



OREGON

LOTTERY™

Together, we do good things.

**Annual Comprehensive
Financial Report**

For the Fiscal Year Ended - June 30, 2024

An Enterprise Fund of the State of Oregon

This page intentionally left blank.

Oregon State Lottery

An Enterprise Fund of the State of Oregon

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2024



**OREGON
LOTTERY®**

Together, we do good things.

Mike Wells
Director

Kristy Komes
Interim Chief Financial Officer

Report Prepared by:

Finance and Accounting
Oregon State Lottery

Alia Ayhan
Karen Caulfield, CPA
Michael Davidson, CPA
Monique Fawver
Martha Wildfang

This page intentionally left blank.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2024

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal..... 2
Certificate of Achievement for Excellence in Financial Reporting 6
Organization Chart with Principal Officials..... 7

Financial Section

Independent Auditor’s Report 9
Management’s Discussion and Analysis..... 13

Basic Financial Statements

Statement of Net Position 21
Statement of Revenues, Expenses, and Changes in Fund Net Position 22
Statement of Cash Flows 23
Notes to the Financial Statements 24

Required Supplementary Information

Pension Related Schedules..... 45
Other Post Employment Benefits Schedules..... 46
Notes to Required Supplementary Information..... 48

Supplementary Information

Budgetary Comparison Schedule 51

Statistical Section

Index 53
Net Position by Component 54
Changes in Net Position..... 55
Sales by Product 57
Product Percent of Total Sales 58
Top Ten Retailers..... 59
Number of Lottery Retailers and Sales by County 60
Capital Related Liabilities 61
Demographic and Economic Data - State of Oregon..... 62
Employment by Industry - State of Oregon..... 63
Demographic Profile of Oregon Lottery Players..... 65
Number of Employees 67
Operating Indicators and Capital Asset Information..... 68

Other Reports

Report on Internal Control Over 71

This page intentionally left blank.



OREGON
LOTTERY™

Introductory Section

This page intentionally left blank.



November 14, 2024

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

Lottery is pleased to provide you with the Annual Comprehensive Financial Report of the Oregon State Lottery (Lottery) for the fiscal year ended June 30, 2024. 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 ending June 30, 2024. 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 finance 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. Developing new products and game enhancements is a continual process to sustain long-term revenues while considering the potential impact of game decisions on problem gambling. The Lottery's commitment is to provide information and tools to help customers make informed choices and responsibly enjoy Lottery games. 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.

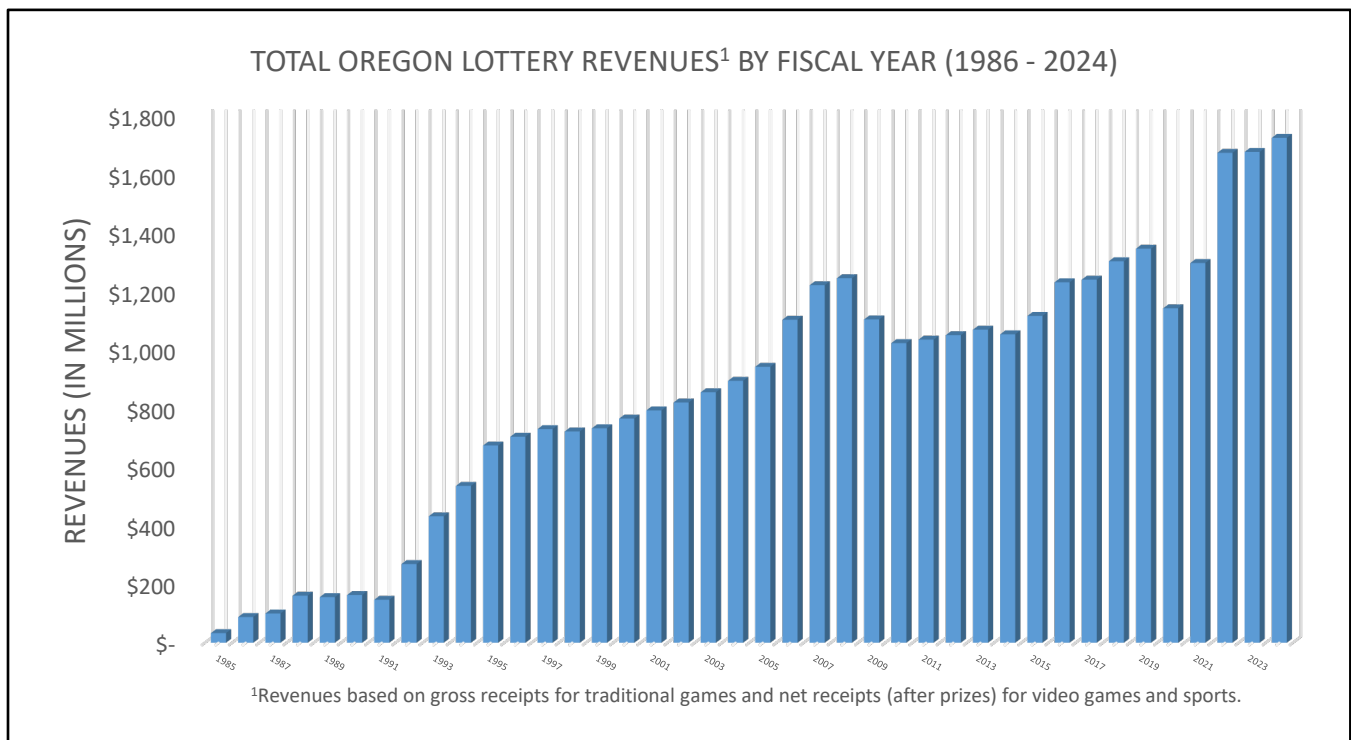
Lottery has a network of 3,803 retailers, offering players a broad mix of traditional games, Video LotterySM, and sports betting through DraftKings. Traditional Lottery games include Scratch-itsSM Instant Tickets, Keno, Powerball[®], Oregon's Game MegabucksSM, RaffleSM, Win for LifeSM, Mega Millions[®], Lucky LinesSM, and Pick 4SM. Video LotterySM is a product sold on stand-alone Video LotterySM terminals located in establishments licensed by Oregon Liquor Control Commission (OLCC). The Lottery has approximately 10,803 Video LotterySM terminals deployed throughout the state. Sports betting, powered by DraftKings, allows players to place bets on various events, adding a dynamic digital element to Lottery offerings.

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 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 lottery's activities, including adopting 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 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 budget assumptions and revenue forecasts. The Commission must approve revisions to expenses in the adopted budget. 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 2024 expenses were 3.04 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. The effects of the COVID-19 pandemic and resulting retailer location closures significantly reduced sales. Since reopening in February 2021, Lottery sales have recovered from pre-pandemic levels.



Economic Condition and Outlook

Per the September 2024 Oregon Office of Economic Analysis (OEA) Economic and Revenue Forecast, Oregon's economy has transitioned from an inflationary boom into a more stable expansion. Inflation has slowed, and while high interest rates were necessary during the inflationary period, the forecast suggests interest rate cuts are expected soon, which could revitalize growth in rate-sensitive sectors. Labor market improvements are expected, and the state's overall economic performance remains solid, with employment gains and income growth slightly below the national average but still indicating potential for future growth. Despite some uncertainty, recent increases in tax returns and job gains suggest that Oregon's economy may be shifting back toward more typical expansion patterns.

For the Oregon Lottery, the outlook remains stable with a slight resource decrease. Total lottery resources are lowered by \$0.6 million (0.0%) for the 2023-25 biennium and \$15.2 million (-0.8%) for 2025-27. The adjustment is mainly due to slower growth in video lottery sales, which saw a decline following the post-pandemic surge as consumers returned to other entertainment options. However, sports betting continues to outperform expectations, with projected revenue increases of \$2.4 million in 2023-25 and \$3.3 million in 2025-27. Long-term challenges for lottery revenues include increased competition for entertainment spending and potential shifts in gaming preferences. However, gradual growth is still expected as Oregon's population expands and younger generations engage more with lottery products.

Long-term Financial Planning

The Lottery uses a Strategic Plan, annual Business Plan, and budget to manage its operations. Lottery's main strategic objective is to operate a lottery with the highest standards of security and integrity to earn maximum profits for the people of Oregon commensurate with the public good. Lottery will focus on mission excellence, mastering the fundamentals, addressing deferred maintenance, and continuous improvement.

In the September 2024 Economic and Revenue Forecast, the OEA reflects Lottery transfers of \$1.84 billion for the 2023-2025 biennium. It is expected that competition for household entertainment dollars will increase, gaming competition will increase, and generational preferences and tastes will potentially shift 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. The Commission authorized an increase to the contingency reserve in FY22, setting a cap of \$135 million. For FY24, they approved a separate \$50 million investment fund allotment to support future investments and unexpected expenses. This fund will be financed annually only once the contingency reserve is fully funded. As of June 30, 2024, the actual cash balances were \$135 million in the contingency reserve and \$50 million in the investment fund allotment. The Lottery intends to use operating funds to pay for future business initiatives, which are key to competing, remaining relevant to our players, and maximizing transfers to our beneficiaries while maintaining the contingency reserve should revenues decline from other economic factors. Further details can be found in the MD&A section of this report.

Major Initiatives

The Oregon Lottery is advancing its business modernization efforts as part of the FY25-31 Mission Excellence strategic plan. This plan focuses on mastering the fundamentals, addressing deferred maintenance, and promoting continuous improvement. A central part of this initiative is upgrading back-office support systems that are becoming obsolete and nearing the end of life. This includes evaluating enterprise architecture options, implementing system integration, and planning solutions over a three to five-year roadmap. As part of this modernization, the Lottery is aligning its technology infrastructure with the strategic goals of enhancing security and efficiency, as outlined in its IT strategic plan.

The Lottery continues to evolve its gaming systems and customer engagement strategies to remain relevant in a competitive entertainment market. Key technological upgrades include implementing Salesforce by FY25 and completing the Lumen gaming network project by FY26. Additionally, ongoing system and retailer hardware upgrades, like iLink, will further strengthen operations and retail capabilities. With an eye on the future, the Lottery has also outlined long-term milestones that include potential new video lottery systems and contract renewals.

The Oregon Lottery remains dedicated to its brand promise of security, integrity, and maximizing profits for the public good. This commitment extends to its Corporate Social Responsibility (CSR) efforts, which focus on responsible gambling, diversity, equity, and inclusion (DEI), and financial sustainability. The Lottery's Responsible Gambling Program and CSR initiatives emphasize supporting Oregonians by balancing business objectives with social responsibilities. These efforts ensure that the Lottery's operations contribute positively to the state's economy and community well-being.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Oregon State Lottery for its annual comprehensive financial report for the fiscal year ended June 30, 2023. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report reflects the combined efforts of the Lottery's Finance and Accounting staff. We want to thank 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,

A handwritten signature in black ink, appearing to read "Kristy Komes". The signature is fluid and cursive, with a large initial "K" and a long, sweeping underline.

