTHER POSTEMPLOYMENT BENEFITS

Schedule of Changes in Total OPEB Liability and Ralated Ratios

Fiscal Year Ended June 30

(Dollar amounts in thousands)

		2018
Total OPEB Liability		
Service Cost	$	409,921
Interest Cost	$	192,467
Difference between expected and actual experience	$	-
Changes in benefit terms	$	-
Changes in assumptions	$	(938,860)
Benefit Payments	$	(98,085)
Changes in proportionate share	$	(155,328)
Net Changes in Total OPEB Liability	$	(589,885)
Total OPEB Liability - Beginning	$	6,650,881
Total OPEB Liability - Ending	$	6,060,996
Covered-employee payroll	$	7,877,200
Total OPEB Liability as a percentage of covered-employee payroll		76.9%

*This table is to be built prospectively until it contains ten years of data.

Source: Washington State Office of the State Actuary

OTHER POSTEMPLOYMENT BENEFITS

Notes to Required Supplementary Information

The Public Employee's Benefits Board (PEBB) OPEB plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discoutn rate, health care trend rates, salary projections, and participation percentages.

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Washington's Lottery
Olympia, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Washington's Lottery (the Lottery) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lottery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Boise, Idaho
October 23, 2018

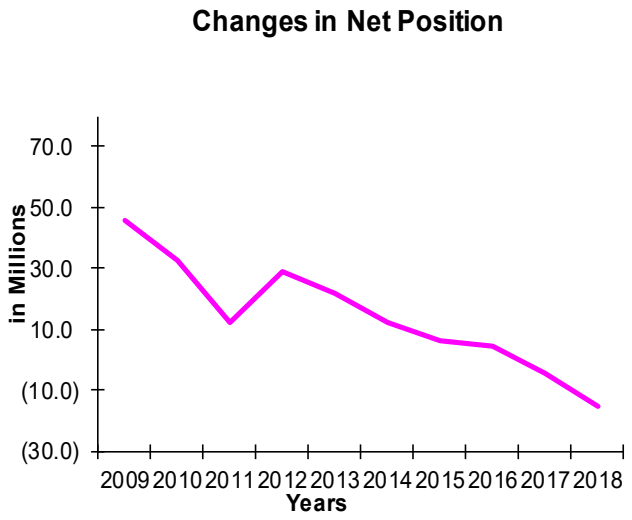
STATISTICAL SECTION

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

Financial Trends

Lottery's sales increased by $60.6 million or 9.0 percent over fiscal year 2017. Strong sales in Scratch games in fiscal year 2018, contributed to the growth this fiscal year. We experienced 7.5% growth in scratch in fiscal year 2018 over 2017. Overall sales for Powerball, Mega Millions and Hit5 were up from prior year. Sales for the Daily Game increased by $1.1 million. The total number of *Scratch* tickets sold increased by 2.39 percent in fiscal year 2018, compared to 2017, and the average price per ticket increased from $4.25 in fiscal year 2017 to $4.47 in fiscal year 2018. Operating expenses are dominated by prizes, retailer commissions, gaming vendor commissions, marketing and advertising. Prize expenses increased in fiscal year 2018 by $35.3 million, or 8.4 percent compared to fiscal year 2017 and increased by $25 million or 5.8 percent as compared to fiscal year 2016. Net operating profit increased by $22.3 million or 13.7 percent compared to fiscal year 2017 and increased $14.7 million or 8.7 percent compared to fiscal year 2016.

Net position is affected by the fluctuation in the value of securities, and the Lottery saw a decrease by $1.2 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. The Lottery is organized as one enterprise fund.



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 45 *Scratch* games during fiscal year 2018.

The number and type of retail locations that sell Lottery products in Washington also impact the revenue capacity. During fiscal year 2018, the Lottery decreased a net of 30 retailers bringing the total number at the end of fiscal year 2018 to 3,606 compared to 3,636 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 annuities for top prizes as well as "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 seven divisions; Executive, Finance & Administration, Information Services, Security, Human Resources/Customer Service and Marketing/Sales. The Executive Division includes 8 employees. These employees include the Director, Deputy Director, Legal Counsel/ Legislative Liaison, Research and Development, Internal auditor, Business Development and Lean Program Manager. The Sales/Marketing Division is the largest with 69 employees working in headquarters and the five regions throughout the state. Supporting the Sales/Marketing staff are the Finance division with 9, Administration Division with 11 employees, Information Services Division with 16 employees, Security Division with 5 employees, and Human Resources/Customer Service Division with 10 employees.

The table below shows a ten-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, who is also appointed by the Governor, for the operation and administration of the Lottery.

Department	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Executive	8	10	9	7	7	8	8	10	11	12
Finance & Administration	20	19	21	22	22	22	20	19	21	20
Information Services	16	16	17	17	15	16	13	15	14	13
Security	5	5	4	4	4	5	5	5	5	5
Human Resources/Customer Service	10	11	10	11	10	11	12	5	5	5
Sales/Marketing	69	69	69	70	72	71	11	12	9	11
Sales	0	0	0	0	0	0	63	72	72	73
Total	**128**	**130**	**130**	**131**	**130**	**133**	**132**	**138**	**137**	**139**

Demographic and Economic Information

Washington State's population is approximately 7.4 million people. Median household income in Washington in 2018 was $68,500 and per capita personal income was $56,283. Washington's unemployment rate in 2018 was 4.8 percent. Presented below, is a 10-year history for each of the categories above.

