



# **ANNUAL COMPREHENSIVE**

# **FINANCIAL REPORT**

**STATE OF WASHINGTON  
WASHINGTON'S LOTTERY FINANCE DIVISION  
FOR THE FISCAL YEARS ENDED JUNE 30, 2022  
AND JUNE 30, 2021**



**DOWNLOAD**



A PDF download of this Annual Comprehensive Financial Report is available at [walottery.com/About/AnnualReports.aspx](http://walottery.com/About/AnnualReports.aspx).

# LETTER FROM THE DIRECTOR



Fiscal Year 2022 was another amazing year for Washington's Lottery, despite the lingering challenges stemming from a global pandemic. As society edged towards some semblance of "normal", we saw our sales also return to a predictable pace. Total sales for the year came in at \$908 million, which although slightly down from the previous year still surpassed our sales target by \$24 million. Our Scratch tickets continued to outsell all other products at \$665.2 million, and draw games performed well at \$242.5 million. We continued to support Washington State education by providing over \$176.6 million to the Washington Opportunity Pathways Account to help fund early learning, grants for low-income students, and vocational scholarships. Our players collected \$574 million in prizes this fiscal year, and our devoted retailer partners earned \$46 million.

Our amazing staff continued to drive sales through creative and entertaining promotions, including our Hit 5 Stacks of Scratch Promotion. Players who purchased a \$5 Hit 5 ticket, received a mail-in voucher for a chance to win a variety of packs of Scratch tickets. The number of entries we received far exceeded our expectations. Of the 547,701 vouchers produced, 270,228 entries were mailed to our office. This was a 49.34% return rate, and six times more than our previous mail-in entry promotion.

We also continued our quarterly Lotto Cashfall promotion campaign, which we launched in fiscal year 2021 with the Winter and Spring Cashfall. It gave players a chance to win an additional \$10,000 when they purchased \$5 in Lotto tickets. The Summer Cashfall and Autumn Cashfall promotions wrapped up the campaign in fiscal year 2022, and although the success in terms of sales was minimal, the popularity and feedback from our players was tremendous. Players were also excited about our ongoing Seattle Seahawks Scratch ticket and second chance promotion, along with our newly formed partnership with the Seattle Kraken hockey team.

Last year Washington's Lottery opened the Department of Imagination store in the Northtown Mall in Spokane. It serves as the first Lottery operated retail location, and in fiscal year 2022 the store generated \$440,000 in total sales. Some of this store's growing success can be attributed to the decision to expand our traditional operating hours to match the mall's hours, including weekends. Our players now have the convenience of visiting the location at a time that better fits their busy schedules, a part of our commitment to provide equitable access. Another major accomplishment was the opening of our newly designed kiosk at the SeaTac Airport. This kiosk is the Lottery's top selling location, with over \$2 million in sales in fiscal year 2022.

Washington's Lottery also continued to focus on increasing its responsible gambling efforts. During this fiscal year, we contributed more than \$433,000 to the state's Problem Gambling Account and achieved responsible gambling verification at the implementation level by the National Association of State and Provincial Lotteries and the National Council on Problem Gambling. We sponsored local conferences held by the Evergreen Council on Problem Gambling, and we released responsible gambling training videos to both retailers and staff.

I am immensely proud of the accomplishments and dedication of our staff in fiscal year 2022. It is because of their consistent efforts that Washington's Lottery was able to provide substantial education-based support to thousands of Washingtonians.

Sincerely,

A handwritten signature in black ink that reads "M. Glasper". The signature is fluid and cursive.

Marcus J. Glasper  
Director of Washington's Lottery

# Mission

To offer games of chance with integrity and imagination to maximize beneficiary contributions.



# Values



## Integrity

Individually and as an organization, we act with honesty and hold ourselves to the highest standards of ethical conduct.



## Collaboration

We promote a culture of teamwork and working together across the organization to achieve shared goals.



## Respect

We treat people with dignity and courtesy, honor different perspectives, and embrace inclusion.



## Responsibility

We are personally accountable for our actions and make organizational decisions in the best interests of our beneficiaries and the state.



## Creativity

We believe the power of imagination, innovation, and original thinking is key to our success.



## Customer-focus

We deliver quality products and solutions to those we serve.

# Vision

To be a lottery industry leader in creating fun gaming experiences that benefit the people of Washington.



DEPT OF IMAGINATION<sup>®</sup>





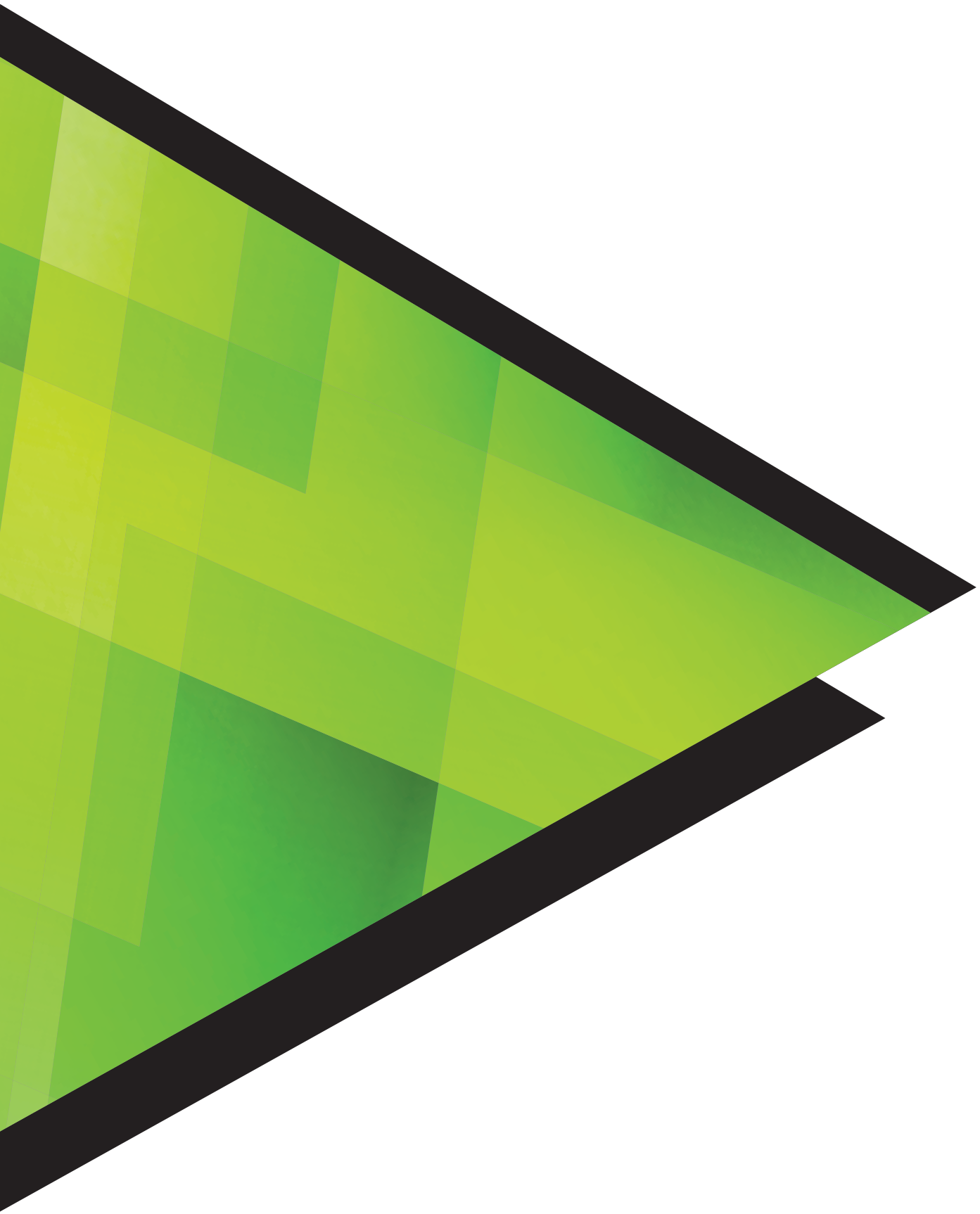
# **WASHINGTON'S LOTTERY**

an agency of the State of Washington

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

for the fiscal years ended June 30, 2022 and June 30, 2021

*Prepared by Washington's Lottery's Finance Division*



# TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	09
Certificate of Achievement for Excellence in Financial Reporting	17
Principal Officials	18
Organization Chart	18
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	20
Management's Discussion and Analysis	23
Basic Financial Statements	
Statements of Net Position	32
Statements of Revenues, Expenses, and Changes in Net Position	33
Statements of Cash Flows	34
Notes to the Financial Statements	35
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability PERS Plan 1	62
Schedule of Proportionate Share of the Net Pension Liability PERS Plan 2/3	62
Schedule of Employer Contributions PERS Plan 1	63
Schedule of Employer Contributions PERS Plan 2/3	63
Schedule of Changes in Total OPEB Liability and Related Ratios	64
OPEB Notes to Required Supplementary Information	64
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards	65
Schedule of Findings and Responses	73
<b>STATISTICAL SECTION</b>	
Washington State	
Statistical Section	69
Demographics of Players	72
Top Ten Private Employers	73
Net Position Last-10 Fiscal Years	74
Changes in Net Position-Last 10 Fiscal Years	74
Sales and Other Revenues-Last 10 Fiscal Years	75
Expenses and Contributions-Last 10 Fiscal Years	76
United States	
Comparison of Lottery Revenues and Expenses by State	77
Comparison of Lottery Revenues and Expenses per Capita	78
Winners	79
Lottery Offices	82

## **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.



January 27, 2023

# TO THE CITIZENS OF WASHINGTON STATE:

Washington’s Lottery is pleased to provide this annual financial report for the fiscal year that ended June 30, 2022. In fiscal year 2022, Lottery sales decreased by \$43.0 million or 4.5 percent compared to fiscal year 2021 and contributed a total of \$216.8 million to its beneficiaries for state programs. The Washington Opportunity Pathways Account received \$176.6 million to fund scholarships, early learning, and other educational opportunities.

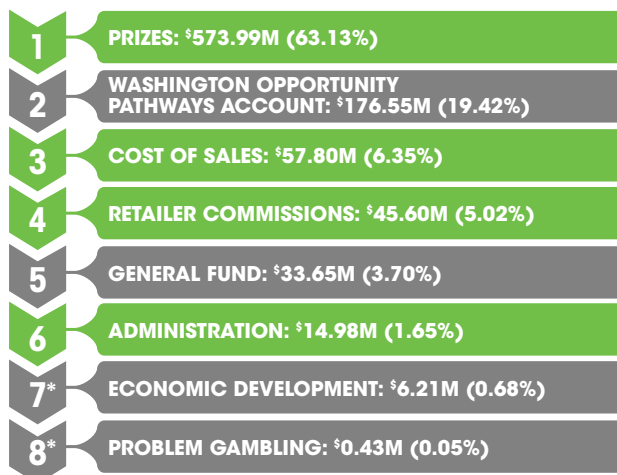
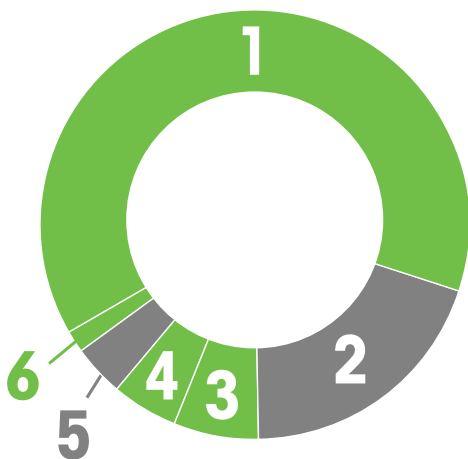
Although state law does not require the Lottery to provide stand-alone audited financial statements, we do so to reflect the highest standards of fiscal transparency and uncompromised accountability to the public, thereby strongly demonstrating our thorough efforts to disclose all relevant information.

To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present 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, human resources, and information services. The Lottery generated dollars for the Washington Opportunity Pathways Account, Economic Development Account, Problem Gambling Account, and General Fund. Lottery revenues for fiscal year 2022 totaled \$911.7 million. These sales allowed contributions of \$176.6 million to the Washington Opportunity Pathways Account (WOPA), \$33.6 million to the General Fund, \$6.2 million to the Economic Development Account and \$433.8 thousand to the Problem Gambling Account. Washington Lottery’s mission is to offer games of chance with integrity and imagination to maximize beneficiary

### FY22 TOTAL DISTRIBUTION: \$909.2 MILLION



\*Amounts not displayed in graph

**COST OF DOING BUSINESS**    **PROFIT**

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

## BACKGROUND

contributions. Our focus is on maintaining and increasing the ability to maximize these contributions in support of early learning scholarships and other state programs. Development of new products and game enhancements is an ongoing process with a focus on responsible gambling and increasing long-term revenue. 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 2022 and further details regarding specific subjects can be found in Management's Discussion and Analysis in the Financial Section of this document.

## COMMUNITIES THROUGHOUT THE STATE HAVE BENEFITED FROM THE LOTTERY

Since Washington's Lottery sold its first ticket in 1982, it has paid over \$11.1 billion in prizes and retailers have received over \$1.1 billion 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 2022, Washington's Lottery paid out more than 39 million winning tickets ranging from \$1 to \$5.4 million. Eighteen people became millionaires through Washington's Lottery in the last fiscal year. Since inception, the Lottery has made 789 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, and General Fund Account. Since inception, the Lottery has contributed more than \$5.0 billion to various 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 \$4.8 million in previously uncollected money. This figure represents \$2.7 million in child support payments and \$2.1 million in recovered taxes, fees, penalties, welfare, and employment security debts.

## WASHINGTON STATE'S ECONOMIC AND REVENUE OUTLOOK

### Washington State's Economic and Revenue Outlook 2023

Recent economic performance in Washington has been tied to the recovery from earlier efforts to contain the COVID-19 pandemic. During the early stages of the pandemic, higher risk economic activities which involve close physical proximity between workers, between consumers and workers, or where consumers are in close proximity to each other, were tightly controlled to help limit virus transmission. This resulted in unprecedented job losses, hitting the entertainment, hospitality, personal services, and food and beverage sectors particularly hard. The first wave of impacts resulted in a loss of 437,900 non-farm employment jobs. As of August 2022, non-farm employment had rebounded by 472,900 jobs, surpassing pre-pandemic employment by 41,200 jobs. Because the pandemic is a public health crisis with serious economic consequences, as opposed to the more typical economic recession with public health consequences, the pattern of recovery has been without precedent. After the initial job losses during the Great Recession, it took 69 months to return to the prior job peak. The recovery from the recent downturn took 28 months, a shorter recovery than the 1969, 1981, 2000, or 2008 recessions. Despite the shorter duration than the prior recoveries, the number of permanent job losses, labor force exits, and permanent business closures may have longer-term consequences.

Washington's jobless rate has matched the national rate during the latter part of the pandemic 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 five years, 77 percent of Washington's population growth has been due to migration. More recent forecasts expect Washington's jobless rate to trend above the national average, likely the result of strengthening population growth and the accompanying frictional lag in employment. In fundamental ways,

this reflects the confidence workers have in finding gainful employment. By the end of the next biennium (2023-25), Washington's unemployment rate is projected to increase to 4.9 percent from the current 3.7 percent.

Personal income in Washington is expected to moderate over the next two fiscal years. Concerted efforts to provide pandemic relief funds to individuals and households boosted fiscal year 2020 real personal income by 5.5 percent and fiscal year 2021 real personal income by 5.6 percent. Real personal income declined 1.7 percent in fiscal year 2022 as Federal COVID relief payments ended and households drew down their pandemic savings. Real personal income is expected to grow .01 percent in fiscal year 2023 and 2.1 percent in fiscal year 2024. In comparison, U.S. real income growth is expected to be -2.0 percent, 0.0 percent, and 1.5 percent respectively. On a per-capita basis, Washington's real personal income should reach \$60,854 in fiscal year 2024, nearly \$7,100 above the U.S. average.

These gains in Washington's personal income will occur as employment growth trends towards a more moderate rate following the vigorous rebound growth rates of fiscal years 2022 and 2023. Aerospace employment, a traditional driver of Washington's economy, is expected to recover from the 737 Max and COVID slowdowns with expected increases to 72,400 in fiscal year 2023 to 74,100 in fiscal year 2024. Continued gains in software publishing, electronic shopping and mail order, and other technology sectors, will result in Washington total non-farm employment posting a net 3.0 percent increase in fiscal year 2023, and 0.5 percent in fiscal year 2024.

Growth in construction jobs will likely soften during the forecast period as the housing market and commercial markets weaken. While demand for new office space was prompted by burgeoning growth in the technology sectors prior to the pandemic, recent trends toward teleworking have had a negative impact on demand of commercial office space. Building permits are expected to decline 20.2 percent in fiscal year 2023 and another 1.1 percent in fiscal year 2024. As a result, growth in construction employment should trend down to 1.3 percent in fiscal year 2023 and then decline 3.1 percent in fiscal year 2024.

General Fund-State (GF-S) revenues grew 6.2 percent in fiscal year 2020, 13.3 percent in fiscal year 2021, and 11.3 percent in fiscal year 2022. GF-S revenues are expected to grow 0.6 percent in fiscal year 2023, and 1.4 percent in fiscal year 2024. The moderating economy, continued hiring, and restrained growth in consumer spending should keep revenues growing at a moderate pace.

## LOTTERY PRODUCTS

### OUR GAMES

#### SCRATCH

In Washington, *Scratch* is the most popular Lottery game. *Scratch* is classified as an "instant" game because players learn immediately if they have won a prize. Total *Scratch* sales were \$665.2 million in fiscal year 2022, compared to \$701.2 million in 2021. In fiscal year 2022, *Scratch* sales were \$422.8 million more than all other Lottery games combined. *Scratch* games provided 73.3 percent of total net sales for fiscal year 2022, compared to 73.8 percent in 2021. The Lottery launched 55 *Scratch* games in fiscal year 2022, similar to the 58 *scratch* games launched in fiscal year 2021.



## MEGA MILLIONS

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-five states, District of Columbia and the U.S. Virgin Islands.

*Mega Millions* is a jackpot-based game with nine prize levels. A ticket costs \$2 to play. Players pick six numbers from two different pools of numbers. They choose five white 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. Before the pandemic, jackpots started at \$40 million and increased 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 white balls. Players can buy tickets for up to ten consecutive drawings.

"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 multiplier does not apply to the jackpot prize.

The slowing of sales in the national jackpots games during the unprecedented global pandemic required changes to be made to the *Mega Millions* game. Effective April 3, 2020, the *Mega Millions* Consortium announced the changes which included reducing the game's starting jackpot to \$20 million and determining subsequent starting jackpots. The subsequent jackpots and the rate at which the jackpot increases are established based on game sales and interest rates, with no fixed minimum amount. Previously, the jackpot started at \$40 million, and the minimum increase was \$5 million for each roll.

*Mega Millions* ticket sales in Washington were \$48.7 million for fiscal year 2022, representing 5.4 percent of total net Lottery sales. *Mega Millions* sales were \$70.9 million or 7.5 percent of net sales in fiscal year 2021. In fiscal year 2022, jackpots ranged from \$20 million to \$432 million, with 6 winning jackpots over \$100 million. In fiscal year 2022, *Mega Millions*'s highest jackpot was \$432 million as compared to \$1 billion in the prior year 2021.