Kristy Komes, Interim Chief Financial Officer
Oregon State Lottery



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Oregon State Lottery

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

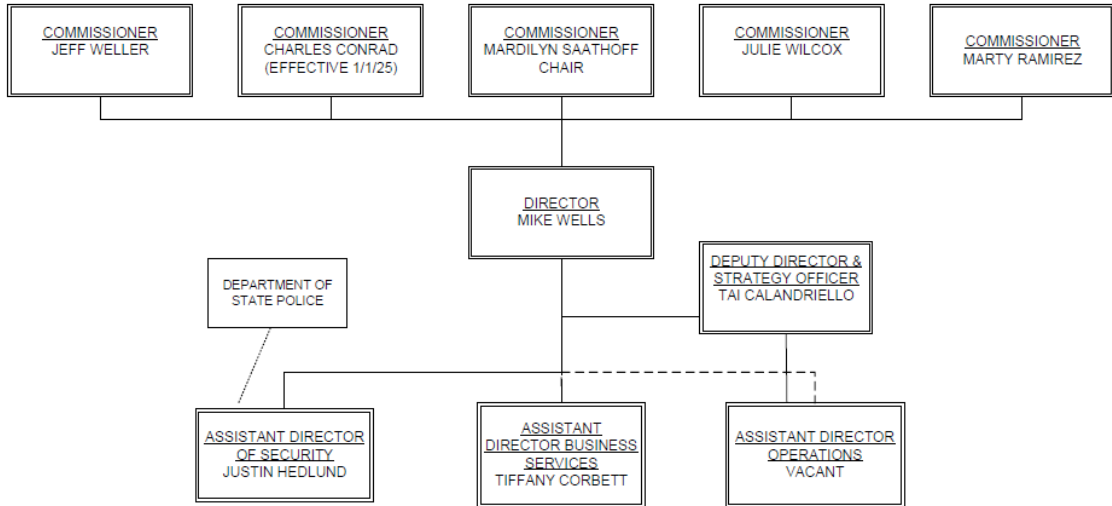
June 30, 2023

Christopher P. Morill

Executive Director/CEO



OREGON STATE LOTTERY COMMISSION





Financial Section



Kip Memmott
Division Director

Independent Auditor's Report

The Honorable Tina Kotek
Governor of Oregon

MardiLyn Saathoff, Chair
Oregon State Lottery Commission

Mike Wells, Director
Oregon State Lottery

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Oregon State Lottery, as of and for the year ended June 30, 2024, and the related notes to the 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, 2024, 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, 2024, 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.

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 benefit plan 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 (as listed in the table of contents) is presented for purposes of additional analysis and are 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 November 14, 2024, 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

November 14, 2024

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, 2024. This analysis is to be considered in conjunction with information in the transmittal letter of this report.

Financial Highlights

- Revenue for all product types has increased compared to fiscal year 2023.
- Current cash balances are 9.7 percent (\$43.5 million) higher than fiscal year 2023 as cash was held waiting for transfer to the Economic Development Fund in the first quarter of fiscal year 2025.
- Unrestricted net position decreased \$16.0 million as amounts withheld from prior years' net profit was used for expenses and capital purchases.
- The Lottery accrued \$947.8 million for transfer to Oregon's Economic Development Fund, which is a 5.4 percent increase from 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. Included are 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, and debt 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 current year 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

Net Position

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

Table 1: Oregon State Lottery's Net Position

	2024	2023	Increase/ (Decrease)
Current assets	\$ 552,744,237	\$ 495,894,975	\$ 56,849,262
Capital assets	115,140,454	105,493,681	9,646,773
Other noncurrent assets	154,444,181	184,137,446	(29,693,265)
Total assets	822,328,872	785,526,102	36,802,770
Deferred Outflows of Resources	25,434,663	22,824,762	2,609,901
Total assets and deferred outflows of resources	847,763,535	808,350,864	39,412,671
Current liabilities	348,424,501	300,393,389	48,031,112
Noncurrent liabilities	172,302,771	163,124,812	9,177,959
Total Liabilities	520,727,272	463,518,201	57,209,071
Deferred Inflows of Resources	5,702,799	15,743,615	(10,040,816)
Total liabilities and deferred inflows of resources	526,430,071	479,261,816	47,168,255
Net position:			
Net investment in capital assets	106,544,401	98,376,717	8,167,684
Restricted for OPEB Asset- RHIA	1,926,891	1,833,552	93,339
Unrestricted	212,862,172	228,878,779	(16,016,607)
Total net position	\$ 321,333,464	\$ 329,089,048	\$ (7,755,584)

Total cash and cash equivalents increased from fiscal year 2023 by \$22.2 million. Cash available for Lottery operations (current cash) increased \$43.5 million predominately from payables due in fiscal year 2025. Cash amounts held for funding major initiatives and contracts (noncurrent cash) was reduced \$21.3 million as projects progressed throughout the year. Accounts receivable balances rose by \$9.4 million due to eight days of receivables compared to six in fiscal year 2023. Also included in the current asset increase is a \$3.6 million prepayment towards the purchase of video lottery retailer connection equipment expected to be received in fiscal year 2025. In addition to the previously mentioned noncurrent cash decrease, noncurrent asset decreases also included an \$8.5 million reduction in long-term securities held for prize payments. Securities transitioned to current as they neared maturity, and no new securities were purchased for Megabucks prize payments as all three winners chose the cash option.

Current liabilities increased \$48.0 million which is largely the result of transfers due to the Economic Development Fund. Throughout the year Lottery makes quarterly, estimated transfers at rates agreed to with the Department of Administrative Services. The payable amount at June 30, 2024, which increased \$41.3 million, represents the regular estimated fourth quarter transfer as well as final amounts due based on actual fiscal year 2024 results not yet transferred. Accounts payable increased \$5.1 million as normal payment processing scheduled for June 30, which was a Sunday, was processed on Monday, July 1, 2024.

Noncurrent liabilities for capital related debt increased \$1.1 million as leases were renewed and subscription software use increased. Noncurrent prize liabilities were reduced \$6.5 million as long-term prizes were paid. Lottery's share of the net pension liability increased \$15.1 million as the pension system's liability increased. More information on long-term liabilities can be found in financial statement note 7. Table 2 on the next page summarizes changes in the long-term portion of liabilities.

Table 2: Oregon State Lottery's Long-term Liabilities

	2024	2023	Increase/ (Decrease)
Prize Liability	\$ 99,629,667	\$ 106,140,524	\$ (6,510,857)
Compensated Absences	1,704,722	1,670,396	34,326
Net Pension and OPEB Liabilities	64,859,489	49,795,076	15,064,413
Contracts Payable	6,108,893	5,518,816	590,077
	<u>\$ 172,302,771</u>	<u>\$ 163,124,812</u>	<u>\$ 9,177,959</u>

A portion of the Lottery's net position, 33.2 percent, reflects investment in capital assets, primarily Video LotterySM gaming terminals. Of the \$212.9 million in unrestricted net position at fiscal year-end, \$67.1 million is committed for active projects and future investment in the Lottery. (See financial statement note 2.E for more information on unrestricted net position.)

Capital Assets

The Lottery's investment in capital assets for the current and prior fiscal year is shown in Table 3 below. Most capital assets used in operations are Video Lottery gaming terminals and computer software. During the 2024 fiscal year Lottery continued its plan of replacing a portion of video terminals each year to modernize technology to ensure player engagement and appeal. Subscription software assets includes completion of the implementation of enterprise resource planning software which was in progress in fiscal year 2023 and launched early in fiscal year 2024. Also included is implementation of a multi-module retailer/partner management software. Some modules for this software were still being implemented at the end of fiscal year 2024 and are included in Capital in Progress. Financial statement note 6 has more detailed information on capital asset activity and balances.

Table 3: Oregon State Lottery's Capital Assets, Net of Accumulated Depreciation

	2024	2023	Increase/ (Decrease)
Equipment	\$ 79,419,803	\$ 76,033,462	\$ 3,386,341
Building and Improvements	7,531,534	7,529,819	1,715
Vehicles	3,242,252	2,136,206	1,106,046
Computer Software	116,688	455,499	(338,811)
Right-to-Use Leased Equipment and Facilities	1,838,374	2,147,987	(309,613)
Right-to-Use Subscription Software	19,774,986	17,111,414	2,663,572
Other Assets	45,310	79,294	(33,984)
Capital in Progress	3,171,507	6,131,695	(2,960,188)
	<u>\$ 115,140,454</u>	<u>\$ 111,625,376</u>	<u>\$ 3,515,078</u>

Changes in Net Position

Below is a summary of the changes in net position for the current and prior year:

Table 4: Oregon State Lottery's Changes in Net Position

	2024	2023	Increase/ (Decrease)
Operating revenue:			
Video Lottery SM game sales, net	\$ 1,190,556,505	\$ 1,181,773,978	\$ 8,782,527
Sports wagering sales, net	75,116,779	55,258,144	19,858,635
Scratch-its SM instant ticket sales	159,752,047	157,960,917	1,791,130
Draw game sales	300,867,416	282,664,702	18,202,714
Other income	2,842,632	595,102	2,247,530
Total operating revenues	1,729,135,379	1,678,252,843	50,882,536
Operating expenses:			
Prizes	285,923,105	274,198,721	11,724,384
Retailer commissions	309,824,695	310,579,497	(754,802)
Other operating expenses	216,003,344	184,436,321	31,567,023
Total operating expenses	811,751,144	769,214,539	42,536,605
Operating income	917,384,235	909,038,304	8,345,931
Interest and investment income/(loss)	24,738,591	11,418,289	13,320,302
Insurance recoveries and gains	702,602	4,969,895	(4,267,293)
Nonoperating expenses	(385,591)	(723,229)	337,638
Total nonoperating revenues/(expenses/losses)	25,055,602	15,664,955	9,390,647
Income before transfers	942,439,837	924,703,259	17,736,578
Transfers	(950,195,421)	(901,772,981)	48,422,440
Change in net position:	(7,755,584)	22,930,278	(30,685,862)
Net position - beginning	329,089,048	306,158,770	22,930,278
Net position - ending	\$ 321,333,464	\$ 329,089,048	\$ (7,755,584)

Overall, operating income experienced a modest increase in fiscal year 2024. Total product sales rose 2.9 percent and a \$1.2 million performance penalty levied on a gaming vendor allowed total operating revenues to increase 3.0 percent over the prior fiscal year. However, total operating expenses increased 5.5 percent in fiscal year 2024, consuming a significant portion of the elevated revenues. Prize expense, which represents only draw and instant ticket game expense, grew in line with sales increases. Both video and sports wagering are reported net of prizes, see Note 2 for more information. Commission expense decreased slightly exclusively from the video product. Video commission rates are based on business year sales rather than fiscal year, and the rate structure is tiered so that rates decline as higher levels of sales are reached.

Other operating expenses increased \$31.6 million when compared with the prior year. As expected, the increase in sports wagering, draw and instant ticket game sales resulted in a rise of \$10.0 million in game vendor charges. Vendor charges for these products are sales based. Depreciation and amortization increased \$9.4 million attributable to subscription-based software added in fiscal year 2024 and new video terminals replacing older, fully depreciated models. Services and supplies expense increased \$5.3 million from the prior fiscal year due to software system maintenance and consulting contracts, as well as increased fees charged by Oregon State Police for security services. Lottery also continued its efforts to maintain video revenues by refreshing games on existing terminals and purchased \$3.9 million more in new game sets than in the prior fiscal year.

