



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2022



California Lottery is an Enterprise Fund of the State of California





# California State Lottery

*Committed to enhancing education and supporting local communities*

## Annual Comprehensive Financial Report

*For the Fiscal Year Ended June 30, 2022*

*Prepared by the Finance Division of the California Lottery*



# California Lottery

Annual Comprehensive Financial Report  
For the Fiscal Year Ended  
June 30, 2022

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# Introductory Section

July 25, 2023

To the Citizens of the State of California:

The California State Lottery (Lottery) is pleased to provide this Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022. The Finance Division of the Lottery prepared this ACFR to present an overview of the Lottery. Pursuant to Government Code section 8880.46.5, the ACFR includes the Lottery's annual financial statements presented in accordance with accounting principles, and audited in accordance with auditing standards, generally accepted in the United States of America.

The ACFR covers the financial activity of the Lottery as a single enterprise fund. The report follows formal standards of the Government Finance Officers Association of the United States and Canada (GFOA). Government organizations that publish this type of report can be compared to each other because similar types of information are included in the reports.

This letter of transmittal is designed to complement the Management's Discussion and Analysis that accompanies the financial statements and should be read in conjunction with it.

Lottery management is responsible for the accuracy and completeness of the presentation, including all disclosures in this report. To the best of our knowledge, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position, the results of operations, and the cash flows of the Lottery. All disclosures necessary to gain an understanding of the Lottery's financial activities have been included. California statutes require an annual financial audit by an independent Certified Public Accountant (CPA). The independent auditors' report on the Lottery's financial statements is included in the financial section of this report.

### **Profile of the Lottery**

The Lottery was created by a 1984 ballot initiative that was approved by 58 percent of the voters. The Lottery was established as an independent state agency to market and sell lottery products to the California public. The Lottery Act specifies that the Lottery is operated and administered by a five-member Commission appointed by the Governor. A Director, who is also appointed by the Governor, serves as the chief administrator of the Lottery. The Legislature has the authority to amend the Lottery Act by a two-thirds majority if, by doing so, it furthers the purposes of the measure.

Lottery ticket sales began on October 3, 1985, with the sale of the first Scratchers® ticket game called "California Jackpot." More than 21 million tickets were sold on the very first day and more than 1.7 billion tickets were sold in the first nine months.



Draw game sales began on October 14, 1986, with Lotto 6/49<sup>®</sup>. Daily draw games were introduced in March 1990. The Lottery currently offers eight draw games. Players have 180 days from the date of the drawing to claim prizes, except for the Mega Millions<sup>®</sup> and Powerball<sup>®</sup> jackpot prizes which can be claimed within one year. Retailers pay prizes up to and including \$599 while prizes over \$599 are paid directly by the Lottery. A brief description of each game is provided over the next two pages.

On April 8, 2010, the Legislature amended the Lottery Act with Assembly Bill (AB) 142. AB 142 requires the Lottery to return at least 87 percent of revenues to the public in the form of prizes and contributions to education, and established a cap of 13 percent of revenues as the amount the Lottery may spend on operating expenses. Prior to AB 142, the Lottery was required to return, as nearly as practical, 50 percent of revenues to the public in the form of prizes; at least 34 percent to public education; and allocate no more than 16 percent to administrative costs. As a result of the revenue distribution changes from AB 142, the Lottery expects to continue to deliver increases in sales and revenues to the public in the form of both prizes and contributions to education.



**Scratchers** – Tickets are played by removing a scratch-off coating to reveal symbols and “instantly” learn whether the ticket is a winner. Games are offered in a variety of price-points and feature many different themes and play styles. The Lottery started Scratchers game sales in October 1985 with a single \$1 game. Multiple Scratchers games were first offered at retailer locations in October 1991, and games that retailed for more than \$1 went on sale in October 1993. Currently, prices for Scratchers tickets range from \$1 to \$30, and games may feature prizes up to \$20 million.



**Powerball** – Players select five numbers from a field of 1 through 69 and one Powerball number from a field of 1 through 26. There are nine prize categories in this game. To win the jackpot, players must match all five numbers plus the Powerball number. The jackpot prize in this multi-state game reached a record high \$2.04 billion in November 2022, and was won by a single ticket in California. Beginning on Monday, August 23, 2021, Powerball added a third weekly drawing. Jackpots are determined by sales. Winning numbers are drawn every Monday, Wednesday, and Saturday at 7:59 p.m. PST.



**Mega Millions** – Players select five numbers from a field of 1 through 70 and one Mega number from a field of 1 through 25. There are nine prize categories in this game. To win the jackpot, players must match all five numbers plus the Mega number. The jackpot prize in this multi-state game has reached as high as \$1.54 billion in October 2018. Jackpots are determined by sales. Winning numbers are drawn every Tuesday and Friday at 7:59 p.m. PST.



**SuperLotto Plus<sup>®</sup>** – Players select five numbers from a field of 1 through 47 and one Mega number from a field of 1 through 27. There are nine prize categories in this game. To win the jackpot, players must match all five numbers plus the Mega number. Jackpot prizes start at \$7 million and have reached more than \$190 million. Winning numbers are drawn every Wednesday and Saturday at 7:57 p.m. PST.



**Hot Spot<sup>®</sup>** – This game was designed primarily for social trade styles like restaurants and bowling centers, but is available at all Lottery retailer locations. Players select numbers from a field of 1 through 80 and have a choice of playing ten different “Spots.” For example, a player who chooses to play a “3 Spot” would pick a set of three numbers. Players can also select the “Bulls-eye” option for a chance at winning more prizes if one of their chosen numbers also matches the Bulls-eye number. There are a total of 92 prize categories (including the Bulls-eye prizes) in this game. Twenty winning numbers are selected for each draw, one of them being the Bulls-eye. Top prizes have been as high as \$300,000. Draws are conducted daily every four minutes with the first draw at 6:04 a.m. and last draw at 2:00 a.m. PST.



**Daily 3** – This daily game was designed to provide very good odds of winning smaller prizes. Players select a set of three numbers, each from 0 through 9, as well as a playstyle where players try to match the three numbers drawn in the exact order (Straight) or in any order (Box). Based on the selected playstyle (Straight, Box, or Straight/Box combined), there are many ways to win a prize. The top prizes average \$600. Winning numbers are drawn twice a day.



**Daily 4** – This daily game was designed to offer a similar playstyle to Daily 3, but with larger prizes. Players select a set of four numbers, each from 0 through 9, as well as a playstyle where players try to match whether the four numbers drawn will be in the exact order (Straight) or in any order (Box). Based on the selected playstyle (Straight, Box, or Straight/Box combined), there are many ways to win a prize. The top prize averages \$6,000. Winning numbers are drawn once a day.

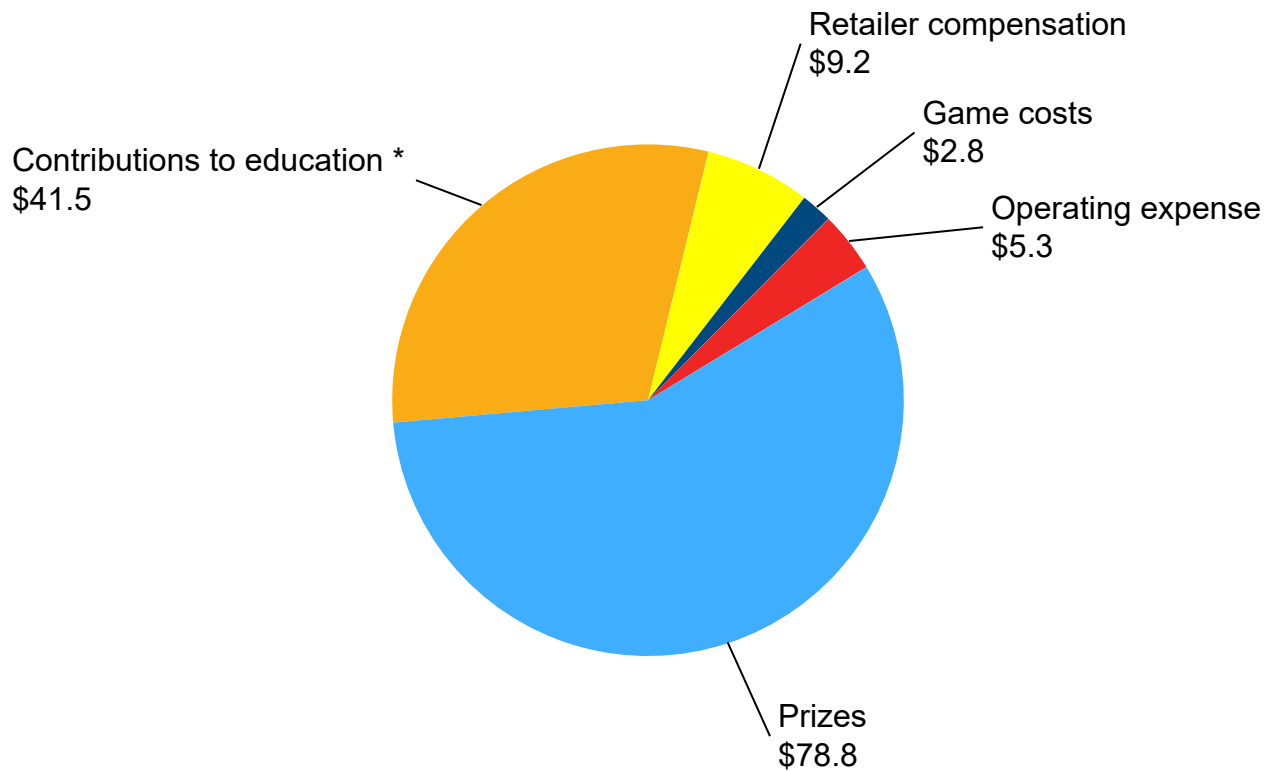


**Fantasy 5** – This daily Lotto-style game was designed with better odds than SuperLotto Plus. Players select a set of five numbers from 1 through 39. Winning tickets are those that match any two, three, four, or all five of the five numbers drawn. There are four prize categories in this game. Top prizes start at \$60,000 and have reached more than \$700,000 for matching all five numbers. Fantasy 5 is the only draw game that has a free ticket as part of the prize structure, with tens of thousands of free tickets awarded each draw.



**Daily Derby<sup>®</sup>** – This daily game was designed with a horse racing theme but is not associated with the results of any actual horse race. Players select three “horses” from a field of 12 and a “race time” which is a set of three numbers (e.g. 0, 1, and 9) with each number selected from a field of 0 through 9. There are five prize categories in this game. Top prizes start at \$50,000 and have reached more than \$1.5 million for matching the race time and all three horses in exact order.

**Distribution of Revenues**  
**(in billions)**  
**October 3, 1985 - June 30, 2022**



\*Includes interest income, unclaimed prizes, and other income of more than \$1.6 billion.

From its inception in 1985 through June 30, 2022, the Lottery has generated approximately \$135.9 billion in sales and contributed more than \$41.5 billion to education. The retailers who sell lottery tickets have received approximately \$9.2 billion in compensation and more than \$78.8 billion has been paid to lucky Lottery winners.

Additionally, by saving money on operations, the Lottery has given more money to schools than required. Since October 1985, the Lottery has contributed approximately \$1.4 billion to education through operational savings.

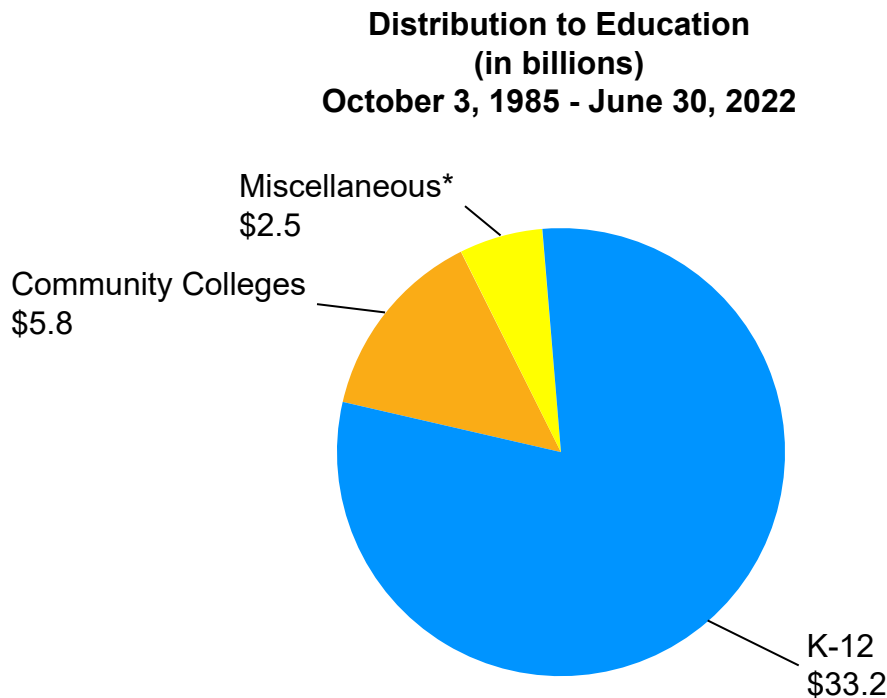


For the fiscal year ended June 30, 2022, the State Controller issued payments from the Lottery Education Fund to school districts, educational institutions, and state agencies. Payments are made quarterly based on Lottery income and unclaimed prizes.

Funds allocated to various educational entities for the fiscal year ended June 30, 2022, are as follows:

<b>Entity</b>	<b>Amount Allocated</b>
K-12	\$ 1,650,976,292
Community Colleges	304,443,719
California State University	74,541,739
University of California	52,862,889
UC College of the Law, San Francisco	198,507
Department of Education - State Special Schools	125,735
Department of Developmental Services	61,028
Juvenile Justice	47,671
<b>Total</b>	<b>\$ 2,083,257,580</b>

The table above is a display of the amount allocated to education during the fiscal year ended June 30, 2022, and does not reflect the total earned during the fiscal year.



\*Includes payments to California State University, University of California, College of the Law - San Francisco, California Maritime Academy, Department of Education - State Special Schools, Department of Corrections and Rehabilitation - Division of Juvenile Justice, Department of State Hospitals, and the Department of Developmental Services. Further details of school district and institutional total quarterly and total fiscal year payments are available on the State Controller's website ([www.sco.ca.gov](http://www.sco.ca.gov)).

## **Relevant Financial Policies**

### ***Accounting System and Policies***

The Lottery operates the California State Lottery Fund, an enterprise fund that, like a private business, utilizes the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

### ***Budgetary Controls***

Budgetary control for the Lottery is addressed through its enabling legislation, which provides specific limitations on operating and administrative expenses. A comprehensive annual budget is prepared in conjunction with the Lottery's Annual Business Plan. The budget is prepared on both the cash basis and the full accrual basis of accounting. It is also prepared in distinct, quarterly segments to facilitate comparison to the quarterly financial statements.

The budget is based on sales forecasts, industry trends, program proposals, and approved action plans. While the Lottery does not have a legislatively appropriated budget, the operating budget is submitted to the Lottery Commission with the Annual Business Plan for approval. Actual costs are monitored throughout the year for compliance with the approved budget and appropriate adjustments are approved if necessary.

### ***Internal Controls***

An internal control structure has been designed to ensure that assets are protected from loss, theft, or misuse, and to ensure that the accounting system allows compilation of accurate and timely financial information. The internal controls are designed to provide reasonable assurance that these objectives are met. Because the cost of internal control 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.

No matter how well internal controls are designed and operated, they can only provide reasonable assurances that the entity will be able to achieve its objective. Absolute assurance of the achievement of an objective cannot be obtained due to the limitations of any control system. The human equation alone introduces the possibility of mistakes, judgment errors, control overrides, and even collusion. Each of these factors individually or in conjunction can reduce the entity's ability to achieve its goal. Beyond the human equation, mechanical and technical breakdowns can have equal measure in displaying the limitations of internal controls. Finally, unforeseen circumstances and factors can also materialize that require changes to the traditional internal control structure.

To enhance controls, Lottery management has separate responsibilities and provides approval and oversight for the following functions: personnel and payroll; purchasing and accounts payable; cash receipts and cash disbursements; retailer network management and retailer accounts receivable; and system data processing and system programming. Reviews of operations are achieved by the following procedures:

*Internal Audits:* Internal Audit personnel provide a continuing review of the internal controls and operations of the Lottery.

*Draw verification:* An independent CPA firm witnesses the draws of Lottery games (except for computer automated drawings of Hot Spot), and inspects all equipment used in such draws.

The following measures have been implemented to ensure the integrity of the Lottery:

- Specialized security and law enforcement staff
- Secured facilities and gaming equipment
- Background checks on retailers, contractors, and Lottery employees
- Lottery tickets with special inks, dyes, and security codes
- Detailed and strict security procedures for game drawings
- Lottery random number generators in stand-alone systems, certified by an independent CPA firm prior to installation
- Lottery draw balls weighed and measured once a month to ensure standard compliance set by the Weights and Measures Division of the California Department of Agriculture

## **Employees**

As of June 30, 2022, the Lottery Commission authorized a total of 1,065 positions for the Lottery's headquarters located in Sacramento; for its nine district offices located in Sacramento, Milpitas, Richmond, Fresno, Chatsworth, Rancho Cucamonga, Santa Fe Springs, Costa Mesa, and San Diego; and for its two distribution centers located in West Sacramento and Rancho Cucamonga.

## **Major Initiatives**

It may sound like a broken record, but the California Lottery has once again broken its all-time sales and contribution records during the fiscal year ended June 30, 2022. Lottery sales were more than \$8.85 billion in fiscal year 2021-22, shattering the previous sales record of \$8.4 billion set the prior year. The increase in sales led to a record-high transfer of funds to the Lottery's beneficiary, California public schools. For the first time, the Lottery transferred more than \$2 billion to its beneficiary during a single fiscal year, fulfilling its mission to earn supplemental funding for education in a spectacular way. Fiscal year 2021-22 marked the 22nd consecutive year the Lottery transferred more than \$1 billion to its beneficiary (and perhaps the first year of consecutive \$2 billion transfers).

Scratchers games remain the biggest driver of Lottery sales increases, as Scratchers sales accounted for 77.1 percent of total Lottery sales during fiscal year 2021-22. The Lottery sets prize payout levels designed to maximize the contribution to its beneficiary. As part of that effort, the Lottery offered the *Set for Life – Millionaire* game at the popular \$30 price point, offering a top prize of \$20 million, the largest prize yet for a Scratchers game. In addition, the Lottery launched a new Scratchers ad campaign anchored by the tagline "A Little Play Can Make Your Day." These efforts and more led to Scratchers sales of more than \$6.8 billion during fiscal year 2021-22, a 6.6 percent increase from the prior year.

The two multi-state lotto games, Powerball and Mega Millions, offered a mixed bag as far as sales performance. Powerball ended the fiscal year with nearly \$570 million in sales, a 39.6 percent increase from the prior year. This was due in large part to the addition of a third weekly Powerball drawing, which kicked off on August 23, 2021. Powerball had two jackpots of more than \$500 million during fiscal year 2021-22. In contrast, Mega Millions had no jackpot runs that reached \$500 million. California's Mega Millions sales were \$372.8 million, down 29.5 percent from the prior fiscal year.



Sales of California's own lotto-style game, SuperLotto Plus, are also largely driven by jackpot levels. Sales of SuperLotto Plus were \$242.8 million during fiscal year 2021-22, a decrease of 7.1 percent in comparison to the prior year when jackpots amounts were larger.

The Hot Spot game was another Lottery record-breaker. Hot Spot sales were \$401.8 million during fiscal year 2021-22, a 7.6 percent increase from the prior year's previous record-high sales levels. This increase coincided with an effort by the Lottery to place more Hot Spot monitors in retail locations.

Lastly, sales of the Lottery's four daily games (Fantasy 5, Daily 3, Daily 4, and Daily Derby) totaled approximately \$436 million combined in fiscal year 2021-22, which is nearly unchanged from the prior year.

During the COVID-19 pandemic, the Lottery balanced safety and concern for its employees, retail partners, players, and the public at large, with the need to fulfill its critical mission of supplementing education funding. As California largely returns to pre-pandemic activities, the Lottery continues its commitment to support the recovery of its partners and stakeholders. During fiscal year 2021-22, the Lottery's network of retail partners returned to its pre-pandemic size of more than 23,000. The Lottery supports its retail partners as they recover from the pandemic by offering extended payment terms and waiving some fees. Additionally, Lottery staff worked diligently to reduce prize claim processing times and expand its program of paying qualifying prizes by check at some district offices. These efforts get needed funds to prizewinners more quickly.

The Lottery recognizes it has a responsibility to its players to encourage responsible gaming. During fiscal year 2021-22, the Lottery was recertified at the highest level, Level 4 Responsible Gaming, from the World Lottery Association.

The Lottery also continues its commitment to environmental sustainability regarding its buildings and operations. Nine Lottery buildings throughout the state, including its headquarters building, have earned the ENERGY STAR rating from the United States Environmental Protection Agency. In addition to protecting the environment, these energy-efficient buildings require lower operating costs, which supports the Lottery's mission of earning more money for its beneficiary.

### **Economic Outlook\***

Despite increased economic uncertainties surrounding highly publicized tech sector layoffs and a banking crisis that saw three of the four largest bank failures in U.S. history in March and April 2023, the U.S. and California economies have seen continued deceleration of inflation and steady though slowing job growth within a tight labor market. U.S. Gross Domestic Product grew by 1.1 percent in the first quarter of 2023, buoyed by strong consumption as American consumers have remained resilient. Having recovered all the jobs lost during the COVID-19 Pandemic, both the U.S. and California economies are now firmly in the post-pandemic and subsequent recovery period.

California recovered all the nearly 2.8 million jobs lost at the onset of the COVID-19 Pandemic by June 2022. The strong nonfarm job recovery was driven by gains in high-wage sectors which recovered to their pre-pandemic level in April 2022, followed by low-wage sectors in July 2022.

*\*Department of Finance, excerpted from the 2023-2024 May Revision to the Governor's Budget Summary, Economic Outlook section.*

Low-wage sectors lost a higher share of jobs than high-wage sectors, but now see more robust job growth. Recent tech-related layoffs significantly weakened job growth in high-wage sectors. The state's highest paying sectors (information and finance in particular) saw significant wage declines in 2022, due largely to much lower levels of irregular payments such as bonuses and options. Thus, California's average wage growth fell to just 0.1 percent in 2022 after strong growth of 11.1 percent in 2020 and 7.5 percent in 2021.

Unlike the rapid nonfarm jobs recovery, the state's overall labor force had not returned to pre-pandemic levels as of March 2023. Despite strong annual labor force growth, only 77.7 percent of the nearly 1 million people who left the workforce in the first three months of the pandemic had returned as of March 2023. However, the state's unemployment rate fell to a record-low rate of 3.8 percent in July and August 2022. The nation reached its record-low unemployment rate of 3.4 percent five months later.

