



OREGON

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Together, we do good things.

**Annual Comprehensive
Financial Report**

For the Fiscal Year Ended - June 30, 2023

An Enterprise Fund of the State of Oregon

Oregon State Lottery

An Enterprise Fund of the State of Oregon

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023



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LOTTERY®**

Together, we do good things.

Mike Wells
Director

Kathy Ortega, CPA, CGMA
Chief Financial Officer

Report Prepared by:

Finance and Accounting
Oregon State Lottery

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

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Introductory Section



November 28, 2023

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 fiscal year ended June 30, 2023. This report is published to meet the requirement in state law for an annual accounting of financial activities.

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

The Secretary of State Audits Division, the constitutional auditor of public accounts in Oregon, audited the Lottery's financial statements for the fiscal year ended June 30, 2023. 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.

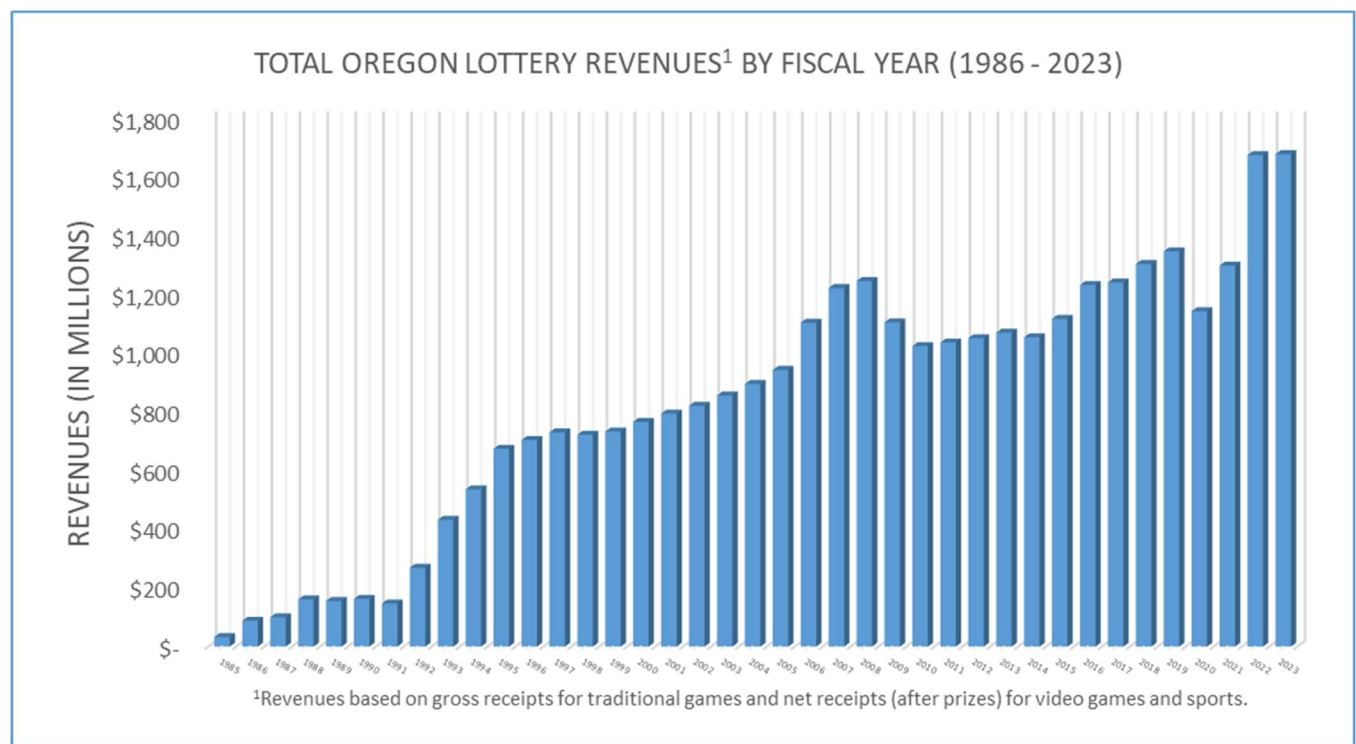
Lottery has a network of 3,808 retailers through which it offers players a broad mix of Traditional Games as well as Video LotterySM and sports betting. Traditional Lottery games include Scratch-itsSM Instant Tickets, Keno, Powerball[®], Oregon's Game MegabucksSM, RaffleSM, Win for LifeSM, Mega Millions[®], 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 10,880 Video LotterySM terminals deployed throughout the state. On January 18, 2022, Lottery partnered with DraftKings to run the DraftKings Sportbook platform.

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

The Lottery is operated under the direction of a five-member commission, with the commissioners appointed by the Governor and confirmed by the Senate. The Commission directs the activities of the Lottery, including 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 Business Plan. The Financial Plan uses revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis. Budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised quarterly for changes in budget assumptions and revenue forecasts. The Commission must approve revisions to changes 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 in fiscal year 2023, expenses were 2.88 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 2023 Oregon Office of Economic Analysis (OEA) Economic and Revenue Forecast, Oregon's economy is stable, with growth surpassing expectations. The slowdown in inflation and a likely soft landing bode well, though reacceleration of the economy could reignite inflation. Income gains now overshadow price increases due to reduced inflation, enhancing living standards. Growth is expected from labor force expansions, positive migration, and productivity spurred by capital investments.

The Oregon Lottery's outlook remains steady, with a slight uptick in resources for the 2023-25 biennium by \$9.5 million (0.5%), while a minor dip is noted in the sales forecast for video lottery. A significant booster for sales next year could be the \$5.6 billion personal income tax kicker, enhancing consumer spending. However, Lottery faces challenges such as increased entertainment competition and shifting generational preferences in the long term. However, the entry of Millennials into their peak lottery years suggests a gradual growth in video lottery sales.

Long-term Financial Planning

The Lottery uses a Strategic Plan, annual Business Plan, and budget to manage its operations. Lottery operates with the highest standards of security and integrity to maximize revenue for the people of Oregon, commensurate with the public good. Lottery will continue to focus on operational excellence, improving processes, collaboration, and input.

In the September 2023 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 potentially shifts in generational preferences and tastes when it comes to gaming.

Relevant Financial Policies

To provide resources for current operations and future investment, the Lottery Commission established a contingency reserve fund. In June of 2022, the Commission authorized an increase to the contingency reserve with a cap of \$135 million. At June 30, 2023, the actual cash balance in the contingency reserve was \$135 million. The Lottery intends to use operating funds to pay for future business initiatives which are key to compete, remain relevant to our players, and maximize 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 Lottery is upgrading back-office support systems facing obsolescence and end-of-life support. The business modernization roadmap under development includes enterprise architecture options, a movement towards known play, staging plans for the implementation of solutions, and system integration. The timeline for the roadmap is three to five years. The assessment of Lottery's business processes and capabilities and analysis of the enterprise architecture have aided in developing the foundational activities that will drive adoption and ensure the long-term success of business operations.

The Lottery's brand promise is directly aligned to support its mission: "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's goal is to be efficient and effective by delivering integrated communications through to retailers. Communications are designed to build awareness and educate the public on the game offerings, how they work, how to play responsibly, the collection of prizes, where to find problem gambling help, and where the money goes.

Lottery's focus is on a customer-first approach using modern communication tools designed to deliver positive experiences to remain relevant as customer behaviors change over time.

For example, in January 2022, the central gaming system for Scoreboard was replaced with a new platform by Draft Kings. Draft Kings acquired the previous vendor, SBTech, during fiscal year 2021. Draft Kings offers an improved betting experience, including the ability to make same-game parlay bets and excellent customer service. Lottery also had substantial employee resources involved in the implementation of the new ERP Dynamics 365 for Finance and Operations

platform and the Retail Partner Management system as well as ongoing efforts to maintain and replace Video Lottery terminals in our retail establishments.

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

Acknowledgements

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.

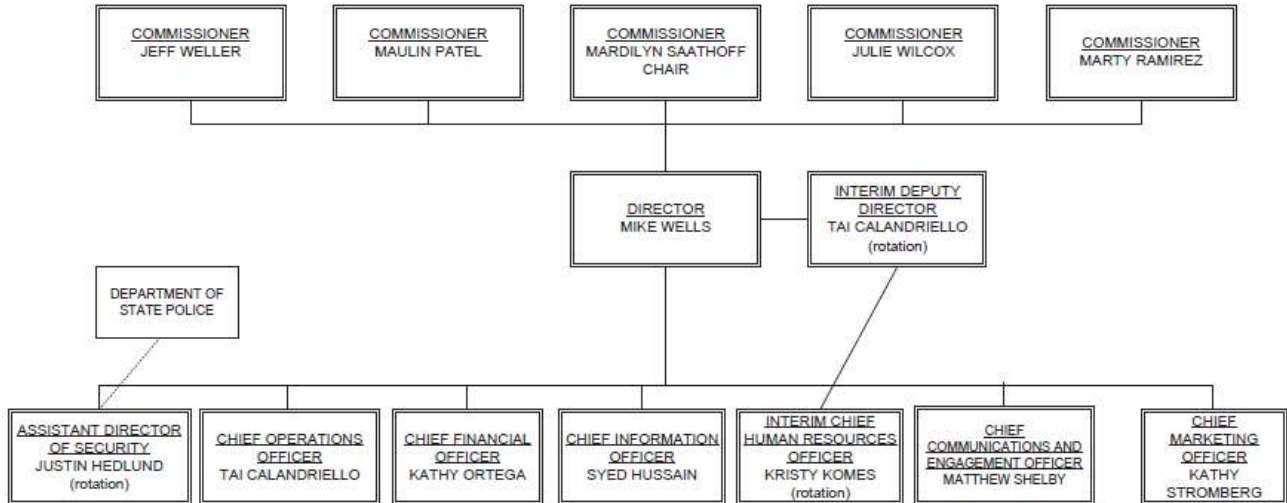
Respectfully submitted,

A handwritten signature in black ink that reads "Kathy Ortega". The signature is written in a cursive, flowing style.

Kathy Ortega, Chief Financial Officer
Oregon State Lottery



OREGON STATE LOTTERY COMMISSION





Financial Section



LaVonne Griffin-Valade Secretary of State
Cheryl Myers Deputy Secretary of State, Tribal Liaison
Kip Memmott Audits Director

Independent Auditor's Report

The Honorable Tina Kotek
Governor of Oregon

MardiLyn Saathoff, Chair
Oregon State Lottery Commission

Michael 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, an enterprise fund of the State of Oregon, as of and for the year ended June 30, 2023, 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, 2023, 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, 2023, 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 is not a required part of the basic

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issue our report dated November 21, 2023, 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 21, 2023

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, 2023. This analysis is to be considered in conjunction with information in the transmittal letter of this report.

