



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2021



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, 2021

Prepared by the Finance Division of the California Lottery

California Lottery

Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2021

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Introductory Section



September 6, 2022

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, 2021. 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 and audited in accordance with both accounting principles and 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[®]. 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[®] and Powerball[®] 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 \$1.59 billion in January 2016. In March 2020, due to the impact of COVID-19 on nationwide lottery ticket sales, the game rules were changed to eliminate the fixed minimum starting jackpot of \$40 million, with future jackpots instead being 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. In April 2020, due to the impact of COVID-19 on nationwide lottery ticket sales, the game rules were changed to eliminate a fixed minimum starting jackpot of \$40 million, with future jackpots instead being determined by sales. Winning numbers are drawn every Tuesday and Friday at 7:59 p.m. PST.



SuperLotto Plus[®] – 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[®] – 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.

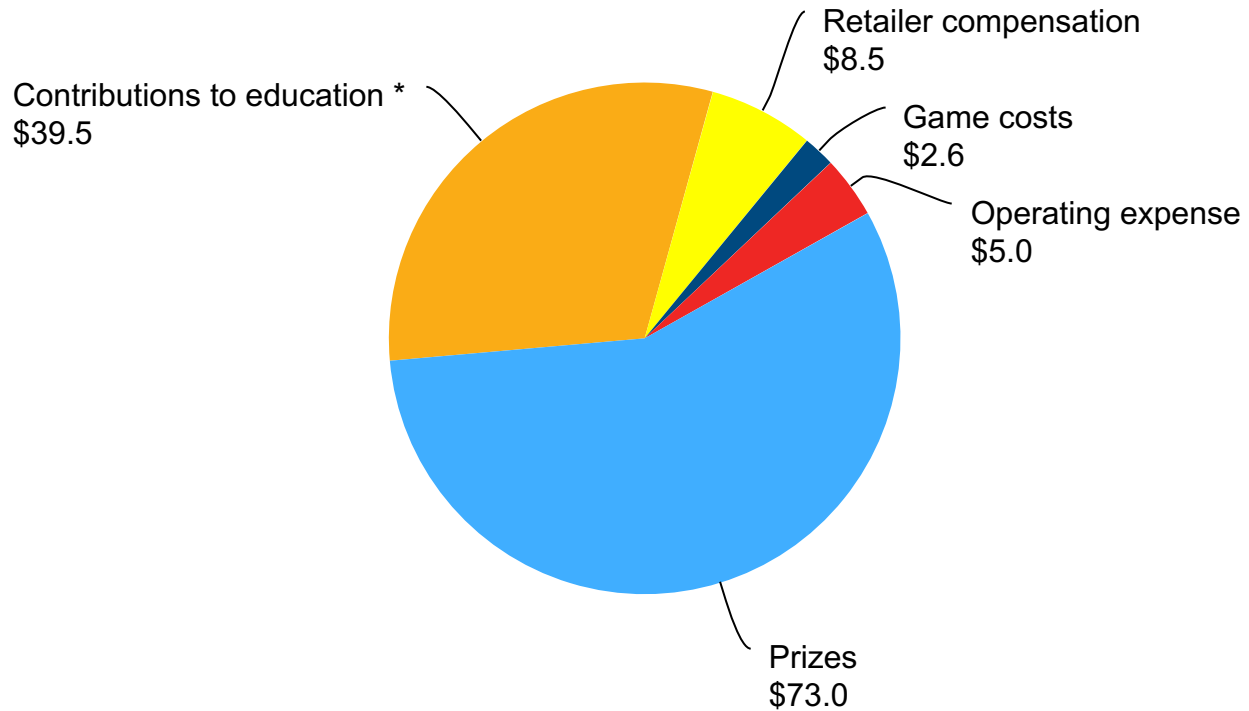


Fantasy 5 – This daily Lotto-style game was designed with better odds than SuperLotto Plus. Players select a set of five numbers from 1 through 39. Winning tickets are those that match any two, three, four, or all five of the five numbers drawn. There are four prize categories in this game. Top prizes 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[®] – 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, 2021



*Includes interest income, unclaimed prizes, and other income of more than \$1.5 billion.

From its inception in 1985 through June 30, 2021, the Lottery has generated more than \$127.0 billion in sales and contributed approximately \$39.5 billion to education. The retailers who sell lottery tickets have received more than \$8.5 billion in compensation. Approximately \$73.0 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 \$1.3 billion to education through operational savings.

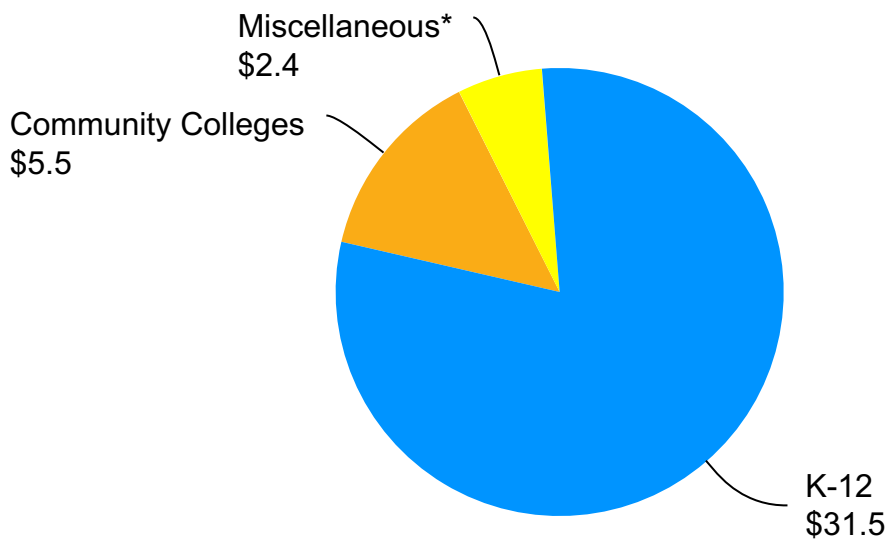
For the fiscal year ended June 30, 2021, the State Controller issued payments from the Lottery Education Fund to school districts, educational institutions, and state agencies. Payments are made quarterly based on Lottery income and unclaimed prizes.

Funds allocated to various educational entities for the fiscal year ended June 30, 2021, are as follows:

Entity	<u>Amount Allocated</u>
K-12	\$ 1,473,162,400
Community Colleges	277,856,910
California State University	68,644,019
University of California	48,239,183
Hastings College of the Law	160,652
Department of Education - State Special Schools	124,983
Department of Developmental Services	56,720
Juvenile Justice	28,736
Total	<u>\$ 1,868,273,603</u>

The table above is a display of the amount allocated to education during the fiscal year ended June 30, 2021, and does not reflect the total earned during the fiscal year.

**Distribution to Education
(in billions)
October 3, 1985 - June 30, 2020**



*Includes payments to California State University, University of California, Hastings College of the Law, 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).

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, 2021, the Lottery Commission authorized a total of 970 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

Despite ongoing challenges due to the COVID-19 pandemic, the Lottery turned things around in an enormous way during fiscal year 2020-21. The Lottery earned more than \$8.4 billion in sales which shattered the previous sales record of nearly \$7.4 billion set during pre-pandemic fiscal year 2018-19. Sales in 2020-21 increased by 27.1 percent over the previous fiscal year as the Lottery reached - and then surpassed - the long-sought sales goal of \$8 billion. The Lottery continues to be one of the fastest-growing lotteries in the United States, trailing only Florida in total sales. It also continues to be one of the largest revenue-generating California state agencies. Most importantly, more than \$1.88 billion was transferred to California's public schools in fiscal year 2020-21, which is the sole mission of the California Lottery.

Scratchers games had record high sales of \$6.4 billion, an increase of nearly \$1.4 billion from the prior fiscal year, and accounted for approximately 76 percent of the Lottery's total sales. The \$10, \$20, and \$30 price point Scratchers games performed exceedingly well. Pac-Man® and Monopoly® proved to be two of the more popular Scratchers games, and their mass appeal helped generate weekly Scratchers sales records in September 2020 and April 2021. The significant gains in Scratchers sales over last fiscal year can be attributed, in part, to the fact the Lottery was able to solve many of the distribution challenges of getting tickets to more than 23,000 Lottery retailers while following state and local safety mandates related to the COVID-19 pandemic.

Rolling jackpots helped boost multi-state game sales in California and helped the Lottery maintain its status as the top-seller of Powerball and Mega Millions. The two games combined to generate more than \$937 million in sales, an increase of 42.7 percent from the prior fiscal year. These robust sales gains were fueled by large jackpots in January 2021, when the Mega Millions jackpot was \$1.05 billion and the Powerball jackpot was \$731 million.

In fiscal year 2020-21, California's own lotto-style game, SuperLotto Plus, produced some its highest jackpots since August 2019, driving sales to \$261.4 million, an increase of \$29.7 million or 12.8 percent from the previous fiscal year. The Lottery's four daily games also performed well, earning approximately \$436.4 million, an increase of 11.3 percent from the prior year. Hot Spot

sales increased 19.7 percent to a record \$373 million, representing a recovery from the declining sales the prior year.

Recognizing it has an obligation beyond selling fun games, the Lottery continued to set prize payout levels designed to maximize the contribution to its beneficiary. As previously mentioned, the Lottery transferred a record amount of more than \$1.88 billion to public education, making it the 21st consecutive year that the Lottery has contributed more than \$1 billion to California's public schools.

During the COVID-19 pandemic, the Lottery has 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 businesses began reopening and supply chain issues were addressed, Lottery sales largely recovered from pandemic-related declines. Lottery tickets provide fun and entertainment for consumers who may not be comfortable going to crowded entertainment venues. The Lottery offers consumers low-cost entertainment that is available in locations they are visiting anyway, such as grocery stores and gas stations.

The Lottery also has a responsibility to its players to ensure that it encourages responsible gaming. The Lottery continues to maintain the highest Level 4 Responsible Gaming certification from the World Lottery Association. The Lottery also continues its dedication to environmental sustainability with regard to its buildings and operations. In addition, during fiscal year 2020-21, various Lottery staff were redirected to assist with the state's contact tracing and vaccination programs.

Economic Outlook*

Two years after the end of the COVID-19 Recession—the worst recession since the Great Depression—the U.S. and California economies have continued to steadily recover. After contracting by 10 percent in the first half of 2020, California real Gross Domestic Product (GDP) rebounded quickly and recovered to its pre-pandemic level in the first quarter of 2021, one quarter earlier than the nation. In 2021, both the state and the U.S. experienced their fastest annual real GDP growth since 1984—7.8 percent and 5.7 percent, respectively. As of the fourth quarter of 2021, California real GDP was 6.1 percent above its pre-pandemic level, compared to 3.1 percent above for the nation.