Year of CAFR	Population (Millions)	Median Household Income	Per Capita Personal Income	WA's Unemployment Rate
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%
2016	7.2	62,108	51,146	5.7%
2017	7.3	65,500	53,493	5.4%
2018	7.4	68,550	56,283	4.8%

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: Lottery play is less prevalent in the youngest (under 24) and the next age class (25-29). More than 20 percent of Lottery players are between 35 and 44 years old.

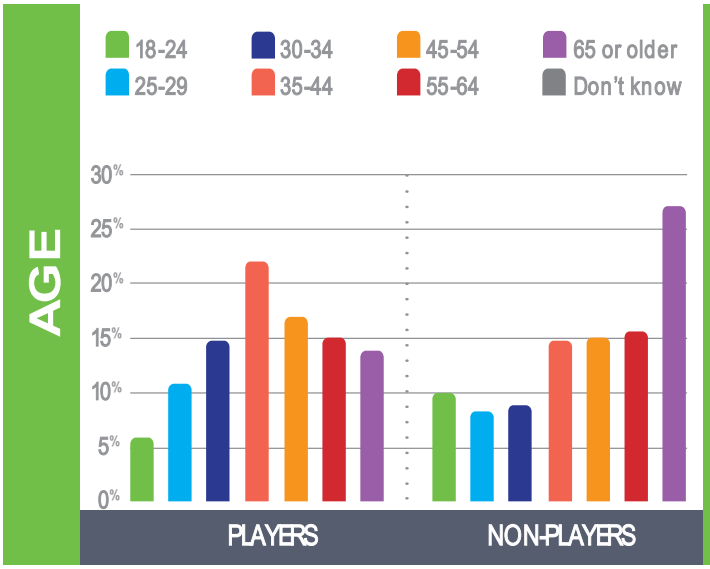
Income: The median household income category is $100 to $125 thousand per year for both players and non-players. Although the distribution of household income is very similar between players and non-players, players are less likely to report household income less than $20,000 per year, and more likely to report income in the range of $75 to $100 thousand per year, than non-players.

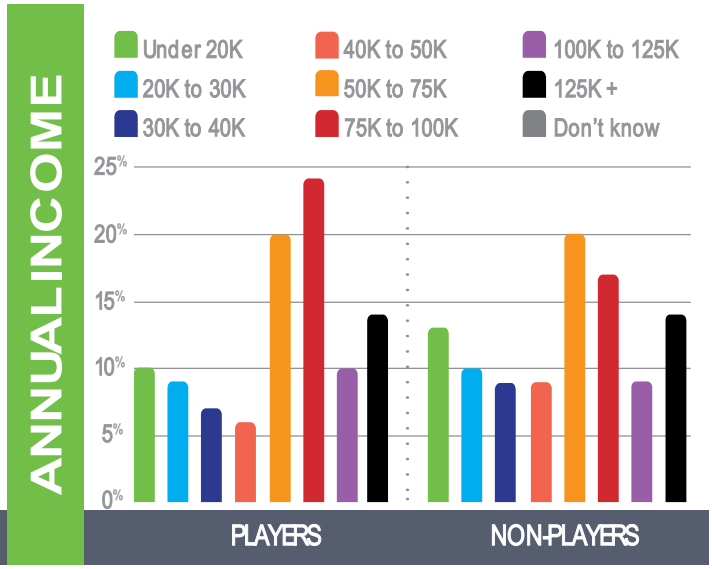
Education: The majority of both players and non-players had some education beyond high school; players did not differ significantly from non-players.

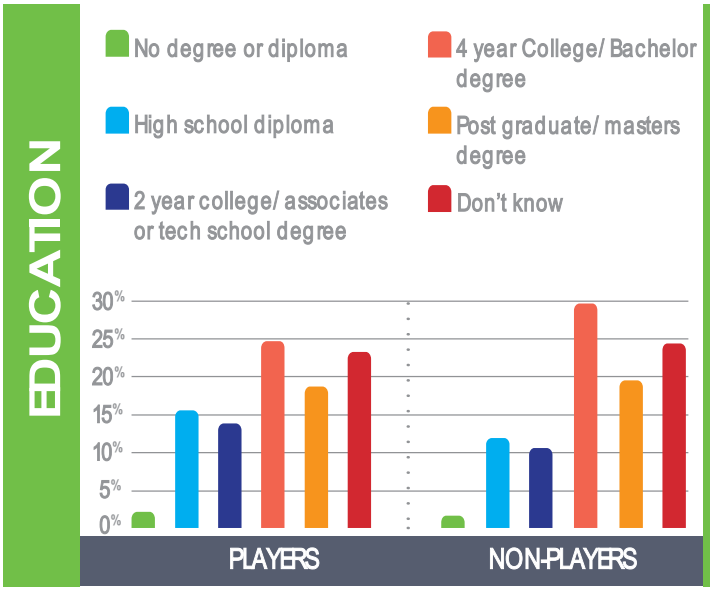
Employment Status: Players were less likely to be retired, and more likely to be employed full-time, than non-players.