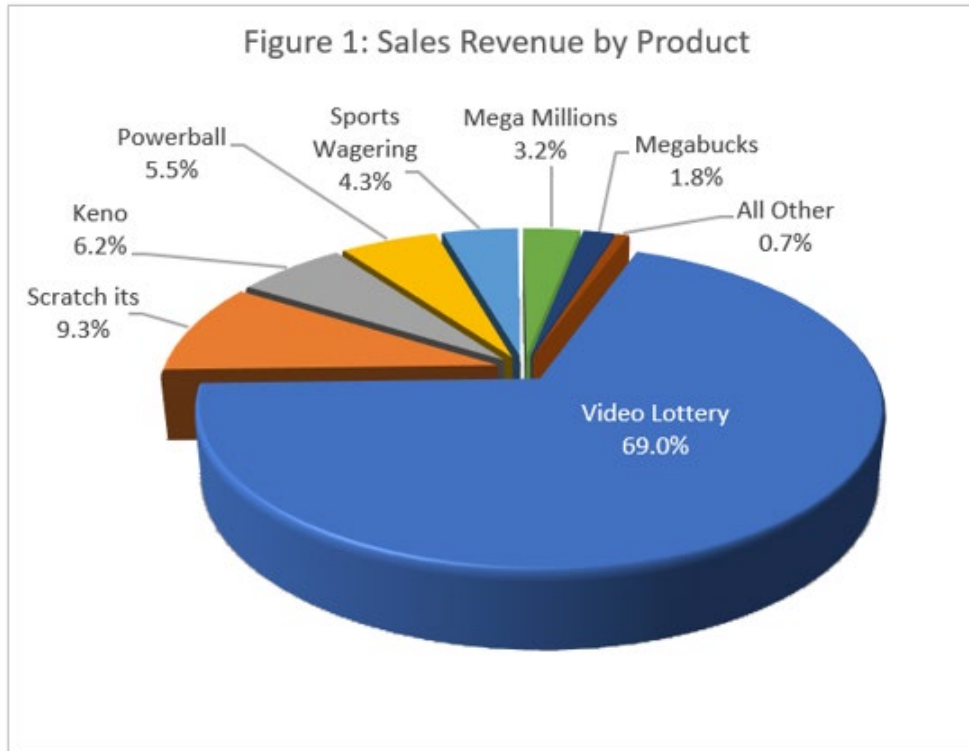
Total non-operating revenues increased \$9.4 million. Interest income rose \$9.5 million as a result of higher interest rates earned on cash balances compared to rates in fiscal year 2023. Fiscal year 2024 had interest rates above 5 percent for the majority of the year while fiscal year 2023 had interest rates of 3.75 percent or less for most of the year.

Overall, income before transfers for fiscal year 2024 increased 1.9 percent (\$17.7 million). In fiscal year 2024 all income and an additional \$7.8 million of contingency reserve was accrued for transfer. This resulted in transfers to the Economic

Development Fund increasing \$48.5 million, or 5.4 percent. In comparison, for fiscal year 2023, \$22.9 million of income was retained and not transferred. (More information on transfers is available in financial statement Note 2.F.)

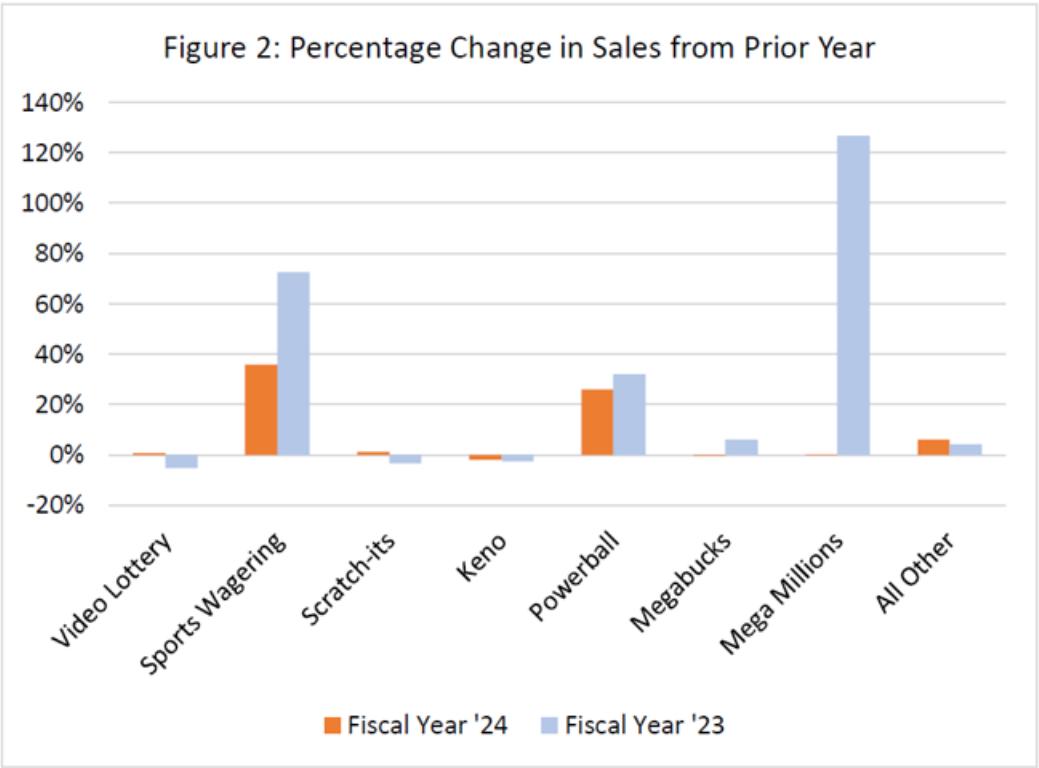
Sales Revenue

Figure 1 below shows the major sources and percentages of sales revenue for fiscal year 2024.



Overall, product sales for fiscal year 2024 increased 2.9 percent from 2023 amounts. Video LotterySM remains the Lottery's largest source of revenue representing 69.0 percent of total sales. Although the video product share of total sales declined marginally from the prior year when video revenues were 70.5 percent of total sales, video revenue did have a slight increase in fiscal year 2024 (.7 percent). Sports wagering, now in the third year of partnering with DraftKings, increased 35.9 percent in fiscal year 2024. Although still showing strong growth, the increase slowed considerably from the prior year's 72.4 percent growth in revenue.

As with fiscal year 2023, fiscal year 2024 had a slight decline in Keno sales (2.6 percent and 2.0 percent, respectively). However, Keno product sales continue to be greater than pre-pandemic amounts. When combined, sales for jackpot games (Powerball, Mega Millions, and Megabucks) increased 12.1 percent. This collective growth was driven by the Powerball product which had three jackpot offerings of \$1 billion or more. Sales for the jackpot products of Mega Millions and Megabucks effectively maintained the higher sales levels reached in fiscal year 2023. Figure 2 on the following page shows the percentage change in sales for fiscal years 2024 and 2023.



Upcoming Fiscal Year

The Lottery is continuing its efforts to systematically replace video lottery terminals and games to keep the product updated and fresh. The Commission approved setting aside a small portion of funds available for transfer to support future investment. \$20 million of the funds available for investment are earmarked for fiscal year 2025 video terminal replacements. (See Note 2.E for more information.) Lottery is also reviewing the draw game and instant product mix looking for opportunities to increase sales. Lottery continues to consider problem gambling and actively promotes safer play and help programs available.

This page intentionally left blank.



OREGON
LOTTERY™

Basic Financial Statements

OREGON STATE LOTTERY
Statement of Net Position
June 30, 2024

Assets

Current Assets:

Cash and Cash Equivalents	\$ 492,440,248
Securities Lending Cash Collateral	960,669
Investments for Prize Payments	10,966,734
Accounts Receivable (Net)	37,594,010
Ticket Inventory	2,777,854
Prepaid Expenses	8,004,722
Total Current Assets	552,744,237

Noncurrent Assets:

Cash and Cash Equivalents	67,079,596
Investments for Prize Payments	80,827,983
Prize Reserves	4,609,711
Net Other Post-Employment Benefits (OPEB) Asset	1,926,891

Capital Assets:

Buildings, Equipment and Vehicles	249,357,303
Computer Software	32,455,914
Other Assets	3,432,482
Capital in Progress	3,171,507
Less Accumulated Depreciation and Amortization	(173,276,752)

Total Noncurrent Assets	269,584,635
-------------------------	-------------

Total Assets	822,328,872
--------------	-------------

Deferred Outflows of Resources

Deferred Amounts for Pensions	25,370,271
Deferred Amounts for Other Post-Employment Benefits (OPEB)	64,392

Total Deferred Outflows of Resources	25,434,663
--------------------------------------	------------

Total Assets and Deferred Outflows of Resources	847,763,535
---	-------------

Liabilities

Current Liabilities:

Due to Economic Development Fund	276,576,660
Obligations Under Securities Lending	960,669
Prize Liability	40,330,804
Accounts Payable	21,721,041
Compensated Absences	3,165,912
Unearned Revenue	1,585,901
Contracts Payable	4,083,514

Total Current Liabilities	348,424,501
---------------------------	-------------

Noncurrent Liabilities:

Prize Liability	99,629,667
Compensated Absences	1,704,722
Net Pension Liability	64,059,207
Other Post-Employment Benefits (OPEB) Liabilities	800,282
Contracts Payable	6,108,893

Total Noncurrent Liabilities	172,302,771
------------------------------	-------------

Total Liabilities	520,727,272
-------------------	-------------

Deferred Inflows of Resources

Deferred Amounts for Pensions	5,065,124
Deferred Amounts for Other Post-Employment Benefits (OPEB)	637,675

Total Deferred Inflows of Resources	5,702,799
-------------------------------------	-----------

Total Liabilities and Deferred Inflows of Resources	526,430,071
---	-------------

Net Position

Net Investment in Capital Assets	106,544,401
Restricted for Net Other Post-Employment Benefits (OPEB) Asset	1,926,891
Unrestricted	212,862,172

Total Net Position	\$ 321,333,464
---------------------------	-----------------------

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, 2024

Operating Revenues

Sales:

Video Lottery SM (Net Receipts)	\$ 1,190,556,505
Sports Wagering (Net Receipts)	75,116,779
Scratch-its SM Instant Tickets (Net of Returns)	159,752,047
Keno	106,957,338
Powerball [®]	95,639,778
Megabucks SM	31,061,082
Mega Millions [®]	55,896,152
Raffle SM	2,499,630
Win For Life SM	5,066,137
Lucky Lines SM	1,771,950
Pick 4 SM	1,975,349
Provision for Uncollectibles	(40,527)
Other Income	2,883,159
Total Operating Revenues	1,729,135,379

Operating Expenses

Prizes	285,923,105
Retailer Commissions	309,824,695
Salaries and Wages	73,079,244
Depreciation and Amortization	34,318,168
Services and Supplies	35,639,702
Game Vendor Charges	52,134,049
Advertising and Market Research	6,601,932
Public Information	936,820
Tickets	3,448,733
Game Equipment Parts and Maintenance	9,311,451
Sales Support	533,245
Total Operating Expenses	811,751,144
Operating Income	917,384,235

Nonoperating Revenues (Expenses)

Interest	23,716,370
Investment and Securities Lending Income (Loss)	1,022,221
Insurance Recoveries	447,380
Gain (Loss) on Disposition of Assets	255,222
Investment Expenses - Securities Lending	(76,572)
Investment Expenses	(12,494)
Interest Expense	(296,525)
Total Nonoperating Revenues (Expenses)	25,055,602
Income Before Transfers	942,439,837

