

# Oregon State Lottery

An Enterprise Fund of the State of Oregon

## Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022



**OREGON  
LOTTERY®**

Together, we do good things.

**Mike Wells**

Interim Director

**Kathy Ortega, CPA, CGMA**

Chief Financial Officer

**Report Prepared by:**

Finance and Accounting  
Oregon State Lottery

Karen Caulfield, CPA (WA)

Michael Davidson

Monique Fawver

Martha Wildfang



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

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# **Introductory Section**



January 9, 2023

To the Honorable Governor Tina Kotek and Citizens of the State of Oregon:

We are pleased to provide you with the Annual Comprehensive Financial Report of the Oregon State Lottery (Lottery) for fiscal year ended June 30, 2022. This report is published to meet the requirement in state law for an annual accounting of financial activities.

Lottery management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the Lottery's financial statements for the fiscal year ended June 30, 2022. The auditors used generally accepted auditing standards in conducting the engagement. Their unmodified opinion on the financial statements is the first component in the Financial Section of this report.

A narrative analysis of the Lottery's financial performance for the fiscal year can be found in the Management's Discussion and Analysis (MD&A) immediately following the independent auditor's report. This letter of transmittal complements the MD&A and should be read in conjunction with it.

### **Profile of Oregon State Lottery**

The Oregon State Lottery was created through the initiative process in November 1984. Voters approved an amendment to the Oregon Constitution that required the establishment and operation of a State Lottery. Initially, Lottery profits were earmarked to create jobs and further economic development. In May 1995, voters approved a Constitutional amendment allowing Lottery profits to be used for the financing of public education. Similarly, voters added state parks and salmon habitat restoration projects to the list of allowable uses of Lottery proceeds in November 1998. Oregonians have voted to use Lottery profits for programs that make Oregon a great place to live and support veterans and outdoor schools.

The Lottery was established as a state agency to market and sell Lottery products to the public. As directed in statute, it operates to produce an optimal amount of net revenues for the people of Oregon commensurate with the public good. Development of new products and game enhancements is a continual process in the effort to sustain long-term revenues, while taking into consideration the potential impact of game decisions on problem gambling. The Lottery's commitment is to provide information and tools that help our customers make informed choices and enjoy Lottery games in a responsible way. Further, the Lottery is committed to ensuring that players and their families know how to access treatment for problem gambling, and that they understand treatment is free, confidential, and effective.

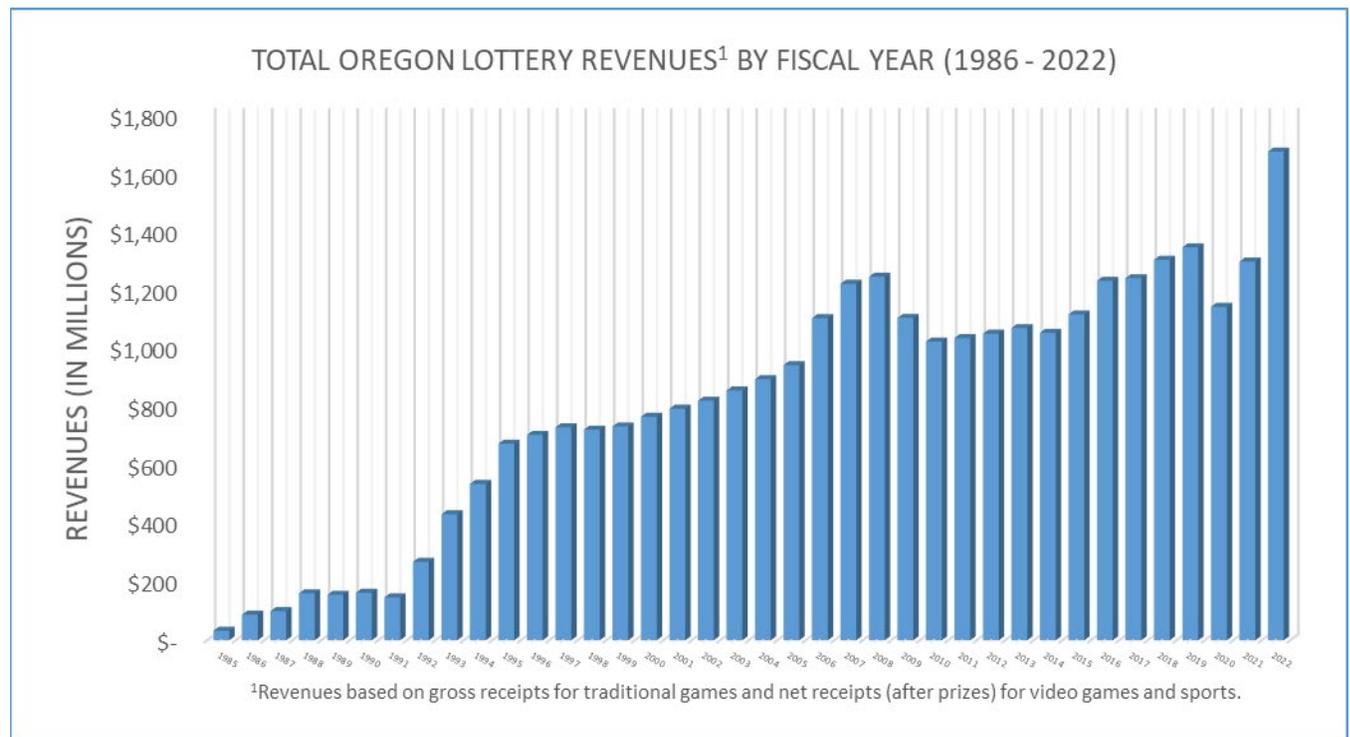
Lottery has a network of 3,909 retailers through which it offers players a broad mix of Traditional Games as well as Video Lottery<sup>SM</sup> and sports betting. Traditional Lottery games include: Scratch-its<sup>SM</sup> Instant Tickets, Keno, Powerball<sup>®</sup>, Oregon's Game Megabucks<sup>SM</sup>, Raffle<sup>SM</sup>, Win for Life<sup>SM</sup>, Mega Millions<sup>®</sup>, Lucky Lines<sup>SM</sup>, and Pick 4<sup>SM</sup>. Video Lottery<sup>SM</sup> is a product sold on stand-alone Video Lottery<sup>SM</sup> terminals located in establishments licensed by Oregon Liquor Control Commission (OLCC). The Lottery has approximately 11,784 Video Lottery<sup>SM</sup> terminals deployed throughout the state. On January 18, 2022 Lottery partnered with DraftKings to replace the Scoreboard platform with the DraftKings Sportbook platform.

The Lottery, which is accounted for as a single enterprise fund, is entirely self-financed through its sales. Its operations are designed to fulfill its duty to develop, produce, and market Lottery games; pay winners and operating expenses; and remit the remaining net profits to the State. These net profits are transferred to the Oregon Economic Development Fund and are then distributed by the State to finance the various uses allowed by law. Through its business units, the Lottery provides services that are necessary to operate successfully including security, marketing, retailer support, finance, management, and information services. Additional information about the Lottery is available on its website at: <http://www.oregonlottery.org>.

The Lottery is operated under the direction of a five-member commission, with the commissioners appointed by the Governor and confirmed by the Senate. The Commission directs the activities of the Lottery, including the adoption of rules for the security and integrity of operations. The Governor also appoints a Director, who serves as the chief administrator of the Lottery. This position is also subject to Senate confirmation. The Director is responsible for operating the Lottery in accordance with state law and administrative rules and under the guidance of the Commission.

For budgeting purposes, the Commission adopts an annual Financial Plan based on activities identified in Lottery's Strategic Business Plan. The Financial Plan uses revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis. Budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised quarterly for changes in revenue forecasts. Revisions to other expense items in the adopted budget must be approved by the Commission. The budget is prepared on the accrual basis of accounting. Actual expenses are monitored throughout the year for compliance with the approved budget and appropriate adjustments are presented to the Commission for approval if necessary. By law, expenses to operate the Lottery are limited to no more than 16 percent of total annual revenues and fiscal year 2022 expenses were 2.62 percent.

Since the Lottery's first full year of operation in 1986 through fiscal year 2008, Lottery revenues demonstrated strong and consistent growth. Lottery revenues declined in fiscal years 2009 and 2010 due to the impacts of Oregon's economic recession and the implementation of a statewide smoking ban in bars and taverns where Lottery products are sold. Revenues stabilized in fiscal year 2011 and have shown steady but modest growth, except for fiscal year 2014 which showed a slight decline. Revenue growth returned and continued to increase until the fourth quarter of fiscal year 2020. Sales were significantly reduced by effects of the COVID-19 pandemic and resulting retailer location closures. Since reopening in February 2021 Lottery sales have recovered from pre-pandemic levels.



## **Economic Condition and Outlook**

According to the December 2022 Oregon Office of Economic Analysis (OEA) Economic and Revenue Forecast, Oregon has seen slower economic growth, high inflation, and rising interest rates, which has put economists on recession watch. The fundamentals in the state are still sound, but there is risk that consumers will pull spending leading to potentially lower sales and, possibly, recession.

Personal income and consumer spending in Oregon are rising but are struggling to outpace the fastest inflation the U.S. has experienced since the early 1980s. The risks are real, and the outlook isn't clear between a soft landing or a recession.

As an agency operating in the entertainment industry, we are encountering increased competition from other gambling offerings available to the citizens of Oregon.

## **Long-term Financial Planning**

The Lottery uses a Strategic Plan in conjunction with an annual Strategic Business Plan and budget to manage its operations. Lottery's main strategic objective is to responsibly offer games that appeal to both current and new players on the gaming platforms they want to use. We operate with the highest standards of security and integrity to maximize revenue for the people of Oregon, commensurate with the public good. As we move forward, we will continue to focus on aligning our operations, improving processes, collaboration, and input.

In the December 2022 Economic and Revenue Forecast, the OEA is reflecting Lottery transfers of \$1.80 billion for the 2021-2023 biennium. It is expected that competition for household entertainment dollars will increase, gaming competition will increase, and potentially shifts in generational preferences and tastes when it comes to gaming.

## **Relevant Financial Policies**

To provide resources for current operations and future investment, the Lottery Commission established a contingency reserve fund. In June of 2022, the Commission authorized an increase to the contingency reserve with a cap of \$135 million. At June 30, 2022, the actual cash balance in the contingency reserve was \$119.27 million. The Lottery intends to use operating funds to pay for future business initiatives that are key to our ability to compete, remain relevant to our players, and maximize transfers to our beneficiaries, while maintaining the contingency reserve in the event of revenue declines from other economic factors. Further details on this can be found in the MD&A section of this report.

## **Major Initiatives**

The Lottery is currently implementing upgrades to back-office support systems that are facing obsolescence and end-of-life support. The business modernization roadmap under development includes enterprise architecture options, a movement towards known play, staging plans for the implementation of solutions, and system integration. The timeline for the roadmap is three to five years. The assessment of Lottery's business processes and capabilities and analysis of the enterprise architecture has aided in the development of the foundational activities that will drive adoption and ensure the long-term success of the business modernization program.

The key business modernization drivers are based on responsibly increasing revenues and leveraging a holistic understanding of retailer and customer behavior, preferences, and motivators. The goal is to optimize investments in marketing, product innovations and internal capability enhancements, leveraging product costs and personnel. The Lottery has developed a strategic business plan, and work has begun to transform the agency into a data-driven, learning organization, ensuring people have the right data to make informed decisions.

The most significant project in process as of June 30, 2022, is replacement of Lottery's back-office ERP system Microsoft Dynamics AX 2009 with current cloud-based ERP software Microsoft Dynamics D365, which will continue throughout fiscal year 2023.

The Lottery has defined a customer-centric brand promise strategy and developed an integrated communications plan. The Lottery has implemented a retail channel strategy to generate sustainable long-term growth that will expand the market by reaching players through relevant channels. During fiscal year 2022, Lottery continued to develop our Brand Promise initiative to attract new players and retailers, and appeal to a broad and diverse player and retailer base. We achieve this by investing in both retail operations and participating in local communities to improve funding for programs Oregonians care about.

Lottery has launched several initiatives to reach out to current and new players through a customer-first approach. A positive digital customer experience is instrumental to the Lottery modernization and growth success. The Lottery's existing and new games, platforms, and venues are being enhanced to attract more diverse demographic groups to maintain and enhance revenue performance.

During fiscal year 2022, the central gaming system for Scoreboard was replaced with new software provided by Draft Kings. Draft Kings acquired the previous vendor, SBTech, during fiscal year 2021. Draft Kings offers an improved betting experience, including the ability to make same game parlay bets, a robust customer facing promotional campaign, and excellent customer service.

The Lottery continues its commitment to enhancing and expanding its Responsible Gambling Program, as part of its overall commitment to Corporate Social Responsibility (CSR), which is an integral component of Lottery's Brand Promise. This includes sharing an Oregon Lottery Responsible Gambling Code of Practice with the public that details our values, commitments, and areas of focus regarding the promotion of responsible gambling and enabling free access to problem gambling treatment. The Lottery has created a program to produce an overall positive impact for Oregon by balancing our business priorities with our social, economic, and environmental responsibilities. The overall CSR goals include keeping lottery entertainment entertaining, promoting help and hope for those struggling with gambling addiction, championing diversity, equity and inclusion and supporting sustainability.

Lottery recently adopted a Tribal Consultation Policy and related procedure outlining Lottery's commitment to positive government-to-government relations with Oregon's nine federally recognized Tribes. During fiscal year 2022, the Lottery director approached leaders of each of the nine federally recognized Tribes in Oregon to start the process to build relationships based on trust, mutual understanding, and collaboration.

#### **Acknowledgements**

The preparation of this report reflects the combined efforts of the Lottery's Finance and Accounting staff. We would like to express our gratitude to all Lottery staff for working cooperatively to ensure the integrity of Lottery's financial reporting. In addition, we appreciate the direction and support provided by the Lottery Commission.

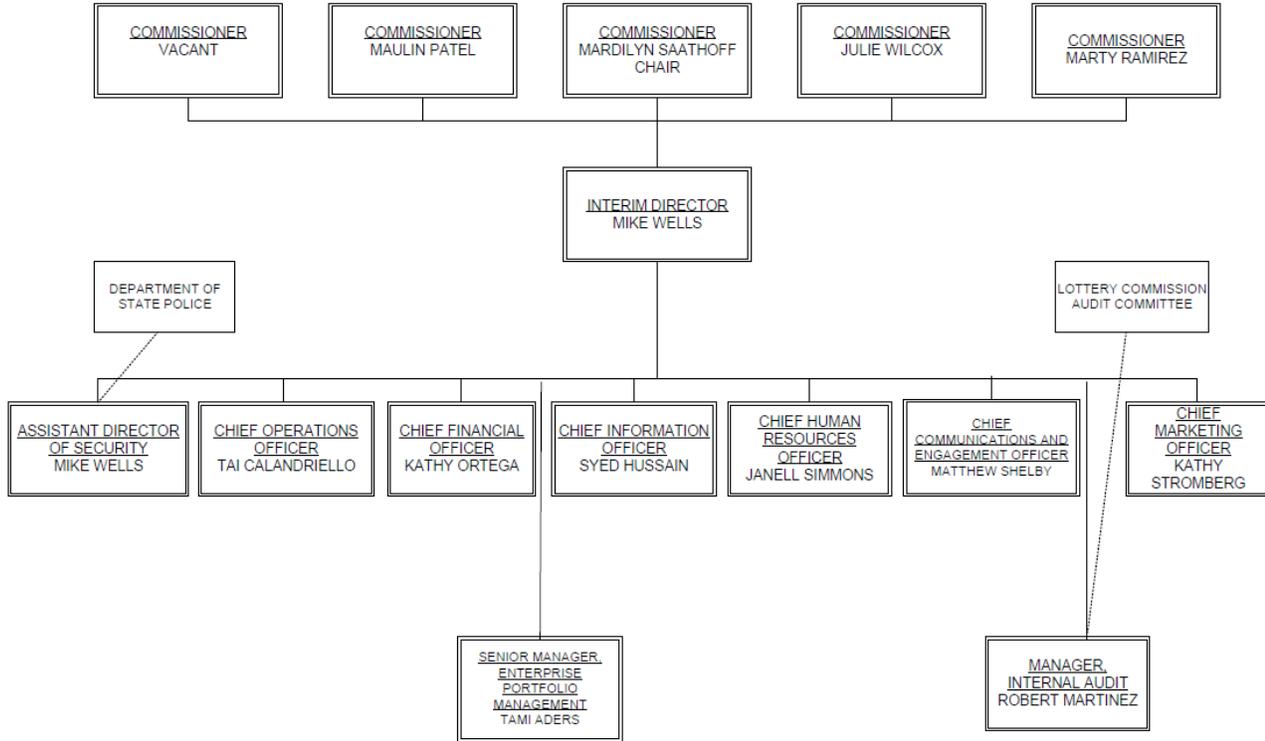
Respectfully submitted,



Kathy Ortega, Chief Financial Officer  
Oregon State Lottery



# OREGON STATE LOTTERY COMMISSION





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# Financial Section



Shemia Fagan Secretary of State  
Cheryl Myers Deputy Secretary of State, Tribal Liaison  
Kip Memmott Audits Director

## Independent Auditor’s Report

The Honorable Governor of Oregon  
Chair, Oregon State Lottery Commission  
Director, Oregon State Lottery

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the Oregon State Lottery, an enterprise fund of the State of Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Oregon State 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 financial position of the Oregon State Lottery, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit 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. 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 Oregon State Lottery, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

As discussed in Note 1, the financial statements present only the Oregon State Lottery and do not purport to, and do not, present fairly the financial position of the State of Oregon, as of June 30, 2022, the changes in its financial position or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

255 Capitol St. NE Suite 180  
Salem OR 97310

(503) 986-2255  
[sos.oregon.gov/audits](https://sos.oregon.gov/audits)

## Auditor's Responsibility 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 opinion. 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 the 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 Oregon State 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, pension plan schedules and information, and other post-employment benefits schedules and information (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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Oregon State Lottery's basic financial statements. The budgetary comparison schedule is

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

#### Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 basic 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 December 29, 2022, on our consideration of the Oregon State 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 Oregon State 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 Oregon State Lottery's internal control over financial reporting and compliance.