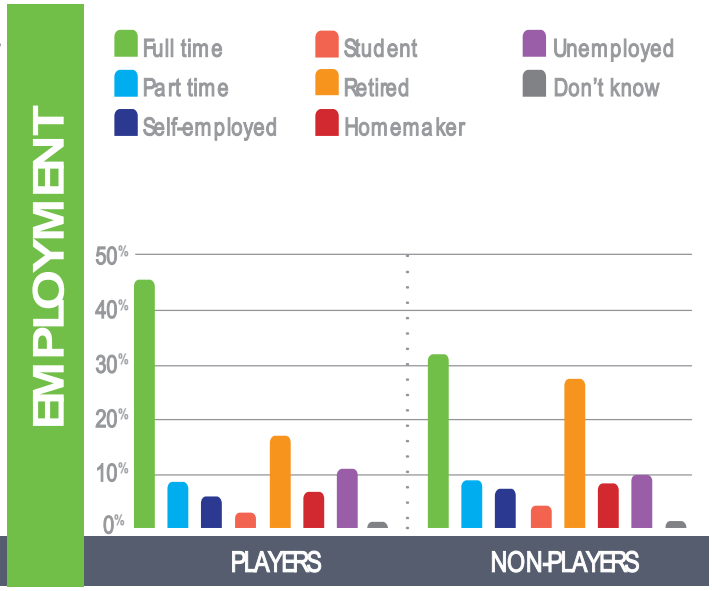
Ethnic Background: More than 90% of the player population report White/Caucasian or Hispanic/Latino Islander ethnicity. In FY2018, there were no significant ethnic differences in lottery participation.

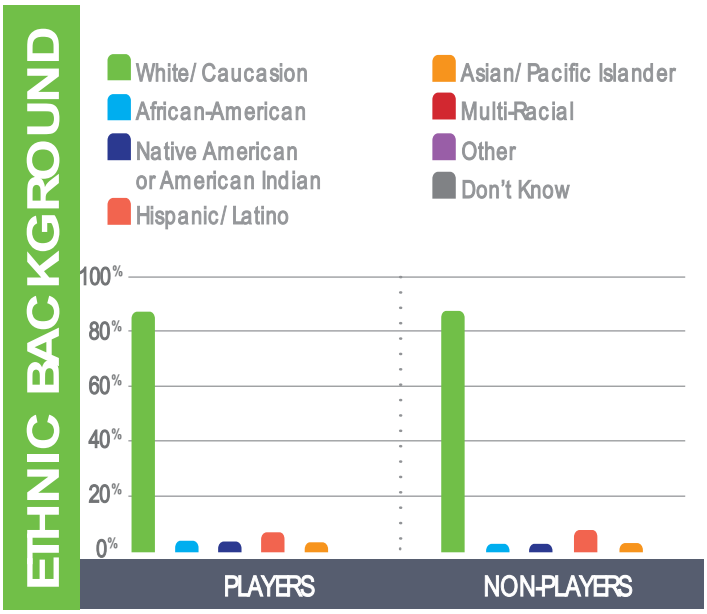
This section intentionally left blank











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

The top ten private employers in Washington for fiscal years 2008-2017 are displayed below. The Lottery will continue to gather information in order to report the required 10 years of information

			2017	
#	Employer	City	Employees Count	Percentage
1	The Boeing Co.	Seattle	65,829	16%
2	Joint Base Lewis-McChord	Lewis-McChord	54,000	13%
3	Amazon.com Inc.	Seattle	50,000	12%
4	Microsoft Corp.	Redmond	46,293	11%
5	Navy Region Northwest	Silverdale	45,945	11%
6	University of Washington	Seattle	44,955	11%
7	Providence St. Joseph Health	Renton	43,067	11%
8	Safeway Inc. & Albertsons LLC	Bellevue	21,541	5%
9	Walmart Inc.	Bentonville, AR	19,957	5%
10	Costco Wholesale Corp.	Issaquah	17,601	4%
	Total		**409,188**	**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%**

			2016	
#	Employer	City	Employees Count	Percentage
	2016 Data not available			
	Total			

			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	Richalnd	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%**

			2015	
#	Employer	City	Employees Count	Percentage
1	The Boeing Company	Seattle	78,225	23%
2	Joint Base Lewis-McChord	Lewis-McChord	58,074	17%
3	Navy Regional Northwest	Silverdale	46,693	14%
4	Microsoft Corp	Redmond	43,618	13%
5	Amazon.com, Inc	Seattle	24,000	7%
6	University of Washington	Seattle	23,639	7%
7	Wal-Mart Stores, Inc	Bentonville, AR	19,484	6%
8	Providence Health & Services	Renton	17,669	5%
9	Fred Meyer Stores	Portland, OR	15,500	4%
10	King County Government	Seattle	13,800	4%
	Total		**340,702**	**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%**

			2014	
#	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%**

			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%**

			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%**

			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%**

Note: In fiscal year 2013, Washington's Lottery changed the source for gathering the top 10 employers, which caused a shift in how employers are reported. In addition, data is only presented for years for which information was available from the source.

Washington's Lottery

Ten Years of Net Position

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Position										
Invested in capital assets	276,746	355,401	275,584	358,544	403,881	266,529	544,959	418,217	932,430	776,927
Restricted for future prizes	7,824,817	3,659,665	3,600,628	9,535,984	16,777,500	12,555,919	15,829,819	10,273,709	10,428,362	12,652,367
Unrestricted	37,511,394	28,756,516	8,139,532	19,350,886	4,893,069	(832,889)	(10,035,804)	(5,981,919)	(15,740,199)	(28,846,778)
Total net position	**45,612,957**	**32,771,582**	**12,015,744**	**29,245,414**	**22,074,450**	**11,989,559**	**6,338,974**	**4,710,007**	**(4,379,407)**	**(15,417,484)**