Transfers

Transfers to the Economic Development Fund	(947,829,726)
Transfers to the General Obligation Bond Fund	(2,365,695)
Total Transfers	(950,195,421)
Change in Net Position	(7,755,584)
Net Position - Beginning	329,089,048

Net Position - Ending

\$ 321,333,464

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

OREGON STATE LOTTERY
Statement of Cash Flows
For the Year Ended June 30, 2024

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,717,840,289
Payments to Employees for Services	(45,991,084)
Payments to Suppliers	(442,864,541)
Payments to Prize Winners	(282,050,336)
Other Cash Receipts (Payments)	1,663,721
Net Cash Provided (Used) by Operating Activities	<u>948,598,049</u>
Cash Flows from Noncapital Financing Activities:	
Principal and Interest Payments on Long-term Pension Debt	(587,150)
Transfers to the Economic Development Fund	(914,686,459)
Transfers to the General Obligation Bond Fund	(2,365,695)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(917,639,304)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(39,162,554)
Proceeds from Disposition of Capital Assets	654,097
Payments on Contracts	(3,898,352)
Insurance Recoveries for Capital Assets	447,380
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(41,959,429)</u>
Cash Flows from Investing Activities:	
Purchases of Investments	(1,759,937)
Proceeds from Sales and Maturities of Investments	11,376,000
Interest on Investments and Cash Balances	23,716,370
Securities Lending Expenses	(76,572)
Investment Expenses	(12,494)
Net Cash Provided (Used) by Investing Activities	<u>33,243,367</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>22,242,683</u>
Cash and Cash Equivalents - Beginning	537,277,161
Cash and Cash Equivalents - Ending	<u><u>\$ 559,519,844</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	917,384,235
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	34,318,168
Net Changes in Assets and Liabilities:	
(Increase) / Decrease in Accounts Receivable	(9,440,816)
(Increase) / Decrease in Ticket Inventory	(379,572)
(Increase) / Decrease in Prepaid Expenses	(4,587,253)
(Increase) / Decrease in Prize Reserves	(21,109)
(Increase) / Decrease in Pension Deferred Outflows	(2,779,349)
(Increase) / Decrease in Net OPEB Asset and OPEB Deferred Outflows	76,110
Increase / (Decrease) in Accounts Payable	5,215,030
Increase / (Decrease) in Compensated Absences Liability	230,645
Increase / (Decrease) in Unearned Revenue	(314,407)
Increase / (Decrease) in Prize Liability	3,872,770
Increase / (Decrease) in Net Pension Liability and Deferred Inflows	5,507,049
Increase / (Decrease) in OPEB Liability and OPEB Deferred Inflows	(483,452)
Total Adjustments	<u>31,213,814</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 948,598,049</u>
Noncash Investing, Capital, and Related Financing Activities:	
Net Change in Fair Value of Investments	\$ 1,022,221
Intangible Assets Acquired Through Contract	5,203,174
Total Noncash Investing, Capital, and Related Financing Activities	<u><u>\$ 6,225,395</u></u>

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

OREGON STATE LOTTERY

Notes to the Financial Statements

June 30, 2024

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 MegabucksSM, Powerball[®], Mega Millions[®], Keno, Win for LifeSM, RaffleSM, Pick 4SM, and Lucky LinesSM 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 LotterySM 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 LotterySM 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. Initial expense for prizes with long-term payments is recognized at the discounted present value of estimated future cash payments. Amortization of the related discount is expensed over the life of the prize payout.

Sports wagering prize expense is recognized when the outcome of the wagered event is known. Video LotterySM prize expense is recognized as game play completes and prizes are known. More detailed information for Video LotterySM and sports wagering is in Note 2(B).

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, 2024. 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-itsSM 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.

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	3 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
Intangible Right of Use Assets	Term of contract

N. Leases

The Lottery participates in several lease contracts for storage facilities and equipment. The contracts are recognized as a lease liability and an intangible right-to-use capital 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. Lease terms may include optional renewal periods if they are reasonably expected to be exercised and rates can be estimated. 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.

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 contract term.

O. Subscription Based Information Technology

Agreements allowing Lottery to use another party’s information technology software, including hardware when necessary, are recognized as intangible right-to-use capital assets. The asset measurement includes costs necessary to place the software into service for Lottery use, as well as any future payment liabilities for use of the asset. Liabilities are measured at the discounted present value of future payments expected to be made during the contract term. Variable payments (such as user seat based charges) are not included in the measurement. Optional renewal periods, when they are reasonably expected to be exercised and rates can be estimated, are included. The discount rate used is the rate included in the contract. If a rate is not included Lottery policy is to use the Oregon Bond Index rate for the State of Oregon, using the rate and term that most closely relates to the contract term and start date.

Right to use assets are amortized generally over the term of the contract using a straight-line basis. Recorded liabilities are relieved as the principal portion of required payments is applied.

P. 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. Twice per year eligible employees have the option to be

compensated for up to 80 hours of their vacation accrual balance. Lottery also awards state service milestone leave as employees reach five year increments of state service. The hours awarded are equivalent to the length of state service, up to 40 hours, and are generally required to be used or taken as compensation in the same year. 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.

Q. 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, 2023. 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.

R. 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, 2023 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, 2024. 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 and game vendor charges) 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 2024 Financial Plan is presented as supplementary information in this report.

B. Video LotterySM and Sports Wagering Net Revenue

Video LotterySM 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	\$ 4,727,507,400	Cash Paid Out	\$ 3,536,950,893
Dollars Won and Played	<u>11,392,318,442</u>	Dollars Won and Played	<u>11,392,318,442</u>
Total Revenue	<u>\$ 16,119,825,842</u>	Total Prizes	<u>\$ 14,929,269,335</u>
Net Revenue before Discounts = \$1,190,556,507			

Sports wagering revenue is reported net of discounts and prize expense in the Statement of Revenues, Expenses, and Changes in Fund Net Position. Actual wagering activity is shown in the following table:

	<u>Amount</u>
Wagers Placed	\$ 787,476,346
Wagers Refunded Due to Cancellations	(3,285,931)
Prizes Won	<u>(695,622,420)</u>
Net Revenue Before Discounts	<u>\$ 88,567,995</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.¹

The table below shows that for fiscal year 2024 the Lottery operated within the legal limits defined by ORS 461.500:

<u>Fiscal Year 2024 Revenues</u>		
Sales	\$ 17,351,143,975	
Other Distributable Income	27,182,465	
Total Distributable Revenue	<u>\$ 17,378,326,440</u>	
<u>Fiscal Year 2024 Distribution of Revenues</u>		
Revenues Returned to the Public:		
Prizes to the Public	\$ 15,902,106,649	91.50%
Unclaimed Prizes Paid/Due to Economic Development Fund	8,156,248	0.05%
Transfers Paid/Due to Economic Development Fund	940,074,142	5.41%
Total Revenues Returned to the Public	<u>16,850,337,039</u>	<u>96.96%</u>
Administrative Expenses	<u>527,989,401</u>	<u>3.04%</u>
Total Distribution of Revenues	<u>\$ 17,378,326,440</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 2024, prizes in the amount of \$8,156,248 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. In June 2024, the Lottery Commission approved an additional investment fund allotment to assist in funding future investments and unexpected expenses. The allotment is capped at

¹ Attorney General Opinion No. 8220 advises that ORS 461.548 regarding Video LotterySM proceeds is unconstitutional and is not applicable. It is not included here.

\$50,000,000 and will be funded annually only after the cash portion is fully funded. The following table shows the liquidity detail of Unrestricted Net Position shown on the Statement of Net Position at June 30, 2024:

Cash Available for Future Investment (Uncommitted Contingency Reserve)	\$ 135,000,000
Committed by Commission for Capital and/or Expense Investment	50,000,000
Committed by Commission for Specific Projects	17,079,596
Inventory and Prepaid Expenses	10,782,576
Total Unrestricted Net Position	<u>\$ 212,862,172</u>

F. Transfers to Economic Development Fund

All Lottery fiscal year 2024 income remaining after transfers to the General Obligation Bond Fund, was accrued for transfer to the Economic Development Fund. Additionally, \$7,755,584 of contingency reserve was accrued for transfer. Actual cash transferred, including unclaimed prizes, during fiscal year 2024 was \$914,686,459. The remaining balance is included on the Statement of Net Position in current liabilities. The schedule below reconciles the amounts:

	Balance Owed at June 30, 2023	Amounts Accrued	Cash Paid to Economic Development	Balance Remaining at June 30, 2024
Income	\$ 233,598,930	\$ 947,829,726	\$ 907,151,487	\$ 274,277,169
Unclaimed Prizes	1,678,215	8,156,248	7,534,972	2,299,491
Total	<u>\$ 235,277,145</u>	<u>\$ 955,985,974</u>	<u>\$ 914,686,459</u>	<u>\$ 276,576,660</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, 2024 of \$560,940,513, 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 custodian in the name of the State of Oregon. State Treasurer records segregate them to the Lottery.

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 .08 percent of the Lottery’s investment holdings on June 30, 2024.

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.

This table shows the segmented time distribution of the fair value of all Lottery investments on June 30, 2024:

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Fair Value
U.S. Agency STRIPS	\$ 71,801	\$ -	\$ -	\$ -	\$ 71,801
U.S. Treasury STRIPS	10,894,933	33,485,147	25,484,303	21,858,533	91,722,916
Total Investments	<u>\$ 10,966,734</u>	<u>\$ 33,485,147</u>	<u>\$ 25,484,303</u>	<u>\$ 21,858,533</u>	<u>\$ 91,794,717</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 2024, 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, 2024. 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, 2024, the State and the Lottery had no credit risk exposure to borrowers related to securities on loan.

As of June 30, 2024, the total fair value of securities on loan from the OSTF was \$351,533,335, the collateral received was \$358,709,239 and the fair value of invested collateral was \$45,402,110. Cash collateral received for OSTF and Lottery investments is invested in a short-term 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, 2024, 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	\$ 6,757,829	\$ 6,895,778	\$ 872,804
Lottery Investments	83,889	87,975	87,986
Total	<u>\$ 6,841,718</u>	<u>\$ 6,983,753</u>	<u>\$ 960,790</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2024, is shown in the following schedule:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Depreciable Capital Assets</u>				
Equipment	\$ 227,762,000	\$ 30,434,922	\$ 31,512,835	\$ 226,684,087
Building and Improvements	15,847,376	501,517	18,867	16,330,026
Vehicles	5,214,411	1,761,949	1,078,019	5,898,341
Computer Software	5,083,243	149,769	723,090	4,509,922
Right-to-Use Leased Equipment and Facilities	3,218,492	655,197	681,027	3,192,662
Right-to-Use Subscription Software	13,627,278	7,690,867	(6,627,846)	27,945,991
Other Assets	239,821	-	-	239,821
Total Assets Being Depreciated	270,992,621	41,194,221	27,385,992	284,800,850
<u>Accumulated Depreciation/Amortization</u>				
Equipment	151,728,538	26,972,558	31,436,810	147,264,286
Building and Improvements	8,762,406	493,377	12,443	9,243,340
Vehicles	3,078,205	362,143	784,259	2,656,089
Computer Software	4,627,744	69,194	303,701	4,393,237
Right-to-Use Leased Equipment and Facilities	1,070,505	964,087	680,305	1,354,287
Right-to-Use Subscription Software	2,647,559	5,422,827	(100,618)	8,171,004
Other Assets	160,527	33,982	-	194,509
Total Accumulated Depreciation	172,075,484	34,318,168	33,116,900	173,276,752
<u>Capital Assets Not Being Depreciated</u>				
Building and Improvements	444,849	-	-	444,849
Right-to-Use Subscription Software In Progress	6,131,695	3,171,507	6,131,695	3,171,507
Capital Assets, Net	<u>\$ 105,493,681</u>	<u>\$ 10,047,560</u>	<u>\$ 400,787</u>	<u>\$ 115,140,454</u>

Increases in depreciable and non-depreciating assets reflect acquisitions of new assets during the year. Decreases reflect the value of assets disposed of during fiscal year 2024 and reclassifications between asset types such as from non-depreciable to depreciable.