In line with strong GDP growth, California's nonfarm employment recovery exceeded expectations, increasing by 3.2 percent in 2021, its largest annual growth since 2000. As of March 2022, the state has recovered about 90 percent of the jobs lost in March and April 2020. California's nonfarm employment is projected to recover to its pre-pandemic level in the fourth quarter of 2022, with the U.S. expected to recover one quarter earlier.

A robust nonfarm job recovery and a tight labor market led to a second consecutive year of strong average wage growth—8.6 percent in 2021 following 10.9 percent in 2020. The substantial growth in total wages and salaries kept personal income growth at a high 8.5 percent in 2021 despite a much lower contribution of transfer payments due to the expiration of pandemic-related assistance programs.

**Department of Finance, excerpted from the 2022-23 May Revision to the Governor's Budget Summary, Economic Outlook section.*

The state's labor force recovery has been slower, as the number of Californians either working or seeking work decreased for the second consecutive year in 2021. This is likely due to ongoing pandemic-related reasons such as inability to work due to sickness or fear of the virus, childcare issues, and low migration inflows. However, the labor force is expected to grow 1.9 percent in 2022 and recover to pre-pandemic levels in the first quarter of 2023.

As the economy reopened and vaccines became available, and with increased accumulated consumer savings, demand for goods and services rebounded sharply and inflation returned to pre-pandemic rates in early 2021. Inflation has since accelerated to historically high rates in California and nationally. In California inflation reached 7.2 percent in February 2022, its highest rate since June 1982. Inflation outpaced wage growth in California in 2022, leading to real wage loss. However, inflation is forecast to ease by the end of 2023, leading to projected real average wage gains starting in 2023 and continuing through 2025.

Risks to continued recovery for California and the nation include persistent global supply chain bottlenecks, continued or worsening stock market volatility, a potential escalation of the Ukraine-Russia war, continued elevated inflation, or a recession caused by monetary policy overcorrection.

Awards and Acknowledgments

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lottery for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2020. This was the eighteenth consecutive year that the Lottery has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements.

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

California State Lottery

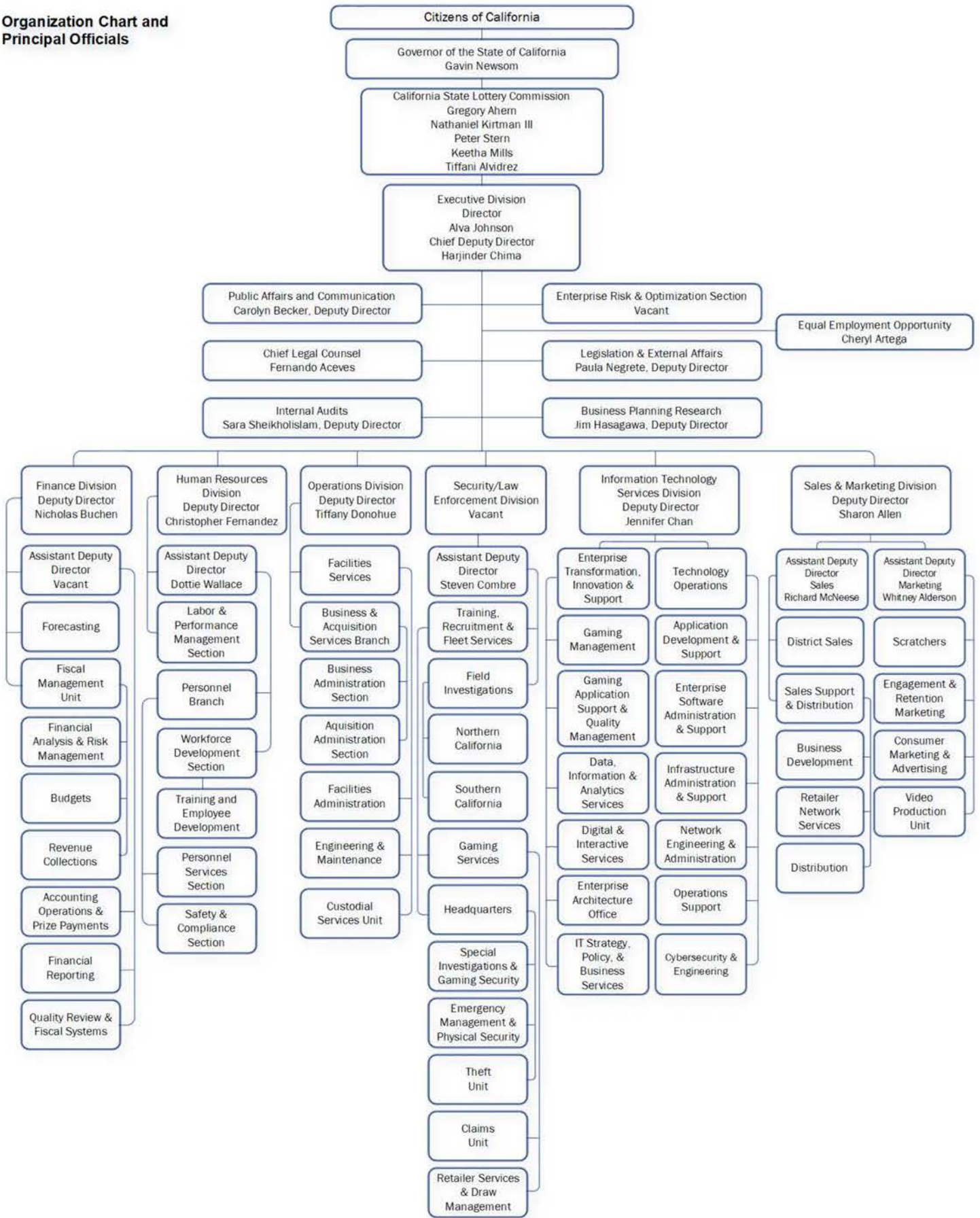
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

Organization Chart and Principal Officials



Principal officials updated as of June 30, 2022

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.



[Nathaniel Kirtman III](#)

Lottery Commission Member

Mr. Kirtman currently leads corporate communications for The CW Television Network. He was a senior vice president of publicity for NBC Entertainment from 2006 to 2016, led marketing communications for GE Aviation from 2005 to 2006, led GE's digital efforts from 2002 to 2005 and was a senior manager of new media for NBC Entertainment from 1998 to 2001. Mr. Kirtman also worked at Warner Bros. as a marketing representative from 1995 to 1998, and was their public affairs representative from 1994 to 1995. Mr. Kirtman is also currently a member of both the Pomona College and St. Mary's College High School Boards of Trustees.



[Peter Stern](#)

Lottery Commission Member

Mr. Stern is Senior Vice President of Corporate Development at Inception Corporation. He has over 20 years of technology sales, leadership, business development and startup experience. Prior to joining Inception, Mr. Stern's past roles included Chief Revenue Officer and Head of Sales at Skedulo, Autopilot and OpSource. Early on his career, he was Vice President of Enterprise Corporate Sales at Salesforce. At Salesforce, he was responsible for the west coast development and growth of a new direct sales division. Mr. Stern's first job out of college was at Oracle where he worked for 6 years and was ultimately responsible for the management of a North American field sales organization evangelizing Oracle's embedded infrastructure technology within the Independent Software Vendor (ISV) community. In December 2010, he was appointed to the San Francisco International Airport Commission by Mayor Gavin Newsom and was reappointed in 2014 by Mayor Edwin Lee and Mayor London Breed in 2018.

California State Lottery Commission (continued)



[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 Dynegey. 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.

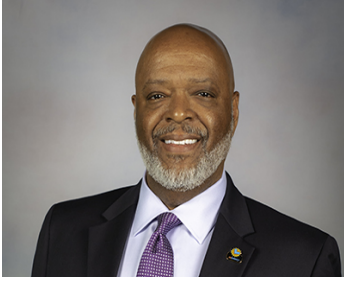


[Tiffani Alvidrez](#)

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 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.

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

Vacancy:

Deputy Director, Security & Law Enforcement

Chief Enterprise Risk Officer

Lottery management team updated as of June 30, 2022.





Financial Section



KPMG LLP
500 Capitol Mall, Ste 2100
Sacramento, CA 95814-4754

Independent Auditors' Report

The Commissioners
California State Lottery Fund, State of California:

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, 2021, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State Lottery Fund, as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Lottery are intended to present the financial position, the changes in financial position and cash flows of only that portion of the State of California that is attributable to the transactions of the Lottery. They do not purport to, and do not, present fairly the financial position of the



State of California as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 23–31 and required supplementary information on pages 67-73 (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Sacramento, California
September 6, 2022

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, 2021. Please read it in conjunction with the Lottery financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- In fiscal year 2020-21, the Lottery experienced robust recovery from the COVID-19 pandemic and achieved sales of more than \$8.4 billion - a record high - and transferred more than \$1.88 billion to California public schools - also a record high. This marked the 21st consecutive year the Lottery has transferred more than \$1 billion to its beneficiary, and a total contribution of more than \$39 billion in the 36 years since the Lottery's inception.
- Lottery sales increased \$1.8 billion or 27.1 percent from the prior fiscal year. Sales increased across all product categories with Scratchers[®] games showing the biggest dollar increase of nearly \$1.4 billion or 27.4 percent more than the prior year. Scratchers sales were led by the popular \$10, \$20, and \$30 price point games.
- Lotto games had the biggest percentage increase from prior year at 34.9 percent or \$310.4 million. This sales increase was fueled by two large jackpots in the multi-state games. In January 2021, the Mega Millions[®] jackpot rose to \$1.05 billion and the Powerball[®] jackpot was \$731 million. SuperLotto Plus[®], California's own lotto-style game, contributed to increased sales as the jackpot grew during the last six months of the fiscal year without a winner.
- Hot Spot[®] sales increased \$61.5 million or 19.7 percent after declining the prior year due to the impact of the pandemic on social trade-style retailers where Hot Spot is frequently sold. Daily games increased \$44.4 million or 11.3 percent.
- The Lottery paid out nearly \$6.2 billion in the form of prizes and retailer compensation during the fiscal year. Of this, the Lottery paid \$5.6 billion in prizes to players, and \$585.9 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, 2020	June 30, 2021	Dollar Change	Percent Change
Current and other assets	\$ 1,839,486,472	\$ 2,194,497,289	\$ 355,010,817	19.3 %
Capital assets	214,519,651	204,847,726	(9,671,925)	(4.5)%
Total assets	<u>\$ 2,054,006,123</u>	<u>\$ 2,399,345,015</u>	<u>\$ 345,338,892</u>	<u>16.8 %</u>
Deferred outflows of resources	\$ 76,874,767	\$ 71,040,365	\$ (5,834,402)	(7.6)%
Total assets and deferred outflows	<u>\$ 2,130,880,890</u>	<u>\$ 2,470,385,380</u>	<u>\$ 339,504,490</u>	<u>15.9 %</u>
Current liabilities	\$ 1,063,992,779	\$ 1,489,331,035	\$ 425,338,256	40.0 %
Non-current liabilities	1,098,160,803	1,077,447,896	(20,712,907)	(1.9)%
Total liabilities	<u>\$ 2,162,153,582</u>	<u>\$ 2,566,778,931</u>	<u>\$ 404,625,349</u>	<u>18.7 %</u>
Deferred inflows of resources	\$ 50,184,661	\$ 42,039,293	\$ (8,145,368)	(16.2)%
Total liabilities and deferred inflows	<u>\$ 2,212,338,243</u>	<u>\$ 2,608,818,224</u>	<u>\$ 396,479,981</u>	<u>17.9 %</u>
Net investment in capital assets	\$ 214,519,651	\$ 204,847,726	\$ (9,671,925)	(4.5)%
Restricted by legislation	163,905,059	106,929,568	(56,975,491)	(34.8)%
Unrestricted deficit	(459,882,063)	(450,210,138)	9,671,925	(2.1)%
Total net position	<u><u>\$ (81,457,353)</u></u>	<u><u>\$ (138,432,844)</u></u>	<u><u>\$ (56,975,491)</u></u>	<u><u>69.9 %</u></u>