U.S. inflation reached a 40-year high of 9.1 percent in June 2022 but has decelerated more rapidly than initially projected and was at 5 percent in March 2023. California inflation was at 5.4 percent in February 2023 after a peak of 8.3 percent in June 2022. The Federal Reserve increased target interest rates by 5 percentage points since March 2022 with the most recent increase of 0.25 base percentage point in May 2023. Port and trucking congestion, fuel prices, and microchip shortages all eased in late 2022, contributing to generally lower inflation for most goods, although inflation in most services remained elevated as demand shifts away from goods.

While the May Revision to the Governor's Budget does not project a recession in the forecast window, the risk of a mild or moderate recession exists. Other risks to the forecast include an escalation of tensions between China and Taiwan that could disrupt the world economy, or a protracted standoff over the federal debt ceiling that could roil financial markets as the Treasury's "extraordinary measures" are estimated to only last through early June 2023. Long-term structural downside risks to the state economy and budget also remain, including climate change and its attendant more frequent extreme weather events such as wildfires, drought, and floods, chronic stock market volatility, high housing and living costs, and income inequality.

## **Acknowledgments**

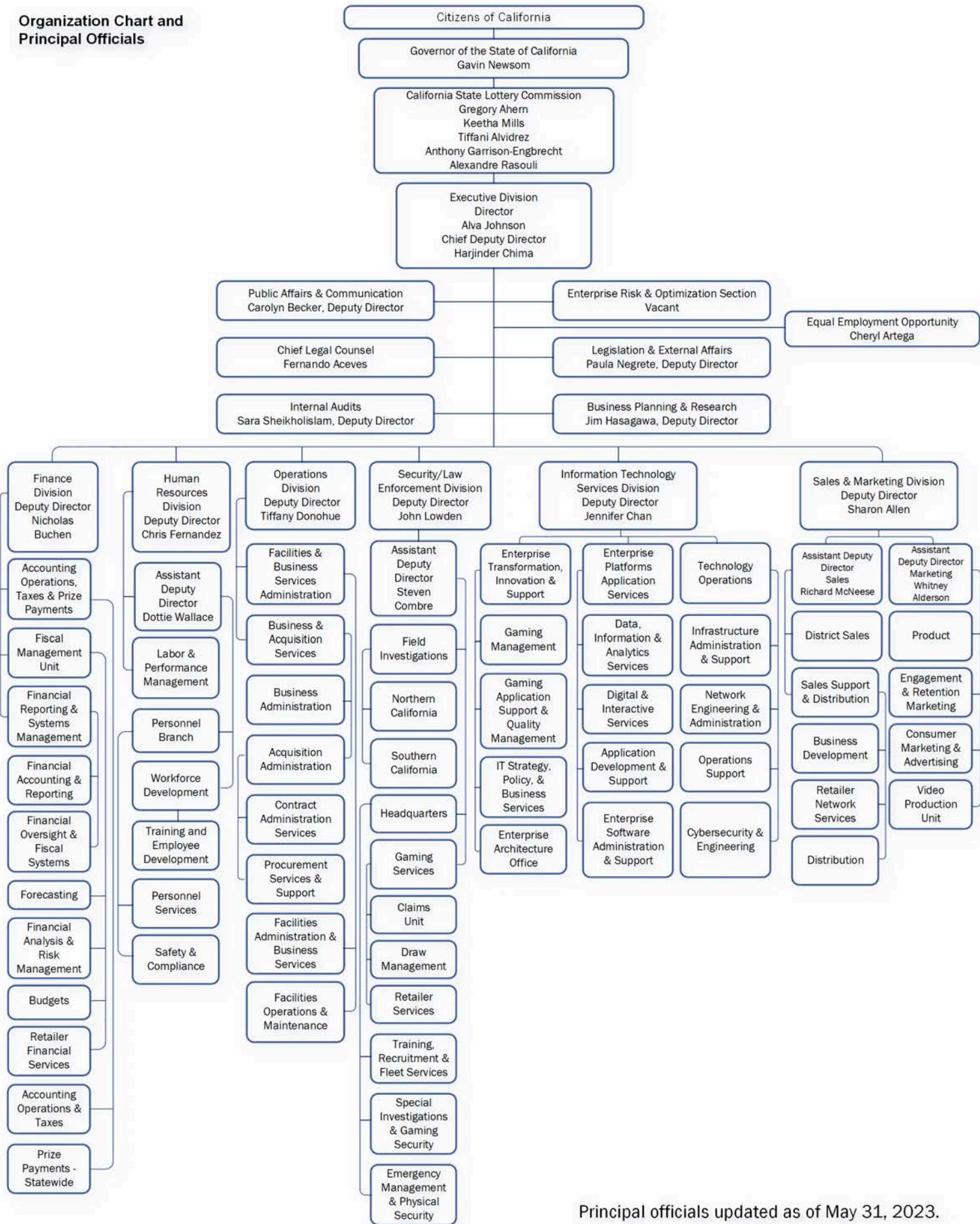
This report demonstrates the professionalism and dedicated team effort of Lottery employees. We appreciate their contribution to the success of this report. The Lottery is committed to providing thorough and relevant financial information to the public. This ACFR reflects our commitment to meet the highest standards of accountability and to maintain public trust through the highest ethics and integrity.

Respectfully submitted,



Nicholas Buchen  
Deputy Director  
Finance Division

**Organization Chart and Principal Officials**



Principal officials updated as of May 31, 2023.



## California State Lottery Commission

Ensuring integrity, security, fairness, and transparency.

The Lottery Act requires that the five-member Commission – appointed by the Governor – be comprised of no more than three members from the same political party; one must be a Certified Public Accountant and another must have at least five years of experience as a law enforcement officer. The Commission meets at least once a quarter and their meetings are open to the public.



[Gregory Ahern](#)

Lottery Commission Chair

Sheriff Ahern has been a lifelong resident of Alameda County. He was sworn in as a Deputy Sheriff in 1980, and has served over 41 years as a member of the Alameda County Sheriff's Office. In January 2007, he was sworn in as the 22nd Sheriff of Alameda County.



[Keetha Mills](#)

Lottery Commission Member

Ms. Mills is President and Chief Executive Officer of the Foundation for California Community Colleges (Foundation), the nonprofit auxiliary serving the California Community Colleges Board of Governors, Chancellor's Office, and all 116 colleges. Ms. Mills' professional background includes over 20 years of experience in executive leadership, finance, accounting, and operations. Prior to joining the Foundation, she served in a management role at Hines Interest Limited Partnership and held several regional positions at Planned Parenthood, including Chief Financial Officer of Planned Parenthood of Houston and Southeast Texas, Interim Chief Executive Officer of Planned Parenthood of Louisiana and the Mississippi Delta, and Chief Operating Officer of Planned Parenthood Gulf Coast. Earlier in her career, Ms. Mills worked with two of the nation's largest accounting firms at the time, Arthur Andersen and PricewaterhouseCoopers, and held positions at Dynegy. A community college alumna, Ms. Mills earned her associate of arts degree in business administration from Lee College in Baytown, Texas, and her bachelor of science degree in accounting from the University of Houston.



[Tiffani Alvidrez](#)

Lottery Commission Member

Ms. Alvidrez is a Regional Policy Manager at Instacart. She uses her deep knowledge of public policy and her political acumen to help shape complex, cutting-edge public policy debates that define the future of work and e-commerce in the western region of the United States. Prior to Instacart, Ms. Alvidrez built a career in California state policy and politics. She spent 10 years as a Chief of Staff in the California State Legislature and held positions at every level of state government, including a former governor's administration and as a state civil servant. Ms. Alvidrez serves on the boards of Leadership California and the Environmental Justice League. She is also a member of the SALA Series, a community of leaders from a variety of industry sectors who share a common motivation to engage around important societal and business matters and

## California State Lottery Commission (continued)

help drive positive change. Ms. Alvidrez has a Bachelor of Arts degree from the University of California, Davis, and a Masters in Business Administration. She is a proud member of Alpha Kappa Alpha Sorority, Inc. Ms. Alvidrez currently resides in the Sacramento area.



[Anthony Garrison-Engbrecht](#)

Lottery Commission Member

Commissioner Garrison-Engbrecht is the Vice President of Student Life at Saint Mary's College of California in Moraga. Prior to that, he held multiple positions at the University of California, Merced, from 2019 to 2021, including Senior Advisor and Chief of Staff. He also held multiple positions at the University of California, Berkeley, from 2018 to 2019 and several positions at Loyola Marymount University from 2008 to 2017, including Director of Leadership Programs and LGBTQ+ Student Services. Garrison-Engbrecht earned a Doctor of Philosophy degree in Curriculum Theory from Chapman University.



[Alexandre Rasouli, M.D.](#)

Lottery Commission Member

Alexandre Rasouli, M.D. is a nationally-recognized, board-certified spine surgeon who specializes in the surgical and nonsurgical management of cervical, thoracic and lumbar disorders of the spine, degenerative disorders, spinal trauma, adult and pediatric deformity, spinal oncology and minimally invasive surgery. He has been the medical director of RasouliSpine since 2006. He received his undergraduate degree from Stanford University and his Doctor of Medicine degree from the University of California, Irvine. He has been a Consultant Reviewer at the Journal of Bone & Joint Surgery since 2008. Rasouli is a member of the North American Spine Society and serves on the medical board of the International Society of Children with Cancer.

## California State Lottery Management Team

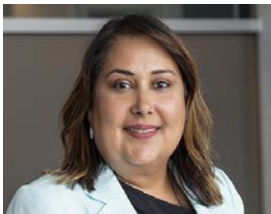


**Alva Johnson**  
Director

Alva Vernon Johnson was appointed Director of the California State Lottery in June, 2019. Director Johnson's public policy expertise includes government gaming, tribal affairs and education. He earned a bachelor's degree in Political Science from California State University, East Bay, and a Master of Public Policy degree from the University of California, Berkeley.

As a policy analyst, Mr. Johnson previously worked for over a decade in public service on K-12 and higher education issues, including time with the California State Legislature and the Governor's Office. He also briefly represented the California Department of Education and the California State Lottery as a legislative liaison. Subsequently, Mr. Johnson served as chief consultant to the Governmental Organization committee in the State Assembly from 2002 to 2003.

Most recently, Mr. Johnson managed governmental affairs for several federally-recognized Indian tribes in California, including the Agua Caliente Band of Cahuilla Indians from 2005 to 2015 and the San Manuel Band of Mission Indians from 2016 to 2018.



**Harjinder K.  
Shergill-Chima**  
Chief Deputy Director



**Nicholas Buchen**  
Deputy Director, CFO  
Finance



**Fernando Aceves**  
Chief Legal Counsel



**Sharon Allen**  
Deputy Director  
Sales & Marketing



**Cheryl Artega**  
Equal Employment  
Opportunity Officer



**Carolyn Becker**  
Deputy Director  
Public Affairs &  
Communications





**Jennifer Chan**  
Deputy Director  
IT Services



**Tiffany Donohue**  
Deputy Director  
Operations



**Chris Fernandez**  
Deputy Director  
Human Resources



**Jim Hasagawa**  
Deputy Director  
Business Planning



**Paula Negrete**  
Deputy Director  
External Affairs



**Sara Sheikholislam**  
Deputy Director  
Internal Audits



**John Lowden**  
Deputy Director  
Security/Law Enforcement

Vacancy:

Chief Enterprise Risk Officer

Lottery management team updated as of May 31, 2023.







# Financial Section

## Independent Auditor's Report

The Commissioners  
California State Lottery Fund, State of California

### **Opinion**

We have audited the accompanying financial statements of the California State Lottery Fund (the Lottery), a proprietary fund of the State of California which comprise the statement of net position (deficit) as of June 30, 2022, the related statements of revenues, expenses, and changes in net position (deficit) and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Lottery as of June 30, 2022, and the changes in 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Lottery and do not purport to, and do not, present fairly the financial position of the State of California as of June 30, 2022, the changes in its financial position, or, where applicable, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery's ability to continue as a going concern for one year after the date that the financial statements are issued (or when applicable, one year after the date that the financial statements are available to be issued).



### ***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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, we:

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

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, schedule of proportionate share of the net pension liability, schedule of employer contributions related to pensions, schedule of proportionate share of net other postemployment benefits liability and schedule of employer contributions related to other postemployment benefits on pages 23-31 and 67-73 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.

The Commissioners of the  
California State Lottery Fund

Other Information

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

In connection with our audit of the 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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas  
July 25, 2023



## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The following discussion and analysis of the California State Lottery's (Lottery) financial performance provides an overview of financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Lottery financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

- In fiscal year 2021-22, the Lottery surpassed the records it set in the prior year for both sales and contribution to its beneficiary. The new record high sales were more than \$8.85 billion, an increase of \$435.3 million or 5.2 percent from the prior fiscal year.
- Also a record, for the first time ever the Lottery has transferred more than \$2 billion in a single fiscal year to its beneficiary, California public schools. This marked the 22nd consecutive year the Lottery has transferred more than \$1 billion to its beneficiary, and a total contribution of more than \$41.5 billion in the 37 years since the Lottery's inception.
- Scratchers<sup>®</sup> games accounted for most of the Lottery's sales increase. Scratchers sales were more than \$6.8 billion, an increase of \$420.6 million or 6.6 percent from the prior year. The increase was due primarily to the continued popularity of the \$10, \$20, and \$30 games, including the *Set for Life: Millionaire Edition* game which offers the Lottery's first \$20 million Scratchers prize.
- Hot Spot<sup>®</sup> sales increased \$28.5 million or 7.6 percent from the prior year, continuing its recovery after declining sales during the pandemic due to the impact on social trade-style retailers where Hot Spot is frequently sold.
- The Lottery paid out more than \$6.4 billion in the form of prizes and retailer compensation during the fiscal year. Of this, the Lottery paid \$5.8 billion in prizes to players, and \$614.7 million in commissions, cashing bonuses, and other applicable compensation to retailers.

### OVERVIEW OF THE FINANCIAL STATEMENTS

These required statements offer short-term and long-term financial information about the Lottery. The *statement of net position (deficit)* provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations (liabilities and deferred inflows of resources) at the close of the fiscal year. All of the current year's revenues and expenses are accounted for in the *statement of revenues, expenses, and changes in net position (deficit)*. This statement measures the success of the Lottery's operations over the past year. The final required financial statement is the *statement of cash flows*. The primary purpose of this statement is to provide information about the Lottery's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides answers to such questions as from where did cash come and for what was cash used. The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The Lottery is structured as a single enterprise fund with revenues recognized when earned, not when received.



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**FINANCIAL ANALYSIS**

**NET POSITION (DEFICIT)**

A summary of the California State Lottery's net position (deficit) is presented below:

	June 30, 2021	June 30, 2022	Dollar Change	Percent Change
Current and other assets	\$ 2,194,497,289	\$ 2,147,099,622	\$ (47,397,667)	(2.2)%
Capital assets	204,847,726	191,966,405	(12,881,321)	(6.3)%
Total assets	<u>\$ 2,399,345,015</u>	<u>\$ 2,339,066,027</u>	<u>\$ (60,278,988)</u>	<u>(2.5)%</u>
Deferred outflows of resources	\$ 71,040,365	\$ 72,378,689	\$ 1,338,324	1.9 %
Total assets and deferred outflows	<u>\$ 2,470,385,380</u>	<u>\$ 2,411,444,716</u>	<u>\$ (58,940,664)</u>	<u>(2.4)%</u>
Current liabilities	\$ 1,489,331,035	\$ 1,559,391,219	\$ 70,060,184	4.7 %
Non-current liabilities	1,077,447,896	1,002,042,212	(75,405,684)	(7.0)%
Total liabilities	<u>\$ 2,566,778,931</u>	<u>\$ 2,561,433,431</u>	<u>\$ (5,345,500)</u>	<u>(0.2)%</u>
Deferred inflows of resources	\$ 42,039,293	\$ 88,257,250	\$ 46,217,957	109.9 %
Total liabilities and deferred inflows	<u>\$ 2,608,818,224</u>	<u>\$ 2,649,690,681</u>	<u>\$ 40,872,457</u>	<u>1.6 %</u>
Net investment in capital assets	\$ 204,847,726	\$ 191,966,405	\$ (12,881,321)	(6.3)%
Restricted by legislation	106,929,568	7,116,447	(99,813,121)	(93.3)%
Unrestricted deficit	(450,210,138)	(437,328,817)	12,881,321	(2.9)%
Total net position	<u><u>\$ (138,432,844)</u></u>	<u><u>\$ (238,245,965)</u></u>	<u><u>\$ (99,813,121)</u></u>	<u><u>72.1 %</u></u>

During fiscal year 2021-22, the Lottery's net position decreased \$99.8 million to a net deficit of \$238.2 million. Net position restricted by legislation decreased \$99.8 million due to a decrease in the fair value of investments held to pay annuitized prizes. The net deficit also includes a \$192 million net investment in capital assets, specifically land, buildings and various equipment used to run the Lottery. The cost of these assets of approximately \$345.7 million is offset by the accumulated depreciation of \$153.7 million. More information on the Lottery's investments and capital assets can be found in Notes 2 and 5, respectively.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**CHANGE IN NET POSITION (DEFICIT)**

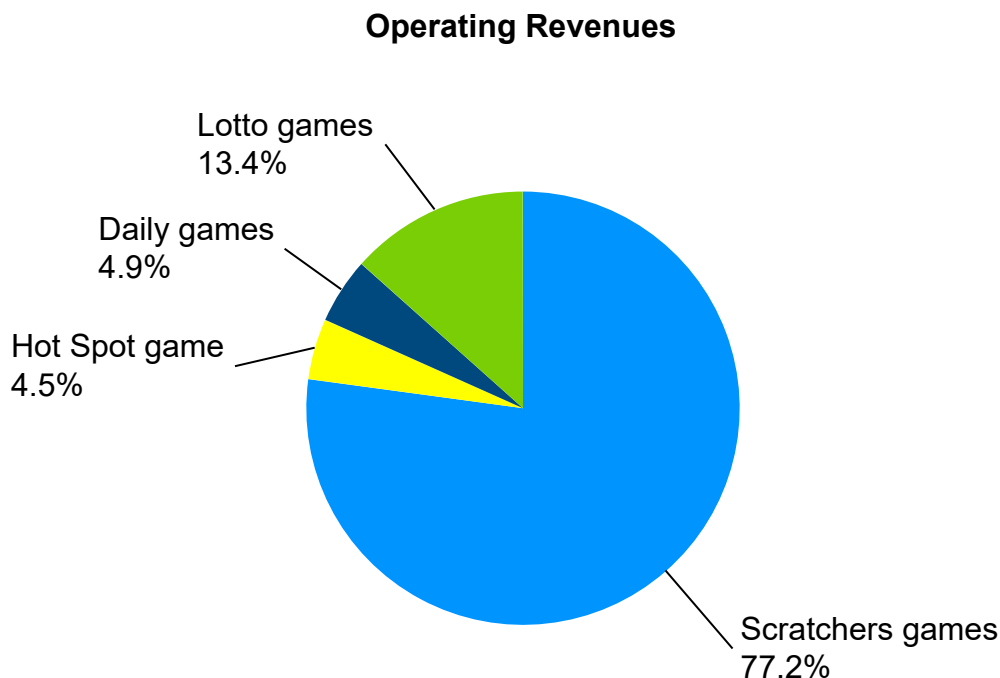
A summary of the California State Lottery's change in net position (deficit) is presented below:

	June 30, 2021	June 30, 2022	Dollar Change	Percent Change
Operating revenues - Lottery sales	\$ 8,417,943,817	\$ 8,853,250,168	\$ 435,306,351	5.2 %
Prizes	5,610,605,541	5,825,673,018	215,067,477	3.8 %
Sales after prizes	\$ 2,807,338,276	\$ 3,027,577,150	\$ 220,238,874	7.8 %
Game costs	728,426,578	758,867,964	30,441,386	4.2 %
Income before operating expenses	\$ 2,078,911,698	\$ 2,268,709,186	\$ 189,797,488	9.1 %
Operating expenses	221,180,820	253,659,869	32,479,049	14.7 %
Operating income	\$ 1,857,730,878	\$ 2,015,049,317	\$ 157,318,439	8.5 %
Non-operating expenses	\$(1,914,706,369)	\$(2,114,862,438)	\$ (200,156,069)	10.5 %
Change in net position	\$ (56,975,491)	\$ (99,813,121)	\$ (42,837,630)	75.2 %
Total net position - beginning of year	(81,457,353)	(138,432,844)	(56,975,491)	69.9 %
Total net position - end of year	\$ (138,432,844)	\$ (238,245,965)	\$ (99,813,121)	72.1 %

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**REVENUES**

The following chart shows the major sources and the percentages of operating revenues for the fiscal year ended June 30, 2022:



A summary of total revenues for the fiscal years ended June 30, 2021 and 2022, and the amount and percentage of change in relation to prior year amounts is as follows:

	June 30, 2021	June 30, 2022	Dollar Change	Percent Change
<b>Operating revenues:</b>				
Lotto games	\$ 1,198,771,157	\$ 1,185,499,008	\$ (13,272,149)	(1.1)%
Scratchers games	6,409,463,025	6,830,109,188	420,646,163	6.6 %
Hot Spot game	373,301,793	401,837,336	28,535,543	7.6 %
Daily games	436,407,842	435,804,636	(603,206)	(0.1)%
<b>Total operating revenues</b>	<b>\$ 8,417,943,817</b>	<b>\$ 8,853,250,168</b>	<b>\$ 435,306,351</b>	<b>5.2 %</b>
<b>Non-operating revenues:</b>				
Unrealized gains (losses) on investments	\$ (55,646,618)	\$ (98,716,480)	\$ (43,069,862)	77.4 %
Interest accreted/earned on investments	28,054,375	26,390,107	(1,664,268)	(5.9)%
Interest on funds held by State Treasurer	3,592,599	4,021,399	428,800	11.9 %
Other income	1,823,112	611,692	(1,211,420)	(66.4)%
<b>Total non-operating revenues</b>	<b>\$ (22,176,532)</b>	<b>\$ (67,693,282)</b>	<b>\$ (45,516,750)</b>	<b>205.2 %</b>
<b>Total revenues</b>	<b>\$ 8,395,767,285</b>	<b>\$ 8,785,556,886</b>	<b>\$ 389,789,601</b>	<b>4.6 %</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

**REVENUES (continued)**

Lottery operating revenue increased \$435.3 million or 5.2 percent from the previous fiscal year due to increases in the sales of Scratchers and Hot Spot tickets. Scratchers sales increased \$420.6 million or 6.6 percent due to the continued popularity of our high price point games, including crossword games and our first Scratchers game offering a \$20 million prize. Hot Spot sales increased \$28.5 million or 7.6 percent from the prior year, as the social trade-style game continued to recover from decreased sales during the pandemic. Lotto games sales were approximately \$13.3 million less than the previous fiscal year, a decrease of 1.1 percent, while Daily game sales were nearly unchanged. Non-operating revenue decreased \$45.5 million from the previous year due primarily to unrealized losses on investments.