## POWERBALL

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-eight jurisdictions, including District of Columbia, Puerto Rico and the U.S. Virgin Islands.

*Powerball* is a jackpot-driven game. A ticket costs \$2 to play. 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 Monday, Wednesday, and Saturday as part of the *Powerball* drawing event. Players can buy tickets for up to twenty-four consecutive drawings.

"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-tier prize if the "Power Play" option is chosen at the time of ticket purchase.

On August 23, 2021, *Powerball* launched a new Monday drawing, which expanded the weekly lineup of *Powerball* drawings to three nights a week: Monday, Wednesday, and Saturday. In addition, a new add-on feature called Double Play was launched that gives players in select jurisdictions another chance to match their *Powerball* numbers in a separate drawing with a top cash prize of \$10 million. For an extra \$1 per game, a player can add the Double Play option on to their purchase.

The COVID-19 global pandemic impacted *Powerball* sales and required adjustments to the game in order to sustain the lottery product. On March 25, 2020, the *Powerball* Product Group announced the changes to the *Powerball* game. The *Powerball*'s starting jackpot reset to a guaranteed \$20 million with a minimum roll increase of \$2 million between drawings. Prior to the pandemic, the *Powerball* jackpot started at \$40 million, and the minimum increase was \$10 million for each roll.

*Powerball* sales were \$80.6 million for fiscal year 2022, representing 8.9 percent of net sales, compared to

\$57.8 million or 6.1 percent in fiscal year 2021. In fiscal year 2022, jackpots ranged from \$20 million to \$685 million, with 6 winning jackpots over \$100 million. In fiscal year 2022, *Powerball's* highest jackpot was \$685 million as compared to \$730 million in the prior year 2021.

## LOTTO

*Lotto*, the Lottery's flagship in-state game was 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. The cost per ticket is \$1 for two plays. Lottery players have a chance to win \$1 million or more three times a week, on Mondays, Wednesdays, and Saturdays.

Players can purchase up to twenty-five consecutive drawings in advance. *Lotto* sales for fiscal year 2022 were \$38.5 million, representing 4.2 percent of total net sales. *Lotto* sales in fiscal year 2021 totaled \$39.3 million or 4.1 percent of net sales in that year. Seven winning *Lotto* jackpots were drawn in fiscal year 2022 ranging from \$1.1 million to \$5.4 million.

## HIT 5

*Hit 5* is as easy to play as *Lotto*, and it's easier to win. Players select 5 of 42 numbers (or let the computer randomly select 5 numbers) and match them to the numbers drawn by the Lottery. The cost per ticket is \$1. 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. Forty-two *Hit 5* cashpots were awarded in fiscal year 2022, ranging from \$100,000 to \$1.6 million. Prizes are also paid for matching two, three, or four of the numbers drawn. On August 29, 2020, daily drawings were implemented. Prior to this date, drawings were held on Mondays, Wednesdays, and Saturdays. Sales for fiscal year 2022 were \$33.0 million or 3.6 percent of net sales compared to \$36.6 million or 3.9 percent of net sales in fiscal year 2021. Players can now purchase up to twenty-five consecutive drawings in advance.

## MATCH 4

*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 or 3 numbers. Numbers are drawn seven nights per week. Sales for fiscal year 2022 were \$14.2 million, representing 1.6 percent of net sales compared to \$15.3 million or 1.6 percent of net sales in fiscal year 2021. Players can purchase up to twenty-five consecutive drawings in advance. There were 590 prizes in the amount of \$10,000 awarded in fiscal year 2022.

## PICK 3

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 twenty-five drawings in advance. *Pick 3* (previously Daily Game) sales totaled \$21.4 million or 2.4 percent of net sales in fiscal year 2022, similar to the \$23.2 million or 2.4 percent experienced in fiscal year 2021.

## DAILY KENO

*Daily Keno* was added to the Lottery's product line in 1992. Players pick from 1 to 10 *Keno* game spots, and then 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 \$6.1 million or 0.7 percent of net sales in fiscal year 2022, compared to \$6.4 million or 0.7 percent in fiscal year 2021.

## 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's 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. (GAAP) Management cannot guarantee 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, who are appointed by the Governor, and submitted to the Office of Financial Management for inclusion in the state budget.

**EMPLOYEES** ≡

At the end of fiscal year 2022, the Lottery employed 127 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 2022 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 annual financial report for the fiscal year ended June 30, 2021. This was the thirty-second 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 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 the operation of Washington's Lottery.

Respectfully submitted,



Maria Douka  
Chief Financial Officer



Marcus Glasper  
Director





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Washington's Lottery**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

# PRINCIPAL OFFICIALS



**Marcus Glasper**  
*Lottery Director*



**Judy Giniger**  
*Chair  
Seattle  
Term ends  
8/2026*



**Rudy Mendoza**  
*Commissioner  
Kennewick  
Term ends  
8/2027*



**Eileen Sullivan**  
*Commissioner  
Tacoma  
Term ends  
8/2024*

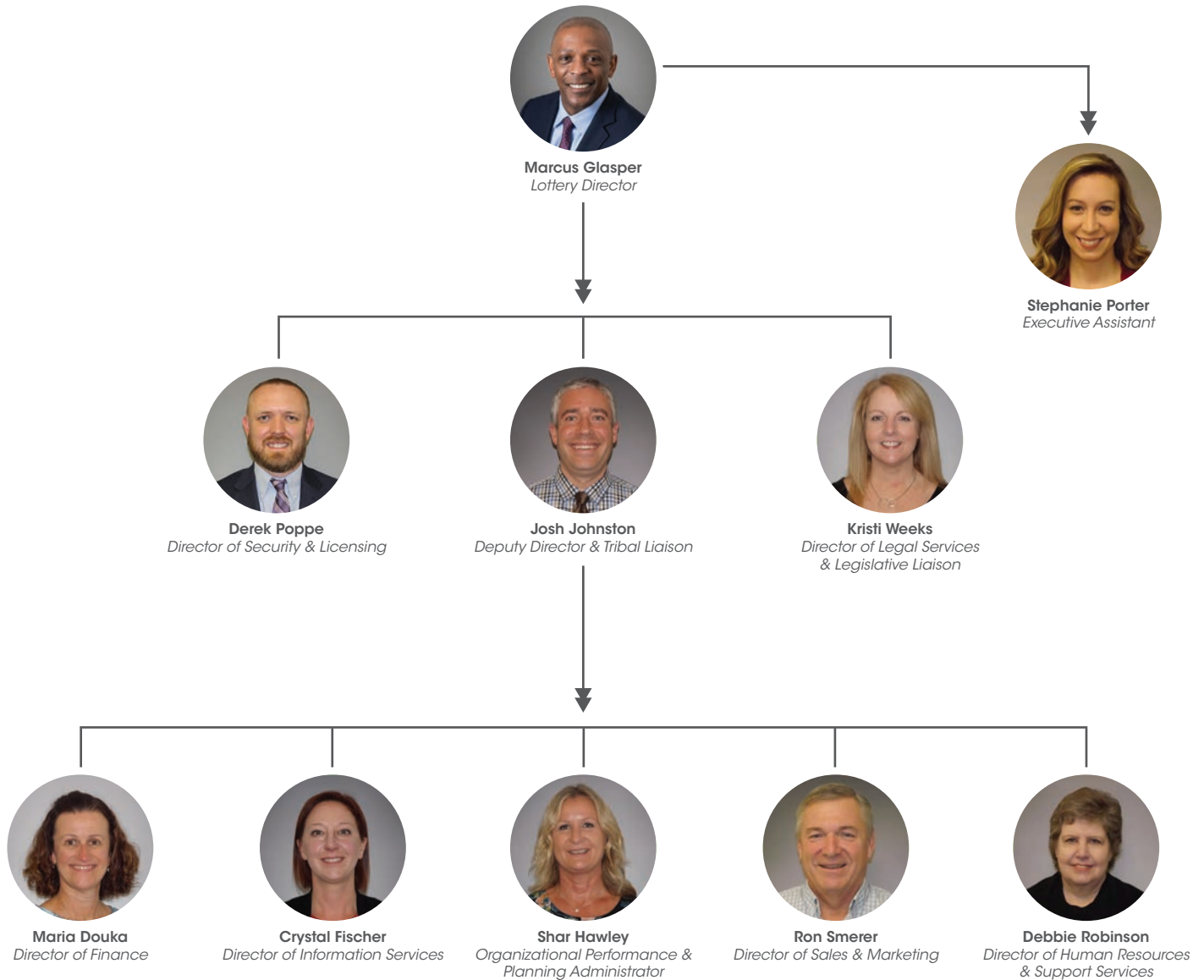


**Schuyler Hoss**  
*Commissioner  
Vancouver  
Term ends  
8/2023*



**Frederick Finn**  
*Commissioner  
Olympia  
Term ends  
8/2022*

# ORGANIZATION CHART



# FINANCIAL SECTION

This section includes the following:

- Independent Auditor's Report
- Management's discussion and analysis
- Financial statements of Washington's Lottery
- Related notes to the financial statements
- Required supplementary information
- 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*



## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the business-type activities of Washington's Lottery (the Lottery), an agency of the State of Washington, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lottery, as of June 30, 2022 and 2021, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Adoption of New Accounting Standard***

As discussed in Note 1 to the financial statements, the Lottery has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to net position as of July 1, 2020, to restate beginning net position. Our opinion is not modified with respect to this matter.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Lottery are intended to present the financial position, the changes in financial position, and the cash flows attributable to the Lottery. They do not purport to, and do not present fairly the financial position of the State of Washington (of which the Washington Lottery is a self-governing agency) as of June 30, 2022 and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the letter from the Director, introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2023 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 grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Boise, Idaho  
January 27, 2023

## 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 years ended June 30, 2022 and June 30, 2021. 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 \$907.7 million, a 4.5 percent decrease from fiscal year 2021 and a 11.1 percent increase from fiscal year 2020.

- *Mega Millions* sales were \$48.7 million, with jackpots ranging from \$20 million to \$432 million.
- *Powerball* sales were \$80.6 million, with jackpots ranging from \$20 million to \$685 million.
- *Scratch* sales were \$665.2 million and decreased \$36 million or 5.1 percent compared to fiscal year 2021.
- Total contributions to Lottery beneficiaries were \$216.8 million and decreased \$12.2 million or 5.3 percent compared to fiscal year 2021.
- Contributions to the Washington Opportunity Pathways Account reached \$176.6 million.
- Contributions to the Economic Development Account totaled \$6.2 million in fiscal year 2022. Amounts contributed to this beneficiary represent one-third of prizes that go unclaimed each fiscal year.
- Contributions to the General Fund amounted to \$33.6 in fiscal year 2022. 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 \$433.8 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, consists solely of capital assets, restricted incomes 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 and Table 2. Net position decreased in fiscal year 2022 by \$12.4 million, from \$(9.8) million in 2021 to \$(22.2) million in 2022. The Lottery experienced a decrease of \$11.1 million in fair value of investments held to fund future annuitized prize payments.

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.

**TABLE 1: SUMMARY OF NET POSITION (IN MILLIONS)**

	Restated		
	2022	2021	2020*
Current assets	\$68.4	\$69.1	\$71.2
Non-current assets - investments	94.2	117.0	134.4
Net Pension Asset	7.0	-	-
Capital assets - net of depreciation	0.7	0.8	0.5
Right-to-use asset - net of amortization	2.9	3.3	-
<b>Total assets</b>	<b>\$173.2</b>	<b>\$190.3</b>	<b>\$206.1</b>
<b>Deferred outflows of resources</b>	<b>\$1.9</b>	<b>\$1.9</b>	<b>\$1.8</b>
Current liabilities	83.0	82.8	84.2
Non-current liabilities	105.3	116.3	120.3
<b>Total liabilities</b>	<b>\$188.3</b>	<b>\$199.1</b>	<b>\$204.5</b>
<b>Deferred inflows of resources</b>	<b>\$8.9</b>	<b>\$2.9</b>	<b>\$3.7</b>
<b>NET POSITION</b>			
Invested in capital assets	0.6	0.7	0.5
Restricted for future prizes	10.9	10.5	10.7
Unrestricted	(33.8)	(21.0)	(11.4)
<b>Total net position</b>	<b>(\$22.2)</b>	<b>(\$9.8)</b>	<b>(\$0.2)</b>

**TABLE 2: SUMMARY OF CHANGES IN NET POSITION (IN MILLIONS)**

	Restated		
	2022	2021	2020*
Sales	\$907.7	\$950.7	\$817.3
Other operating income	4.0	2.7	2.7
Grant for Vaccine Promotion	-	1.0	-
Expenses and non-operating activity	(707.2)	(733.9)	(626.7)
Grant for Vaccine Promotion Expense	-	(1.0)	-
Distributions	(216.8)	(229.0)	(180.9)
<b>Changes in net position</b>	<b>(\$12.3)</b>	<b>(\$9.5)</b>	<b>\$12.4</b>
<b>Total net position at beginning of year</b>	<b>(9.8)</b>	<b>(0.2)</b>	<b>(12.6)</b>
<b>Prior period adjustment to net position</b>	<b>-</b>	<b>(0.1)</b>	<b>-</b>
<b>Total net position at end of year</b>	<b>(\$22.2)</b>	<b>(\$9.8)</b>	<b>(\$0.2)</b>

\* Fiscal Year 2020 was not restated for the implementation of GASB87.



## 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 2022, 2021, and 2020.

TABLE 3: SALES AND PRIZE EXPENSE (IN MILLIONS)						
	Scratch Games			Draw Games		
	2022	2021	2020	2022	2021	2020
Sales	\$665.2	\$701.2	\$619.7	\$242.4	\$249.5	\$197.6
Prize expense	452.0	476.8	425.3	122.0	127.3	104.9
<b>Net receipts</b>	<b>\$213.2</b>	<b>\$224.4</b>	<b>\$194.4</b>	<b>\$120.4</b>	<b>\$122.2</b>	<b>\$92.7</b>

*Scratch* product sales decreased \$36 million or 5.1 percent compared to 2021, and increased \$45.5 million or 7.3 percent as compared to 2020. The number of tickets sold decreased by 11.1 percent from 140.3 million in fiscal year 2021 to 124.7 million in fiscal year 2022. The average price per ticket increased slightly from \$5.00 in fiscal year 2021 to \$5.33 in fiscal year 2022. *Scratch* prize expense decreased in fiscal year 2022 by \$24.8 million, or 5.2 percent compared to fiscal year 2021, and increased \$26.7 million, or 6.3 percent compared to fiscal year 2020. The *Scratch* prize expense ratio remained static at 68.0 percent in fiscal year 2021 and fiscal year 2022. In fiscal year 2022, \$14.3 million of *Scratch* prizes went unclaimed compared to \$11.7 million in fiscal year 2021.

In fiscal year 2022, Draw game sales decreased by \$7.1 million or 2.8 percent compared to fiscal year 2021 and increased by \$44.8 million or 22.7 percent compared to fiscal year 2020. In fiscal year 2022, the highest jackpot was \$685 million for the *Powerball* game, as compared to \$760 million in the prior year 2021. The decrease in *Mega Millions* sales was primarily as a result of the highest jackpot being much lower than the prior year. During fiscal year 2022, *Hit 5* had 46 winning cashpots, with the highest cashpot valued at \$1.6 million. Like other Draw games, *Hit 5* sales are jackpot-driven, meaning that as the jackpot rises to higher levels, more people are likely 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 \$843 thousand or 2.1 percent compared to fiscal year 2021 and decreased by \$1.3 million or 3.2 percent compared to fiscal year 2020. *Match 4* decreased by \$1.1 million or 7.4 percent compared to 2021, and decreased by \$1.1 million or 7.1 percent compared to fiscal year 2020.

The remaining active Draw games in the product portfolio are *Pick 3* and *Daily Keno*. These games enjoy a loyal player base as exemplified by consistent sales volumes.

Draw games prize expenses decreased in fiscal year 2022 by \$5.3 million or 4.2 percent compared to fiscal year 2021 and increased by \$17.1 million or 16.3 percent compared to fiscal year 2020.

## OTHER OPERATING EXPENSES

Table 4 compares operating expenses, other than prize expense, for gaming operations and administrative expenses for fiscal years 2022, 2021, and 2020.

Retailer commissions decreased in fiscal year 2022 by \$2.2 million or 4.7 percent compared to fiscal year 2021; commission costs as a percentage of sales remained static compared to fiscal year 2021 and 2020. Other game-related expenses, including vendor costs, advertising, and miscellaneous promotional expenses, decreased by \$471.3 thousand or 13.5 percent compared to fiscal year 2021. As a percent of sales, these expenses were 6.4 percent for 2022 and 6.1 percent in fiscal year 2021 compared to 6.4 in fiscal year 2020. Vendor expense, which is the largest component of these costs, is for the most part paid as a percentage of sales. Advertising expense increased \$1.7 million or 14.4 percent compared to fiscal year 2021 and increased by \$3.1 million or 30.2 percent compared to fiscal year 2020. Promotional and other operational expenses decreased \$471 thousand or 13.5 percent compared to fiscal year 2021 and increased \$950 thousand or 45.8 percent compared to fiscal year 2020.

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Retail commissions	\$45.6	\$47.8	\$41.2
Other game-related expenses	57.8	57.6	52.1
<b>ADMINISTRATIVE EXPENSES</b>			
Salaries and benefits	11.8	11.5	11.5
Goods and services	2.1	2.7	2.3
Travel	0.4	0.3	0.3
Depreciation and amortization	0.7	0.5	0.1
<b>Total administrative expenses</b>	<b>\$15.0</b>	<b>\$15.0</b>	<b>\$14.2</b>

In fiscal year 2022, administrative expenses incurred for the general operation of the agency decreased by \$46 thousand or (0.3) percent compared to fiscal year 2021, and increased 4.8 percent compared to fiscal year 2020. As a percentage of sales, overall administrative expenses increased slightly for 2022 to 1.7 percent compared to 1.6 percent in fiscal year 2021 and 1.7 in fiscal year 2020.

Salaries and benefits expense increased by \$289 thousand or 2.5 percent compared to fiscal year 2021, and increased by \$321 thousand or 2.8 percent compared to fiscal year 2020. Goods and services decreased by \$615.6 thousand or 22.6 percent compared to 2021, and decreased \$226.8 thousand or 9.7 percent compared to fiscal year 2020. Travel expense increased by \$116.7 thousand or 47.2 percent compared to fiscal year 2021, and increased by \$29.7 thousand or 8.9 percent compared to fiscal year 2020.

## CAPITAL ASSETS

Washington's Lottery's investment in capital assets as of June 30, 2022 amounts to \$745.6 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 2022 was 10 percent. Table 6 in Note 1 "Summary of Significant Accounting Policies," shows the opening and ending balances for assets and accumulated depreciation.

## RIGHT TO USE LEASE AGREEMENTS

Effective July 1, 2020, the Washington's Lottery implemented GASB Statement No. 87, *Leases*. The implementation of the standard requires all leases to be reported as financing arrangements of the right to use a third party's asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

For fiscal year end 2022, the Lottery accrued liabilities for one office space and one warehouse space. The remaining liability for these leases is \$3.0 million as of June 30, 2022. Right to use assets, net of amortization, for these leases is \$2.9 million as of June 30, 2022. Interest expense recognized on these leases was \$28.5 thousand as of June 30, 2022. Principal payments of \$459.4 thousand were recognized for year end June 30, 2022. Final payment on these leases is expected in fiscal years 2027 and 2031.