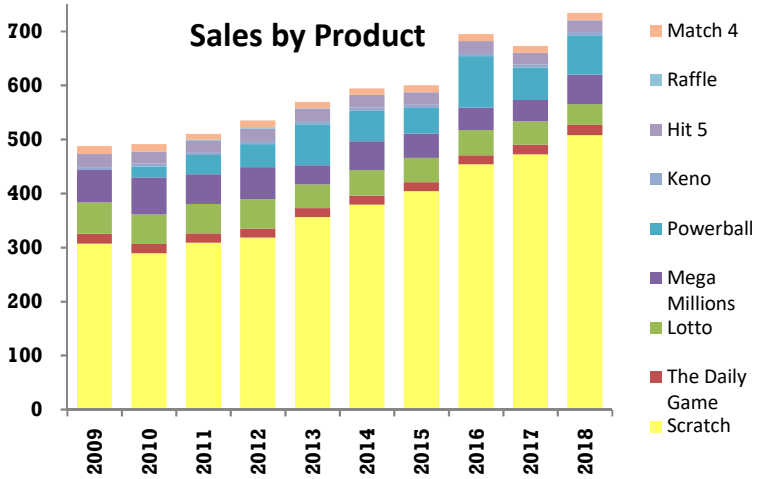
Ten Years of Changes in Net Position

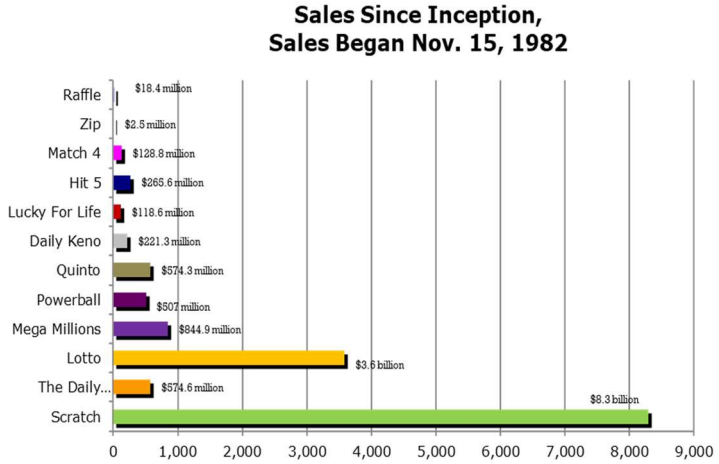
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sales										
Scratch ticket sales	307,004,644	289,324,733	309,045,103	318,149,502	356,021,877	379,352,242	404,097,793	453,948,422	472,252,828	507,900,498
Draw game sales	180,714,035	201,696,753	201,412,321	217,047,664	213,565,366	215,171,218	196,250,355	240,926,646	201,077,571	226,037,994
Total Sales	**487,718,679**	**491,021,486**	**510,457,424**	**535,197,166**	**569,587,243**	**594,523,460**	**600,348,148**	**694,875,068**	**673,330,399**	**733,938,492**
Other operating income			**2,966,318**	**2,985,900**	**2,875,510**	**2,865,770**	**2,850,714**	**2,790,632**	**2,688,541**	**2,769,971**
Cost of Sales										
Prize expense	301,279,527	291,827,949	295,155,493	311,545,285	339,365,820	362,666,491	365,929,999	432,900,790	422,536,021	457,904,034
Retailer commissions	30,751,766	31,005,437	31,941,021	33,383,737	35,545,701	37,368,870	37,307,646	36,021,210	33,893,194	36,927,642
Vendor expense	14,026,413	14,283,685	19,948,887	21,823,707	23,978,757	25,542,925	26,852,529	29,856,808	27,979,137	30,036,116
Advertising expense	12,161,926	12,315,924	11,813,258	10,882,354	10,194,020	10,122,178	10,468,738	10,481,991	10,565,659	9,577,293
Misc. promotional & other operating expenses	5,008,198	4,055,394	4,208,989	4,106,779	4,215,283	5,704,670	4,624,697	4,051,361	4,328,458	3,673,122
Total Cost of Sales	**363,227,830**	**353,488,389**	**363,067,648**	**381,741,862**	**413,299,581**	**441,405,134**	**445,183,609**	**513,312,160**	**499,302,469**	**538,118,207**
Administrative expenses										
Salaries and benefits	9,446,681	9,687,211	9,853,525	9,567,271	9,585,980	9,619,930	9,404,819	10,828,120	10,655,860	10,946,749
Goods and services	2,375,804	2,294,355	2,173,778	2,279,971	2,640,333	2,368,232	2,830,400	3,090,238	3,252,080	2,454,812
Travel	369,462	409,270	381,979	434,622	452,446	460,997	452,426	439,193	411,287	421,226
Depreciation	110,969	121,305	120,772	132,145	131,664	124,135	136,005	134,252	80,130	163,249
Total Administrative Expenses	12,302,916	12,512,141	12,530,054	12,414,009	12,810,423	12,573,294	12,823,650	14,491,803	14,399,357	13,986,036
Operating Income	**112,187,933**	**125,020,956**	**137,826,040**	**144,027,195**	**146,352,749**	**143,410,802**	**145,191,603**	**169,861,737**	**162,317,114**	**184,604,220**
Non-Operating Revenues (expenses)										
Investment revenue (loss)	22,480,606	21,777,420	6,266,376	23,979,561	(3,612,981)	3,045,060	5,007,809	10,226,195	(3,785,665)	(1,156,453)
Amortization of annuity prize liability	(20,000,662)	(17,351,689)	(14,981,731)	(12,819,949)	(10,743,345)	(8,866,388)	(7,605,541)	(6,283,851)	(5,757,685)	(5,083,091)
Interest income	841,625	150,319	87,571	58,387	51,111	49,403	40,067	23,098	21,397	99,940
Misc. income (expense)	37,412	36,415	160,896	13,201	(10,260)	(60,573)	-	59,059	-	7,589
Fee income	18,125	17,894	12,764	14,968	14,497	11,050	10,235	10,325	10,100	10,725
Loss on disposal of capital assets	-	-	-	(5,340)	3,881	121	-	(2,434)	5,180	155
Total non-operating revenues (expenses)	**3,377,106**	**4,630,359**	**(8,454,124)**	**11,240,828**	**(14,297,097)**	**(5,821,327)**	**(2,547,430)**	**4,032,392**	**(9,506,673)**	**(6,121,135)**
Payments to:										
Education Funds	(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)	(128,731,626)	(126,797,889)	(134,170,055)
Education Legacy Trust Account	-	(13,100,000)	(11,900,000)	-	-	(10,050,000)	(6,050,000)	-	-	-
King County	(4,899,160)	(5,095,125)	(5,298,930)	(2,701,415)	-	-	-	-	-	-
Stadium and Exhibition Center Account	(8,881,466)	(9,236,724)	(9,609,193)	(9,990,441)	(10,390,059)	(10,805,661)	(11,237,887)	(11,687,403)	(12,154,899)	(12,641,094)
Economic Development	(2,377,226)	(4,573,866)	(3,739,469)	(2,967,678)	(3,620,758)	(4,016,417)	(4,661,950)	(2,844,549)	(4,869,712)	(4,629,950)
Problem Gambling	(243,995)	(258,950)	(279,892)	(290,747)	(299,288)	(301,414)	(304,744)	(340,567)	(326,033)	(358,845)
Veterans' Innovation Program	-	-	-	(247,571)	-	-	-	-	-	-
General Fund	(1,990,239)	(12,859,114)	(7,037,975)	-	(9,338,395)	(595,852)	-	(31,918,951)	(16,751,322)	(31,170,784)
Gambling Commission	-	-	-	-	-	-	-	-	(1,000,000)	-
Total payments	**(120,392,086)**	**(142,492,690)**	**(150,127,754)**	**(138,038,353)**	**(139,226,617)**	**(147,674,366)**	**(141,255,241)**	**(175,523,096)**	**(161,899,855)**	**(182,970,728)**
Net non-operating expense	**(117,014,980)**	**(137,862,331)**	**(158,581,878)**	**(126,797,525)**	**(153,523,714)**	**(153,495,693)**	**(143,802,671)**	**(171,490,704)**	**(171,406,528)**	**(189,091,863)**
Change in net position	**(4,827,047)**	**(12,841,375)**	**(20,755,838)**	**17,229,670**	**(7,170,965)**	**(10,084,891)**	**1,388,932**	**(1,628,967)**	**(9,089,414)**	**(4,487,643)**
Prior period adjustment to net position	-	-	-	-	-	**(7,039,517)**	-	-		**(6,550,434)**
Total net position at beginning of year	**50,440,004**	**45,612,957**	**32,771,582**	**12,015,744**	**29,245,415**	**22,074,450**	**4,950,042**	**6,338,974**	**4,710,007**	**(4,379,407)**
Total net position at end of year	**45,612,957**	**32,771,582**	**12,015,744**	**29,245,415**	**22,074,450**	**4,950,042**	**6,338,974**	**4,710,007**	**(4,379,407)**	**(15,417,484)**