Financial Highlights

- Revenue for all Lottery products remained level at \$1.7 billion for the fiscal year.
- Pension expense allocated to the Lottery was \$13.6 million compared to negative \$8.9 million the prior year, an increase of 252.3 percent.
- Net investment in capital assets increased \$25.0 million as aging and obsolete video terminals were replaced with new terminals.
- The Lottery transferred \$899.3 million to Oregon's Economic Development Fund, which is a 1 percent decrease 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, which include the fund financial statements and accompanying notes; required supplementary information; and an optional budgetary comparison schedule, which is presented as other supplementary information.

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

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

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

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

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

Analysis of Financial Position and Operations

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

Table 1: Oregon State Lottery's Net Position

	2023	2022	Increase/ (Decrease)
Current assets	\$ 495,894,975	\$ 499,280,658	\$ (3,385,683)
Capital assets	105,493,681	79,774,867	25,718,814
Other noncurrent assets	184,137,446	215,988,632	(31,851,186)
Total assets	785,526,102	795,044,157	(9,518,055)
Deferred Outflows of Resources	22,824,762	20,301,356	2,523,406
Total assets and deferred outflows of resources	808,350,864	815,345,513	(6,994,649)
Current liabilities	300,393,389	332,410,961	(32,017,572)
Noncurrent liabilities	163,124,812	151,511,874	11,612,938
Total Liabilities	463,518,201	483,922,835	(20,404,634)
Deferred Inflows of Resources	15,743,615	25,263,908	(9,520,293)
Total liabilities and deferred inflows of resources	479,261,816	509,186,743	(29,924,927)
Net position:			
Net investment in capital assets	98,376,717	73,362,750	25,013,967
Restricted for OPEB Asset- RHIA	1,833,552	1,561,144	272,408
Unrestricted	228,878,779	231,234,876	(2,356,097)
Total net position	\$ 329,089,048	\$ 306,158,770	\$ 22,930,278

Total cash and cash equivalents increased from fiscal year 2022 by \$5.0 million, and the cash portion of the contingency reserve was funded at the \$135 million commission approved amount. Cash amounts held for funding major initiatives and contracts was reduced by \$18.5 million as projects and payments on contracts progressed throughout the year. Securities lending cash collateral, and the liability for the collateral, decreased \$31.6 million as securities lending activities declined. The Oregon Treasury conducts securities lending activities on our behalf.

Noncurrent prize liabilities were reduced as long-term prizes were paid. In fiscal year 2023 all three Oregon's Game Megabucks jackpot winners chose the cash option for the game, consequently no long-term liability was incurred. Lottery's share of the net pension liability increased \$18.2 million as the pension system's liability increased. The State's PERS pension system had significantly lower investment earnings to fund benefits compared with the prior year.

A portion of the Lottery's net position, 29.9 percent, reflects investment in capital assets, primarily Video LotterySM gaming terminals. Of the \$228.9 million in unrestricted net position at fiscal year-end, \$88.1 million is committed for capital purchases, projects, and long-term contract obligations.

Capital Assets

The Lottery's investment in capital assets for the current and prior fiscal year is shown in Table 2 on the following page. Most capital assets used in operations are Video Lottery gaming terminals and computer software. During the 2023 fiscal year approximately 2300 video lottery terminals purchased in fiscal years 2016-2017 were replaced with new terminals.

Table 2: Oregon State Lottery's Capital Assets, Net of Accumulated Depreciation

	2023	2022	Increase/ (Decrease)
Equipment	\$ 76,033,462	\$ 58,588,882	\$ 17,444,580
Building and Improvements	7,529,819	6,900,017	629,802
Vehicles	2,136,206	2,008,687	127,519
Computer Software	455,499	4,271,799	(3,816,300)
Right-to-Use Leased Equipment and Facilities	2,147,987	948,439	1,199,548
Right-to-Use Subscription Software	17,111,414	6,920,940	10,190,474
Other Assets	79,294	136,103	(56,809)
	<u>\$ 105,493,681</u>	<u>\$ 79,774,867</u>	<u>\$ 25,718,814</u>

Lottery implemented Governmental Accounting Standards Board Statement 96 (Subscription-Based Information Technology Arrangements) as of the beginning of the fiscal year. As such, some prior capitalized software was reclassified to the new asset category. Additionally, Lottery added capital for subscription software that would typically have been treated as an expense in years prior to the new standard.

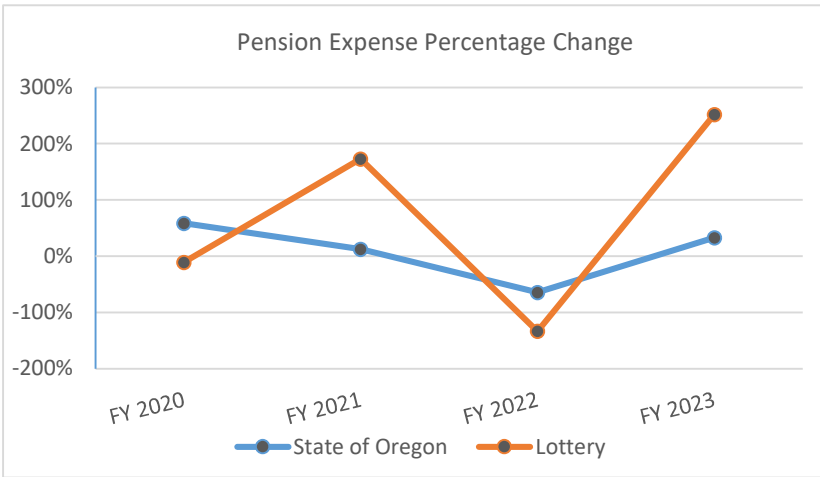
Below is a summary of the changes in net position for the current and prior year:

Table 3: Oregon State Lottery's Changes in Net Position

	2023	2022	Increase/ (Decrease)
Operating revenue:			
Video Lottery SM game sales, net	\$ 1,181,773,978	\$ 1,246,146,763	\$ (64,372,785)
Sports wagering sales, net	55,258,144	32,052,189	23,205,955
Scratch-its SM instant ticket sales	157,960,917	163,404,873	(5,443,956)
Draw game sales	282,664,702	233,743,066	48,921,636
Other income	595,102	3,399,589	(2,804,487)
Total operating revenues	<u>1,678,252,843</u>	<u>1,678,746,480</u>	<u>(493,637)</u>
Operating expenses:			
Prizes	274,198,721	257,168,546	17,030,175
Retailer commissions	310,579,497	313,576,943	(2,997,446)
Other operating expenses	184,436,321	128,797,762	55,638,559
Total operating expenses	<u>769,214,539</u>	<u>699,543,251</u>	<u>69,671,288</u>
Operating income	<u>909,038,304</u>	<u>979,203,229</u>	<u>(70,164,925)</u>
Interest and investment income/(loss)	11,418,289	(8,970,219)	(20,388,508)
Insurance recoveries and gains	4,969,895	9,946	4,959,949
Nonoperating expenses	(723,229)	(530,904)	192,325
Total nonoperating revenues/(expenses/losses)	<u>15,664,955</u>	<u>(9,491,177)</u>	<u>25,156,132</u>
Income before transfers	<u>924,703,259</u>	<u>969,712,052</u>	<u>(45,008,793)</u>
Transfers	(901,772,981)	(910,500,891)	(8,727,910)
Change in net position:	<u>22,930,278</u>	<u>59,211,161</u>	<u>(36,280,883)</u>
Net position - beginning	306,158,770	246,947,609	59,211,161
Net position - ending	<u>\$ 329,089,048</u>	<u>\$ 306,158,770</u>	<u>\$ 22,930,278</u>

Overall operating income declined 7.2 percent in fiscal year 2023. Total product sales remained steady in fiscal year 2023; however, the mix of products sold changed compared to fiscal year 2022. Declines in video lottery sales were offset with sports wagering and draw game sales. Increased draw game sales resulted in a corresponding increase in prize expense. As is industry practice, both video and sports sales are reported net of prizes. Additional information on prizes for those products can be found in financial statement note 2.

Other operating expenses increased 43.2 percent over the prior year. As expected, the increase in sports wagering and draw game sales caused an increase of \$17.3 million in game vendor charges. Vendor charges for both products are sales based. Services and supplies expense increased \$10.3 million from the prior fiscal year due to project and system maintenance consulting fees. The most significant increase in operating expense for fiscal year 2023 came not from Lottery operations, but the annual share of the statewide PERS pension expense passed to agencies by the statewide accounting office. Lottery’s expense share increased 252.6 percent from the prior year, or \$22.5 million. The intent of the entry is for all participating State agencies to share in the total expense allocated actuarially to the State of Oregon as one employer of the pension plan. Most of the reason for Lottery’s significant increase is the allocation methodology used by the statewide accounting office, as the increase in salary expense for fiscal year 2022 (the measurement year) was only 17.4 percent. The volatility of Lottery pension expense is represented in the graph below.