## DEBT

At the end of fiscal year 2022, current liabilities consisted, in part, of \$15.7 million in annuity prizes payable. Long-term annuity prize liabilities were \$95.0 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 future prize liability is funded by purchasing U.S. Treasury Strips at a deep discount. In other words, the Lottery is able to purchase certain future payments at a fraction of the future maturity value in exchange for foregoing periodic interest payments. In the meantime, changes to the fair value of the investments and the present value of the liabilities must be recognized.

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)**

	2022	2021	2020
Investment gain (losses)	(\$11.1)	(\$5.8)	\$15.9
Amortization of annuity prize liability	(3.8)	(4.6)	(5.0)
Interest and miscellaneous income	0.2	0.0	0.3
<b>Total non-operating revenues (expenses) before payments</b>	<b>(\$14.7)</b>	<b>(\$10.4)</b>	<b>\$11.2</b>
<b>PROCEEDS DISTRIBUTION:</b>			
WA Opportunity Pathways	\$164.6	\$176.1	\$141.0
WOPA - Unclaimed Prizes in Excess of \$10M	12.0	9.6	6.3
State General Fund	33.6	23.9	16.2
Stadium and Exhibition Center	-	14.2	13.7
Economic Development	6.2	4.7	3.4
Problem Gambling	0.4	0.5	0.4
<b>Total payments</b>	<b>\$216.8</b>	<b>\$229.0</b>	<b>\$181.0</b>

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. 72. Because 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, because 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 2022 amounted to \$216.8 million.

Contributions to the Washington Opportunity Pathways Account reached \$176.6 million in fiscal year 2022 compared to \$185.7 million in fiscal year 2021 and \$147.3 million in fiscal year 2020. (Per RCW 67.70.340(4), remaining net revenues in excess of \$102 million from the Powerball game are transferred to the General Fund.)

Contributions to the General Fund amounted to \$33.6 million in fiscal year 2022, \$23.9 million in fiscal year 2021 and \$16.2 million in fiscal year 2020. Contributions to this fund for fiscal years 2022 and 2021 were generated from excess funding between the in-state and *Powerball* games.

Contributions to the Economic Development account amounted to \$6.2 million in fiscal year 2022 compared to \$4.7 million in fiscal year 2021 and \$3.4 million in fiscal year 2020. Amounts to this beneficiary represent one-third of the amount of prizes that 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 \$433.8 thousand in fiscal year 2022, compared to \$450.6 thousand in fiscal year 2021 and \$373.2 thousand in fiscal year 2020. Contributions to this beneficiary are calculated based on thirteen one-hundredths of one percent of "net receipts." "Net receipts" are defined as the difference between revenue received from the sale of Lottery products and the sum of payments made to winners.

The final remaining payment required by statute was made to the Stadium and Exhibition Center (Lumen Field), which consisted of semi-annual payments whereby the required payment amount increased by 4.0 percent year-over-year. Pursuant to RCW 67.70.241, this obligation ended December 31, 2020. The final contribution to this beneficiary was \$14.2 million in fiscal year 2021.

## OTHER POTENTIALLY SIGNIFICANT MATTERS IMPACTING NEXT YEAR

### DEBIT CARD PURCHASES

To address the challenges presented by changing customer expectations, the Lottery is in the process of retrofitting its vending machines in order to accept debit cards as a form of payment. Credit cards will not be accepted. Payment with debit cards allows customers the ease and convenience of cashless transactions without raising concerns about use of credit rather than available funds and other potentially irresponsible gambling habits. As of the date of this report, about one-third of the Lottery's vending machines are accepting debit payments and an average of 1,047 debit transactions are occurring each day. This project is expected to continue during Fiscal Year 2023 until all the vending machines are able to accept debit cards.

### SPORTS WAGERING

In May of 2018, the U.S. Supreme Court struck down the federal prohibition on most sports wagering. As a result, states were free to pass laws allowing and regulating this activity. On May 25, 2020, Governor Inslee signed a bill authorizing sports wagering on tribal lands, subject to the terms of tribal-state gaming compacts. The Washington State Gambling Commission promulgated rules for sports wagering and entered into compact negotiations with interested tribes. The first tribal sportsbook opened on September 9, 2021, with nine others following as they completed compact negotiations. More are in progress. As sports wagering becomes more prevalent across the state, there may be an impact to Lottery revenues if players choose to spend their entertainment dollars on sports wagering rather than lottery tickets.

### PROBLEM GAMBLING PREVALENCE STUDY AND REPORT TO THE LEGISLATURE

During the 2019 Legislative Session, a Problem Gambling Task Force was created. The Lottery was directed to participate, along with representatives from other state agencies, Tribes, and problem gambling treatment and recovery professionals. As part of its work, the Task Force commissioned a comprehensive prevalence study of adult gambling in Washington. This is the first such study completed in more than a decade. The findings of the study, together with a report and recommendations, is due to the Legislature in November of 2022. We anticipate further legislative action based on those documents, including a potential increase in the Lottery's financial contributions to the state's problem gambling fund, which could impact distributions to other beneficiaries.

### CHANGING CUSTOMER EXPECTATIONS

The pandemic brought to the forefront the public's expectation that they should be able to order more goods and services using both digital channels and non-cash payments. This was especially apparent with the rapid rise of "touchless" transactions as a way to avoid transmission of the virus. In addition, people have come to expect the option to make necessary and discretionary purchases via the internet. The Lottery is statutorily prohibited from offering online or digital sales. These significant changes in consumer expectations, coupled with existing barriers, will require the Lottery to be increasingly creative and nimble in order to meet our customers' needs.

## IMPACT OF COVID-19

Washington's Lottery experienced a significant spike in sales in the early months of the COVID-19 pandemic when Washington's Governor issued the Stay Home, Stay Healthy executive order as consumers were limited in options available for entertainment spending. While sales of lottery products have stabilized back to previous levels as the economy slowly recovers, the long-term impacts are unknown as consumer behavior has changed as to how they acquire and consume goods and services such as more consumers purchasing online or using curbside pickup services offered by retailers. Washington's Lottery remains cautiously optimistic that its sales will continue to meet forecasted targets, but the lasting effects of the pandemic on the economy could continue to impact Lottery operations, staffing, and customer service for the foreseeable future.

## CONTACTING THE LOTTERY

This financial report is provided for interested parties to evaluate the financial results of Lottery activities for fiscal year 2022. If you have questions about this report or need additional financial information, please contact:

**Kristi Weeks**

Director of Legal Services  
(360) 810-2881  
kweeks@walottery.com

**Tiffany Pringle**

Legal Services Coordinator  
(360) 701-6672  
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# FY22 FUND DISTRIBUTION



- 1 PRIZES: \$573.99M (63.13%)
- 2 WASHINGTON OPPORTUNITY PATHWAYS ACCOUNT: \$176.55M (19.42%)
- 3 COST OF SALES: \$57.80M (6.35%)
- 4 RETAILER COMMISSIONS: \$45.60M (5.02%)

- 5 GENERAL FUND: \$33.65M (3.70%)
- 6 ADMINISTRATION: \$14.98M (1.65%)
- 7 ECONOMIC DEVELOPMENT: \$6.21M (0.68%)
- 8 PROBLEM GAMBLING: \$0.43M (0.05%)

**WASHINGTON'S LOTTERY STATEMENTS OF NET POSITION AS OF JUNE 30, 2022 AND JUNE 30, 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		<b>RESTATED</b>
Cash and cash equivalents	\$20,867,792	\$18,262,700
Accounts receivable, net of allowances	29,323,085	28,930,671
Investments	16,171,156	16,358,872
Due from the state	1,681,555	4,937,198
Inventory	308,663	652,520
<b>Total current assets</b>	<b>68,352,251</b>	<b>69,141,961</b>
<b>NON-CURRENT ASSETS</b>		
Investments	94,216,312	116,976,131
Net Pension Asset	6,970,114	-
Capital assets, net of accumulated depreciation	745,569	832,376
Right of Use Asset, net of accumulated amortization	2,850,886	3,329,391
<b>Total non-current assets</b>	<b>104,782,881</b>	<b>121,137,898</b>
<b>Total Assets</b>	<b>173,135,132</b>	<b>190,279,859</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Pensions	1,134,760	1,319,952
Deferred Outflow of Resources on OPEB	744,004	605,644
<b>Total deferred outflows of resources</b>	<b>1,878,764</b>	<b>1,925,596</b>
<b>Total assets and deferred outflows of resources</b>	<b>175,013,896</b>	<b>192,205,455</b>
<b>LIABILITIES AND NET POSITION</b>		
<b>Current liabilities</b>		
Accounts payable	3,992,489	3,980,782
Prizes payable	52,920,009	47,310,391
Annuity prizes payable, current portion	15,688,222	15,368,246
Due to the state	8,421,274	13,650,925
Salaries and benefits payable	518,712	521,026
Lease Liability	485,381	-
Unearned revenue	911,381	1,918,928
Other Postemployment Benefits	101,254	98,372
<b>Total current liabilities</b>	<b>83,038,722</b>	<b>82,848,670</b>
<b>NON-CURRENT LIABILITIES</b>		
Annuity prizes payable, net of current portion	95,022,908	103,517,556
Accrued leave payable	1,087,148	1,052,402
Lease Liability	2,481,881	3,424,505
Net pension liability	663,515	2,832,808
Other Postemployment Benefits	6,032,475	5,494,368
<b>Total non-current liabilities</b>	<b>105,287,927</b>	<b>116,321,638</b>
<b>Total Liabilities</b>	<b>188,326,649</b>	<b>199,170,308</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Pensions	7,142,099	792,222
Deferred Inflow of Resources on OPEB	1,776,705	2,091,750
<b>Total deferred inflows of resources</b>	<b>8,918,804</b>	<b>2,883,972</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>197,245,453</b>	<b>202,054,280</b>
<b>NET POSITION</b>		
Net Investment in capital assets	629,193	737,263
Restricted for future prizes	10,921,474	10,513,531
Unrestricted	(33,782,224)	(21,099,619)
<b>Total Net Position</b>	<b>(\$22,231,557)</b>	<b>(\$9,848,825)</b>

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



**WASHINGTON'S LOTTERY STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021**

	<b>2022</b>	<b>2021</b>
<b>SALES</b>		<b>RESTATED</b>
Scratch ticket sales	\$665,228,910	\$701,182,226
Draw game sales	242,457,202	249,544,275
<b>Total sales</b>	<b>907,686,112</b>	<b>950,726,501</b>
Other Operating Income	3,989,985	2,699,890
Grant for Vaccine Promotion Income	-	1,000,000
<b>Total Revenue</b>	<b>911,676,097</b>	<b>954,426,391</b>
<b>COST OF SALES</b>		
Prize expense	573,989,678	603,091,484
Grant for Vaccine Promotion Expense	-	1,000,000
Retailer commissions	45,597,649	47,827,944
Vendor expense	41,465,536	42,899,287
Advertising expense	13,316,648	11,640,273
Miscellaneous promotional & other operating expenses	2,994,084	3,090,973
<b>Total cost of sales</b>	<b>677,363,595</b>	<b>709,549,961</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	11,814,041	11,525,352
Goods and services	2,109,455	2,725,067
Travel	364,040	247,387
Depreciation and amortization	692,513	528,144
<b>Total administrative expenses</b>	<b>14,980,049</b>	<b>15,025,950</b>
<b>Operating income</b>	<b>219,332,453</b>	<b>229,850,480</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Gains (Losses) on Investments	(11,083,328)	(5,779,975)
Amortization of annuity prize liability	(3,777,536)	(4,578,037)
Interest income	1,903	3,294
Fee income	10,750	11,575
Interest expense on leases	(28,607)	(25,182)
<b>Total before payments to beneficiaries</b>	<b>(14,876,818)</b>	<b>(10,368,325)</b>
Payments to Washington Opportunity Pathways Account (WOPA)	(164,549,816)	(176,081,495)
Payments to WOPA - Unclaimed Prizes Excess of \$10M	(12,002,112)	(9,643,158)
Payments to Stadium and Exhibition Center Account	-	(14,219,515)
Payments to Economic Development	(6,205,028)	(4,733,537)
Payments to Problem Gambling	(433,805)	(450,626)
Payments to General Fund	(33,647,606)	(23,918,843)
<b>Total payments to beneficiaries</b>	<b>(216,838,367)</b>	<b>(229,047,174)</b>
<b>Net non-operating expense</b>	<b>(231,715,185)</b>	<b>(239,415,499)</b>
<b>Total net position at beginning of year</b>	<b>(9,848,825)</b>	<b>(216,745)</b>
Restatement - Adoption of new accounting standard	-	(67,061)
<b>Change in net position</b>	<b>(12,382,732)</b>	<b>(9,565,019)</b>
<b>Total net position at end of year</b>	<b>(\$22,231,557)</b>	<b>(\$9,848,825)</b>

**WASHINGTON'S LOTTERY STATEMENTS OF CASH FLOWS FOR FISCAL YEARS ENDED JUNE 30, 2022 AND JUNE 30, 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grant, players and retailers (net of commissions)	\$867,934,130	\$903,999,212
Cash payments for prizes	(580,332,268)	(617,445,855)
Cash payments to suppliers of goods or services	(62,072,397)	(60,128,718)
Cash payments to employees	(11,781,609)	(11,406,419)
Cash payments for other operating costs	(364,040)	(247,387)
<b>Net cash provided by operating activities</b>	<b>213,383,816</b>	<b>214,770,833</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Cash payments to Washington Opportunity Pathways Account (WOPA)	(176,006,448)	(179,086,028)
Cash payments to WOPA Unclaimed Prizes in Excess of \$10M	(12,002,112)	(9,643,158)
Cash payments to General Fund	(27,600,772)	(23,362,967)
Cash payments to Stadium and Exhibition Center Account	-	(14,219,515)
Cash payments to Economic Development Account	(6,001,056)	(4,821,579)
Cash payments to Problem Gambling Account	(432,148)	(456,541)
<b>Net cash used by non-capital financing activities</b>	<b>(222,042,536)</b>	<b>(231,589,788)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for acquisition of equipment	(127,201)	(448,315)
Cash paid for lease liabilities		
Principal portion	(457,242)	(377,867)
Interest portion	(28,607)	(25,182)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(613,050)</b>	<b>(851,364)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts of interest	12,653	14,868
Proceeds from maturity of investments	17,040,283	16,322,000
Payments for investments	(5,176,073)	(4,939,452)
<b>Net cash provided by investing activities</b>	<b>11,876,863</b>	<b>11,397,416</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,605,093</b>	<b>(6,272,903)</b>
Cash and cash equivalents at the beginning of year	18,262,699	24,535,603
<b>Cash and cash equivalents at end of year</b>	<b>\$20,867,792</b>	<b>\$18,262,700</b>
<b>RECONCILIATION OF OPERATING INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Operating income</b>	<b>\$219,332,453</b>	<b>\$229,850,480</b>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Depreciation and amortization	692,513	528,144
Pension and OPEB adjustment	(2,516,754)	(1,202,118)
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Receivables	2,863,229	(3,883,666)
Inventory	343,857	(11,878)
Accounts Payable	(13,777)	1,440,878
Prizes payable	5,609,618	(1,849,824)
<i>Lotto</i> and win for life payments	(11,952,208)	(11,504,547)
Accrued payroll	32,432	118,933
Unearned revenue	(1,007,547)	1,284,431
<b>Total adjustments</b>	<b>(5,948,637)</b>	<b>(15,079,647)</b>
<b>Net cash provided by operating activities</b>	<b>\$213,383,816</b>	<b>\$214,770,833</b>
<b>SCHEDULE OF NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Increase (decrease) in fair value of investments	(\$11,083,328)	(\$5,779,975)
Amortization of long-term annuity prize liability	\$3,777,536	\$4,578,037
Acquisition of right of use assets from leases	-	\$967,805

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

# WASHINGTON'S LOTTERY NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022 and June 30, 2021

## 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 Annual Financial Report.

The financial statements of Washington's Lottery are intended to present the financial position, the changes in financial position, and the cash flows attributable to the Lottery. They do not purport to and do not present fairly the financial position of the state of Washington (of which Washington's Lottery is a self-governing agency) as of June 30, 2022 and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the U.S.

### MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounting methods and procedures adopted by Washington's Lottery conform to 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, 2021, through June 30, 2023, is \$30.5 million.

## FINANCIAL STATEMENT NOTES

The Lottery Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflow of resources 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.

### 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. 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

Operating materials and supplies inventories are valued at cost, using the first-in, first-out method. The cost of these materials and supplies are expensed as they are used.

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

## PENSIONS

For purposes of measuring the net pension liability (asset) and pension expense (expense offset), 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 the 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 (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (expense offset), 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.

## 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 assets 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 (asset) and contributions to the plan after the measurement date. The OPEB obligation includes 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 a acquisition of net assets 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 (asset). 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, 2022 WAS AS FOLLOWS:**

CAPITAL ASSETS:	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Leasehold Improvements	\$889,425	\$448,314	\$ -	\$1,337,739
Equipment	1,178,883	127,201	(66,928)	\$1,239,156
Construction in Process	448,314	-	(448,314)	-
<b>Total capital assets</b>	<b>2,516,622</b>	<b>575,515</b>	<b>(515,242)</b>	<b>2,576,895</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Leasehold improvements	(844,808)	(134,280)	-	(979,088)
Equipment	(839,439)	(79,728)	66,928	(852,239)
<b>Total accumulated depreciation</b>	<b>(1,684,247)</b>	<b>(214,008)</b>	<b>66,928</b>	<b>(1,831,327)</b>
<b>Total capital assets, net</b>	<b>\$832,376</b>	<b>\$361,507</b>	<b>\$(448,314)</b>	<b>\$745,569</b>

**CAPITAL ASSET ACTIVITY FOR THE YEAR ENDED JUNE 30, 2021 WAS AS FOLLOWS:**

CAPITAL ASSETS:	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Leasehold Improvements	\$889,425	\$ -	\$-	\$889,425
Equipment	1,512,172	-	(333,289)	1,178,883
Construction in Process	-	448,315	-	448,315
<b>Total capital assets</b>	<b>2,401,597</b>	<b>448,315</b>	<b>(333,289)</b>	<b>2,516,623</b>
<b>LESS ACCUMULATED DEPRECIATION FOR:</b>				
Leasehold improvements	(800,191)	(44,617)	-	(844,808)
Equipment	(1,095,121)	(77,607)	333,289	(839,439)
<b>Total accumulated depreciation</b>	<b>(1,895,312)</b>	<b>(122,224)</b>	<b>333,289</b>	<b>(1,684,247)</b>
<b>Total capital assets, net</b>	<b>\$506,285</b>	<b>\$326,091</b>	<b>\$-</b>	<b>\$832,376</b>

## 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 2022 and 2021 the breakdown was as follows:

DUE TO STATE AND OTHER AGENCIES		
	2022	2021
WA Opportunity Pathways	\$ -	\$11,456,632
Economic Development	460,737	256,765
General Fund	7,647,606	1,600,772
Problem Gambling	33,291	31,633
Other Agencies	279,640	305,123
<b>Total Due to State and Other Agencies</b>	<b>\$8,421,274</b>	<b>\$13,650,925</b>

## 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, 2022 and 2021, the prize expense as a percentage of sales decreased slightly to 63.2 from 63.4, respectively, 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.