Washington's Lottery

Ten Years of Sales and Other Revenues

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Scratch	**307,004,644**	**289,324,733**	**309,045,103**	**318,149,502**	**356,021,877**	**379,352,242**	**404,097,793**	**453,948,422**	**472,252,828**	**507,900,498**
Draw:										
The Daily Game	18,341,004	16,993,685	16,736,124	16,597,018	16,747,637	16,660,795	16,856,367	16,653,422	17,748,008	18,925,205
Lotto	58,245,291	54,805,991	54,559,716	54,468,198	43,785,467	47,372,657	44,844,196	46,632,119	43,427,058	38,553,405
Mega Millions	59,577,333	68,642,733	55,036,067	59,196,654	35,485,582	52,992,207	44,811,063	41,278,942	39,312,625	54,651,304
Powerball	-	19,995,130	35,588,849	42,858,045	75,935,191	56,433,962	47,573,226	95,744,270	60,008,237	72,892,676
Keno	5,523,027	5,271,489	5,550,604	5,633,672	5,651,905	5,752,923	5,816,200	5,890,354	5,816,005	5,705,640
Hit 5	24,433,740	22,340,255	20,649,685	22,961,307	22,764,290	23,913,846	23,403,505	21,706,191	21,330,902	21,632,740
Raffle	-	-	2,117,470	2,925,910	1,279,240	-	-	-	-	-
Match 4	14,593,640	13,647,470	11,173,806	12,406,860	11,916,054	12,044,828	12,945,798	13,021,348	13,434,736	13,677,024
Total Draw	**180,714,035**	**201,696,753**	**201,412,321**	**217,047,664**	**213,565,366**	**215,171,218**	**196,250,355**	**240,926,646**	**201,077,571**	**226,037,994**
Total Sales	**487,718,679**	**491,021,486**	**510,457,424**	**535,197,166**	**569,587,243**	**594,523,460**	**600,348,148**	**694,875,068**	**673,330,399**	**733,938,492**
Other operating income	**-**	**-**	**2,966,318**	**2,985,900**	**2,875,510**	**2,865,770**	**2,850,714**	**2,790,632**	**2,688,541**	**2,769,971**
Interest	841,625	150,319	87,571	58,387	51,112	49,403	40,067	23,098	21,397	99,940
License Fees	18,125	17,894	12,764	14,968	14,497	11,050	10,235	10,325	10,100	10,725
Miscellaneous	37,411	36,415	160,896	(53,832)	(6,379)	(60,452)	-	56,625	5,180	155
Total Other Revenues	**897,161**	**204,628**	**261,231**	**19,523**	**59,230**	**1**	**50,302**	**90,048**	**36,677**	**110,820**
Total Sales and Other Revenues	**488,615,840**	**491,226,114**	**513,684,973**	**538,202,589**	**572,521,983**	**597,389,231**	**603,249,164**	**697,755,748**	**676,055,617**	**736,819,283**