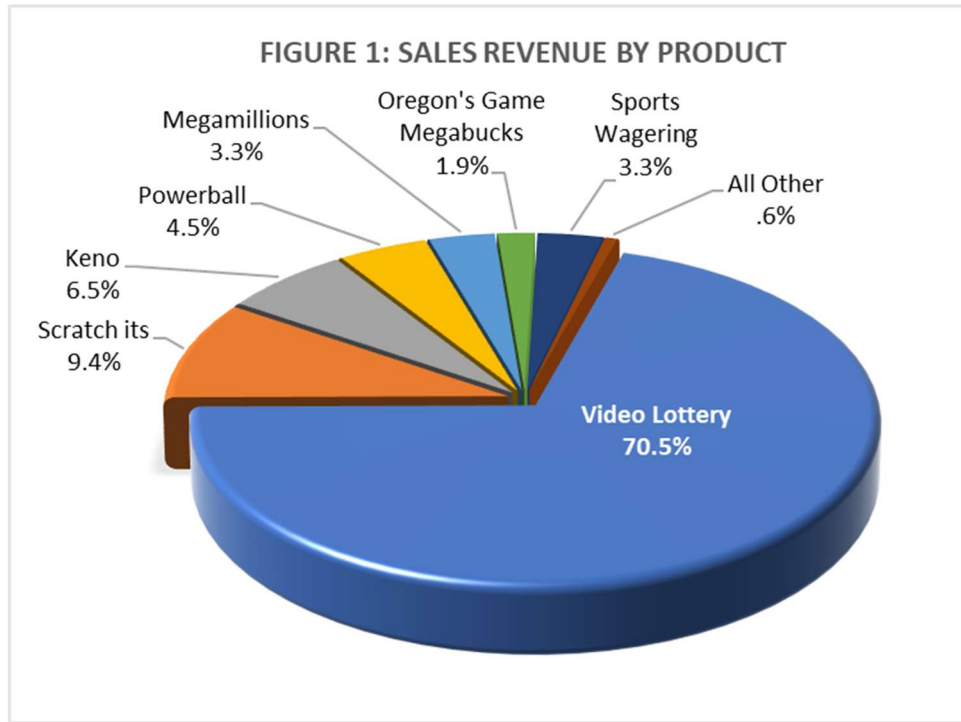


Total non-operating revenues increased \$25.2 million. Interest income increased \$11.6 million attributable to slightly higher cash balances throughout the year and a significant rise in interest rates in the current economy. A gain of \$5.0 million was recognized with the majority coming from the sale of approximately 2300 video lottery terminals which had no book value. Investments, which are reported at fair value, caused a loss to be recognized. However, the recognized loss was \$8.8 million less than similar activities from the prior year. Lottery holds securities to maturity; thus, fair value fluctuations do not impact operational decisions or cash position.

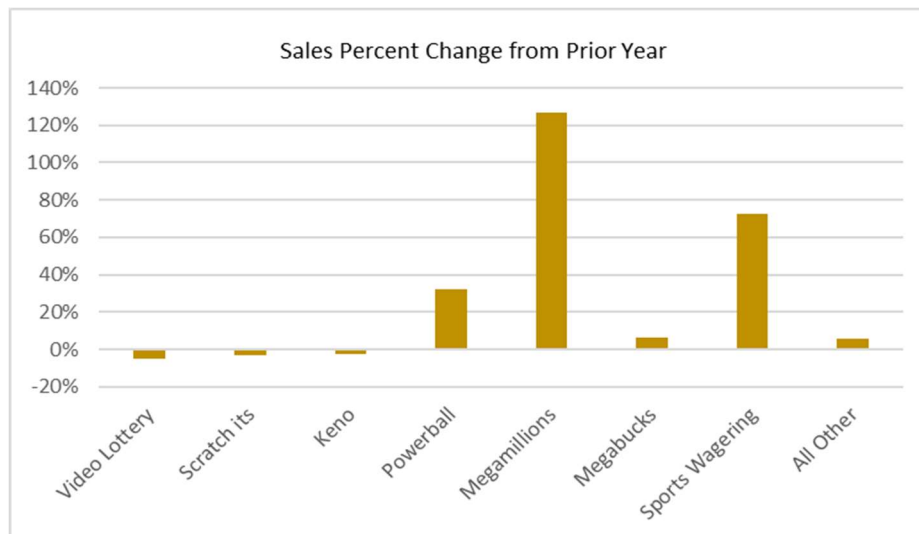
Overall, income before transfers decreased 4.6 percent. Transfers to the Economic Development decreased 1.0 percent, or \$9.0 million.

Sales Revenue

Figure 1 below shows the major sources and percentages of sales revenue for fiscal year 2023.



Overall product sales for fiscal year 2023 increased just .1 percent from 2022 amounts. Video LotterySM remains the Lottery's largest source of revenue representing 70.5 percent of total sales. However, that percentage declined from the prior year where video revenues were 74.3 percent of product sales. The \$64.4 million decline in video revenue was offset by increased sales in sports wagering and draw games. Sports wagering increased 72.4%, or \$23.2 million from fiscal year 2022. DraftKings, Lottery's partner for sports wagering, has reported significant increases in players and average revenue per player boosting increased revenue in Oregon. Megamillions sales benefited from two jackpot offerings over a billion dollars during the fiscal year and grew 126.6 percent year over year. Powerball sales also increased 32.1 percent as the largest Powerball jackpot ever (\$2.04 billion) occurred during fiscal year 2023. The following graph shows the percentage change in sales from fiscal year 2022 to 2023 for the major product categories.



During the fiscal year, the Lottery continued to actively promote problem gambling programs.

The Lottery is continuing its efforts to systematically replace video lottery terminals to keep the product updated and fresh. The Commission approved setting aside \$20 million of fiscal year 2023 profits to fund replacements scheduled for fiscal year 2024. Also in fiscal year 2024, Lottery will continue to modernize its back-office systems so modern technologies can be utilized for enhancements to data gathering, retailer partnering, and cost savings.



Basic Financial Statements

OREGON STATE LOTTERY
Statement of Net Position
June 30, 2023

Assets

Current Assets:

Cash and Cash Equivalents	\$ 448,930,935
Securities Lending Cash Collateral	1,975,603
Investments for Prize Payments	11,019,492
Accounts Receivable (Net)	28,153,194
Ticket Inventory	2,398,282
Prepaid Expenses	3,417,469
Total Current Assets	495,894,975

Noncurrent Assets:

Cash and Cash Equivalents	88,346,226
Investments for Prize Payments	89,369,066
Prize Reserves	4,588,602
Net Other Post-Employment Benefits (OPEB) Asset	1,833,552

Capital Assets:

Buildings, Equipment and Vehicles	249,268,636
Computer Software	24,842,216
Other Assets	3,458,313
Less Accumulated Depreciation and Amortization	(172,075,484)

Total Noncurrent Assets	289,631,127
Total Assets	785,526,102

Deferred Outflows of Resources

Deferred Amounts for Pensions	22,590,922
Deferred Amounts for Other Post-Employment Benefits (OPEB)	233,840
Total Deferred Outflows of Resources	22,824,762
Total Assets and Deferred Outflows of Resources	808,350,864

Liabilities

Current Liabilities:

Due to Economic Development Fund	235,277,145
Obligations Under Securities Lending	1,975,603
Prize Liability	38,103,425
Accounts Payable	16,498,521
Compensated Absences	2,969,593
Unearned Revenue	1,900,308
Contracts Payable	3,668,794
Total Current Liabilities	300,393,389

Noncurrent Liabilities:

Prize Liability	106,140,524
Compensated Absences	1,670,396
Net Pension Liability	48,951,329
Other Post-Employment Benefits (OPEB) Liabilities	843,747
Contracts Payable	5,518,816

Total Noncurrent Liabilities	163,124,812
Total Liabilities	463,518,201

Deferred Inflows of Resources

Deferred Amounts for Pensions	14,665,953
Deferred Amounts for Other Post-Employment Benefits (OPEB)	1,077,662
Total Deferred Inflows of Resources	15,743,615
Total Liabilities and Deferred Inflows of Resources	479,261,816

Net Position

Net Investment in Capital Assets	98,376,717
Restricted for Net Other Post-Employment Benefits (OPEB) Asset	1,833,552
Unrestricted	228,878,779
Total Net Position	\$ 329,089,048

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, 2023

Operating Revenues

Sales:	
Video Lottery SM (Net Receipts)	\$ 1,181,773,978
Sports Wagering (Net Receipts)	55,258,144
Scratch-its SM Instant Tickets (Net of Returns)	157,960,917
Keno	109,091,865
Powerball [®]	75,941,748
Megabucks SM	31,200,704
Mega Millions [®]	55,776,122
Raffle SM	2,499,850
Win For Life SM	4,467,126
Lucky Lines SM	1,740,608
Pick 4 SM	1,946,679
Provision for Uncollectibles	(4,939)
Other Income	600,041
Total Operating Revenues	<u>1,678,252,843</u>

Operating Expenses

Prizes	274,198,721
Retailer Commissions	310,579,497
Salaries and Wages	70,932,252
Depreciation and Amortization	24,937,475
Services and Supplies	30,314,744
Game Vendor Charges	42,149,957
Advertising and Market Research	6,562,498
Public Information	851,936
Tickets	2,961,030
Game Equipment Parts and Maintenance	4,947,210
Sales Support	779,219
Total Operating Expenses	<u>769,214,539</u>
Operating Income	<u>909,038,304</u>

Nonoperating Revenues (Expenses)

Interest	14,201,601
Investment and Securities Lending Income (Loss)	(2,783,312)
Insurance Recoveries	19,509
Gain (Loss) on Disposition of Assets	4,950,386
Investment Expenses - Securities Lending	(363,209)
Investment Expenses	(7,016)
Interest Expense	(353,004)
Total Nonoperating Revenues (Expenses)	<u>15,664,955</u>
Income Before Transfers	<u>924,703,259</u>

Transfers

Transfers to the Economic Development Fund	(899,337,574)
Transfers to the General Obligation Bond Fund	(2,435,407)
Total Transfers	<u>(901,772,981)</u>
Change in Net Position	22,930,278
Net Position - Beginning	<u>306,158,770</u>

Net Position - Ending

\$ 329,089,048

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

OREGON STATE LOTTERY
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 1,673,489,476
Payments to Employees for Services	(48,422,326)
Payments to Suppliers	(419,238,447)
Payments to Prize Winners	(271,801,547)
Other Cash Receipts (Payments)	2,638,415
Net Cash Provided (Used) by Operating Activities	<u>936,665,571</u>
Cash Flows from Noncapital Financing Activities:	
Principal and Interest Payments on Long-term Pension Debt	(716,250)
Transfers to the Economic Development Fund	(906,451,043)
Transfers to the General Obligation Bond Fund	(2,435,407)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(909,602,700)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(46,675,617)
Proceeds from Disposition of Capital Assets	5,317,200
Payments on Contracts	(3,850,700)
Insurance Recoveries for Capital Assets	19,509
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(45,189,608)</u>
Cash Flows from Investing Activities:	
Purchases of Investments	(2,024,034)
Proceeds from Sales and Maturities of Investments	11,272,000
Interest on Investments and Cash Balances	14,201,601
Securities Lending Expenses	(363,209)
Investment Expenses	(7,016)
Net Cash Provided (Used) by Investing Activities	<u>23,079,342</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>4,952,605</u>
Cash and Cash Equivalents - Beginning	532,324,556
Cash and Cash Equivalents - Ending	<u>\$ 537,277,161</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ 909,038,304
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	24,937,475
Net Changes in Assets and Liabilities:	
(Increase) / Decrease in Accounts Receivable	(4,743,540)
(Increase) / Decrease in Ticket Inventory	(562,247)
(Increase) / Decrease in Prepaid Expenses	157,261
(Increase) / Decrease in Prize Reserves	1,996,141
(Increase) / Decrease in Pension Deferred Outflows	(2,512,837)
(Increase) / Decrease in Net OPEB Asset and OPEB Deferred Outflows	(282,978)
Increase / (Decrease) in Accounts Payable	(1,909,187)
Increase / (Decrease) in Compensated Absences Liability	(908,015)
Increase / (Decrease) in Unearned Revenue	530,107
Increase / (Decrease) in Prize Liability	2,397,173
Increase / (Decrease) in Net Pension Liability and Deferred Inflows	8,786,205
Increase / (Decrease) in OPEB Liability and OPEB Deferred Inflows	(258,291)
Total Adjustments	<u>27,627,267</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 936,665,571</u>
Noncash Investing, Capital, and Related Financing Activities:	
Net Change in Fair Value of Investments	\$ (2,783,312)
Intangible Assets Acquired Through Contract	8,167,329
Total Noncash Investing, Capital, and Related Financing Activities	<u>\$ 5,384,017</u>

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

OREGON STATE LOTTERY

Notes to the Financial Statements

June 30, 2023

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, 2023. 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. Prize reserves for our prior sports wagering product ScoreboardSM are held in escrow and are available to our payment processor in the event cash amounts are not sufficient to cover player account withdrawals. ScoreboardSM wagering ended in January 2022. ScoreboardSM prize payments will end once all events have completed.