**EXPENSES**

The Lottery Act requires that the Lottery return not less than 87 percent of annual revenues to the public in the form of prizes and contributions to education, and spend no more than 13 percent of annual revenues on operating expenses. Lottery prize payments, contributions to education, and operating expenses are shown below as a percentage of operating revenue for the year ended June 30, 2022.

Lottery Sales	\$ 8,853,250,168	100.0 %
<hr/>		
Revenue returned to the public		
Prizes	\$ 5,825,673,018	65.8 %
Allocation of sales to education	2,015,049,317	22.8 %
Total revenue returned to the public	<u>\$ 7,840,722,335</u>	<u>88.6 %</u>
<hr/>		
Expenses of the Lottery		
Retailer costs	\$ 614,710,750	6.9 %
Game costs	144,157,214	1.6 %
Operating expenses	253,659,869	2.9 %
Total expenses of the Lottery	<u>\$ 1,012,527,833</u>	<u>11.4 %</u>

A summary of the total funds transferred by the Lottery to the education community for the fiscal year ended June 30, 2022, is shown below.

Revenues to Education	
Allocation of sales	\$ 2,015,049,317
Unclaimed prizes directly allocated to the Education Fund	57,691,492
Interest income	4,021,399
Other income	611,692
Total declared for allocation to the Education Fund	<u><u>\$ 2,077,373,900</u></u>

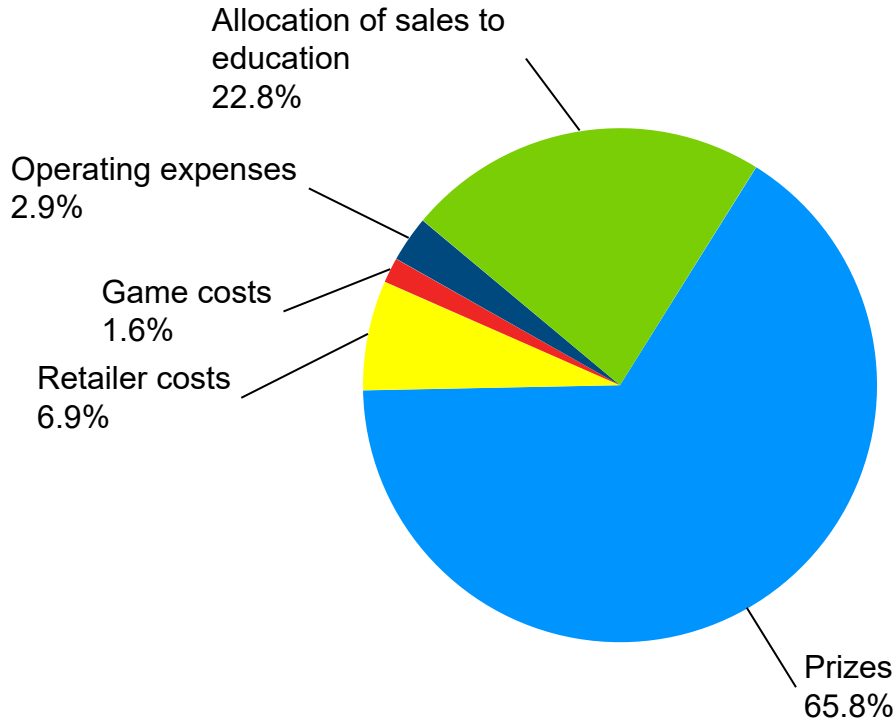


**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)**

**EXPENSES (continued)**

The following chart shows prizes, retailer costs, game costs, operating expenses, and allocation to education as a percentage of operating revenues for the fiscal year ended June 30, 2022:

**Prizes and Allocation of Sales Returned to the Public, and Expenses of the Lottery as a Percentage of Operating Revenues**



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

**EXPENSES (continued)**

A summary of expenses for the fiscal years ended June 30, 2021 and 2022, and the amount and percentage change in relation to prior year amounts is as follows:

	June 30, 2021	June 30, 2022	Dollar Change	Percent Change
Prizes:				
Draw game prizes	\$1,062,238,150	\$1,054,119,266	\$ (8,118,884)	(0.8)%
Scratchers game prizes	4,548,367,391	4,771,553,752	223,186,361	4.9 %
Total prizes	<u>\$5,610,605,541</u>	<u>\$5,825,673,018</u>	<u>\$ 215,067,477</u>	<u>3.8 %</u>
Game costs:				
Retailer costs	\$ 585,861,906	\$ 614,710,750	\$ 28,848,844	4.9 %
Draw/Scratchers game costs	142,564,672	144,157,214	1,592,542	1.1 %
Total game costs	<u>\$ 728,426,578</u>	<u>\$ 758,867,964</u>	<u>\$ 30,441,386</u>	<u>4.2 %</u>
Operating expenses:				
Salaries, wages, and benefits	\$ 104,757,919	\$ 101,243,980	\$ (3,513,939)	(3.4)%
Advertising	59,135,920	92,849,859	33,713,939	57.0 %
Promotion, public relations, and point of sale	7,490,496	8,529,662	1,039,166	13.9 %
Other professional services	17,728,391	18,129,419	401,028	2.3 %
Depreciation and amortization	16,765,127	15,982,732	(782,395)	(4.7)%
Other general and administrative expenses	15,302,967	16,924,217	1,621,250	10.6 %
Total operating expenses	<u>\$ 221,180,820</u>	<u>\$ 253,659,869</u>	<u>\$ 32,479,049</u>	<u>14.7 %</u>
Non-operating expenses:				
Allocation to Education Fund	\$1,863,146,589	\$2,019,682,408	\$ 156,535,819	8.4 %
Interest imputed on annuitized prize liability	29,383,248	27,486,748	(1,896,500)	(6.5)%
Total non-operating expenses	<u>\$1,892,529,837</u>	<u>\$2,047,169,156</u>	<u>\$ 154,639,319</u>	<u>8.2 %</u>
Total expenses	<u><u>\$8,452,742,776</u></u>	<u><u>\$8,885,370,007</u></u>	<u><u>\$ 432,627,231</u></u>	<u><u>5.1 %</u></u>

Prize expense, retailer costs, and game costs all increased as overall sales increased. Advertising expense increased due to a new Scratchers advertising campaign and additional jackpot alerts related to the multi-state games. Promotion, public relations, and point of sale expenses increased because the Lottery resumed direct-to-consumer promotions that had been halted during the pandemic. Other general and administrative expenses increased primarily due to resumed spending on travel and vehicle maintenance which had been suspended during the pandemic. The allocation to the Education Fund increased primarily due to increased sales.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

**CAPITAL ASSETS**

A summary of capital assets as of June 30, 2021 and 2022, and the amount and percentage of change in relation to prior year amounts is as follows:

	Restated Balance June 30, 2021	June 30, 2022	Dollar Change	Percent Change
Non-depreciable capital assets:				
Land	\$ 18,798,281	\$ 18,798,281	\$ —	0.0 %
Depreciable capital assets:				
Gaming equipment	\$ 60,425,455	\$ 60,369,164	\$ (56,291)	(0.1)%
Software	18,380,686	18,883,830	503,144	— %
Vending machines	58,973,254	58,480,496	(492,758)	(0.8)%
Buildings	160,187,830	160,291,808	103,978	0.1 %
Data processing equipment	3,988,538	6,167,066	2,178,528	54.6 %
Office furniture and equipment	5,353,968	5,353,968	—	0.0 %
Vehicles	12,008,164	11,894,354	(113,810)	(0.9)%
Audio and Video	504,335	504,335	—	— %
Warehouse Equipment	1,353,256	1,353,256	—	— %
Mobile Equipment	783,996	783,996	—	— %
Other	2,756,632	2,800,766	44,134	1.6 %
Subtotal	\$ 324,716,114	\$ 326,883,039	\$ 2,166,925	0.7 %
Less accumulated depreciation	(138,666,669)	(153,714,915)	(15,048,246)	10.9 %
Total depreciable capital assets	\$ 186,049,445	\$ 173,168,124	\$ (12,881,321)	(6.9)%
Capital assets, net	\$ 204,847,726	\$ 191,966,405	\$ (12,881,321)	(6.3)%

Capital Assets decreased 6.3 percent from the previous fiscal year, primarily due to an increase in accumulated depreciation offset in part by an increase in data processing equipment due to an upgrade in the Lottery's accounting system. The accounting system upgrade included revising the Lottery's asset types. The restated beginning balances above reflect the new asset types. More information on the restatement of the June 30, 2021, balances and on the Lottery's capital assets in general can be found in Note 5.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **NON-CURRENT LIABILITIES**

At June 30, 2022, the California State Lottery had approximately \$1.0 billion in non-current liabilities, a decrease of approximately \$75.4 million from the previous year. This includes an increase in the net other postemployment benefits (OPEB) liability of approximately \$1 million, to \$246.2 million. The increase in net OPEB liability was due to primarily to changes in assumptions. The Lottery's net pension liability decreased \$53.0 million, or 36.4 percent, to \$92.5 million. The decrease in net pension liability was primarily due to the actual investment returns on plan assets exceeding projected returns. Changes in the proportion of the Lottery's share of the State's net pension liability also contributed to the decrease. In addition, pursuant to Senate Bill 84, the Lottery has recognized a \$5.5 million inter-fund loan payable as part of the Lottery's obligation to pay back a loan used to supplement the state's employer contributions to pensions. The reserve for unpaid prizes decreased \$20.8 million as the majority of jackpot and annuity-level prize winners choose the cash option rather than annuitized payments. Additional detailed information on long-term prize liability may be found in Note 6 and additional information on other postemployment benefits and pension liability may be found in Note 10.

### **CONTACTING THE LOTTERY'S FINANCIAL MANAGER**

This financial report is designed to provide a general overview of the Lottery's finances and to demonstrate the accountability for the money the Lottery earns. If you have questions about this report or need additional financial information, contact the California State Lottery, Finance Division, 700 N. 10th Street, Sacramento, CA 95811.





**CALIFORNIA STATE LOTTERY FUND  
STATEMENT OF NET POSITION (DEFICIT)  
JUNE 30, 2022**

**Assets**

Cash and cash equivalents (Note 2)	\$ 690,363,241
Investments, current portion (Note 2)	70,249,970
Accounts receivable, net of allowances (Note 3)	730,174,440
Due from state funds (Note 4)	2,026,013
Ticket inventories	17,210,334
Other	4,880,711
Total current assets	\$ 1,514,904,709
Investments, less current portion (Note 2)	\$ 625,339,098
Capital assets, net (Note 5)	191,966,405
Long-term prepaid charges, net	6,855,815
Total non-current assets	\$ 824,161,318
Total assets	\$ 2,339,066,027
<b>Deferred Outflows of Resources (Note 10)</b>	\$ 72,378,689
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 2,411,444,716
<b>Liabilities</b>	
Accounts payable	\$ 93,382,205
Current prize liability (Note 6)	929,642,282
Due to state funds (Note 7)	508,182,409
Accrued liabilities	25,585,184
Unearned revenue	2,599,139
Total current liabilities	\$ 1,559,391,219
Prize liability, less current portion (Note 6)	\$ 657,795,355
Net other postemployment benefits liability (Note 10)	246,200,000
Net pension liability (Note 10)	92,523,265
Inter-fund loan payable	5,523,592
Total non-current liabilities	\$ 1,002,042,212
Total liabilities	\$ 2,561,433,431
<b>Deferred Inflows of Resources (Note 10)</b>	\$ 88,257,250
<b>Total Liabilities and Deferred Inflows of Resources</b>	\$ 2,649,690,681
<b>Net Position (Deficit)</b>	
Net investment in capital assets (Note 5)	\$ 191,966,405
Restricted by legislation for prizes (Note 2)	7,116,447
Unrestricted deficit	(437,328,817)
<b>Total Net Deficit</b>	\$ (238,245,965)

See accompanying notes to the financial statements.

**CALIFORNIA STATE LOTTERY FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)**  
**YEAR ENDED JUNE 30, 2022**

Operating revenues: Lottery sales	\$ 8,853,250,168
Prizes	5,825,673,018
Sales after prizes	<u>\$ 3,027,577,150</u>
Less game costs:	
Retailer costs	\$ 614,710,750
Gaming system costs	102,320,421
Scratchers <sup>®</sup> game costs	41,836,793
Total game costs	<u>\$ 758,867,964</u>
Income before operating expenses	<u>\$ 2,268,709,186</u>
Operating expenses:	
Salaries, wages, and benefits	\$ 101,243,980
Advertising	92,849,859
Promotion, public relations, and point of sale	8,529,662
Other professional services	18,129,419
Depreciation and amortization (Note 5)	15,982,732
Other general and administrative expenses	16,924,217
Total operating expenses	<u>\$ 253,659,869</u>
Operating income	<u>\$ 2,015,049,317</u>
Non-operating (expenses) revenues:	
Investment income (loss) (Note 9)	\$ (68,304,974)
Interest expense imputed on annuitized prize liability	(27,486,748)
Other income	611,692
Allocation to Education Fund (Note 7)	(2,019,682,408)
Total non-operating expenses	<u>\$ (2,114,862,438)</u>
Change in net deficit	<u>\$ (99,813,121)</u>
Total net deficit - beginning balance	(138,432,844)
Total net deficit - ending balance	<u><u>\$ (238,245,965)</u></u>

See accompanying notes to the financial statements.

**CALIFORNIA STATE LOTTERY FUND  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities:	
Receipts from customers	\$ 8,805,268,618
Payments for prizes	(6,663,937,269)
Payments to retailers	(614,727,277)
Payments to suppliers for goods and services	(255,272,630)
Payments to employees	(104,464,019)
Internal activity - payments to state funds	(16,211,936)
Receipts from other states	858,892,490
Other receipts	751,786
Net cash flows provided by operating activities	<u>\$ 2,010,299,763</u>
Cash flows from non-capital financing activities:	
Distributions to Education Fund	<u>\$ (2,063,976,792)</u>
Net cash flows used in non-capital financing activities	<u>\$ (2,063,976,792)</u>
Cash flows from capital and related financing activities:	
Proceeds from disposal of property and equipment	\$ 59,282
Payments for capital assets	(3,114,314)
Net cash flows used in capital and related financing activities	<u>\$ (3,055,032)</u>
Cash flows from investing activities:	
Proceeds from matured securities	\$ 67,539,000
Investment and Surplus Money Investment Fund interest	10,228,865
Purchase of securities	(22,035,076)
Net cash flows provided by investing activities	<u>\$ 55,732,789</u>
Decrease in cash and cash equivalents	\$ (999,272)
Cash and cash equivalents at July 1, 2021	<u>\$ 691,362,513</u>
Cash and cash equivalents at June 30, 2022	<u><u>\$ 690,363,241</u></u>

See accompanying notes to the financial statements.

(Continued)

**CALIFORNIA STATE LOTTERY FUND  
STATEMENT OF CASH FLOWS (Continued)  
YEAR ENDED JUNE 30, 2022**

Cash flows from operating activities:	
Operating income	\$ 2,015,049,317
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	\$ 15,982,732
Provision for doubtful accounts	(418,739)
Provision for returned tickets	24,305,980
Provision for free ticket redemptions	14,131,003
Net gain on retirement or disposal of capital assets	(46,378)
Other income	611,692
Changes in assets and liabilities:	
Increase in accounts receivable	(107,899,286)
Increase in due from other funds net of SMIF	(28,297)
Decrease in ticket inventories	493,920
Increase in other assets	(1,724,684)
Increase in long-term prepaid charges	(6,499,265)
Increase in accounts payable	41,360,390
Increase in prize liability	20,628,239
Decrease in due to state funds	(1,491,402)
Increase in accrued liabilities	3,964,405
Increase in unearned revenues	263,938
Decrease in OPEB and net pension liability	(8,383,802)
Net cash flows provided by operating activities	<u>\$ 2,010,299,763</u>
Supplemental disclosure of non-cash activities:	
Interest accreted on annuitized prizes	<u>\$ 27,486,748</u>
Unclaimed prizes directly allocated to the Education Fund	<u>\$ 57,691,492</u>
Unrealized loss on investments	<u>\$ (98,716,480)</u>
Interest accreted on zero coupon bonds	<u>\$ 19,025,186</u>

See accompanying notes to the financial statements.



**CALIFORNIA STATE LOTTERY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Organization**

The California State Lottery Fund (the Fund) was created with the passage of the California State Lottery Act of 1984 (the Act). The Fund is a part of the primary government of the State of California and is reported as a proprietary fund and business-type activity within the State of California's financial statements. The purpose of the Act is to support the preservation of the rights, liberties, and welfare of the people by providing additional monies to benefit education without the imposition of additional or increased taxes. The operations of the Fund are separate and distinct from other operations of the State of California.

Effective April 8, 2010, Chapter 13, Statutes of 2010 (AB 142) amended the Act to allow the California State Lottery (Lottery) to offer its players a higher prize payout percentage. Research has shown that higher prize payouts result in increased sales revenues and thus will afford increased allocations to education. Under AB 142 beginning with the 2010-11 fiscal year, the Lottery is required to return not less than 87 percent of revenues to the public in the form of prizes and contributions to education, and to spend no more than 13 percent of revenues on operating expenses of the Lottery.

### **Basis of Presentation**

The Fund is accounted for as an enterprise fund. The financial statements are prepared on the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. The principal operating revenues of the Fund come from the sale of lottery tickets. The principal operating expenses of the Fund are prizes, retailer commissions, game costs, salaries and benefits, advertising and promotion, professional services, depreciation of assets, and general and administrative costs.

### **Revenue Recognition – Scratchers Games**

Sales of Scratchers tickets are made to the public through contracted retailers. Revenue is recognized upon the sale of tickets to the retailers for active games. An allowance is recognized for the retailers' right to return unsold tickets. Operating revenue is reduced for free tickets and for unsold tickets remaining in vending machines. Retailers receive a commission of up to six percent which is recognized when tickets are sold to the retailers.

### **Revenue Recognition - Draw Games**

Lottery sales for draw games are made to the public through gaming terminals at contracted retailers. Revenue is recognized upon the sale to the public. With the exception of Powerball® and Mega Millions®, the public has the right to cancel a sale on the same day before pool closure. All Powerball and Mega Millions sales are final. The applicable retailers' commission of four and one-half to six percent is recognized when sales are made to the public. Recognition of the revenue from sales for future draws is considered unearned until those draws become current. The retailers' commission related to the unearned revenue is reflected as a prepaid expense until the revenue is recognized.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Prizes – Scratchers Games**

Prize expense for Scratchers games is recognized based on the predetermined prize structure for each game in the period revenue is recognized. Prizes that are not claimed are recognized as unclaimed prizes 180 days after the end of each game. Unclaimed prizes not directly payable by the Lottery are recognized as a reduction of prize expense and included in the Lottery's operating income that is allocated to the Education Fund. Unclaimed prizes directly payable by the Lottery are allocated directly to the Education Fund.

Scratchers games with annuitized prizes are generally paid in equal, annual installments over 20 or 25 years. Some games offer graduated, annual payments, and others offer the choice of an annuitized prize paid in weekly, monthly, or annual installments, or a lump sum cash payment. Prize expense for annuity prizes is based on the present value of the annuity using an interest rate equal to the interest yield on the zero coupon U.S. Treasury bonds. Interest earned is imputed on the annuity using the same interest rate.

**Prizes - Draw Games**

Powerball and Mega Millions - Prize expense for the thrice-weekly Powerball and twice-weekly Mega Millions multi-state draw games is recognized on the basis of the predetermined prize structure when the revenue is recognized. Nine distinct prize categories for each game are established which are dependent upon the amount of money wagered and the quantity of numbers to be matched. In the event that no winning share for a specific prize category of Powerball or Mega Millions is selected, all monies allocated for that prize are carried forward to the following drawing and remain in the pool for that same prize category.

The total Grand/Jackpot Prize liability for each multi-state Powerball or Mega Millions drawing is shared by each participating state lottery (Party Lottery) as follows: each Party Lottery is responsible for an amount equal to a percentage of that Party Lottery's Powerball or Mega Millions sales, said percentage being the proportion of the total Grand/Jackpot Prize liability to the total Powerball or Mega Millions sales. The California Lottery is prohibited by state law from paying fixed prizes and participating in the liability calculation for prize levels two through nine. The California Lottery is therefore solely responsible for its own prize liability for levels two through nine for the multi-state games.

Powerball and Mega Millions Grand/Jackpot Prizes won in California are paid in 30 graduated, annual installments. For each game, winners have up to 60 days after the date the Lottery validates the winning ticket and authorizes payment to irrevocably elect to receive the cash value of the prize instead of annual payments. Payments for all other prize categories are made in a single payment.

In the event that a Powerball or Mega Millions Grand/Jackpot Prize won in California is unclaimed, the prize monies will be returned to the Party Lotteries in the same ratio that each Party Lottery contributed to the prize plus interest, and the amount contributed by the California State Lottery will be allocated directly to the Education Fund. The unclaimed prize monies for all other Powerball or Mega Millions prize categories won in California but not claimed within the specified period are allocated directly to the Education Fund.

**CALIFORNIA STATE LOTTERY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Prizes - Draw Games (continued)**

SuperLotto Plus<sup>®</sup> - Prize expense for the twice-weekly draw game is recognized on the basis of the predetermined prize structure when the revenue is recognized. Nine distinct prize categories are established which are dependent upon the amount of money wagered and the quantity of numbers to be matched. In the event that no winning share for a specific prize category in SuperLotto Plus is chosen, all monies allocated for that prize are carried forward to the following drawing and added to the 5 of 5 plus Mega number category (Grand Prize).

SuperLotto Plus Grand/Jackpot Prizes of \$1 million or more won between April 1, 1998, and May 10, 2013, are paid either in 26 graduated, annual payments or in a single payment equal to the cash value of the 26-payment annuity, in accordance with the rules and regulations of the Lottery. Starting May 11, 2013, Grand Prizes are paid in 30 graduated, annual payments or in a single payment equal to the estimated cost to fully fund the annuity prize as advertised prior to the draw. Such estimated cost is determined by market pricing for U.S. Treasury bonds. Claimants have up to 60 days after the Lottery validates the winning ticket and authorizes payment to irrevocably elect to receive the cash payment instead of the annuitized payments. Payments for all other prize categories are made in a single payment. All SuperLotto Plus prizes won but not claimed within the specified period are allocated directly to the Education Fund.

Fantasy 5 - Prize expense for the seven-draws-per-week game is recognized on the basis of the predetermined prize structure when the revenue is recognized. Distinct prize categories are established which are dependent upon the amount of money wagered and the quantity of numbers to be matched. In the event that no winning share for a specific prize category is selected, all monies allocated for that prize category are carried forward to the following drawing and added to the 5 of 5 prize category. All Fantasy 5 prizes won but not claimed within the specified period are allocated directly to the Education Fund.

Daily 3 - Prize expense for the two-draws-per-day game is recognized on the basis of the predetermined prize structure when the revenue is recognized. Distinct prize categories are established which are dependent upon the amount of money wagered, the quantity of numbers to be matched, and the order of numbers chosen. All Daily 3 prizes won but not claimed within the specified period are allocated directly to the Education Fund.