On June 27, 2014 the Lottery vacated its backup center and it remained idle at June 30, 2024. 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	\$ 144,243,949	\$ 285,923,104	\$ 290,206,582	\$ 139,960,471	\$ 40,330,804
Compensated Absences	4,639,989	4,505,082	4,274,437	4,870,634	3,165,912
Subscription Software Contracts	4,793,533	4,547,977	2,529,200	6,812,310	2,810,526
Financing Agreement	486,270	-	463,587	22,683	22,683
Leases	1,837,162	655,197	731,299	1,761,060	832,187
Pre-SLGRP Pension Debt	2,070,645	-	474,291	1,596,354	418,118
	<u>\$ 158,071,548</u>	<u>\$ 295,631,360</u>	<u>\$ 298,679,396</u>	<u>\$ 155,023,512</u>	<u>\$ 47,580,230</u>

As of June 30, 2024, there were 82 Oregon Lottery prizes with remaining long-term annual prize payments. The estimated number of years remaining for payments extends to 59 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
2025	\$ 9,069,178	\$ 146,488
2026	8,629,362	382,304
2027	7,718,463	565,202
2028	5,884,986	582,680
2029	5,085,746	630,920
2030-2034	21,183,097	4,421,232
2035-2039	11,521,517	3,861,811
2040-2044	3,777,069	1,662,259
2045-2049	2,795,570	1,597,759
2050-2051	682,001	488,007
Total Guaranteed Prize Payments Due	<u>\$ 76,346,989</u>	<u>\$ 14,338,662</u>

The Lottery has 12 software subscription 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 2017 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 LotterySM terminals throughout the State. In May 2024 an amendment to the original contract was signed which extends the expiration date to September 30, 2026. 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 in November 2023 was extended to expire in February 2027. Lottery does have the right to terminate the contract with a 30-day notice to the contractor.

The Lottery has also chosen to recognize liabilities for its enterprise resource planning and retailer partner management software systems. Although both are operating under annual subscriptions, both systems had significant implementation costs leading to the assumption annual fees will continue. The liabilities have been estimated with an assumed service life of five years. Other licenses held are for human resource software used for recruiting, compensation, and employee engagement; a marketing tool; and information technology software.

Software subscriptions are recognized as a liability for the present value of required future payments. The future principal and interest portions for payments required by software subscriptions are shown in the table on the following page:

Fiscal Year Ending June 30	Principal	Interest
2025	\$ 2,810,526	\$ 161,954
2026	2,964,737	77,828
2027	1,037,047	11,065
Total	\$ 6,812,310	\$ 250,847

The Lottery participates in nine property leases for storage facilities and a payment center. The Lottery also participates in six leases for billboards and four 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
2025	\$ 832,187	\$ 38,328
2026	602,053	17,644
2027	146,956	7,286
2028	122,761	3,620
2029	57,103	745
Total Lease Payments Due	\$ 1,761,060	\$ 67,623

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 \$1,596,353 represents Lottery’s allocation of the state liability. The table below shows the payment schedule:

Year Ending June 30	Principal	Interest
2025	\$ 418,118	\$ 103,058
2026	447,465	73,710
2027	478,873	42,303
2028	251,898	8,690
Total Pre-SLGRP Payments Due	\$ 1,596,354	\$ 227,761

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, 2024 Lottery awarded free play prizes of \$719,131. Promotional discounts and free plays also reduced sales by \$13,576,962.

At June 30, 2024, accounts receivable in the Statement of Net Position is reported net of \$67,362 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, 2024 MUSL service fees were covered by interest earnings and participants were not charged additional amounts.

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. Significant long-term liabilities of MUSL are prize annuities due, which are fully funded through investments in U.S. Government securities. The schedule below presents the summarized financial activity from MUSL financial statements as of June 30, 2023 and June 30, 2022 (in thousands):

	<u>2023</u>	<u>2022</u>
Assets	\$ 857,188	\$ 766,593
Total Assets	<u>\$ 857,188</u>	<u>\$ 766,593</u>
Liabilities	\$ 822,534	\$ 756,516
Net Assets ¹ - Unrestricted	34,654	10,077
Total Liabilities and Net Assets ¹	<u>\$ 857,188</u>	<u>\$ 766,593</u>
Revenue	\$ 30,929	\$ 3,442
Expenses	6,353	5,579
Increase/(Decrease) in Net Assets ¹	<u>\$ 24,576</u>	<u>\$ (2,137)</u>

¹Because 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.

Fiscal year 2024 financial statements were not available to include in this report. If needed, 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 2024 expenses under the contract were \$11,529,277. These expenses are included in Game Vendor Charges on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

A sports wagering contract was signed in December 2021. The 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 sports wagering for the fiscal year ending June 30, 2024 were \$39,743,232. These expenses are included in Game Vendor Charges on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

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, 2024, \$37,828 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 2024 were effective July 1, 2023 and based on the December 31, 2021 valuation. Lottery contributions in fiscal year 2024 were \$8,374,776.

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, 2023, is based on the December 31, 2021 actuarial valuation rolled forward to the measurement date. IAP account balances are not included in the measurement of the total pension liability. Assumptions used for the measurement include those shown in the table on the following page:

Experience Study Report	2020, published July 20, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
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 January 2023 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 table shows the assumptions used:

Asset Class	Target Allocation	Annual Arithmetic Return	20-Year	
			Annualized Geometric Mean	Annual Standard Deviation
Global Equity	27.50%	8.57%	7.07%	17.99%
Private Equity	25.50	12.89	8.83	30.00
Core Fixed Income	25.00	4.59	4.50	4.22
Real Estate	12.25	6.90	5.83	15.13
Master Limited Partnerships	0.75	9.41	6.02	27.04
Infrastructure	1.50	7.88	6.51	17.11
Hedge Fund of Funds - Multistrategy	1.25	6.81	6.27	9.04
Hedge Fund Equity - Hedge	0.63	7.39	6.48	12.04
Hedge Fund - Macro	5.62	5.44	4.83	7.49
Assumed Inflation - Mean			2.35%	1.41%

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 29.46% as of the prior June 30, 2022 measurement date and increased to 29.84% as of the June 30, 2023 measurement date.

The State of Oregon’s proportionate share of the net pension liability was allocated to individual funds based on actual fiscal year 2023 contributions. Lottery is 1.15 percent of the State’s share, an increase of .06 percent from the June 30, 2022 measurement date. Lottery’s proportion of the State’s share equates to .34 percent of the collective net pension liability. On June 30, 2023 Lottery reported a net pension liability of \$64,059,207. The following demonstrates Lottery’s proportionate share of the net pension liability sensitivity to a 1 percentage point change in the discount rate:

1% higher discount rate –7.9%	\$29,115,081
1% lower discount rate – 5.9%	\$105,813,748

For the year ended June 30, 2024 Lottery recognized pension expense of \$11,102,475. At June 30, 2024 Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources in the following table:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,132,691	\$ (254,000)
Changes in assumptions	5,690,641	(42,430)
Net difference between projected and actual earnings on investments	1,151,406	-
Changes in proportion and differences between fund contributions and proportionate share of contributions	7,020,758	(4,768,694)
Lottery contributions subsequent to the measurement date	8,374,776	-
	<u>\$ 25,370,272</u>	<u>\$ (5,065,124)</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 this table:

Fiscal Year Ending June 30	Amount to Pension Expense
2025	\$ 2,243,972
2026	(841,349)
2027	7,257,031
2028	2,867,522
2029	403,195
Thereafter	-
Total	<u>\$ 11,930,371</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/emp/Pages/Actuarial-Financial-Information.aspx>

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 in the amount 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, 2024 were effective July 1, 2023 and based on the December 31, 2021 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, 2024 are shown in the following table:

	RHIA		RHIPA	
	PERS Tier 1/Tier 2	OPSRP	PERS Tier 1/Tier 2	OPSRP
Normal Cost	0.04 %	0.00 %	0.09 %	0.00 %
Unfunded Actuarial Liability	(0.04)%	0.00 %	(0.09)%	0.00 %
Total Required Rate	0.00 %	0.00 %	0.00 %	0.00 %
Amounts Contributed	\$ -	\$ -	\$ -	\$ -

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

	RHIA	RHIPA
Plan Type	Cost-Sharing Multiple Employer	Single Employer (State of Oregon)
Valuation date	December 31, 2021	December 31, 2021
Measurement date	June 30, 2023	June 30, 2023
Experience Study	2020, published July 20, 2021	2020, published July 20, 2021
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: 27.5% Disabled retirees: 15%	8-14 years of service: 10% 15-19 years of service: 11% 20-24 years of service: 14% 25-29 years of service: 22% 30+ years of service: 27%
Healthcare cost trend rate	Not Applicable	Applied at beginning of plan year, starting with 5.9% for 2021, decreasing to 4.7% for 2028, increasing to 4.8% for 2037, and decreasing to an ultimate rate of 3.9% for 2074 and beyond
Mortality	<p>Healthy retirees and beneficiaries: 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>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: 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>Healthy retirees and beneficiaries: 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>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: 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 2023 actual contributions from each fund. Lottery’s share of both plans is shown below. The amounts are measured as of June 30, 2023 based on a December 31, 2021 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 following table:

	RHIA	RHIPA
State of Oregon Share of Plan	34.38%	100.00%
Lottery Percent of State of Oregon Share	1.18%	1.01%
Lottery Share of Net OPEB Liability/(Asset)	\$ (1,481,335)	\$ (445,556)
Lottery Share with:		
1% increase in healthcare cost trend rate	N/A	\$ (404,898)
1% decrease in healthcare cost trend rate	N/A	\$ (482,274)
1% increase in the discount rate – 7.9%	\$ (1,596,991)	\$ (470,950)
1% decrease in the discount rate – 5.9%	\$ (1,346,536)	\$ (418,608)

In the fiscal year ending June 30, 2024, Lottery recognized expense/(income) for the RHIA and RHIPA plans in the following amounts respectively; \$(204,346) and \$(67,982). 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	\$ -	\$ (37,190)	\$ -	\$ (93,431)
Changes in assumptions	-	(15,972)	6,432	(107,486)
Net difference between projected and actual earnings on investments	4,201	-	9,113	-
Changes in proportion and differences between fund contributions and proportionate share of contributions	32,416	(6,298)	-	-
Contributions Subject to Measurement Date	-	-	-	-
	<u>\$ 36,617</u>	<u>\$ (59,460)</u>	<u>\$ 15,545</u>	<u>\$ (200,917)</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
2025	\$ (40,063)	\$ (60,439)
2026	(57,159)	(62,570)
2027	54,745	(28,180)
2028	19,634	(26,860)
2029	-	(7,323)
Thereafter	-	-
Total	<u>\$ (22,843)</u>	<u>\$ (185,372)</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/emp/Pages/Actuarial-Financial-Information.aspx>

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 multi-employer defined benefit plan which accumulates no assets in a trust that meets the paragraph 4 requirements of Governmental Accounting Standards Board Statement 75. The plan 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 enroll in the plan within 30 days of the end of their active coverage.