M. Capital Assets

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 to 40
Video lottery equipment	5 to 7 or per agreement
Other machinery and equipment	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 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. Leased assets are reported with other capital assets.

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, 2022. 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, 2022 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, 2023. Amounts included are Lottery's portion of the State of Oregon's amount of the respective other postemployment benefit plans. Expense for the plans is included in Salaries and Wages expense.

2. Stewardship and Legal Compliance

A. Budgetary Compliance

The Oregon State Lottery is exempt from State of Oregon Budget Laws. For budgeting purposes, the Commission adopts an annual Financial Plan based on revenue forecasts prepared by the Oregon Department of Administrative Services, Office of Economic Analysis, and activities identified in Lottery's annual Business and Strategic Plan. Quarterly, budgeted revenues and direct expenses (prizes, commissions, game vendor charges, and tickets) are revised for changes to the revenue forecasts. Revisions to other expense items in the adopted budget must be approved by the Commission. The budget is prepared on the accrual basis of accounting. Actual expenses are monitored throughout the year for compliance with the approved budget and appropriate adjustments, if necessary, are presented to the Commission for approval. A comparison of revenues and expenses to the final revised and approved fiscal year 2023 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	\$ 4,508,061,439	Cash Paid Out	\$ 3,326,287,461
Dollars Won and Played	<u>11,591,435,657</u>	Dollars Won and Played	<u>11,591,435,657</u>
Total Revenue	<u>\$ 16,099,497,096</u>	Total Prizes	<u>\$ 14,917,723,118</u>
Net Revenue before Discounts = \$1,181,773,978			

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

	<u>Amount</u>
Wagers Placed	\$ 577,602,651
Wagers Refunded Due to Cancellations	(3,526,118)
Prizes Won	<u>(510,216,061)</u>
Net Revenue Before Discounts	<u>\$ 63,860,472</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 on the following page shows that for fiscal year 2023 the Lottery operated within the legal limits defined by ORS 461.500:

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.

<u>Fiscal Year 2023 Revenues</u>		
Sales	\$ 17,105,591,981	
Other Distributable Income	11,884,106	
Total Distributable Revenue	<u>\$ 17,117,476,087</u>	
<u>Fiscal Year 2023 Distribution of Revenues</u>		
Revenues Returned to the Public:		
Prizes to the Public	\$ 15,692,675,250	91.68%
Unclaimed Prizes Paid/Due to Economic Development Fund	9,462,650	0.06%
Transfers Paid/Due to Economic Development Fund	899,337,574	5.25%
Total Revenues Returned to the Public	16,601,475,474	96.99%
Administrative Expenses	493,070,335	2.88%
Held for Contingency Reserve	22,930,278	0.13%
Total Distribution of Revenues	<u>\$ 17,117,476,087</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 2023, prizes in the amount of \$9,462,650 were determined to be unclaimed and were either transferred or accrued for transfer to the Economic Development Fund.

E. Contingency Reserve

ORS 461.510 (4) and Administrative Rule 177-010-0045 allows for the creation of a contingency reserve. In June 2022, the Lottery Commission approved a contingency reserve amount such that the cash available for future investment does not exceed \$135,000,000. The following table shows the liquidity detail of Unrestricted Net Position shown on the Statement of Net Position at June 30, 2023:

Cash Available for Future Investment (Uncommitted Contingency Reserve)	\$ 135,000,000
Committed by Contract for Asset Purchases/Licensing (See Note 7 and 10)	2,409,195
Committed by Commission for Capital Purchases/Projects	85,653,833
Inventory and Prepaid Expenses	5,815,751
Total Unrestricted Net Position	<u>\$ 228,878,779</u>

F. Transfers to Economic Development Fund

In fiscal year 2023 \$22,930,278 of current year income was retained in contingency reserve. Remaining income after transfers to the General Obligation Bond Fund was accrued for transfer to the Economic Development Fund. Actual cash transferred, including unclaimed prizes, during fiscal year 2023 was \$906,451,043. The remaining balance is included on the Statement of Net Position in current liabilities. The schedule on the following page reconciles the amounts:

	Balance Owed at June 30, 2022	Amounts Accrued	Cash Paid to Economic Development	Balance Remaining at June 30, 2023
Income	\$ 230,950,516	\$ 899,337,574	\$ 896,689,160	\$ 233,598,930
Unclaimed Prizes	1,977,448	9,462,650	9,761,883	1,678,215
Total	<u>\$ 232,927,964</u>	<u>\$ 908,800,224</u>	<u>\$ 906,451,043</u>	<u>\$ 235,277,145</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, 2023 of \$538,721,612, 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 .87 percent of the Lottery’s investment holdings on June 30, 2023.

C. Interest Rate Risk

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

The following table shows the segmented time distribution of the fair value of all Lottery investments on June 30, 2023:

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	More Than 10 Years	Fair Value
U.S. Agency STRIPS	\$ 801,617	\$ 68,063	\$ -	\$ -	\$ 869,680
U.S. Treasury STRIPS	10,217,875	36,193,687	26,856,011	26,251,305	99,518,878
Total Investments	<u>\$ 11,019,492</u>	<u>\$ 36,261,750</u>	<u>\$ 26,856,011</u>	<u>\$ 26,251,305</u>	<u>\$ 100,388,558</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 2023, 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, 2023. 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, 2023, the State and the Lottery had no credit risk exposure to borrowers related to securities on loan.

As of June 30, 2023, the total fair value of securities on loan from the OSTF was \$167,137,267, the collateral received was \$170,531,248 and the fair value of invested collateral was \$12,156,661. Cash collateral received for OSTF and Lottery investments is invested in a securities lending collateral pool and is not exposed to custodial credit risk.

The Lottery’s allocated portion of the OSTF securities on loan and Lottery owned investments on loan at June 30, 2023, is presented in the schedule on the following page:

	Securities Lending Balances		
	Fair Value of Securities on Loan	Collateral Received	Fair Value of Invested Cash Collateral
Lottery Share OSTF	\$ 3,050,075	\$ 3,112,012	\$ 221,846
Lottery Investments	1,723,111	1,753,725	1,753,474
Total	<u>\$ 4,773,186</u>	<u>\$ 4,865,737</u>	<u>\$ 1,975,320</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2023, is shown in the following schedule:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Depreciable Capital Assets</u>				
Equipment	\$ 244,156,763	\$ 38,446,972	\$ 54,841,735	\$ 227,762,000
Building and Improvements	15,563,347	1,069,960	785,931	15,847,376
Vehicles	5,303,991	687,377	776,957	5,214,411
Computer Software*	26,629,311	353,357	21,899,425	5,083,243
Right-to-Use Leased Equipment and Facilities	1,773,447	1,445,045	-	3,218,492
Right-to-Use Subscription Software*	1,873,808	11,755,672	2,202	13,627,278
Other Assets	1,805,469	-	1,565,648	239,821
Total Assets Being Depreciated	297,106,136	53,758,383	79,871,898	270,992,621
<u>Accumulated Depreciation/Amortization</u>				
Equipment	185,567,881	20,865,144	54,704,487	151,728,538
Building and Improvements	9,108,179	440,158	785,931	8,762,406
Vehicles	3,295,304	359,522	576,621	3,078,205
Computer Software	22,357,512	346,390	18,076,158	4,627,744
Right-to-Use Leased Equipment and Facilities	825,008	245,497	-	1,070,505
Right-to-Use Subscription Software	-	2,647,559	-	2,647,559
Other Assets	1,669,366	33,205	1,542,044	160,527
Total Accumulated Depreciation	222,823,250	24,937,475	75,685,241	172,075,484
<u>Capital Assets Not Being Depreciated</u>				
Building and Improvements	444,849	-	-	444,849
Right-to-Use Subscription Software In Progress*	5,047,132	1,084,563	-	6,131,695
Capital Assets, Net	<u>\$ 79,774,867</u>	<u>\$ 29,905,471</u>	<u>\$ 4,186,657</u>	<u>\$ 105,493,681</u>

A portion of the computer software beginning balance was reclassified to right-to-use subscription software with the implementation of Governmental Accounting Standards Board Statement 96 (Subscription-Based Information Technology Arrangements). Classifications changed by the implementation are designated with an asterisk.

On June 27, 2014 the Lottery vacated its backup center and it remained idle at June 30, 2023. Carrying value included in capital assets is \$444,849.