Daily 4 - Prize expense for the seven-draws-per-week game is recognized on the basis of the predetermined prize structure when the revenue is recognized. Distinct prize categories are established which are dependent upon the amount of money wagered, the quantity of numbers to be matched, and the order of numbers chosen. All Daily 4 prizes won but not claimed within the specified period are allocated directly to the Education Fund.

Daily Derby<sup>®</sup> - Prize expense for the seven-draws-per-week game is recognized on the basis of the predetermined prize structure when the revenue is recognized. Distinct prize categories are established which are dependent upon the amount of money wagered, the quantity of numbers to be matched, and the order of numbers chosen. In the event that no winning share for a specific prize category is selected, all monies allocated for that prize category are carried forward to the following drawing and added to the Grand Prize category. All Daily Derby prizes won but not claimed within the specified period are allocated directly to the Education Fund.

**CALIFORNIA STATE LOTTERY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Prizes - Draw Games (continued)**

Hot Spot<sup>®</sup> - Prize expense for the multiple-draws-per-day game is recognized on the basis of the predetermined prize structure when the revenue is recognized. The game includes Typical Prize Pools for the 8 Spot Match 8 of 8, the 9 Spot Match 9 of 9, and the 10 Spot Match 10 of 10 categories, and Typical Prize Amounts for all other spots. The Hot Spot Wagered Prize Fund (fund) balance is adjusted daily based upon daily sales contributions and prizes won. In the event the balance in the fund is not sufficient to pay the allocations and amounts of a particular draw, prizes will be systematically reduced until the fund is sufficient to pay the reduced amounts. The Director will authorize promotions to ensure that the fund balance at the end of any given fiscal year is liquidated. All Hot Spot prizes won but not claimed within the specified period are allocated directly to the Education Fund.

Raffle - The Lottery may periodically conduct raffle games. The \$1 million top prizes for the two raffle games held to date were each paid in single payments. There were no raffle games conducted during fiscal year 2021-22.

**Cash Equivalents**

Cash equivalents represent cash deposited in the Surplus Money Investment Fund (SMIF) of the State of California.

**Investments**

The Lottery applies Statement No. 31 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes accounting and financial reporting standards for all investments held by governmental external investment pools and establishes fair value standards for other governmental entities. In accordance with GASB 31, the Lottery has stated investments at fair value. The difference between the carrying value and the fair value of investments is reported as a component of total net position restricted by legislation for prizes on the statement of net position (deficit).

The Lottery applies GASB 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this statement also are required to be disclosed. More information can be found in Note 2.

The Lottery applies GASB 72, *Fair Value Measurement and Application*, which supersedes some paragraphs of GASB 31 and requires additional disclosures related to fair value measurements, the level of fair value hierarchy, and valuation techniques. More information can be found in Note 2.

**CALIFORNIA STATE LOTTERY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Allowances for Doubtful Accounts, Ticket Returns, and Free Ticket Redemptions**

The allowance for doubtful accounts is based on an analysis of collectability of accounts receivable which considers the age of the accounts and historical collection results. An allowance for ticket returns for Scratchers games is estimated using sales revenue and historical return data for the games in progress at the end of the reporting period. An allowance for free ticket redemptions for Scratchers games is estimated using sales revenue and free ticket redemption data for games in progress at the end of the reporting period.

**Ticket Inventories**

Inventories are carried at cost and consist of tickets for games in progress not yet sold to retailers and tickets for future games. The cost of tickets is charged to operations when the tickets are sold to retailers. The cost of unissued and returned tickets is written off at the end of each game.

**Capital Assets**

The Lottery has adopted a policy of capitalizing assets with an acquisition cost or established value of \$5,000 or greater. Additionally, the Lottery capitalizes all gaming equipment as well as the purchase of like-kind assets totaling \$5 million or more in a single purchase. Capital assets are carried at cost. Depreciation on property and equipment is computed using the straight-line method over estimated useful lives ranging from one to ten years. Depreciation on buildings, improvements, and land improvements is computed using the straight-line method over estimated useful lives of five to 40 years. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period of disposal. Amortization of leasehold improvements is computed using the straight-line method over the remaining lease terms.

**Leases**

The Lottery adopted GASB Statement No. 87, Leases, effective July 1, 2021. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Lottery assessed its current contracts and determined that as of June 30, 2022, it had no leases that were subject to the provisions of GASB 87. More information on the Lottery's leased assets can be found in Note 8.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Long-term Prepaid Charges**

The Lottery incurs costs in connection with certain contracts which extend beyond a one-year period. These costs are prepaid and amortized over the life of the contracts.

**Pensions**

The Lottery has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Lottery Fund and additions to or deductions from the California Lottery Fund's fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefits**

The Lottery has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Other postemployment benefits (OPEB) include retiree health and dental benefits. This Statement requires recognition of a liability equal to the net OPEB liability, which is measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The total OPEB liability is required to be determined through an actuarial valuation. Projections of benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, and the benefit terms and legal agreements existing at the measurement date.

For purposes of measuring the net OPEB liability, deferred outflows and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the California Lottery Fund and additions to or deductions from the California Lottery Fund's fiduciary net position have been determined on the same basis as they are reported by the State. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.



**CALIFORNIA STATE LOTTERY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. The unamortized net difference between projected and actual earnings on investments are recorded as deferred inflows of resources. Changes in the proportionate share of the Lottery's portion of the State's net pension liability and the difference between expected and actual experience are reported as either a deferred outflow or deferred inflow of resources, depending on the direction of the change.

Changes in net OPEB liability not included in OPEB expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net OPEB liability are reported as deferred outflows of resources. The unamortized net difference between projected and actual earnings on investments are recorded as deferred inflows of resources. Changes in the proportionate share of the Lottery's portion of the State's net OPEB liability and the difference between expected and actual experience are reported as either a deferred outflow or deferred inflow of resources, depending on the direction of the change.

**Advertising**

Advertising costs are expensed when the related liability is incurred. Advertising expense totaled \$92,849,859 for the year ended June 30, 2022.

**Investment Earnings**

Investment earnings are composed of unrealized gains or losses associated with the change in fair value of investments and interest income including interest accreted on investments. Unrealized gains and losses are generally not realized as the investments are held to maturity at which time they are used to satisfy annuitized prizes. As investments must be stated at fair value, investment earnings or losses are created as a result of the adjustment from carrying value to fair value. Generally, all cash is held on deposit with the California State Treasurer and is invested by that office in the SMIF. Interest on funds held by the State Treasurer is distributed quarterly.

**Restricted Assets**

All of the Lottery's investments are restricted in that they are held to maturity in order to pay annuitized prizes. In addition, a portion of the Lottery's cash and cash equivalents and accounts receivable are also restricted to satisfy outstanding prize liability. At June 30, 2022, restricted cash and cash equivalents is approximately \$164.7 million and restricted accounts receivable is approximately \$737 million.

**Compensated Absences Payable**

Vested vacation balances are included in accrued liabilities and adjusted quarterly.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

The Lottery presents its deposits and investments in accordance with GASB 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*. This statement requires the disclosure of the following risks to the extent that they exist at the date of the statement of net position (deficit):

**Interest Rate Risk**

Interest rate risk is the risk that the value of fixed income securities will decline due to changing interest rates. The prices of fixed income securities with longer time to maturity tend to be more sensitive to changes in interest rates than those with shorter durations.

**Credit Risk**

Credit risk is the risk that a debt issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event a financial institution or counterparty fails, the investor will not be able to recover the value of its deposits, investments, or collateral.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer.

**Investments**

The deposit and investment policies of the Lottery are determined by the Lottery Commission and state statute. Prize investments consist of zero coupon U.S. Treasury bonds, zero coupon agency bonds, and municipal bonds. Zero coupon U.S. Treasury bonds and zero coupon agency bonds are carried at fair value and are adjusted for the accretion of interest based on the purchase yield and maturity date. Municipal bonds are carried at fair value, and interest is accrued based on the coupon rate.

The Lottery holds investments that are measured at fair value on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Because investing is not a core part of the Lottery's mission, the Lottery determined that the disclosure related to these investments need only be disaggregated by major type.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**2. DEPOSITS AND INVESTMENTS (continued)**

**Investments (continued)**

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, based on the valuation inputs used to measure the fair value of the asset. The Lottery uses Level 1 inputs, which are quoted prices in active markets for identical assets. The Lottery applies the market approach to value its investments, which uses prices and other relevant information generated by market transactions involving identical or similar assets. The Lottery uses a third party brokerage firm to obtain quoted market prices of its debt securities.

As of June 30, 2022, the Lottery's investments consist of the following:

	Face Amount	Cost	Fair Value
Current portion:			
U.S. Agency Bonds	\$ 30,188,000	\$ 15,530,232	\$ 29,877,130
U.S. Treasury Bonds	25,766,000	21,102,851	25,517,459
U.S. Municipal Bonds	14,765,000	14,745,344	14,855,381
Total current portion	<u>\$ 70,719,000</u>	<u>\$ 51,378,427</u>	<u>\$ 70,249,970</u>
Long-term portion:			
U.S. Agency Bonds	\$ 73,961,000	\$ 31,452,782	\$ 65,997,642
U.S. Treasury Bonds	603,492,000	351,736,056	429,084,049
U.S. Municipal Bonds	124,445,000	124,657,835	130,257,407
Total long-term portion	<u>\$ 801,898,000</u>	<u>\$ 507,846,673</u>	<u>\$ 625,339,098</u>
Total investments	<u><u>\$ 872,617,000</u></u>	<u><u>\$ 559,225,100</u></u>	<u><u>\$ 695,589,068</u></u>

Yields on the Lottery's investments range from 0.004 percent to 5.89 percent for Treasury bonds, from 4.81 percent to 5.51 percent for agency bonds, and from 4.37 percent to 6.04 percent for municipal bonds.

The following represents the changes in fair value of investments for the year ended June 30, 2022:

Changes in fair value of investments:	
Unrealized investment gains at July 1, 2021	\$ 99,482,050
Unrealized investment loss, current period	(98,716,480)
Total unrealized investment gain	<u><u>\$ 765,570</u></u>

The fair value of the investments is equal to the original cost plus accreted interest plus the unrealized investment gains. As a result of investment restructuring transactions completed in 2010, the interest imputed on prize liability does not equal the interest earned on the restructured investment portfolio. The difference is reported in the statement of revenues, expenses, and changes in net position (deficit) and results in an adjustment to net position restricted by legislation. As the realized and unrealized investment gain and loss activity relates to investments that must be held to satisfy prize liabilities, they are deemed statutorily restricted and therefore reported as restricted by legislation.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**2. DEPOSITS AND INVESTMENTS (continued)**

**Interest Rate Risk – Investments**

The Lottery does not have a specific policy to manage interest rate risk, as investments are purchased to mirror the payment stream of recorded prize liability. The Lottery's investments have weighted average maturities based on the final maturity dates of all investments as follows:

U.S. Treasury Bonds	9.25 years
U.S. Agency Bonds	2.26 years
U.S. Municipal Bonds	3.50 years
Surplus Money Investment Fund	0.85 years

**Credit Risk and Concentration of Credit Risk - Investments**

The Lottery has adopted a specific policy to manage credit risk in the Lottery's investment portfolio. The zero coupon U.S. Treasury bonds and U.S. Treasury bills are backed by the full faith and credit of the United States government. Therefore, the U.S. Treasury obligation investments are not considered to have credit risk or a concentration of credit risk, as defined by the Governmental Accounting Standards Board. The Lottery's policy to manage credit risk requires municipal bonds to have a minimum double A credit rating by Fitch, Moody's, or Standard and Poor's to be eligible for purchase as part of the Lottery's investment portfolio. Agency bonds have a triple A credit rating and the Surplus Money Investment Fund is not rated at June 30, 2022. Credit risk is further mitigated by a \$2.7 million par value agency bond reserve. The bond reserve has a fair value of \$2,488,116 as of June 30, 2022.

As of June 30, 2022, the fair value of the Lottery's investment portfolio expressed as a percentage of Moody's credit rating categories was as follows:

Moody's Credit Rating	Fair Value	Percent of Total Portfolio
Aaa	\$ 565,618,880	81.32 %
Aa1	87,988,830	12.65 %
Aa3	34,699,875	4.98 %
Baa1	5,741,610	0.83 %
Ba1	1,539,873	0.22 %
Totals	\$ 695,589,068	100.00 %

The following table provides information about the Lottery's concentration of credit risk. It shows investments by any one issuer representing five percent or more of the Lottery's total portfolio, and not explicitly guaranteed by the U.S. government.

Issuer	Cost	Fair Value	Percent of Total Portfolio	Moody's Credit Rating
Commonwealth of Massachusetts	\$ 62,546,830	\$ 64,778,300	9.31%	Aa1

**CALIFORNIA STATE LOTTERY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**2. DEPOSITS AND INVESTMENTS (continued)**

**Custodial Credit Risk – Investments**

The Lottery does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2022, all the prize investments are uninsured, registered investments held in book-entry form by the State Treasurer’s Office in a master custody account with Citibank, N.A.

**Deposits**

The following deposits, included in cash and cash equivalents, are in pools managed by other State of California government units and are not evidenced by securities. Interest income earned on outstanding cash balances is allocated among pool participants based on average daily cash balances. As of June 30, 2022, the carrying value of deposits in the Surplus Money Investment Fund approximated fair value.

State Treasury	\$ 18,211,210
Surplus Money Investment Fund (SMIF)	<u>672,092,000</u>
Total	<u><u>\$ 690,303,210</u></u>

At June 30, 2022, the total cash and cash equivalents of \$690,363,241 includes \$60,031 cash on hand. This is made up primarily of retailer payments delivered to the Lottery but not deposited into Lottery accounts by period end.

The SMIF consists of available cash of all special funds of the State of California which do not have investment authority of their own. Cash balances in excess of needs in any of these participating funds are invested by the State Treasurer. The Pooled Money Investment Board (PMIB) provides regulatory oversight over the State Treasurer’s pooled investment program and is responsible for determining whether any cash balances of the participating funds are in excess of current needs and available for investment, or whether it is necessary to liquidate previous investments to meet current requirements. The PMIB is composed of the State Treasurer, as chairman; the State Controller; and the Director of Finance for the State of California.

All of the resources of the SMIF are invested through the Pooled Money Investment Account (PMIA). By law, PMIA monies can be invested only in the following categories: U.S. Government securities; securities of federally-sponsored agencies; debentures; domestic corporate bonds; interest-bearing time deposits in California banks, savings and loan associations, and credit unions; prime-rated commercial paper; repurchase and reverse repurchase agreements; security loans; banker’s acceptances; negotiable certificates of deposit; and loans to various bond funds.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**2. DEPOSITS AND INVESTMENTS (continued)**

**Deposits (continued)**

At June 30, 2022, the allocation of the deposits held by the Lottery in the SMIF was estimated as follows:

	Lottery's Share of SMIF
U.S. Treasury Securities	\$ 457,172,175
Federal Agency Debt	120,630,602
Supranational Debentures	6,340,067
Bank Notes	286,643
Certificates of Deposit	38,080,540
Commercial Paper	33,031,693
Bonds	1,412,218
Time Deposits	12,764,218
AB 55 and General Fund Loans	2,373,844
Total	\$ 672,092,000

The value of the deposits in the State Treasurer's pooled investment program, including the SMIF, is equal to the dollars deposited in the program. The fair value of the position in the program may be greater or less than the value of the deposits, with the difference representing the unrealized gain or loss. As of June 30, 2022, this difference was immaterial to the valuation of the deposits held by the Lottery in the SMIF.

The Lottery's share in the interest earnings of the PMIA is based on its ratio of dollar-day contributions to the total dollar-day investments of the PMIA. The overall return on investment for the PMIA was 0.371 percent for the year ended June 30, 2022.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following at June 30, 2022:

Amounts due, primarily from retailers	\$ 843,124,846
Less: Allowance for free ticket redemption	(61,712,218)
Allowance for doubtful accounts	(5,140,292)
Allowance for ticket returns	(46,097,896)
Accounts receivable, net	\$ 730,174,440

**4. DUE FROM STATE FUNDS**

Due from state funds consists primarily of interest income due on cash deposited with the State Treasurer in the Surplus Money Investment Fund.



**CALIFORNIA STATE LOTTERY FUND**  
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**5. CAPITAL ASSETS**

The Lottery upgraded its accounting system at the end of March 2022 which included revising the asset types. The table below shows the changes to asset cost and accumulated depreciation by asset type to reflect the changes and to determine a restated beginning balance for capital assets. Such changes were limited to reclassifications of capital asset types and related depreciation, and had no impact on net capital assets recorded as of June 30, 2021.

	Beginning Balance	Reclassification Into	Reclassification From	Restated Beginning Balance
Non-depreciable capital assets:				
Land	\$ 18,798,281	\$ —	\$ —	\$ 18,798,281
Depreciable capital assets:				
Gaming equipment	60,294,581	130,874	—	60,425,455
Software	—	18,380,686	—	18,380,686
Vending machines	58,973,254	—	—	58,973,254
Buildings	160,956,098	—	(768,268)	160,187,830
Data processing equipment	22,013,589	345,092	(18,370,143)	3,988,538
Office furniture and equipment	8,128,389	6,422	(2,780,843)	5,353,968
Vehicles	12,877,259	—	(869,095)	12,008,164
Audio/video equipment	—	504,335	—	504,335
Warehouse equipment	—	1,353,256	—	1,353,256
Mobile equipment	—	783,996	—	783,996
Other	1,472,944	1,591,808	(308,120)	2,756,632
	<u>\$ 343,514,395</u>	<u>\$ 23,096,469</u>	<u>\$ (23,096,469)</u>	<u>\$ 343,514,395</u>
Less accumulated depreciation and amortization:				
Gaming equipment	\$ (50,276,956)	\$ (119,405)	\$ —	\$ (50,396,361)
Software	—	(7,543,618)	—	(7,543,618)
Vending machines	(34,389,095)	—	—	(34,389,095)
Buildings	(24,581,658)	—	408,066	(24,173,592)
Data processing equipment	(12,287,811)	(342,041)	7,533,075	(5,096,777)
Office furniture and equipment	(7,753,371)	(6,422)	2,607,905	(5,151,888)
Vehicles	(8,129,898)	—	869,095	(7,260,803)
Audio/video equipment	—	(393,435)	—	(393,435)
Warehouse equipment	—	(1,341,434)	—	(1,341,434)
Mobile equipment	—	(783,996)	—	(783,996)
Other	(1,247,880)	(1,184,087)	296,297	(2,135,670)
	<u>\$(138,666,669)</u>	<u>\$ (11,714,438)</u>	<u>\$ 11,714,438</u>	<u>\$(138,666,669)</u>
Capital assets, net	<u>\$ 204,847,726</u>	<u>\$ 11,382,031</u>	<u>\$ (11,382,031)</u>	<u>\$ 204,847,726</u>

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**5. CAPITAL ASSETS (continued)**

Capital assets consist of the following at June 30, 2022:

	Restated Beginning Balance	Increase	Decrease	Ending Balance
Non-depreciable capital assets:				
Land	\$ 18,798,281	\$ —	\$ —	\$ 18,798,281
Depreciable capital assets:				
Gaming equipment	60,425,455	—	(56,291)	60,369,164
Software	18,380,686	503,144	—	18,883,830
Vending machines	58,973,254	—	(492,758)	58,480,496
Buildings	160,187,830	103,978	—	160,291,808
Data processing equipment	3,988,538	2,178,528	—	6,167,066
Office furniture and equipment	5,353,968	—	—	5,353,968
Vehicles	12,008,164	284,530	(398,340)	11,894,354
Audio/video equipment	504,335	—	—	504,335
Warehouse equipment	1,353,256	—	—	1,353,256
Mobile equipment	783,996	—	—	783,996
Other	2,756,632	44,134	—	2,800,766
	<u>\$ 343,514,395</u>	<u>\$ 3,114,314</u>	<u>\$ (947,389)</u>	<u>\$ 345,681,320</u>
Less accumulated depreciation and amortization:				
Gaming equipment	\$ (50,396,361)	\$ (3,339,958)	\$ 56,291	\$ (53,680,028)
Software	(7,543,618)	(387,220)	—	(7,930,838)
Vending machines	(34,389,095)	(5,642,715)	479,855	(39,551,955)
Buildings	(24,173,592)	(4,103,497)	—	(28,277,089)
Data processing equipment	(5,096,777)	(830,915)	—	(5,927,692)
Office furniture and equipment	(5,151,888)	(152,821)	—	(5,304,709)
Vehicles	(7,260,803)	(1,462,465)	398,340	(8,324,928)
Audio/video equipment	(393,435)	(16,510)	—	(409,945)
Warehouse equipment	(1,341,434)	(1,314)	—	(1,342,748)
Mobile equipment	(783,996)	—	—	(783,996)
Other	(2,135,670)	(45,317)	—	(2,180,987)
	<u>\$(138,666,669)</u>	<u>\$ (15,982,732)</u>	<u>\$ 934,486</u>	<u>\$(153,714,915)</u>
Capital assets, net	<u>\$ 204,847,726</u>	<u>\$ (12,868,418)</u>	<u>\$ (12,903)</u>	<u>\$ 191,966,405</u>

Depreciation and amortization charged to income on capital assets was \$15,982,732 for the year ended June 30, 2022.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
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**6. PRIZE LIABILITY**

Prize liability consists of the following at June 30, 2022:

	Scratchers Games	Draw Games	Total
Current:			
Annuitized prizes	\$ 24,163,662	\$ 122,736,803	\$ 146,900,465
Other prizes	735,866,345	46,875,472	782,741,817
Total current prize liability	<u>\$ 760,030,007</u>	<u>\$ 169,612,275</u>	<u>\$ 929,642,282</u>
Long-term annuitized prizes	\$ 270,250,000	\$ 615,205,000	\$ 885,455,000
Less imputed interest	(60,742,042)	(166,917,603)	(227,659,645)
Net present value of long-term prizes	<u>\$ 209,507,958</u>	<u>\$ 448,287,397</u>	<u>\$ 657,795,355</u>
Total prize liability	<u><u>\$ 969,537,965</u></u>	<u><u>\$ 617,899,672</u></u>	<u><u>\$1,587,437,637</u></u>

The amount of prizes due within one year is \$929,642,282.