*Office of the Secretary of State, Audits Division*

State of Oregon  
December 29, 2022

# Oregon State Lottery

## Management's Discussion and Analysis

This section of the Oregon State Lottery's (Lottery) Annual Comprehensive Financial Report presents our discussion and analysis of the Lottery's financial performance for the fiscal year ended June 30, 2022. This analysis is to be considered in conjunction with information in the transmittal letter of this report.

### Financial Highlights

- Revenue for all Lottery products is \$1.7 billion, an increase of 29.0 percent over fiscal year 2021.
- Traditional (Scratch and Draw) game revenue decreased 2.9 percent from the prior fiscal year and Video Lottery<sup>SM</sup> revenue increased 44.9 percent.
- Pension expense allocated to the Lottery was negative \$8.9 million compared to \$26.7 million the prior year, a decrease of 133.4 percent.
- Net position (equity) increased by \$59.2 million.
- The Lottery transferred \$908.3 million to Oregon's Economic Development Fund, which is \$255.8 million more than the prior year.

### Overview of the Financial Statements

In addition to this discussion and analysis, the Financial Section of this annual report contains the basic financial statements, which include the fund financial statements and accompanying notes; required supplementary information; and an optional budgetary comparison schedule, which is presented as other supplementary information.

The basic financial statements offer short-term and long-term financial information about the Oregon State Lottery, which is structured as a single enterprise fund. The required supplementary information contains further details regarding pension and other postemployment benefits. The budgetary comparison schedule presents budgeted and actual revenues and expenses for the fiscal year. In addition, a Statistical Section containing information regarding financial trends, revenue capacity, as well as demographic, economic, and operating information is presented following the budgetary comparison schedule.

The Statement of Net Position provides information about the nature and amounts of resources with present service capacity that the Lottery controls (assets), resources that will be consumed in a future fiscal year (deferred outflows of resources), obligations at the end of the fiscal year to use resources that the Lottery has little or no discretion to avoid (liabilities), and acquisitions of resources that are applicable to a future fiscal year (deferred inflows of resources). The residual (net) of these four elements is reported as net position.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the results of the Lottery's operations for the past year.

The primary purpose of the Statement of Cash Flows is to provide information about the Lottery's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Thus, expenses are recorded when liabilities are incurred, and revenues are recognized when earned, not when received.

### Analysis of Financial Position and Operations

Lottery's net position for the current and prior fiscal year is summarized in Table 1 on the next page:

Table 1: Oregon State Lottery's Net Position

	2022	2021	Increase/ (Decrease)
Current assets	\$ 499,280,658	\$ 458,415,289	\$ 40,865,369
Capital assets	79,774,867	71,921,273	7,853,594
Other noncurrent assets	215,988,632	211,475,848	4,512,784
Total assets	795,044,157	741,812,410	53,231,747
Deferred Outflows of Resources	20,301,356	23,554,933	(3,253,577)
<b>Total assets and deferred outflows of resources</b>	<b>815,345,513</b>	<b>765,367,343</b>	<b>49,978,170</b>
Current liabilities	332,410,961	324,215,757	8,195,204
Noncurrent liabilities	151,511,874	192,182,164	(40,670,290)
Total Liabilities	483,922,835	516,397,921	(32,475,086)
Deferred Inflows of Resources	25,263,908	2,021,813	23,242,095
<b>Total liabilities and deferred inflows of resources</b>	<b>509,186,743</b>	<b>518,419,734</b>	<b>(9,232,991)</b>
<b>Net position:</b>			
Net investment in capital assets	73,362,750	63,784,030	9,578,720
Restricted for OPEB Asset- RHIA	1,561,144	680,959	880,185
Unrestricted	231,234,876	182,482,620	48,752,256
<b>Total net position</b>	<b>\$ 306,158,770</b>	<b>\$ 246,947,609</b>	<b>\$ 59,211,161</b>

Overall, assets increased \$53.2 million. Current cash and cash equivalents increased from fiscal year 2021 by \$23.1 million. Year-end current cash amounts reflect the Lottery Commission approved increase to the unrestricted contingency reserve from \$100 million to \$135 million. Although approved, the total unrestricted reserve amount was not reached by year-end. Securities lending cash collateral increased \$12.8 million due to loans of Lottery securities. The Oregon Treasury conducts securities lending activities on our behalf.

Capital assets, net of accumulated depreciation, increased 10.9 percent. Video Lottery<sup>SM</sup> gaming terminal purchases of \$24.3 million, and \$3.0 million for accounting software implementation and enhancements were the major acquisitions. The newly acquired gaming terminals replaced approximately \$8.4 million of older models which were disposed. Accumulated depreciation grew \$14.4 million as newer assets depreciated. At fiscal year-end Lottery had committed to purchasing an additional \$11 million of Video Lottery<sup>SM</sup> gaming terminals in fiscal year 2023. Additional information on Lottery's capital assets can be found in Note 6 of the financial statements.

Liabilities decreased \$32.5 million. Noncurrent liabilities decreased \$40.7 million as the net pension liability was reduced. The pension plan had significant investment earnings compared to the prior year which lowered the overall liability of the plan. Additionally, there was a reduction in Lottery's allocated share. Current liabilities increased \$8.2 million. As mentioned previously, securities lending collateral increased \$12.8 million driving its corresponding liability to increase the same. Prize liabilities decreased \$12.5 million as claim backlogs caused by pandemic issues were processed. Economic development liability increased \$6.4 million as transfer amounts increased.

Deferred inflows grew \$23.2 million as the pension plan's investment income was more than projected. Amounts over the projection are recognized over 5 years. Amounts not yet recognized are reflected in deferred inflows.

A portion of the Lottery's net position, 24.0 percent, reflects investment in capital assets, primarily Video Lottery<sup>SM</sup> gaming terminals. Investment in capital assets increased from the prior year by \$9.6 million due largely to video gaming terminal acquisitions, disposals and associated depreciation. Of the \$231.2 million in unrestricted net position at fiscal year-end, \$106.6 million is committed for capital purchases, projects, and long-term contract obligations, an increase of \$14.5 million. As approved by the Lottery Commission in June 2022, the amount to be held in the contingency reserve increased by \$35 million. Annual results generated \$32.3 million of the desired amount.

Table 2 below reflects a summary of changes in net position for the current and prior fiscal year:

Table 2: Oregon State Lottery's Changes in Net Position

	2022	2021	Increase/ (Decrease)
<b>Operating revenue:</b>			
Video Lottery <sup>SM</sup> game sales, net	\$ 1,246,146,763	\$ 860,326,742	\$ 385,820,021
Sports wagering sales, net	32,052,189	29,147,647	2,904,542
Scratch-its <sup>SM</sup> instant ticket sales	163,404,873	196,029,843	(32,624,970)
Draw game sales	233,743,066	212,942,872	20,800,194
Other income	3,399,589	380,966	3,018,623
<b>Total operating revenues</b>	<b>1,678,746,480</b>	<b>1,298,828,070</b>	<b>379,918,410</b>
<b>Operating expenses:</b>			
Prizes	257,168,546	266,065,927	(8,897,381)
Retailer commissions	313,576,943	239,197,863	74,379,080
Other operating expenses	128,797,762	156,492,256	(27,694,494)
<b>Total operating expenses</b>	<b>699,543,251</b>	<b>661,756,046</b>	<b>37,787,205</b>
<b>Operating income</b>	<b>979,203,229</b>	<b>637,072,024</b>	<b>342,131,205</b>
Interest and investment income	(8,970,219)	(2,561,203)	(6,409,016)
Insurance recoveries	9,946	9,932	14
Nonoperating expenses	(530,904)	(359,041)	171,863
<b>Total nonoperating revenues (expenses/losses)</b>	<b>(9,491,177)</b>	<b>(2,910,312)</b>	<b>(6,580,865)</b>
<b>Income before transfers</b>	<b>969,712,052</b>	<b>634,161,712</b>	<b>335,550,340</b>
Transfers	(910,500,891)	(654,439,622)	(256,061,269)
<b>Change in net position:</b>	<b>59,211,161</b>	<b>(20,277,910)</b>	<b>79,489,071</b>
Net position - beginning	246,947,609	267,225,519	(20,277,910)
<b>Net position - ending</b>	<b>\$ 306,158,770</b>	<b>\$ 246,947,609</b>	<b>\$ 59,211,161</b>

Product sales increased \$376.9 million (29.0 percent) over the prior fiscal year. Video sales generated the largest share of the increase as sales increased 44.9 percent over the prior year. Fiscal year 2022 had no pandemic-related closures as those occurring in fiscal year 2021. Other income increased \$3.0 million due to an unexpected vendor contract penalty which was assessed during the year.

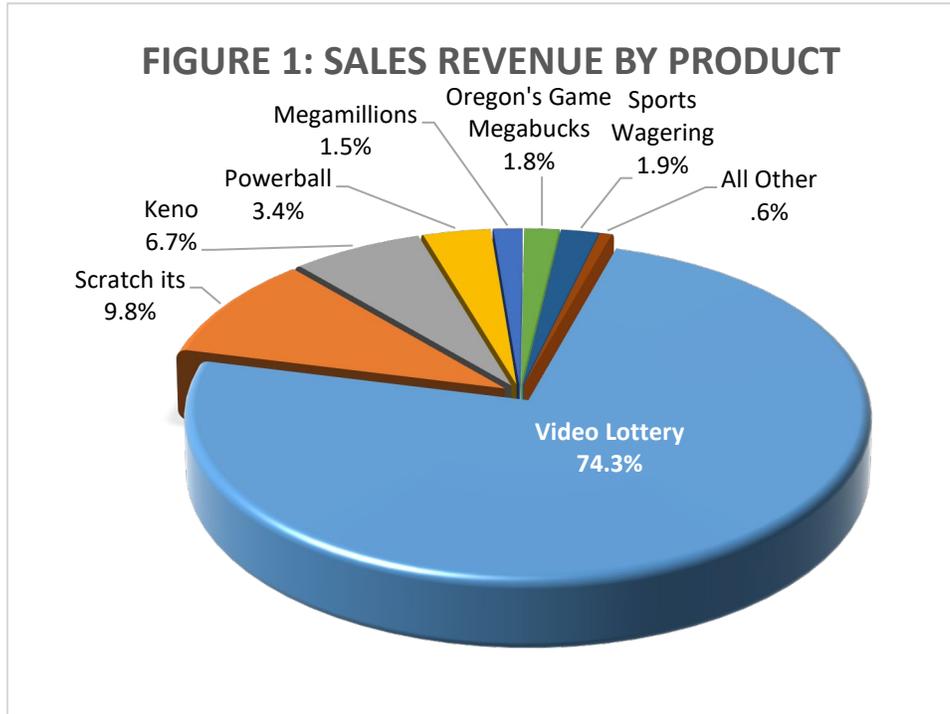
Total operating expenses increased 5.7 percent from the prior fiscal year. Retailer commissions, which are a percentage of sales, increased 31.1 percent as product sales increased. Game vendor charges, which for traditional and sports wagering products are also based on sales, increased 29.3 percent. The most significant decrease in expense for fiscal year 2022 came not from Lottery operations, but the annual share of state PERS expense passed down from the statewide accounting office. The expense from fiscal year 2020 was \$9.8 million, for fiscal year 2021 it was \$26.7 million and for fiscal year 2022 is \$(8.9) million. The amount for fiscal year 2022 represents a decrease of 133.4 percent over the prior year. The intent of the entry is for all participating State agencies to share in the total expense allocated actuarially to the State of Oregon as one employer of the pension plan. For the entire plan (all employers) the expense decreased 65.1 percent and the amount of plan expense allocated to the State of Oregon as one employer decreased 64.2 percent. The reason for Lottery's 133.4 percent expense decrease is the allocation methodology used by the statewide accounting office, as there were only minor changes in staffing and salaries during fiscal year 2021 (the measurement year). Additional expense reductions were seen in services and supplies as less consulting services were utilized year-over-year.

Total nonoperating revenues/(expenses) decreased \$6.6 million. Investments reported at fair value continued the decline that began in fiscal year 2021 resulting in an additional \$5.9 million loss in fiscal year 2022. Lottery holds securities to maturity; thus, fair value fluctuations do not impact operational decisions or cash position.

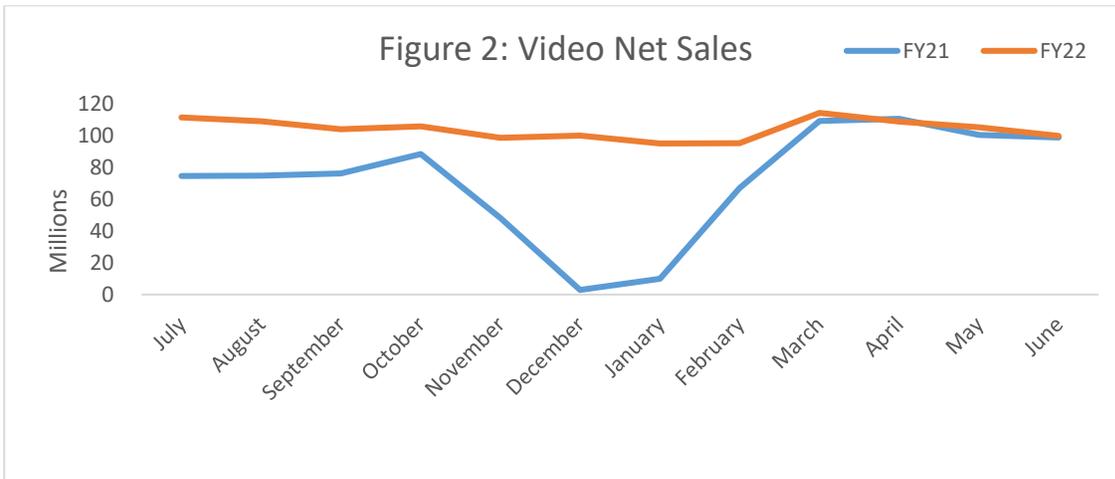
Overall, income before transfers increased 52.9 percent. Revenue increases resulted in an increase of \$255.8 million in transfers to the Economic Development fund.

**Sales Revenue**

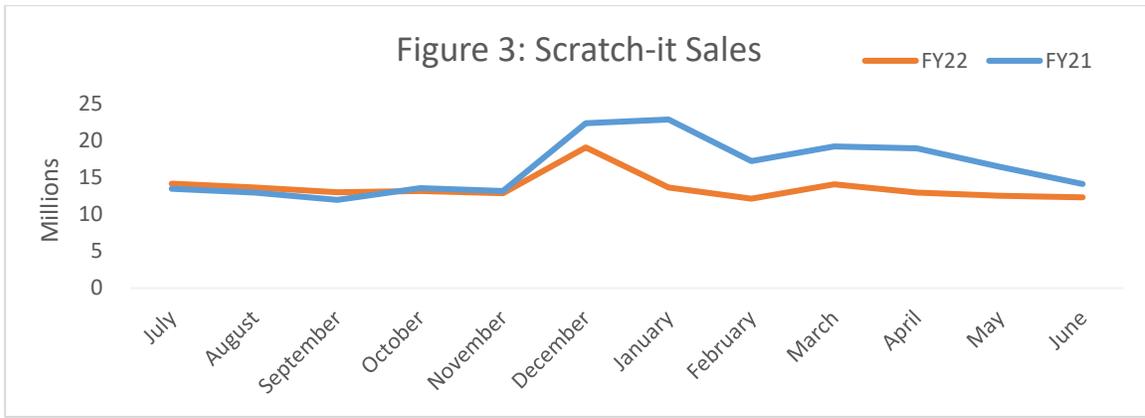
Figure 1 below shows the major sources and percentages of sales revenue for fiscal year 2022.



Video Lottery<sup>SM</sup> remains the Lottery’s largest source of revenue representing 74.3 percent of total sales. Video revenues increased \$385.8 million from the prior year as a result of an entire year with no pandemic business closures. (See Figure 2 below.) During the year the Lottery continued to actively promote problem gambling programs.



Sales of Scratch-its<sup>SM</sup>, the second largest source of sales revenue at 9.8 percent, had a 16.6 percent decline compared to fiscal year 2021. Sales increased considerably in the prior fiscal year demonstrating a shift in player behavior as Video Lottery<sup>SM</sup> experienced pandemic-related establishment closures. However, with the return of full Video Lottery<sup>SM</sup> availability player behavior appears to have shifted away from the scratch product. Figure 3 on the next page displays the trend.