7. Long-term Liabilities

The schedule on the following page 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	\$ 151,309,426	\$ 274,198,721	\$ 281,264,198	\$ 144,243,949	\$ 38,103,425
Compensated Absences	5,548,004	3,675,955	4,583,970	4,639,989	2,969,593
Subscription Software Contracts	3,819,842	6,728,328	5,754,637	4,793,533	2,086,262
Financing Agreement	1,643,836	-	1,157,566	486,270	463,587
Leases	948,439	1,439,001	550,278	1,837,162	711,813
Pre-SLGRP Pension Debt	2,641,952	-	571,307	2,070,645	407,132
	<u>\$ 165,911,499</u>	<u>\$ 286,042,005</u>	<u>\$ 293,881,956</u>	<u>\$ 158,071,548</u>	<u>\$ 44,741,812</u>

As of June 30, 2023, there were 87 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
2024	\$ 9,229,877	\$ 146,789
2025	8,580,878	374,787
2026	8,252,727	602,939
2027	7,366,658	760,008
2028	5,637,370	726,296
2029-2033	22,021,592	4,691,736
2034-2038	13,351,211	4,718,118
2039-2043	4,360,906	1,942,422
2044-2048	2,899,052	1,720,943
2049-2051	1,153,581	826,426
Total Guaranteed Prize Payments Due	<u>\$ 82,853,852</u>	<u>\$ 16,510,464</u>

The Lottery has 11 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 2016 Lottery contracted for a video gaming system. The system includes all hardware and software necessary for a host and backup system that communicates and stores transactions occurring on Video LotterySM terminals throughout the State. The contract will expire in September 2024. However, Lottery can request a 12-month extension. Since the extension is likely to be requested the amount has been included in the liability. Should the Lottery default through non-payment or breach of contract, undisputed amounts on invoices for services performed and deliverables delivered, less any amounts previously paid, are due immediately. The second chance drawing software contract includes draw configuration and support for one or more application programming interfaces. The contract began in February 2021 and continues through February 2024. After the initial three-year term Lottery may extend the contract on an annual basis. Lottery does have the right to terminate the contract with a 30-day notice to the contractor. Other licenses held are for human resource software used for recruiting, compensation, and employee engagement; software for retailer partner management; and software for a marketing tool.

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

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 2,086,262	\$ 99,266
2025	1,833,306	51,098
2026	625,548	13,102
2027	248,417	5,650
Total	\$ 4,793,533	\$ 169,116

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

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

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 463,587	\$ 10,946
2025	22,683	279
Total Financing Payments Due	\$ 486,270	\$ 11,225

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

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 711,813	\$ 36,880
2025	606,277	21,275
2026	370,523	8,586
2027	67,205	3,603
2028	71,877	1,489
2029	9,467	33
Total Lease Payments Due	\$ 1,837,162	\$ 71,866

Prior to the formation of the PERS State and Local Government Rate Pool (SLGRP), the State and community colleges were pooled together in the State and Community College Pool (SCCP), while local government employers participated in the Local Government Rate Pool (LGRP). These two pools combined to form the SLGRP effective January 1, 2002. The unfunded actuarial liability (UAL) attributable to the SCCP at the time the SLGRP was formed is maintained separately, is reduced by contributions and increased for interest charges at the assumed interest rate. The balance of the pre-SLGRP pooled liability attributable to the State is being amortized over the period ending December 31, 2027. The Pre-SLGRP Pension Debt of \$2,070,645 represents Lottery's allocation of the state liability. The payment schedule is shown on the following page:

Year Ending June 30	Principal	Interest
2024	\$ 407,132	\$ 135,971
2025	435,708	107,394
2026	466,290	76,811
2027	499,020	44,082
2028	262,495	9,056
Total Pre-SLGRP Payments Due	\$ 2,070,645	\$ 373,314

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, 2023 Lottery awarded free play prizes of \$729,111. Promotional discounts and free plays also reduced sales by \$9,156,609.

At June 30, 2023, accounts receivable in the Statement of Net Position is reported net of \$34,100 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, 2023 MUSL service fees were \$56,939.

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

The fiscal year end for MUSL is June 30. Long-term liabilities of MUSL are limited to prize annuities due, which are fully funded through investments in U.S. Government Securities. The schedule on the following page presents the summarized financial activity from MUSL financial statements as of June 30, 2023 and June 30, 2022 (in thousands):

	<u>2023²</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.

²The fiscal year 2023 MUSL audit has not been completed as of publication. Amounts presented are draft.

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 2023 expenses under the contract were \$11,043,826.

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, 2023 were \$29,238,196. These expenses are included in Game Vendor Charges on the Statement of Revenues, Expenses, and Changes in Fund Net Position.

In June 2023 Lottery issued commitments to purchase 500 Video LotterySM gaming terminals. At June 30, \$7,974,500 remained to be purchased in the upcoming fiscal year.

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, 2023, \$11,786 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 2023 were effective July 1, 2021 and based on the December 31, 2019 valuation. Lottery contributions in fiscal year 2023 were \$7,298,737.

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, 2022, is based on the December 31, 2020 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 following table:

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 June 2021 based on the target. Using the OIC description of asset classes, investments were mapped to the asset classes and percentages below. Each asset

class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. The following assumptions were used:

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

PERS actuarially determined each employer’s proportionate share by comparing each employer’s projected long-term contribution effort to the plan with the total projected long-term contribution effort of all employers. The projected long-term contribution effort is estimated by combining the present value of projected future normal cost contributions with projected contributions required for past unfunded actuarial liabilities (UAL) and reducing those projections with any transition surpluses, lump sum payments from employers, and pre-State and Local Government Rate Pool (SLGRP) surpluses at the valuation date. Estimated future normal cost rate contributions represent future service contributions while UAL estimated contributions represent contributions for past service. PERS has determined employer transition liabilities to meet the definition of separately financed employer liabilities and are not included in the projected contribution effort. The State of Oregon’s proportion was 27.24% as of the prior June 30, 2021 measurement date and increased to 29.46% as of the June 30, 2022 measurement date.

The State of Oregon’s proportionate share of the net pension liability was allocated to individual funds based on actual fiscal year 2022 contributions. Lottery is 1.09 percent of the State’s share, an increase of .15 percent from the June 30, 2021 measurement date. Lottery’s proportion of the State’s share equates to .32 percent of the collective net pension liability. On June 30, 2023 Lottery reported a net pension liability of \$48,951,329. 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%	\$17,264,576
1% lower discount rate – 5.9%	\$86,810,948

For the year ended June 30, 2023 Lottery recognized pension expense of \$13,572,104. At June 30, 2023 Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources in the table on the following page:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,376,192	\$ (305,269)
Changes in assumptions	7,680,728	(70,171)
Net difference between projected and actual earnings on investments	-	(8,751,551)
Changes in proportion and differences between fund contributions and proportionate share of contributions	5,235,265	(5,538,962)
Lottery contributions subsequent to the measurement date	7,298,737	-
	<u>\$ 22,590,922</u>	<u>\$ (14,665,953)</u>

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

Fiscal Year Ending June 30	Amount to Pension Expense
2024	\$ 733,106
2025	(614,087)
2026	(3,503,194)
2027	4,054,384
2028	(43,977)
Thereafter	-
Total	<u>\$ 626,232</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, 2023 were effective July 1, 2021 and based on the December 31, 2019 valuation. The rates are a percentage of covered payroll and vary by the retirement plan of the participant. The contribution rates and amounts contributed by Lottery during the year ended June 30, 2023 are shown in the following table:

	RHIA		RHIPA	
	PERS Tier 1/Tier 2	OPSRP	PERS Tier 1/Tier 2	OPSRP
Normal Cost	0.05%	0.00%	0.11%	0.00%
Unfunded Actuarial Liability	0.00%	0.00%	0.17%	0.17%
Total Required Rate	0.05%	0.00%	0.28%	0.17%
Amounts Contributed	\$ 6,257	\$ -	\$ 35,041	\$ 52,586

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

	RHIA	RHIPA
Plan Type	Cost-Sharing Multiple Employer	Single Employer (State of Oregon)
Valuation date	December 31, 2020	December 31, 2020
Measurement date	June 30, 2022	June 30, 2022
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 2022 actual contributions from each fund. Lottery's share of both plans is shown below. The amounts are measured as of June 30, 2022 based on a December 31, 2020

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	34.08%	100.00%
Lottery Percent of State of Oregon Share	1.22%	1.03%
Lottery Share of Net OPEB Liability/(Asset)	\$ (1,479,599)	\$ (353,954)
Lottery Share with:		
1% increase in healthcare cost trend rate	N/A	\$ (309,223)
1% decrease in healthcare cost trend rate	N/A	\$ (394,208)
1% increase in the discount rate – 7.9%	\$ (1,604,809)	\$ (392,140)
1% decrease in the discount rate – 5.9%	\$ (1,333,535)	\$ (324,356)

In the fiscal year ending June 30, 2022, Lottery recognized expense/(income) for the RHIA and RHIPA plans in the following amounts respectively; \$(419,862) and \$(51,907). 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	\$ -	\$ (40,096)	\$ -	\$ (93,384)
Changes in assumptions	11,585	(49,320)	9,095	(142,073)
Net difference between projected and actual earnings on investments	-	(112,838)	-	(23,016)
Changes in proportion and differences between fund contributions and proportionate share of contributions	100,993	(142,033)	-	-
Contributions Subject to Measurement Date	6,257	-	87,627	-
	<u>\$ 118,835</u>	<u>\$ (344,287)</u>	<u>\$ 96,722</u>	<u>\$ (258,473)</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
2023	\$ (161,612)	\$ (62,034)
2024	(35,029)	(62,452)
2025	(71,206)	(64,632)
2026	36,138	(29,459)
2027	-	(28,108)
Thereafter	-	(2,693)
Total	<u>\$ (231,709)</u>	<u>\$ (249,378)</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 plan that allows retired employees to continue their health insurance coverage on a self-pay basis until they are eligible for Medicare. The premium rate for retired employees is determined by pooling the retirees with active employees and thus creates an implicit rate subsidy. Employees are eligible if they retire and are immediately eligible for a pension benefit from PERS. In addition, the retiree must have been enrolled in a PEBB medical or dental plan immediately prior to retirement. Retirees must 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, 2023. 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 29, 2023. 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, 2023
Discount Rate	3.65%
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 2023 are based on the average of the prior three years' proportionate share calculation. Lottery's share of the liability at June 30, 2023 is \$843,747 which is 0.80 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%	\$ 958,974
1% decrease in healthcare cost trend rate – 2.4%	\$ 746,471
1% increase in the discount rate – 4.65%	\$ 788,549
1% decrease in the discount rate – 2.65%	\$ 901,893

For the fiscal year ended June 30, 2023 Lottery recognized \$83,971 of expense for the PEBB plan. The following table shows the balances of Lottery's deferred outflows and inflows for the plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (193,373)
Changes in assumptions	18,283	(281,529)
Total	<u>\$ 18,283</u>	<u>\$ (474,902)</u>

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

Fiscal Year Ending June 30,	
2024	\$ (77,010)
2025	(77,010)
2026	(74,135)
2027	(77,287)
2028	(69,891)
Years thereafter	(81,286)
Total	<u>\$ (456,619)</u>

13. Risk Financing

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

As a state agency, the Lottery participates in the Insurance Fund. The cost of servicing insurance claims and payments is covered by charging an assessment to each state agency based on its share of services provided in a prior period. The total statewide assessment for each coverage type is based on independent biennial actuarial forecasts and administrative costs, less any available equity in the Insurance Fund from the prior biennium. Lottery’s fiscal year 2023 share of the 2021-2023 biennial assessment was \$920,211. The Fund also charged \$598,997 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
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%
2013	0.2%	10.1	23.8	42.6%	92.0%

(See Notes to Required Supplementary Information)

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

Fiscal Year Ending June 30,	Actuarially Required Contributions	PERS Recognized Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
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%
2014	2.0	1.9	0.1	23.7	8.07%

(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 Employee Payroll	Share of Collective Net OPEB Liability/ (Asset) as a Percentage of Covered Payroll	RHIA Fiduciary Net Position as a Percent of Total OPEB Asset
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 Employee Payroll
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 Employee Payroll	Share of State of Oregon Net OPEB Liability/(Asset) as a Percentage of Covered Payroll	
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 Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
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 OPEB Liability	Share of OPEB Liability	Covered Employee Payroll	Share of Liability as a Percent of Covered Payroll
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.