During fiscal year 2020-21, the Lottery's net position decreased \$57 million to a net deficit of \$138.4 million. Net position restricted by legislation decreased \$57 million due to a decrease in the fair value of investments held to pay annuitized prizes. The net deficit also includes a \$204.8 million net investment in capital assets, specifically land, buildings and various equipment used to run the Lottery. The cost of these assets of approximately \$343.5 million is offset by the accumulated depreciation of \$138.7 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)

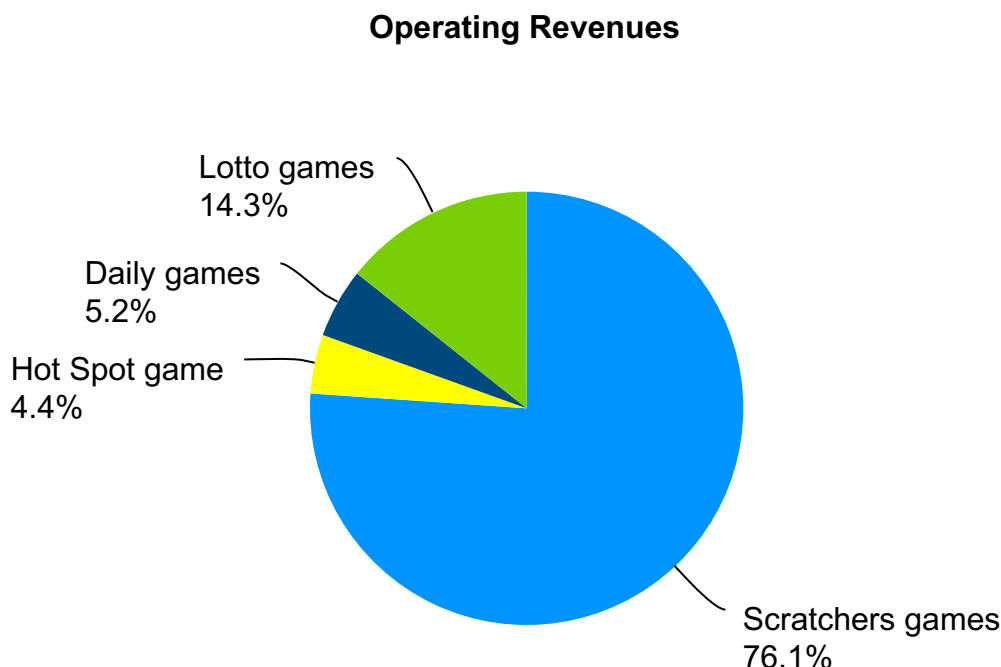
A summary of the California State Lottery's change in net position (deficit) is presented below:

	June 30, 2020	June 30, 2021	Dollar Change	Percent Change
Operating revenues - Lottery sales	\$ 6,622,003,405	\$ 8,417,943,817	\$ 1,795,940,412	27.1 %
Prizes	4,403,715,159	5,610,605,541	1,206,890,382	27.4 %
Sales after prizes	\$ 2,218,288,246	\$ 2,807,338,276	\$ 589,050,030	26.6 %
Game costs	579,966,826	728,426,578	148,459,752	25.6 %
Income before operating expenses	\$ 1,638,321,420	\$ 2,078,911,698	\$ 440,590,278	26.9 %
Operating expenses	213,166,565	221,180,820	8,014,255	3.8 %
Operating income	\$ 1,425,154,855	\$ 1,857,730,878	\$ 432,576,023	30.4 %
Non-operating expenses	\$(1,354,896,402)	\$(1,914,706,369)	\$ (559,809,967)	41.3 %
Change in net position	\$ 70,258,453	\$ (56,975,491)	\$ (127,233,944)	(181.1)%
Total net position - beginning of year	(151,715,806)	(81,457,353)	70,258,453	(46.3)%
Total net position - end of year	\$ (81,457,353)	\$ (138,432,844)	\$ (56,975,491)	69.9 %

**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, 2021:



A summary of total revenues for the fiscal years ended June 30, 2020 and 2021, and the amount and percentage of change in relation to prior year amounts is as follows:

	June 30, 2020	June 30, 2021	Dollar Change	Percent Change
Operating revenues:				
Lotto games	\$ 888,372,887	\$ 1,198,771,157	\$ 310,398,270	34.9 %
Scratchers games	5,029,765,509	6,409,463,025	1,379,697,516	27.4 %
Hot Spot game	311,848,814	373,301,793	61,452,979	19.7 %
Daily games	392,016,195	436,407,842	44,391,647	11.3 %
Total operating revenues	\$6,622,003,405	\$8,417,943,817	\$ 1,795,940,412	27.1 %
Non-operating revenues:				
Unrealized gains (losses) on investments	\$ 72,256,522	\$ (55,646,618)	\$ (127,903,140)	(177.0)%
Interest accreted/earned on investments	29,031,594	28,054,375	(977,219)	(3.4)%
Interest on funds held by State Treasurer	11,833,269	3,592,599	(8,240,670)	(69.6)%
Other income	195,722	1,823,112	1,627,390	831.5 %
Total non-operating revenues	\$ 113,317,107	\$ (22,176,532)	\$ (135,493,639)	(119.6)%
Total revenues	\$6,735,320,512	\$8,395,767,285	\$ 1,660,446,773	24.7 %

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

REVENUES (continued)

Lottery operating revenue increased \$1.8 billion or 27.1 percent from the previous fiscal year. Sales increased across all categories of Lottery products, representing a recovery from the declines caused by the pandemic in the previous fiscal year. Scratchers games increased \$1.4 billion or 27.4 percent as the Lottery worked through ticket supply and distribution issues. Lotto games showed the largest percentage increase at 34.9 percent or \$310.4 million. This increase was due in part to large jackpots in the multi-state games Mega Millions and Powerball. Non-operating revenue decreased \$135.5 million from the previous year due primarily to unrealized losses on investments and reduced interest on surplus funds held by the State Treasury.

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, 2021.

Lottery Sales	\$ 8,417,943,817	100.0 %
<hr/>		
Revenue returned to the public		
Prizes	\$ 5,610,605,541	66.6 %
Allocation of sales to education	1,857,730,878	22.1 %
Total revenue returned to the public	<u>\$ 7,468,336,419</u>	<u>88.7 %</u>
<hr/>		
Expenses of the Lottery		
Retailer costs	\$ 585,861,906	7.0 %
Game costs	142,564,672	1.7 %
Operating expenses	221,180,820	2.6 %
Total expenses of the Lottery	<u>\$ 949,607,398</u>	<u>11.3 %</u>

A summary of the total funds transferred by the Lottery to the education community for the fiscal year ended June 30, 2021, is shown below.

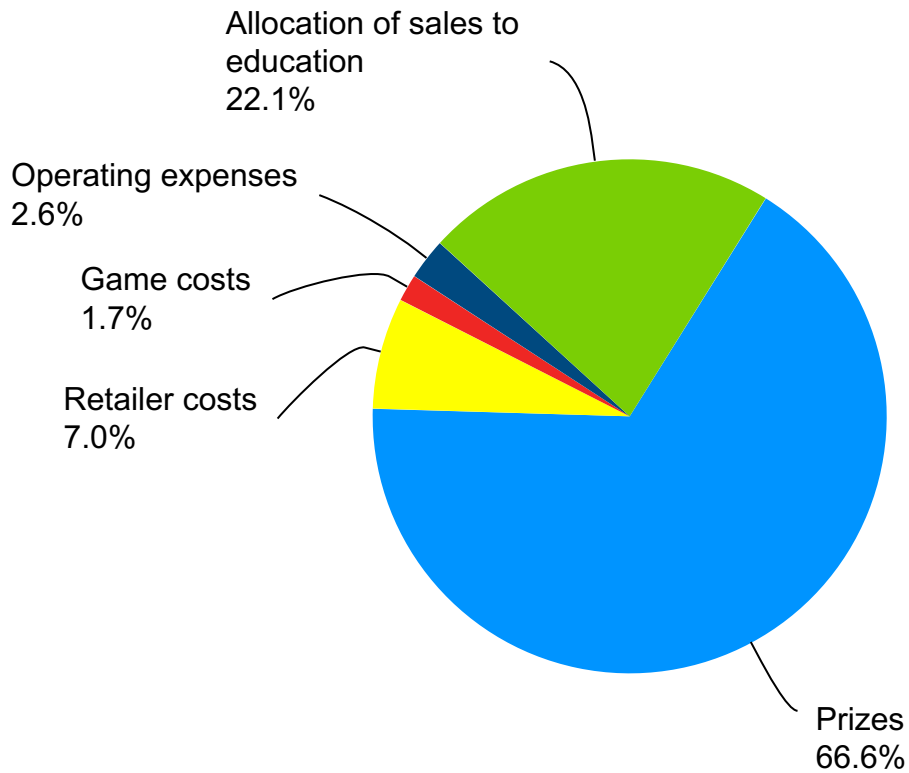
Revenues to Education	
Allocation of sales	\$ 1,857,730,878
Unclaimed prizes directly allocated to the Education Fund	19,407,816
Interest income	3,592,599
Other income	1,823,112
Total declared for allocation to the Education Fund	<u><u>\$ 1,882,554,405</u></u>

**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, 2021:

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, 2020 and 2021, and the amount and percentage change in relation to prior year amounts is as follows:

	June 30, 2020	June 30, 2021	Dollar Change	Percent Change
Prizes:				
Draw game prizes	\$ 876,398,762	\$1,062,238,150	\$ 185,839,388	21.2 %
Scratchers game prizes	3,527,316,397	4,548,367,391	1,021,050,994	28.9 %
Total prizes	<u>\$4,403,715,159</u>	<u>\$5,610,605,541</u>	<u>\$1,206,890,382</u>	<u>27.4 %</u>
Game costs:				
Retailer costs	\$ 460,706,639	\$ 585,861,906	\$ 125,155,267	27.2 %
Draw/Scratchers game costs	119,260,187	142,564,672	23,304,485	19.5 %
Total game costs	<u>\$ 579,966,826</u>	<u>\$ 728,426,578</u>	<u>\$ 148,459,752</u>	<u>25.6 %</u>
Operating expenses:				
Salaries, wages, and benefits	\$ 111,146,383	\$ 104,757,919	\$ (6,388,464)	(5.7)%
Advertising	40,856,926	59,135,920	18,278,994	44.7 %
Promotion, public relations, and point of sale	9,385,619	7,490,496	(1,895,123)	(20.2)%
Other professional services	16,225,755	17,728,391	1,502,636	9.3 %
Depreciation and amortization	18,428,535	16,765,127	(1,663,408)	(9.0)%
Other general and administrative expenses	17,123,347	15,302,967	(1,820,380)	(10.6)%
Total operating expenses	<u>\$ 213,166,565</u>	<u>\$ 221,180,820</u>	<u>\$ 8,014,255</u>	<u>3.8 %</u>
Non-operating expenses:				
Allocation to Education Fund	\$1,437,183,846	\$1,863,146,589	\$ 425,962,743	29.6 %
Interest imputed on annuitized prize liability	31,029,663	29,383,248	(1,646,415)	(5.3)%
Total non-operating expenses	<u>\$1,468,213,509</u>	<u>\$1,892,529,837</u>	<u>\$ 424,316,328</u>	<u>28.9 %</u>
Total expenses	<u><u>\$6,665,062,059</u></u>	<u><u>\$8,452,742,776</u></u>	<u><u>\$1,787,680,717</u></u>	<u><u>26.8 %</u></u>

Scratchers and draw game prize expense, retailer costs, and game costs all increased as sales increased. Advertising expense increased because the Lottery resumed advertising after canceling or postponing campaigns in response to the pandemic in the prior fiscal year. Promotion, public relations and point of sale decreased because the Lottery had fewer direct-to-consumer promotions as a result of the continuing impact of the pandemic. Other general and administrative expenses decreased primarily due to reduced spending on travel, expendable equipment, and vehicle maintenance related to pandemic restrictions. 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, 2020 and 2021, and the amount and percentage of change in relation to prior year amounts is as follows:

	June 30, 2020	June 30, 2021	Dollar Change	Percent Change
Non-depreciable capital assets:				
Land	\$ 18,798,281	\$ 18,798,281	\$ —	0.0 %
Depreciable capital assets:				
Gaming equipment	\$ 60,368,715	\$ 60,294,581	\$ (74,134)	(0.1)%
Vending machines	65,047,692	58,973,254	(6,074,438)	(9.3)%
Buildings	159,247,935	160,956,098	1,708,163	1.1 %
Data processing equipment	19,236,127	22,013,589	2,777,462	14.4 %
Office furniture and equipment	8,756,911	8,128,389	(628,522)	(7.2)%
Leasehold improvements	168,500	—	(168,500)	(100.0)%
Vehicles	12,809,661	12,877,259	67,598	0.5 %
Other	1,434,371	1,472,944	38,573	2.7 %
Subtotal	\$ 327,069,912	\$ 324,716,114	\$ (2,353,798)	(0.7)%
Less accumulated depreciation	(131,348,542)	(138,666,669)	(7,318,127)	5.6 %
Total depreciable capital assets	\$ 195,721,370	\$ 186,049,445	\$ (9,671,925)	(4.9)%
Capital assets, net	\$ 214,519,651	\$ 204,847,726	\$ (9,671,925)	(4.5)%

Capital Assets decreased 4.5 percent from the previous fiscal year, primarily due to the disposal of outdated vending machines as part of an upgrade to the Lottery's gaming system. This decrease was partially offset by an increase in data processing equipment due to the gaming system upgrade and an upgrade to the Lottery's accounting system. More information on the Lottery's capital assets can be found in Note 5.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

NON-CURRENT LIABILITIES

At June 30, 2021, the California State Lottery had approximately \$1.08 billion in non-current liabilities, a decrease of approximately \$20.7 million from the previous year. This includes an increase in the net other postemployment benefits (OPEB) liability of \$5.5 million, or 2.3 percent, to \$245.2 million. The increase in net OPEB liability was due to changes in assumptions and changes in the proportion of the Lottery's share of the State's net OPEB liability. The Lottery's net pension liability increased \$6.9 million, or 5 percent, to \$145.6 million. The increase in net pension liability was primarily due to interest on total pension liability and the actual investment returns on plan assets exceeding projected returns, offset by contributions and net investment income. Changes in the proportion of the Lottery's share of the State's net pension liability also contributed to the increase. In addition, pursuant to Senate Bill 84, the Lottery has recognized an \$8.1 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 \$30.6 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, 2021**

Assets

Cash and cash equivalents (Note 2)	\$ 691,362,513
Investments, current portion (Note 2)	61,133,598
Accounts receivable, net of allowances (Note 3)	660,370,364
Due from state funds (Note 4)	763,295
Ticket inventories	17,704,254
Other	3,156,027
Total current assets	\$ 1,434,490,051
Investments, less current portion (Note 2)	\$ 759,650,688
Capital assets, net (Note 5)	204,847,726
Long-term prepaid charges, net	356,550
Total non-current assets	\$ 964,854,964
Total assets	\$ 2,399,345,015
Deferred Outflows of Resources (Note 10)	\$ 71,040,365
Total Assets and Deferred Outflows of Resources	\$ 2,470,385,380
Liabilities	
Accounts payable	\$ 52,021,815
Current prize liability (Note 6)	918,414,862
Due to state funds (Note 7)	494,938,379
Accrued liabilities	21,620,778
Unearned revenue	2,335,201
Total current liabilities	\$ 1,489,331,035
Prize liability, less current portion (Note 6)	\$ 678,599,280
Net other postemployment benefits liability (Note 10)	245,228,000
Net pension liability (Note 10)	145,559,342
Inter-fund loan payable	8,061,274
Total non-current liabilities	\$ 1,077,447,896
Total liabilities	\$ 2,566,778,931
Deferred Inflows of Resources (Note 10)	\$ 42,039,293
Total Liabilities and Deferred Inflows of Resources	\$ 2,608,818,224
Net Position	
Net investment in capital assets (Note 5)	\$ 204,847,726
Restricted by legislation for prizes (Note 2)	106,929,568
Unrestricted deficit	(450,210,138)
Total Net Deficit	\$ (138,432,844)

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, 2021

Operating revenues: Lottery sales	\$ 8,417,943,817
Prizes	5,610,605,541
Sales after prizes	<u>\$ 2,807,338,276</u>
Less game costs:	
Retailer costs	\$ 585,861,906
Gaming system costs	97,963,148
Scratchers [®] game costs	44,601,524
Total game costs	<u>\$ 728,426,578</u>
Income before operating expenses	<u>\$ 2,078,911,698</u>
Operating expenses:	
Salaries, wages, and benefits	\$ 104,757,919
Advertising	59,135,920
Promotion, public relations, and point of sale	7,490,496
Other professional services	17,728,391
Depreciation and amortization (Note 5)	16,765,127
Other general and administrative expenses	15,302,967
Total operating expenses	<u>\$ 221,180,820</u>
Operating income	<u>\$ 1,857,730,878</u>
Non-operating (expenses) revenues:	
Investment income (loss) (Note 9)	\$ (23,999,644)
Interest expense imputed on annuitized prize liability	(29,383,248)
Other income	1,823,112
Allocation to Education Fund (Note 7)	(1,863,146,589)
Total non-operating expenses	<u>\$ (1,914,706,369)</u>
Change in net deficit	<u>\$ (56,975,491)</u>
Total net deficit - beginning balance	(81,457,353)
Total net deficit - ending balance	<u><u>\$ (138,432,844)</u></u>

See accompanying notes to the financial statements.

**CALIFORNIA STATE LOTTERY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities:	
Receipts from customers	\$ 8,282,434,605
Payments for prizes	(5,401,853,062)
Payments to retailers	(585,863,308)
Payments to suppliers for goods and services	(242,691,676)
Payments to employees	(89,701,848)
Internal activity - payments to state funds	(16,931,071)
Receipts from other states	15,764,972
Other receipts	1,791,262
Net cash flows provided by operating activities	<u>\$ 1,962,949,874</u>
Cash flows from non-capital financing activities:	
Distributions to Education Fund	<u>\$ (1,737,273,606)</u>
Net cash flows used in non-capital financing activities	<u>\$ (1,737,273,606)</u>
Cash flows from capital and related financing activities:	
Proceeds from disposal of property and equipment	\$ 256,312
Payments for capital assets	(7,192,872)
Net cash flows used in capital and related financing activities	<u>\$ (6,936,560)</u>
Cash flows from investing activities:	
Purchase of securities	\$ (14,718,744)
Proceeds from matured securities	65,109,000
Investment portfolio and SMIF interest received	13,309,395
Net cash flows provided by investing activities	<u>\$ 63,699,651</u>
Increase in cash and cash equivalents	\$ 282,439,359
Cash and cash equivalents at July 1, 2020	\$ 408,923,154
Cash and cash equivalents at June 30, 2021	<u><u>\$ 691,362,513</u></u>

See accompanying notes to the financial statements.

(Continued)

**CALIFORNIA STATE LOTTERY FUND
STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities:	
Operating income	\$ 1,857,730,878
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	\$ 16,765,127
Provision for doubtful accounts	(120,631)
Provision for returned tickets	17,096,294
Provision for free ticket redemptions	(170,213)
Net gain on retirement or disposal of capital assets	(156,642)
Other income	1,823,112
Changes in assets and liabilities:	
Increase in accounts receivable	(173,075,546)
Decrease in due from other funds net of SMIF	300,352
Increase in ticket inventories	(4,821,403)
Decrease in other assets	453,173
Decrease in long-term prepaid charges	67,220
Increase in accounts payable	12,323,588
Increase in prize liability	224,517,452
Increase in due to state funds	3,499,005
Increase in accrued liabilities	4,952,616
Increase in unearned revenues	33,124
Increase in OPEB and net pension liability	1,732,368
Net cash flows provided by operating activities	<u><u>\$ 1,962,949,874</u></u>
Supplemental disclosure of non-cash activities:	
Interest accreted on annuitized prizes	<u><u>\$ 29,383,248</u></u>
Unclaimed prized directly allocated to the Education Fund	<u><u>\$ 19,407,816</u></u>
Unrealized loss on investments	<u><u>\$ (55,646,618)</u></u>
Interest accreted on zero coupon bonds	<u><u>\$ 19,534,221</u></u>

See accompanying notes to the financial statements.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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 each of the 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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prizes - Draw Games (continued)

SuperLotto Plus[®] - 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[®] - 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, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prizes - Draw Games (continued)

Hot Spot[®] - 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 2020-21.