Draw game sales increased 9.8 percent from the prior year with Powerball® as the largest contributor to the growth. Powerball® exceeded prior year sales by 41.8%. In August of 2021 a third draw date was introduced so drawings now occur on Monday, Wednesday and Saturday. The added drawing generated increased sales, as did the average jackpot win increasing by \$118.4 million. The jackpot increase resulted from only four jackpot wins in fiscal year 2022 compared to five the prior year. Fewer jackpot awards results in jackpots increasing to higher levels that influence sales. Keno sales surpassed the prior year by 13.2 percent and \$13.1 million. Keno is sold at stores, restaurants and bars and realized gains from a full year with no bar and restaurant closures. Mega Millions® sales decreased by \$9.0 million, a 26.8 percent reduction from the prior year. Although the current year produced the same number of jackpots as the prior year, the timing of the wins was such that jackpots did not have time to grow to larger amounts. In fiscal year 2021 one of the Mega Millions® jackpots reached \$1 billion.

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# Basic Financial Statements

**OREGON STATE LOTTERY**  
**Statement of Net Position**  
**June 30, 2022**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 425,770,616
Securities Lending Cash Collateral	33,558,592
Investments for Prize Payments	11,131,032
Accounts Receivable (Net)	23,409,654
Ticket Inventory	1,836,035
Prepaid Expenses	3,574,729
Total Current Assets	499,280,658

Noncurrent Assets:

Cash and Cash Equivalents	106,553,940
Investments for Prize Payments	101,288,804
Prize Reserves	6,584,744
Net Other Post-Employment Benefits (OPEB) Asset	1,561,144

Capital Assets:

Buildings, Equipment and Vehicles	265,468,950
Computer Software	33,550,251
Other Assets	3,578,916
Less Accumulated Depreciation and Amortization	(222,823,250)
Total Noncurrent Assets	295,763,499
Total Assets	795,044,157

**Deferred Outflows of Resources**

Deferred Amounts for Pensions	20,078,085
Deferred Amounts for Other Post-Employment Benefits (OPEB)	223,271
Total Deferred Outflows of Resources	20,301,356
Total Assets and Deferred Outflows of Resources	815,345,513

**Liabilities**

Current Liabilities:

Due to Economic Development Fund	232,927,964
Obligations Under Securities Lending	33,558,592
Prize Liability	38,850,963
Accounts Payable	18,407,709
Compensated Absences	3,550,723
Unearned Revenue	1,370,201
Contracts Payable	3,744,809
Total Current Liabilities	332,410,961

Noncurrent Liabilities:

Prize Liability	112,458,463
Compensated Absences	1,997,281
Net Pension Liability	30,791,310
Other Post-Employment Benefits (OPEB) Liabilities	955,560
Contracts Payable	5,309,260
Total Noncurrent Liabilities	151,511,874
Total Liabilities	483,922,835

**Deferred Inflows of Resources**

Deferred Amounts for Pensions	24,039,768
Deferred Amounts for Other Post-Employment Benefits (OPEB)	1,224,140
Total Deferred Inflows of Resources	25,263,908
Total Liabilities and Deferred Inflows of Resources	509,186,743

**Net Position**

Net Investment in Capital Assets	73,362,750
Restricted for Net Other Post-Employment Benefits (OPEB) Asset	1,561,144
Unrestricted	231,234,876
Total Net Position	\$ 306,158,770

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

**OREGON STATE LOTTERY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the Year Ended June 30, 2022**

**Operating Revenues**

Sales:	
Video Lottery <sup>SM</sup> (Net Receipts)	\$ 1,246,146,763
Sports Wagering (Net Receipts)	32,052,189
Scratch-its <sup>SM</sup> Instant Tickets (Net of Returns)	163,404,873
Keno	112,010,235
Powerball <sup>®</sup>	57,488,112
Megabucks <sup>SM</sup>	29,404,998
Mega Millions <sup>®</sup>	24,614,302
Raffle <sup>SM</sup>	2,499,710
Win For Life <sup>SM</sup>	3,821,104
Lucky Lines <sup>SM</sup>	1,932,814
Pick 4 <sup>SM</sup>	1,971,791
Provision for Uncollectibles	(35,471)
Other Income	3,435,060
Total Operating Revenues	<u>1,678,746,480</u>

**Operating Expenses**

Prizes	257,168,546
Retailer Commissions	313,576,943
Salaries and Wages	44,867,842
Depreciation and Amortization	22,771,207
Services and Supplies	19,986,158
Game Vendor Charges	24,871,577
Advertising and Market Research	6,063,128
Public Information	902,247
Tickets	3,111,560
Game Equipment Parts and Maintenance	5,681,596
Sales Support	542,447
Total Operating Expenses	<u>699,543,251</u>
Operating Income	<u>979,203,229</u>

**Nonoperating Revenues (Expenses)**

Interest	2,572,842
Investment and Securities Lending Income (Loss)	(11,543,061)
Insurance Recoveries	9,946
Gain (Loss) on Disposition of Assets	6,945
Investment Expenses - Securities Lending	(40,107)
Investment Expenses	(13,640)
Interest Expense	(484,102)
Total Nonoperating Revenues (Expenses)	<u>(9,491,177)</u>
Income Before Transfers	<u>969,712,052</u>

**Transfers**

Transfers to the Economic Development Fund	(908,300,942)
Transfers to the General Obligation Bond Fund	(2,199,949)
Total Transfers	<u>(910,500,891)</u>
Change in Net Position	59,211,161
Net Position - Beginning	246,947,609

**Net Position - Ending** \$ 306,158,770

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

**OREGON STATE LOTTERY**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

<b>Cash Flows from Operating Activities:</b>	
Receipts from Customers	\$ 1,673,212,202
Payments to Employees for Services	(39,861,311)
Payments to Suppliers	(395,569,522)
Payments to Prize Winners	(259,708,204)
Other Cash Receipts (Payments)	2,488,495
Net Cash Provided (Used) by Operating Activities	<u>980,561,660</u>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Principal and Interest Payments on Long-term Pension Debt	(621,623)
Transfers to the Economic Development Fund	(908,627,885)
Transfers to the General Obligation Bond Fund	(2,199,949)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(911,449,457)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(28,603,347)
Proceeds from Disposition of Capital Assets	65,938
Payments on Contracts	(3,973,943)
Insurance Recoveries for Capital Assets	9,946
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(32,501,406)</u>
<b>Cash Flows from Investing Activities:</b>	
Purchases of Investments	(12,660,849)
Proceeds from Sales and Maturities of Investments	11,079,333
Interest on Investments and Cash Balances	2,572,842
Securities Lending Expenses	(40,107)
Investment Expenses	(13,640)
Net Cash Provided (Used) by Investing Activities	<u>937,579</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>37,548,376</u>
Cash and Cash Equivalents - Beginning	494,776,180
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 532,324,556</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income	\$ 979,203,229
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	22,771,207
Net Changes in Assets and Liabilities:	
(Increase) / Decrease in Accounts Receivable	(2,656,747)
(Increase) / Decrease in Ticket Inventory	(486,917)
(Increase) / Decrease in Prepaid Expenses	(1,524,848)
(Increase) / Decrease in Prize Reserves	530,201
(Increase) / Decrease in Pension Deferred Outflows	2,944,116
(Increase) / Decrease in Net OPEB Asset and OPEB Deferred Outflows	(570,722)
Increase / (Decrease) in Accounts Payable	330,659
Increase / (Decrease) in Compensated Absences Liability	492,995
Increase / (Decrease) in Unearned Revenue	447,545
Increase / (Decrease) in Prize Liability	(2,539,658)
Increase / (Decrease) in Net Pension Liability and Deferred Inflows	(18,904,316)
Increase / (Decrease) in OPEB Liability and OPEB Deferred Inflows	524,916
Total Adjustments	<u>1,358,431</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 980,561,660</u>
<b>Noncash Investing, Capital, and Related Financing Activities:</b>	
Net Change in Fair Value of Investments	\$ (11,543,061)
Intangible Assets Acquired Through Contract	2,080,447
Total Noncash Investing, Capital, and Related Financing Activities	<u>\$ (9,462,614)</u>

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

# OREGON STATE LOTTERY

## Notes to the Financial Statements

June 30, 2022

### 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

The Oregon State Lottery Commission (Commission) was created as an agency of the State of Oregon by enactment of Article XV, Section 4 (3), of the Oregon Constitution, an initiative measure approved by Oregon voters at the November 1984 general election. The Commission established the Oregon State Lottery (Lottery), which is an enterprise fund of the State of Oregon. The Lottery commenced operations to market and sell Lottery products to the public in January 1985. The net profits of the Lottery are transferred to the Oregon Economic Development Fund and are then distributed by the State of Oregon to finance the various public purposes allowed by law.

#### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying financial statements of the Lottery have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The Lottery uses an enterprise fund, the Oregon State Lottery Fund, with a self-balancing set of accounts to record its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities that are financed and operated in a manner like private business enterprises.

Lottery financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues and expenses are categorized as operating or nonoperating in the Statement of Revenues, Expenses and Changes in Fund Net Position. Operating revenues and expenses are those that result from selling Lottery games to the public. Operating revenues include the sale of Lottery products and incidental revenues associated with operating the Lottery. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. Revenues and expenses that do not result from selling Lottery games, such as investment income and investment expenses, are reported as nonoperating revenues and expenses.

Assets and liabilities are classified on the Statement of Net Position as current and noncurrent. Current assets are resources expected to be realized in cash or consumed within a year from the financial statement date. Current liabilities are obligations generally expected to be paid using resources that are classified as current assets and obligations due within one year from the date of the financial statements. Noncurrent assets are capital assets, resources that are restricted to use for other than current operations, resources designated to be used to acquire noncurrent assets, or resources that are not expected to be collected within one year. Noncurrent liabilities are obligations generally expected to be paid using resources that are classified as noncurrent assets and obligations due beyond one year from the date of the financial statements.

Total net position is segregated into three categories: net investment in capital assets, restricted for net OPEB asset and unrestricted net position. Article XV of the Oregon Constitution restricts the use of Lottery revenues for payment of prizes and administrative expenses, and remaining revenues are to be used for public purposes allowed in Article XV. Net proceeds not yet transferred are reflected in liabilities as the amount Due to the Economic Development Fund. Net position reported at year end will be used for Lottery operations.

#### C. Sales Revenue

Revenues for draw games Oregon's Game Megabucks<sup>SM</sup>, Powerball<sup>®</sup>, Mega Millions<sup>®</sup>, Keno, Win for Life<sup>SM</sup>, Raffle<sup>SM</sup>, Pick 4<sup>SM</sup>, and Lucky Lines<sup>SM</sup> are recognized when the draws occur. Revenues for instant scratch ticket games are recognized when retailers activate ticket packs for sale to the public. Sports wagering revenues are recognized when events have completed and the outcome is known and are reported net of returns to players. Revenues for Video Lottery<sup>SM</sup> games are recognized when sales to the public occur and are reported net of

prizes awarded. (Refer to Note 2(B) for more information on Video Lottery<sup>SM</sup> and sports wagering revenue and prize expense). All revenues are reported net of free plays, discounts, and allowances.

#### **D. Unearned Revenue**

All draw games can be purchased in advance of the drawings and sports wagers can be placed prior to an event. When shares are sold or wagers are placed in advance of the draw or event date, sales revenue is not yet earned. Unearned revenue includes revenue associated with draw or event dates occurring after the June 30 fiscal year end.

#### **E. Prize Expense**

Instant ticket prize expense is estimated and recognized when ticket packs are activated and is based on the game design. Game design includes certain guaranteed prizes in each pack of tickets and prizes placed randomly by the gaming vendor. When validations for the game have ended, differences between estimated and actual prizes awarded for the randomly placed prizes are adjusted to prize expense and prize liability. Guaranteed prizes not claimed by winners are transferred to the Economic Development Fund.

Prize expense for draw games is recognized as drawings are held, based on the shares sold and the estimated or known cost of the prize payments. Prize expense is adjusted as prizes are claimed and the actual cost of the prize is known. Expense for prizes with long-term payments is recognized when the prize liability is recorded, at the discounted present value of estimated future cash payments. Sports wagering prize expense is recognized when the outcome of the wagered event is known. Video Lottery<sup>SM</sup> prize expense is recognized as game play completes and prizes are known. More detailed information for Video Lottery<sup>SM</sup> and sports wagering is in Note 2(B).

Prize expense for fiscal year ending June 30, 2022 also includes \$3,468,959 of amortization expense related to the long-term prize liability discount (see Note 1(F)).

#### **F. Prize Liability**

Prize liability is recorded when the prize expense is recognized (see Note 1(E) above) and is reported at the discounted present value of estimated future cash payments. Discount rates are based on interest rates earned on securities purchased to fund long-term prize payments. Estimated and known prize payments due within one year of the financial statement date are recorded as a current liability and payments due later than the upcoming year are classified as a noncurrent liability. Unclaimed prizes (winning shares known to be sold and not presented for payment within one year from the draw date or official end of a game) are reclassified from Prize Liability to Due to Economic Development Fund.

#### **G. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, test cash held by employees, cash in demand deposit accounts and cash and investments held in the Oregon Short-Term Fund (OSTF). For purposes of the Statement of Cash Flows, all Lottery moneys held by the Office of the State Treasurer in the OSTF are cash equivalents. The OSTF is an investment pool that functions as a demand deposit account.

#### **H. Investments**

Investments are reported at fair value based on quoted market prices for similar assets at June 30, 2022. The fair value hierarchy established by generally accepted accounting principles categorizes valuation inputs in three levels. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are unobservable. The quoted prices used by Lottery are Level 2 inputs. Changes in the fair value of investments are recognized as investment income or loss in the current year.

#### **I. Securities Lending**

Securities lending amounts are reported at the value of the cash collateral received. The security lending liability is reported at the cash amount received as collateral.

#### **J. Accounts Receivable**

Accounts receivable is reported net of an allowance for uncollectible accounts. Accounts receivable primarily consist of proceeds due from Lottery retailers. Most retailers selling Lottery products are required to remit

weekly proceeds (Sunday through Saturday), less commissions, on the following Wednesday. Corporate accounts with multiple establishments may remit proceeds on the second Wednesday following the end of the business week.

**K. Inventories**

Inventories are valued at cost using the specific identification method. Ticket inventory consists of Scratch-its<sup>SM</sup> instant tickets primarily stored in the Lottery warehouse. A small amount of inventory is stored at retail establishments. Ticket inventory held in the warehouse is destroyed and recorded as an expense when distributions to retailers are no longer allowed. When activations are no longer allowed, tickets not sold at retail establishments are expensed. The tickets are returned to the warehouse and subsequently destroyed.

**L. Prize Reserves**

Prize reserves held by the Multi-State Lottery (MUSL) are amounts held to indemnify participating lotteries for prizes that may be won. Should the Lottery decide against participation in MUSL, these amounts would be returned. Prize reserves for our prior sports wagering product Scoreboard<sup>SM</sup> are held in escrow and are available to our payment processor in the event cash amounts are not sufficient to cover player account withdrawals. Scoreboard<sup>SM</sup> wagering ended in January 2022. Scoreboard<sup>SM</sup> prize payments will end once all events have completed.

**M. Capital Assets**

Capital assets, which mainly include gaming equipment and related software and licensing agreements, are reported at historical cost. Physical and intangible assets with a cost of \$5,000 or more and a useful life of more than one year are capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 to 40
Video lottery equipment	5 to 7 or per agreement
Other machinery and equipment	5 to 25
Leasehold improvements	3 to 10 or per lease agreement
Vehicles	5 to 10
Computer hardware and software	2 to 10 or per agreement
Intangibles - Non-software	Term of contract

**N. Leases**

The Lottery participates in several lease contracts for equipment. The contracts are recognized as a lease liability and an intangible right-to-use asset in the Statement of Net Position. Lease liabilities are recognized at the present value of payments expected to be made during the lease term. The discount rate applied is the rate applied by the lessor. If the lessor rate is not provided Lottery policy is to use the Oregon Bond Index rate for the State of Oregon. The rate used is one where the effective date and borrowing term most closely relate to the lease initiation date and term. As payments are made the principal portion of payments reduce the liability and expense is recognized for the interest portion.

The corresponding intangible asset is measured and recognized at the value of the initial lease liability. The asset is then amortized on a straight-line basis over its useful life. Leased assets are reported with other capital assets.

**O. Compensated Absences**

Employees earn vacation leave of 10 to 20 hours per month, depending upon length of service. All Lottery employees may accumulate a maximum of 350 hours per employee. Accumulated vacation leave and accumulated compensatory time is recorded as an expense and a liability (compensated absences) as the benefits accrue to employees. The compensated absences liability is calculated based upon salary rates in effect at the fiscal year-end and includes estimated employer expenses. No liability is reported for accumulated sick leave benefits since employees are not paid for unused sick leave benefits when leaving State service.

**P. Net Pension Liability, Pension Related Deferred Inflows and Outflows of Resources and Pension Expense**

These items are included at amounts equal to Lottery’s portion of the State of Oregon’s proportionate share of Oregon Public Employee’s Retirement System (PERS) plan totals measured as of June 30, 2021. Amounts are recognized on the same basis the plan uses. PERS uses the accrual basis of accounting. As such, revenues are recognized when earned, contributions are recognized when due, benefits and withdrawals are recognized when due and payable. Lottery pension expense is included in Salaries and Wages expense.