## LEASE AGREEMENTS

Washington's Lottery engages in lease agreements to meet operational needs. The Lottery's lease contracts are related to office and warehouse space. For short-term leases with a maximum possible term of 12 months or less at commencement, the Lottery recognizes periodic expense based on the provisions of the lease contract. For contracts where the Lottery is the lessee and falls below the capital threshold, the Lottery recognizes a periodic expense. Contracts that meet the capital threshold require a lease liability and an intangible right-to-use lease asset that is based on the present value of future lease payments over the contracted term of the lease. Lease right-to-use assets are reported with capital assets, and the lease liabilities are reported as long-term debt in the Statement of Net Position. The right-to-use assets are amortized over the term of the lease.

As of June 30, 2022, the Lottery's lease terms are from five to ten years. Monthly payments range from \$4,000 - \$32,000 thousand. The interest rate on the leases is .89%.

## FINANCIAL STATEMENT NOTES

ASSET/ACCUMULATED AMORTIZATION FY22				
RIGHT TO USE ASSETS	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Lessee Leases				
Office space	\$2,767,506	\$ -	\$ -	\$2,767,506
Warehouse space	967,805	-	-	967,805
<b>Total right to use assets</b>	<b>3,735,311</b>	<b>-</b>	<b>-</b>	<b>3,735,311</b>
<b>LESS ACCUMULATED AMORTIZATION FOR</b>				
Lessee Leases				
Office space	(381,725)	(381,725)	-	(763,450)
Warehouse space	(24,195)	(96,780)	-	(120,975)
<b>Total Accumulated amortization</b>	<b>(405,920)</b>	<b>(478,505)</b>	<b>-</b>	<b>(884,425)</b>
<b>Total right to use asset, net of accumulated amortization</b>	<b>\$3,329,391</b>	<b>(\$478,505)</b>	<b>\$ -</b>	<b>\$2,850,886</b>

ASSET/ACCUMULATED AMORTIZATION FY21				
RESTATED				
RIGHT TO USE ASSETS	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Lessee Leases				
Office space	\$2,767,506	\$ -	\$ -	\$2,767,506
Warehouse space	-	967,805	-	967,805
<b>Total right to use assets</b>	<b>2,767,506</b>	<b>967,805</b>	<b>-</b>	<b>3,735,311</b>
<b>LESS ACCUMULATED AMORTIZATION FOR</b>				
Lessee Leases				
Office space	-	(381,725)	-	(381,725)
Warehouse space	-	(24,195)	-	(24,195)
<b>Total Accumulated amortization</b>	<b>-</b>	<b>(405,920)</b>	<b>-</b>	<b>(405,920)</b>
<b>Total right to use asset, net of accumulated amortization</b>	<b>\$2,767,506</b>	<b>\$561,885</b>	<b>\$ -</b>	<b>\$3,329,391</b>



LEASE LIABILITY FY22				
	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Lease Liability				
Office space	\$2,474,469	\$-	\$(365,534)	\$2,108,935
Warehouse space	952,235	-	(93,908)	858,327
<b>Total lease liability</b>	<b>\$3,424,504</b>	<b>\$-</b>	<b>\$(459,442)</b>	<b>\$2,967,262</b>

LEASE LIABILITY FY21				
RESTATE				
	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
Lease Liability				
Office space	\$2,834,567	\$-	\$(362,297)	\$2,472,270
Warehouse space	-	967,805	(15,570)	952,235
<b>Total lease liability</b>	<b>\$2,834,567</b>	<b>\$967,805</b>	<b>\$(377,867)</b>	<b>\$3,424,504</b>

Interest expense recorded under the lease-type arrangements for the years ended June 30, 2022 and 2021 was \$28,607 and \$25,182, respectively

FUTURE PAYMENTS			
FISCAL YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2023	485,382	24,443	507,625
2024	494,074	20,077	514,151
2025	498,489	15,662	514,151
2026	502,944	11,207	514,151
2027	507,438	6,713	514,151
2028-2032	478,935	6,603	485,538
<b>Total right to use assets</b>	<b>\$2,967,262</b>	<b>\$84,703</b>	<b>\$3,051,967</b>

## RETAILER COMMISSIONS

In fiscal year 2022 and 2021, the commission rate for all *scratch* tickets and draw games sold was paid at 5 percent of sales.

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 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 receive a \$10,000 bonus. The PowerPlay feature will not change the selling bonus amount.

Retailers that sell a *Powerball* Double Play winning ticket worth \$10 million receive a \$20,000 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 Problem Gambling, Economic Development, and the General Fund. Contributions to the Washington Opportunity Pathways Account derived from these revenues totaled \$164.6 million in fiscal year 2022 and \$176.0 million in fiscal year 2021.

Effective in fiscal year 2016, the Legislature mandated in RCW 28B.76.526 that additional funds be transferred to the Washington Opportunity Pathways Account. It 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 2022 were \$12.0 million, compared to \$9.6 million in fiscal year 2021.

These mandates resulted in a total of \$176.6 million and \$185.7 million being distributed to the Washington Opportunity Pathways Account in fiscal years 2022 and 2021, respectively.

**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 \$6.2 million in fiscal year 2022 and \$4.7 million in fiscal year 2021.

**PAYMENTS TO THE GENERAL FUND** 

Contributions to the General Fund in fiscal year 2022 amounted to \$33.6 million, compared to \$23.9 million in fiscal year 2021. Per RCW 67.70.340(4), if in total, contributions to the Washington Opportunity Pathways Account from the state lottery games 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 \$433.8 thousand in fiscal year 2022 and \$450.6 thousand in fiscal year 2021.

## NET POSITION

Restricted net position represents amounts set aside from unclaimed prizes in a non-cash balance sheet account retained for future uses as prizes, as required by RCW 67.70.190. During fiscal year 2022, \$18.6 million of prizes went unclaimed, and \$18.2 million was paid out. The following transfers were made out of the unclaimed prize fund for fiscal year 2022:

1. \$6.2 million was used for contributions to the Economic Development Strategic Reserve Account.
2. \$12.0 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.

As of June 30, 2022, the unclaimed reserve contained a balance of \$10.9 million compared to \$10.5 million as of June 30, 2021.

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.

Net investment in Capital Assets – This represents the Lottery’s total investment in capital assets and right of use assets. To the extent debt has been incurred but not yet expended for capital assets and right of use assets, such amounts are not included in this section.

## IMPLEMENTATION OF GASB STATEMENT NO. 87

As of July 1, 2021, the Lottery adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The effect of the implementation of this standard on beginning net position is disclosed in Note 10 and the additional disclosures required by this standard is included in Note 1 - Lease Agreements.

## 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 – DEPOSITS AND INVESTMENTS**

As of June 30, 2022 and June 30, 2021, the amount of cash and cash equivalents was \$20,867,792 and \$18,262,700, 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 Chapter 39.58 RCW. 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 is the Lottery’s position 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.

Fair value measurements of the Lottery’s investments in U.S. Treasury Strips, valued at \$110,387,468 and \$133,335,003 on June 30, 2022 and 2021, 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.

U.S. Treasury Strips investments held on June 30, 2022 were as follows:

<b>TABLE 7: MATURITIES IN YEARS</b>	
Less than 1	\$16,122,424
1-5	44,021,182
6-10	23,266,098
11-15	15,204,961
16-20	8,018,041
21-25	2,517,230
26-30	1,237,532
<b>Fair Market value</b>	<b>\$110,387,468</b>

## NOTE 4 – PRIZE LIABILITIES

Presented below is a summary of the annuity prize payment requirements as of June 30, 2022:

FISCAL YEAR	PRESENT VALUE	UNAMORTIZED DISCOUNT	ANNUAL PAYMENTS
2023	\$15,688,222	\$1,065,778	\$16,754,000
2024	11,696,927	1,417,073	13,114,000
2025	10,189,005	1,720,995	11,910,000
2026	8,611,331	1,648,669	10,260,000
2027	6,730,214	1,639,786	8,370,000
2028-2032	23,426,464	7,803,536	31,230,000
2033-2037	16,055,847	7,694,153	23,750,000
2038-2042	11,472,811	6,793,189	18,266,000
2043-2047	3,515,595	2,438,406	5,954,001
2048-2073	3,324,714	3,543,286	6,868,000
	<b>\$110,711,130</b>	<b>\$35,764,871</b>	<b>\$146,476,001</b>

This debt represents annual payments owed to Lotto jackpot winners, eligible annuitized scratch games, and lifetime winners. Annuity *Lotto* jackpot prizes are paid in 25 installments, with the first installment on the day the prize is claimed. Eligible annuitized scratch game prizes are paid in 10 or 25 installments depending on the game. 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, 2022 and 2021 was as follows:

FISCAL YEAR	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
2022	\$118,885,802	31,806,220	(39,980,892)	\$110,711,130	\$15,688,222
2021	\$125,812,312	9,869,491	(16,796,001)	\$118,885,802	\$15,368,246

## NOTE 5 - 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 \$782,033 and \$746,990 on June 30, 2022 and June 30, 2021, respectively.

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, 2022 and 2021, represent possible future payments of \$1,435,834 and \$1,420,523 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 \$305,114 and \$305,412 on June 30, 2022 and 2021, respectively, are based on the actuarially-determined factor of the probability that current employees will receive payments for sick leave buyouts.

Long-term liability activity of leave benefits for the year ended June 30, 2022 was as follows:

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING BALANCE</b>	<b>DUE WITHIN ONE YEAR</b>
Annual Leave	\$746,990	\$714,299	(\$679,256)	\$782,033	\$679,256
Sick Leave	\$305,412	\$92,999	(\$93,297)	\$305,115	\$93,297
	\$1,052,402	\$807,298	(\$772,553)	\$1,087,148	\$772,553

Long-term liability activity of leave benefits for the year ended June 30, 2021 was as follows:

	<b>BEGINNING BALANCE</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING BALANCE</b>	<b>DUE WITHIN ONE YEAR</b>
Annual Leave	\$688,705	\$680,362	(\$622,077)	\$746,990	\$622,077
Sick Leave	\$283,843	\$89,678	(\$68,109)	\$305,412	\$68,109
	\$972,548	\$770,040	(\$690,186)	\$1,052,402	\$690,186

## 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 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 3 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 as a percentage 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 GASB Statement 67. 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/news/>

**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:

	<b>PERS PLAN 1</b>	<b>PERS PLAN 2</b>	<b>PERS PLAN 3</b>
<b>VESTING YEARS OF SERVICE</b>	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.
<b>ELIGIBILITY FOR RETIREMENT</b>	30 Years	30 Years	30 Years
<b>RETIREMENT AGE</b>	60 with 5 years of service, 55 with 25 years of service.	65 with 5 years of service.	65 with 10 years of service.
<b>MONTHLY BENEFIT</b>	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.
<b>REDUCTIONS</b>	Inactive status prior to 65 could reduce benefits.	Optional early retirement but reduction in benefits.	Optional early retirement but reduction in benefits.
<b>COST OF LIVING ALLOWANCE</b>	Optional by member election, automatic to CPI, capped at 3%, but reduces benefits.	CPI, capped at 3%.	CPI, capped at 3%.
<b>Disability</b>	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% 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/or 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 2022, were as follows:

	EMPLOYER			EMPLOYEE		
	PERS 1	PERS 2	PERS 3	PERS 1	PERS 2	PERS 3
<b>CONTRIBUTION PERCENTAGE</b>	6.36%	6.36%	6.36%	6.00%	6.36%	Variable
<b>ADMINISTRATIVE FEE</b>	0.18%	0.18%	0.18%	N/A	N/A	N/A
<b>PLAN 1 UAAL</b>	3.71%	3.71%	3.71%	N/A	N/A	N/A
<b>Total</b>	<b>10.25%</b>	<b>10.25%</b>	<b>12.97%</b>	<b>6.00%</b>	<b>6.36%</b>	<b>Variable</b>

Office of the State Actuary (OSA) - Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020 with the results rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

<b>INFLATION</b>	2.75%
<b>SALARY INCREASES</b>	3.50%
<b>INVESTMENT RATE OF RETURN</b>	7.40%

Mortality rates were developed using the Society of Actuaries’ Pub.H-2010 Mortality rates, which vary by member status (that is...active, retiree, or survivor), as our base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after 2010.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of the 2013-2018 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2020 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 OSA selected a 7.40 percent long-term expected rate of return on the WSIB pension plan investments using a building-block method. 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 the WSIB.

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, 2021, are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
FIXED INCOME	20%	2.2%
TANGIBLE ASSETS	7%	5.1%
REAL ESTATE	18%	5.8%
GLOBAL EQUITY	32%	6.3%
PRIVATE EQUITY	23%	9.3%
<b>TOTAL</b>	<b>100%</b>	

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 7.4 percent. 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. Based on the assumptions in OSA’s Certification Letter, 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 7.40 percent on pension plan investments was applied to determine the total pension liability. PERS Plan 2/3, PSERS Plan 2, and SERS Plan 2/3 employers rates include a component for the PERS Plan 1 liability. TRS Plan 2/3 rates include a component for TRS Plan 1 liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the fiscal year 2022 employer net pension liability calculated using the discount rate of 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate.

<b>EMPLOYER'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (IN THOUSANDS)</b>			
	<b>1% Decrease (6.4%)</b>	<b>Current Discount Rate (7.4%)</b>	<b>1% Increase (8.4%)</b>
PERS 1	1,130	664	256
PERS 2/3	(1,986)	(6,971)	(11,074)
<b>Total</b>	<b>(855)</b>	<b>(6,307)</b>	<b>(10,818)</b>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended June 30, 2022 and June 30, 2021, PERS 1 recognized pension expense of (\$113.4) thousand and (\$27.6) thousand, respectively. PERS 2/3 recognized pension expense of (\$1.6) million for the year ended June 30 2022 and \$70.9 thousand for the year ended June 30, 2021. At June 30, 2022 and 2021, 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 contributions subsequent to the measurement date are as follows:

<b>WASHINGTON'S LOTTERY DEFERRED OUTFLOWS/INFLOWS AS OF JUNE 30, 2022 (DOLLAR AMOUNTS IN THOUSANDS)</b>		
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
<b>PERS 1</b>		
Net difference between projected and actual earnings on pension plan investments	-	\$736
Lottery contribution subsequent to measurement date*	\$322	-
<b>PERS 2/3</b>		
Difference between expected and actual experience	\$339	\$86
Changes of assumptions	10	495
Net difference between projected and actual earnings on pension plan investments	-	5,825
Change in proportion	(95)	-
Lottery contributions subsequent to measurement date*	560	-
<b>TOTAL</b>	<b>\$1,135</b>	<b>\$7,142</b>

\*PERS 1 employer contributions includes Plan 1 Unfunded Actuarially Accrued Liability (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 actuarially accrued liability.

<b>WASHINGTON'S LOTTERY DEFERRED OUTFLOWS/INFLOWS AS OF JUNE 30, 2021 (DOLLAR AMOUNTS IN THOUSANDS)</b>		
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>DEFERRED INFLOWS OF RESOURCES</b>
<b>PERS 1</b>		
Net difference between projected and actual earnings on pension plan investments	-	\$11
Lottery contribution subsequent to measurement date*	\$421	-
<b>PERS 2/3</b>		
Difference between expected and actual experience	\$324	\$114
Changes of assumptions	13	619
Net difference between projected and actual earnings on pension plan investments	-	48
Change in proportion	(122)	-
Lottery contributions subsequent to measurement date*	684	-
<b>TOTAL</b>	<b>\$1,320</b>	<b>\$792</b>

\*PERS 1 employer contributions includes Plan 1 Unfunded Actuarially Accrued Liability (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 actuarially accrued liability.

## FINANCIAL STATEMENT NOTES

The \$1.1 million and \$1.3 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):

<b>"YEARS ENDED INCREASE / (REDUCTION IN PENSION EXPENSE)" (AMOUNTS IN THOUSANDS)</b>			
	<b>PERS 1</b>	<b>PERS 2</b>	<b>Total</b>
2023	\$(195)	\$(1,584)	\$(1,779)
2024	(179)	(1,480)	(1,659)
2025	(169)	(1,418)	(1,587)
2026	(194)	(1,533)	(1,727)
2027	-	(16)	(16)
Thereafter	-	7	7
<b>Total</b>	<b>\$(737)</b>	<b>\$(6,024)</b>	<b>\$(6,761)</b>

Collective Net Pension Liability/(Asset).

At June 30, 2022, the Lottery reported a liability of \$664 thousand for its proportionate share of the collective net pension liability for PERS 1 and reported an asset of \$6.9 million for PERS 2/3. For June 30, 2021, the Lottery reported a liability of \$1.9 million for its proportionate share of the collective net pension liability for PERS 1 and \$910 thousand for PERS 2/3. The Lottery's proportion for PERS 1 was .054308 percent, and .054451 percent for the year ending June 30, 2022 and 2021, respectively. The Lottery's portion of the PERS 2/3 was .069752 percent and .070845 percent for the years ended June 30, 2022 and 2021, 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, 2020 with the results rolled forward to June 30, 2021, 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 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 – OTHER POSTEMPLOYMENT BENEFITS

### GENERAL INFORMATION

The state implemented GASB Statement No. 75 *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 8, 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 understanding by the employer and plan members is that there is no contractual obligation to continue that substantive plan as an employee benefit on an ongoing basis. Nevertheless, the actuarial assumptions used in valuations presentd in this note assume that this substantive plan will be carried forward into the future.

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. The PEBB OPEB plan has no assets and 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), 15 of the state’s K-12 schools and educational service districts (ESDs), and 274 political subdivisions and tribal governments not included in the state’s financial reporting. The PEBB Plan is also available to the retirees of the remaining 227 K-12 schools, charter schools, and ESDs. As of June 30, 2020, membership in the PEBB plan consisted of the following:

<b>ACTIVE EMPLOYEES*</b>	129,218
<b>RETIREES RECEIVING BENEFITS**</b>	35,843
<b>RETIREES NOT RECEIVING BENEFITS***</b>	6,000
<b>total participants</b>	<b>171,061</b>

\*Reflects active employees eligible for PEBB program participants as of June 2020.

\*\*Headcounts exclude spouses of retirees that are participating in a PEBB program as a dependent.

\*\*\*This is an estimate of the number of retirees that may be eligible to join a post-retirement PEBB program in the future. No benefits are allowed to them unless they choose to join. In order to do so, they must show proof of continuous medical coverage since their separation of employment with the State of Washington that meets the requirements set forth in Washington Administrative Code 182-12-205.

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 the calendar year 2021, the average weighted implicit subsidy was valued at \$384 per adult unit per month. In calendar year 2022, the average weighted implicit subsidy is projected to be \$390 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 2022, the explicit subsidy was up to \$183 per member per month. It is projected to remain at \$183 per member per month in calendar year 2023.

**Contribution Information.** Administrative costs as well as implicit and explicit subsidies are funded by required contributions from participating employers pursuant to RCW 41.05.050. 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.

The estimated monthly cost for PEBB benefits for the reporting period for each active employee (average across all plans and tiers) is as follows (expressed in dollars):

<b>REQUIRED PREMIUM*</b>	
Medical	\$1,151
Dental	82
Life	4
Long-term disability	2
<b>Total</b>	<b>1,239</b>
Employer contribution	1,070
Employee contribution	169
	<b>\$1,239</b>

*\*Per 2022 PEBB Financial Projection Model version 3.0. Per capita cost based on subscribers; includes non-Medicare risk pool only. Figures based on calendar year 2022, which includes projected claims cost at the time of this reporting.*

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

<https://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

## TOTAL OPEB LIABILITY

The Lottery reported a total OPEB Liability of \$6.1 million for June 30, 2022 and \$5.6 million for June 30, 2021. This liability was determined based on a measurement date of June 30, 2021 and June 30, 2020, respectively.