Total Sales: $15.1 Billion

Washington's Lottery

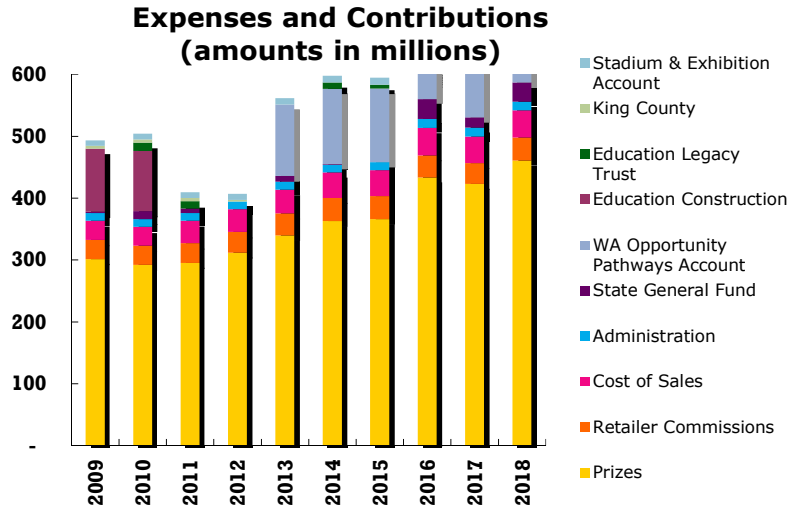
Ten Years of Expenses

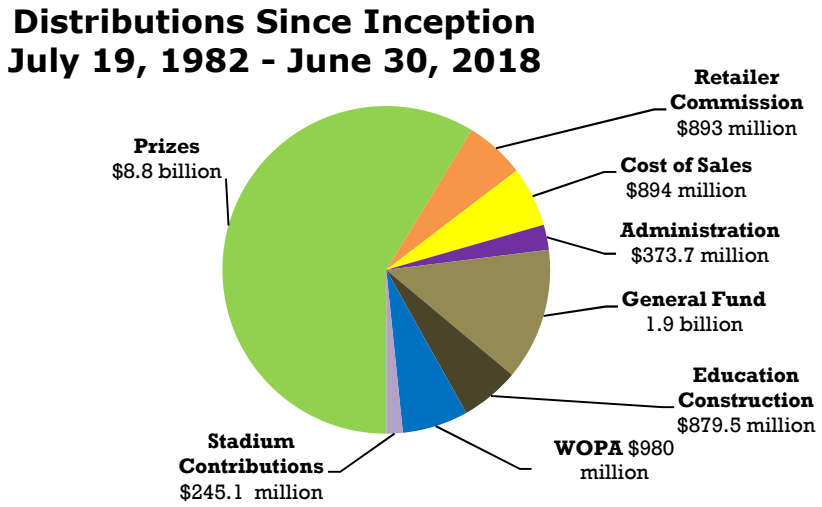
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Prizes	301,279,527	291,827,949	295,155,493	311,545,285	339,365,820	362,666,491	365,929,999	432,900,790	422,536,021	457,904,034
Retailer Commissions	30,751,766	31,005,437	31,941,021	33,383,737	35,545,701	37,368,870	37,307,646	36,021,210	33,893,194	36,927,642
Cost of Sales	31,192,738	30,655,003	35,971,134	36,812,840	38,388,061	41,369,773	41,945,964	44,390,160	42,873,254	43,286,531
Administration	12,302,916	12,512,141	12,530,054	12,414,009	12,810,423	12,573,294	12,823,650	14,491,803	14,399,357	13,986,036
Total Expenses	**375,526,947**	**366,000,530**	**375,597,702**	**394,155,871**	**426,110,005**	**453,978,428**	**458,007,259**	**527,803,963**	**513,701,826**	**552,104,243**

Note: Non-operating expenses are not included.

Ten Years of Contributions

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
State General Fund	1,990,239	12,859,114	7,037,975	-	9,338,396	595,852	-	31,918,951	16,751,322	31,170,784
Washington Opportunity Pathways Account	-	-	112,262,295	121,840,501	115,578,116	121,905,022	119,000,660	128,731,626	126,797,889	134,170,055
Education Funds	102,000,000	97,368,911	-	-	-	-	-	-	-	-
Education Legacy Trust Fund	-	13,100,000	11,900,000	-	-	10,050,000	6,050,000	-	-	-
Economic Development	2,377,226	4,573,866	3,739,469	2,967,678	3,620,758	4,016,417	4,661,950	2,844,549	4,869,712	4,629,950
Problem Gambling	243,995	258,950	279,892	290,747	299,288	301,414	304,744	340,567	326,033	358,845
Veterans' Innovation Program	-	-	-	247,571	-	-	-	-	-	-
King County	4,899,160	5,095,125	5,298,930	2,701,415	-	-	-	-	-	-
Stadium & Exhibition Account	8,881,466	9,236,724	9,609,193	9,990,441	10,390,059	10,805,661	11,237,887	11,687,403	12,154,899	12,641,094
Gambling Commission	-	-	-	-	-	-	-	-	1,000,000	-
Total Contributions	**120,392,086**	**142,492,690**	**150,127,754**	**138,038,353**	**139,226,617**	**147,674,366**	**141,255,241**	**175,523,096**	**161,899,855**	**182,970,728**