**Q. Net Other Postemployment Benefits Asset and Other Postemployment Benefits Liabilities, Related Deferred Inflows and Outflows of Resources, and Expense**

Lottery employees may be covered by one of three postemployment benefit plans. The associated assets and liabilities for the two plans administered by the Oregon Public Employee’s Retirement System (PERS) are measured as of June 30, 2021 and recognized on the same basis the plan uses. PERS recognizes revenues when earned, contributions when due and benefits/withdrawals are recognized when payable. The other plan is administered by the Public Employees Benefit Board (PEBB) and is measured as of June 30, 2022. Amounts included are Lottery’s portion of the State of Oregon’s amount of the respective other postemployment benefit plans. Expense for the plans is included in Salaries and Wages expense.

**2. Stewardship and Legal Compliance**

**A. Budgetary Compliance**

The Oregon State Lottery is exempt from State of Oregon Budget Laws. For budgeting purposes, the Commission adopts an annual Financial Plan based on revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis, and activities identified in Lottery’s annual Business and Strategic Plan. Quarterly, budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised for changes to the revenue forecasts. Revisions to other expense items in the adopted budget must be approved by the Commission. The budget is prepared on the accrual basis of accounting. Actual expenses are monitored throughout the year for compliance with the approved budget and appropriate adjustments, if necessary, are presented to the Commission for approval. A comparison of revenues and expenses to the final revised and approved fiscal year 2022 Financial Plan is presented as supplementary information in this report.

**B. Video Lottery<sup>SM</sup> and Sports Wagering Net Revenue**

Video Lottery<sup>SM</sup> revenue is reported net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The following schedule reconciles cash received with actual wagering and prize activity:

	<u>Revenue</u>		<u>Prize Expense</u>
Cash Received	\$ 4,481,346,373	Cash Paid Out	\$ 3,235,199,595
Dollars Won and Played	<u>12,137,766,195</u>	Dollars Won and Played	<u>12,137,766,195</u>
Total Revenue	<u>\$ 16,619,112,568</u>	Total Prizes	<u>\$ 15,372,965,790</u>
Net Revenue before Discounts = \$1,246,146,778			

Sports wagering revenue is reported net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position. The following schedule shows actual wagering activity:

	<u>Amount</u>
Wagers Placed	\$ 404,545,507
Wagers Refunded Due to Cancellations	(1,935,209)
Prizes Won	<u>(367,682,234)</u>
Net Revenue Before Discounts	<u>\$ 34,928,064</u>

**C. Use of Revenues and Net Revenues**

Article XV of the Oregon Constitution requires that all prizes and expenses of the Lottery be paid from Lottery revenues and any remaining proceeds be used to benefit the public purposes of economic development, public education (including outdoor school), veterans services, or restoring and protecting parks, beaches, watersheds and native fish and wildlife habitats. ORS 461.500 requires that at least 84 percent of the total annual revenues be returned to the public in the form of prizes and net revenues benefiting the public purposes in the Constitution and statutes, that at least 50 percent of the total annual revenues be returned to the public in the form of prizes, and that no more than 16 percent of total annual revenues may be allocated for the payment of administrative expenses.<sup>1</sup>

The following table shows that for fiscal year 2022 the Lottery operated within the legal limits defined by ORS 461.500:

<u>Fiscal Year 2022 Revenues</u>		
Sales	\$ 17,415,959,444	
Other Distributable Income	5,630,091	
Total Distributable Revenue	<u>\$ 17,421,589,535</u>	
<u>Fiscal Year 2022 Distribution of Revenues</u>		
Revenues Returned to the Public:		
Prizes to the Public	\$ 15,991,040,279	91.79%
Unclaimed Prizes Paid/Due to Economic Development Fund	6,776,291	0.04%
Transfers Paid/Due to Economic Development Fund	908,300,942	5.21%
Total Revenues Returned to the Public	<u>16,906,117,512</u>	<u>97.04%</u>
Administrative Expenses	456,260,862	2.62%
Held for Contingency Reserve	59,211,161	0.34%
Total Distribution of Revenues	<u>\$ 17,421,589,535</u>	<u>100.00%</u>

**D. Unclaimed Prizes**

ORS 461.500 requires all unclaimed prizes to be allocated to the benefit of public purpose. Lottery administrative rules declare a prize as unclaimed when it is known that winning shares have been sold and have not been redeemed within one year of the end of the game, one year from the draw date, or one year from the date of issue. During fiscal year 2022, prizes in the amount of \$6,776,291 were determined to be unclaimed and were either transferred or accrued for transfer to the Economic Development Fund.

**E. Contingency Reserve**

ORS 461.510 (4) and Administrative Rule 177-010-0045 allows for the creation of a contingency reserve. In June 2022, the Lottery Commission approved a contingency reserve amount such that the cash available for future investment does not exceed \$135,000,000. The table on the following page shows the liquidity detail of Unrestricted Net Position shown on the Statement of Net Position at June 30, 2022:

<sup>1</sup> Attorney General Opinion No. 8220 advises that ORS 461.548 regarding Video Lottery<sup>SM</sup> proceeds is unconstitutional and is not applicable. It is not included here.

Cash Available for Future Investment (Uncommitted Contingency Reserve)	\$ 119,270,172
Committed by Contract for Asset Purchases/Licensing (See Note 7 and 10)	21,675,308
Committed by Commission for Capital Purchases/Projects	84,878,632
Inventory and Prepaid Expenses	5,410,764
Total Unrestricted Net Position	<u><u>\$ 231,234,876</u></u>

**F. Transfers to Economic Development Fund**

In fiscal year 2022 \$59,211,161 of current year income was retained in contingency reserve. Remaining income after transfers to the General Obligation Bond Fund was accrued for transfer to the Economic Development Fund. Actual cash transferred, including unclaimed prizes, during fiscal year 2022 was \$908,627,885. The remaining balance is included on the Statement of Net Position in current liabilities. The following schedule reconciles the amounts:

	Balance Owed at June 30, 2021	Amounts Accrued	Cash Paid to Economic Development	Balance Remaining at June 30, 2022
Income	\$ 225,044,831	\$ 908,300,942	\$ 902,395,257	\$ 230,950,516
Unclaimed Prizes	1,433,786	6,776,290	6,232,628	1,977,448
Total	<u><u>\$ 226,478,617</u></u>	<u><u>\$ 915,077,232</u></u>	<u><u>\$ 908,627,885</u></u>	<u><u>\$ 232,927,964</u></u>

**3. Deposits**

The Lottery uses a financial institution qualified by the Oregon State Treasurer to hold public funds, and the Oregon Short-Term Fund (OSTF) for deposits. The Office of the State Treasurer maintains the OSTF, an investment pool available for use by state agencies and local governments. A separate financial report for the OSTF may be obtained from the Office of the State Treasurer, 867 Hawthorne Ave. SE, Salem, Oregon 97301 or from the Treasurer’s website at: <https://www.oregon.gov/treasury/public-financial-services/oregon-short-term-funds/pages/default.aspx>

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Lottery or State Treasurer will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Lottery does not have a policy regarding custodial credit risk for deposits; however, the insurance and collateral requirements for state deposits are established by banking regulations and Oregon Revised Statute (ORS) Chapter 295. This statute creates a shared liability structure through a collateral pool of pledged securities held by a custodian. ORS 295 is administered by the Oregon State Treasurer using the Public Funds Collateralization Program (PFCP). This program monitors public funds balances in excess of Federal Deposit Insurance of \$250,000, total public funds on deposit, depository net worth and capitalization information. All depositories are required to report quarterly at a minimum but may be required to report as often as weekly. Reported information determines each depository’s minimum market value of securities that must be pledged as collateral.

The PFCP determines collateral requirements based on the capitalization of each depository. Well capitalized depositories must pledge securities with a market value of 10% of their last reported uninsured public funds deposits. Collateral requirements increase for depositories considered to be less than well capitalized. Collateral requirements may be up to 110% of uninsured public funds deposits. The Oregon State Treasurer, in consultation with the Department of Consumer and Business Services, may also require collateral up to 110% for well capitalized banks. Depositories with increased collateral requirements are required to report weekly to ensure collateralization at the appropriate level.

Consequently, Lottery’s bank balance at June 30, 2022 of \$533,618,654, deposited in financial institutions and the OSTF, is insured or collateralized.

#### 4. Investments

The State Treasurer is the Investment Officer for the State of Oregon. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Lottery does not have an independent investment policy.

##### A. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the State Treasurer will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lottery's investments with the Office of the State Treasurer are registered in street name and held with the State Treasurer's agent in the name of the State of Oregon and segregated in the Treasurer's records in Lottery's name.

##### B. Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Lottery holds both US Treasury STRIPS as well as US Agency STRIPS of the Resolution Funding Corporation (RFC). The RFC investments are not explicitly guaranteed by the U.S. government and do not have a credit rating. However, interest payments are backed by the U.S. government, and the principal is protected by the purchase of zero-coupon bonds with an equivalent face value.

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. Investments in the RFC represents 1.48 percent of the Lottery's investment holdings on June 30, 2022.

##### C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The length of time until maturity affects the exposure of the investment to fair value fluctuations. Lottery's investments are purchased to closely match the liability stream for prize payouts and are intended to be held until maturity.

The following table shows the segmented time distribution of the fair value of all Lottery investments on June 30, 2022:

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Fair Value
U.S. Agency STRIPS	\$ 812,897	\$ 854,212	\$ -	\$ -	\$ 1,667,109
U.S. Treasury STRIPS	10,318,135	38,907,709	30,153,620	31,373,263	110,752,727
Total Investments	<u>\$ 11,131,032</u>	<u>\$ 39,761,921</u>	<u>\$ 30,153,620</u>	<u>\$ 31,373,263</u>	<u>\$ 112,419,836</u>

#### 5. Securities Lending

In accordance with State of Oregon (State) investment policies, state agencies may participate in securities lending. The Office of the State Treasurer has authorized its custodian to act as its agent in the lending of the State's securities pursuant to a form of loan agreement. There were no significant violations of the provisions of securities lending agreements during the fiscal year.

During fiscal year 2022, the State's securities lending agent lent short-term and fixed income securities from the OSTF and U.S. Government securities segregated to the Lottery and received as collateral U.S. dollar-denominated cash and U.S. Treasury securities. Borrowers were required to deliver collateral for each loan equal to not less than 102 percent of the market value of the loaned securities. The State can impose restrictions on the amount of the loans that the securities lending agent made on its behalf. No such restrictions were made during the year ended June 30, 2022. The State may pledge or sell collateral securities in the event of a borrower default; however, the Lottery and the State, through the State Treasurer's Securities Lending Agreements, are fully indemnified against losses due to borrower default. There were no losses during the year from the failure of borrowers to return loaned securities.

During the year, the State and borrowers maintained the right to terminate all securities lending transactions on demand. Therefore, the maturities of investments made with cash collateral generally did not match the maturities of the securities loans. On June 30, 2022, the State and the Lottery had no credit risk exposure to borrowers related to securities on loan.

As of June 30, 2022, the total fair value of securities on loan from the OSTF was \$194,106,042, the collateral received was \$197,916,275 and the fair value of invested collateral was \$158,417,467. Cash collateral received for OSTF and Lottery investments is invested in a securities lending collateral pool and is not exposed to custodial credit risk.

The Lottery's allocated portion of the OSTF securities on loan and Lottery owned investments on loan at June 30, 2022, is presented in the following schedule:

	Securities Lending Balances		
	Fair Value of Securities on Loan	Collateral Received	Fair Value of Invested Cash Collateral
Lottery Share OSTF	\$ 3,772,581	\$ 3,846,635	\$ 3,078,949
Lottery Investments	30,819,584	31,317,074	30,469,306
Total	<u>\$ 34,592,165</u>	<u>\$ 35,163,709</u>	<u>\$ 33,548,255</u>

## 6. Capital Assets

Capital asset activity for the year ended June 30, 2022, is shown in the following schedule:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Depreciable Capital Assets</u>				
Equipment	\$ 227,733,704	\$ 24,840,360	\$ 8,417,301	\$ 244,156,763
Building and Improvements	15,388,341	175,006	-	15,563,347
Vehicles	4,963,202	340,789	-	5,303,991
Computer Software	30,105,868	3,444,383	-	33,550,251
Right-to-Use Leased Equipment and Facilities	-	1,773,447	-	1,773,447
Other Assets	1,695,660	109,809	-	1,805,469
Total Assets Being Depreciated	279,886,775	30,683,794	8,417,301	302,153,268
<u>Accumulated Depreciation/Amortization</u>				
Equipment	175,722,900	18,203,288	8,358,307	185,567,881
Building and Improvements	8,687,175	421,004	-	9,108,179
Vehicles	2,879,348	415,956	-	3,295,304
Computer Software	19,593,993	2,763,519	-	22,357,512
Right-to-Use Leased Equipment and Facilities	-	825,008	-	825,008
Other Assets	1,526,935	142,431	-	1,669,366
Total Accumulated Depreciation	208,410,351	22,771,206	8,358,307	222,823,250
<u>Capital Assets Not Being Depreciated</u>				
Building and Improvements	444,849	-	-	444,849
Capital Assets, Net	<u>\$ 71,921,273</u>	<u>\$ 7,912,588</u>	<u>\$ 58,994</u>	<u>\$ 79,774,867</u>

On June 27, 2014 the Lottery vacated its backup center and it remained idle at June 30, 2022. Carrying value included in capital assets is \$444,849.

## 7. Long-term Liabilities

The following schedule presents changes in long-term liabilities during the fiscal year, as well as the amounts due in the next fiscal year:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Prizes	\$160,625,375	\$257,168,546	\$266,484,495	\$151,309,426	\$38,850,963
Compensated Absences	5,055,009	3,987,694	3,494,699	5,548,004	3,550,723
Licensing Contracts	5,417,630	293,928	1,891,716	3,819,842	1,730,379
Financing Agreement	2,719,613	-	1,075,777	1,643,836	1,157,566
Leases	-	1,773,447	825,008	948,439	446,809
Pre-SLGRP Pension Debt	2,947,841	-	305,889	2,641,952	410,055
	<u>\$176,765,468</u>	<u>\$263,223,615</u>	<u>\$274,077,584</u>	<u>\$165,911,499</u>	<u>\$46,146,495</u>

As of June 30, 2022, there were 84 Oregon Lottery prizes with remaining long-term annual prize payments. The estimated number of years remaining for payments extends to 45 years. The following schedule of payments includes claimed prizes with guaranteed payments for a fixed period. Although estimated and included in prize liability, conditional prize payments are not shown in the following table:

Fiscal Year Ending June 30	Principal	Interest
2023	\$ 9,396,519	\$ 144,464
2024	8,893,684	378,982
2025	8,254,745	596,921
2026	7,931,738	819,928
2027	7,068,070	953,596
2028-2032	22,998,829	4,967,502
2033-2037	15,327,037	5,698,293
2038-2042	5,057,768	2,319,562
2043-2047	3,000,839	1,845,825
2048-2051	1,607,525	1,182,473
Total Guaranteed Prize Payments Due	<u>\$ 89,536,754</u>	<u>\$ 18,907,546</u>

The Lottery has seven software licensing contracts requiring monthly, quarterly, or annual payments for a defined period. Gaming software licenses include the video gaming system and instant ticket second chance drawing licenses. Beginning in September 2016 Lottery contracted for a video gaming system. The system includes all hardware and software necessary for a host and backup system that communicates and stores transactions occurring on Video Lottery<sup>SM</sup> terminals throughout the State. The contract will expire in September 2024. Should the Lottery default through non-payment or breach of contract, undisputed amounts on invoices for services performed and deliverables delivered, less any amounts previously paid, are due immediately. The second chance drawing software contract includes draw configuration and support for one or more application programming interfaces. The contract began in February 2021 and continues through February 2024. After the initial three-year term Lottery may extend the contract on an annual basis. Lottery does have the right to terminate the contract with a 30-day notice to the contractor. Other licenses held are for human resource software for recruiting, compensation, and employee engagement.

The following table shows the total annual liability payments required by the licensing contracts:

Fiscal Year Ending June 30	Amount
2023	\$ 1,730,380
2024	1,704,880
2025	384,583
Total Licensing Payments Due	<u>\$ 3,819,843</u>

In October 2016, the Lottery began a purchasing agreement for 2,700 video retailer terminals, known as iLinks, which are part of the communication infrastructure between the Video Lottery<sup>SM</sup> game terminals and the host system. The interest rate for the contract is 7.35 percent and the last payment is due in September 2024. Total assets acquired through the agreement is \$6,736,500 and is included in Buildings, Equipment and Vehicles on the Statement of Net Position.

Future financing payments required for the agreement are shown in the following schedule:

Fiscal Year Ending June 30	Principal	Interest
2023	\$ 1,157,566	\$ 82,343
2024	463,587	10,946
2025	22,683	279
Total Financing Payments Due	<u>\$ 1,643,836</u>	<u>\$ 93,568</u>

The Lottery participates in eight non-cancelable property leases for storage facilities and a payment center. The Lottery also participates in six non-cancelable leases for billboards and three for office equipment. The leases are recognized as right to use capital assets with a corresponding liability for the discounted present value of the payments required. Future lease and interest payments required are displayed in the following table:

Fiscal Year Ending June 30	Principal	Interest
2023	\$ 446,809	\$ 2,161
2024	258,620	1,133
2025	159,727	510
2026	83,283	79
Total Lease Payments Due	<u>\$ 948,439</u>	<u>\$ 3,883</u>

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately, is reduced by contributions and increased for interest charges at the assumed interest rate. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The Pre-SLGRP Pension Debt of \$2,641,952 represents Lottery's allocation of the state liability. The payment schedule is shown on the following page:

Year Ending June 30	Principal	Interest
2023	\$ 410,055	\$ 175,341
2024	438,837	146,559
2025	469,639	115,757
2026	502,603	82,793
2027	537,881	47,516
2028	282,937	9,761
Total Pre-SLGRP Payments Due	\$ 2,641,952	\$ 577,727

## 8. Discounts and Allowances

Revenues are reported net of discounts and free plays in the Statement of Revenues, Expenses and Changes in Fund Net Position. Some Lottery game structures offer free tickets as prizes instead of cash. The sales value of these prizes reduce sales rather than being included as prize expense. For fiscal year ended June 30, 2022 Lottery awarded free play prizes of \$693,847. Promotional discounts and free plays also reduced sales by \$2,979,325.