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

Actuarial valuation date	6/30/2020
Actuarial measurement date	6/30/2021
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

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	2.75%
Projected salary changes	3.50% Plus Service-based Salary Increases
Health care trend rates*	Initial rate ranges from about 2-11%, reaching an ultimate rate of approximately 4.3% in 2075
Post-retirement participation percentage	65%
Percentage with spouse coverage	45%

\* For additional detail on the health care trend rates, please see Office of the State Actuary's 2021 Other Postemployment Benefits Actuarial Valuation Report.

In projecting the growth of the explicit subsidy, after 2023 when the cap is \$183, it 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 developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status (that is, active, retiree, or survivor), as our base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is 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 2013-2018 Demographic 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 2021 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 2.21 percent for the June 30, 2020, measurement date and 2.16 percent for the June 30, 2021, measurement date.

The increase in the total OPEB liability is due to changes in assumption resulting from a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index discount rate.

Additional detail on assumptions and methods can be found on OSA's website: [http://leg.wa.gov/osa/additional\\_services/Pages/OPEB.aspx](http://leg.wa.gov/osa/additional_services/Pages/OPEB.aspx).

Changes in Total Opeb Liability. As of June 30, 2022 and 2021, 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:

<b>WASHINGTON STATE LOTTERY</b>		
	<b>2022</b>	<b>2021</b>
<b>PROPORTIONATE SHARE (%)</b>	<b>0.09478277400%</b>	<b>0.09236270311%</b>
Service Cost	\$306,282	\$232,083
Interest Cost	132,504	194,140
Difference Between Expected and Actual Experience	-	(29,750)
Changes in Assumptions	56,613	125,846
Benefit Payments	(100,950)	(92,433)
Other	-	(197,746)
Changes in Proportionate Share	146,540	(397,702)
<b>Net Change in Total OPEB Liability</b>	<b>\$540,989</b>	<b>(\$165,562)</b>
Total OPEB Liability - Beginning	\$5,592,740	\$5,758,302
<b>Total OPEB Liability - Ending</b>	<b>\$6,133,729</b>	<b>\$5,592,740</b>



## OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

As of June 30, 2022 and 2021, the components that make up OPEB expense for State Lottery Commission are as follows:

WASHINGTON STATE LOTTERY		
	2022	2021
<b>PROPORTIONATE SHARE (%)</b>	<b>0.09478277400%</b>	<b>0.09236270311%</b>
Service Cost	\$306,585	\$232,083
Interest Cost	132,504	194,140
Amortization of Difference Between Expected and Actual Experience	17,593	17,144
Amortization of Changes in Assumptions	(180,814)	(182,328)
Amortization of Changes in Proportion	(86,981)	(105,418)
Transactions Subsequent to Measurement Date	(101,259)	(98,373)
Other Changes	-	(197,746)
<b>Total OPEB Expense</b>	<b>\$87,628</b>	<b>(\$140,498)</b>

On June 30, 2022 and 2021, the deferred inflows and deferred outflows of resources for Washington's Lottery are as follows:

WASHINGTON STATE LOTTERY				
PROPORTIONATE SHARE (%)	2022		2021	
	0.0947827740%		0.09236270311%	
DEFERRED INFLOWS/OUTFLOWS OF RESOURCES	DEFERRED OUTFLOWS	DEFERRED INFLOWS	DEFERRED OUTFLOWS	DEFERRED INFLOWS
Difference between expected and actual experience	\$ 104,925	\$23,745	\$ 122,696	\$26,445
Changes in Assumptions	390,332	1,112,073	384,575	1,319,000
Transactions subsequent to the measurement date	101,259	-	98,373	-
Changes in Proportion	147,488	640,887		746,305
<b>Total Deferred (Inflows)/Outflows</b>	<b>\$744,004</b>	<b>\$1,776,705</b>	<b>\$605,644</b>	<b>\$2,091,750</b>

## FINANCIAL STATEMENT NOTES

Amounts currently reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date will be recognized in fiscal year 2023 as a direct reduction to the total OPEB liability.

Amounts currently reported as a net deferred inflows of resources related OPEB will be recognized as OPEB expense in subsequent years for Washington's Lottery for the years ended June 30, 2022 and 2021 as follows:

WASHINGTON STATE LOTTERY		
	2022	2021
<b>PROPORTIONATE SHARE (%)</b>	<b>0.0947827740%</b>	<b>0.09236270311%</b>
2023	\$(250,202)	\$(270,579)
2024	(250,202)	(270,579)
2025	(250,202)	(270,579)
2026	(250,202)	(270,579)
2027	(138,058)	(270,579)
Thereafter	5,165	(231,584)
	<b>(\$1,133,701)</b>	<b>(\$1,584,479)</b>

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 tables for the year ended June 30, 2022 and 2021.

WASHINGTON STATE LOTTERY FOR THE YEAR ENDED JUNE 30, 2022	
<b>PROPORTIONATE SHARE (%) 2020</b>	<b>0.09236270311%</b>
<b>PROPORTIONATE SHARE (%) 2021</b>	<b>0.09478277400%</b>
Total OPEB Liability - Ending 2020	\$5,592,740
Total OPEB Liability - Beg 2021 (chng in prop)	5,739,280
Total OPEB Liability Change in Proportion	146,540
Total Deferred Inflows/Outflows 2020	(739,801)
Total Deferred Inflows/Outflows 2021 (chng in prop)	(759,185)
Total Deferred Inflows/Outflows Change in Proportion	(19,384)
<b>Total Change in Proportion</b>	<b>\$165,924</b>

WASHINGTON STATE LOTTERY FOR THE YEAR ENDED JUNE 30, 2021	
<b>PROPORTIONATE SHARE (%) 2019</b>	<b>0.09921504260%</b>
<b>PROPORTIONATE SHARE (%) 2020</b>	<b>0.09236270311%</b>
Total OPEB Liability - Ending 2019	\$5,758,302
Total OPEB Liability - Beg 2020 (chng in prop)	5,360,600
Total OPEB Liability Change in Proportion	(397,702)
Total Deferred Inflows/Outflows 2019	(1,081,730)
Total Deferred Inflows/Outflows 2020 (chng in prop)	(1,007,019)
Total Deferred Inflows/Outflows Change in Proportion	74,710
<b>Total Change in Proportion</b>	<b>(\$472,412)</b>

**Sensitivity of the Total Liability to Changes in the Discount Rate.** The following represents the total OPEB liability of Washington's Lottery for the year ended June 30, 2022 calculated using the discount rate of 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

DISCOUNT RATE SENSITIVITY		
1% DECREASE	CURRENT DISCOUNT RATE	1% INCREASE
\$7,431,816	\$6,134,033	\$5,125,016

**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 for the year ended June 30, 2022, calculated using the health care trend rate of 2-11 percent decreasing to 4.30 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 (1-10 percent decreasing to 3.30 percent) or 1 percentage point higher (3-12 percent decreasing to 5.30 percent) than the current rate:

HEALTH CARE COST TREND RATE SENSITIVITY		
1% DECREASE	CURRENT TREND RATE	1% INCREASE
\$4,948,791	\$6,134,033	\$7,735,694

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

### GAMING SYSTEM VENDOR CONTRACTUAL AGREEMENTS

The Lottery maintains a gaming network of approximately 3,624 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through self-service terminals. International Game Technology (IGT - formerly GTECH) is responsible for operating all traditional Lottery games, including maintenance of terminals and related communication services, under a contract originally expiring June 30, 2026, now expiring June 30, 2029. 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. During fiscal year 2021, Lottery extended the IGT contract for an additional 3 years.

Instant Game sales are also supported by services provided under additional contracts initiated March 2020:

- 1) Under a contract that expires on March 18, 2024, Scientific Games International is the primary supplier of Instant Game tickets.
- 2) Under a contract that expires on March 17, 2024, Pollard Banknote Limited is an alternate supplier of Instant Game tickets.
- 3) Under a contract that expires on March 28, 2024, IGT Printing is an alternate supplier of Instant Game tickets.

## NOTE 10 – ADOPTION OF NEW STANDARD

As of July 1, 2020, the Lottery adopted GASB Statement No. 87, Leases. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Beginning net position, right of use assets, lease liabilities, and related expenses and cash flows were restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

STATEMENT OF NET POSITION			
	AS PREVIOUSLY REPORTED	ADJUSTMENT	AS RESTATED
<b>AS OF JUNE 30, 2020</b>			
Right of use assets, net of accumulated amortization	\$-	\$3,329,391	\$3,329,391
Total non-current assets	117,808,507	3,329,391	121,137,898
Total assets and deferred outflows of resources	188,876,064	3,329,391	192,205,455
Lease liability	-	3,424,504	3,424,504
Total non-current liabilities	112,897,134	3,424,504	116,321,638
Total liabilities and deferred inflows of resources	198,629,776	3,424,504	202,054,280
Net invested in capital assets	832,376	(95,113)	737,263
<b>TOTAL NET POSITION</b>	<b>\$(9,753,712)</b>	<b>\$(95,113)</b>	<b>\$(9,848,825)</b>

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION			
	AS PREVIOUSLY REPORTED	ADJUSTMENT	AS RESTATED
<b>AS OF JUNE 30, 2020</b>			
Miscellaneous promotional expense and other operating expense	\$3,494,022	\$(403,049)	\$3,090,973
Total cost of sales	709,953,010	(403,049)	709,549,961
Depreciation and amortization	122,224	405,920	528,144
Total administrative expenses	14,620,030	405,920	15,025,950
Operating income	229,853,351	(2,871)	229,850,480
Total net position at beginning of year	(216,745)	(67,061)	(283,806)
Change in net position	(9,536,967)	(28,052)	(9,565,019)
<b>TOTAL NET POSITION AT END OF YEAR</b>	<b>\$(9,753,712)</b>	<b>\$(95,113)</b>	<b>\$(9,848,825)</b>

STATEMENT OF CASH FLOWS			
	AS PREVIOUSLY REPORTED	ADJUSTMENT	AS RESTATED
<b>AS OF JUNE 30, 2020</b>			
Cash payments to suppliers of goods and services	\$(60,531,767)	\$403,049	\$(60,128,718)
Net cash provided by operating activities	214,367,784	403,049	214,770,833
Cash paid for lease liabilities			
Principal portion	-	(377,867)	(377,867)
Interest portion	-	(25,182)	(25,182)
Net cash used by capital and related financing activities	(448,315)	(403,049)	(851,364)
Operating income	229,853,351	(2,871)	229,850,480
Depreciation and amortization	122,224	405,920	528,144
Total adjustments	(15,485,567)	405,920	(15,079,647)
Net cash provided by operating activities	214,367,784	405,920	214,773,704
<b>ACQUISITION OF RIGHT OF USE ASSETS FROM LEASES</b>	<b>\$-</b>	<b>\$967,805</b>	<b>\$967,805</b>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

## PENSION PLAN INFORMATION Cost Sharing Employer Plans

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

<b>SCHEDULE OF THE LOTTERY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLAN 1 MEASUREMENT DATE OF JUNE 30 (DOLLAR AMOUNTS IN THOUSANDS)</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Lottery's PERS 1 employer's proportion of pension liability	0.0543080%	0.0544510%	0.0580120%	0.0624750%	0.0652730%	0.070679%	0.067046%	0.072025%
Lottery's PERS 1 employer's proportion share of the net pension liability	\$664	\$1,923	\$2,235	\$2,790	\$3,125	\$3,800	\$3,510	\$3,610
Lottery's PERS 1 employer's covered payroll	-	-	\$71	\$255	\$404	\$483	\$521	\$515
Lottery's PERS 1 employer's proportional share of the net pension liability as a percentage of its covered payroll	N/A	N/A	3148%	1094%	774%	787%	674%	701%
Plan fiduciary net position as a percentage of the total pension liability	88.74%	68.64%	67.12%	63.22%	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.

<b>SCHEDULE OF THE LOTTERY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLAN 2/3 MEASUREMENT DATE OF JUNE 30 (DOLLAR AMOUNTS IN THOUSANDS)</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Lottery's PERS 2/3 employer's proportion of pension liability	0.069752%	0.070845%	0.073167%	0.073760%	0.074469%	0.078492%	0.073460%	0.079354%
Lottery's PERS 2/3 employer's proportion share of the net pension liability	\$(6,970)	\$910	\$714	\$1,263	\$2,619	\$3,968	\$2,626	\$1,596
Lottery's PERS 2/3 employer's covered payroll	\$8,384	\$8,248	\$8,030	\$7,622	\$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 payroll	-83.14%	11.03%	8.89%	16.57%	35.77%	54.10%	39.88%	23.51%
Plan fiduciary net position as a percentage of the total pension liability	120.29%	97.22%	97.77%	95.77%	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.

**PENSION PLAN INFORMATION**  
**Cost Sharing Employer Plans**

**Schedules of Employer Contributions**

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>								
<b>PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLAN 1</b>								
<b>MEASUREMENT DATE OF JUNE 30 (DOLLAR AMOUNTS IN THOUSANDS)</b>								
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Lottery's PERS 1 statutorily required contributions	\$ -	\$ -	\$ -	\$9	\$32	\$45	\$54	\$48
Lottery's PERS 1 contributions in relation to the statutorily required contributions	\$ -	\$ -	\$ -	\$9	\$32	\$45	\$54	\$48
Lottery's PERS 1 contributions (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's PERS 1 employer's covered payroll	\$ -	\$ -	\$ -	\$71	\$255	\$404	\$483	\$521
Lottery's PERS 1 contributions as a percentage of covered payroll	-	-	12.86%	12.83%	12.73%	11.19%	11.18%	9.21%

\*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.

<b>SCHEDULE OF EMPLOYER CONTRIBUTIONS</b>								
<b>PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLAN 2/3</b>								
<b>MEASUREMENT DATE OF JUNE 30 (DOLLAR AMOUNTS IN THOUSANDS)</b>								
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Lottery's PERS 2/3 statutorily required contributions	\$919	\$1,086	\$1,061	\$1,029	\$968	\$818	\$820	\$606
Lottery's PERS 2/3 contributions in relation to the statutorily required contributions	\$919	\$1,086	\$1,061	\$1,029	\$968	\$818	\$820	\$606
Lottery's PERS 2/3 contributions (deficiency) excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lottery's PERS 2/3 employer's covered payroll	\$8,967	\$8,384	\$8,248	\$8,030	\$7,622	\$7,320	\$7,335	\$6,584
Lottery's PERS 2/3 contributions as a percentage of covered payroll	10.25%	12.95%	12.86%	12.83%	12.70%	11.17%	11.18%	9.20%

\*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, 2017, valuation date, completed in the Fall of 2018, plus any supplemental contribution rates from the preceding legislative session, determine the ADC for the period beginning July 1, 2019, and ending June 30, 2021.

**OTHER POSTEMPLOYMENT BENEFITS**
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FISCAL YEAR ENDED JUNE 30  
(DOLLAR AMOUNTS IN THOUSANDS)**

	2022	2021	2020	2019	2018
<b>TOTAL OPEB LIABILITY</b>					
Service Cost	\$ 306,585	\$ 232,083	\$ 233,157	\$326,014	\$409,921
Interest Cost	132,504	194,140	202,250	224,133	192,647
Difference between expected and actual experience	-	(29,750)	-	204,590	-
Changes in benefit terms	-	125,846	-	-	-
Changes in assumptions	56,613	-	376,644	(1,427,243)	(938,860)
Benefit Payments	(100,950)	(92,433)	(92,517)	(94,663)	(98,085)
Changes in proportionate share	146,540)	(397,702)	(175,665)	(79,394)	(115,328)
Other	-	(197,746)	-	-	-
<b>NET CHANGES IN TOTAL OPEB LIABILITY</b>	<b>\$541,292</b>	<b>\$(165,562)</b>	<b>\$ 543,869</b>	<b>\$(846,563)</b>	<b>\$(589,885)</b>
<b>TOTAL OPEB LIABILITY – BEGINNING</b>	<b>\$5,592,740</b>	<b>\$5,758,302</b>	<b>\$5,214,433</b>	<b>\$6,060,996</b>	<b>\$6,650,881</b>
<b>TOTAL OPEB LIABILITY – ENDING</b>	<b>\$6,134,033</b>	<b>\$5,592,740</b>	<b>\$5,758,302</b>	<b>\$5,214,433</b>	<b>\$6,060,996</b>
<b>COVERED EMPLOYEE PAYROLL</b>	<b>\$9,079,303</b>	<b>\$8,568,647</b>	<b>\$8,248,476</b>	<b>\$8,101,432</b>	<b>\$7,877,200</b>
<b>TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL</b>	<b>67.56%</b>	<b>65.27%</b>	<b>69.8%</b>	<b>64.4%</b>	<b>76.9%</b>

\*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 discount rate, health care trend rates, salary projections, and participation percentages.





**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 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 the business-type activities of Washington's Lottery (the Lottery), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements and have issued our report thereon dated January 27, 2023.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001 that we consider to be a material weakness.

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## **Report on 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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Lottery's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Lottery's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Lottery's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho  
January 27, 2023

**2022-001      New Accounting Standard Implementation  
Material Weakness**

Criteria:

Management is responsible for establishing and maintaining internal control over their financial reporting processes that allows for the successful and complete implementation of new accounting standards so as to ensure that the financial statements and related footnote disclosure are not misstated.

Condition:

As a result of audit procedures, it was noted that the Lottery does not have an internal control system in place to ensure that new accounting standards are completely and accurately implemented so as to prevent a material misstatement from occurring. This resulted in adjustments to the financial statements and footnote disclosure in order to implement GASB Statement No. 87, *Leases*.

Cause:

Management did not have an internal control in place to implement GASB Statement No. 87, *Leases* so as to ensure that the financial statements and footnote disclosure are not materially misstated.

Effect:

Management relied on their external financial statement auditor to complete the implementation of the new accounting standard for GASB Statement No. 87, *Leases*.

Recommendation:

Management should have a process to implement new accounting standards.

Views of Responsible Officials:

Management agrees with the auditors finding and recommendation.

## **STATISTICAL SECTION**

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

## FINANCIAL TRENDS

Lottery’s sales decreased by \$43 million or 4.5 percent in fiscal year 2022 over fiscal year 2021 due to several factors, including:

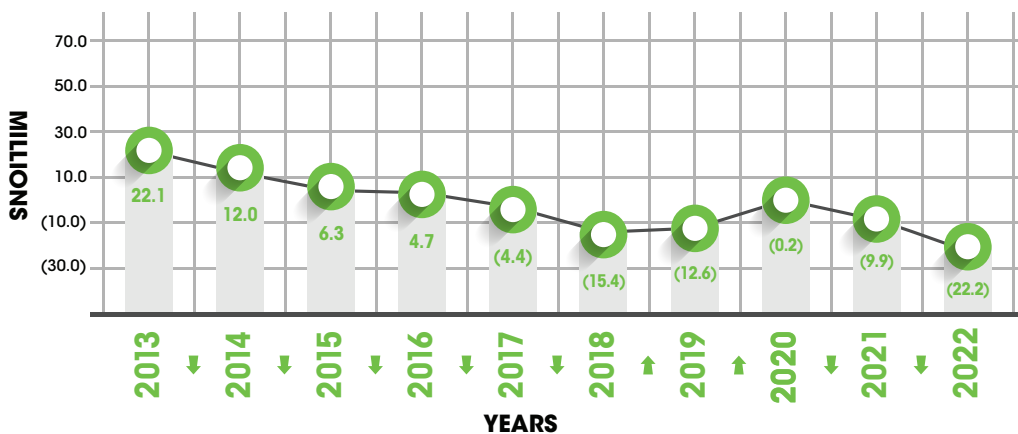
- Mega Million sales were down due to lower jackpot amounts;
- Overall sales for Match 4, Hit 5, Pick 3, and Daily Keno were down from prior year;
- Total number of Scratch tickets sold decreased by 5.1 percent in fiscal year 2022, compared to 2021, with average price per ticket increasing from \$5.00 to \$5.33 year over year.