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Supplementary Information

Oregon State Lottery
An Enterprise Fund of the State of Oregon
Budgetary (Non-GAAP) Basis Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	<u>Actual</u>	<u>Budget</u> ⁽¹⁾	Variance Favorable/ (Unfavorable)
Revenue			
Video Lottery SM (Gross Receipts)	\$ 16,099,497,096	\$ 16,155,262,106	\$ (55,765,010)
Sports Wagering (Gross Receipts)	565,474,205	527,319,620	38,154,585
Scratch-its SM Instant Tickets	157,960,917	157,052,912	908,005
Keno	109,091,865	108,911,367	180,498
Powerball [®]	75,941,748	74,436,819	1,504,929
Megabucks SM	31,200,704	30,745,231	455,473
Mega Millions [®]	55,776,122	55,118,441	657,681
Raffle SM	2,499,850	2,500,000	(150)
Win For Life SM	4,467,126	3,914,104	553,022
Lucky Lines SM	1,740,608	1,809,186	(68,578)
Pick 4 SM	1,946,679	1,953,860	(7,181)
Total Revenue	<u>17,105,596,920</u>	<u>17,119,023,646</u>	<u>(13,426,726)</u>
Prize Expense	<u>15,698,768,833</u>	<u>15,725,125,820</u>	<u>26,356,987</u>
Net Revenue	<u>1,406,828,087</u>	<u>1,393,897,826</u>	<u>12,930,261</u>
Direct Expenses			
Retailer Commissions	310,579,497	300,019,486	(10,560,011)
Game Vendor Charges	42,149,957	43,465,687	1,315,730
Tickets	2,961,030	4,145,427	1,184,397
Advertising	6,298,714	8,005,552	1,706,838
Sales Support	779,219	964,690	185,471
Game Equipment/Parts & Maintenance	4,947,210	5,875,316	928,106
Depreciation	22,113,157	28,253,270	6,140,113
Total Direct Expenses	<u>389,828,784</u>	<u>390,729,428</u>	<u>900,644</u>
Gross Profit	<u>1,016,999,303</u>	<u>1,003,168,398</u>	<u>13,830,905</u>
Indirect Revenue			
Other Income (Loss)	<u>13,058,552</u>	<u>2,050,000</u>	<u>11,008,552</u>
Indirect Expenses			
Public Information	851,936	1,111,100	259,164
Research	263,784	776,330	512,546
Personal Services	73,512,602	78,573,682	5,061,080
Services and Supplies	30,129,302	58,525,473	28,396,171
Depreciation	2,824,318	2,542,362	(281,956)
Interest Expense	208,061	82,343	(125,718)
Total Indirect Expenses	<u>107,790,003</u>	<u>141,611,290</u>	<u>33,821,287</u>
Net Profit	<u>\$ 922,267,852</u>	<u>\$ 863,607,108</u>	<u>\$ 58,660,744</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

Demographic and Economic Information

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

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

Operating Information

These schedules contain data to help the reader understand how the information in Lottery's financial report relates to the products it provides and the activities it performs. There are many factors that impact the level of demand for Lottery products. Game themes, play styles, price points, and prize payouts typically impact the sales of instant ticket games. For Video 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

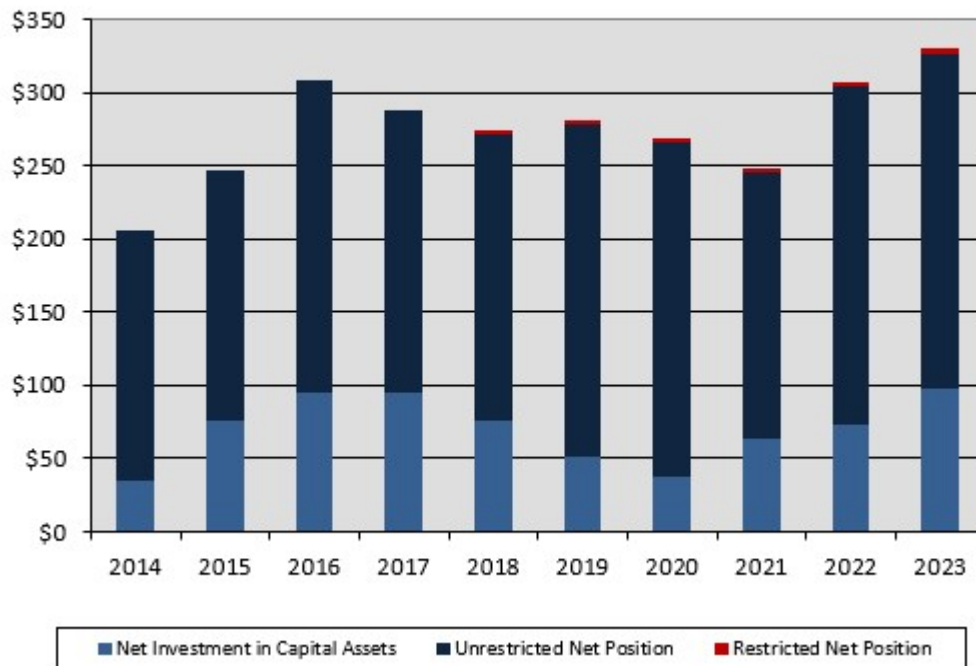
Note: The Lottery does not issue long-term debt; thus, information on debt capacity is not relevant.

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

Oregon State Lottery
Net Position by Component
 Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Unrestricted Net Position	Restricted Net Position	Total Net Position
2013	\$ 35,206,297	\$ 170,106,781		\$ 205,313,078
2015	76,354,491	169,997,090		246,351,581
2016	95,316,854	212,344,474		307,661,328
2017	95,749,372	190,972,061		286,721,433
2018	75,952,509	195,453,450	\$ 104,211	271,510,170
2019	52,108,890	226,297,385	333,846	278,740,121
2020	38,040,215	228,592,534	592,770	267,225,519
2021	63,784,030	182,482,620	680,959	246,947,609
2022	73,362,750	231,234,876	1,561,144	306,158,770
2023	98,376,717	228,878,779	1,833,552	329,089,048

Net Position
 (In Millions)



Oregon State Lottery
Changes in Net Position
Last Ten Fiscal Years

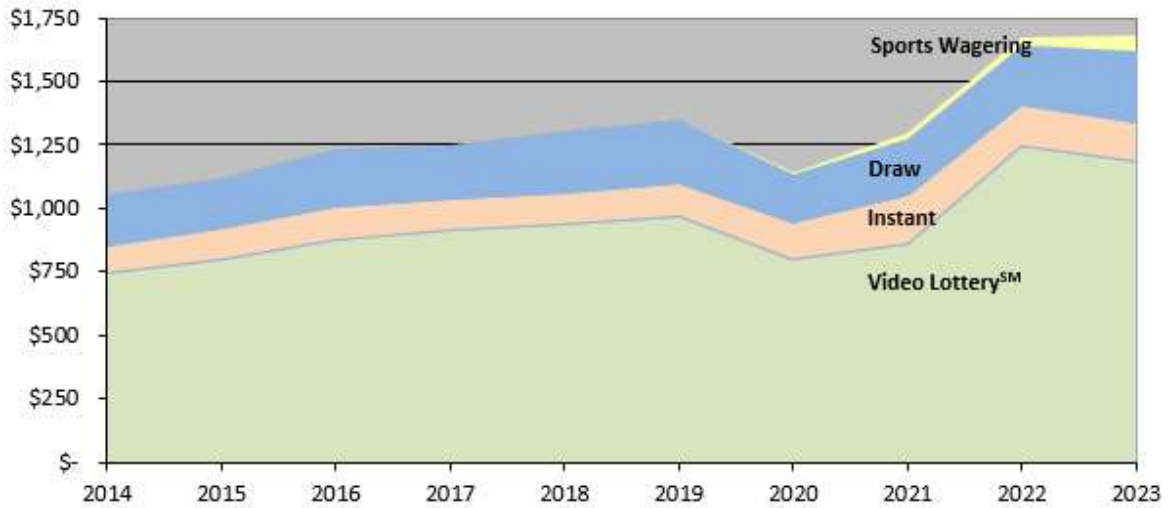
	2014	2015	2016	2017
Operating Revenues				
Sales:				
Video Lottery SM (Net Receipts)	\$ 727,124,878	\$ 737,370,280	\$ 742,730,503	\$ 914,071,290
Sports Wagering (Net Receipts)				
Scratch-its SM Instant Tickets	109,034,321	119,578,108	131,599,460	126,498,948
Keno	92,443,482	93,035,050	95,826,162	101,501,142
Powerball [®]	45,049,124	37,091,247	63,821,261	44,856,176
Megabucks SM	28,372,873	33,329,803	33,031,579	31,768,618
Mega Millions [®]	22,333,065	20,468,872	18,823,156	17,913,809
Raffle SM	4,997,060	7,488,730	2,499,840	2,499,750
Win For Life SM	4,532,922	4,082,661	3,854,189	3,569,776
Lucky Lines SM	1,918,288	1,771,994	2,001,358	2,147,834
Pick 4 SM	1,397,158	1,435,284	1,566,384	1,475,180
Recovery of (Provision for) Uncollectibles	971	(4,594)	18,485	(10,109)
Other Income	177,786	382,438	672,544	593,089
Total Operating Revenues	1,052,987,553	1,117,237,776	1,230,189,728	1,246,885,503
Operating Expenses				
Prizes	206,571,490	211,444,280	239,317,411	217,150,249
Retailer Commissions	203,727,883	215,514,570	234,963,289	239,551,975
Salaries and Wages	39,443,617	37,055,741	54,427,617	51,608,241
Depreciation and Amortization	13,542,859	20,134,347	23,863,609	29,733,663
Services and Supplies	11,278,132	11,829,146	15,876,801	13,818,139
Game Vendor Charges	8,638,986	8,931,443	9,891,910	8,170,995
Advertising and Market Research	7,610,400	9,549,598	9,705,469	11,071,161
Public Information	2,633,736	4,246,421	5,759,053	6,572,101
Tickets	2,956,834	3,213,208	3,138,033	3,328,614
Game Equipment Parts and Maintenance	2,265,927	1,885,491	1,734,280	1,572,029
Sales Support	1,674,670	1,263,959	633,721	726,436
Total Operating Expenses	500,344,534	525,068,204	599,311,193	583,303,603
Operating Income	552,643,019	592,169,572	630,878,535	663,581,900
Nonoperating Revenues (Expenses)				
Interest and Investment Income (Loss)	6,330,595	6,783,754	16,217,601	(481,760)
Insurance Recoveries	3,482	12,067	2,005	15,221
Gain (Loss) on Disposition of Assets	(257,250)	(1,473,869)	(98,971)	(12,653)
Investment Expenses - Securities Lending	(45,956)	(74,757)	(212,675)	(369,908)
Investment Expenses	-	(4,185)	(71,522)	(13,939)
Interest Expense	(315,269)	(325,227)	(316,029)	(639,028)
Total Nonoperating Revenues (Expenses)	5,715,602	4,917,783	15,520,409	(1,502,067)
Income Before Transfers	558,358,621	597,087,355	646,398,944	662,079,833
Transfers to Economic Development Fund	(507,250,297)	(545,948,950)	(583,179,120)	(695,750,970)
Transfers to General Obligation Bond Fund	(1,692,668)	(1,883,433)	(1,910,077)	(1,835,887)
Change in Net Position	\$ 49,415,656	\$ 49,254,972	\$ 61,309,747	\$ (35,507,024)