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, 2021**

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.

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.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021**

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 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.

Advertising

Advertising costs are expensed when the related liability is incurred. Advertising expense totaled \$59,135,920 for the year ended June 30, 2021.

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, 2021, restricted cash and cash equivalents is approximately \$215.5 million and restricted accounts receivable is approximately \$656.2 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, 2021**

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, 2021**

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, 2021, the Lottery's investments consist of the following:

	Face Amount	Cost	Fair Value
Current portion:			
U.S. Treasury Bonds	\$ 23,629,000	\$ 19,979,381	\$ 23,625,815
U.S. Agency Bonds	29,927,000	16,121,844	29,860,383
U.S. Municipal Bonds	7,500,000	7,504,498	7,647,400
Total current portion	<u>\$ 61,056,000</u>	<u>\$ 43,605,723</u>	<u>\$ 61,133,598</u>
Long-term portion:			
U.S. Treasury Bonds	\$ 601,874,000	\$ 351,428,400	\$ 491,458,672
U.S. Agency Bonds	104,149,000	46,983,014	99,996,258
U.S. Municipal Bonds	145,045,000	145,257,063	168,195,758
Total long-term portion	<u>\$ 851,068,000</u>	<u>\$ 543,668,477</u>	<u>\$ 759,650,688</u>
Total investments	<u><u>\$ 912,124,000</u></u>	<u><u>\$ 587,274,200</u></u>	<u><u>\$ 820,784,286</u></u>

Yields on the Lottery's investments range from 0.001 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, 2021:

Changes in fair value of investments:	
Unrealized investment gains at July 1, 2020	\$ 155,128,668
Unrealized investment loss, current period	<u>(55,646,618)</u>
Total unrealized investment gain	<u><u>\$ 99,482,050</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, 2021**

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	10.16 years
U.S. Agency Bonds	2.68 years
U.S. Municipal Bonds	4.34 years
Surplus Money Investment Fund	0.80 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, 2021. Credit risk is further mitigated by a \$2.7 million par value agency bond reserve. The bond reserve has a fair value of \$2,610,981 as of June 30, 2021.

As of June 30, 2021, 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	\$ 661,018,778	80.54 %
Aa1	101,566,740	12.37 %
Aa3	44,268,950	5.39 %
Baa2	11,290,210	1.38 %
Ba1	2,639,608	0.32 %
Totals	<u>\$ 820,784,286</u>	<u>100.00 %</u>

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	\$ 73,830,960	9.00%	Aa1

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, 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, 2021, the carrying value of deposits in the Surplus Money Investment Fund approximated fair value.

State Treasury	\$ 9,746,203
Surplus Money Investment Fund (SMIF)	681,566,000
Total	<u>\$ 691,312,203</u>

At June 30, 2021, the total cash and cash equivalents of \$691,362,513 includes \$50,310 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, 2021**

2. DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

At June 30, 2021, 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	\$ 478,522,987
Federal Agency Debt	83,034,687
Supranational Debentures	6,777,303
Bank Notes	176,281
Certificates of Deposit	57,115,176
Commercial Paper	39,109,388
Bonds	398,014
Time Deposits	13,875,110
AB 55 and General Fund Loans	2,557,054
Total	\$ 681,566,000

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, 2021, 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 0.5 percent for the year ended June 30, 2021.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2021:

Amounts due, primarily from retailers	\$ 735,302,527
Less: Allowance for free ticket redemption	(37,406,238)
Allowance for doubtful accounts	(5,559,032)
Allowance for ticket returns	(31,966,893)
Accounts receivable, net	\$ 660,370,364

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

5. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2021:

	Beginning Balance	Increase	Decrease	Ending Balance
Non-depreciable capital assets:				
Land	\$ 18,798,281	\$ —	\$ —	\$ 18,798,281
Depreciable capital assets:				
Gaming equipment	60,368,715	—	(74,134)	60,294,581
Vending machines	65,047,692	—	(6,074,438)	58,973,254
Buildings	159,247,935	1,708,163	—	160,956,098
Data processing equipment	19,236,127	3,791,223	(1,013,761)	22,013,589
Office furniture and equipment	8,756,911	37,481	(666,003)	8,128,389
Leasehold improvements	168,500	—	(168,500)	—
Vehicles	12,809,661	1,601,272	(1,533,674)	12,877,259
Other	1,434,371	54,733	(16,160)	1,472,944
	<u>\$ 345,868,193</u>	<u>\$ 7,192,872</u>	<u>\$ (9,546,670)</u>	<u>\$ 343,514,395</u>
Less accumulated depreciation and amortization:				
Gaming equipment	\$ (45,548,297)	\$ (4,802,793)	\$ 74,134	\$ (50,276,956)
Vending machines	(34,720,591)	(5,690,958)	6,022,454	(34,389,095)
Buildings	(20,528,305)	(4,053,353)	—	(24,581,658)
Data processing equipment	(12,810,039)	(491,533)	1,013,761	(12,287,811)
Office furniture and equipment	(8,221,193)	(198,181)	666,003	(7,753,371)
Leasehold improvements	(168,500)	—	168,500	—
Vehicles	(8,143,156)	(1,472,730)	1,485,988	(8,129,898)
Other	(1,208,461)	(55,579)	16,160	(1,247,880)
	<u>\$ (131,348,542)</u>	<u>\$ (16,765,127)</u>	<u>\$ 9,447,000</u>	<u>\$ (138,666,669)</u>
Capital assets, net	<u>\$ 214,519,651</u>	<u>\$ (9,572,255)</u>	<u>\$ (99,670)</u>	<u>\$ 204,847,726</u>

Depreciation and amortization charged to income on capital assets was 16,765,127 for the year ended June 30, 2021.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

6. PRIZE LIABILITY

Prize liability consists of the following at June 30, 2021:

	Scratchers Games	Draw Games	Total
Current:			
Annuitized prizes	\$ 23,966,448	\$ 128,895,809	\$ 152,862,257
Other prizes	711,512,691	54,039,914	765,552,605
Total current prize liability	<u>\$ 735,479,139</u>	<u>\$ 182,935,723</u>	<u>\$ 918,414,862</u>
Long-term annuitized prizes	\$ 244,286,000	\$ 667,212,000	\$ 911,498,000
Less imputed interest	(52,873,827)	(180,024,893)	(232,898,720)
Net present value of long-term prizes	<u>\$ 191,412,173</u>	<u>\$ 487,187,107</u>	<u>\$ 678,599,280</u>
Total prize liability	<u><u>\$ 926,891,312</u></u>	<u><u>\$ 670,122,830</u></u>	<u><u>\$1,597,014,142</u></u>

The amount of prizes due within one year is \$918,414,862.

Long-term prize liability as of June 30, 2021, for each of the next five years and for subsequent years is as follows:

	Principal	Interest	Total
For the year ending June 30, 2023	\$ 39,796,132	\$ 36,523,320	\$ 76,319,452
2024	37,654,917	32,460,555	70,115,472
2025	35,203,425	27,782,966	62,986,391
2026	33,283,508	24,116,068	57,399,576
2027	29,888,473	17,919,254	47,807,727
2028-2032	114,838,359	44,758,938	159,597,297
2033-2037	76,499,692	13,547,774	90,047,466
2038-2042	65,875,002	9,997,229	75,872,231
2043-2047	30,697,446	3,437,591	34,135,037
2048-2050	4,283,760	34,871	4,318,631
Total long-term prize liability	<u><u>\$ 468,020,714</u></u>	<u><u>\$ 210,578,566</u></u>	<u><u>\$ 678,599,280</u></u>

Activity in the prize liability accounts consists of:

Balance, July 1, 2020	\$ 1,362,521,259
Prize expense	5,610,605,541
Prize payments	(5,401,853,062)
Grand/Jackpot Prize contributions from Other Party Lotteries	15,764,972
Interest imputed on annuities	29,383,248
Unclaimed prizes	(19,407,816)
Balance, June 30, 2021	<u><u>\$ 1,597,014,142</u></u>

**CALIFORNIA STATE LOTTERY FUND
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7. DUE TO STATE FUNDS

Due to state funds consists of the following at June 30, 2021:

Due to Education Fund	\$ 494,331,565
Due to other state funds	606,814
Total due to state funds	<u>\$ 494,938,379</u>

Activity in the Due to Education Fund account consists of:

Balance, July 1, 2020	\$ 349,050,766
Allocation to Education Fund, earned by the California State Lottery Fund	\$ 1,863,146,589
Unclaimed prizes directly allocated to the Education Fund	<u>19,407,816</u>
	\$ 1,882,554,405
Distribution to the Education Fund	<u>(1,737,273,606)</u>
Balance, June 30, 2021	<u>\$ 494,331,565</u>

8. LEASES

The Lottery previously leased office, warehouse, and parking lot facilities under operating leases. As the Lottery has transitioned to owning its own facilities, there are no future minimum lease payments under operating leases as of June 30, 2021. The last remaining lease terminated on July 31, 2020.

Rental expense totaled \$14,940 for the year ended June 30, 2021.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

9. INVESTMENT INCOME (LOSS)

Investment income (loss) consists of:

Interest on funds held by State Treasurer	\$ 3,592,599
Change in fair value of investments	(55,646,618)
Interest accreted/earned on investments	28,054,375
Total investment income (loss)	<u>\$ (23,999,644)</u>

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.

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, 2019
Measurement Date	June 30, 2020
Measurement Period (MP)	July 1, 2019 to June 30, 2020

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020, the average active employee contribution rate for the Miscellaneous Plan is 7 percent of annual pay, and the employer's contribution rate is 31.075 percent of annual payroll; for the Peace Officers/Firefighters Plan, the average active employee contribution rate is 11.51 percent of annual pay, and the employer's contribution rate is 48.845 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, 2021, the Lottery reported a liability of \$145.6 million for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Lottery's proportion was 0.386 percent for the State Miscellaneous Plan and 0.082 percent for the State Peace Officers/Firefighters Plan. These proportions represent an increase of 0.004 percentage points for the State Miscellaneous Plan and an increase of 0.012 percentage points for the State Peace Officers/Firefighters Plan from the proportions measured as of June 30, 2019.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 increased \$4.3 million during the MP to \$134.0 million, and the Lottery's net pension liability for the Peace Officers/Firefighters Plan decreased \$0.5 million during the MP to \$11.6 million. As of June 30, 2021, the Lottery recognized a total net pension liability of \$145.6 million.