Long-term prize liability as of June 30, 2022, for each of the next five years and for subsequent years is as follows:

	Principal	Interest	Total
For the year ending June 30, 2024	\$ 39,649,719	\$ 35,613,337	\$ 75,263,056
2025	37,137,260	30,563,642	67,700,902
2026	35,157,906	26,585,170	61,743,076
2027	31,703,608	19,857,728	51,561,336
2028	31,575,206	18,555,927	50,131,133
2029-2033	109,487,732	35,707,155	145,194,887
2034-2038	80,876,562	14,862,055	95,738,617
2039-2043	68,658,220	11,573,644	80,231,864
2044-2048	24,106,545	2,345,630	26,452,175
2049-2051	3,747,553	30,756	3,778,309
Total long-term prize liability	<u>\$ 462,100,311</u>	<u>\$ 195,695,044</u>	<u>\$ 657,795,355</u>

Activity in the prize liability accounts consists of:

Balance, July 1, 2021	\$ 1,597,014,142
Prize expense	5,825,673,018
Prize payments	(6,663,937,269)
Grand/Jackpot Prize contributions from Other Party Lotteries	858,892,490
Interest imputed on annuities	27,486,748
Unclaimed prizes	(57,691,492)
Balance, June 30, 2022	<u><u>\$ 1,587,437,637</u></u>

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**7. DUE TO STATE FUNDS**

Due to state funds consists of the following at June 30, 2022:

Due to Education Fund	\$ 507,728,673
Due to other state funds	453,736
Total due to state funds	\$ 508,182,409

Activity in the Due to Education Fund account consists of:

Balance, July 1, 2021	\$ 494,331,565
Allocation to Education Fund, earned by the California State Lottery Fund	\$2,019,682,408
Unclaimed prizes directly allocated to the Education Fund	57,691,492
	\$2,077,373,900
Distribution to the Education Fund	(2,063,976,792)
Balance, June 30, 2022	\$ 507,728,673

**8. LEASES**

As mentioned previously, the Lottery adopted GASB 87, *Leases*, during the fiscal year beginning July 1, 2021. As of June 30, 2022, the Lottery has not recognized any lease liability, right-to-use lease asset, lease receivable, or deferred inflow of resources due to the provisions of GASB 87.

The Lottery contracts with IGT Global Solutions Corporation (IGT) for the implementation and operation of a fully integrated gaming system, a state-wide telecommunications network, and associated network management services. The initial agreement was for a six-year period and has since undergone multiple amendments extending the term. On September 28, 2017, the Lottery approved Amendment 16 to the original agreement, extending the term from November 1, 2017, through October 31, 2026, and increasing the cumulative amount of the contract by \$800 million up to a total of \$2.25 billion.

The amendment adjusted the pricing arrangements of the agreement to include a variable payment primarily for the leasing of equipment and the operation of the system, and a fixed payment primarily for maintenance and storage of retailer equipment. The leasing of equipment from IGT is paid entirely on a variable basis based on a percentage of the Lottery's annual sales, which contains no fixed or minimum lease payments. The Lottery pays 1.0735 percent of annual sales, up to and including \$7 billion, and 1 percent of sales for the portion of annual sales exceeding \$7 billion. Annual sales for this calculation include Scratchers amounts due from retailers versus distributed to retailers, and daily sales for draw games not adjusted for advanced plays, and thus varies from sales reported on Lottery financial statements. The Lottery has also agreed to pay IGT a fixed monthly payment of \$2.6 million for retailer equipment maintenance and storage costs.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**8. LEASES (continued)**

The Lottery's outflows of resources to IGT for the year ended June 30, 2022, amounted to \$92.6 million pertaining to the leasing of equipment and operation of the gaming system. This payment is based on annual sales of \$8.75 billion. In addition, the Lottery paid \$31.3 million for retailer equipment maintenance and storage costs. The Lottery is not subject to any obligations to IGT connected to residual value guarantees under the terms of the contract.

**9. INVESTMENT INCOME (LOSS)**

Investment income (loss) consists of:

Interest on funds held by State Treasurer	\$ 4,021,399
Change in fair value of investments	(98,716,480)
Interest accreted/earned on investments	26,390,107
Total investment income (loss)	<u>\$ (68,304,974)</u>

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS**

**Pension Plan Description, Benefits Provided, and Employees Covered**

The Lottery contributes to agent multiple-employer public employee defined benefit pension plans in the Public Employees' Retirement Fund (PERF) administered by CalPERS. The plans operate as cost-sharing defined benefit plans for the Lottery. The State of California (State) is considered the employer and the Lottery is a department of the State. The Lottery has employees who are enrolled in either the State Miscellaneous Plan (First Tier and Second Tier) or the State Peace Officers/Firefighters Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State and uses the accrual basis of accounting. Benefit provisions and all other requirements are established by state statute. All state agencies are considered collectively to be a single employer, and the net pension liability attributable to the Lottery's employees is determined as the Lottery's percentage of the State as a single employer. Similarly, the assets available for benefits of Lottery employees is determined as the Lottery's percentage of the State. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. CalPERS' annual financial report may be obtained by visiting the CalPERS website at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

Generally, full-time employees are eligible to participate as members of CalPERS and are eligible to retire at age 50 with at least five years of service (or age 55 with at least ten years of service for second tier members). Employees hired after January 1, 2013, must be at least age 52 to retire. Annual retirement benefits are determined based on age at retirement, the length of membership service, and the amount of earnings based on the highest or last 12 or 36 consecutive months' average. Health care and dental benefits may be provided to members depending on the date hired and the years of credited service of a member. If members are not fully vested, the health care and dental contributions are prorated based on the years of service.

For this current year report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension Plan Contributions**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the MP ended June 30, 2021, the average active employee contribution rate for the Miscellaneous Plan is 7.12 percent of annual pay, and the employer's contribution rate is 29.37 percent of annual payroll; for the Peace Officers/Firefighters Plan, the average active employee contribution rate is 11.62 percent of annual pay, and the employer's contribution rate is 36.10 percent of annual payroll. These rates reflect PERL Section 20683.2, which mandates that certain employees contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer towards the unfunded liability. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any employer-paid member contributions or situations where members are paying a portion of the employer contribution.

**Pension Plan Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the Lottery reported a liability of \$92.5 million for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The SCO determined the Lottery's proportionate share based on the Lottery's share of pensionable compensation to the State's total pensionable compensation amounts for each plan in which the Lottery participates, to provide the Lottery's net pension liability and related GASB 68 accounting elements. At June 30, 2021, the Lottery's proportion was 0.381 percent for the State Miscellaneous Plan and 0.082 percent for the State Peace Officers/Firefighters Plan. These proportions represent a decrease of 0.005 percentage points for the State Miscellaneous Plan and a decrease of 0.0004 percentage points for the State Peace Officers/Firefighters Plan from the proportions measured as of June 30, 2020.



**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
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**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)**

After adjusting for the difference in proportionate share, the Lottery's net pension liability for the Miscellaneous Plan decreased \$47.5 million during the MP to \$84.9 million, and the Lottery's net pension liability for the Peace Officers/Firefighters Plan decreased \$4.2 million during the MP to \$7.6 million. As of June 30, 2022, the Lottery recognized a total net pension liability of \$92.5 million.

For the MP ended June 30, 2021, the Lottery recognized pension expense of \$7.0 million. As of the measurement date of June 30, 2021, the Lottery had deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous Plan	Peace Officers/ Firefighters Plan	Total
Deferred outflows of resources:			
Pension contributions made subsequent to the measurement date	\$ 17,032,663	\$ 1,204,462	\$ 18,237,125
Change in proportionate share	1,557,020	940,189	2,497,209
Change of Assumption	—	81,848	81,848
Difference between expected and actual experience	5,433,957	748,550	6,182,507
Total	<u>\$ 24,023,640</u>	<u>\$ 2,975,049</u>	<u>\$ 26,998,689</u>

	Miscellaneous Plan	Peace Officers/ Firefighters Plan	Total
Deferred inflows of resources:			
Change in proportionate share	\$ (1,198,404)	\$ (39,257)	\$ (1,237,661)
Change of Assumption	(127,916)	(4,362)	(132,278)
Difference between expected and actual experience	—	(12,651)	(12,651)
Net difference between projected and actual earnings on pension plan investments	(35,844,179)	(3,652,481)	(39,496,660)
Total	<u>\$ (37,170,499)</u>	<u>\$ (3,708,751)</u>	<u>\$ (40,879,250)</u>

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
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**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (continued)**

Exclusive of deferred outflows related to payments after the measurement date, which will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2022, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows:

Measurement Period Ended June 30	Miscellaneous Plan	Peace Officers/ Firefighters Plan	Total
2022	\$ (5,079,423)	\$ (218,609)	\$ (5,298,032)
2023	(6,901,025)	(283,419)	(7,184,444)
2024	(8,243,792)	(502,828)	(8,746,620)
2025	(9,955,282)	(933,308)	(10,888,590)
2026	—	—	—
Total	<u>\$ (30,179,522)</u>	<u>\$ (1,938,164)</u>	<u>\$ (32,117,686)</u>

Since the Lottery has a June 30 fiscal year-end, the fiscal year will be one year later than the measurement period. For example, the amount listed for the 2022 measurement period presented above will be expensed in fiscal year 2022-23.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
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**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the MP ended June 30, 2021, the total pension liability was determined by rolling forward the June 30, 2020, total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB Statement No. 68.
Discount Rate:	7.15%
Inflation:	2.50%
Salary Increases:	Varies by entry age and service.
Mortality Rate Table:	Derived using CalPERS' membership data for all funds.
Post Retirement Benefit Increase:	The lesser of contract cost of living adjustment or 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter.

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using 90 percent of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 CalPERS Experience Study and Review of Actuarial Assumptions report that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality, and retirement rates. The Experience Study report is available at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

**Long-term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS' staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
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**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Long-term Expected Rate of Return (continued)**

The table below reflects the expected real rate of return by asset class. An expected inflation rate of 2.00 percent was used for real return years 1-10. For real return years 11+, an inflation rate of 2.92 percent was used.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00 %	1.00 %	2.62 %
Inflation assets	—	0.77 %	1.81 %
Private equity	8.00 %	6.30 %	7.23 %
Real assets	13.00 %	3.75 %	4.93 %
Liquidity	1.00 %	—	(0.92)%
Total	100.00 %		

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the California Lottery Fund as of the MP ended June 30, 2021, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Miscellaneous Plan	\$ 142,993,683	\$ 84,859,858	\$ 36,125,084
Peace Officers/Firefighters Plan	\$ 14,128,478	\$ 7,663,407	\$ 2,351,789
Total	\$ 157,122,161	\$ 92,523,265	\$ 38,476,873

**Pension Plan Fiduciary Net Position**

Each plan's fiduciary net position disclosed in the accounting valuation report provided by CalPERS may differ from the plan's assets reported in the funding actuarial valuation report due to several reasons; the accounting valuation report must keep items such as deficiency reserves and fiduciary self-insurance included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation report.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Plan Description, Benefits Provided and Employees Covered**

Other postemployment benefits are provided to Lottery employees through the State's agent multiple-employer defined benefit plan, which operates as a cost-sharing defined benefit plan for the Lottery. The State participates in the CalPERS Health Program governed by the Public Employees' Medical and Hospital Care Act and the State Employees' Dental Care Act. The program covers state employees by law. Plan assets are held in the California Employers' Retiree Benefit Trust (CERBT) and the State has adopted an investment strategy expected to return approximately 6.00 percent per year over the long term.

Retiree healthcare benefits include medical, prescription drug, and dental benefits. The state pays a portion of retired Lottery employee health benefits based on the employee's bargaining unit (BU), date hired, and years of service. As of the measurement date of June 30, 2021, the Lottery had 790 active employees in 9 different bargaining units, 593 inactive (retired) employees receiving benefits, and no inactive employees entitled to but not yet receiving benefits. On average, approximately 95 percent of all eligible retirees elect healthcare coverage under the plan.

Valuation Date / Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

**OPEB Contributions**

The State and employees in all bargaining units have agreed to pre-fund retiree healthcare benefits. The State and all active members make contributions into separate accounts for each respective bargaining unit. Contributions are based on a percentage of pensionable compensation with the ultimate goal of contributing 100 percent of the actuarially determined normal cost shared equally between the State and employees. Pre-funding contributions and investment income are not available to pay plan benefits until 2046 or the year that actuarial accrued liabilities are fully funded, whichever comes first. Pre-funding agreements are subject to collective bargaining and legislative approval.

The Personal Leave Program of 2020 (PLP 2020) suspended employee pre-funding contributions for fiscal years 2020-21 and 2021-22 for all employee groups directly or indirectly associated with a bargaining agreement and for certain other employees. Employer pre-funding contributions were not suspended. California Gov Code Section 22944.6 provided an appropriation from the General Fund of \$616 million on behalf of employees for the 2020-21 employee contributions that were suspended by PLP 2020. Employee pre-funding contributions for all employee groups were subsequently reinstated effective for fiscal year 2021-22.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
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**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Contributions (continued)**

The State also makes pay-as-you-go contributions for benefits paid to current retirees and the portion of benefits paid to future retirees that are not pre-funded. Employer contributions for health premiums during the 2021-22 fiscal year maintained the 100/90 percent contribution formula established by Government Code. Under this formula, the State uses 100 percent of the weighted average premiums of the four largest health benefit plans in order to calculate the maximum amount the State will contribute toward the retiree's health benefits. The State also contributes 90 percent of this average for the health benefits of each retiree's dependents. The retiree is responsible for paying all health benefit plan costs that exceed the average of the four largest benefit plans. The 2021 maximum monthly state contributions are \$798 for a single enrollee, \$1,519 for an enrollee with one dependent, and \$1,937 for an enrollee with two or more dependents. Dental care premiums vary by plan and number of dependents. The contribution formulas are subject to approval and amendment by the State Legislature. Employees in most bargaining units have agreed to changes in benefits for employees hired after certain effective dates. If members are not fully vested, the healthcare and dental contributions are prorated based on the years of service.

For the fiscal year ended June 30, 2022, the Lottery paid approximately \$7.1 million for retiree health and dental benefits, as allocated to the Lottery as part of the State's prorata cost recovery program. The Lottery also paid a pre-funding contribution of \$2.1 million.

**OPEB Discount Rate**

The State Controller's Office (SCO) commissioned the Actuarial Valuation Report of the State of California Retiree Health Benefits Program as of June 30, 2021. For purposes of developing the full-funding normal cost, actuarial liability, and actuarially-determined contribution, a discount rate of 6.00 percent was used. The discount rate used to develop Total OPEB Liability and Service Cost was based on a blended rate for each respective actuarial valuation group comprised of 1.92 percent if pre-funding assets are not available to pay benefits and 6.00 percent if pre-funding assets are available to pay benefits.

The long-term expected rate of return on OPEB plan investments was determined by using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 5 years) and the long-term (6-20 years), and an average inflation assumption of 2.30 percent, a single expected nominal return rate of 6.00 percent was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Discount Rate (continued)**

The table below reflects the long-term expected real rate of return by asset class. An expected inflation rate of 2.30 percent was used for real return years 1-20.

Asset Class	Target Asset Allocation	Real Return Years 1-5	Real Return Years 6-20
Global equity	49.00 %	4.40 %	4.50 %
Fixed income	23.00 %	(1.00)%	2.20 %
Treasury inflation-protected securities	5.00 %	(1.80)%	1.30 %
Real estate investment trusts	20.00 %	3.00 %	3.90 %
Commodities	3.00 %	0.80 %	1.20 %
Total	<u>100.00 %</u>		

**OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

The SCO calculated the Lottery's proportionate share of the State's net OPEB liability and other GASB 75 accounting elements for the measurement period July 1, 2020, through June 30, 2021. As in the prior fiscal year, the calculation was based on the Lottery's total combined OPEB pre-funding and pay-as-you-go contribution amounts during the measurement period as a ratio of the State's total combined OPEB pre-funding and pay-as-you-go contribution amounts during the same period, for each bargaining unit in which the Lottery has employees. Effective as of July 1, 2018, the actuarial costs for members in the Service Employee International Union bargaining units are based on one combined actuarial valuation group.

At the start of the measurement period, July 1, 2020, the Lottery's net OPEB liability was \$245.2 million. The change in allocation basis and proportionate share from prior year resulted in an increase of approximately \$3.1 million. During the measurement period, the Lottery's net OPEB liability decreased approximately \$2.1 million, resulting in a net OPEB liability of \$246.2 million as of June 30, 2021.



**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB (continued)**

The Lottery's net OPEB liability as a percentage of the State's net OPEB liability was 0.258 percent for both the MP ending June 30, 2021, and the MP ending June 30, 2020.

For the measurement period ended June 30, 2021, the Lottery had an OPEB expense of \$7.6 million.

As of June 30, 2021, the Lottery had deferred outflows and deferred inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made subsequent to the measurement date	\$ 10,392,000	\$ —
Change in proportionate share	17,969,000	(4,425,000)
Difference between expected and actual experience	58,000	(31,974,000)
Change of assumptions	16,961,000	(10,197,000)
Net difference between projected and actual earnings on investments	—	(782,000)
Total	<u>\$ 45,380,000</u>	<u>\$ (47,378,000)</u>

Exclusive of deferred outflows related to payments after the measurement date, the net amount of deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period Ended June 30	
2022	\$ (5,001,000)
2023	(3,953,000)
2024	(957,000)
2025	(381,000)
2026	(1,086,000)
2027	(732,000)
2028	(280,000)
Total	<u>\$ (12,390,000)</u>

Since the Lottery has a June 30 fiscal year-end, the fiscal year will be one year later than the measurement period. For example, the amount listed for the 2022 measurement period presented above will be expensed in fiscal year 2022-23.

**CALIFORNIA STATE LOTTERY FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Actuarial Methods and Assumptions Used to Determine Total OPEB Liability**

For the measurement period ended June 30, 2021, the total OPEB liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB Statement No. 75.
Inflation:	2.30%
Salary Increases:	Varies by entry age and service.
Investment Rate of Return:	6.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses.
Healthcare Cost Trend Rates:	Pre-Medicare: Actual rates for 2022, increasing to 7.50% in 2023, grading down to 4.50% from 2029 through 2037, and 4.25% for 2038 and later years.  Post-Medicare: Actual rates for 2022, increasing to rates ranging from 7.50% to 8.42% in 2023, grading down to 4.50% from 2031 through 2037, and 4.25% for 2038 and later years.  Dental: 0.00% in 2022, 2.00% for 2023, 3.00% for 2024, 4.00% for 2025, and 4.25% for 2026 and later years.
Discount Rate:	Blended rate for each valuation group, consisting of 6.00% when assets are available to pay benefits, otherwise the 20-year Municipal G.O. Bond AA Index rate of 1.92%.
Participation Rate:	On average, approximately 95% of all eligible retirees elect healthcare coverage.
Mortality Rate Table	Derived using CalPERS' membership data for all members.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 80 percent of Scale MP 2020 published by the Society of Actuaries. For more details on this table, refer to the 2021 CalPERS Experience Study for the period from 2000 to 2019. Other demographic assumptions used in the June 30, 2021, valuation were also based on the results of the 2021 Experience Study, including updates to termination, disability, and retirement rates. The 2021 Experience Study report is available at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors, are based on the 2018 GRS Experience Review for the period from 2014 to 2018, commissioned by the SCO. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The GRS 2018 Experience Review, is available at [www.sco.ca.gov](http://www.sco.ca.gov).

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the California Lottery Fund as of the measurement period ended June 30, 2021, calculated using the blended discount rates for each bargaining unit, as well as what the net OPEB liability would be if it were calculated using a rate the is one percentage point lower and one percentage point higher than the current rate.

	Blended Discount Rate -1%	Current Blended Discount Rate	Blended Discount Rate +1%
Net OPEB Liability	\$ 291,638,000	\$ 246,200,000	\$ 209,753,000

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rate**

One of the key assumptions influencing OPEB costs is the assumed growth or trend in healthcare costs. The healthcare trend assumption for OPEB actuarial valuations spans over the lifetime of a covered retiree. Actuaries generally compare the growth in general inflation, wages, healthcare costs and other goods and services when setting the healthcare trend assumption.

The following presents the net OPEB liability of the California Lottery Fund as of the measurement period ended June 30, 2021, calculated using the ultimate healthcare trend rate of 4.25 percent, as well as what the net OPEB liability would be if it were calculated using a rate the is one percentage point lower (3.25 percent) and one percentage point higher (5.25 percent) higher than the ultimate rate.

	Trend Rate -1% (3.25%)	Ultimate Trend Rate (4.25%)	Trend Rate +1% (5.25%)
Net OPEB Liability	\$ 206,063,000	\$ 246,200,000	\$ 298,200,000

**OPEB Plan Fiduciary Net Position**

The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions. As of the valuation report dated June 30, 2021, the net fiduciary position of the State's OPEB plans is approximately \$4.02 billion. The Lottery's proportionate fiduciary net position for the bargaining units in which it has employees is approximately \$7.8 million.

The actuarial valuation report for OPEB may be obtained by visiting the State Controller's web site at [www.sco.ca.gov](http://www.sco.ca.gov).

**CALIFORNIA STATE LOTTERY FUND  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022**

**11. COMMITMENTS AND CONTINGENCIES**

As mentioned previously, the Lottery contracts with IGT Global Solutions Corporation to provide and operate the Lottery's gaming system and provide related equipment, services, and support. The current contract and amendments extend through October 31, 2026, and authorize a maximum expenditure amount of \$2.25 billion. As of June 30, 2022, approximately \$1.51 billion in cumulative expenses have been incurred. Additionally, \$8.6 million of prepaid equipment costs will be amortized and expensed over the period ending October 31, 2026, and approximately \$117.7 million of capitalized gaming equipment and vending machines has been purchased. Of this, approximately \$92 million has been recorded as depreciation expense.

The Lottery has been named as a defendant in various lawsuits and claims. While the ultimate monetary outcome of these claims cannot be estimated at this time, it is the opinion of management, after consulting with legal counsel, that the disposition of any litigation in which the Lottery is involved will not have a material adverse effect on the financial condition or on the results of operations of the Lottery.

**12. RISK MANAGEMENT**

Since its inception, the Lottery has been primarily self-insured for risks such as flood, business interruption, theft, employee errors and omissions, and other potential liabilities. Losses are recognized when conditions for accrual are met.

The Lottery has purchased property insurance for its owned facilities, including its headquarters building and central utility plant, its Northern and Southern Distribution Centers, and each district office throughout the state. Thereby, the Lottery has transferred the risk of loss due to a catastrophic event from the Lottery to the insurance carrier. The Lottery has purchased automobile insurance for its fleet of vehicles through the California Department of General Services, Office of Risk & Insurance Management.

Liabilities for workers' compensation costs are accrued based on estimates derived from the State Compensation Insurance Fund. This estimate is based on actuarial reviews of the employee workers' compensation program and includes indemnity payments, compensation benefits, and leave benefits. The liability for workers' compensation claims is not material to the financial statements taken as a whole.

**13. SUBSEQUENT EVENTS**

The Lottery has evaluated subsequent events from the statement of net position (deficit) date through July 25, 2023, the date at which financial statements were available to be issued and has determined that there are no other items to disclose.

**CALIFORNIA STATE LOTTERY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022  
(Unaudited)**

**SCHEDULE 1**

Schedule of Lottery's Proportionate Share of the Net Pension Liability and Related Ratios as of June 30, 2022.