Washington's Lottery

COMPARATIVE STATEMENT OF LOTTERY REVENUES AND EXPENSES BY LOTTERY FOR FISCAL YEAR 2017

	Millions of Dollars					As Percentage of Sales			
Lottery	Sales	Prizes	Commissions	Expenses	Net Income	Prizes	Commissions	Expenses	Net Income
New York	7,679.12	4,639.01	459.89	257.10	2,323.12	60.41%	5.99%	3.35%	30.25%
California	6,233.47	3,963.45	433.66	342.18	1,440.21	63.58%	6.96%	5.49%	23.10%
Florida	6,156.48	3,966.63	343.61	199.72	1,627.32	64.43%	5.58%	3.24%	26.43%
Massachusetts	5,087.90	3,670.64	291.91	97.76	1,038.41	72.14%	5.74%	1.92%	20.41%
Texas	5,077.46	3,257.38	276.30	219.84	1,297.47	64.15%	5.44%	4.33%	25.55%
Georgia	4,218.43	2,737.54	268.53	178.58	1,087.20	64.89%	6.37%	4.23%	25.77%
Pennsylvania	4,001.04	2,588.27	211.42	156.88	1,045.73	64.69%	5.28%	3.92%	26.14%
Michigan	3,329.80	2,016.45	249.22	155.60	916.96	60.56%	7.48%	4.67%	27.54%
New Jersey	3,235.83	1,927.30	181.91	112.92	1,013.14	59.56%	5.62%	3.49%	31.31%
Ohio	3,001.70	1,910.01	185.74	0.00	905.95	63.63%	6.19%	0.00%	30.18%
Illinois	2,843.96	1,820.11	160.05	137.84	710.81	64.00%	5.63%	4.85%	24.99%
North Carolina	2,428.07	1,543.16	170.46	94.90	625.61	63.55%	7.02%	3.91%	25.77%
Virginia	1,989.87	1,214.30	111.96	106.34	558.32	61.02%	5.63%	5.34%	28.06%
Maryland	1,931.55	1,196.51	145.88	0.00	589.16	61.95%	7.55%	0.00%	30.50%
South Carolina	1,635.70	1,086.20	115.39	39.49	398.24	66.41%	7.05%	2.41%	24.35%
Tennessee	1,495.94	948.33	105.19	59.80	386.71	63.39%	7.03%	4.00%	25.85%
Missouri	1,342.67	932.10	78.49	59.92	289.19	69.42%	5.85%	4.46%	21.54%
Connecticut	1,216.26	756.29	67.98	56.15	336.12	62.18%	5.59%	4.62%	27.64%
Indiana	1,213.08	774.41	81.54	70.96	278.43	63.84%	6.72%	5.85%	22.95%
Kentucky	986.96	628.83	61.67	49.12	246.75	63.71%	6.25%	4.98%	25.00%
Arizona	852.00	551.06	57.18	47.07	198.10	64.68%	6.71%	5.52%	23.25%
Washington**	673.33	422.54	33.89	57.27	162.33	62.75%	5.03%	8.51%	24.11%
Wisconsin	602.77	362.97	41.29	35.39	162.38	60.22%	6.85%	5.87%	26.94%
Minnesota	563.50	348.38	33.89	47.57	134.06	61.82%	6.01%	8.44%	23.79%
Colorado	555.33	341.52	40.73	40.42	126.97	61.50%	7.33%	7.28%	22.86%
Louisiana	454.97	242.95	25.48	27.02	159.37	53.40%	5.60%	5.94%	35.03%
Arkansas	449.14	306.43	25.32	34.46	84.10	68.23%	5.64%	7.67%	18.72%
Iowa	352.91	215.62	22.92	32.61	80.58	61.10%	6.49%	9.24%	22.83%
Oregon	332.23	217.15	50.42	26.65	38.02	65.36%	15.18%	8.02%	11.44%
New Hampshire	299.15	191.78	17.20	19.18	75.15	64.11%	5.75%	6.41%	25.12%
Maine	265.95	171.77	17.63	20.01	58.66	64.59%	6.63%	7.52%	22.06%
Kansas	258.00	149.71	15.33	22.22	72.65	58.03%	5.94%	8.61%	28.16%
Rhode Island	249.88	154.46	18.59	14.50	62.33	61.81%	7.44%	5.80%	24.94%
Idaho	239.93	160.31	14.06	17.94	48.69	66.82%	5.86%	7.48%	20.29%
District of Columbia	218.73	130.04	14.41	28.80	45.68	59.45%	6.59%	13.17%	20.88%
Nebraska	173.82	101.90	11.13	19.39	41.73	58.62%	6.40%	11.16%	24.01%
Delaware	169.72	134.96	10.50	0.00	24.26	79.52%	6.19%	0.00%	14.29%
W. Virginia	166.48	98.19	11.65	6.53	61.72	58.98%	7.00%	3.92%	37.07%
Oklahoma	151.50	73.34	10.04	13.49	55.05	48.41%	6.63%	8.90%	36.34%
New Mexico	126.04	67.18	8.20	11.70	39.00	53.30%	6.51%	9.28%	30.94%
Vermont	122.37	79.65	7.49	9.77	25.42	65.09%	6.12%	7.98%	20.77%
Montana	52.44	30.60	2.98	9.80	9.13	58.35%	5.68%	18.69%	17.41%
South Dakota	49.08	28.74	2.63	5.90	12.09	58.56%	5.36%	12.02%	24.63%
North Dakota	27.62	14.32	1.38	4.93	7.11	51.85%	5.00%	17.85%	25.74%
Wyoming	25.33	14.50	1.56	7.06	2.22	57.24%	6.16%	27.87%	8.76%

Note to Table: fiscal year 2017 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 2017 World Lottery Almanac," TLF Publications, Inc.