For the MP ended June 30, 2020, the Lottery recognized pension expense of \$21.2 million. As of the measurement date of June 30, 2020, 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	\$ 14,434,235	\$ 1,137,041	\$ 15,571,276
Change in proportionate share	4,109,633	1,275,971	5,385,604
Change of Assumption	—	493,448	493,448
Difference between expected and actual experience	6,655,143	555,546	7,210,689
Net difference between projected and actual earnings on pension plan investments	3,303,778	296,570	3,600,348
Total	<u>\$ 28,502,789</u>	<u>\$ 3,758,576</u>	<u>\$ 32,261,365</u>
Deferred inflows of resources:			
Change of Assumption	\$ (1,424,813)	\$ (8,269)	\$ (1,433,082)
Difference between expected and actual experience	—	(54,211)	(54,211)
Total	<u>\$ (1,424,813)</u>	<u>\$ (62,480)</u>	<u>\$ (1,487,293)</u>

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021, 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
2021	\$ 3,311,024	\$ 816,302	\$ 4,127,326
2022	4,785,236	696,366	5,481,602
2023	2,952,093	630,266	3,582,359
2024	1,595,388	416,121	2,011,509
2025	—	—	—
Total	<u>\$ 12,643,741</u>	<u>\$ 2,559,055</u>	<u>\$ 15,202,796</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 2021 measurement period presented above will be expensed in fiscal year 2021-22

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the MP ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019, 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, 2019, 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.

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
JUNE 30, 2021**

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, 2020, 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	\$ 190,978,432	\$ 134,010,958	\$ 86,266,987
Peace Officers/Firefighters Plan	\$ 17,482,591	\$ 11,548,384	\$ 6,678,190
Total	\$ 208,461,023	\$ 145,559,342	\$ 92,945,177

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
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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 & Hospital Care Act and the State Employees' Dental Care Act. The program covers state employees by law. Plan assets are held in the California Employees Retiree Benefit Trust (CERBT) and the State has adopted an investment strategy expected to return approximately 6.75 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, 2020, the Lottery had 761 active employees in 9 different bargaining units, 558 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, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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 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. Employee pre-funding contributions for many employees 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 2020-21 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 2020 maximum monthly state contributions are \$767 for a single enrollee, \$1,461 for an enrollee with one dependent, and \$1,868 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, 2021, the Lottery paid approximately \$6.5 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 \$1.8 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, 2020. For purposes of developing the full-funding normal cost, actuarial liability and actuarially-determined contribution, a discount rate of 6.75 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 2.45 percent if pre-funding assets are not available to pay benefits and 6.75 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 nominal returns for the short-term (first 10 years) and the long-term (11+ years), a single expected return rate of 6.75 percent was calculated for the 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, 2021**

10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Discount Rate (continued)

The table below reflects long-term expected real rate of return by asset class. An expected inflation rate of 1.75 percent was used for real return years 1-10. For real return years 11+, an inflation rate of 2.67 percent was used.

Asset Class	Target Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global equity	59.00 %	4.80 %	5.98 %
Fixed income	25.00 %	1.10 %	2.62 %
Treasury inflation-protected securities	5.00 %	0.25 %	1.46 %
Real estate investment trusts	8.00 %	3.50 %	5.00 %
Commodities	3.00 %	1.50 %	2.87 %
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, 2019, through June 30, 2020. 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, 2019, the Lottery's net OPEB liability was \$239.8 million. The change in allocation basis and proportionate share from prior year resulted in an increase of \$0.5 million. During the measurement period, the Lottery's net OPEB liability increased \$4.9 million, resulting in a net OPEB liability of \$245.2 million as of June 30, 2020.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 the MP ending June 30, 2020 and 0.0261 for the MP ending June 30, 2019.

For the measurement period ended June 30, 2020, the Lottery had an OPEB expense of \$8.1 million.

As of June 30, 2020, 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	\$ 9,181,000	\$ —
Change in proportionate share	19,266,000	(5,573,000)
Difference between expected and actual experience	558,000	(19,858,000)
Change of assumptions	9,687,000	(15,107,000)
Net difference between projected and actual earnings on investments	87,000	(14,000)
Total	<u>\$ 38,779,000</u>	<u>\$ (40,552,000)</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	
2021	\$ (4,104,000)
2022	(3,999,000)
2023	(2,962,000)
2024	4,500
2025	539,000
2026	(354,000)
2027	(78,500)
Total	<u>\$ (10,954,000)</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 2021 measurement period presented above will be expensed in fiscal year 2021-22

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020, 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:	2.25%
Salary Increases:	Varies by entry age and service.
Investment Rate of Return:	6.75%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses.
Healthcare Cost Trend Rates:	Pre-Medicare: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years. Post-Medicare: Actual rates for 2021, increasing to 7.50% in 2022, then decreasing 0.50% per year to an ultimate rate of 4.50% for 2028 through 2036, then to 4.25% for 2037 and later years. Dental: 0.00% in 2021, 2.00% for 2022, 3.00% for 2023, 4.00% for 2024, and 4.25% for 2025 and later years.
Discount Rate:	Blended rate for each valuation group, consisting of 6.75% when assets are available to pay benefits, otherwise the 20-year Municipal G.O. Bond AA Index rate of 2.45%.
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 90 percent of Scale MP 2016 published by the Society of Actuaries. For more details on this table, refer to the 2017 CalPERS Experience Study for the period from 1997 to 2015. Other demographic assumptions used in the June 30, 2020, valuation were also based on the results of the 2017 Experience Study, including updates to termination, disability, and retirement rates. The 2017 Experience Study report is available at 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.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2020, 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	\$ 290,403,000	\$ 245,228,000	\$ 209,296,000

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, 2020, 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	\$ 214,024,000	\$ 245,228,000	\$ 285,318,000

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, 2020, the net fiduciary position of the State's OPEB plans is approximately \$2.69 billion. The Lottery's proportionate fiduciary net position for the bargaining units in which it has employees is approximately \$4.5 million.

The actuarial valuation report for OPEB may be obtained by writing to the Office of State Controller Betty T. Yee, P.O. Box 942850, Sacramento, CA 94250, or by visiting the State Controller's web site at www.sco.ca.gov.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

11. COMMITMENTS AND CONTINGENCIES

On September 28, 2017, the California State Lottery Commission approved a contract amendment to the existing contract with IGT Global Solutions Corporation (IGT) to provide both gaming and telecommunications systems and services. The amendment extends the contract seven years to October 31, 2026, and increases the maximum expenditure amount by \$800 million to \$2.25 billion. The amended contract, which became effective November 1, 2017, includes adjusted contract pricing, a gaming system upgrade, additional equipment, and other services and support. Under the amended contract, the Lottery pays a percentage of sales compensation of 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.

As of June 30, 2021, approximately \$1.39 billion in cumulative expenses have been incurred. Additionally, approximately \$260,000 of prepaid equipment costs will be amortized and expensed over the period ending October 31, 2026, and approximately \$118.2 million of capitalized gaming equipment and vending machines has been purchased. Of this, approximately \$83.6 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 various district offices 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.

**CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(Unaudited)**

SCHEDULE 1

Schedule of Lottery's Proportionate Share of the Net Pension Liability and Related Ratios as of June 30, 2021.

Last ten fiscal years¹

Miscellaneous Plan	2020²	2019
Lottery's proportion of the net pension liability	0.38551%	0.38157%
Lottery's proportionate share of the net pension liability	\$134,010,958	\$128,341,272
Lottery's proportionate share of covered payroll	\$52,351,260	\$49,272,524
Lottery's proportionate share of the net pension liability as a percentage of covered payroll	255.98%	260.47%
Plan fiduciary net position as a percentage of the total pension liability	71.51%	71.34%
Peace Officers/Firefighters Plan	2020²	2019
Lottery's proportion of the net pension liability	0.08197%	0.06970%
Lottery's proportionate share of the net pension liability	\$11,548,384	\$10,277,648
Lottery's proportionate share of covered payroll	\$3,200,425	\$2,562,611
Lottery's proportionate share of the net pension liability as a percentage of covered payroll	360.84%	401.06%
Plan fiduciary net position as a percentage of the total pension liability	73.19%	70.56%

¹The 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.

²The 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, 2021
(Unaudited)**

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

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021
(Unaudited)**

SCHEDULE 2

Schedule of Employer Contributions Related to Pensions Year Ended June 30, 2021.

Last ten fiscal years¹

Miscellaneous Plan	2021	2020
Actuarially determined contribution	\$16,465,164	\$15,446,268
Contributions in relation to the actuarially determined contributions	<u>(14,434,235)</u>	<u>(16,133,656)</u>
Contribution Excess	<u>\$2,030,929</u>	<u>\$(687,388)</u>
Lottery's covered payroll	\$49,148,149	\$52,351,260
Contributions as a percentage of covered payroll	29.37%	30.82%
Peace Officers/Firefighters Plan	2021	2020
Actuarially determined contribution	\$1,526,882	\$1,438,740
Contributions in relation to the actuarially determined contributions	<u>(1,137,041)</u>	<u>(1,516,389)</u>
Contribution Excess	<u>\$389,841</u>	<u>\$(77,649)</u>
Lottery's covered payroll	\$2,960,295	\$3,200,425
Contributions as a percentage of covered payroll	38.41%	47.38%

¹The 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, 2021
(Unaudited)**

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

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2021
 (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 2020-21 were derived from the June 30, 2019, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal.
Amortization Method/ Period	For details, see June 30, 2019, Funding Valuation Report.
Asset Valuation Method	Market value of assets; for details, see June 30, 2019, 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, 2021
(Unaudited)**

SCHEDULE 3

Schedule of Lottery's Proportionate Share of the Net Other Postemployment Benefits Liability and Related Ratios as of June 30, 2021.

(In thousands)

Last ten fiscal years¹

	2020²	2019	2018	2017
Lottery's proportion of the net other postemployment benefits liability	0.25762%	0.26080%	0.27087%	0.23962%
Lottery's proportionate share of the net other postemployment benefits liability	\$245,228	\$239,754	\$231,853	\$218,073
Lottery's covered payroll	\$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	441.44%	462.53%	484.91%	502.94%
Plan fiduciary net position as a percentage of the total other postemployment benefits liability	2.748%	1.693%	1.011%	0.546%

¹The 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.

²The 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, 2021
(Unaudited)**

SCHEDULE 4

Schedule of Employer Contributions Related to Other Postemployment Benefits Year Ended June 30, 2021.