Last ten fiscal years<sup>1</sup>

<b>Miscellaneous Plan</b>	<b>2021<sup>2</sup></b>	<b>2020</b>
Lottery's proportion of the net pension liability	0.38072%	0.38551%
Lottery's proportionate share of the net pension liability	\$84,859,858	\$134,010,958
Lottery's proportionate share of covered payroll	\$49,148,149	\$52,351,260
Lottery's proportionate share of the net pension liability as a percentage of covered payroll	172.66%	255.98%
Plan fiduciary net position as a percentage of the total pension liability	82.39%	71.51%
<b>Peace Officers/Firefighters Plan</b>	<b>2021<sup>2</sup></b>	<b>2020</b>
Lottery's proportion of the net pension liability	0.08157%	0.08197%
Lottery's proportionate share of the net pension liability	\$7,663,407	\$11,548,384
Lottery's proportionate share of covered payroll	\$2,960,295	\$3,200,425
Lottery's proportionate share of the net pension liability as a percentage of covered payroll	258.87%	360.84%
Plan fiduciary net position as a percentage of the total pension liability	83.35%	73.19%

<sup>1</sup>The Lottery implemented GASB 68 in the fiscal year ended June 30, 2015, therefore no information is available for the measurement periods prior to June 30, 2014.

<sup>2</sup>The date in the column heading is the measurement date of the collective net pension liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022  
(Unaudited)**

<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.38157%	0.36915%	0.35196%	0.36851%	0.33587%	0.30341%
\$128,341,272	\$115,967,778	\$128,590,173	\$122,027,896	\$94,857,230	\$72,238,786
\$49,272,524	\$45,237,758	\$40,797,632	\$41,236,048	\$35,739,920	\$30,401,343
260.47%	256.35%	315.19%	295.93%	265.41%	237.62%
71.34%	71.83%	66.42%	66.81%	70.68%	74.17%
<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
0.06970%	0.07244%	0.07500%	0.07989%	0.08278%	0.08345%
\$10,277,648	\$10,074,188	\$11,448,242	\$10,934,505	\$9,661,744	\$8,477,066
\$2,562,611	\$2,576,685	\$2,562,521	\$2,590,072	\$2,578,862	\$2,528,966
401.06%	390.97%	446.76%	422.17%	374.65%	335.20%
70.56%	70.53%	65.89%	66.10%	69.61%	72.19%

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022  
(Unaudited)**

**SCHEDULE 2**

Schedule of Employer Contributions Related to Pensions Year Ended June 30, 2022.

Last ten fiscal years<sup>1</sup>

<b>Miscellaneous Plan</b>	<b>2022</b>	<b>2021</b>
Actuarially determined contribution	\$16,484,933	\$16,465,164
Contributions in relation to the actuarially determined contributions	<u>(17,032,663)</u>	<u>(14,434,235)</u>
Contribution Excess	<u>\$(547,730)</u>	<u>\$2,030,929</u>
Lottery's covered payroll	\$58,359,396	\$49,148,149
Contributions as a percentage of covered payroll	29.19%	29.37%
<b>Peace Officers/Firefighters Plan</b>	<b>2022</b>	<b>2021</b>
Actuarially determined contribution	\$1,134,048	\$1,526,882
Contributions in relation to the actuarially determined contributions	<u>(1,204,462)</u>	<u>(1,137,041)</u>
Contribution Excess	<u>\$(70,414)</u>	<u>\$389,841</u>
Lottery's covered payroll	\$3,623,703	\$2,960,295
Contributions as a percentage of covered payroll	33.24%	38.41%

<sup>1</sup>The Lottery implemented GASB 68 in the fiscal year ended June 30, 2015, therefore no information is available for the measurement periods prior to June 30, 2014.

See accompanying independent auditors' report.



**CALIFORNIA STATE LOTTERY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022  
(Unaudited)**

<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$15,446,268	\$13,857,459	\$12,542,790	\$10,834,123	\$10,019,407	\$8,132,027
(16,133,656)	(14,462,081)	(12,854,881)	(10,905,791)	(10,371,960)	(8,676,959)
<u>\$(687,388)</u>	<u>\$(604,622)</u>	<u>\$(312,091)</u>	<u>\$(71,668)</u>	<u>\$(352,553)</u>	<u>\$(544,932)</u>
\$52,351,260	\$49,272,524	\$45,237,758	\$40,797,632	\$41,236,048	\$35,739,920
30.82%	29.35%	28.42%	26.73%	25.15%	24.28%
<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
\$1,438,740	\$1,101,924	\$1,059,524	\$1,007,403	\$956,456	\$899,085
(1,516,389)	(1,162,437)	(1,140,046)	(1,074,285)	(1,009,612)	(950,819)
<u>\$(77,649)</u>	<u>\$(60,513)</u>	<u>\$(80,522)</u>	<u>\$(66,882)</u>	<u>\$(53,156)</u>	<u>\$(51,734)</u>
\$3,200,425	\$2,562,611	\$2,576,685	\$2,562,521	\$2,590,072	\$2,578,862
47.38%	45.36%	44.24%	41.92%	38.98%	36.87%

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022  
(Unaudited)**

**SCHEDULE 2 (continued)**

**Notes to Schedule of Employer Contributions**

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2021-22 were derived from the June 30, 2020, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal.
Amortization Method/ Period	For details, see June 30, 2020, Funding Valuation Report.
Asset Valuation Method	Market value of assets; for details, see June 30, 2020, Funding Valuation Report.
Inflation	2.50% compounded annually.
Salary Increase	Varies by entry age and service.
Payroll Growth	2.75% compounded annually.
Investment Rate of Return	7.00% Net of pension plan investment and administrative expenses; includes inflation.
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details, please refer to the 2017 CalPERS Experience Study for the period from 1997 to 2015.

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022  
(Unaudited)**

**SCHEDULE 3**

Schedule of Lottery's Proportionate Share of the Net Other Postemployment Benefits Liability and Related Ratios as of June 30, 2022.

(In thousands)

Last ten fiscal years<sup>1</sup>

	<b>2021<sup>2</sup></b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Lottery's proportion of the net other postemployment benefits liability	0.25777%	0.25762%	0.26080%	0.27087%	0.23962%
Lottery's proportionate share of the net other postemployment benefits liability	\$246,200	\$245,228	\$239,754	\$231,853	\$218,073
Lottery's covered payroll	\$52,108	\$55,552	\$51,835	\$47,814	\$43,360
Lottery's proportionate share of the net other postemployment benefits liability as a percentage of covered payroll	472.48%	441.44%	462.53%	484.91%	502.94%
Plan fiduciary net position as a percentage of the total other postemployment benefits liability	4.037%	2.748%	1.693%	1.011%	0.546%

<sup>1</sup>The Lottery implemented GASB 75 in the fiscal year ended June 30, 2018, therefore no information is available for the measurement periods prior to June 30, 2017.

<sup>2</sup>The date in the column heading is the measurement date of the net other postemployment liability, which is one year prior to the reporting period.

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2022  
(Unaudited)**

**SCHEDULE 4**

Schedule of Employer Contributions Related to Other Postemployment Benefits Year Ended June 30, 2022.

(In thousands)

Last ten fiscal years<sup>1</sup>

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Actuarially determined contributions	\$9,884	\$8,021	\$7,082	\$6,066	\$5,533
Contributions in relation to the actuarially determined contributions	\$9,884	\$8,021	\$7,082	\$6,066	\$5,533
Contribution deficiency	—	—	—	—	—
Lottery's covered payroll	\$61,983	\$52,108	\$55,556	\$51,835	\$47,814
Contributions as a percentage of covered payroll	15.95%	15.39%	12.75%	11.70%	11.57%

**Notes to Schedule of Employer Contributions**

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2021-22 were derived from the June 30, 2020, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal and the blended discount rates as required by GASB Statement No. 75. The Normal Cost and Actuarial Accrued Liability for the purpose of calculating the Actuarially Determined Contribution were developed using the Entry Age Normal Actuarial Cost Method and a full-funding discount rate of 6 percent.
Inflation	2.30% compounded annually.
Payroll Growth	2.80% compounded annually.
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019.
Mortality	The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board. For purposes of the mortality rates, the revised rates include 15 years of projected ongoing mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries.

<sup>1</sup>The Lottery implemented GASB 75 in the fiscal year ended June 30, 2018, therefore no information is available for the measurement periods prior to June 30, 2017.

See accompanying independent auditors' report.









## Statistical Section







## STATISTICAL SECTION (Unaudited)

This part of the California State Lottery's Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the Lottery's overall financial health.

### Contents

Financial Trends/Revenue Capacity.....	79
These schedules contain trend information to help the reader understand how the Lottery's financial performance and well-being have changed over time and how to assess the most significant revenue sources, lotto and instant ticket games.	
Demographic and Economic Information.....	85
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Lottery's financial activities take place.	
Operating Information.....	93
These schedules contain data to help the reader understand how the California State Lottery's performance compares to other United States lotteries.	

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

**CALIFORNIA STATE LOTTERY**  
**Net Position by Component**  
**Last Ten Fiscal years**

	2013	2014	2015	2016
Invested in capital assets	82,251,499	95,330,193	129,585,496	163,916,171
Restricted by legislation	102,067,701	101,108,957	94,228,359	146,172,959
Unrestricted deficit	(82,251,499)	(95,330,193)	(219,795,908)	(254,126,583)
<b>Total net position<sup>1</sup></b>	<b>102,067,701</b>	<b>101,108,957</b>	<b>4,017,947</b>	<b>55,962,547</b>

**CALIFORNIA STATE LOTTERY**  
**Change in Net Position**  
**Last Ten Fiscal years**

	2013	2014	2015	2016
Operating revenues:				
Lotto games	935,660,488	1,230,661,985	1,064,489,378	1,337,129,994
Scratchers <sup>®</sup> games	3,010,119,929	3,288,922,307	3,915,381,412	4,351,826,436
Hot Spot <sup>®</sup>	154,403,306	188,390,807	206,439,141	232,286,264
Daily games	345,690,317	326,686,325	338,540,662	354,354,594
<b>Total operating revenues</b>	<b>4,445,874,040</b>	<b>5,034,661,424</b>	<b>5,524,850,593</b>	<b>6,275,597,288</b>
Prizes	2,652,095,102	3,082,376,405	3,501,745,873	3,955,791,373
Game costs:				
Retailer costs	302,946,127	345,513,054	380,344,945	432,985,606
Gaming system costs	49,562,417	70,486,877	68,881,598	78,276,791
Scratchers game costs	27,588,889	29,540,698	29,990,183	36,485,518
<b>Total game costs</b>	<b>380,097,433</b>	<b>445,540,629</b>	<b>479,216,726</b>	<b>547,747,915</b>
Operating expenses:				
Salaries, wages and benefits	56,781,125	66,108,672	70,480,064	79,415,769
Advertising	56,044,193	63,699,190	62,273,530	74,280,130
Promotion, public relations and point of sale	7,854,549	14,507,326	10,664,151	10,990,631
Other professional services	12,651,314	13,331,461	11,843,044	14,367,836
Depreciation and amortization	5,980,272	6,075,176	8,950,492	13,528,573
Other general and administrative expenses	13,580,602	16,370,667	16,435,133	19,806,524
<b>Total operating expenses</b>	<b>152,892,055</b>	<b>180,092,492</b>	<b>180,646,414</b>	<b>212,389,463</b>
Operating income	1,260,789,450	1,326,651,898	1,363,241,580	1,559,668,537
Non-operating (expenses) revenues:				
Investment earnings <sup>2</sup>	(52,309,163)	290,350	(5,633,320)	55,232,507
Other income	47,879	27,400	53,155	193,432
Allocation to Education Fund <sup>3</sup>	(1,262,058,020)	(1,327,928,392)	(1,364,542,013)	(1,563,149,876)
<b>Total non-operating (expenses) revenues</b>	<b>(1,314,319,304)</b>	<b>(1,327,610,642)</b>	<b>(1,370,122,178)</b>	<b>(1,507,723,937)</b>
<b>Total change in net position</b>	<b>(53,529,854)</b>	<b>(958,744)</b>	<b>(6,880,598)</b>	<b>51,944,600</b>

(1) Beginning net position was reduced \$90,210,412 in fiscal year 2014-15 due to changes in net pension liability reporting requirements. Beginning net position was reduced \$155,152,000 in fiscal year 2017-18 due to changes in net OPEB liability reporting requirements. Please refer to Note 10 of the financial statements.

(2) Investment earnings include interest expense imputed on annuitized prize liability.

(3) For more information on the total allocation to Education Fund, please refer to Note 7 of the financial statements.

**CALIFORNIA STATE LOTTERY**  
**Net Position by Component**  
**Last Ten Fiscal years**

2017	2018	2019	2020	2021	2022
185,709,466	197,306,299	208,971,820	214,519,651	204,847,726	191,966,405
87,372,386	55,949,634	93,646,606	163,905,059	106,929,568	7,116,447
(275,919,878)	(442,668,711)	(454,334,232)	(459,882,063)	(450,210,138)	(437,328,817)
<b>(2,838,026)</b>	<b>(189,412,778)</b>	<b>(151,715,806)</b>	<b>(81,457,353)</b>	<b>(138,432,844)</b>	<b>(238,245,965)</b>

**CALIFORNIA STATE LOTTERY**  
**Change in Net Position**  
**Last Ten Fiscal years**

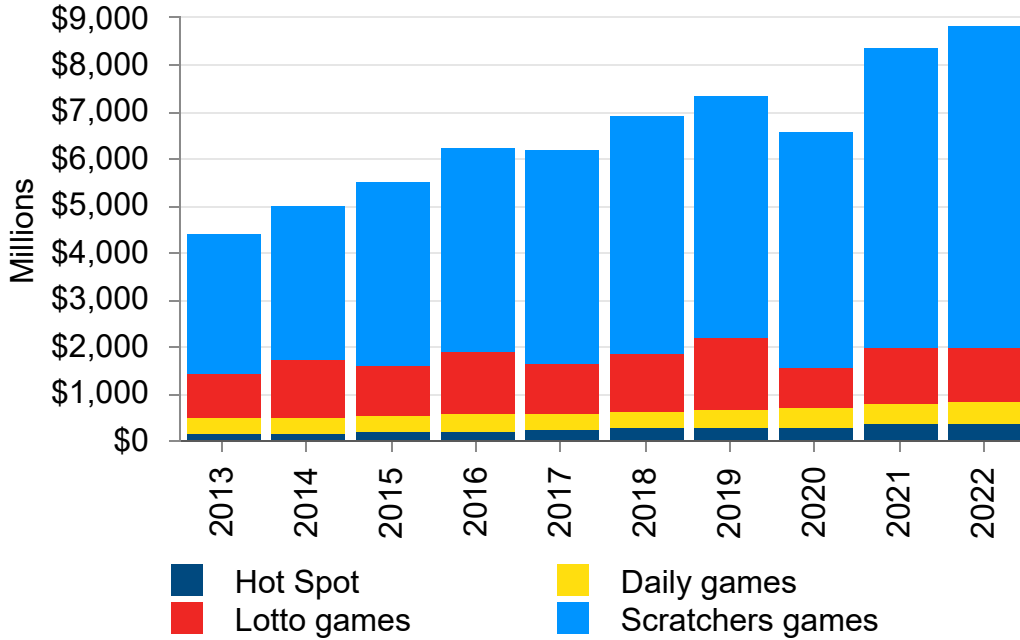
2017	2018	2019	2020	2021	2022
1,041,071,687	1,234,092,648	1,526,370,543	888,372,887	1,198,771,157	1,185,499,008
4,576,028,713	5,077,397,175	5,170,791,532	5,029,765,509	6,409,463,025	6,830,109,188
255,808,131	288,701,169	313,779,077	311,848,814	373,301,793	401,837,336
360,559,892	365,601,121	377,109,164	392,016,195	436,407,842	435,804,636
<b>6,233,468,423</b>	<b>6,965,792,113</b>	<b>7,388,050,316</b>	<b>6,622,003,405</b>	<b>8,417,943,817</b>	<b>8,853,250,168</b>
3,963,453,360	4,476,580,353	4,715,592,673	4,403,715,159	5,610,605,541	5,825,673,018
433,656,258	480,545,143	505,903,081	460,706,639	585,861,906	614,710,750
81,566,527	90,998,838	92,088,597	82,692,866	97,963,148	102,320,421
34,819,169	36,600,840	39,207,904	36,567,321	44,601,524	41,836,793
<b>550,041,954</b>	<b>608,144,821</b>	<b>637,199,582</b>	<b>579,966,826</b>	<b>728,426,578</b>	<b>758,867,964</b>
91,254,303	101,054,859	99,664,223	111,146,383	104,757,919	101,243,980
76,690,663	68,113,747	66,773,171	40,856,926	59,135,920	92,849,859
8,657,038	9,552,414	9,305,841	9,385,619	7,490,496	8,529,662
14,266,695	15,321,484	16,898,286	16,225,755	17,728,391	18,129,419
16,889,648	18,310,965	18,814,684	18,428,535	16,765,127	15,982,732
18,036,889	12,658,281	14,080,465	17,123,347	15,302,967	16,924,217
<b>225,795,236</b>	<b>225,011,750</b>	<b>225,536,670</b>	<b>213,166,565</b>	<b>221,180,820</b>	<b>253,659,869</b>
1,494,177,874	1,656,055,189	1,809,721,391	1,425,154,855	1,857,730,878	2,015,049,317
(54,067,894)	(22,715,200)	53,177,645	82,091,722	(53,382,892)	(95,791,722)
93,932	124,554	22,036	195,722	1,823,112	611,692
(1,499,004,485)	(1,664,887,295)	(1,825,224,100)	(1,437,183,846)	(1,863,146,589)	(2,019,682,408)
<b>(1,552,978,447)</b>	<b>(1,687,477,941)</b>	<b>(1,772,024,419)</b>	<b>(1,354,896,402)</b>	<b>(1,914,706,369)</b>	<b>(2,114,862,438)</b>
<b>(58,800,573)</b>	<b>(31,422,752)</b>	<b>37,696,972</b>	<b>70,258,453</b>	<b>(56,975,491)</b>	<b>(99,813,121)</b>

Note: Individual wagers for all SuperLotto Plus<sup>®</sup>, Hot Spot, and all daily games, with the exception of Daily Derby<sup>®</sup>, are \$1 each. Daily Derby, Mega Millions<sup>®</sup>, and Powerball<sup>®</sup> wagers are \$2 each. Scratchers games have price points of \$1, \$2, \$3, \$5, \$10, \$20, and \$30.

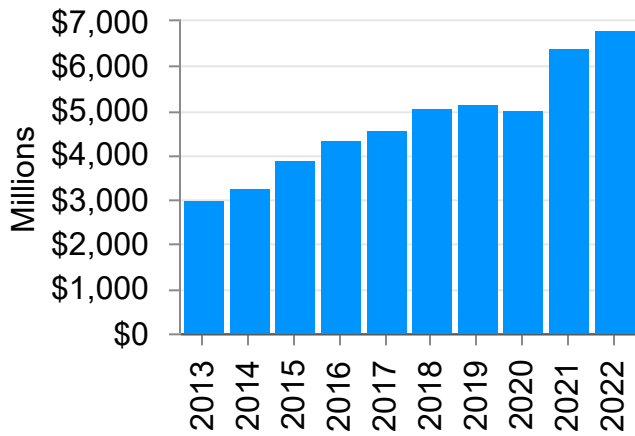
# CALIFORNIA STATE LOTTERY

## Sales by Product

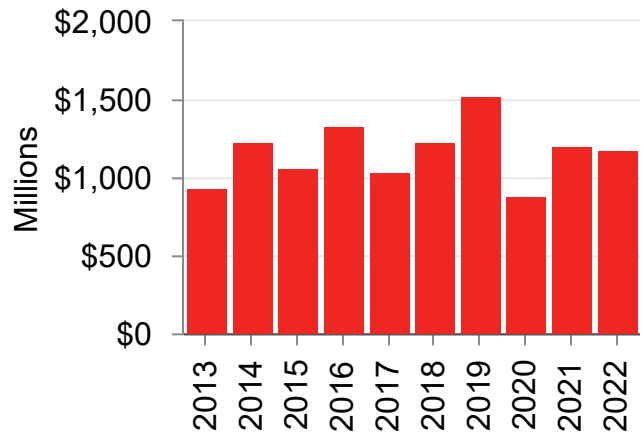
### Last Ten Fiscal Years



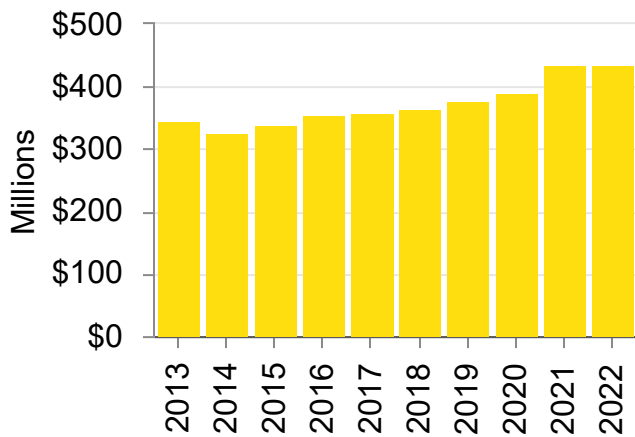
Scratchers games



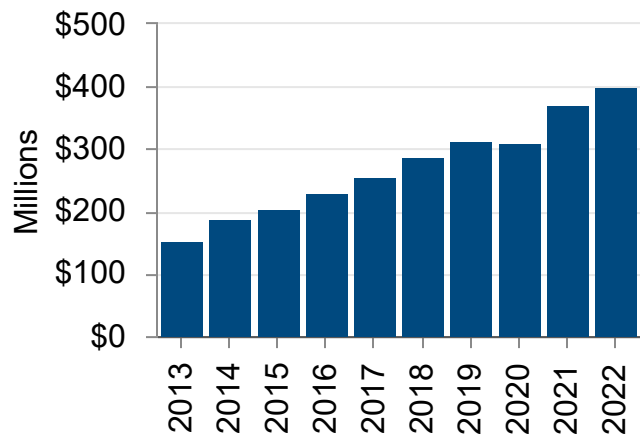
Lotto games



Daily games



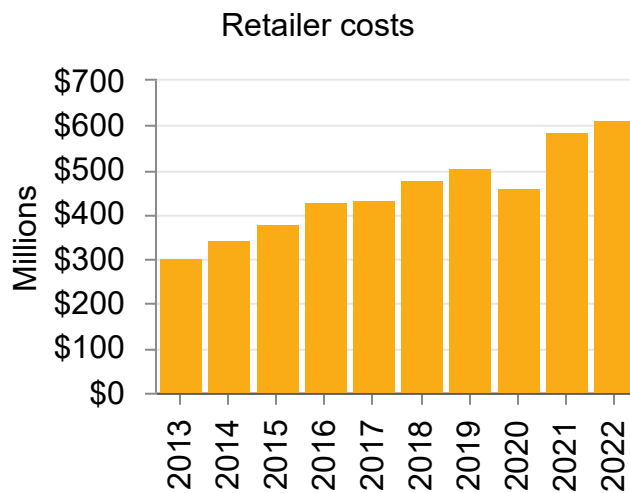
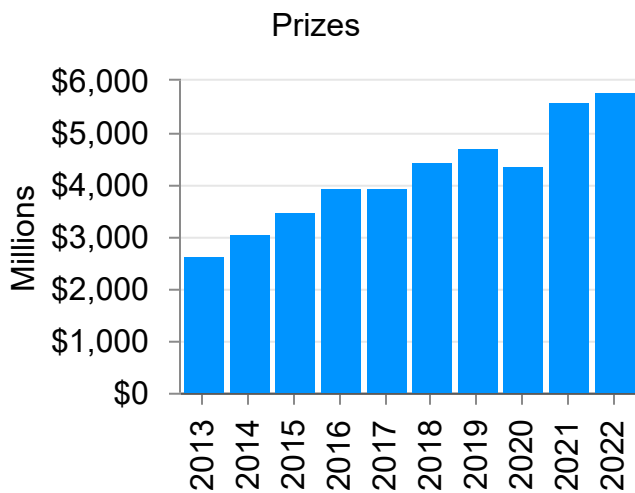
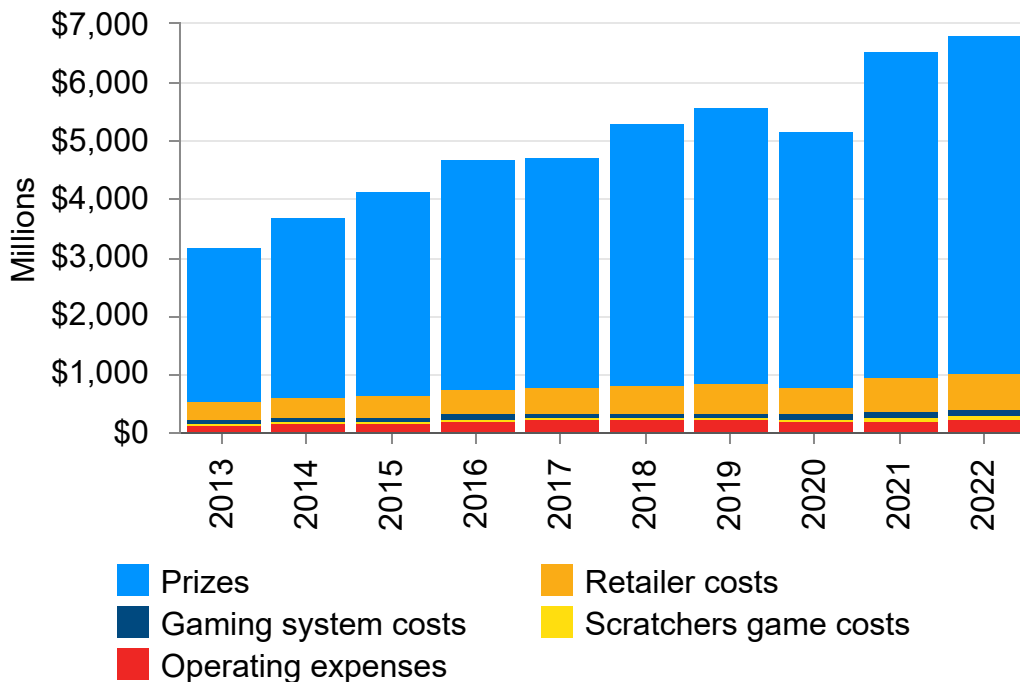
Hot Spot