*Powerball* experienced significant increases in sales due to jackpots reaching up toward desirable amounts during fiscal year 2022. Mega Millions and Lotto experienced decreased sales due to jackpots not reaching toward desirable amounts during fiscal year 2022.

Operating expenses are dominated by prizes, retailer commissions, gaming vendor commissions, marketing and advertising. Prize expenses decreased in fiscal year 2022 by \$29.1 million, or 4.8 percent compared to fiscal year 2021 and increased by \$43.8 million or 8.3 percent as compared to fiscal year 2021. Net operating profit decreased by \$11.3 million or 4.9 percent compared to fiscal year 2021 and increased \$36.4 million or 20 percent compared to fiscal year 2020.

Net position is affected by the fluctuation in the value of securities, and the Lottery saw an decrease by 11.8 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, fluctuations in fair value have no impact on value to be received upon maturity. The Lottery is organized as one enterprise fund.

**NET POSITION**



## REVENUE CAPACITY

The Lottery’s sole focus is the sale of tickets for games of chance. These products are divided into two main types: *Scratch*, (or Instant) game tickets, and Draw game tickets. The Lottery offers seven different Draw games in which winning numbers are drawn either two, three or seven times a week, depending upon the game. The Lottery launched 55 *Scratch* games during fiscal year 2022.

The number and type of retail locations that sell Lottery products in Washington also impact the revenue capacity. During fiscal year 2022, the Lottery decreased a net of 20 retailers bringing the total number at the end of fiscal year 2022 to 3,624 compared to 3,644 for the prior year.

## STATISTICAL SECTION

### 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 six divisions; Executive, Finance, Information Services, Security, Human Resources and Support Services and Sales and Marketing. The Executive Division includes 10 employees. These employees include the Director, Deputy Director, Legal Counsel/ Legislative Liaison, Internal Auditor, Organizational Performance and Planning Administrator. The Sales and Marketing Division is the largest with 66 employees working in headquarters and the five regions throughout the state. Supporting the Sales and Marketing staff are the Finance division with 10 employees, Information Services Division with 17 employees, Security Division with 5 employees, and Human Resources and Support Services Division with 19 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 is the rulemaking authority and advises and makes recommendations to the Director, who is also appointed by the Governor, for the operation and administration of the Lottery.

LOTTERY EMPLOYEES										
Department	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Executive	10	9	8	8	8	10	9	7	7	8
Finance	10	9	19	18	20	19	21	22	22	22
Information Services	17	17	15	16	16	16	17	17	15	16
Security	5	5	5	5	5	5	4	4	4	5
Human Resources & Support Services	19	21	9	13	10	11	10	11	10	11
Sales/Marketing	66	65	64	69	69	69	69	70	72	71
<b>Total</b>	<b>127</b>	<b>126</b>	<b>120</b>	<b>129</b>	<b>128</b>	<b>130</b>	<b>130</b>	<b>131</b>	<b>130</b>	<b>133</b>

## DEMOGRAPHIC AND ECONOMIC INFORMATION

Washington State’s population is approximately 7.9 million people. Median household income in Washington in 2022 was \$77,006 and per capita personal income was \$71,889. Washington’s unemployment rate in 2022 was 6.8 percent. Presented below, is a 10-year history for each of the categories above.

Year of ACFR	Population (Millions)	Median Household Income	Per Capita Personal Income	WA's Unemployment Rate
2022	7.9	77,006	71,889	6.8%
2021	7.7	68,400	68,822	8.4%
2020	7.6	74,992	64,898	9.2%
2019	7.6	73,294	60,781	4.5%
2018	7.4	68,550	56,283	4.8%
2017	7.3	65,500	53,493	5.4%
2016	7.2	62,108	51,146	5.7%
2015	7.1	58,686	49,583	6.3%
2014	6.9	58,577	47,031	7.0%
2013	6.9	56,444	45,693	8.2%

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). Lottery players between ages 35 - 44 through ages 45 – 54 and over 65 represent 70 percent of the player demographic.

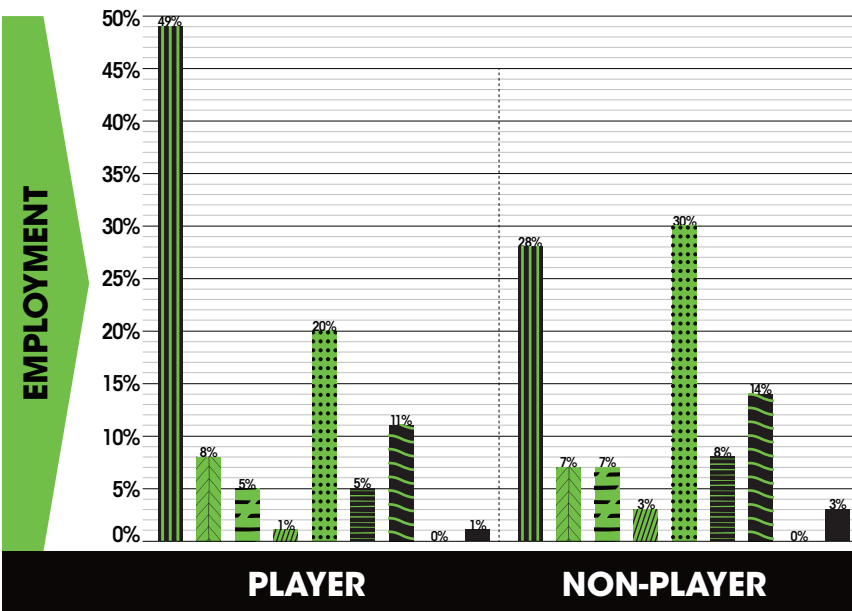
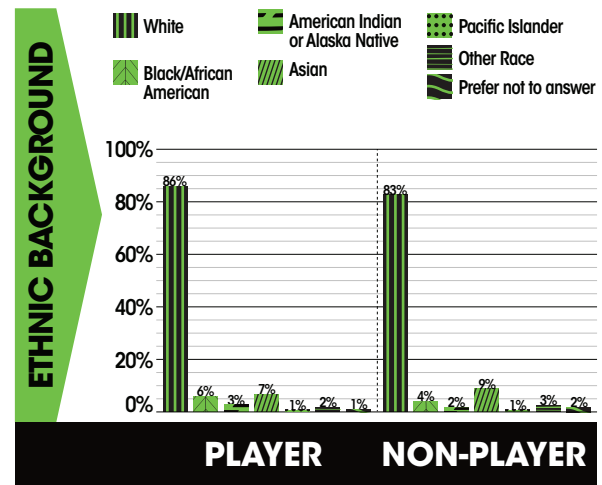
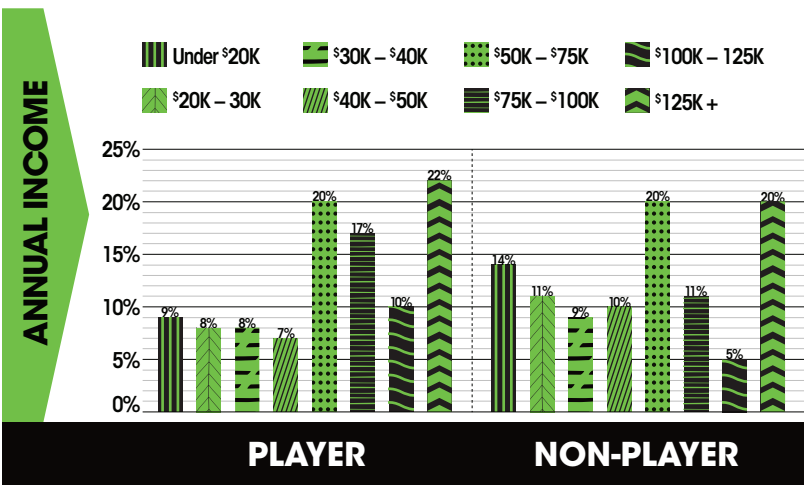
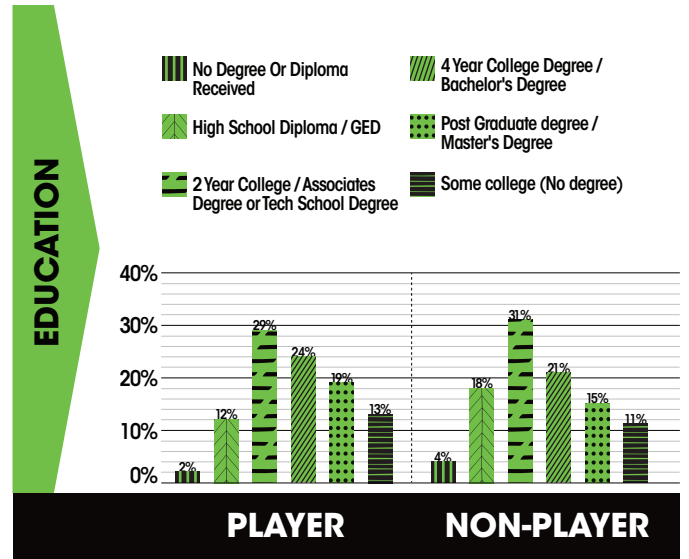
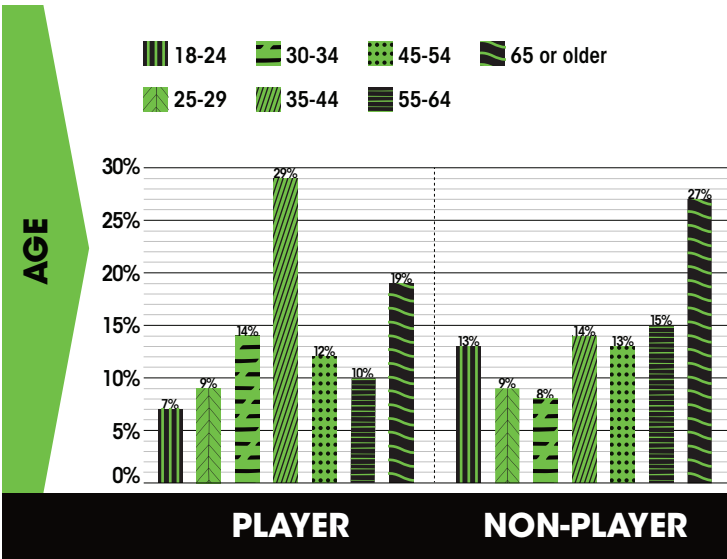
**Income:** The median household income category is \$50,000 to \$75,000 per year for both players and non-players. Although the distribution of household income is very similar between players and non-players, players are less likely to report household income less than \$20,000 per year, and more likely to report income in the range of \$50,000 to \$75,000 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 80% of the player population report White/Caucasian or Black/African American ethnicity. In Fiscal Year 2022, there were no significant ethnic differences in Lottery participation

STATISTICAL SECTION



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



The top ten private employers in Washington for fiscal years 2012-2021 are displayed below. The Lottery will continue to gather information in order to report the required 10 years of information

2021				
#	Employer	City	Employees Count	Percentage
1	Amazon.com Inc.	Seattle	80,000	19%
2	Microsoft Corp.	Redmond	57,837	14%
3	The Boeing Co.	Seattle	56,908	13%
4	Joint Base Lewis-McChord	Lewis-McChord	54,000	13%
5	University of Washington	Seattle	49,526	12%
6	Providence	Renton	43,496	10%
7	Walmart Inc.	Bentonville, AR	22,103	5%
8	Costco Wholesale Corp.	Issaquah	20,788	5%
9	Albertsons COS	Bellevue	20,000	5%
10	MultiCare Health System	Tacoma	18,288	4%
<b>Total</b>			<b>422,946</b>	<b>100%</b>

2020				
#	Employer	City	Employees Count	Percentage
1	The Boeing Co.	Seattle	71,829	18%
2	Amazon.com Inc.	Seattle	60,000	15%
3	Microsoft Corp.	Redmond	55,063	14%
4	Joint Base Lewis-McChord	Lewis-McChord	54,000	14%
5	University of Washington	Seattle	47,481	12%
6	Providence	Renton	31,400	8%
7	Walmart Inc.	Bentonville, AR	19,412	5%
8	Costco Wholesale Corp.	Issaquah	18,045	5%
9	MultiCare Health System	Tacoma	17,187	4%
10	Fred Meyer Stores	Portland, OR	16,164	4%
<b>Total</b>			<b>390,581</b>	<b>100%</b>

2019				
#	Employer	City	Employees Count	Percentage
1	The Boeing Co.	Seattle	69,830	17%
2	Joint Base Lewis-McChord	Lewis-McChord	54,000	13%
3	Amazon.com Inc.	Seattle	52,000	12%
4	Microsoft Corp.	Redmond	51,362	12%
5	University of Washington	Seattle	46,824	11%
6	Navy Region Northwest	Silverdale	46,015	11%
7	Providence St. Joseph Health	Renton	43,000	10%
8	Safeway Inc. & Albertsons LLC	Bellevue	21,320	5%
9	Walmart Inc.	Bentonville, AR	19,412	5%
10	Costco Wholesale Corp.	Issaquah	18,010	4%
<b>Total</b>			<b>421,773</b>	<b>100%</b>

2018				
#	Employer	City	Employees Count	Percentage
2018 Data Not Available				

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%
<b>Total</b>			<b>409,188</b>	<b>100%</b>

2016				
#	Employer	City	Employees Count	Percentage
2016 Data Not Available				

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%
<b>Total</b>			<b>340,702</b>	<b>100%</b>

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%
<b>Total</b>			<b>344,712</b>	<b>100%</b>

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%
<b>Total</b>			<b>333,201</b>	<b>100%</b>

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%
<b>Total</b>			<b>113,100</b>	<b>100%</b>

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

Net Position	Restated									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Invested in capital assets	629,193	737,263	506,285	614,410	776,927	932,430	418,217	544,959	266,529	403,881
Restricted for future prizes	10,921,474	10,513,531	10,689,615	10,222,973	12,652,367	10,428,362	10,273,709	15,829,819	12,555,919	16,777,500
Unrestricted	(33,782,224)	(21,099,619)	(11,412,645)	(23,431,328)	(28,846,778)	(15,740,199)	(5,981,919)	(10,035,804)	(832,889)	4,893,069
<b>Total net position</b>	<b>(22,231,557)</b>	<b>(9,848,825)</b>	<b>(216,745)</b>	<b>(12,593,945)</b>	<b>(15,417,484)</b>	<b>(4,379,407)</b>	<b>4,710,007</b>	<b>6,338,974</b>	<b>11,989,559</b>	<b>22,074,450</b>