(In thousands)

Last ten fiscal years¹

	2021	2020	2019	2018
Actuarially determined contributions	\$8,021	\$7,082	\$6,066	\$5,533
Contributions in relation to the actuarially determined contributions	\$8,021	\$7,082	\$6,066	\$5,533
Contribution deficiency	—	—	—	—
Lottery's covered payroll	\$52,108	\$55,556	\$51,835	\$47,814
Contributions as a percentage of covered payroll	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 2020-21 were derived from the June 30, 2019, 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 7 percent.
Inflation	2.5% compounded annually.
Payroll Growth	2.75% compounded annually.
Retirement Age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
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 90 percent of Scale MP 2016 published by the Society of Actuaries.

¹The 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.

$$2 \times 3 = \underline{6}$$

$$2 \times 4 = \underline{8}$$

$$2 \times 5 = \underline{10}$$

c

d



A young boy with short brown hair and glasses, wearing a bright green sweater and tan pants, stands in a classroom pointing towards a green chalkboard. In the foreground, the back of a girl with dark hair in a ponytail, wearing a light blue shirt, is visible. The scene is brightly lit, suggesting a modern educational environment.

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

	2012	2013	2014	2015
Invested in capital assets	85,183,982	82,251,499	95,330,193	129,585,496
Restricted by legislation	155,597,555	102,067,701	101,108,957	94,228,359
Unrestricted deficit	(85,183,982)	(82,251,499)	(95,330,193)	(219,795,908)
Total net position¹	155,597,555	102,067,701	101,108,957	4,017,947

CALIFORNIA STATE LOTTERY
Change in Net Position
Last Ten Fiscal years

	2012	2013	2014	2015
Operating revenues:				
Lotto games	1,143,839,339	935,660,488	1,230,661,985	1,064,489,378
Scratchers [®] games	2,755,381,647	3,010,119,929	3,288,922,307	3,915,381,412
Hot Spot [®]	131,056,826	154,403,306	188,390,807	206,439,141
Daily games	341,213,934	345,690,317	326,686,325	338,540,662
Total operating revenues	4,371,491,746	4,445,874,040	5,034,661,424	5,524,850,593
Prizes	2,560,306,589	2,652,095,102	3,082,376,405	3,501,745,873
Game costs:				
Retailer costs	295,829,989	302,946,127	345,513,054	380,344,945
Gaming system costs	48,258,994	49,562,417	70,486,877	68,881,598
Scratchers game costs	25,774,034	27,588,889	29,540,698	29,990,183
Total game costs	369,863,017	380,097,433	445,540,629	479,216,726
Operating expenses:				
Salaries, wages and benefits	62,937,875	56,781,125	66,108,672	70,480,064
Advertising	47,833,141	56,044,193	63,699,190	62,273,530
Promotion, public relations and point of sale	6,264,927	7,854,549	14,507,326	10,664,151
Other professional services	13,400,277	12,651,314	13,331,461	11,843,044
Depreciation and amortization	7,750,918	5,980,272	6,075,176	8,950,492
Other general and administrative expenses	4,885,798	13,580,602	16,370,667	16,435,133
Total operating expenses	143,072,936	152,892,055	180,092,492	180,646,414
Operating income	1,298,249,204	1,260,789,450	1,326,651,898	1,363,241,580
Non-operating (expenses) revenues:				
Investment earnings ²	54,206,802	(52,309,163)	290,350	(5,633,320)
Other income	365,457	47,879	27,400	53,155
Allocation to Education Fund ³	(1,300,240,379)	(1,262,058,020)	(1,327,928,392)	(1,364,542,013)
Total non-operating (expenses) revenues	(1,245,668,120)	(1,314,319,304)	(1,327,610,642)	(1,370,122,178)
Total change in net position	52,581,084	(53,529,854)	(958,744)	(6,880,598)

(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

2016	2017	2018	2019	2020	2021
163,916,171	185,709,466	197,306,299	208,971,820	214,519,651	204,847,726
146,172,959	87,372,386	55,949,634	93,646,606	163,905,059	106,929,568
(254,126,583)	(275,919,878)	(442,668,711)	(454,334,232)	(459,882,063)	(450,210,138)
55,962,547	(2,838,026)	(189,412,778)	(151,715,806)	(81,457,353)	(138,432,844)

CALIFORNIA STATE LOTTERY
Change in Net Position
Last Ten Fiscal years

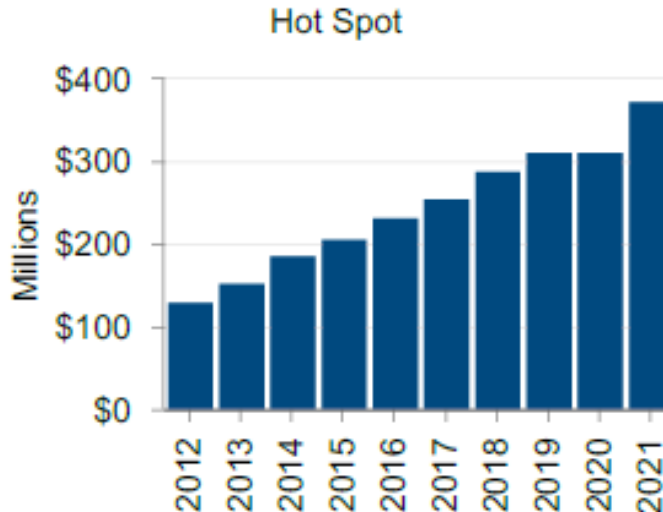
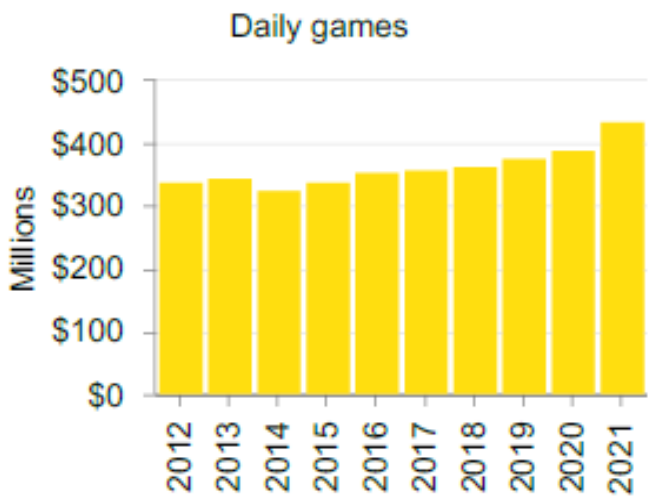
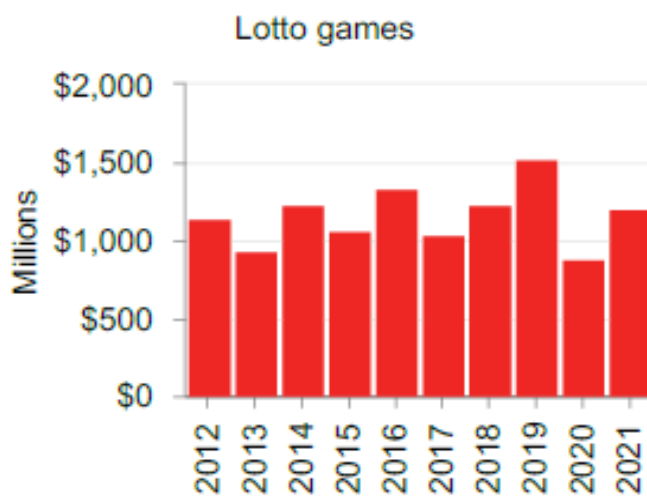
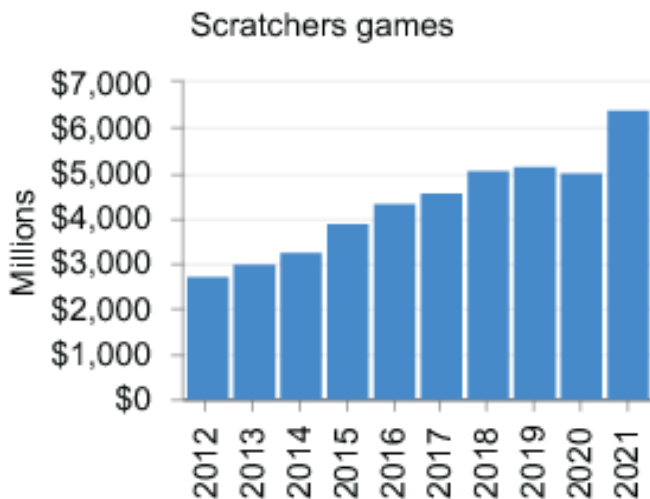
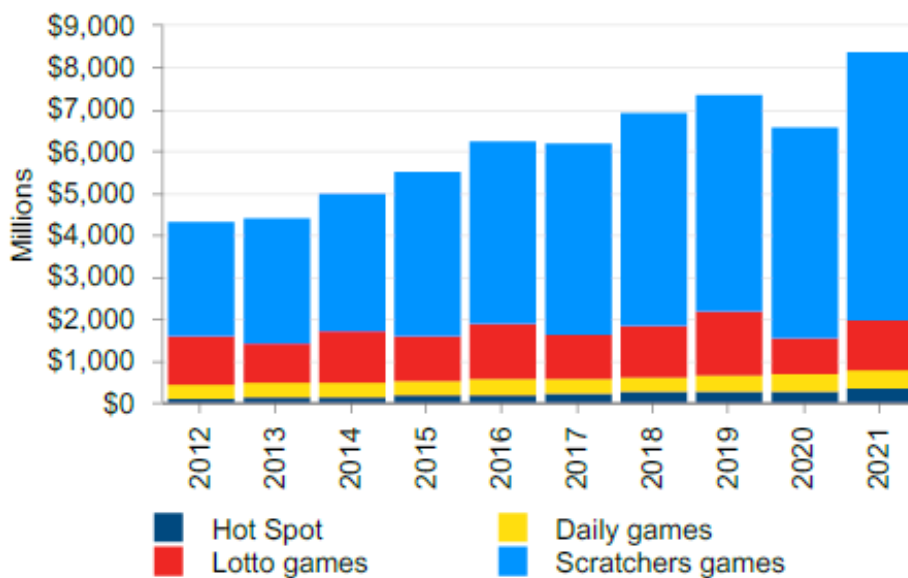
2016	2017	2018	2019	2020	2021
1,337,129,994	1,041,071,687	1,234,092,648	1,526,370,543	888,372,887	1,198,771,157
4,351,826,436	4,576,028,713	5,077,397,175	5,170,791,532	5,029,765,509	6,409,463,025
232,286,264	255,808,131	288,701,169	313,779,077	311,848,814	373,301,793
354,354,594	360,559,892	365,601,121	377,109,164	392,016,195	436,407,842
6,275,597,288	6,233,468,423	6,965,792,113	7,388,050,316	6,622,003,405	8,417,943,817
3,955,791,373	3,963,453,360	4,476,580,353	4,715,592,673	4,403,715,159	5,610,605,541
432,985,606	433,656,258	480,545,143	505,903,081	460,706,639	585,861,906
78,276,791	81,566,527	90,998,838	92,088,597	82,692,866	97,963,148
36,485,518	34,819,169	36,600,840	39,207,904	36,567,321	44,601,524
547,747,915	550,041,954	608,144,821	637,199,582	579,966,826	728,426,578
79,415,769	91,254,303	101,054,859	99,664,223	111,146,383	104,757,919
74,280,130	76,690,663	68,113,747	66,773,171	40,856,926	59,135,920
10,990,631	8,657,038	9,552,414	9,305,841	9,385,619	7,490,496
14,367,836	14,266,695	15,321,484	16,898,286	16,225,755	17,728,391
13,528,573	16,889,648	18,310,965	18,814,684	18,428,535	16,765,127
19,806,524	18,036,889	12,658,281	14,080,465	17,123,347	15,302,967
212,389,463	225,795,236	225,011,750	225,536,670	213,166,565	221,180,820
1,559,668,537	1,494,177,874	1,656,055,189	1,809,721,391	1,425,154,855	1,857,730,878
55,232,507	(54,067,894)	(22,715,200)	53,177,645	82,091,722	(53,382,892)
193,432	93,932	124,554	22,036	195,722	1,823,112
(1,563,149,876)	(1,499,004,485)	(1,664,887,295)	(1,825,224,100)	(1,437,183,846)	(1,863,146,589)
(1,507,723,937)	(1,552,978,447)	(1,687,477,941)	(1,772,024,419)	(1,354,896,402)	(1,914,706,369)
51,944,600	(58,800,573)	(31,422,752)	37,696,972	70,258,453	(56,975,491)