The total OPEB liability for the PEBB plan was actuarially measured as of July 1, 2022 and projected forward to June 30, 2024. In projecting the future benefits the discount rate used is based on the Bond Buyer General Obligation 20-Year Municipal Bond Index as of June 27, 2024. There are no assets accumulated for payment of the liability. The following table shows significant assumptions used:

Valuation Date	July 1, 2022
Measurement Date	June 30, 2024
Discount Rate	3.93%
Health Care Cost Trend	Pursuant to ORS 243.135(8), 3.4% per year
General Inflation	2.4% per year
Annual Salary Increases	3.4% per year
Mortality	Based on Pub-2010 mortality tables, with adjustments for PERS experience and generational mortality improvements using scale: Milliman Unisex Social Security Data (60-year average), with data through 2017
Demographic Assumptions	January 1, 2017 through December 31, 2020 actuarial experience study adopted by the Public Employees Retirement System.

Lottery, as a fund of the State of Oregon, recognizes a portion of the total liability. Fund proportions for fiscal year 2024 are based on actual contributions for fiscal year 2024. Lottery’s share of the liability at June 30, 2024 is \$800,282 which is 0.74 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 following table:

Lottery Share with:	
1% increase in healthcare cost trend rate – 4.4%	\$ 917,309
1% decrease in healthcare cost trend rate – 2.4%	\$ 701,768
1% increase in the discount rate – 4.93%	\$ 747,448
1% decrease in the discount rate – 2.93%	\$ 856,062

For the fiscal year ended June 30, 2024 Lottery recognized \$77,551 of income for the PEBB plan. The balances of Lottery’s deferred outflows and inflows for the plan are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 233	\$ (150,997)
Changes in assumptions	11,997	(226,302)
Total	<u>\$ 12,230</u>	<u>\$ (377,299)</u>

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

Fiscal Year Ending June 30,	
2025	\$ (73,206)
2026	(70,540)
2027	(73,462)
2028	(66,608)
2029	(49,020)
Years thereafter	(32,233)
Total	<u>\$ (365,069)</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; employee dishonesty; and faithful performance coverage for certain positions required by law to be covered as well as 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 2024 share of the 2023-2025 biennial assessment was \$713,381. The Fund also charged \$595,886 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.



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)

Oregon State Lottery					
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
2023	0.3%	\$ 64.1	\$ 43.5	147.3%	81.7%
2022	0.3%	49.0	41.6	117.6%	84.5%
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%

(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 Payroll
2024	\$ 8.4	\$ 8.4	\$ -	\$ 46.6	17.97%
2023	7.3	7.3	-	43.5	16.79%
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%

(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)

Oregon State Lottery					
As of June 30,	Percent of Collective Net OPEB Liability/(Asset)	Share of Collective Net OPEB Liability/(Asset)	Covered 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
2023	0.40%	\$ (1,481)	\$ 43,481	-3.41%	201.60%
2022	0.42%	(1,480)	41,617	-3.56%	194.60%
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 Payroll
2024	\$ -	\$ -	\$ -	\$ 46,617	0.00%
2023	6	6	-	43,481	0.01%
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 Payroll	Share of State of Oregon Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	
2023	1.01%	\$ (446)	\$ 43,481	-1.03%	193.2%
2022	1.03%	(354)	41,617	-0.85%	169.7%
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 Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ -	\$ -	\$ -	\$ 46,617	0.00%
2023	88	88	-	43,481	0.20%
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 State of Oregon OPEB Liability	Share of OPEB Liability	Covered- Employee Payroll	Share of Liability as a Percent of Covered- Employee Payroll
2024	0.74%	\$.8	\$ 48.1	1.7%
2023	0.80%	.8	45.3	1.9%
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.



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, 2024

	<u>Actual</u>	<u>Budget</u> ¹	Variance Favorable/ (Unfavorable)
Revenue			
Video Lottery SM (Gross Receipts)	\$ 16,119,825,840	\$ 16,129,908,283	\$ (10,082,443)
Sports Wagering (Gross Receipts)	770,739,199	647,375,704	123,363,495
Scratch-its SM Instant Tickets	159,752,047	159,289,462	462,585
Keno	106,957,338	106,381,877	575,461
Powerball [®]	95,639,778	96,826,117	(1,186,339)
Megabucks SM	31,061,082	30,760,285	300,797
Mega Millions [®]	55,896,152	55,203,354	692,798
Raffle SM	2,499,630	2,500,000	(370)
Win For Life SM	5,066,137	5,062,241	3,896
Lucky Lines SM	1,771,950	1,806,080	(34,130)
Pick 4 SM	1,975,348	1,991,904	(16,556)
Total Revenue	<u>17,351,184,501</u>	<u>17,237,105,307</u>	<u>114,079,194</u>
Prize Expense	15,907,610,773	15,809,949,165	(97,661,608)
Net Revenue	<u>1,443,573,728</u>	<u>1,427,156,142</u>	<u>16,417,586</u>
Direct Expenses			
Retailer Commissions	309,824,695	311,091,588	1,266,893
Game Vendor Charges	52,134,049	51,233,694	(900,355)
Tickets	3,448,733	4,628,444	1,179,711
Advertising	6,286,956	7,650,984	1,364,028
Sales Support	533,245	1,080,098	546,853
Game Equipment/Parts & Maintenance	9,311,451	12,632,688	3,321,237
Depreciation	28,671,874	28,653,708	(18,166)
Interest Expense	104,174	10,946	(93,228)
Total Direct Expenses	<u>410,315,177</u>	<u>416,982,150</u>	<u>6,666,973</u>
Gross Profit	<u>1,033,258,551</u>	<u>1,010,173,992</u>	<u>23,084,559</u>
Indirect Revenue			
Other Income (Loss)	24,297,628	11,504,000	12,793,628
Indirect Expenses			
Public Information	936,820	1,188,000	251,180
Research	314,975	860,525	545,550
Personal Services	75,557,798	78,784,157	3,226,359
Services and Supplies	34,946,657	63,233,117	28,286,460
Depreciation	5,646,294	3,447,672	(2,198,622)
Interest Expense	79,493	-	(79,493)
Total Indirect Expenses	<u>117,482,037</u>	<u>147,513,471</u>	<u>30,031,434</u>
Net Profit	<u>\$ 940,074,142</u>	<u>\$ 874,164,521</u>	<u>\$ 65,909,621</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.



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
- Capital Related Liabilities

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, the activities it performs, and capital requirements necessary for Lottery functions. 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 LotterySM, the level of demand is generally impacted by variety of game choices, entertaining and sophisticated graphics, and convenience of available retailer locations.

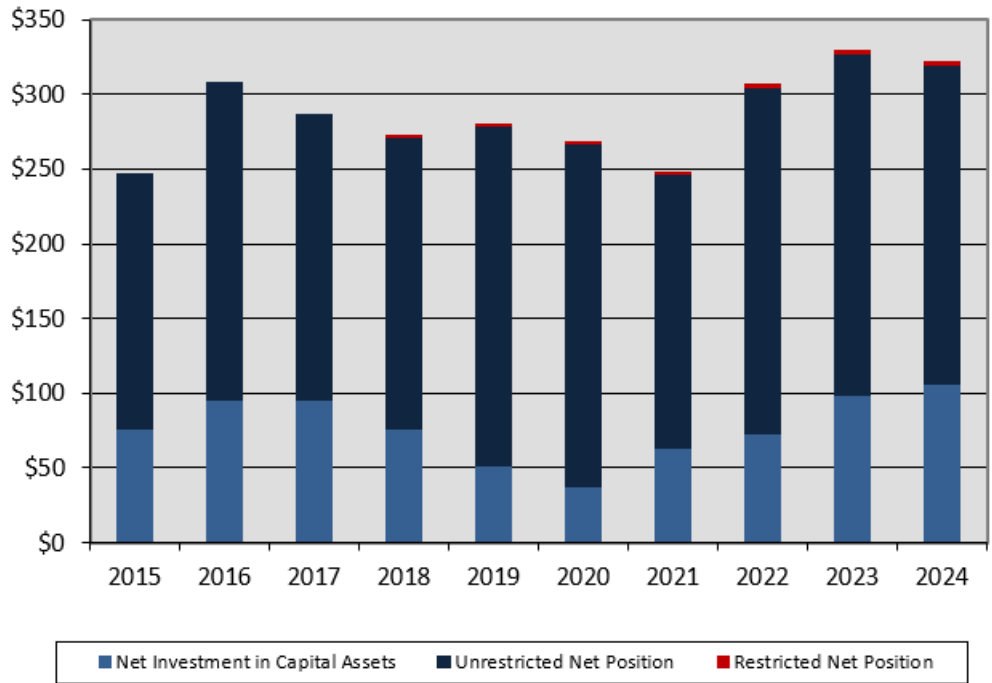
- Number of Employees
- Operating Indicators and Capital Asset Information

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
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
2023	98,376,717	228,878,779	1,833,552	329,089,048
2024	106,544,401	212,862,172	1,926,891	321,333,464

Net Position
 (In Millions)