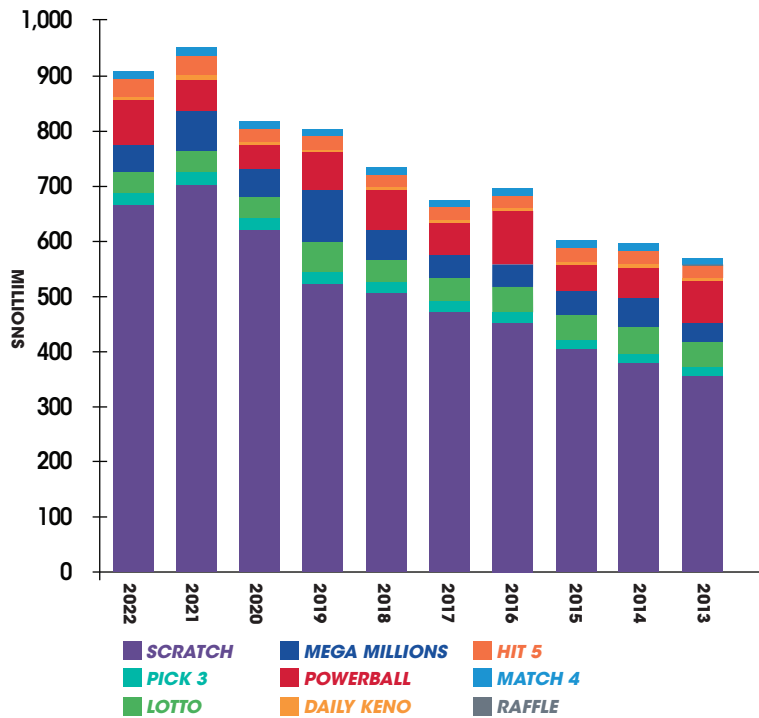
## WASHINGTON'S LOTTERY TEN YEARS OF CHANGES IN NET POSITION

	Restated									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Sales</b>										
Scratch ticket sales	665,228,910	701,182,226	619,682,535	523,857,598	507,900,498	472,252,828	453,948,422	404,097,793	379,352,242	356,021,877
Draw game sales	242,457,202	249,544,275	197,616,562	279,420,339	226,037,994	201,077,571	240,926,646	196,250,355	215,171,218	213,565,366
<b>Total Sales</b>	<b>907,686,112</b>	<b>950,726,501</b>	<b>817,299,097</b>	<b>803,277,937</b>	<b>733,938,492</b>	<b>673,330,399</b>	<b>694,875,068</b>	<b>600,348,148</b>	<b>594,523,460</b>	<b>569,587,243</b>
<b>Grant for Vaccine Promotion Income</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other operating income</b>	<b>3,989,985</b>	<b>2,699,890</b>	<b>2,691,470</b>	<b>2,702,605</b>	<b>2,769,971</b>	<b>2,688,541</b>	<b>2,790,632</b>	<b>2,850,714</b>	<b>2,865,770</b>	<b>2,875,510</b>
<b>Cost of Sales</b>										
Prize expense	573,989,678	603,091,484	530,237,664	490,355,040	457,904,034	422,536,021	432,900,790	365,929,999	362,666,491	339,365,820
Grant for Vaccine Promotion Expense	-	1,000,000	-	-	-	-	-	-	-	-
Retailer commissions	45,597,649	47,827,944	41,202,583	40,221,131	36,927,642	33,893,194	36,021,210	37,307,646	37,368,870	35,545,701
Vendor expense	41,465,536	42,899,287	39,823,710	33,762,918	30,036,116	27,979,137	29,856,808	26,852,529	25,542,925	23,978,757
Advertising expense	13,316,648	11,640,273	10,227,617	11,198,372	9,577,293	10,565,659	10,481,991	10,468,738	10,122,178	10,194,020
Misc. promotional & other operating expenses	2,994,084	3,090,973	2,074,262	3,192,138	3,673,122	4,328,458	4,051,361	4,624,697	5,704,670	4,215,283
<b>Total Cost of Sales</b>	<b>677,363,595</b>	<b>709,549,961</b>	<b>623,565,836</b>	<b>578,729,599</b>	<b>538,118,207</b>	<b>499,302,469</b>	<b>513,312,160</b>	<b>445,183,609</b>	<b>441,405,134</b>	<b>413,299,581</b>
<b>Administrative expenses</b>										
Salaries and benefits	11,814,041	11,525,352	11,493,019	11,116,890	10,946,749	10,655,860	10,828,120	9,404,819	9,619,930	9,585,980
Goods and services	2,109,455	2,725,067	2,336,302	2,766,921	2,454,812	3,252,080	3,090,238	2,830,400	2,368,232	2,640,333
Travel	364,040	247,387	333,129	444,974	421,226	411,287	439,193	452,426	460,997	452,446
Depreciation	692,513	528,144	136,028	162,517	163,249	80,130	134,252	136,005	124,135	131,664
<b>Total Administrative Expenses</b>	<b>14,980,049</b>	<b>15,025,950</b>	<b>14,298,478</b>	<b>14,491,302</b>	<b>13,986,036</b>	<b>14,399,357</b>	<b>14,491,803</b>	<b>12,823,650</b>	<b>12,573,294</b>	<b>12,810,423</b>
<b>Operating Income</b>	<b>219,332,453</b>	<b>229,850,480</b>	<b>182,126,253</b>	<b>212,759,641</b>	<b>184,604,220</b>	<b>162,317,114</b>	<b>169,861,737</b>	<b>145,191,603</b>	<b>143,410,802</b>	<b>146,352,749</b>
<b>Non-Operating Revenues (expenses)</b>										
Investment revenue (loss)	(11,083,328)	(5,779,975)	15,944,818	10,110,562	(1,156,453)	(3,785,665)	10,226,195	5,007,809	3,045,060	(3,612,981)
Amortization of annuity prize liability	(3,777,536)	(4,578,037)	(5,019,561)	(4,400,523)	(5,083,091)	(5,757,685)	(6,283,851)	(7,605,541)	(8,866,388)	(10,743,345)
Interest income	1,905	3,293	263,249	125,192	99,940	21,397	23,098	40,067	49,403	51,111
Misc. income (expense)	-	-	-	-	7,589	-	59,059	-	(60,573)	(10,260)
Fee income	10,750	11,575	10,875	10,700	10,725	10,100	10,325	10,235	11,050	14,497
Loss on disposal of capital assets	-	-	420	100	155	5,180	(2,434)	-	121	3,881
Interest expense on leases	(28,607)	(25,182)	-	-	-	-	-	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>(14,848,209)</b>	<b>(10,343,144)</b>	<b>11,199,801</b>	<b>5,846,031</b>	<b>(6,121,135)</b>	<b>(9,506,673)</b>	<b>4,032,392</b>	<b>(2,547,430)</b>	<b>(5,821,327)</b>	<b>(14,297,097)</b>
<b>Payments to:</b>										
Washington Opportunity Pathways Account	(176,551,928)	(185,724,653)	(147,335,195)	(166,743,348)	(134,170,055)	(126,797,889)	(128,731,626)	(119,000,660)	(121,905,022)	(115,578,117)
Education Legacy Trust Account	-	-	-	-	-	-	-	(6,050,000)	(10,050,000)	-
Stadium and Exhibition Center Account	-	(14,219,515)	(13,672,608)	(13,146,739)	(12,641,094)	(12,154,899)	(11,687,403)	(11,237,887)	(10,805,661)	(10,390,059)
Economic Development	(6,205,028)	(4,733,537)	(3,362,016)	(4,564,936)	(4,629,950)	(4,869,712)	(2,844,549)	(4,661,950)	(4,016,417)	(3,620,758)
Problem Gambling	(433,805)	(450,626)	(373,180)	(406,800)	(358,845)	(326,033)	(340,567)	(304,744)	(301,414)	(299,288)
General Fund	(33,647,606)	(23,918,843)	(16,205,856)	(30,920,310)	(31,170,784)	(16,751,322)	(31,918,951)	-	(595,852)	(9,338,395)
Gambling Commission	-	-	-	-	-	(1,000,000)	-	-	-	-
<b>Total payments</b>	<b>(216,838,367)</b>	<b>(229,047,174)</b>	<b>(180,948,855)</b>	<b>(215,782,133)</b>	<b>(182,970,728)</b>	<b>(161,899,855)</b>	<b>(175,523,096)</b>	<b>(141,255,241)</b>	<b>(147,674,366)</b>	<b>(139,226,617)</b>
<b>Net non-operating expense</b>	<b>(231,715,185)</b>	<b>(239,415,499)</b>	<b>(169,749,054)</b>	<b>(209,936,102)</b>	<b>(189,091,863)</b>	<b>(171,406,528)</b>	<b>(171,490,704)</b>	<b>(143,802,671)</b>	<b>(153,495,693)</b>	<b>(153,523,714)</b>
<b>Change in net position</b>	<b>(12,382,732)</b>	<b>(9,565,019)</b>	<b>12,377,200</b>	<b>2,823,539</b>	<b>(4,487,643)</b>	<b>(9,089,414)</b>	<b>(1,628,967)</b>	<b>1,388,932</b>	<b>(10,084,891)</b>	<b>(7,170,965)</b>
<b>Prior period adjustment to net position</b>	<b>-</b>	<b>(67,061)</b>	<b>-</b>	<b>-</b>	<b>(6,550,434)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,039,517)</b>	<b>-</b>
<b>Total net position at beginning of year</b>	<b>(9,848,825)</b>	<b>(216,745)</b>	<b>(12,593,945)</b>	<b>(15,417,484)</b>	<b>(4,379,407)</b>	<b>4,710,007</b>	<b>6,338,974</b>	<b>4,950,042</b>	<b>22,074,450</b>	<b>29,245,415</b>
<b>Total net position at end of year</b>	<b>(22,231,557)</b>	<b>(9,848,825)</b>	<b>(216,745)</b>	<b>(12,593,945)</b>	<b>(15,417,484)</b>	<b>(4,379,407)</b>	<b>4,710,007</b>	<b>6,338,974</b>	<b>4,950,042</b>	<b>22,074,450</b>

## WASHINGTON'S LOTTERY TEN YEARS OF SALES AND OTHER REVENUES

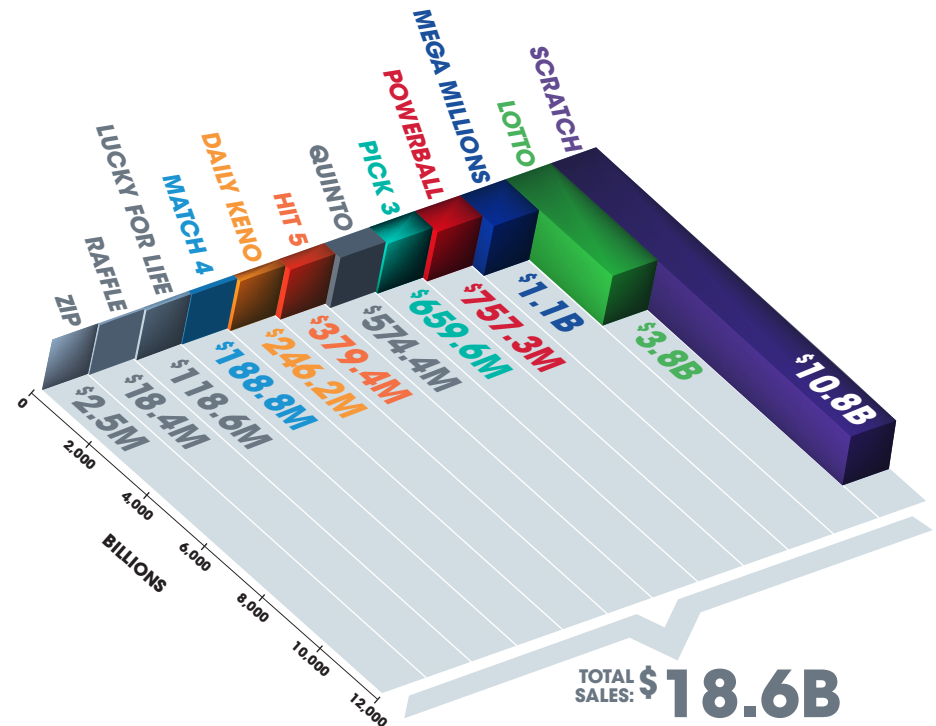
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Scratch</b>	<b>665,228,910</b>	<b>701,182,226</b>	<b>619,682,535</b>	<b>523,857,598</b>	<b>507,900,498</b>	<b>472,252,828</b>	<b>453,948,422</b>	<b>404,097,793</b>	<b>379,352,242</b>	<b>356,021,877</b>
Draw:										
Pick 3	21,406,687	23,193,223	20,830,078	19,502,841	18,925,205	17,748,008	16,653,422	16,856,367	16,660,795	16,747,637
Lotto	38,504,057	39,346,666	39,794,648	56,150,948	38,553,405	43,427,058	46,632,119	44,844,196	47,372,657	43,785,467
Mega Millions	48,668,992	70,965,530	50,959,868	91,876,435	54,651,304	39,312,625	41,278,942	44,811,063	52,992,207	35,485,582
Powerball	80,591,302	57,778,573	42,498,411	69,415,253	72,892,676	60,008,237	95,744,270	47,573,226	56,433,962	75,935,191
Daily Keno	6,102,583	6,364,495	6,211,706	5,878,371	5,705,640	5,816,005	5,890,354	5,816,200	5,752,923	5,651,905
Hit 5	33,032,713	36,615,804	22,081,569	21,929,244	21,632,740	21,330,902	21,706,191	23,403,505	23,913,846	22,764,290
Raffle	-	-	-	-	-	-	-	-	-	1,279,240
Match 4	14,150,868	15,279,984	15,240,282	14,667,248	13,677,024	13,434,736	13,021,348	12,945,798	12,044,828	11,916,054
<b>Total Draw</b>	<b>242,457,202</b>	<b>249,544,275</b>	<b>197,616,562</b>	<b>279,420,339</b>	<b>226,037,994</b>	<b>201,077,571</b>	<b>240,926,646</b>	<b>196,250,355</b>	<b>215,171,218</b>	<b>213,565,366</b>
<b>Total Sales</b>	<b>907,686,112</b>	<b>950,726,501</b>	<b>817,299,097</b>	<b>803,277,937</b>	<b>733,938,492</b>	<b>673,330,399</b>	<b>694,875,068</b>	<b>600,348,148</b>	<b>594,523,460</b>	<b>569,587,243</b>
Grant for Vaccine Promo	-	1,000,000	-	-	-	-	-	-	-	-
<b>Other operating income</b>	<b>3,989,985</b>	<b>2,699,890</b>	<b>2,691,470</b>	<b>2,702,605</b>	<b>2,769,971</b>	<b>2,688,541</b>	<b>2,790,632</b>	<b>2,850,714</b>	<b>2,865,770</b>	<b>2,875,510</b>
Interest	1,905	3,293	263,249	125,192	99,940	21,397	23,098	40,067	49,403	51,112
License Fees	10,750	11,575	10,875	10,700	10,725	10,100	10,325	10,235	11,050	14,497
Miscellaneous	-	-	420	100	155	5,180	56,625	-	(60,452)	(6,379)
Total Other Revenues	12,655	14,868	274,544	135,992	110,820	36,677	90,048	50,302	1	59,230
<b>Total Sales and Other Revenues</b>	<b>911,688,752</b>	<b>954,441,259</b>	<b>820,265,111</b>	<b>806,116,534</b>	<b>736,819,283</b>	<b>676,055,617</b>	<b>697,755,748</b>	<b>603,249,164</b>	<b>597,389,231</b>	<b>572,521,983</b>

### SALES BY PRODUCT



### SALES SINCE INCEPTION

SALES BEGAN NOV. 15, 1982



## WASHINGTON'S LOTTERY TEN YEARS OF EXPENSES

	Restated									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Prizes	573,989,678	604,091,484	530,237,664	490,355,040	490,355,040	422,536,021	432,900,790	365,929,999	362,666,491	339,365,820
Retailer Commissions	45,597,649	47,827,944	41,202,583	40,221,131	40,221,131	33,893,194	36,021,210	37,307,646	37,368,870	35,545,701
Cost of Sales	57,776,268	57,630,533	52,125,589	48,153,428	43,286,531	42,873,254	44,390,160	41,945,964	41,369,773	38,388,061
Administration	14,980,049	15,025,950	14,298,478	14,491,302	14,491,302	14,399,357	14,491,803	12,823,650	12,573,294	12,810,423
<b>Total Expenses</b>	<b>692,343,644</b>	<b>724,575,911</b>	<b>637,864,314</b>	<b>593,220,901</b>	<b>588,354,004</b>	<b>513,701,826</b>	<b>527,803,963</b>	<b>458,007,259</b>	<b>453,978,428</b>	<b>426,110,005</b>

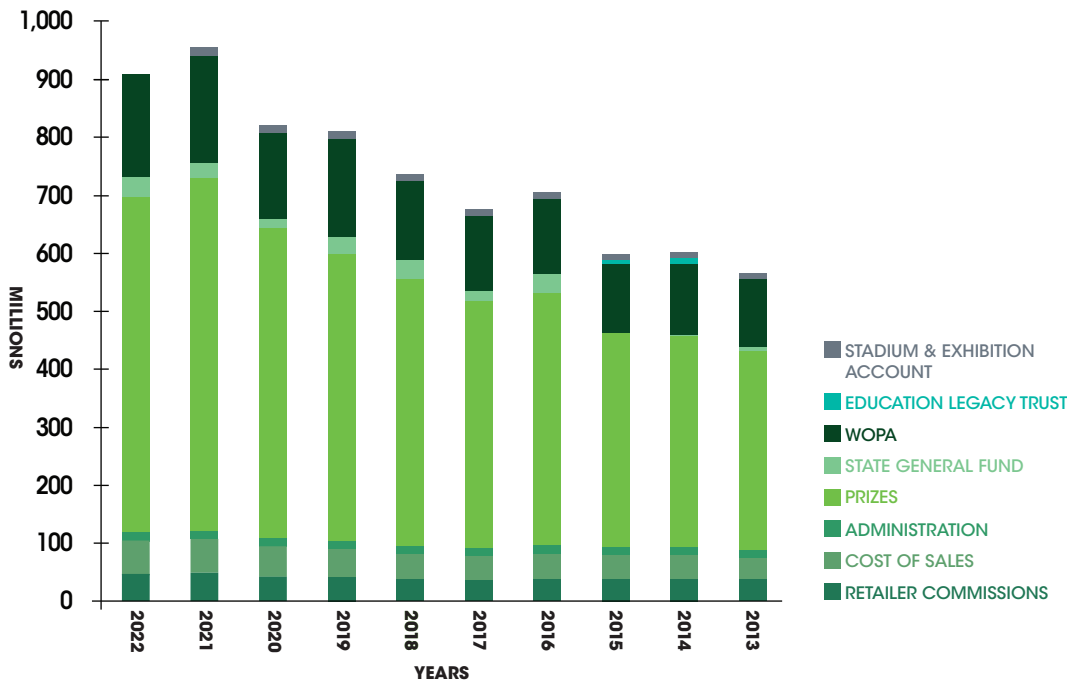
Note: Non-operating expenses are not included.

## WASHINGTON'S LOTTERY TEN YEARS OF CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
State General Fund	33,647,606	23,918,843	16,205,856	30,920,310	31,170,784	16,751,322	31,918,951	-	595,852	9,338,396
Washington Opportunity Pathways Account	176,551,928	185,724,653	147,335,195	166,743,348	134,170,055	126,797,889	128,731,626	119,000,660	121,905,022	115,578,116
Education Legacy Trust Fund	-	-	-	-	-	-	-	6,050,000	10,050,000	-
Economic Development	6,205,028	4,733,537	3,362,016	4,564,936	4,629,950	4,869,712	2,844,549	4,661,950	4,016,417	3,620,758
Problem Gambling	433,805	450,626	373,180	406,800	358,845	326,033	340,567	304,744	301,414	299,288
Stadium & Exhibition Account	-	14,219,515	13,672,608	13,146,739	12,641,094	12,154,899	11,687,403	11,237,887	10,805,661	10,390,059
Gambling Commission	-	-	-	-	-	1,000,000	-	-	-	-
<b>Total Contributions</b>	<b>216,838,367</b>	<b>229,047,174</b>	<b>180,948,855</b>	<b>215,782,133</b>	<b>182,970,728</b>	<b>161,899,855</b>	<b>175,523,096</b>	<b>141,255,241</b>	<b>147,674,366</b>	<b>139,226,617</b>

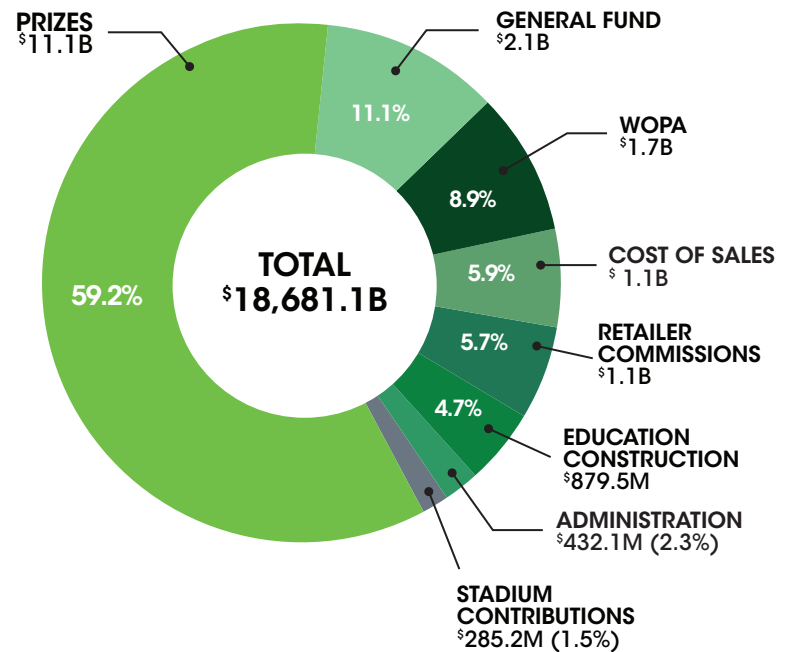
### EXPENSES AND CONTRIBUTIONS

(AMOUNTS IN MILLIONS)