Washington's Lottery

COMPARISON OF LOTTERY REVENUES AND EXPENSES PER CAPITA BY LOTTERY FOR FISCAL YEAR 2017

Figures Per Capita						
Lottery	Population (M)	Sales	Prizes	Commissions	Expenses	Net Income
California	39.53	157.69	100.26	10.97	08.66	36.43
Texas	28.30	179.39	115.09	09.76	07.77	45.84
Florida	20.98	293.39	189.03	16.37	09.52	77.55
New York	19.85	386.88	233.72	23.17	12.95	117.04
Pennsylvania	12.81	312.46	202.13	16.51	12.25	81.67
Illinois	12.80	222.15	142.17	12.50	10.77	55.52
Ohio	11.66	257.48	163.84	15.93	00.00	77.71
Georgia	10.43	404.49	262.49	25.75	17.12	104.25
North Carolina	10.27	236.35	150.22	16.59	09.24	60.90
Michigan	9.96	334.25	202.41	25.02	15.62	92.05
New Jersey	9.01	359.34	214.03	20.20	12.54	112.51
Virginia	8.47	234.93	143.36	13.22	12.55	65.92
Washington **	7.41	90.93	57.06	4.58	7.73	21.86
Arizona	7.02	121.44	78.54	08.15	06.71	28.24
Massachusetts	6.86	741.78	535.16	42.56	14.25	151.39
Tennessee	6.72	222.78	141.23	15.66	08.91	57.59
Indiana	6.67	181.98	116.17	12.23	10.65	41.77
Missouri	6.11	219.64	152.48	12.84	09.80	47.31
Maryland	6.05	319.16	197.70	24.10	00.00	97.35
Wisconsin	5.80	104.02	62.64	07.13	06.11	28.02
Colorado	5.61	99.04	60.91	07.26	07.21	22.64
Minnesota	5.58	101.06	62.48	06.08	08.53	24.04
South Carolina	5.02	325.58	216.20	22.97	07.86	79.27
Louisiana	4.68	97.13	51.87	05.44	05.77	34.02
Kentucky	4.45	221.59	141.18	13.85	11.03	55.40
Oregon	4.14	80.21	52.43	12.17	06.43	09.18
Oklahoma	3.93	38.55	18.66	02.55	03.43	14.01
Connecticut	3.58	340.08	211.46	19.01	15.70	93.98
Iowa	3.15	112.21	68.56	07.29	10.37	25.62
Arkansas	3.00	149.51	102.01	08.43	11.47	28.00
Kansas	2.91	88.74	51.49	05.27	07.64	24.99
New Mexico	2.09	60.36	32.17	03.93	05.60	18.68
Nebraska	1.92	90.53	53.07	05.80	10.10	21.73
West Virginia	1.82	91.72	54.10	06.42	03.60	34.01
Idaho	1.72	139.82	93.42	08.19	10.45	28.37
New Hampshire	1.34	222.92	142.91	12.82	14.29	56.00
Maine	1.34	199.21	128.67	13.21	14.99	43.94
Rhode Island1	1.06	235.96	145.85	17.55	13.69	58.86
Montana	1.05	49.94	29.14	02.84	09.33	08.70
Delaware1	0.95	229.74	136.59	15.14	30.25	47.98
South Dakota	0.87	56.48	33.07	03.03	06.79	13.91
North Dakota	0.76	36.58	18.97	01.83	06.53	09.42
D.C.	0.69	244.91	194.75	15.15	00.00	35.01
Vermont	0.62	196.42	127.85	12.02	15.68	40.80
Wyoming	0.58	43.75	25.04	02.69	12.19	03.83

Note to Table: fiscal year 2017 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 2017 World Lottery Almanac," TLF Publications, Inc.

Fiscal Year 2018 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:

Yakima Region:
Wray's Meadowbrook
7200 W Nob Hill Blvd #1
Yakima, WA 98908-1928

Spokane Region:
Fred Meyer #214
12120 N Division St.
Spokane, WA 99218-1905

Federal Way Region:
Rotary Grocery
1503 Pike Pl #B
Seattle, WA 98101-1526

Vancouver Region:
Kalama Chevron
344 NE Frontage RD
Kalama, WA 98625

Everett Region:
Fred Meyer #122
100 NW 85th St.
Seattle, WA 98117-3058

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 REGION MAP

Washington's Lottery Headquarters	Everett Regional Office	Federal Way Regional Office
814 4th Ave E Olympia, WA 98506 PO BOX 43000 Olympia, WA 98504-3000	11419 19th Ave SE Suite A106 Everett, WA 98208-5120	33701 9th Ave S Federal Way, WA 98003-6762
Vancouver Regional Office	**Yakima Regional Office**	**Spokane Regional Office**
1503 NE 78th St Suite #4 Vancouver, WA 98665-9668	9 S 5th Ave Yakima, WA 98902-3432	10517 E Sprague Ave #19 Spokane Valley, WA 99206-3631

UPDATED 4/26/3017