Oregon State Lottery
Changes in Net Position
Last Ten Fiscal Years

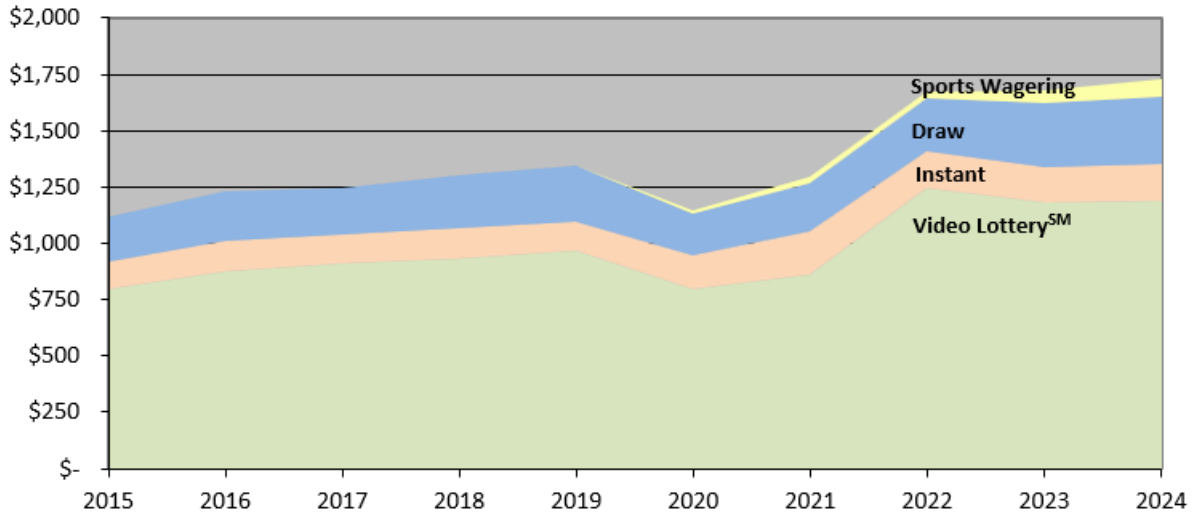
	2015	2016	2017	2018
Operating Revenues				
Sales:				
Video Lottery SM (Net Receipts)	\$ 798,578,183	\$ 876,475,310	\$ 914,071,290	\$ 933,980,026
Sports Wagering (Net Receipts)				
Scratch-its SM Instant Tickets	119,578,108	131,599,460	126,498,948	130,389,967
Keno	93,035,050	95,826,162	101,501,142	102,023,352
Powerball [®]	37,091,247	63,821,261	44,856,176	60,088,322
Megabucks SM	33,329,803	33,031,579	31,768,618	36,525,999
Mega Millions [®]	20,468,872	18,823,156	17,913,809	30,089,400
Raffle SM	7,488,730	2,499,840	2,499,750	2,499,910
Win For Life SM	4,082,661	3,854,189	3,569,776	3,608,392
Lucky Lines SM	1,771,994	2,001,358	2,147,834	1,523,926
Pick 4 SM	1,435,284	1,566,384	1,475,180	1,605,368
Recovery of (Provision for) Uncollectibles	(4,594)	18,485	(10,109)	82,152
Other Income	382,438	672,544	593,089	441,691
Total Operating Revenues	1,117,237,776	1,230,189,728	1,246,885,503	1,302,858,505
Operating Expenses				
Prizes	211,444,280	239,317,411	217,150,249	231,670,894
Retailer Commissions	215,514,570	234,963,289	239,551,975	245,681,221
Salaries and Wages	37,055,741	54,427,617	51,608,241	51,906,145
Depreciation and Amortization	20,134,347	23,863,609	29,733,663	33,888,584
Services and Supplies	11,829,146	15,876,801	13,818,139	13,738,901
Game Vendor Charges	8,931,443	9,891,910	8,170,995	8,439,800
Advertising and Market Research	9,549,598	9,705,469	11,071,161	11,106,857
Public Information	4,246,421	5,759,053	6,572,101	6,541,769
Tickets	3,213,208	3,138,033	3,328,614	3,042,684
Game Equipment Parts and Maintenance	1,885,491	1,734,280	1,572,029	6,766,475
Sales Support	1,263,959	633,721	726,436	965,786
Total Operating Expenses	525,068,204	599,311,193	583,303,603	613,749,116
Operating Income	592,169,572	630,878,535	663,581,900	689,109,389
Nonoperating Revenues (Expenses)				
Interest and Investment Income (Loss)	6,783,754	16,217,601	(481,760)	5,789,388
Insurance Recoveries	12,067	2,005	15,221	16,908
Gain (Loss) on Disposition of Assets	(1,473,869)	(98,971)	(12,653)	85,582
Investment Expenses - Securities Lending	(74,757)	(212,675)	(369,908)	(334,504)
Investment Expenses	(4,185)	(71,522)	(13,939)	(12,012)
Interest Expense	(325,227)	(316,029)	(639,028)	(713,548)
Total Nonoperating Revenues (Expenses)	4,917,783	15,520,409	(1,502,067)	4,831,814
Income Before Transfers	597,087,355	646,398,944	662,079,833	693,941,203
Transfers to Economic Development Fund	(545,948,950)	(583,179,120)	(695,750,970)	(706,350,736)
Transfers to General Obligation Bond Fund	(1,883,433)	(1,910,077)	(1,835,887)	(1,981,793)
Change in Net Position	\$ 49,254,972	\$ 61,309,747	\$ (35,507,024)	\$ (14,391,326)

2019	2020	2021	2022	2023	2024
\$ 966,474,906	\$ 797,498,371	\$ 860,326,742	\$ 1,246,146,763	\$ 1,181,773,978	\$ 1,190,556,505
	8,620,945	29,147,647	32,052,189	55,258,144	75,116,779
131,236,973	149,831,274	196,029,843	163,404,873	157,960,917	159,752,047
102,665,467	93,417,823	98,927,011	112,010,235	109,091,865	106,957,338
49,829,088	31,196,079	40,541,274	57,488,112	75,941,748	95,639,778
36,418,393	29,041,472	29,242,902	29,404,998	31,200,704	31,061,082
50,210,700	23,770,095	33,631,835	24,614,302	55,776,122	55,896,152
2,307,370	2,499,890	2,499,850	2,499,710	2,499,850	2,499,630
3,766,700	3,637,752	3,820,432	3,821,104	4,467,126	5,066,137
1,850,874	2,013,468	2,282,856	1,932,814	1,740,608	1,771,950
1,765,534	1,730,474	1,996,712	1,971,791	1,946,679	1,975,349
(54,947)	(253,303)	(39,809)	(35,471)	(4,939)	(40,527)
1,265,527	2,306,865	420,775	3,435,060	600,041	2,883,159
1,347,736,585	1,145,311,205	1,298,828,070	1,678,746,480	1,678,252,843	1,729,135,379
239,044,444	223,500,660	266,065,927	257,168,546	274,198,721	285,923,105
254,277,458	217,920,495	239,197,863	313,576,943	310,579,497	309,824,695
61,731,587	63,045,069	74,189,390	44,867,842	70,932,252	73,079,244
34,763,881	24,967,865	22,561,417	22,771,207	24,937,475	34,318,168
17,747,590	27,382,826	25,490,902	19,986,158	30,314,744	35,639,702
8,557,771	12,496,247	19,233,957	24,871,577	42,149,957	52,134,049
8,350,536	8,052,269	5,458,147	6,063,128	6,562,498	6,601,932
9,026,042	4,368,793	837,416	902,247	851,936	936,820
2,923,348	3,398,500	3,497,439	3,111,560	2,961,030	3,448,733
5,912,370	8,383,835	4,849,767	5,681,596	4,947,210	9,311,451
1,221,244	606,130	373,821	542,447	779,219	533,245
643,556,271	594,122,689	661,756,046	699,543,251	769,214,539	811,751,144
704,180,314	551,188,516	637,072,024	979,203,229	909,038,304	917,384,235
20,482,336	24,122,456	(2,561,203)	(8,970,219)	11,418,289	24,738,591
1,049	4,053	9,932	9,946	19,509	447,380
107,516	35,650	172,067	6,945	4,950,386	255,222
(118,278)	(529,448)	(32,558)	(40,107)	(363,209)	(76,572)
(168,928)	(14,028)	(14,083)	(13,640)	(7,016)	(12,494)
(643,275)	(585,429)	(484,467)	(484,102)	(353,004)	(296,525)
19,660,420	23,033,253	(2,910,312)	(9,491,177)	15,664,955	25,055,602
723,840,734	574,221,769	634,161,712	969,712,052	924,703,259	942,439,837
(714,417,052)	(583,442,933)	(652,457,782)	(908,300,942)	(899,337,574)	(947,829,726)
(2,193,731)	(2,293,438)	(1,981,840)	(2,199,949)	(2,435,407)	(2,365,695)
\$ 7,229,951	\$ (11,514,602)	\$ (20,277,910)	\$ 59,211,161	\$ 22,930,278	\$ (7,755,584)

Oregon State Lottery
Sales by Product
 Last Ten Fiscal Years

Fiscal Year	Video Lottery SM	Sports Wagering	Instant Products	Draw Games					All Other Games	Total
				Keno	Powerball [*]	Mega Millions [*]	Oregon's Game Megabucks SM			
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	
2023	1,181,773,978	55,258,144	157,960,917	109,091,865	75,941,748	55,776,122	31,200,704	10,654,263	1,677,657,741	
2024	1,190,556,505	75,116,779	159,752,047	106,957,338	95,639,778	55,896,152	31,061,082	11,313,066	1,726,292,747	

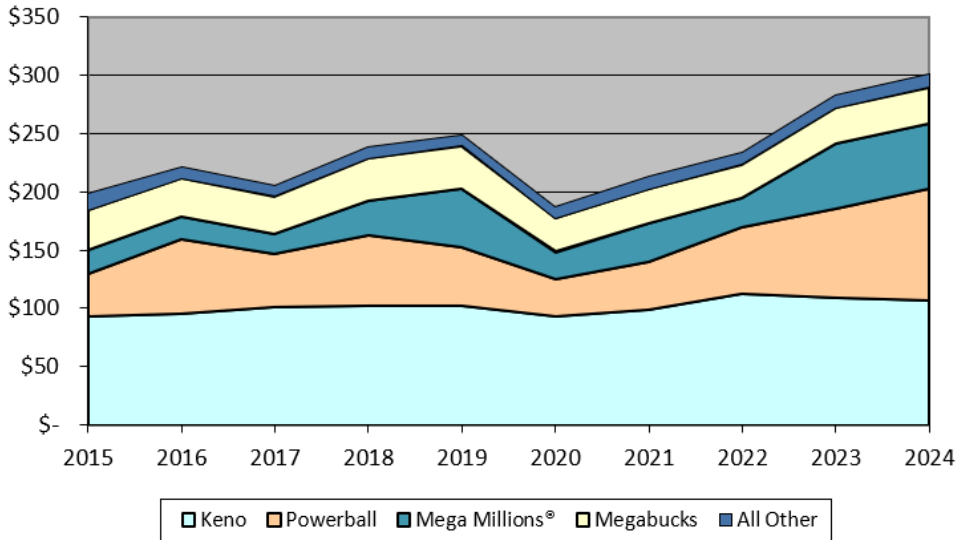
Sales by Product Type
 (In Millions)



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

Fiscal Year	Video Lottery SM	Sports Wagering ¹	Instant Products	Draw Games				
				Keno	Powerball [®]	Mega Millions [®]	Oregon's Game Megabucks SM	All Other Draw Games
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%
2023	70.4%	3.3%	9.4%	6.5%	4.5%	3.3%	1.9%	0.7%
2024	69.0%	4.4%	9.3%	6.2%	5.5%	3.2%	1.8%	0.6%

Draw Game Sales by Product
 (In Millions)



¹Starting 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

Rank	Retailer	2024		
		Sales	Percent of Total Sales	County
1	The Pit Stop Sports Bar & BBQ Grill	\$ 22,593,493	1.35%	Washington
2	Produce Row Cafe	6,690,242	0.40%	Multnomah
3	Winners Corner	6,206,021	0.37%	Multnomah
4	Independent Sports Bar & Grill	5,431,836	0.32%	Multnomah
5	Doozy's	2,331,479	0.14%	Deschutes
6	Richards Deli and Pub	2,228,113	0.13%	Washington
7	Richards Deli and Pub	2,163,992	0.13%	Washington
8	Dede's Cafe	2,158,455	0.13%	Washington
9	Dotty's #27	2,109,384	0.13%	Multnomah
10	Dotty's #24	2,097,664	0.13%	Multnomah
	Totals	\$ 54,010,677	3.23%	

Total Business Year Sales at Retail Locations \$ 1,673,760,980

Rank	Retailer	2015		
		Sales	Percent of Total Sales	County
1	Bradley's Bar & Grill	\$ 1,714,821	0.15%	Multnomah
2	Deli Store	1,700,189	0.15%	Columbia
3	Dotty's #9	1,623,765	0.15%	Washington
4	Elmer's Pancake-Delta Park	1,601,378	0.14%	Multnomah
5	Dotty's #24	1,595,674	0.14%	Multnomah
6	Shari's-Airport Way #218	1,545,948	0.14%	Multnomah
7	Fox Den Eatery # 4, The	1,535,355	0.14%	Linn
8	Elmer's	1,512,432	0.14%	Multnomah
9	Original Joe's	1,490,091	0.13%	Multnomah
10	Maddy's	1,452,860	0.13%	Clackamas
	Totals	\$ 15,772,514	1.42%	