# CALIFORNIA STATE LOTTERY

## Expenses by Type

### Last Ten Fiscal Years

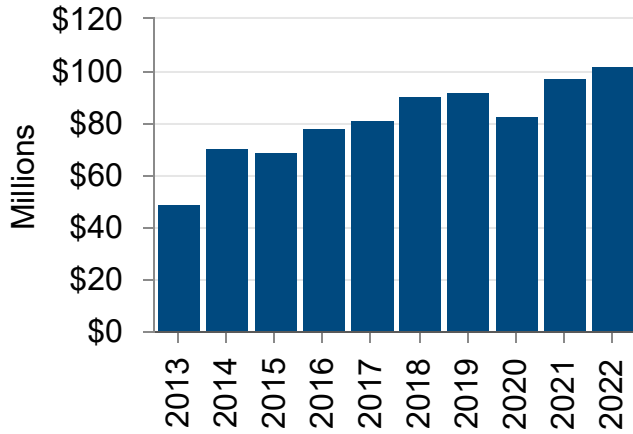


# CALIFORNIA STATE LOTTERY

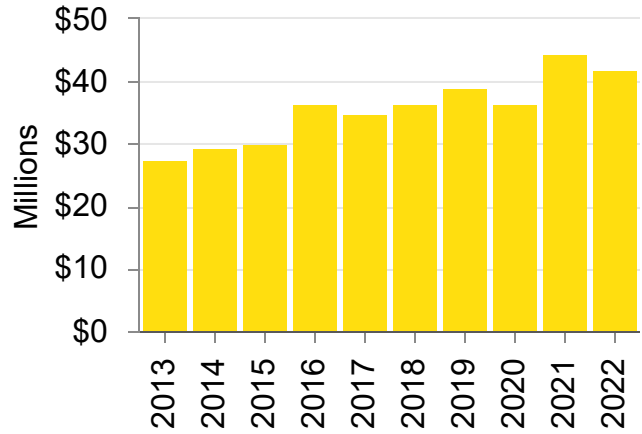
## Expenses by Type

### Last Ten Fiscal Years

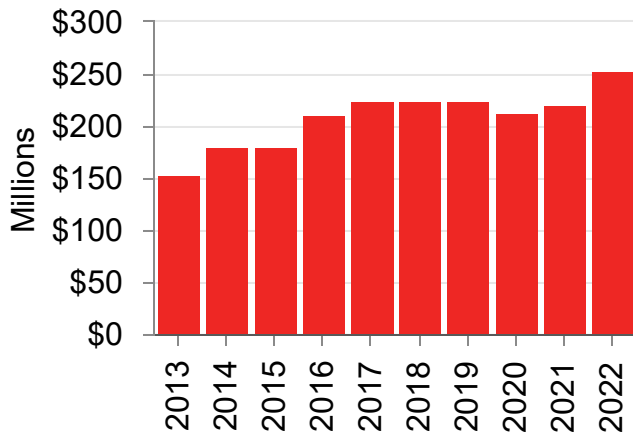
Gaming system costs



Scratchers game costs



Operating expenses







**CALIFORNIA STATE LOTTERY**  
**California Demographics and Economic Information**  
**2012 - 2021**

<b>Year</b>	<b>Population (in thousands)</b>	<b>Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2012	38,041	\$1,768,039	\$46,477	9.8%
2013	38,333	\$1,817,010	\$47,401	7.9%
2014	38,803	\$1,944,369	\$50,109	6.8%
2015	39,145	\$2,103,669	\$53,741	5.7%
2016	39,250	\$2,212,691	\$56,374	5.0%
2017	39,636	\$2,409,537	\$60,792	4.2%
2018	39,625	\$2,558,708	\$64,574	4.1%
2019	39,545	\$2,673,410	\$67,603	3.7%
2020	39,349	\$2,769,079	\$70,372	9.1%
2021	39,171	\$2,983,478	\$76,166	5.0%

Source: All data except unemployment rate is from the Bureau of Economic Analysis, United States Department of Commerce; unemployment rates from Labor Market Information Division, California Employment Development Department. Note: 2022 information is not available and therefore not presented.

**CALIFORNIA STATE LOTTERY**  
**California Industry Number of Employees by Size Category**  
**2012 - 2021**

	2012	2013	2014	2015	2016
Agriculture, Forestry, Fishing, Hunting	463,476	463,169	467,923	471,566	474,766
Mining	28,475	27,986	29,142	25,668	21,218
Utilities	59,160	58,240	57,829	57,577	58,008
Construction	609,365	656,000	691,811	748,872	789,841
Manufacturing	1,264,017	1,265,860	1,283,779	1,303,651	1,304,915
Wholesale Trade	679,339	702,319	713,642	719,576	718,853
Retail Trade	1,553,812	1,587,467	1,615,557	1,645,332	1,654,247
Transportation and Warehousing	415,488	433,112	455,070	488,428	517,790
Information	426,056	445,121	459,781	486,838	517,275
Finance and Insurance	522,529	520,579	514,826	523,933	540,844
Real Estate and Rental and Leasing	253,154	260,584	265,335	271,617	278,001
Services	6,519,084	6,809,757	7,056,066	7,247,138	7,442,898
Nonclassifiable Establishment	59,443	36,808	63,478	102,851	119,680
Federal, State and Local Government	2,260,320	2,276,164	2,317,813	2,388,336	2,434,565
<b>Total for All Industries</b>	<b>15,113,718</b>	<b>15,543,166</b>	<b>15,992,052</b>	<b>16,481,383</b>	<b>16,872,901</b>

	2017	2018	2019	2020	2021
Agriculture, Forestry, Fishing, Hunting	473,554	410,315	408,703	397,377	404,736
Mining	20,130	20,614	19,920	16,797	16,980
Utilities	57,766	56,068	56,963	59,571	60,113
Construction	830,446	877,644	901,215	872,915	896,376
Manufacturing	1,318,709	1,324,696	1,319,877	1,255,814	1,299,211
Wholesale Trade	723,984	705,541	693,780	644,899	660,675
Retail Trade	1,670,450	1,728,821	1,706,454	1,608,512	1,659,808
Transportation and Warehousing	553,571	619,572	670,993	714,235	773,084
Information	526,390	550,261	573,610	539,790	587,668
Finance and Insurance	544,423	540,296	543,498	538,676	544,205
Real Estate and Rental and Leasing	285,957	299,221	309,413	281,141	302,754
Services	7,630,490	7,969,114	8,154,351	7,179,567	7,968,242
Nonclassifiable Establishment	82,201	1,807	985	661	3,878
Federal, State and Local Government	2,346,343	2,520,424	2,548,014	2,389,784	2,454,756
<b>Total for All Industries</b>	<b>17,064,414</b>	<b>17,624,394</b>	<b>17,907,776</b>	<b>16,499,739</b>	<b>17,632,486</b>

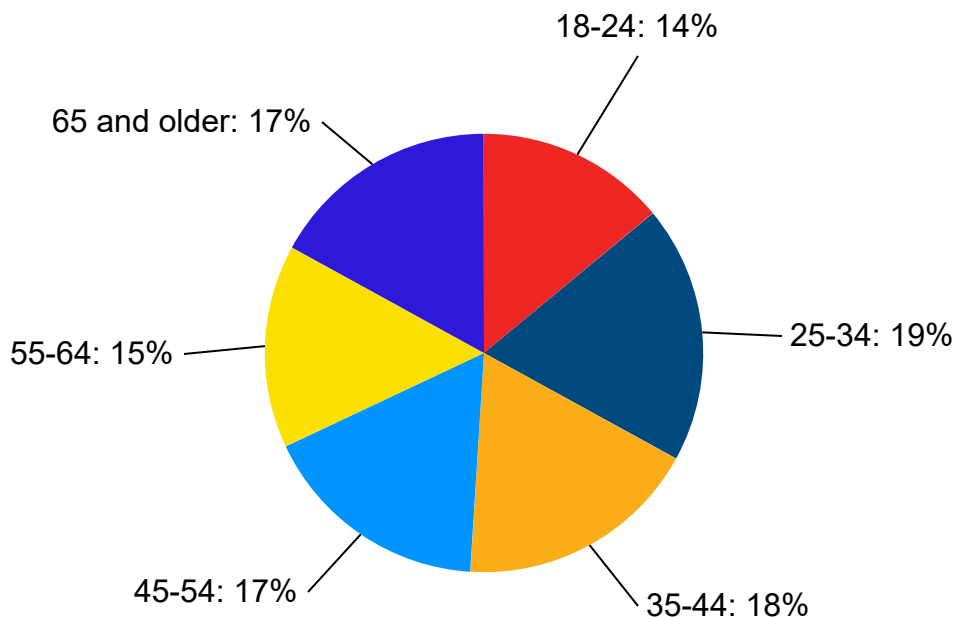
Source: California Employment Development Department.

Definitions of Terms and Source Notes at [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov). The industry data provided are intended to provide similar alternative information regarding the concentration of employment in various sectors of the California economy. Due to confidentiality issues, the names of the top individual employers are not available.

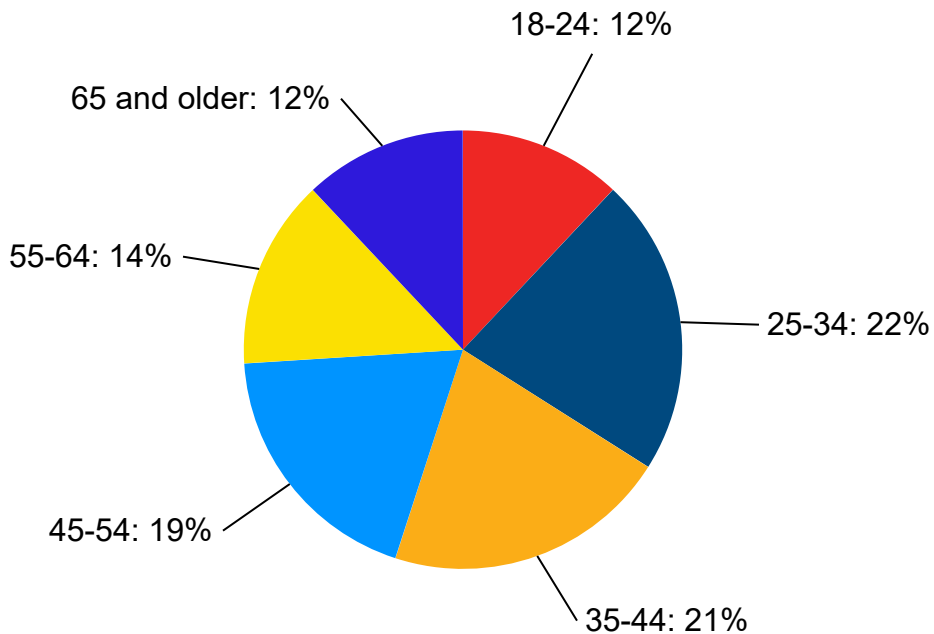
Note: Businesses are designated as "Non classifiable Establishments" when there is insufficient information to determine the appropriate industry classification.

**CALIFORNIA STATE LOTTERY**  
**California Demographics for Population and Players**

**Age of Adult Population**



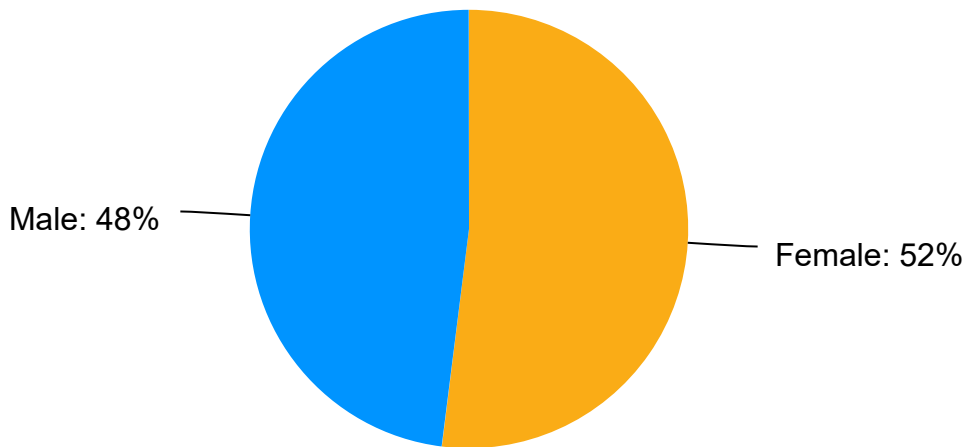
**Age of Lottery Players**



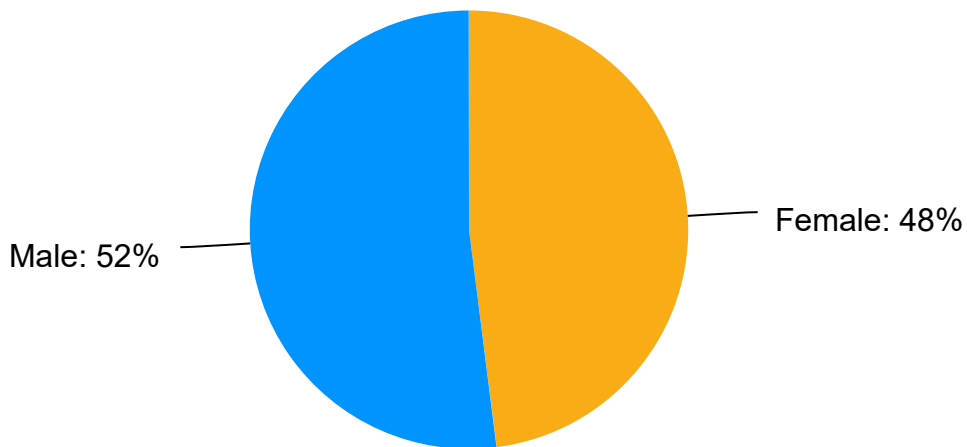
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2021-22. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

**CALIFORNIA STATE LOTTERY**  
**California Demographics for Population and Players**

**Gender of Adult Population**

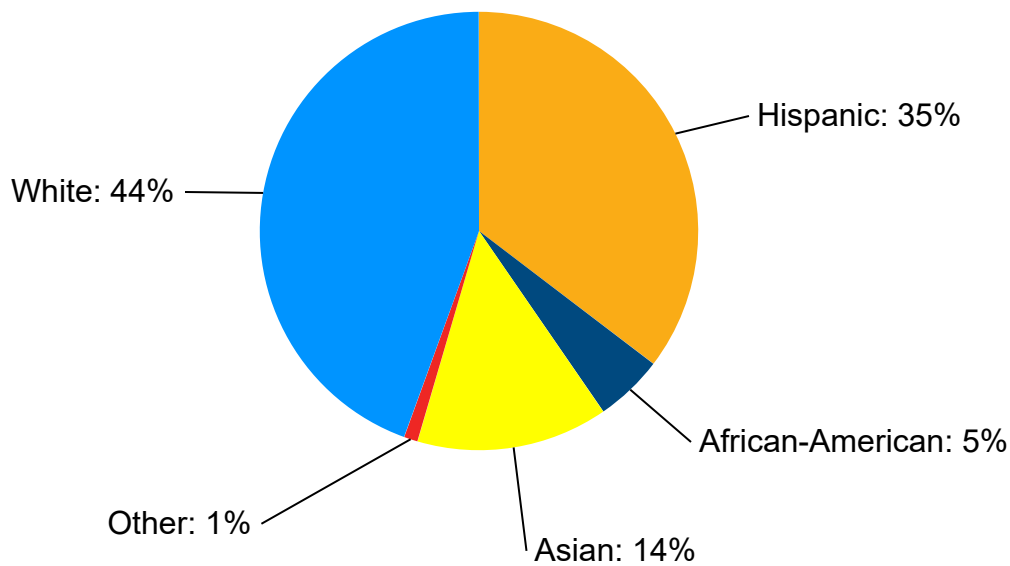


**Gender of Lottery Players**

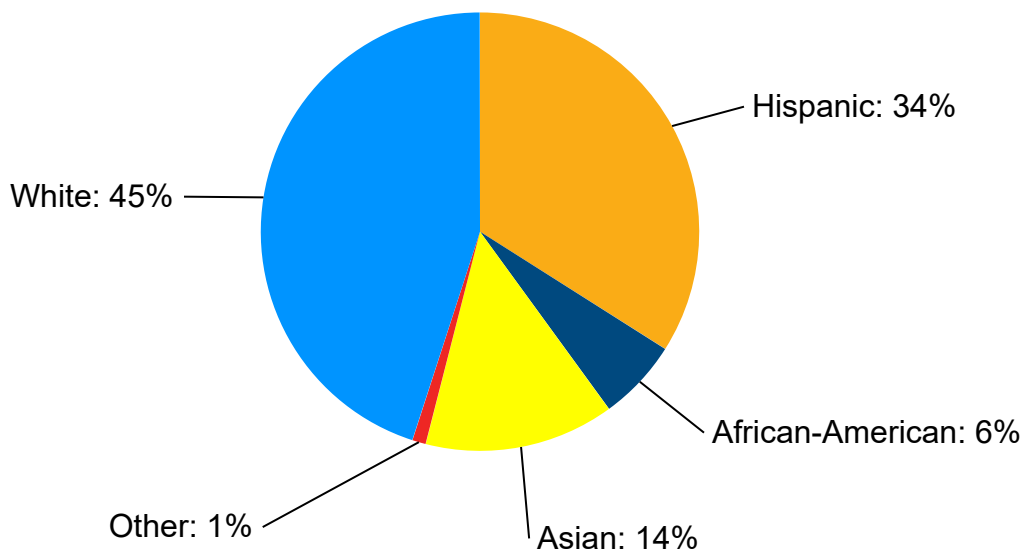


Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2021-22. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

**CALIFORNIA STATE LOTTERY**  
**California Demographics for Population and Players**  
**Ethnicity of Adult Population**



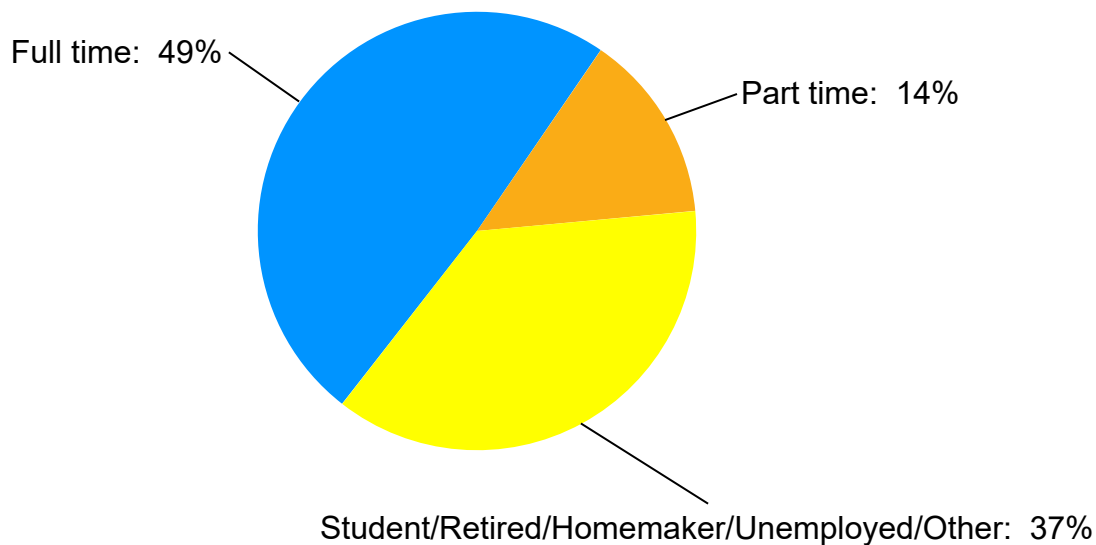
**Ethnicity of Lottery Players**



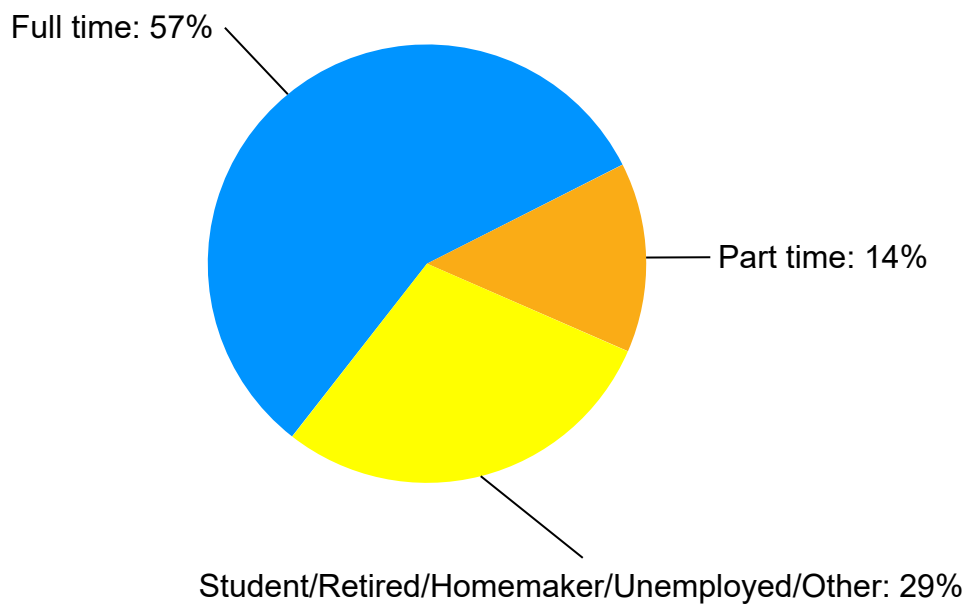
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2021-22. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