At June 30, 2022, accounts receivable in the Statement of Net Position is reported net of \$321,629 allowance for uncollectible amounts.

## 9. Joint Venture

The Multi-State Lottery Association (MUSL) was established September 16, 1987, to coordinate lottery games with larger prizes than the individual states could offer by themselves. The Oregon Lottery has been a participating member since the inception of MUSL. Each participating state sells its choice of MUSL products and keeps all profits earned. Participating states contribute amounts necessary to fund the estimated and actual prizes won, reserve prize pools, and costs for services of MUSL and the Product Groups. For the fiscal year ending June 30, 2022 MUSL service fees were \$22,682.

MUSL is a non-profit, government-benefit association owned and operated by its member lotteries. It is governed by a board on which each member lottery is represented. Each member lottery has one vote. The Board's responsibilities to administer multi-state lottery games are performed through product groups, advisory committees, or panels staffed by officers and independent contractors as appointed by the Board. These officers and consultants serve at the pleasure of the Board and the Board prescribes their powers, duties, and qualifications. Product groups manage product offerings, establish budgets, establish rules and policies for a product as well as the fees for services. The Finance Committee recommends all fees for services to be charged by MUSL and product groups to the Executive Committee who review and submit to the Board for final action. MUSL is subject to annual audits conducted by independent auditors that are retained by the Board. Upon termination of the MUSL's existence, if such termination should occur, the member lottery would receive any proceeds determined available for distribution by the Board.

The fiscal year end for MUSL is June 30. Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. Government Securities. The schedule on the following page presents the summarized financial activity from MUSL financial statements as of June 30, 2022 and June 30, 2021 (in thousands):

	<b>2022</b>	<b>2021</b>
Assets	\$ 766,593	\$ 848,610
Total Assets	<u>\$ 766,593</u>	<u>\$ 848,610</u>
Liabilities	\$ 756,516	\$ 836,396
Net Assets <sup>1</sup> - Unrestricted	10,077	12,214
Total Liabilities and Net Assets <sup>1</sup>	<u>\$ 766,593</u>	<u>\$ 848,610</u>
Revenue	\$ 3,442	\$ 1,324
Expenses	5,579	4,832
Other Changes in Net Assets <sup>1</sup>	-	1,011
Decrease in Net Assets	<u>\$ (2,137)</u>	<u>\$ (2,497)</u>

<sup>1</sup>Because MUSL is organized as a non-profit, its financial statements have been prepared in accordance with accounting standards promulgated by the Financial Accounting Standards Board (FASB). Therefore, MUSL's financial statements use the term "net assets" rather than "net position" for equity.

The financial statements for MUSL may be obtained from the Multi-State Lottery Association, 8101 Birchwood Court, Suite R, Johnston, Iowa 50131.

## 10. Other Significant Commitments and Contingencies

### A. Commitments

In October 2019 the Lottery signed a comprehensive agreement for software and services associated with processing transactions for traditional products. The initial contract term is five years from the go-live date of May 23, 2021. During this term Lottery will pay 2.5047 percent of net sales of traditional products. Contract extension options are available for two additional five-year terms. For fiscal year 2022 expenses under the contract were \$9,955,662.

In May 2019, Lottery contracted for services and access to software for a sports betting solution. The contract was for five years from the launch date of October 16, 2019. In April 2020 the provider was acquired by another company. A new contract was agreed upon in December 2021 and a new platform launched on January 18, 2022. Under the new contract, the prior platform will remain operational for the purposes of settling prior platform wagers, enabling players to withdraw accounts or transfer them to the new platform, and for Lottery operations with respect to those activities. The maximum length for the prior platform to remain operational is 366 days from launch of the new platform. During the close out period the Lottery remains obligated for access and service fees established under the prior agreement. The fees are a percent of net gaming revenues (NGR), which is revenue net of prizes and other allowed expenses. Software access fees range from 9 to 11 percent of NGR and service fees are 16 percent of NGR.

The new sports wagering contract term is seven years from the launch date of January 18, 2022. Additional extension terms can be negotiated. Fees under the contract are 49 percent of net receipts (wagers less prizes but not including player incentives and related prizes) and 51 percent of player incentives and other expenses such as league fees and costs related to player account servicing. However, player incentives are capped at 15 percent of net receipts and player costs are capped at 4 percent of net receipts. The contract generally can only be terminated for contract breaches and changes of legal standing to engage in sports wagering. Total Lottery expenses for both contracts for the fiscal year ending June 30, 2022 were \$14,224,789. These expenses are included in Game Vendor Charges on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

In May 2022 Lottery issued commitments to purchase 895 Video Lottery<sup>SM</sup> gaming terminals. At June 30, \$10,985,050 remained to be purchased in fiscal year 2023.

## **B. Unemployment Benefits**

State employees who qualify are entitled to benefit payments during periods of unemployment. Each state agency is required to reimburse the Employment Department for benefit payments made to former employees. There is no practical method of estimating the amount of future benefit payments that may be made to former employees for wage credits earned prior to fiscal year end. Consequently, this potential obligation is not reported in the accompanying financial statements. For the fiscal year ended June 30, 2022, \$31,850 of reimbursements were expensed.

## **11. Employee Retirement Plan**

### **A. General Information**

The State of Oregon participates in the Oregon Public Employees Retirement System (PERS) plan. As an agency of the State of Oregon, eligible Lottery employees receive pension benefits through the plan. PERS is a defined benefit, cost-sharing multiple-employer plan, administered by the Public Employees Retirement Board (Board) as required by Chapters 238 and 238(A) of the Oregon Revised Statutes (ORS). Board members are appointed by the governor and confirmed by the state Senate.

Pension benefits are based on hire dates and are provided under the PERS plan or the Oregon Public Service Retirement Plan (OPSRP). PERS members who established membership before January 1, 1996 receive PERS Tier 1 benefits while those who established membership on or after that date receive PERS Tier 2 benefits. The PERS plan was closed to new members on August 28, 2003. Eligible employees hired after that date are members of OPSRP. Both plans provide a life pension, death, and disability benefits.

#### Pension Benefit

Tier 1/Tier 2 member's basic pension benefits are calculated based on years of service and final average salary, multiplied by 1.67 percent for general service employees and 2.0 percent for police and fire (P&F) employees. Benefits may also be calculated under a money match computation if a greater benefit results. For members contributing prior to August 21, 1981 benefits may also be calculated under a formula plus annuity computation. Pension benefit options include survivorship and lump sum refunds. The retirement allowance is payable monthly for life.

Tier 1 full pension benefits are available at age 58 (age 55 for P&F) or any age with 30 years of service (25 for P&F). There is a reduced benefit option available at age 55 (50 for P&F) and fewer than 30 years of service (25 for P&F). Tier 2 members can retire at age 60.

OPSRP member pension benefits are calculated based on years of service and the final average salary multiplied by 1.5 percent for general service employees and 1.8 percent for P&F. General service employees may retire at 65 or at age 58 with 30 years of service. P&F employees are eligible at age 60 or age 53 with 25 years of service.

OPSRP also includes the Individual Account Program (IAP) for employee contributions. Beginning January 1, 2004 all Tier 1/Tier 2 plan non-retired members also established an account in the IAP. Prior to July 1, 2020 all employee contributions were deposited in the member's account along with earnings. Beginning July 1, 2020 employee's whose monthly salary exceeds established monthly thresholds have a portion of their contributions redirected to an Employee Pension Stability Account (EPSA) which will be used to pay for part of the future pension benefit. Employees have the option to make additional voluntary contributions to replace any redirected amounts. IAP accounts are reduced by administrative expenses and losses. At retirement, IAP account balances are distributed to employees through a choice of a lump-sum payment or annuity options. Tier 1/Tier 2 employee contributions prior to January 1, 2004 remain in the member's defined benefit account.

#### Death Benefit

Upon the death of a non-retired PERS Tier 1/Tier 2 member the beneficiary receives a lump-sum refund of the member's accumulated contributions and interest. The beneficiary also receives a lump-sum payment from employer funds equal to the account balance. Upon the death of a non-retired OPSRP member the spouse (or person constitutionally required to be treated as a spouse) receives a life pension at 50 percent of what would have been paid to the member.

Disability Benefit

All members can receive non job-related disability benefits after 10 years of service. Job-related disability is available for any length of service. Tier 1/Tier 2 monthly benefits are calculated with service time to age 58 (55 for P&F). OPSRP members receive 45 percent of their salary during the last full month of service.

Benefit Changes

After retiring, PERS plan members may choose to continue participation in a variable equities investment account and may experience benefit fluctuations due to changes in the market value of equity investments. Cost-of-living benefit adjustments (COLA) for both PERS and OPSRP members are required annually in current Oregon statutes. For service time before October 1, 2013 adjustments are tied to the Portland Consumer Price Index with a 2% annual cap. Service time on or after October 1 receives a 1.25% increase on the first \$60,000 of annual benefit and .15% for benefit over \$60,000. The Oregon legislature has authority to change benefits.

Contributions

As required by Oregon statute, employer contribution rates are actuarially determined and allow accumulation of assets sufficient to pay defined pension benefits when due. Employer contribution rates are expressed as a percentage of covered payroll. The Board’s practice is to implement new rates in each odd-numbered year based on the valuation of the previous odd-numbered year. Rates used in fiscal year 2022 were effective July 1, 2021 and based on the December 31, 2019 valuation. Lottery contributions in fiscal year 2022 were \$7,046,673.

Set by statute, Lottery employees contribute 6 percent of covered salary to their IAP account. However, beginning in July 2020 a portion of monthly employee contributions may be redirected to the employee’s EPSA account and used to fund their pension benefit. Redirects are required when the PERS system is less than 90% funded and an employee’s monthly salary exceeds the monthly salary threshold established by the legislature. The percentage of monthly contributions redirected is determined by plan. For Tier 1/Tier 2 members 2.5 percent of employee contribution is redirected and for OPSRP members .75 percent is redirected.

**B. Net Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

The collective net pension liability, measured as of June 30, 2021, is based on the December 31, 2019 actuarial valuation rolled forward to the measurement date. IAP accounts are not included in the measurement of the total pension liability. Assumptions used for the measurement include the following table below and are continued on the next page:

Experience Study Report	2018, published July 2019
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Inflation Rate	2.40 percent
Investment Rate of Return	6.90 percent
Projected Salary Increases	3.40 percent
Cost of living adjustments (COLA)	Blend of 2.00 percent COLA and graded COLA (1.25/0.15) percent in accordance with Moro decision; blend based on service.
Mortality	<u>Healthy retirees and beneficiaries:</u> Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Active members:</u> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Disabled Retirees:</u> Pub-2010 Disable Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

The discount rate used to measure the collective pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed contributions from contributing employers and plan members are made at the actuarially determined rates required to meet projected benefit payments. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments.

The long-term expected rate of return used in projecting the collective pension liability is based on a forward-looking capital market economic model. The assumed asset allocation is based on the Oregon Investment Council's (OIC) target allocation and actual investments in June 2021 based on the target. Using the OIC description of asset classes, investments were mapped to the asset classes and percentages below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. The following assumptions were used:

Asset Class	Target Allocation	Annual Arithmetic Return	20-Year	
			Annualized Geometric Mean	Annual Standard Deviation
Global Equity	30.62%	7.11%	5.85%	17.05%
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50	1.77	1.76	1.20
Assumed Inflation - Mean			2.40%	1.65%

PERS actuarially determined each employer's proportionate share by comparing each employer's projected long-term contribution effort to the plan with the total projected long-term contribution effort of all employers. The projected long-term contribution effort is estimated by combining the present value of projected future normal cost contributions with projected contributions required for past unfunded actuarial liabilities (UAL) and reducing those projections with any transition surpluses, lump sum payments from employers, and pre-State and Local Government Rate Pool (SLGRP) surpluses at the valuation date. Estimated future normal cost rate contributions represent future service contributions while UAL estimated contributions represent contributions for past service. PERS has determined employer transition liabilities to meet the definition of separately financed employer liabilities and are not included in the projected contribution effort. The State of Oregon's proportion was 26.29% as of the prior June 30, 2020 measurement date and increased to 27.24% as of the June 30, 2021 measurement date.

The State of Oregon's proportionate share of the net pension liability was allocated to individual funds based on actual fiscal year 2021 contributions. Lottery is .94 percent of the State's share, a decrease of .22 percent from the June 30, 2020 measurement date. Lottery's proportion of the State's share equates to .26 percent of the collective net pension liability. On June 30, 2022 Lottery reported a net pension liability of \$30,791,310. The following demonstrates Lottery's proportionate share of the net pension liability/(asset) sensitivity to a 1 percentage point change in the discount rate:

1% higher discount rate –7.9%	\$ 5,963,723
1% lower discount rate – 5.9%	\$60,466,766

For the year ended June 30, 2022 Lottery recognized pension revenue of \$8,913,527. At June 30, 2022 Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources on the following page:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,882,268	\$ -
Changes in assumptions	7,707,992	(81,035)
Net difference between projected and actual earnings on investments	-	(22,794,568)
Changes in proportion and differences between fund contributions and proportionate share of contributions	2,441,152	(1,164,165)
Lottery contributions subsequent to the measurement date	7,046,673	-
	<u>\$ 20,078,085</u>	<u>\$ (24,039,768)</u>

Lottery contributions subsequent to the measurement date will reduce the net pension liability in the upcoming fiscal year. Other deferred amounts will be included in pension expense as shown in the following table:

Fiscal Year Ending June 30	Amount to Pension Expense
2023	\$ (1,643,085)
2024	(1,876,140)
2025	(2,967,703)
2026	(5,297,133)
2027	775,705
Thereafter	-
Total	<u>\$ (11,008,356)</u>

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report on the PERS website at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2021-ACFR.pdf>

## 12. Other Postemployment Benefit Plans

Oregon Lottery employees may be eligible for post-retirement insurance coverage through three other postemployment benefit (OPEB) plans available. Two plans are administered by the Public Employees Retirement System (PERS) and the other is administered by the Public Employees Benefit Board (PEBB). Lottery, as an enterprise fund of the State of Oregon, recognizes a portion of each plan in the financial statements.

### A. Plans Administered by the Public Employees Retirement System

The Retirement Health Insurance Account (RHIA), administered by PERS, is a cost-sharing, multiple-employer OPEB plan. The plan authorizes a payment of up to \$60 towards the monthly cost of health insurance for eligible PERS members. To be eligible the PERS member must have eight or more years of qualifying service in PERS at the time of retirement, receive both Medicare Parts A and B coverage, and enroll in a PERS-sponsored health plan. The coverage also extends to members receiving a disability allowance, as if the member had at least eight years of creditable service. A surviving spouse or dependent of a deceased PERS retiree is eligible if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time of the member's death and the member retired before May 1, 1991. The plan is closed to entrants hired on or after August 29, 2003.

The RHIA plan and benefit amount is established by ORS 238.420. There are no automatic or ad-hoc adjustments to the benefit amount in the statute.

The other plan administered by PERS is the Retiree Health Insurance Premium Account (RHIPA). This plan is a single employer plan with the State of Oregon as the single employer. As authorized by ORS 238.415 retirees receive payment for the average difference between the health insurance premiums paid by retired state employees and the premiums paid by active state employees. The average amount is determined by the PERS Board on or before January 1 of each year. This plan is closed to entrants hired on or after August 29, 2003.

Retirees are eligible for the RHIPA plan if they have eight or more years of qualifying service but are not eligible for federal Medicare coverage. Retirees receiving a disability pension are also eligible if the pension was calculated as if they had eight or more years qualifying service and are not receiving federal Medicare coverage. A surviving spouse or dependent of a retired state employee is eligible if he or she is receiving a retirement benefit from PERS or was insured at the time the member died and the member retired on or after September 29, 1991.