2018	2019	2020	2021	2022	2023
\$ 933,980,026	\$ 966,474,906	\$ 797,498,371	\$ 860,326,742	\$ 1,246,146,763	\$ 1,181,773,978
		8,620,945	29,147,647	32,052,189	55,258,144
130,389,967	131,236,973	149,831,274	196,029,843	163,404,873	157,960,917
102,023,352	102,665,467	93,417,823	98,927,011	112,010,235	109,091,865
60,088,322	49,829,088	31,196,079	40,541,274	57,488,112	75,941,748
36,525,999	36,418,393	29,041,472	29,242,902	29,404,998	31,200,704
30,089,400	50,210,700	23,770,095	33,631,835	24,614,302	55,776,122
2,499,910	2,307,370	2,499,890	2,499,850	2,499,710	2,499,850
3,608,392	3,766,700	3,637,752	3,820,432	3,821,104	4,467,126
1,523,926	1,850,874	2,013,468	2,282,856	1,932,814	1,740,608
1,605,368	1,765,534	1,730,474	1,996,712	1,971,791	1,946,679
82,152	(54,947)	(253,303)	(39,809)	(35,471)	(4,939)
441,691	1,265,527	2,306,865	420,775	3,435,060	600,041
1,302,858,505	1,347,736,585	1,145,311,205	1,298,828,070	1,678,746,480	1,678,252,843
231,670,894	239,044,444	223,500,660	266,065,927	257,168,546	274,198,721
245,681,221	254,277,458	217,920,495	239,197,863	313,576,943	310,579,497
51,906,145	61,731,587	63,045,069	74,189,390	44,867,842	70,932,252
33,888,584	34,763,881	24,967,865	22,561,417	22,771,207	24,937,475
13,738,901	17,747,590	27,382,826	25,490,902	19,986,158	30,314,744
8,439,800	8,557,771	12,496,247	19,233,957	24,871,577	42,149,957
11,106,857	8,350,536	8,052,269	5,458,147	6,063,128	6,562,498
6,541,769	9,026,042	4,368,793	837,416	902,247	851,936
3,042,684	2,923,348	3,398,500	3,497,439	3,111,560	2,961,030
6,766,475	5,912,370	8,383,835	4,849,767	5,681,596	4,947,210
965,786	1,221,244	606,130	373,821	542,447	779,219
613,749,116	643,556,271	594,122,689	661,756,046	699,543,251	769,214,539
689,109,389	704,180,314	551,188,516	637,072,024	979,203,229	909,038,304
5,789,388	20,482,336	24,122,456	(2,561,203)	(8,970,219)	11,418,289
16,908	1,049	4,053	9,932	9,946	19,509
85,582	107,516	35,650	172,067	6,945	4,950,386
(334,504)	(118,278)	(529,448)	(32,558)	(40,107)	(363,209)
(12,012)	(168,928)	(14,028)	(14,083)	(13,640)	(7,016)
(713,548)	(643,275)	(585,429)	(484,467)	(484,102)	(353,004)
4,831,814	19,660,420	23,033,253	(2,910,312)	(9,491,177)	15,664,955
693,941,203	723,840,734	574,221,769	634,161,712	969,712,052	924,703,259
(706,350,736)	(714,417,052)	(583,442,933)	(652,457,782)	(908,300,942)	(899,337,574)
(1,981,793)	(2,193,731)	(2,293,438)	(1,981,840)	(2,199,949)	(2,435,407)
\$ (14,391,326)	\$ 7,229,951	\$ (11,514,602)	\$ (20,277,910)	\$ 59,211,161	\$ 22,930,278

Oregon State Lottery
Sales by Product
 Last Ten Fiscal Years

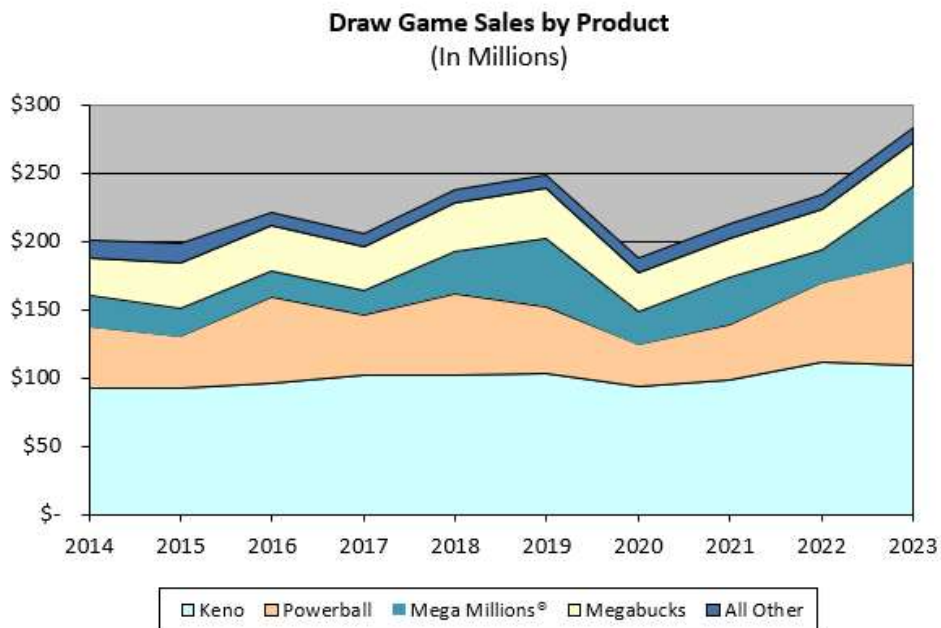
Fiscal Year	Video Lottery SM	Sports Wagering	Instant Products	Draw Games					All Other Games	Total
				Keno	Powerball [*]	Mega Millions [*]	Oregon's Game Megabucks SM			
2014	\$ 742,730,503		\$ 109,034,321	\$ 92,443,482	\$ 45,049,124	\$ 22,333,065	\$ 28,372,873	\$ 12,845,428	\$ 1,052,808,796	
2015	798,578,183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

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
2014	70.5%		10.4%	8.8%	4.3%	2.1%	2.7%	1.2%
2015	71.5%		10.7%	8.3%	3.3%	1.8%	3.0%	1.4%
2016	71.3%		10.7%	7.8%	5.2%	1.5%	2.7%	0.8%
2017	73.3%		10.1%	8.1%	3.6%	1.4%	2.5%	1.0%
2018	71.7%		10.0%	7.8%	4.6%	2.3%	2.8%	0.8%
2019	71.8%		9.7%	7.6%	3.7%	3.7%	2.7%	0.8%
2020	69.8%	0.8%	13.1%	8.2%	2.7%	2.1%	2.5%	0.8%
2021	66.3%	2.2%	15.1%	7.6%	3.1%	2.6%	2.3%	0.8%
2022	74.4%	1.9%	9.8%	6.7%	3.4%	1.5%	1.8%	0.5%
2023	70.4%	3.3%	9.4%	6.5%	4.5%	3.3%	1.9%	0.7%



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

Oregon State Lottery

Top Ten Retailers

Current Year and Nine Business Years Prior

		2023		
Rank	Retailer	Sales	Percent of Total Sales	County
1	The Pit Stop Sports Bar & BBQ Grill	\$ 10,806,176	0.67%	Washington
2	Produce Row Cafe	6,220,406	0.38%	Multnomah
3	Winners Corner	5,323,164	0.33%	Multnomah
4	Independent Sports Bar & Grill	5,241,847	0.32%	Multnomah
5	Foxy's #2	2,261,724	0.14%	Clackamas
6	Richards Deli and Pub	2,186,864	0.14%	Washington
7	Dotty's #24	2,164,932	0.13%	Multnomah
8	Doozy's	2,139,847	0.13%	Deschutes
9	Original Joe's	2,132,194	0.13%	Multnomah
10	Dotty's #27	2,129,571	0.13%	Multnomah
Totals		\$ 40,606,725	2.51%	

Total Lottery Sales \$ 1,618,761,010

		2014		
Rank	Retailer	Sales	Percent of Total Sales	County
1	Elmer's Pancake-Delta Park	\$ 1,554,767	0.15%	Multnomah
2	Dotty's #9	1,530,802	0.15%	Washington
3	Dotty's #24	1,495,415	0.14%	Multnomah
4	Shari's-Airport Way #218	1,492,779	0.14%	Multnomah
5	Deli Store	1,488,597	0.14%	Columbia
6	Owl's Nest #2	1,435,644	0.14%	Multnomah
7	Bradley's Bar & Grill	1,413,824	0.13%	Multnomah
8	Fox Den Eatery # 4, The	1,405,695	0.13%	Linn
9	Glass House Tavern	1,377,591	0.13%	Multnomah
10	Elmer's	1,372,790	0.13%	Multnomah
Totals		\$ 14,567,904	1.38%	