**CALIFORNIA STATE LOTTERY**  
**California Demographics for Population and Players**

**Employment Status of Adult Population**



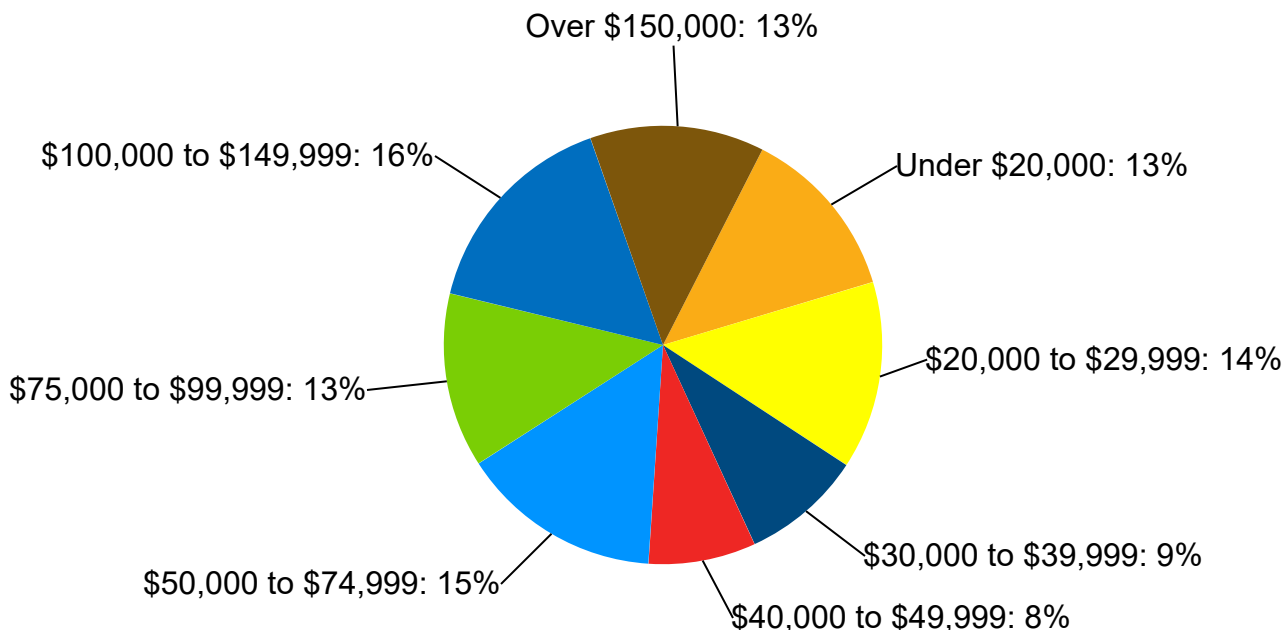
**Employment Status of Lottery Players**



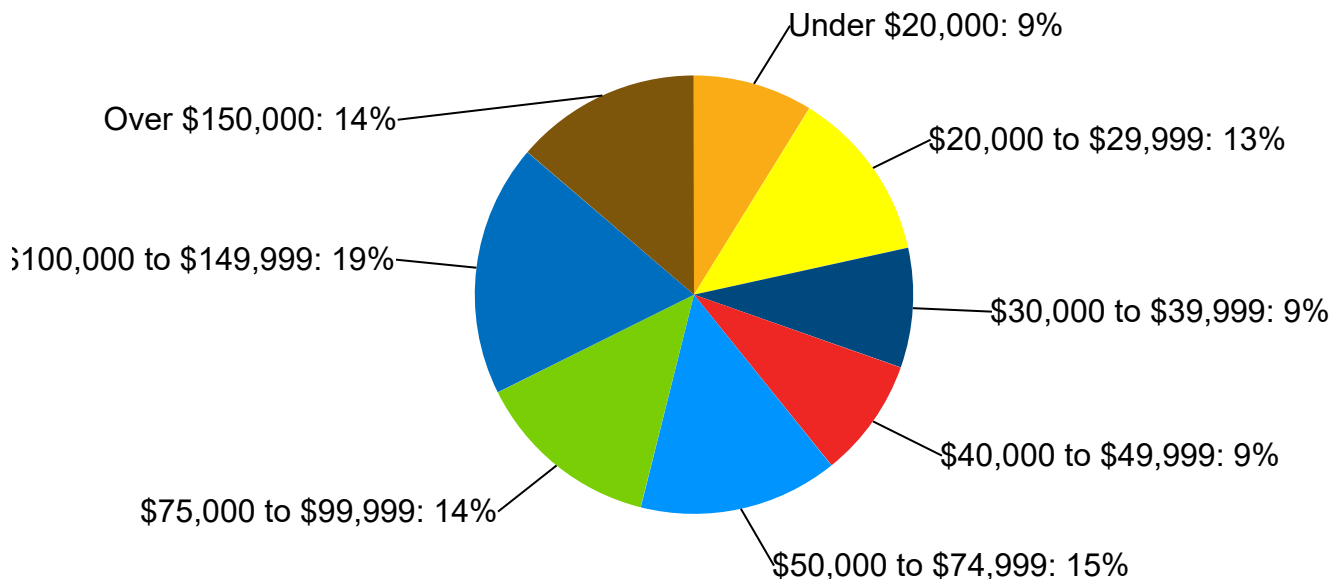
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2021-22. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

**CALIFORNIA STATE LOTTERY**  
**California Demographics for Population and Players**

**Household Income of Adult Population**



**Household Income of Lottery Players**



Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2021-22. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.





**U.S. Lottery Data For Fiscal Year 2021**  
**Excludes Video Lottery Terminal (VLT) sales**  
**(in millions)**

	<b>Population</b>	<b>Sales</b>	<b>Prizes</b>	<b>Profit</b>	<b>Sales/Capita</b>
Arizona	7.4	\$1,439.4	\$876.5	\$303.9	\$194
Arkansas	3.0	631.9	440.1	106.6	209
California++	39.4	8,417.9	5,610.6	1,882.6	214
Colorado	5.8	794.9	516.9	169.4	137
Connecticut	3.6	1,497.8	929.8	418.0	421
Delaware <sup>2,3</sup>	1.0	233.8	—	216.9	236
District of Columbia <sup>4</sup>	0.7	235.0	—	—	330
Florida	21.7	9,076.2	6,611.2	2,237.6	418
Georgia	10.7	6,034.4	—	1,545.0	563
Idaho	1.8	371.9	252.9	72.5	204
Illinois	12.6	3,450.0	1,842.2	696.0	274
Indiana	6.8	1,737.7	1,143.9	375.5	257
Iowa	3.2	452.6	288.9	101.7	143
Kansas	2.9	339.6	200.2	76.5	117
Kentucky	4.5	1,486.4	1,067.4	355.1	332
Louisiana	4.6	624.9	353.8	207.5	135
Maine	1.4	390.7	267.7	71.1	289
Maryland <sup>2,3</sup>	6.1	2,600.6	1,657.5	1,316.6	430
Massachusetts	6.9	5,797.7	4,283.0	1,050.0	841
Michigan <sup>1,4</sup>	10.0	3,925.1	—	—	394
Minnesota	5.7	803.6	513.7	188.8	142
Mississippi	3.0	514.5	317.7	137.7	173
Missouri	6.2	1,659.1	1,132.4	345.0	270
Montana	1.1	72.2	43.1	13.3	67
Nebraska	1.9	204.9	122.3	48.2	106
New Hampshire	1.4	484.6	309.1	145.8	355
New Jersey	8.9	3,683.9	2,000.0	1,018.0	415
New Mexico	2.1	154.9	84.8	46.5	74
New York <sup>2,3,4</sup>	19.3	7,666.1	4,414.5	3,590.7	396
North Carolina	10.6	3,805.4	2,462.4	936.8	359
North Dakota	0.8	30.4	—	—	40
Ohio <sup>2,3</sup>	11.7	4,330.1	2,864.5	1,359.0	370
Oklahoma	4.0	346.8	224.0	81.0	87
Oregon <sup>2,3</sup>	4.2	409.5	—	502.9	97
Pennsylvania	12.8	5,436.9	3,539.9	1,302.6	425
Rhode Island <sup>2,3</sup>	1.1	296.0	—	302.4	280
South Carolina	5.2	2,415.8	1,593.7	605.6	463
South Dakota <sup>2,3</sup>	0.9	73.7	46.6	162.0	82
Texas <sup>1,4</sup>	29.4	8,115.6	—	—	276
Vermont	0.6	161.5	107.8	32.4	259
Virginia	8.6	2,592.1	1,539.9	766.7	302
Washington	7.7	950.7	603.1	—	124
West Virginia <sup>2,3</sup>	1.8	249.2	160.0	559.0	140
Wisconsin	5.8	894.5	—	—	153
Wyoming	0.6	30.7	—	—	53

2021 data source: La Fleur's Magazine September/October 2021

**Footnotes:**

<sup>1</sup> Estimated Sales

<sup>2</sup> Doesn't include VLT prizes

<sup>3</sup> Includes Lottery and VLT profit

<sup>4</sup> Fiscal year ends June 30 except New York (March 31), Texas (August 31), District of Columbia and Michigan (September 30)

++ Audited figures with the exception of population/sales per capita

**U.S. Lottery Data For Fiscal Year 2022**  
**Excludes Video Lottery Terminal (VLT) sales**  
**(in millions)**

	<b>Population</b>	<b>Sales</b>	<b>Prizes</b>	<b>Profit</b>	<b>Sales/Capita</b>
Arizona	7.3	\$1,368.4	\$934.4	\$269.5	\$188
Arkansas	3.0	579.6	402.4	99.8	192
California++	39.2	8,853.3	5,825.7	2,077.4	226
Colorado	5.8	826.9	538.9	180.3	142
Connecticut	3.6	1,452.1	914.6	402.2	403
Delaware <sup>2,3</sup>	1.0	230.7	138.3	236.0	230
District of Columbia <sup>4</sup>	0.7	205.5	126.6	94.0	307
Florida	21.8	9,324.6	6,408.3	2,328.9	428
Georgia	10.8	5,793.9	3,585.3	1,474.0	536
Idaho	1.9	378.8	257.1	73.0	199
Illinois	12.7	3,396.3	2,211.4	833.8	268
Indiana	6.8	1,703.1	1,138.5	344.4	250
Iowa	3.2	432.7	274.2	97.9	136
Kansas	2.9	326.1	191.5	76.5	111
Kentucky	4.5	1,480.4	955.9	359.3	328
Louisiana	4.6	582.9	328.4	191.2	126
Maine	1.4	385.8	262.4	71.4	281
Maryland <sup>2,3</sup>	6.2	2,649.6	1,695.0	1,511.0	430
Massachusetts	7.0	5,834.9	4,309.0	1,102.0	835
Michigan <sup>1,4</sup>	10.1	4,882.4	2,993.4	1,302.0	486
Minnesota	5.7	740.2	469.8	172.6	130
Mississippi	3.0	436.4	247.2	121.6	148
Missouri	6.2	1,623.3	1,091.5	400.3	263
Montana	1.1	71.9	41.2	16.8	65
Nebraska	2.0	202.5	119.6	49.4	103
New Hampshire	1.4	504.4	320.9	116.4	363
New Jersey	9.3	3,778.3	2,215.9	1,074.0	408
New Mexico	2.1	136.9	74.1	41.1	65
New York <sup>2,3,4</sup>	19.8	8,178.1	4,901.6	3,608.1	412
North Carolina	10.6	3,887.1	2,543.9	925.9	368
North Dakota	0.8	29.2	15.9	6.7	38
Ohio <sup>2,3</sup>	11.8	4,291.2	2,785.8	1,405.4	364
Oklahoma	4.0	350.3	226.7	—	88
Oregon <sup>2,3</sup>	4.2	397.1	253.7	910.5	94
Pennsylvania	13.0	5,131.2	3,370.0	1,195.2	396
Rhode Island <sup>2,3</sup>	1.1	295.6	196.2	388.6	270
South Carolina	5.2	2,253.6	1,486.9	559.7	434
South Dakota <sup>2,3</sup>	0.9	75.3	46.0	178.3	84
Texas <sup>4</sup>	29.5	8,296.9	5,599.7	1,998.4	281
Vermont	0.6	151.5	100.7	30.7	234
Virginia	8.6	2,618.1	1,543.0	779.6	303
Washington	7.7	907.7	574.0	333.7	117
West Virginia <sup>2,3</sup>	1.8	242.8	151.0	471.8	136
Wisconsin	5.9	887.8	—	—	151
Wyoming	0.6	25.6	13.0	3.2	44

2022 data source: La Fleur's Magazine September/October 2022

**Footnotes:**

<sup>1</sup> Estimated Sales

<sup>2</sup> Doesn't include VLT prizes

<sup>3</sup> Includes Lottery and VLT profit

<sup>4</sup> Fiscal year ends June 30 except New York (March 31), Texas (August 31), District of Columbia and Michigan (September 30)

++ Audited figures with the exception of population/sales per capita

**CALIFORNIA STATE LOTTERY**  
**Number of Employees**  
**Last Ten Fiscal Years**

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Executive <sup>2</sup>	37	44	43	44	40	41	49	48	58	60
Finance	76	77	78	80	82	83	88	91	118	126
Human Resources	27	27	28	27	29	29	31	37	50	50
Operations <sup>1</sup>	82	77	77	88	42	43	43	59	59	71
Public Affairs & Communications <sup>2,3</sup>	21	23	24	24	25	24	—	7	7	7
Security & Law Enforcement	57	59	59	58	65	64	66	68	74	80
Information Technology Services	85	87	95	101	110	112	112	114	115	121
Sales & Marketing <sup>1,2</sup>	374	397	399	399	448	448	470	485	489	550
<b>Total</b>	<b>759</b>	<b>791</b>	<b>803</b>	<b>821</b>	<b>841</b>	<b>844</b>	<b>859</b>	<b>909</b>	<b>970</b>	<b>1,065</b>

Source: California State Lottery, Annual Administrative Support Budget for each relevant year.  
Note: Staffing levels are based on Lottery Commission approval as of that year.

Footnotes:

<sup>1</sup> In fiscal year 2016-17, the Lottery underwent a reorganization. The warehouse staff were redirected from the Operations Division to the Sales & Marketing Division.

<sup>2</sup> In fiscal year 2018-19, the Lottery underwent a reorganization. The Corporate Communications Division staff were redirected to the Executive Division and the Sales & Marketing Division.

<sup>3</sup> In fiscal year 2019-20, the Lottery underwent a reorganization. The Public Affairs & Communications Division was established, formerly known as Corporate Communications Division.

## **CALIFORNIA STATE LOTTERY**

### **Information About Operating Indicators**

In fiscal year 2021-22, the Lottery implemented several policies and programs to improve productivity, engagement, and safety. The result was record-breaking sales of more than \$8.85 billion and a record-breaking transfer of more than \$2 billion to California's K-12 schools, community colleges, California State University and University of California campuses, and several specialized schools. The Lottery is proud to note that fiscal year 2021-22 was the 22nd consecutive year that it provided more than \$1 billion to its beneficiary.

Going forward, the Lottery's fiscal year 2022-23 business plan balances long-term projects that will continue enabling future sales growth with initiatives that address more immediate needs. The five objectives developed in support of the business plan are:

- Maintain Scratchers interest and play despite increased competition for the entertainment dollar
- Focus efforts to reinvigorate retail, including modernizing many existing retail partner locations with state-of-the-art sales equipment
- Create opportunities to grow sales of draw games (particularly jackpot games and Hot Spot) since their greater profit margins generate higher contributions to public education
- Defuse barriers to play by continuing to improve knowledge and perceptions about the Lottery
- Transform and modernize the Lottery, including its infrastructure and elevating corporate culture within the organization

There are inherent uncertainties when planning for the future, especially during the continued recovery from the pandemic and with inflation reaching a 40-year high. The Lottery's solid business plan focusing on players, retailers, product, and initiatives within the Lottery organization itself, creates the balanced approach needed to continue to reach record sales levels. The result will be increased contributions to California public education.

**CALIFORNIA STATE LOTTERY**  
**Capital Assets, Net**  
**Last Ten Fiscal Years**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Land	6,469,219	6,469,219	9,743,325	11,577,348
Gaming Equipment	552,231	193,002	14,504,545	29,726,121
Software <sup>2</sup>	—	—	—	—
Vending Machines	—	15,286,994	25,905,293	36,245,295
Buildings	66,022,549	64,235,581	70,189,200	78,818,382
Data Processing Equipment	4,992,339	4,260,428	4,125,357	2,850,624
Office Furniture and Equipment	3,086,077	2,256,668	1,482,826	606,197
Leasehold Improvements	105,772	29,378	5,318	2,939
Vehicles <sup>1</sup>	—	—	—	—
Audio/Video Equipment <sup>2</sup>	—	—	—	—
Warehouse Equipment <sup>2</sup>	—	—	—	—
Mobile Equipment <sup>2</sup>	—	—	—	—
Other	1,023,312	2,598,923	3,629,632	4,089,265
<b>Total Capital Assets</b>	<b>82,251,499</b>	<b>95,330,193</b>	<b>129,585,496</b>	<b>163,916,171</b>

**CALIFORNIA STATE LOTTERY**  
**Contributions to Education**  
**Last Ten Fiscal Years**

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Allocations to Education Fund	1,262,058,020	1,327,928,392	1,364,542,013	1,563,149,876
Unclaimed Prizes	22,312,759	21,672,671	27,177,013	24,266,723
<b>Total Contributions to Education</b>	<b>1,284,370,779</b>	<b>1,349,601,063</b>	<b>1,391,719,026</b>	<b>1,587,416,599</b>

Footnotes:

<sup>1</sup> Prior to fiscal year 2018-19, "Other" capital assets included vehicles.

<sup>2</sup> Beginning in fiscal year 2021-22, the Lottery adopted new asset types. This included recategorizing the prior year's asset cost and accumulated depreciation. For more information See Note 5.

**CALIFORNIA STATE LOTTERY  
Capital Assets, Net  
Last Ten Fiscal Years**

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
15,893,968	18,798,281	18,798,281	18,798,281	18,798,281	18,798,281
32,743,102	28,709,712	21,347,423	14,820,418	10,017,625	6,689,136
—	—	—	—	—	10,952,992
41,240,019	42,691,156	36,443,593	30,327,101	24,584,159	18,928,541
90,566,226	100,553,839	124,353,366	138,719,630	136,374,440	132,014,719
1,046,034	1,683,868	3,647,573	6,426,088	9,725,778	239,374
610,104	666,223	725,378	535,718	375,018	49,259
1,299	186	—	—	—	—
—	—	3,372,987	4,666,505	4,747,361	3,569,426
—	—	—	—	—	94,390
—	—	—	—	—	10,508
—	—	—	—	—	—
3,608,714	4,203,034	283,219	225,910	225,064	619,779
<b>185,709,466</b>	<b>197,306,299</b>	<b>208,971,820</b>	<b>214,519,651</b>	<b>204,847,726</b>	<b>191,966,405</b>

**CALIFORNIA STATE LOTTERY  
Contributions to Education  
Last Ten Fiscal Years**

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
1,499,004,485	1,664,887,295	1,825,224,100	1,437,183,846	1,863,146,589	2,019,682,408
46,520,996	36,049,311	45,523,184	75,396,516	19,407,816	57,691,492
<b>1,545,525,481</b>	<b>1,700,936,606</b>	<b>1,870,747,284</b>	<b>1,512,580,362</b>	<b>1,882,554,405</b>	<b>2,077,373,900</b>



THE CALIFORNIA LOTTERY'S MISSION IS TO MAXIMIZE SUPPLEMENTAL FUNDING FOR PUBLIC EDUCATION THROUGH THE RESPONSIBLE SALE OF LOTTERY PRODUCTS.

## GENERAL CONTACT INFORMATION

**California Lottery**  
700 North 10th Street  
Sacramento, CA 95811  
www.calottery.com

**Customer Service**  
1-800-LOTTERY  
TDD 1-855-591-5776

**California Problem Gambling Helpline**  
1-800-GAMBLER (1-800-426-2537)

Since 1998, the California Lottery has helped fund a toll free helpline for individuals, providing counseling and assistance for problem gambling through the California Office of Problem Gambling. If you or someone you know has a gambling problem, the first step toward recovery is getting help.

## DISTRICT OFFICES

**Milpitas**  
900 Hanson Court  
Milpitas, CA 95035  
(408) 214-4204

**Sacramento**  
4106 East Commerce Way  
Sacramento, CA 95834  
(916) 830-0292

**Richmond**  
618 South 8th Street,  
Suite 300A  
Richmond, CA 94804  
(510) 806-8960

**Fresno**  
7620 North Del Mar Avenue  
Fresno, CA 93711  
(559) 449-2430

**Chatsworth**  
9710 Topanga Canyon Blvd.  
Chatsworth, CA 91311  
(818) 722-1602

**Rancho Cucamonga**  
11138 Elm Avenue  
Rancho Cucamonga, CA 91730  
(909) 803-6232

**Santa Fe Springs**  
9807 Bell Ranch Drive  
Santa Fe Springs, CA 90670  
(562) 777-3434

**Costa Mesa**  
235 Baker Street East  
Costa Mesa, CA 92626  
(714) 716-4076

**San Diego**  
5656 Ruffin Road  
San Diego, CA 92123  
(858) 492-1700