### DISTRIBUTIONS SINCE INCEPTION

JULY 19, 1982 – JUNE 30, 2022



COMPARATIVE STATEMENT OF LOTTERY REVENUES AND EXPENSES BY LOTTERY FOR FISCAL YEAR 2021

Lottery	Millions of Dollars					As Percentage of Sales			
	Sales	Prizes	Commissions	Expenses	Net Income	Prizes	Commissions	Expenses	Net Income
Florida	9,083.05	6,135.20	509.86	205.07	2,199.53	67.55%	5.61%	2.26%	24.22%
California	8,417.94	5,610.61	585.86	353.64	1,814.61	66.65%	6.96%	4.20%	21.56%
Texas	8,108.34	5,418.27	432.10	279.55	1,961.66	66.82%	5.33%	3.45%	24.19%
New York <sup>(1)(2)(3)</sup>	7,666.14	4,414.50	458.89	236.33	2,556.43	57.58%	5.99%	3.08%	33.35%
Massachusetts	5,828.66	4,283.58	333.28	99.45	1,112.35	73.49%	5.72%	1.71%	19.08%
Georgia	5,807.88	3709.29	342.93	210.08	1535.08	63.87%	5.90%	3.62%	26.43%
Pennsylvania	5,420.02	3,539.94	306.73	248.87	1,324.96	65.31%	5.66%	4.59%	24.45%
Michigan	5,057.97	3,056.99	370.91	200.74	1,417.50	60.44%	7.33%	3.97%	28.02%
Ohio <sup>(1)(2)(3)</sup>	4,329.06	2,841.59	296.28	120.47	1,070.71	65.64%	6.84%	2.78%	24.73%
North Carolina	3,810.62	2,462.43	261.69	147.79	939.92	64.62%	6.87%	3.88%	24.67%
New Jersey	3,712.59	2,245.24	214.26	126.07	1,104.01	60.48%	5.77%	3.40%	29.74%
Illinois	3,454.55	2,329.35	166.59	182.38	757.11	67.43%	4.82%	5.28%	21.92%
Virginia	3,258.98	2,206.75	139.28	147.34	766.83	67.71%	4.27%	4.52%	23.53%
Maryland <sup>(1)(2)(3)</sup>	2,600.62	1,655.96	197.22	65.76	681.69	63.68%	7.58%	2.53%	26.21%
South Carolina	2,419.51	1,593.67	170.00	50.29	605.58	65.87%	7.03%	2.08%	25.03%
Tennessee	1,945.94	1,236.25	135.96	72.22	501.91	63.53%	6.99%	3.71%	25.79%
Missouri	1,812.25	1,266.03	106.45	61.69	392.05	69.86%	5.87%	3.40%	21.63%
Indiana	1,737.73	1,143.86	117.53	83.30	368.86	65.82%	6.76%	4.79%	21.23%
Kentucky	1,586.33	1,067.45	90.61	73.32	354.59	67.29%	5.71%	4.62%	22.35%
Connecticut	1,497.83	929.75	83.61	63.70	421.32	62.07%	5.58%	4.25%	28.13%
Arizona	1,439.24	977.81	98.26	65.51	297.78	67.94%	6.83%	4.55%	20.69%
<b>Washington</b>	<b>954.43</b>	<b>604.09</b>	<b>47.83</b>	<b>72.65</b>	<b>219.51</b>	<b>63.29%</b>	<b>5.01%</b>	<b>7.61%</b>	<b>23.00%</b>
Wisconsin	894.90	559.69	62.84	42.53	229.41	62.54%	7.02%	4.75%	25.64%
Minnesota	803.64	513.67	53.74	47.70	188.71	63.92%	6.69%	5.94%	23.48%
Colorado	794.93	516.93	61.10	41.80	175.10	65.03%	7.69%	5.26%	22.03%
Arkansas	632.58	440.15	35.73	53.85	103.69	69.58%	5.65%	8.51%	16.39%
Louisiana	624.94	353.85	33.03	30.69	207.22	56.62%	5.28%	4.91%	33.16%
New Hampshire	519.03	310.92	32.15	31.46	144.39	59.90%	6.19%	6.06%	27.82%
Mississippi	476.32	283.49	30.64	26.65	137.55	59.52%	6.43%	5.59%	28.88%
Iowa	452.60	288.88	29.70	32.21	101.90	63.83%	6.56%	7.12%	22.51%
Oregon <sup>(1)(2)(3)</sup>	409.35	262.37	35.10	49.32	62.57	64.09%	8.57%	12.05%	15.28%
Maine	396.17	267.65	26.01	31.38	71.12	67.56%	6.57%	7.92%	17.95%
Idaho	372.72	252.89	21.91	25.97	72.10	67.85%	5.88%	6.97%	19.34%
Oklahoma	347.06	224.00	22.19	21.54	79.76	64.54%	6.39%	6.21%	22.98%
Kansas <sup>(1)(2)(3)</sup>	327.02	92.74	8.88	141.06	84.35	28.36%	2.72%	43.13%	25.79%
Rhode Island <sup>(1)(2)(3)</sup>	295.94	185.16	19.97	5.08	85.74	62.57%	6.75%	1.72%	28.97%
W. Virginia <sup>(1)(2)(3)</sup>	249.25	155.30	17.44	7.94	68.56	62.31%	7.00%	3.19%	27.51%
Delaware <sup>(1)(2)(3)</sup>	233.79	138.30	15.10	19.55	60.84	59.16%	6.46%	8.36%	26.02%
District of Columbia	231.75	124.29	14.07	45.16	48.24	53.63%	6.07%	19.49%	20.82%
Nebraska	205.28	122.34	13.51	21.30	48.39	59.60%	6.58%	10.37%	23.57%
Vermont	161.54	108.16	10.40	11.13	31.89	66.95%	6.44%	6.89%	19.74%
New Mexico	154.89	84.77	10.09	12.84	47.23	54.73%	6.51%	8.29%	30.50%
Montana	112.33	80.35	7.55	10.97	12.98	71.53%	6.72%	9.77%	11.56%
South Dakota <sup>(1)(2)(3)</sup>	75.18	46.61	4.00	2.49	22.09	61.99%	5.32%	3.31%	29.38%
Wyoming	31.69	17.47	2.00	7.04	5.19	55.11%	6.30%	22.22%	16.36%
North Dakota	30.50	16.28	1.46	5.85	6.92	53.37%	4.79%	19.20%	22.67%
<b>Total</b>	<b>98,783.1</b>	<b>64,174.8</b>	<b>6,034.70</b>	<b>3,891.73</b>	<b>24,499.9</b>	<b>64.97%</b>	<b>6.11%</b>	<b>3.94%</b>	<b>24.80%</b>

(1) Only Traditional Lottery revenues reported for those Lotteries where both Traditional Lottery & Consolidated Lottery revenues exist  
 (2) Traditional Lottery admin and operating expenses reported as a percentage of total revenues -Traditional Lottery Revenues/Consolidated Revenues)\* Admin & Op Expenses  
 (3) Traditional Lottery net income before transfers calculated as sales less prizes, commissions, and expenses

COMPARISON OF LOTTERY REVENUES AND EXPENSES PER CAPITA BY LOTTERY FOR FISCAL YEAR 2021

Lottery	Figures Per Capita					
	Population (M)	Sales	Prizes	Commissions	Expenses	Net Income
California	39.2	214.54	142.99	14.93	09.01	46.25
Texas	29.5	274.60	183.50	14.63	09.47	66.43
Florida	21.8	417.01	281.67	23.41	09.42	100.98
New York	19.8	386.48	222.55	23.13	11.91	128.88
Pennsylvania	13.0	418.08	273.06	23.66	19.20	102.20
Illinois	12.7	272.62	183.83	13.15	14.39	59.75
Ohio	11.8	367.49	241.22	25.15	10.23	90.89
Georgia	10.8	537.79	343.47	31.75	19.45	142.14
North Carolina	10.6	361.16	233.38	24.80	14.01	89.08
Michigan	10.1	503.24	304.15	36.90	19.97	141.03
New Jersey	9.3	400.62	242.28	23.12	13.60	119.13
Virginia	8.6	377.10	255.34	16.12	17.05	88.73
<b>Washington **</b>	<b>7.7</b>	<b>123.33</b>	<b>78.06</b>	<b>6.18</b>	<b>9.39</b>	<b>28.37</b>
Arizona	7.3	197.80	134.38	13.50	09.00	40.92
Massachusetts	7.0	834.49	613.28	47.72	14.24	159.26
Tennessee	7.0	278.98	177.23	19.49	10.35	71.96
Indiana	6.8	255.32	168.07	17.27	12.24	54.20
Missouri	6.2	293.81	205.25	17.26	10.00	63.56
Maryland	6.2	421.83	268.60	31.99	10.67	110.57
Wisconsin	5.9	151.78	94.93	10.66	07.21	38.91
Colorado	5.8	136.77	88.94	10.51	07.19	30.13
Minnesota	5.7	140.81	90.00	09.42	08.36	33.06
South Carolina	5.2	466.12	307.02	32.75	09.69	116.67
Louisiana	4.6	135.15	76.52	07.14	06.64	44.81
Kentucky	4.5	351.78	236.72	20.09	16.26	78.63
Oregon	4.2	96.41	61.79	08.27	11.62	14.73
Oklahoma	4.0	87.06	56.19	05.57	05.40	20.01
Connecticut	3.6	415.42	257.86	23.19	17.67	116.85
Iowa	3.2	141.75	90.47	09.30	10.09	31.91
Arkansas	3.0	209.06	145.46	11.81	17.79	34.27
Mississippi	2.9	83.46	49.67	05.37	04.67	24.10
Kansas	2.9	111.44	31.60	03.03	48.07	28.74
New Mexico	2.1	73.21	40.06	04.77	06.07	22.32
Nebraska	2.0	104.54	62.30	06.88	10.85	24.64
Idaho	1.9	196.07	133.04	11.53	13.66	37.93
West Virginia	1.8	139.79	87.10	09.78	04.46	38.45
New Hampshire	1.4	373.68	223.85	23.14	22.65	103.95
Maine	1.4	288.70	195.05	18.96	22.87	51.83
Montana	1.1	101.72	72.76	06.84	09.94	11.75
Rhode Island <sup>1</sup>	1.1	270.12	169.00	18.22	04.64	78.26
D.C.	1.0	233.00	137.83	15.05	19.48	60.64
South Dakota	0.9	83.97	52.05	04.47	02.78	24.67
North Dakota	0.8	39.36	21.00	01.88	07.56	08.92
Delaware <sup>1</sup>	0.7	345.87	185.50	21.00	67.40	71.99
Vermont	0.6	250.23	167.53	16.11	17.25	49.40
Wyoming	0.6	54.75	30.17	03.45	12.16	08.96

# OUR WINNING STORY SPOTLIGHTS

Washington's Lottery and the Department of Imagination® give players across the state a chance to imagine the possibilities of what they would do if they won the Lottery. These Lottery winners have shared their tales of winning.

## SPOKANE MAN WHO SPENT 29 YEARS IN ARMY WINS \$5.4 MILLION LOTTO JACKPOT



**Winner usually plays his own numbers, but couldn't find slip he filled out, so he let the computer pick this time...and is REALLY glad he did**

*Olympia, Wash. (August 18, 2021)*

After a 29-year career in the Army, Ken likes his daily routine. When the 59-year-old from Spokane, who now lives a civilian life, walked into the City Food Mart on Ash & 2nd on August 11 like he does most days after work, his routine was normal – get a few things he needed and pick up a couple of *Hit 5* and *Lotto* tickets for that night's drawings using the slip he always fills out ahead of time with a specific set of numbers.

Except that day his routine changed because Ken couldn't find his slip, so rather than hold up the line of customers, he simply said "Give me a Quick Pick on *Hit 5*." Almost as an afterthought, he added "Oh, and give me \$5 on *Lotto*, too... Quick Pick." The rest of his day was back to being routine.

The next day was anything but. That's when Ken heard that someone had won the \$5.4 million jackpot. And that the ticket was sold in Spokane.

"Sometimes when I've played before, I've thought I've won something, but when I double checked the numbers, they were for the drawing the day before or something like that," he said. "I've won \$150 before and once won \$1,000 maybe 15 years ago, but I never thought I'd win a jackpot. I thought this just has to be wrong."

Ken checked the numbers on TV. He checked the paper. He checked his ticket. They matched. The date was right. The numbers were right. He still wasn't convinced. To ensure he wouldn't be in for a major disappointment, Ken decided to triple-check his ticket. Late at night the day before he was scheduled to show up at the Lottery's new "Department of Imagination" store in NorthTown Mall to claim his prize this week, Ken drove to a local gas station near his home and scanned his ticket at one of the Lottery vending machines.

"I definitely held my breath when I scanned the ticket," added Ken. "But after seeing what it said on the screen, I took a few deep breaths, put the ticket back in my pocket and walked out to my car as calmly as possible."

Other than a few repairs around the house, Ken has no plans for his new-found fortune at the moment, saying he just plans to take it all in, have a nice dinner with his brothers and then think about what's next.

*Lotto is a draw game from Washington's Lottery with drawings held three times per week. Tickets cost \$1 each for two plays. For each play, players choose six numbers between 1 and 49. All Lotto jackpots begin at \$1 million and keep growing until someone matches all six numbers to win.*





**WASHINGTON'S LOTTERY SETS NEW RECORD WITH 53 WINNING MATCH 4 TICKETS FOR SINGLE DRAWING**



**The winning tickets totaled more than half a million dollars in prizes**

*Olympia, WA (November 22, 2021)*

For some lottery players in Washington, there's another reason to be thankful this holiday season. On October 30, a record 53 tickets hit all four of the correct numbers to collect the top prize in the *Match 4* drawing, giving the winning players more than half a million dollars in prizes combined.

The winning tickets, which are worth \$10,000 each, totaled \$530,000 in prizes. Tickets matching the winning numbers, which were 08-10-17-20, were purchased all over the state, including in Anacortes, Everett, Tacoma and Tukwila.

The previous record at Washington's Lottery for top prize *Match 4* tickets in one day was 42 tickets in December 2017.

*Match 4 is a daily draw game from Washington's Lottery. Each play is \$2. Players pick four numbers between one and 24. Alternatively, players may use Quick Pick by letting the computer select their numbers. With three winning ball combinations, the more numbers that match those drawn, the more a player will win.*



## GRANITE FALLS MAN FINDS GOOD KIND OF TICKET IN CAR WINDOW, A \$2 MILLION LOTTERY WINNER



### **Powerball ticket left on car dashboard for one month turns out to be big winner**

*Olympia, Wash. (December 13, 2021)*

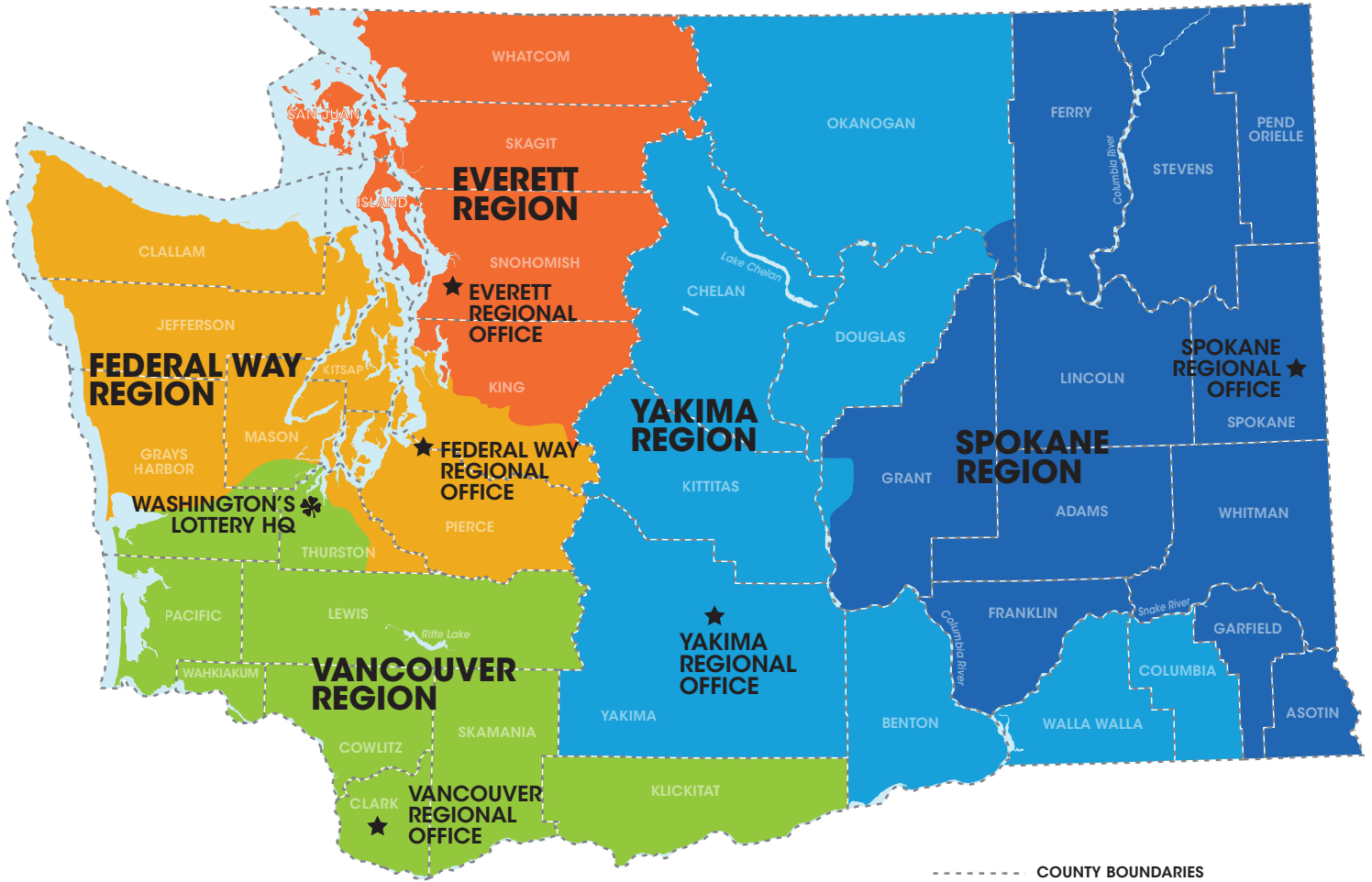
While most people who find tickets next to their car's windshield see it as a bad thing, one Granite Falls man's ticket turned out to be a nice surprise this holiday season, considering he didn't know that he had a \$2 million winning lottery ticket sitting on his car dashboard for an entire month.

On November 6, he purchased a *Powerball* ticket for that night's drawing from the Granite Falls IGA, placed it on his car dashboard and went about his day's business. The ticket sat there for a month, until he decided to check it when he was cleaning his car and tossing out all the "junk" he had on his dashboard. It was only then that he found out he had won \$2 million.

Before coming to claim his prize at the Lottery's Everett regional office, he was filled with so much excitement that he shared the news with his father first. He plans to invest his winnings into a couple of rental properties.

*Powerball is a national lottery game. Each play is \$2. Players pick five numbers between one and 69 and one Powerball number between one and 26. Alternatively, players may use Quick Pick by letting the computer select their numbers. With nine winning ball combinations, the more numbers that match those drawn, the more a player will win. Powerball recently added a third weekly drawing on Mondays and also added Double Play, a new add-on feature for \$1, offering the chance to win up to \$10 million.*





----- COUNTY BOUNDARIES

<p><b>Washington's Lottery Headquarters</b></p> <p>814 4th Ave E Olympia, WA 98506 PO BOX 43000 Olympia, WA 98504-3000</p>	<p><b>Everett Regional Office</b></p> <p>11419 19th Ave SE Suite A106 Everett, WA 98208-5120</p>	<p><b>Federal Way Regional Office</b></p> <p>33701 9th Ave S Federal Way, WA 98003-6762</p>
<p><b>Vancouver Regional Office</b></p> <p>1503 NE 78th St Suite #4 Vancouver, WA 98665-9668</p>	<p><b>Yakima Regional Office</b></p> <p>9 S 5th Ave Yakima, WA 98902-3432</p>	<p><b>Spokane Regional Office</b></p> <p>Northtown Mall 4750 N Division St, Ste 1009 Spokane, WA 99207</p>

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