Both plans are required by statute to be funded through employer contributions actuarially necessary to fund the liabilities of the plans. Employer contribution levels must be established by the PERS Board using the same actuarial assumptions it uses to determine employer contribution rates for the Public Employees Retirement Fund. Contribution rates for the fiscal year ending June 30, 2022 were effective July 1, 2021 and based on the December 31, 2019 valuation. The rates are a percentage of covered payroll and vary by the retirement plan of the participant. The contribution rates and amounts contributed by Lottery during the year ended June 30, 2022 are shown in the following table:

	<b>RHIA</b>		<b>RHIPA</b>	
	PERS Tier 1/Tier 2	OPSRP	PERS Tier 1/Tier 2	OPSRP
Normal Cost	0.05%	0.00%	0.11%	0.00%
Unfunded Actuarial Liability	0.00%	0.00%	0.17%	0.17%
Total Required Rate	<u>0.05%</u>	<u>0.00%</u>	<u>0.28%</u>	<u>0.17%</u>
Amounts Contributed	\$ 6,965	\$ -	\$ 39,004	\$ 47,103

Both plans use assumptions and other inputs to measure the total OPEB liability. These assumptions and inputs are shown in the table on the following page:

	RHIA	RHIPA
Plan Type	Cost-Sharing Multiple Employer	Single Employer (State of Oregon)
Valuation date	December 31, 2019	December 31, 2019
Measurement date	June 30, 2021	June 30, 2021
Experience Study	2018, published July 24, 2019	2018, published July 24, 2019
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.40 percent	2.40 percent
Long-term expected rate of return	6.90 percent	6.90 percent
Discount rate	6.90 percent	6.90 percent
Projected salary increases	3.40 percent	3.40 percent
Retiree healthcare participation	Healthy retirees: 32%, Disabled retirees: 20%	8-14 years of service: 10% 15-19 years of service: 15% 20-24 years of service: 19% 25-29 years of service: 26% 30+ years of service: 34%
Healthcare cost trend rate	Not Applicable	Applied at beginning of plan year, starting with 7.1% for 2019, decreasing to 4.9% for 2025, increasing to 5.0% for 2030, and decreasing to an ultimate rate of 4.0% for 2074 and beyond
Mortality	<p><b>Healthy retirees and beneficiaries:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>	<p><b>Healthy retirees and beneficiaries:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p><b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

For both plans, the projections of cash flows used to determine the discount rate assumes that employer(s) contributions are made at the contractually required rates, as actuarially determined.

The long-term expected rate of return for both plans is the same as that used for pension benefit projections. A description of how this rate is determined and information on the assumed asset allocation of the portfolio is included in Note 11(B). This long-term rate was applied to all periods of projected benefit payments to determine the total OPEB liability for both plans.

For the RHIA cost-sharing multiple-employer plan, employer proportionate share was determined by comparing the employer's actual, legally required contributions made during the measurement date fiscal year to the total actual contributions made during that period by all employers. For both plans, the State of Oregon's internal allocation among funds was based on fiscal year 2021 actual contributions from each fund. Lottery's share of both plans is shown below. The amounts are measured as of June 30, 2021 based on a December 31, 2019 actuarial valuation rolled forward. Effects of a 1 percentage point change in the healthcare cost trend rate and the discount rate are also shown in the table on the following page:

	RHIA	RHIPA
State of Oregon Share of Plan	39.50%	100.00%
Lottery Percent of State of Oregon Share	1.04%	.94%
Lottery Share of Net OPEB Liability/(Asset)	\$ (1,416,104)	\$ (145,040)
Lottery Share with:		
1% increase in healthcare cost trend rate	N/A	\$ (90,201)
1% decrease in healthcare cost trend rate	N/A	\$ (194,103)
1% increase in the discount rate – 7.9%	\$ (1,556,001)	\$ (179,339)
1% decrease in the discount rate – 5.9%	\$ (1,252,336)	\$ (108,423)

In the fiscal year ending June 30, 2021, Lottery recognized expense for the RHIA and RHIPA plans in the following amounts respectively; \$117,397 and \$(80,663). The following table shows the balances of Lottery's deferred outflows and inflows for the two plans:

	RHIA		RHIPA	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ (39,399)	\$ -	\$ (64,055)
Changes in assumptions	27,863	(21,066)	10,512	(51,138)
Net difference between projected and actual earnings on investments	-	(336,541)	-	(73,796)
Changes in proportion and differences between fund contributions and proportionate share of contributions	68,917	(294,815)	-	-
Contributions Subject to Measurement Date	6,965	-	86,107	-
	<u>\$ 103,745</u>	<u>\$ (691,821)</u>	<u>\$ 96,619</u>	<u>\$ (188,989)</u>

Contributions subsequent to the measurement date will reduce the liability in the upcoming fiscal year. The other deferred amounts will increase/(reduce) OPEB expense as follows:

Fiscal Year Ending June 30	RHIA	RHIPA
2022	\$ (222,673)	\$ (41,215)
2023	(189,226)	(40,741)
2024	(76,833)	(41,119)
2025	(106,309)	(43,092)
2026	-	(11,248)
Thereafter	-	(1,063)
Total	<u>\$ (595,041)</u>	<u>\$ (178,478)</u>

Detailed information about the PERS other postemployment benefit plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report on the PERS website at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2021-ACFR.pdf>

**B. Plan Administered by the Public Employees Benefit Board**

The Public Employees Benefit Board (PEBB), through the authority of Oregon Revised Statutes Chapter 243, offers healthcare assistance to eligible retired employees and their beneficiaries. The PEBB plan is a single-employer plan (State of Oregon) that allows retired employees to continue their health insurance coverage on a self-pay basis until they are eligible for Medicare. The premium rate for retired employees is determined by pooling the retirees with active employees and thus creates an implicit rate subsidy. Employees are eligible if they retire and are immediately eligible for a pension benefit from PERS. In addition, the retiree must have been enrolled in a PEBB medical or dental plan immediately prior to retirement. Retirees must apply for retiree coverage within 60 days of the end of their active coverage.

The total OPEB liability for the PEBB plan was actuarially measured as of July 1, 2021 and projected forward to June 30, 2022. In projecting the future benefits the discount rate used is based on the Bond Buyer 20-Year General Obligation Bond Index as of June 30, 2022. There are no assets accumulated for payment of the liability. The following table shows significant assumptions used:

Valuation Date	July 1, 2021
Measurement Date	June 30, 2022
Discount Rate	3.54%
Health Care Cost Trend	Pursuant to ORS 243.135(8), growth in per-member expenditures under self-insured plans and premium amounts is assumed to be 3.4% per year
General Inflation	2.0% per year
Annual Salary Increases	3.0% per year
Mortality	General Service and Beneficiary table: Pub-2010 General Employees table, separate Employee/Healthy Annuitant, sex distinct, generational, set back 12 months for males, no setback for females. Mortality rates for active male participants are 115% of the above rates, and for active female participants are 125% of the above rates. Police & Fire table: Pub-2010 Public Safety table, Employee/Healthy Annuitant, sex distinct, generational, no setback for males, set back 12 months for females. Mortality rates for active male participants are 100% of the above rates, and for active female participants are 100% of the above rates. Improvement Scale: Unisex Social Security Data Scale (60-year average), with data through 2015.
Participation and Lapse Rates	30% of active members are assumed to elect medical coverage. Of those, 85% are assumed to elect dental coverage. 7% are assumed to drop coverage each year.
Actuarial Cost Method	Entry Age Normal, level percent of salary

Lottery, as a fund of the State of Oregon, recognizes a portion of the total liability. Fund proportions are based on each fund’s fiscal year 2022 actual contributions. Lottery’s share of the liability at June 30, 2022 is \$955,560 which is 0.77 percent of the State of Oregon’s liability. The sensitivity of the liability to changes in the discount rate and healthcare cost trend rate are shown in the table on the following page:

Lottery Share with:	
1% increase in healthcare cost trend rate – 4.4%	\$ 1,081,011
1% decrease in healthcare cost trend rate – 2.4%	\$ 849,543
1% increase in the discount rate – 4.54%	\$ 890,867
1% decrease in the discount rate – 2.54%	\$ 1,024,641

For the fiscal year ended June 30, 2022 Lottery recognized \$80,766 of expense for the PEBB plan. The following table shows the balances of Lottery’s deferred outflows and inflows for the plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (118,674)
Changes in assumptions	22,907	(224,655)
Total	<u>\$ 22,907</u>	<u>\$ (343,329)</u>

The amounts will reduce Lottery’s proportion of OPEB expense in future years as follows:

Fiscal Year Ending June 30,	
2023	\$ (50,736)
2024	(50,736)
2025	(50,736)
2026	(47,947)
2027	(51,005)
Years thereafter	(69,262)
Total	<u>\$ (320,422)</u>

### 13. Risk Financing

The State of Oregon administers property and casualty insurance programs covering State government through its Insurance Fund (included in the Central Services Fund). The Insurance Fund services claims for direct physical loss or damage to state property; tort liability claims brought against the State, its officers, employees, or agents; workers’ compensation; cyber security liability, employee dishonesty; and faithful performance coverage for certain positions required by law to be covered and other key positions.

As a state agency, the Lottery participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each state agency based on its share of services provided in a prior period. The total statewide assessment for each coverage type is based on independent biennial actuarial forecasts and administrative costs, less any available equity in the Insurance Fund from the prior biennium. Lottery’s fiscal year 2022 share of the 2021-2023 biennial assessment was \$920,199. The Fund also charged \$202,994 for Lottery specific cyber security policies. For the Lottery, the amount of claim settlements did not exceed insurance coverage for each of the past three fiscal years.

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# **Required Supplementary Information**

**Schedule of Lottery Proportionate Share of the Net Pension Liability/(Asset)**  
**Oregon Public Employees Retirement System Plan (PERS)**  
**Last Ten Measurement Dates\***  
(Dollars in Millions)

<b>Oregon State Lottery</b>					
As of June 30,	Percent of Collective Net Pension Liability/(Asset)	Share of Collective Net Pension Liability/(Asset)	Covered Payroll	Share of Collective Net Pension Liability/ (Asset) as a Percentage of Covered Payroll	PERS Fiduciary Net Position as a Percent of Total Pension Liability
2021	0.3%	\$ 30.8	\$ 34.7	88.8%	87.6%
2020	0.3%	72.1	43.5	165.8%	75.8%
2019	0.3%	43.5	31.9	136.4%	80.2%
2018	0.3%	38.2	32.1	119.0%	82.1%
2017	0.2%	29.8	30.7	97.1%	83.1%
2016	0.2%	34.4	30.1	114.1%	80.5%
2015	0.2%	11.4	28.1	40.6%	91.9%
2014	0.2%	(4.5)	23.7	-19.0%	103.6%
2013	0.2%	10.1	23.8	42.6%	92.0%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Pension Contributions**  
**Oregon Public Employees Retirement System Plan (PERS)**  
**Last Ten Fiscal Years\***  
(Dollars in Millions)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 7.0	\$ 7.0	\$ -	\$ 41.6	16.93%
2021	5.2	5.2	-	34.7	14.94%
2020	6.5	6.5	-	43.5	14.87%
2019	3.5	3.5	-	31.9	10.97%
2018	3.5	3.5	-	32.1	10.90%
2017	2.3	2.0	0.3	30.7	6.48%
2016	2.3	2.0	0.3	30.1	6.75%
2015	1.5	1.9	(0.4)	28.1	6.60%
2014	2.0	1.9	0.1	23.7	8.07%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of the Net OPEB Liability/(Asset)**  
**Oregon Public Employees Retirement System Retiree Health Insurance Account (RHIA)**  
**Last Ten Measurement Dates\***  
(Dollars in Thousands)

<b>Oregon State Lottery</b>					
As of June 30,	Percent of Collective Net OPEB Liability/(Asset)	Share of Collective Net OPEB Liability/(Asset)	Covered Employee Payroll	Share of Collective Net OPEB Liability/ (Asset) as a Percentage of Covered Payroll	RHIA Fiduciary Net Position as a Percent of Total OPEB Asset
2021	0.41%	\$ (1,416)	\$ 34,678	-4.08%	183.90%
2020	0.33%	(681)	43,498	-1.57%	150.10%
2019	0.31%	(593)	31,945	-1.86%	144.40%
2018	0.30%	(334)	32,099	-1.04%	124.00%
2017	0.25%	(104)	30,651	-0.34%	108.90%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery OPEB Contributions**  
**Oregon Public Employees Retirement System RHIA**  
**Last Ten Fiscal Years\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 7	\$ 7	\$ -	\$ 41,617	0.02%
2021	7	7	-	34,678	0.02%
2020	23	23	-	43,498	0.05%
2019	147	147	-	31,945	0.46%
2018	149	149	-	32,099	0.46%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of Net OPEB Liability/(Asset)**  
**Oregon Public Employees Retirement System Retiree Health Insurance Premium Account (RHIPA)**  
**Last Ten Measurement Dates\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Oregon State Lottery				PERS Fiduciary Net Position as a Percent of Total OPEB Liability
	Percent of State of Oregon Net OPEB Liability/(Asset)	Share of State of Oregon Net OPEB Liability/ (Asset)	Covered Employee Payroll	Share of State of Oregon Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	
2021	0.94%	\$ (145)	\$ 34,678	-0.42%	124.6%
2020	1.24%	124	43,498	0.28%	84.5%
2019	0.99%	250	31,945	0.78%	64.9%
2018	1.02%	359	32,099	1.12%	49.8%
2017	0.81%	377	30,651	1.23%	34.3%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery OPEB Contributions**  
**Oregon Public Employees Retirement System RHIPA**  
**Last Ten Fiscal Years\***  
(Dollars in Thousands)

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2022	\$ 86	\$ 86	\$ -	\$ 41,617	0.21%
2021	108	108	-	34,678	0.31%
2020	141	141	-	43,498	0.32%
2019	136	136	-	31,945	0.43%
2018	137	137	-	32,099	0.43%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Schedule of Lottery Proportionate Share of OPEB Liability**  
**Public Employees Benefit Board (PEBB)**  
**Last Ten Measurement Dates\***  
(Dollars in Millions)

As of June 30,	Percentage of OPEB Liability	Share of OPEB Liability	Covered Employee Payroll	Share of Liability as a Percent of Covered Payroll
2022	0.77%	1.0	\$ 42.2	2.3%
2021	0.76%	1.1	36.0	3.2%
2020	0.86%	1.3	40.5	3.2%
2019	0.83%	1.3	37.0	3.5%
2018	0.92%	1.4	33.5	4.2%

\*Additional years will be presented as they become available.  
(See Notes to Required Supplementary Information)

**Notes to Required Supplementary Information**

Pension Schedules

- In 2013 the Oregon Legislature adopted changes reducing future cost of living adjustments. This reduced the liability as of June 30, 2014. The reduction to benefits was challenged and a significant portion of the legislation was reversed by the Oregon Supreme Court in April 2015. Consequently, the liability at June 30, 2015 increased.
- The PERS Board adopted assumption changes that were used to measure the June 30, 2016 pension liability. Included in the changes was a reduction of the long-term expected rate of return to 7.5 percent, a lowering of the assumed inflation rate to 2.5 percent, as well as changes in the assumptions for mortality, merit increases and other wage benefits affecting retiree benefits.
- For the June 30, 2018 measurement of the pension liability, the PERS Board adopted assumptions that lowered the long-term expected rate of return to 7.2 percent as well as updated healthy retiree and healthy mortality assumptions that reflected updated trends and mortality improvement scale for all groups.
- Senate Bill 1049, signed into law in June 2019, imposed a limit of \$195,000 of annual salary included in the calculation of benefits. This limit is effective in 2020 and is indexed in future years.
- Assumption changes for the June 30, 2021 measurement date included a reduced long-term expected rate of return of 6.9 percent and an inflation rate which was lowered to 2.4 percent from 2.5 percent. The healthy mortality assumption was changed to reflect an updated mortality improvement scale for all groups and assumptions for merit increases, unused sick leave and vacation pay were updated.
- The Public Employees Retirement System (PERS) issues a publicly available financial report that includes financial statements and required supplementary information. The report can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Other Post Employment Plan (OPEB) Schedules

- The Public Employees Retirement System (PERS) issues a publicly available financial report that includes financial statements and required supplementary information for the RHIA and RHIPA plans. The report can be obtained at <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>
- For the June 30, 2018 measurement, the PERS Board adopted assumptions that lowered the long-term expected rate of return to 7.2 percent as well as updated healthy retiree and healthy mortality assumptions that reflected updated trends and mortality improvement scale for all groups.

- The June 30, 2021 RHIA and RHIPA measurement includes an assumed long-term expected rate of return of 6.9 percent (reduced from 7.2 percent). Additionally, the healthcare participation and healthy mortality assumptions were changed to reflect updated trends and mortality improvement scale for all groups.
- The PEBB plan does not accumulate assets to pay benefits and does not issue a financial report.



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# Supplementary Information

**Oregon State Lottery**  
**An Enterprise Fund of the State of Oregon**  
**Budgetary (Non-GAAP) Basis Comparison Schedule**  
For the Fiscal Year Ended June 30, 2022

	<u>Actual</u>	<u>Budget</u> <sup>(1)</sup>	Variance Favorable/ (Unfavorable)
<b>Revenue</b>			
Video Lottery <sup>SM</sup> (Gross Receipts)	\$16,619,112,553	\$16,550,010,946	\$69,101,607
Sports Wagering (Gross Receipts)	399,734,423	413,209,094	(13,474,671)
Scratch-its <sup>SM</sup> Instant Tickets	163,404,873	169,160,436	(5,755,563)
Keno	112,010,235	110,286,873	1,723,362
Powerball <sup>®</sup>	57,488,112	56,558,499	929,613
Megabucks <sup>SM</sup>	29,404,998	30,653,990	(1,248,992)
Mega Millions <sup>®</sup>	24,614,302	24,089,292	525,010
Raffle <sup>SM</sup>	2,499,710	2,500,000	(290)
Win For Life <sup>SM</sup>	3,821,104	3,825,709	(4,605)
Lucky Lines <sup>SM</sup>	1,932,814	1,916,846	15,968
Pick 4 <sup>SM</sup>	1,971,791	1,994,273	(22,482)
Total Revenue	<u>17,415,994,915</u>	<u>17,364,205,958</u>	<u>51,788,957</u>
Prize Expense	<u>15,994,347,611</u>	<u>15,956,583,742</u>	<u>(37,763,869)</u>
Net Revenue	<u>1,421,647,304</u>	<u>1,407,622,216</u>	<u>14,025,088</u>
<b>Direct Expenses</b>			
Retailer Commissions	313,576,943	324,055,841	10,478,898
Game Vendor Charges	24,871,577	20,505,877	(4,365,700)
Tickets	3,111,560	3,380,110	268,550
Advertising	5,785,505	8,078,000	2,292,495
Sales Support	542,447	665,749	123,302
Game Equipment/Parts & Maintenance	5,681,596	10,345,766	4,664,170
Depreciation	19,644,086	20,436,911	792,825
Total Direct Expenses	<u>373,213,714</u>	<u>387,468,254</u>	<u>14,254,540</u>
Gross Profit	<u>1,048,433,590</u>	<u>1,020,153,962</u>	<u>28,279,628</u>
<b>Indirect Revenue</b>			
Other Income (Loss)	<u>(9,464,203)</u>	<u>3,167,000</u>	<u>(12,631,203)</u>
<b>Indirect Expenses</b>			
Public Information	902,247	1,134,500	232,253
Research	277,623	767,769	490,146
Personal Services	47,383,525	66,975,928	19,592,403
Services and Supplies	19,598,400	42,652,922	23,054,522
Depreciation	3,127,120	3,141,006	13,886
Interest Expense	168,369	164,133	(4,236)
Total Indirect Expenses	<u>71,457,284</u>	<u>114,836,258</u>	<u>43,378,974</u>
Net Profit	<u>\$967,512,103</u>	<u>\$908,484,704</u>	<u>\$59,027,399</u>

(1) Budget adopted by the Lottery Commission and adjusted by the Economic and Revenue Forecasts published by the Department of Administrative Services throughout the year.