Total Business Year Sales at Retail Locations \$ 1,114,080,376

Source: Oregon State Lottery Business Analytics and Insights Department

Oregon State Lottery
Number of Lottery Retailers and Sales by County
For Business Year 2024

County	Sales		Retailers	
	Business Year Sales	Percent of Total Sales	Number of Lottery Retailers	Percent of Total Retailers
Multnomah	\$ 378,880,649	22.63%	828	20.39%
Washington	221,073,193	13.21%	355	8.74%
Clackamas	161,991,816	9.68%	370	9.11%
Marion	155,555,741	9.29%	362	8.92%
Lane	136,221,016	8.14%	370	9.12%
Jackson	80,312,496	4.80%	226	5.57%
Deschutes	72,789,426	4.35%	151	3.72%
Linn	51,993,384	3.11%	134	3.30%
Douglas	41,432,013	2.48%	138	3.40%
Columbia	34,198,760	2.04%	68	1.68%
Josephine	33,468,704	2.00%	98	2.41%
Yamhill	29,846,719	1.78%	94	2.32%
Umatilla	27,946,780	1.67%	88	2.17%
Malheur	27,093,060	1.62%	49	1.21%
Klamath	26,991,012	1.61%	86	2.12%
Clatsop	26,752,667	1.60%	79	1.95%
Lincoln	22,707,033	1.36%	72	1.77%
Polk	20,639,866	1.23%	65	1.60%
Benton	17,658,116	1.05%	51	1.26%
Coos	16,897,257	1.01%	65	1.60%
Tillamook	13,912,344	0.83%	53	1.31%
Wasco	12,560,068	0.75%	38	0.94%
Crook	11,722,985	0.70%	30	0.74%
Union	8,661,843	0.52%	30	0.74%
Hood River	8,579,760	0.51%	23	0.57%
Baker	6,949,354	0.42%	26	0.64%
Jefferson	6,454,890	0.39%	20	0.49%
Curry	6,402,982	0.38%	27	0.67%
Morrow	3,325,494	0.20%	10	0.25%
Grant	2,881,786	0.17%	11	0.27%
Lake	2,385,164	0.14%	11	0.27%
Harney	2,190,078	0.13%	11	0.27%
Wallowa	1,509,822	0.09%	9	0.22%
Sherman	1,138,811	0.07%	5	0.12%
Gilliam	543,582	0.03%	5	0.12%
Wheeler	92,315	0.01%	1	0.02%
	\$ 1,673,760,980	100.00%	4,059	100.00%

Source: Oregon State Lottery Business Analytics and Insights Department

Oregon State Lottery
Capital Related Liabilities
Last Ten Fiscal Years*

	Fiscal Year	Liability Balance as of June 30	Operating Revenues	Liability Percent of Operating Revenue	Personal Income ¹	Liability Percent of Personal Income
Leases	2022	\$ 948,439	\$ 1,678,746,480	0.06%	\$ 261,546,500	0.36%
	2023	1,837,162	1,678,252,843	0.11%	266,139,200	0.69%
	2024	1,761,060	1,729,135,379	0.10%	276,972,800	0.64%
Financing Agreement	2022	\$ 1,643,836	\$ 1,678,746,480	0.10%	\$ 261,546,500	0.63%
	2023	486,270	1,678,252,843	0.03%	266,139,200	0.18%
	2024	22,683	1,729,135,379	0.00%	276,972,800	0.01%
Subscription Software Contracts	2023	\$ 4,793,533	\$ 1,678,252,843	0.29%	\$ 266,139,200	1.80%
	2024	6,812,310	1,729,135,379	0.39%	276,972,800	2.46%

* Additional years will be presented as they become available. Lease accounting standards became effective in fiscal year 2022. Subscription software standards became effective in fiscal year 2023.

¹Source: U.S. Department of Commerce, Bureau of Economic Analysis – Previous Calendar Year

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

Calendar Year	Population ¹	Personal Income ¹	Per Capita Personal Income ¹	Annual Unemployment Rate ²
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%
2022	4,240,137	266,139,200	62,767	4.2%
2023	4,233,358	276,972,800	65,426	3.7%

¹Source: U.S. Department of Commerce, Bureau of Economic Analysis

²Source: Oregon Employment Department

Oregon State Lottery
Employment by Industry - State of Oregon
Calendar Year 2023 - and Nine-Years Prior

	2023		2014	
	Number of	Percent of	Number of	Percent of
	Employees	Total	Employees	Total
Private health care and social assistance	283,869	14.28%	212,683	12.32%
Local government	211,612	10.64%	174,896	10.13%
Retail trade	207,818	10.45%	195,924	11.34%
Manufacturing	189,784	9.54%	179,081	10.37%
Accommodation and food services	178,951	9.00%	159,412	9.23%
Construction	117,429	5.90%	79,366	4.60%
Professional, scientific, and technical services	111,328	5.60%	83,960	4.86%
Administrative, support, and waste management services	103,110	5.18%	94,769	5.49%
Wholesale trade	78,065	3.93%	72,424	4.19%
Transportation, warehousing & utilities	76,685	3.86%	54,489	3.15%
Other services	68,042	3.42%	67,381	3.90%
Finance and insurance	53,853	2.71%	55,702	3.23%
Agriculture, forestry, fishing and hunting	52,281	2.63%	49,409	2.86%
Management of companies and enterprises	51,235	2.58%	40,153	2.32%
State government	45,824	2.30%	69,826	4.04%
Information	36,843	1.85%	32,092	1.86%
Private educational services	32,312	1.62%	28,972	1.68%
Real estate and rental and leasing	29,734	1.50%	24,244	1.40%
Federal government	28,462	1.43%	27,434	1.59%
Arts, entertainment, and recreation	27,513	1.38%	23,224	1.34%
Unclassified	2,227	0.11%	88	0.01%
Mining, quarrying, and oil and gas extraction	1,694	0.09%	1,549	0.09%
Total employment	1,988,671	100.00%	1,727,078	100.00%

Source: Oregon Employment Department, Quarterly Census of Employment and Wages

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.

This page intentionally left blank.

Oregon State Lottery
Demographic Profile of Oregon Lottery Players

Last Ten Calendar Years

	2014	2015	2016	2017	2018
Number Surveyed	1,000	2,000	2,000	2,000	2,023
Player Percentage	46.1%	54.1%	48.1%	54.3%	55.0%
	Players	Players	Players	Players	Players
<u>Gender</u>					
Male	50%	51%	49%	49%	50%
Female	50%	49%	51%	51%	50%
Other (New starting in 2019)					
<u>Age</u>					
18 - 24	9%	9%	9%	9%	8%
25 - 34	19%	20%	20%	16%	19%
35 - 44 (35 - 54 starting in 2018)	16%	16%	15%	20%	38%
45 - 54	21%	21%	22%	20%	n/a
55 - 64	16%	14%	10%	16%	16%
65 +	19%	21%	24%	19%	19%
<u>Education (not asked in 2020)</u>					
Some High School	9%	9%	9%	9%	8%
High School Graduate	19%	20%	20%	16%	19%
College/Tech School	16%	16%	15%	20%	38%
College Graduate	21%	21%	22%	20%	n/a
Graduate School/Degree	16%	14%	10%	16%	16%
<u>Marital Status (no longer asked as of 2020)</u>					
Single	9%	9%	9%	9%	8%
Married	19%	20%	20%	16%	19%
Co-habiting	16%	16%	15%	20%	38%
Divorced or Separated	21%	21%	22%	20%	n/a
Widowed	16%	14%	10%	16%	16%
Civil Union/Domestic Partnership	19%	21%	24%	19%	19%
<u>Income</u>					
Less than \$15,000 (\$25,000 Beginning in 2018)	9%	9%	9%	9%	8%
\$15,000 - \$49,999 (\$25,000 - \$49,999 Beginning in 2018)	19%	20%	20%	16%	19%
\$50,000 - \$74,999	16%	16%	15%	20%	38%
\$75,000 - \$99,999	21%	21%	22%	20%	n/a
\$100,000 +	16%	14%	10%	16%	16%
Refused/Don't Know	19%	21%	24%	19%	19%

Sources:

Player information from Oregon State Lottery's Tracking Study 2012-2019, 2021-2023. 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>

2019	2020	2021	2022	2023	2023 State Population 18+
2,023 54.5%	800 47.6%	1,500 47.9%	1,506 50.6%	1,500 54.0%	
Players	Players	Players	Players	Players	
50%	49%	51%	53%	47%	49.7%
49%	50%	48%	47%	51%	50.3%
1%	1%	1%	0%	2%	
8%	7%	10%	9%	8%	8.3%
19%	20%	18%	19%	19%	14.0%
37%	38%	37%	39%	37%	26.6%
n/a	n/a	n/a	n/a	n/a	n/a
16%	17%	12%	14%	14%	12.0%
19%	19%	23%	19%	22%	19.5%
3%	n/a	3%	3%	4%	8.3%
18%	n/a	20%	18%	21%	14.0%
45%	n/a	39%	44%	42%	26.6%
22%	n/a	24%	23%	22%	n/a
11%	n/a	13%	11%	11%	12.0%
27%	n/a	n/a	n/a	n/a	32.7%
42%	n/a	n/a	n/a	n/a	48.6%
13%	n/a	n/a	n/a	n/a	n/a
12%	n/a	n/a	n/a	n/a	13.6%
6%	n/a	n/a	n/a	n/a	5.1%
n/a	n/a	n/a	n/a	n/a	n/a
14%	n/a	16%	12%	14%	8.9%
26%	n/a	23%	26%	17%	30.9%
18%	n/a	17%	16%	16%	24.0%
15%	n/a	15%	20%	14%	14.4%
21%	n/a	25%	21%	35%	21.8%
6%	n/a	5%	5%	5%	n/a

Oregon State Lottery

Number of Employees

Last Ten Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales, Marketing & Retail Services	239	217	226	237	217	207	192	189	190	192
Support Services	152	163	142	135	143	131	125	145	156	152
Director's Office ^{2,3,4}	35	52	63	66	95	66	63	66	64	57
Security ^{1,4}	19	16	18	17	20	16	26	34	37	40
Total	445	448	449	455	475	420	406	434	447	441

Source: Lottery Payroll System

¹Security employees excludes employees of the Oregon State Police.

²Includes Corporate Affairs division in fiscal years starting in 2018.

³Includes Product Management, Lottery Products Portfolio & Gaming Products Portfolio in fiscal years starting in 2021.

⁴2021 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 ¹	Number of Video Lottery Terminals Deployed ¹	Per Capita Sales ²
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
2023	3,797	10,936	395.66
2024	3,803	10,803	407.78

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

²Source: Calculated based on calendar year population data from US Census Bureau.

This page intentionally left blank.



Other Reports



Kip Memmott
Division 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 Tina Kotek
Governor of Oregon

MardiLyn Saathoff, Chair
Oregon State Lottery Commission

Mike Wells, 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, 2024, 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 November 14, 2024

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

November 14, 2024