Total Lottery Sales \$ 1,053,726,648

Source: Oregon State Lottery Business Analytics and Insights Department

Oregon State Lottery
Number of Lottery Retailers and Sales by County
For Business Year 2023

County	Sales		Retailers	
	Business Year Sales	Percent of Total Sales	Number of Lottery Retailers	Percent of Total Retailers
Multnomah	\$ 379,696,280	23.44%	840	20.91%
Washington	199,726,030	12.34%	354	8.80%
Clackamas	154,093,551	9.52%	356	8.85%
Marion	150,317,310	9.29%	362	9.00%
Lane	134,559,873	8.31%	362	9.00%
Jackson	76,978,939	4.76%	231	5.74%
Deschutes	68,107,116	4.21%	138	3.43%
Linn	51,000,913	3.15%	131	3.26%
Douglas	40,006,255	2.47%	138	3.43%
Josephine	33,321,668	2.06%	99	2.46%
Columbia	32,459,653	2.01%	73	1.82%
Yamhill	28,896,419	1.79%	94	2.34%
Umatilla	28,343,311	1.75%	85	2.11%
Clatsop	26,733,374	1.65%	81	2.01%
Klamath	26,419,617	1.63%	79	1.96%
Malheur	26,221,105	1.62%	45	1.12%
Lincoln	22,244,984	1.37%	76	1.89%
Polk	20,123,246	1.24%	62	1.54%
Coos	16,564,196	1.02%	63	1.57%
Benton	16,178,526	1.00%	53	1.32%
Tillamook	14,074,522	0.87%	47	1.17%
Wasco	12,251,627	0.76%	35	0.87%
Crook	11,543,900	0.71%	30	0.75%
Hood River	8,090,789	0.50%	24	0.60%
Union	7,846,458	0.48%	29	0.72%
Curry	6,727,606	0.42%	24	0.60%
Jefferson	6,434,903	0.40%	20	0.50%
Baker	6,424,408	0.40%	25	0.62%
Morrow	3,142,658	0.19%	10	0.25%
Grant	2,530,058	0.16%	10	0.25%
Lake	2,189,195	0.14%	12	0.30%
Harney	2,175,114	0.13%	12	0.30%
Wallowa	1,463,009	0.09%	9	0.22%
Sherman	1,158,085	0.07%	5	0.12%
Gilliam	619,786	0.04%	6	0.15%
Wheeler	96,533	0.01%	1	0.02%
	\$ 1,618,761,017	100.00%	4,021	100.00%

Source: Oregon State Lottery Business Analytics and Insights Department

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

Calendar Year	Population ¹	Personal Income ¹	Per Capita Personal Income ¹	Annual Unemployment Rate ²
2013	3,930,065	\$ 158,116,922	\$ 40,233	7.7%
2014	3,970,239	163,652,836	41,220	6.9%
2015	4,028,977	176,401,260	43,783	5.7%
2016	4,093,465	185,839,645	45,399	4.9%
2017	4,142,776	199,422,200	48,137	4.1%
2018	4,190,713	213,070,100	50,843	4.2%
2019	4,217,737	224,346,400	53,191	3.7%
2020	4,241,544	241,790,300	57,005	7.6%
2021	4,246,155	261,546,500	61,596	5.2%
2022	4,240,137	266,139,200	62,767	4.2%

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 2022 - and Nine-Years Prior

	2022		2013	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Health care and social assistance	312,843	11.76%	262,456	11.58%
Retail trade	264,677	9.96%	237,603	10.48%
Local government	210,480	7.92%	174,753	7.72%
Manufacturing	206,906	7.78%	191,160	8.44%
Accommodation and food services	190,276	7.16%	167,525	7.40%
Professional, scientific, and technical services	187,980	7.07%	141,848	6.26%
Construction	153,517	5.78%	108,701	4.80%
Real estate, rental, and leasing	143,199	5.39%	98,885	4.37%
Administrative and waste services	136,310	5.13%	120,023	5.30%
Transportation and warehousing	132,623	4.99%	65,350	2.89%
Other services	129,476	4.87%	119,212	5.26%
Finance and insurance	108,772	4.09%	95,051	4.20%
Wholesale trade	86,064	3.24%	79,477	3.51%
Arts, entertainment, and recreation	60,435	2.27%	56,285	2.48%
Farm employment	57,344	2.16%	66,978	2.96%
Management of companies	52,792	1.99%	39,075	1.73%
Educational services	50,885	1.91%	54,969	2.43%
Information	49,275	1.85%	40,721	1.80%
State government	43,172	1.62%	62,165	2.74%
Forestry, fishing, and related activities	32,859	1.24%	31,775	1.40%
Federal government, civilian	27,876	1.05%	27,606	1.22%
Military	10,604	0.40%	12,151	0.54%
Utilities	5,299	0.20%	4,781	0.21%
Mining	4,621	0.17%	6,455	0.28%
Total employment	2,658,285	100.00%	2,265,005	100.00%

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

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

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

	2013	2014	2015	2016	2017
Number Surveyed	1,000	1,000	2,000	2,000	2,000
Player Percentage	47.8%	46.1%	54.1%	48.1%	54.3%
	Players	Players	Players	Players	Players
<u>Gender</u>					
Male	55%	50%	51%	49%	49%
Female	45%	50%	49%	51%	51%
Other (New starting in 2019)					
<u>Age</u>					
18 - 24	10%	9%	9%	9%	9%
25 - 34	17%	19%	20%	20%	16%
35 - 44 (35 - 54 starting in 2018)	16%	16%	16%	15%	20%
45 - 54	23%	21%	21%	22%	20%
55 - 64	19%	16%	14%	10%	16%
65 +	15%	19%	21%	24%	19%
<u>Education (not asked in 2020)</u>					
Some High School	3%	4%	5%	5%	3%
High School Graduate	18%	20%	22%	25%	18%
College/Tech School	32%	33%	27%	25%	45%
College Graduate	23%	21%	32%	32%	23%
Graduate School/Degree	17%	16%	12%	11%	11%
<u>Marital Status (no longer asked as of 2020)</u>					
Single	26%	25%	24%	24%	16%
Married	51%	48%	52%	51%	65%
Co-habiting	5%	6%	7%	8%	6%
Divorced or Separated	7%	9%	10%	9%	7%
Widowed	4%	5%	6%	6%	4%
Civil Union/Domestic Partnership	1%	1%	1%	1%	2%
<u>Income</u>					
Less than \$15,000 (\$25,000 Beginning in 2018)	9%	8%	9%	8%	6%
\$15,000 - \$49,999 (\$25,000 - \$49,999 Beginning in 2018)	27%	31%	29%	25%	31%
\$50,000 - \$74,999	15%	12%	13%	12%	19%
\$75,000 - \$99,999	10%	6%	10%	10%	13%
\$100,000 +	15%	12%	16%	15%	13%
Refused/Don't Know	24%	31%	23%	30%	18%

Sources:

Player information from Oregon State Lottery's Tracking Study 2013 to 2019, 2021, 2022. 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>

2018	2019	2020	2021	2022	
2,023	2,023	800	1,500	1,506	2022 State Population 18+
55.0%	54.5%	47.6%	47.9%	50.6%	
Players	Players	Players	Players	Players	
50%	50%	49%	51%	53%	50.0%
50%	49%	50%	48%	47%	50.0%
	1%	1%	1%	0%	
8%	8%	7%	10%	9%	8.5%
19%	19%	20%	18%	19%	14.1%
38%	37%	38%	37%	39%	26.4%
n/a	n/a	n/a	n/a	n/a	n/a
16%	16%	17%	12%	14%	12.1%
19%	19%	19%	23%	19%	19.3%
3%	3%	n/a	3%	3%	8.4%
18%	18%	n/a	20%	18%	22.7%
46%	45%	n/a	39%	44%	32.6%
22%	22%	n/a	24%	23%	22.2%
11%	11%	n/a	13%	11%	14.1%
27%	27%	n/a	n/a	n/a	33.0%
42%	42%	n/a	n/a	n/a	47.6%
13%	13%	n/a	n/a	n/a	n/a
12%	12%	n/a	n/a	n/a	14.2%
6%	6%	n/a	n/a	n/a	5.2%
n/a	n/a	n/a	n/a	n/a	n/a
14%	14%	n/a	16%	12%	8.9%
26%	26%	n/a	23%	26%	30.9%
18%	18%	n/a	17%	16%	24.0%
15%	15%	n/a	15%	20%	14.4%
21%	21%	n/a	25%	21%	21.8%
6%	6%	n/a	5%	5%	n/a

Oregon State Lottery
Number of Employees
 Last Ten Fiscal Years

	2014 ²	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales, Marketing & Retail Services	236	239	217	226	237	217	207	192	189	190
Support Services	157	152	163	142	135	143	131	125	145	156
Director's Office ^{3,4,5}	33	35	52	63	66	95	66	63	66	64
Security ^{1,5}	15	19	16	18	17	20	16	26	34	37
Total	441	445	448	449	455	475	420	406	434	447

Source: Lottery Payroll System

¹ Security employees excludes employees of the Oregon State Police.

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

³ Includes Corporate Affairs division in fiscal years starting in 2018.

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

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

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

Fiscal Year	Number of Lottery Retailers ¹	Number of Video Lottery Terminals Deployed ¹	Per Capita Sales ²
2014	3,843	11,951	268.12
2015	3,939	11,925	281.31
2016	3,920	11,909	304.50
2017	3,932	11,817	304.41
2018	3,923	11,742	314.36
2019	3,975	11,586	321.60
2020	3,919	11,567	271.06
2021	3,896	10,851	310.91
2022	3,829	10,999	394.56
2023	3,797	10,936	395.66

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.

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Other Reports



LaVonne Griffin-Valade Secretary of State
Cheryl Myers Deputy Secretary of State, Tribal Liaison
Kip Memmott Audits Director

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

The Honorable Tina Kotek, Governor of Oregon
MardiLyn Saathoff, Oregon Lottery Commission
Michael 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, 2023, and the related notes to the financial statements, which collectively comprise the agency’s basic financial statements, and have issued our report thereon dated November 21, 2023.

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 21, 2023

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