**OREGON**  
**LOTTERY™**

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# Statistical Section

## Statistical Section

### Index

This part of the Oregon State Lottery's annual comprehensive financial report presents detailed information to provide context for understanding what the information in the financial statements and note disclosures say about the Lottery's overall financial health.

#### Financial Trends

These schedules contain trend information to help the reader understand how the Lottery's financial performance has changed over time. Prior to fiscal year 2013, net position was referred to as net assets and net investment in capital assets was referred to as invested in capital assets. Prior year terminology has been renamed in these schedules for comparability.

- Net Position by Component
- Changes in Net Position

#### Revenue Capacity

These schedules contain information to help the reader assess the Lottery's most significant revenue source, Lottery game sales income. The sales amounts reported for the top ten retailers and sales by county are based on Lottery's business year, which is slightly different than its fiscal year of July 1 through June 30. The business year begins on the Sunday following the last Saturday in June and ends on the last Saturday in the following June.

- Sales by Product
- Product Percent of Total Sales
- Top Ten Retailers
- Number of Lottery Retailers and Sales by County

#### Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Lottery's financial activities take place.

- Demographic and Economic Data – State of Oregon
- Employment by Industry – State of Oregon
- Demographic Profile of Oregon Lottery Players

#### Operating Information

These schedules contain data to help the reader understand how the information in Lottery's financial report relates to the products it provides and the activities it performs. There are many factors that impact the level of demand for Lottery products. Game themes, play styles, price points, and prize payouts typically impact the sales of instant ticket games. For Video Lottery<sup>SM</sup>, the level of demand is generally impacted by variety of game choices, entertaining and sophisticated graphics, and convenience of available retailer locations.

- Number of Employees
- Operating Indicators and Capital Asset Information

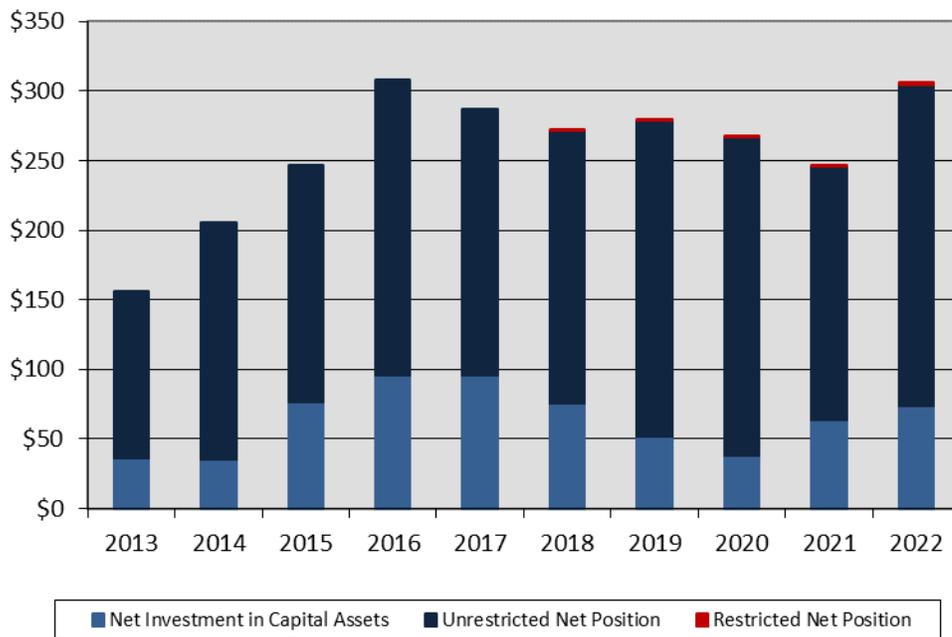
Note: The Lottery does not issue long-term debt; thus, information on debt capacity is not relevant.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial report or the audited financial statements for the applicable year.

**Oregon State Lottery**  
**Net Position by Component**  
 Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Unrestricted Net Position	Restricted Net Position	Total Net Position
2013	\$ 36,047,854	\$ 119,849,568		\$ 155,897,422
2014	35,206,297	170,106,781		205,313,078
2015	76,354,491	169,997,090		246,351,581
2016	95,316,854	212,344,474		307,661,328
2017	95,749,372	190,972,061		286,721,433
2018	75,952,509	195,453,450	\$ 104,211	271,510,170
2019	52,108,890	226,297,385	333,846	278,740,121
2020	38,040,215	228,592,534	592,770	267,225,519
2021	63,784,030	182,482,620	680,959	246,947,609
2022	73,362,750	231,234,876	1,561,144	306,158,770

**Net Position**  
 (In Millions)



**Oregon State Lottery**  
**Changes in Net Position**  
Last Ten Fiscal Years

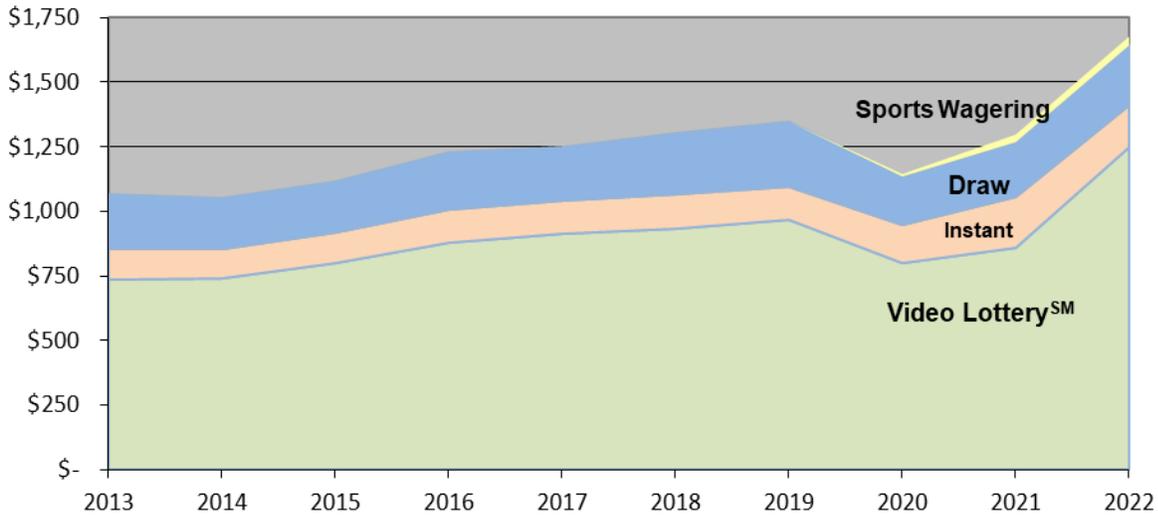
	2013	2014	2015	2016
<b>Operating Revenues</b>				
Sales:				
Video Lottery <sup>SM</sup> (Net Receipts)	\$ 720,510,190	\$ 727,124,878	\$ 737,370,280	\$ 742,730,503
Sports Wagering (Net Receipts)				
Scratch-its <sup>SM</sup> Instant Tickets	117,079,308	109,034,321	119,578,108	131,599,460
Keno	91,636,954	92,443,482	93,035,050	95,826,162
Powerball <sup>®</sup>	58,322,876	45,049,124	37,091,247	63,821,261
Megabucks <sup>SM</sup>	38,084,764	28,372,873	33,329,803	33,031,579
Mega Millions <sup>®</sup>	11,823,070	22,333,065	20,468,872	18,823,156
Raffle <sup>SM</sup>	4,998,300	4,997,060	7,488,730	2,499,840
Win For Life <sup>SM</sup>	4,845,906	4,532,922	4,082,661	3,854,189
Lucky Lines <sup>SM</sup>	2,317,312	1,918,288	1,771,994	2,001,358
Pick 4 <sup>SM</sup>	1,351,260	1,397,158	1,435,284	1,566,384
Recovery of (Provision for) Uncollectibles	(44,280)	971	(4,594)	18,485
Other Income	1,410,594	177,786	382,438	672,544
<b>Total Operating Revenues</b>	<b>1,069,196,344</b>	<b>1,052,987,553</b>	<b>1,117,237,776</b>	<b>1,230,189,728</b>
<b>Operating Expenses</b>				
Prizes	206,836,815	206,571,490	211,444,280	239,317,411
Retailer Commissions	204,921,077	203,727,883	215,514,570	234,963,289
Salaries and Wages	36,504,315	39,443,617	37,055,741	54,427,617
Depreciation and Amortization	12,982,414	13,542,859	20,134,347	23,863,609
Services and Supplies	10,787,865	11,278,132	11,829,146	15,876,801
Game Vendor Charges	8,777,088	8,638,986	8,931,443	9,891,910
Advertising and Market Research	5,483,097	7,610,400	9,549,598	9,705,469
Public Information	2,718,648	2,633,736	4,246,421	5,759,053
Tickets	3,363,077	2,956,834	3,213,208	3,138,033
Game Equipment Parts and Maintenance	1,496,442	2,265,927	1,885,491	1,734,280
Sales Support	1,067,653	1,674,670	1,263,959	633,721
<b>Total Operating Expenses</b>	<b>494,938,491</b>	<b>500,344,534</b>	<b>525,068,204</b>	<b>599,311,193</b>
<b>Operating Income</b>	<b>574,257,853</b>	<b>552,643,019</b>	<b>592,169,572</b>	<b>630,878,535</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest and Investment Income (Loss)	(2,982,432)	6,330,595	6,783,754	16,217,601
Insurance Recoveries	11,263	3,482	12,067	2,005
Gain (Loss) on Disposition of Assets	(969,699)	(257,250)	(1,473,869)	(98,971)
Investment Expenses - Securities Lending	(143,462)	(45,956)	(74,757)	(212,675)
Investment Expenses	-	-	(4,185)	(71,522)
Interest Expense	(330,386)	(315,269)	(325,227)	(316,029)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(4,414,716)</b>	<b>5,715,602</b>	<b>4,917,783</b>	<b>15,520,409</b>
<b>Income Before Transfers</b>	<b>569,843,137</b>	<b>558,358,621</b>	<b>597,087,355</b>	<b>646,398,944</b>
Transfers to Economic Development Fund	(546,923,919)	(507,250,297)	(545,948,950)	(583,179,120)
Transfers to General Obligation Bond Fund	(1,506,648)	(1,692,668)	(1,883,433)	(1,910,077)
<b>Change in Net Position</b>	<b>\$ 21,412,570</b>	<b>\$ 49,415,656</b>	<b>\$ 49,254,972</b>	<b>\$ 61,309,747</b>

2017	2018	2019	2020	2021	2022
\$ 914,071,290	\$ 933,980,026	\$ 966,474,906	\$ 797,498,371	\$ 860,326,742	\$ 1,246,146,763
			8,620,945	29,147,647	32,052,189
126,498,948	130,389,967	131,236,973	149,831,274	196,029,843	163,404,873
101,501,142	102,023,352	102,665,467	93,417,823	98,927,011	112,010,235
44,856,176	60,088,322	49,829,088	31,196,079	40,541,274	57,488,112
31,768,618	36,525,999	36,418,393	29,041,472	29,242,902	29,404,998
17,913,809	30,089,400	50,210,700	23,770,095	33,631,835	24,614,302
2,499,750	2,499,910	2,307,370	2,499,890	2,499,850	2,499,710
3,569,776	3,608,392	3,766,700	3,637,752	3,820,432	3,821,104
2,147,834	1,523,926	1,850,874	2,013,468	2,282,856	1,932,814
1,475,180	1,605,368	1,765,534	1,730,474	1,996,712	1,971,791
(10,109)	82,152	(54,947)	(253,303)	(39,809)	(35,471)
593,089	441,691	1,265,527	2,306,865	420,775	3,435,060
1,246,885,503	1,302,858,505	1,347,736,585	1,145,311,205	1,298,828,070	1,678,746,480
217,150,249	231,670,894	239,044,444	223,500,660	266,065,927	257,168,546
239,551,975	245,681,221	254,277,458	217,920,495	239,197,863	313,576,943
51,608,241	51,906,145	61,731,587	63,045,069	74,189,390	44,867,842
29,733,663	33,888,584	34,763,881	24,967,865	22,561,417	22,771,207
13,818,139	13,738,901	17,747,590	27,382,826	25,490,902	19,986,158
8,170,995	8,439,800	8,557,771	12,496,247	19,233,957	24,871,577
11,071,161	11,106,857	8,350,536	8,052,269	5,458,147	6,063,128
6,572,101	6,541,769	9,026,042	4,368,793	837,416	902,247
3,328,614	3,042,684	2,923,348	3,398,500	3,497,439	3,111,560
1,572,029	6,766,475	5,912,370	8,383,835	4,849,767	5,681,596
726,436	965,786	1,221,244	606,130	373,821	542,447
583,303,603	613,749,116	643,556,271	594,122,689	661,756,046	699,543,251
663,581,900	689,109,389	704,180,314	551,188,516	637,072,024	979,203,229
(481,760)	5,789,388	20,482,336	24,122,456	(2,561,203)	(8,970,219)
15,221	16,908	1,049	4,053	9,932	9,946
(12,653)	85,582	107,516	35,650	172,067	6,945
(369,908)	(334,504)	(118,278)	(529,448)	(32,558)	(40,107)
(13,939)	(12,012)	(168,928)	(14,028)	(14,083)	(13,640)
(639,028)	(713,548)	(643,275)	(585,429)	(484,467)	(484,102)
(1,502,067)	4,831,814	19,660,420	23,033,253	(2,910,312)	(9,491,177)
662,079,833	693,941,203	723,840,734	574,221,769	634,161,712	969,712,052
(695,750,970)	(706,350,736)	(714,417,052)	(583,442,933)	(652,457,782)	(908,300,942)
(1,835,887)	(1,981,793)	(2,193,731)	(2,293,438)	(1,981,840)	(2,199,949)
\$ (35,507,024)	\$ (14,391,326)	\$ 7,229,951	\$ (11,514,602)	\$ (20,277,910)	\$ 59,211,161

**Oregon State Lottery**  
**Sales by Product**  
 Last Ten Fiscal Years

Fiscal Year	Video Lottery <sup>SM</sup>	Sports Wagering	Instant Products	Draw Games					All Other Games	Total
				Keno	Powerball *	Mega Millions *	Oregon's Game Megabucks <sup>SM</sup>			
2013	\$ 737,370,280		\$ 117,079,308	\$ 91,636,954	\$ 58,322,876	\$ 11,823,070	\$ 38,084,764	\$ 13,512,778	\$ 1,067,830,030	
2014	742,730,503		109,034,321	92,443,482	45,049,124	22,333,065	28,372,873	12,845,428	1,052,808,796	
2015	798,578,183		119,578,108	93,035,050	37,091,247	20,468,872	33,329,803	14,778,669	1,116,859,932	
2016	876,475,310		131,599,460	95,826,162	63,821,261	18,823,156	33,031,579	9,921,771	1,229,498,699	
2017	914,071,290		126,498,948	101,501,142	44,856,176	17,913,809	31,768,618	9,692,540	1,246,302,523	
2018	933,980,026		130,389,967	102,023,352	60,088,322	30,089,400	36,525,999	9,237,596	1,302,334,662	
2019	966,474,906		131,236,973	102,665,467	49,829,088	50,210,700	36,418,393	9,690,478	1,346,526,005	
2020	797,498,371	\$ 8,620,945	149,831,274	93,417,823	31,196,079	23,770,095	29,041,472	9,881,584	1,143,257,642	
2021	860,326,742	29,147,647	196,029,843	98,927,011	40,541,274	33,631,835	29,242,902	10,599,850	1,298,447,104	
2022	1,246,146,763	32,052,189	163,404,873	112,010,235	57,488,112	24,614,302	29,404,998	10,225,419	1,675,346,891	

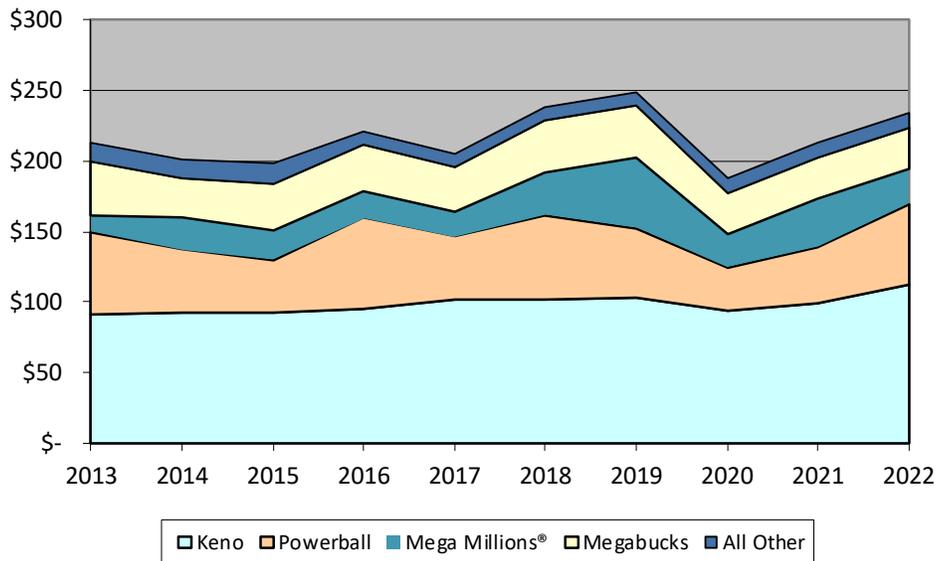
**Sales by Product Type**  
 (In Millions)



**Oregon State Lottery**  
**Product Percent of Total Sales**  
 Last Ten Fiscal Years

Fiscal Year	Video Lottery <sup>SM</sup>	Sports Wagering <sup>1</sup>	Instant Products	Draw Games				
				Keno	Powerball <sup>®</sup>	Mega Millions <sup>®</sup>	Oregon's Game Megabucks <sup>SM</sup>	All Other Draw Games
2013	69.1%		11.0%	8.6%	5.5%	1.1%	3.6%	1.1%
2014	70.5%		10.4%	8.8%	4.3%	2.1%	2.7%	1.2%
2015	71.5%		10.7%	8.3%	3.3%	1.8%	3.0%	1.4%
2016	71.3%		10.7%	7.8%	5.2%	1.5%	2.7%	0.8%
2017	73.3%		10.1%	8.1%	3.6%	1.4%	2.5%	1.0%
2018	71.7%		10.0%	7.8%	4.6%	2.3%	2.8%	0.8%
2019	71.8%		9.7%	7.6%	3.7%	3.7%	2.7%	0.8%
2020	69.8%	0.8%	13.1%	8.2%	2.7%	2.1%	2.5%	0.8%
2021	66.3%	2.2%	15.1%	7.6%	3.1%	2.6%	2.3%	0.8%
2022	74.4%	1.9%	9.8%	6.7%	3.4%	1.5%	1.8%	0.5%

**Draw Game Sales by Product**  
 (In Millions)



<sup>1</sup> Starting in 2022, Sports Wagering is no longer included in All Other Draw Sales and historical values have been restated.

**Oregon State Lottery**

**Top Ten Retailers**

Current Year and Nine Business Years Prior

		2022		
Rank	Retailer	Sales	Percent of Total Sales	County
1	Produce Row Café	\$ 5,175,789	0.46%	Multnomah
2	Independent Sports Bar & Grill	4,983,736	0.44%	Multnomah
3	The Pit Stop Sports Bar & BBQ Grill	3,313,614	0.29%	Washington
4	Winners Corner	2,643,411	0.23%	Multnomah
5	Foxy's #2	2,352,563	0.21%	Clackamas
6	Jonny's	2,253,401	0.20%	Clackamas
7	Tik Tok Restaurant & Bar	2,221,312	0.20%	Multnomah
8	Richards Deli and Pub	2,215,829	0.20%	Washington
9	Dotty's #24	2,194,388	0.19%	Multnomah
10	Dotty's #9	2,163,220	0.19%	Washington
Totals		\$ 29,517,263	1.31%	

Total Lottery Sales (FY) \$ 1,678,746,480

		2013		
Rank	Retailer	Sales	Percent of Total Sales	County
1	Deli Store	\$ 1,592,535	0.15%	Columbia
2	Dotty's #9	1,563,527	0.15%	Washington
3	Smokehouse Cafe #4	1,550,214	0.15%	Linn
4	Shari's-Airport Way #218	1,530,684	0.14%	Multnomah
5	Elmer's Pancake-Delta Park	1,478,136	0.14%	Multnomah
6	Original Joe's	1,449,595	0.14%	Multnomah
7	Elmer's	1,405,585	0.13%	Multnomah
8	Glass House Tavern	1,387,743	0.13%	Multnomah
9	Dotty's #27	1,377,895	0.13%	Multnomah
10	Dotty's #11	1,337,736	0.13%	Multnomah
Totals		\$ 14,673,650	1.39%	

Total Lottery Sales \$ 1,067,830,030

Source: Oregon State Lottery Business Analytics and Insights Department

**Oregon State Lottery**  
**Number of Lottery Retailers and Sales by County**  
For Business Year 2022

County	Sales		Retailers	
	Business Year Sales	Percent of Total Sales	Number of Lottery Retailers	Percent of Total Retailers
Multnomah	\$ 393,958,725	24.03%	858	21.06%
Washington	188,515,818	11.50%	350	8.59%
Clackamas	152,784,741	9.32%	363	8.91%
Marion	152,147,405	9.28%	363	8.91%
Lane	139,003,386	8.48%	371	9.11%
Jackson	83,162,881	5.07%	220	5.40%
Deschutes	67,819,945	4.14%	140	3.44%
Linn	52,692,845	3.21%	130	3.19%
Douglas	42,166,174	2.57%	148	3.63%
Josephine	36,610,766	2.23%	101	2.48%
Columbia	32,768,554	2.00%	74	1.82%
Yamhill	29,564,913	1.80%	96	2.36%
Klamath	28,052,310	1.71%	82	2.01%
Clatsop	26,798,881	1.63%	81	1.99%
Malheur	25,764,124	1.57%	46	1.13%
Umatilla	25,638,163	1.56%	85	2.09%
Lincoln	22,544,632	1.38%	80	1.96%
Polk	20,160,721	1.23%	59	1.45%
Coos	17,457,096	1.06%	64	1.57%
Benton	16,014,075	0.98%	56	1.37%
Tillamook	13,966,545	0.85%	56	1.37%
Wasco	12,224,840	0.75%	34	0.83%
Crook	10,909,395	0.67%	28	0.69%
Hood River	8,444,389	0.52%	25	0.61%
Union	7,434,201	0.45%	31	0.76%
Baker	6,820,426	0.42%	24	0.59%
Jefferson	6,584,692	0.40%	19	0.47%
Curry	6,334,817	0.39%	25	0.61%
Morrow	2,714,321	0.17%	10	0.25%
Grant	2,558,624	0.16%	11	0.27%
Lake	2,266,259	0.14%	11	0.27%
Harney	2,153,134	0.13%	12	0.29%
Wallowa	1,414,284	0.09%	9	0.22%
Sherman	1,366,358	0.08%	5	0.12%
Gilliam	558,337	0.03%	5	0.12%
Wheeler	117,650	0.01%	2	0.05%
	<b>\$ 1,639,494,427</b>	<b>100.00%</b>	<b>4,074</b>	<b>100.00%</b>

Source: Oregon State Lottery Business Analytics and Insights Department

**Oregon State Lottery**  
**Demographic and Economic Data - State of Oregon**  
 Last Ten Calendar Years

Calendar Year	Population <sup>1</sup>	Personal Income <sup>1</sup>	Per Capita Personal Income <sup>1</sup>	Annual Unemployment Rate <sup>2</sup>
2012	3,899,353	\$ 152,721,624	\$ 39,166	8.8%
2013	3,930,065	158,116,922	40,233	7.7%
2014	3,970,239	163,652,836	41,220	6.9%
2015	4,028,977	176,401,260	43,783	5.7%
2016	4,093,465	185,839,645	45,399	4.9%
2017	4,142,776	199,422,200	48,137	4.1%
2018	4,190,713	213,070,100	50,843	4.2%
2019	4,217,737	224,346,400	53,191	3.7%
2020	4,241,544	241,790,300	57,005	7.6%
2021	4,246,155	261,546,500	61,596	5.2%

<sup>1</sup>Source: U.S. Department of Commerce, Bureau of Economic Analysis

<sup>2</sup>Source: Oregon Employment Department

**Oregon State Lottery**  
**Employment by Industry - State of Oregon**  
 Calendar Year 2021 - and Nine-Years Prior

	2021		2012	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Health care and social assistance	308,939	12.07%	259,115	11.51%
Retail trade	259,680	10.15%	233,898	10.38%
Local government	205,482	8.03%	177,354	7.85%
Manufacturing	201,963	7.89%	186,301	8.25%
Professional, scientific, and technical services	176,991	6.92%	138,882	6.22%
Accommodation and food services	173,376	6.77%	163,068	7.30%
Construction	150,262	5.87%	102,917	4.61%
Administrative and waste services	129,993	5.08%	118,365	5.30%
Real estate, rental, and leasing	125,673	4.91%	102,272	4.58%
Other services	125,429	4.90%	119,374	5.34%
Transportation and warehousing	123,175	4.81%	64,148	2.87%
Finance and insurance	101,551	3.97%	96,808	4.33%
Wholesale trade	81,845	3.20%	83,925	3.76%
Farm employment	69,840	2.73%	65,613	2.94%
Arts, entertainment, and recreation	57,662	2.25%	54,549	2.44%
Management of companies	50,637	1.98%	31,604	1.41%
Educational services	49,509	1.93%	54,267	2.43%
Information	43,247	1.69%	41,379	1.85%
State government	42,770	1.67%	62,005	2.77%
Forestry, fishing, and related activities	32,073	1.25%	28,812	1.29%
Federal government, civilian	28,561	1.12%	28,141	1.26%
Military	11,155	0.44%	12,246	0.55%
Utilities	5,199	0.20%	4,809	0.55%
Mining	4,442	0.17%	4,651	0.21%
<b>Total employment</b>	<b>2,559,454</b>	<b>100.00%</b>	<b>2,234,503</b>	<b>100.00%</b>

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Note: Due to confidentiality issues, the names of the ten principal employers are not available. The categories presented are intended to provide alternative information regarding the concentration of employment in various business sectors.

**Oregon State Lottery**  
**Demographic Profile of Oregon Lottery Players**  
 Last Ten Calendar Years

	2012	2013	2014	2015	2016
Number Surveyed	1,000	1,000	1,000	2,000	2,000
Player Percentage	52.0%	47.8%	46.1%	54.1%	48.1%
	<u>Players</u>	<u>Players</u>	<u>Players</u>	<u>Players</u>	<u>Players</u>
<u>Gender</u>					
Male	52%	55%	50%	51%	49%
Female	48%	45%	50%	49%	51%
Other (New starting in 2019)					
<u>Age</u>					
18 - 24	12%	10%	9%	9%	9%
25 - 34	18%	17%	19%	20%	20%
35 - 44 (35 - 54 starting in 2018)	15%	16%	16%	16%	15%
45 - 54	23%	23%	21%	21%	22%
55 - 64	13%	19%	16%	14%	10%
65 +	18%	15%	19%	21%	24%
<u>Education (not asked in 2020)</u>					
Some High School	6%	3%	4%	5%	5%
High School Graduate	22%	18%	20%	22%	25%
College/Tech School	30%	32%	33%	27%	25%
College Graduate	21%	23%	21%	32%	32%
Graduate School/Degree	19%	17%	16%	12%	11%
<u>Marital Status (no longer asked as of 2020)</u>					
Single	23%	26%	25%	24%	24%
Married	54%	51%	48%	52%	51%
Co-habiting	5%	5%	6%	7%	8%
Divorced or Separated	9%	7%	9%	10%	9%
Widowed	5%	4%	5%	6%	6%
Civil Union/Domestic Partnership		1%	1%	1%	1%
<u>Income</u>					
Less than \$15,000 (\$25,000 Beginning in 2018)	10%	9%	8%	9%	8%
\$15,000 - \$49,999 (\$25,000 - \$49,999 Beginning in 2018)	27%	27%	31%	29%	25%
\$50,000 - \$74,999	14%	15%	12%	13%	12%
\$75,000 - \$99,999	9%	10%	6%	10%	10%
\$100,000 +	11%	15%	12%	16%	15%
Refused/Don't Know	30%	24%	31%	23%	30%

Sources:

Player information from Oregon State Lottery's Tracking Study 2012 to 2019, 2021. Study for 2018 performed Summer 2019.

Player information from Oregon State Lottery's Brand Promise Study 2020

State information from U.S. Census Bureau, 2018 American Community Survey Tables - <https://data.census.gov>

2017	2018	2019	2020	2021	2021 State Population 18+
2,000 54.3%	2,023 55.0%	2,023 54.5%	800 47.6%	1,500 47.9%	
Players	Players	Players	Players	Players	
49%	50%	50%	49%	51%	50.0%
51%	50%	49%	50%	48%	50.0%
		1%	1%	1%	
9%	8%	8%	7%	10%	8.5%
16%	19%	19%	20%	18%	14.0%
20%	38%	37%	38%	37%	26.3%
20%	n/a	n/a	n/a	n/a	n/a
16%	16%	16%	17%	12%	12.4%
19%	19%	19%	19%	23%	18.6%
3%	3%	3%	n/a	3%	8.1%
18%	18%	18%	n/a	20%	21.9%
45%	46%	45%	n/a	39%	33.6%
23%	22%	22%	n/a	24%	22.4%
11%	11%	11%	n/a	13%	13.9%
16%	27%	27%	n/a	n/a	32.5%
65%	42%	42%	n/a	n/a	48.8%
6%	13%	13%	n/a	n/a	n/a
7%	12%	12%	n/a	n/a	14.0%
4%	6%	6%	n/a	n/a	4.9%
2%	n/a	n/a	n/a	n/a	n/a
6%	14%	14%	n/a	16%	9.4%
31%	26%	26%	n/a	23%	32.6%
19%	18%	18%	n/a	17%	24.6%
13%	15%	15%	n/a	15%	13.2%
13%	21%	21%	n/a	25%	20.2%
18%	6%	6%	n/a	5%	n/a

**Oregon State Lottery**  
**Number of Employees**

Last Ten Fiscal Years

	2013	2014 <sup>2</sup>	2015	2016	2017	2018	2019	2020	2021	2022
Sales, Marketing & Retail Services	232	236	239	217	226	237	217	207	192	189
Support Services	154	157	152	163	142	135	143	131	125	145
Director's Office <sup>3,4,5</sup>	30	33	35	52	63	66	95	66	63	66
Security <sup>1,5</sup>	13	15	19	16	18	17	20	16	26	34
<b>Total</b>	<b>429</b>	<b>441</b>	<b>445</b>	<b>448</b>	<b>449</b>	<b>455</b>	<b>475</b>	<b>420</b>	<b>406</b>	<b>434</b>

Source: Oregon State Payroll System for FY 2010 - FY 2013; Lottery Payroll System for FY 2014-2022.

Note: Beginning in fiscal year 2013, the Marketing and Retail Operations business units were combined into one unit Sales, Marketing & Retail Services; prior years were restated for comparability.

<sup>1</sup>Security employees excludes employees of the Oregon State Police.

<sup>2</sup>There were a number of vacant positions filled during the year as the economy strengthened and hiring freeze was removed.

<sup>3</sup>Includes Corporate Affairs division in fiscal years starting in 2018.

<sup>4</sup>Includes Product Management, Lottery Products Portfolio & Gaming Products Portfolio in fiscal years starting in 2021.

<sup>5</sup>2021 Retail Contracts positions split between Director's Office and Security, 3 and 11 respectively. 2022 Retail Contracts positions, 15, entirely in Security.

**Oregon State Lottery**  
**Operating Indicators and Capital Asset Information**  
 Last Ten Fiscal Years

Fiscal Year	Number of Lottery Retailers <sup>1</sup>	Number of Video Lottery Terminals Deployed <sup>1</sup>	Per Capita Sales <sup>2</sup>
2013	3,848	12,037	\$ 273.85
2014	3,843	11,951	268.12
2015	3,939	11,925	281.31
2016	3,920	11,909	304.50
2017	3,932	11,817	304.41
2018	3,923	11,742	314.36
2019	3,975	11,586	321.60
2020	3,919	11,567	271.06
2021	3,896	10,851	310.91
2022	3,829	10,999	394.56

<sup>1</sup>Source: Oregon State Lottery Business Analytics & Insights Department. (2020) Based on the week prior to the COVID-19 shutdown

<sup>2</sup>Source: Calculated based on calendar year population data from US Census Bureau.

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# Other Reports



Shemia Fagan Secretary of State  
Cheryl Myers Deputy Secretary of State, Tribal Liaison  
Kip Memmott Audits Director

## 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*

The Honorable Governor of Oregon  
Chair, Oregon State Lottery Commission  
Director, Oregon State Lottery

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oregon State Lottery, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Oregon State Lottery’s basic financial statements, and have issued our report thereon dated December 29, 2022.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oregon State Lottery’s (department) 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the department’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. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department'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*.

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

*Office of the Secretary of State, Audits Division*

State of Oregon  
December 29, 2022

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