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

CALIFORNIA STATE LOTTERY

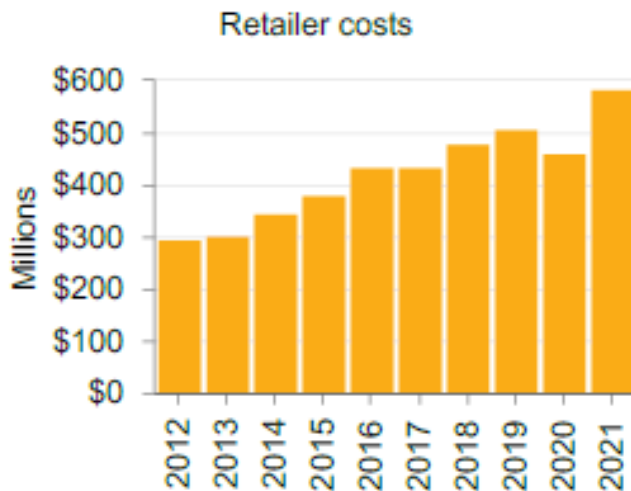
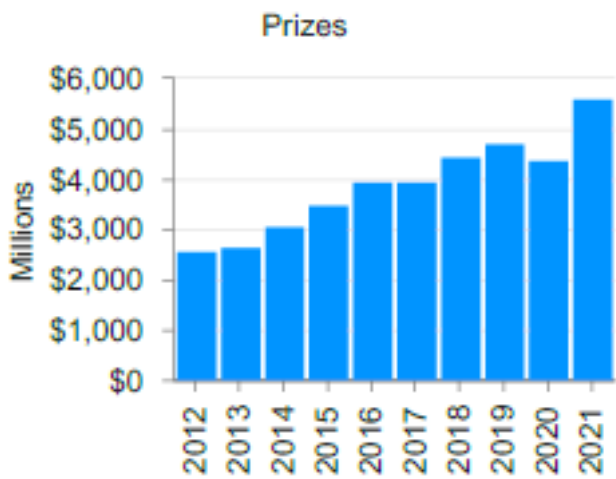
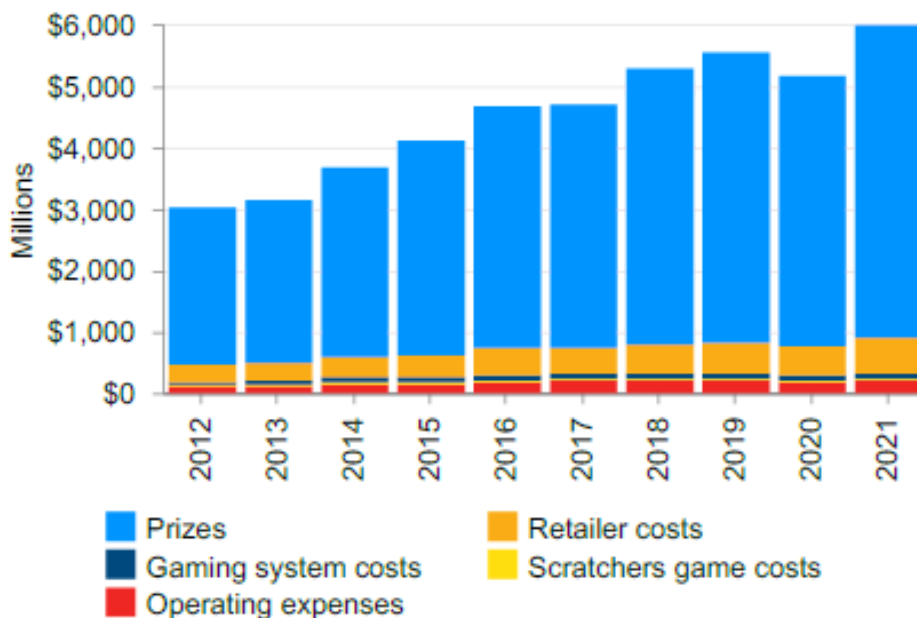
Sales by Product

Last Ten Fiscal Years

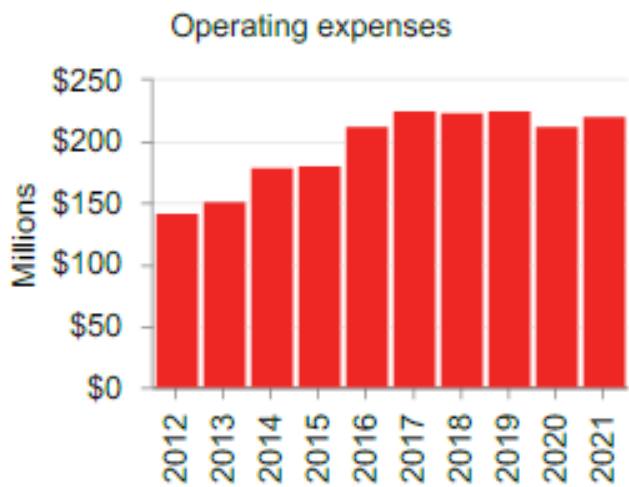
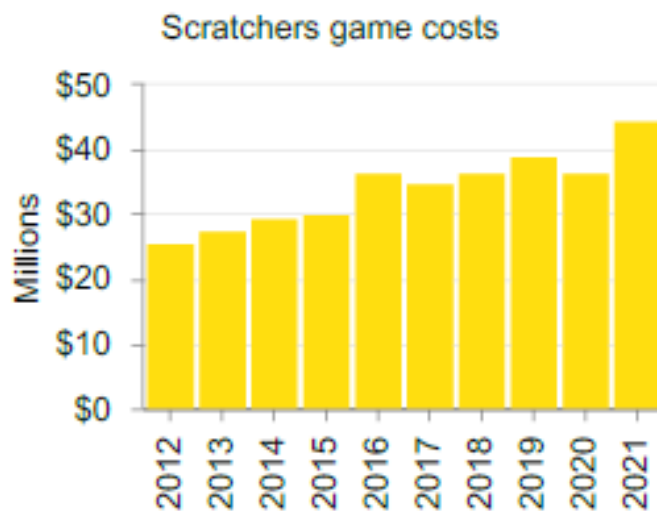


CALIFORNIA STATE LOTTERY

Expenses by Type Last Ten Fiscal Years



CALIFORNIA STATE LOTTERY
Expenses by Type
Last Ten Fiscal Years



CALIFORNIA STATE LOTTERY
California Demographics and Economic Information
2011 - 2020

Year	Population (in thousands)	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2011	37,692	\$1,645,138	\$43,647	10.9%
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%

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: 2021 information is not available and therefore not presented.

CALIFORNIA STATE LOTTERY
California Industry Number of Employees by Size Category
2011 - 2020

	2011	2012	2013	2014	2015
Agriculture, Forestry, Fishing, Hunting	449,614	463,476	463,169	467,923	471,566
Mining	27,016	28,475	27,986	29,142	25,668
Utilities	58,199	59,160	58,240	57,829	57,577
Construction	580,550	609,365	656,000	691,811	748,872
Manufacturing	1,257,097	1,264,017	1,265,860	1,283,779	1,303,651
Wholesale Trade	661,757	679,339	702,319	713,642	719,576
Retail Trade	1,522,619	1,553,812	1,587,467	1,615,557	1,645,332
Transportation and Warehousing	404,582	415,488	433,112	455,070	488,428
Information	425,193	426,056	445,121	459,781	486,838
Finance and Insurance	512,160	522,529	520,579	514,826	523,933
Real Estate and Rental and Leasing	247,476	253,154	260,584	265,335	271,617
Services	6,216,242	6,519,084	6,809,757	7,056,066	7,247,138
Nonclassifiable Establishment	58,663	59,443	36,808	63,478	102,851
Federal, State and Local Government	2,276,153	2,260,320	2,276,164	2,317,813	2,388,336
Total for All Industries	14,697,321	15,113,718	15,543,166	15,992,052	16,481,383

	2016	2017	2018	2019	2020
Agriculture, Forestry, Fishing, Hunting	474,766	473,554	410,315	408,703	397,377
Mining	21,218	20,130	20,614	19,920	16,797
Utilities	58,008	57,766	56,068	56,963	59,571
Construction	789,841	830,446	877,644	901,215	872,915
Manufacturing	1,304,915	1,318,709	1,324,696	1,319,877	1,255,814
Wholesale Trade	718,853	723,984	705,541	693,780	644,899
Retail Trade	1,654,247	1,670,450	1,728,821	1,706,454	1,608,512
Transportation and Warehousing	517,790	553,571	619,572	670,993	714,235
Information	517,275	526,390	550,261	573,610	539,790
Finance and Insurance	540,844	544,423	540,296	543,498	538,676
Real Estate and Rental and Leasing	278,001	285,957	299,221	309,413	281,141
Services	7,442,898	7,630,490	7,969,114	8,154,351	7,179,567
Nonclassifiable Establishment	119,680	82,201	1,807	985	661
Federal, State and Local Government	2,434,565	2,346,343	2,520,424	2,548,014	2,389,784
Total for All Industries	16,872,901	17,064,414	17,624,394	17,907,776	16,499,739

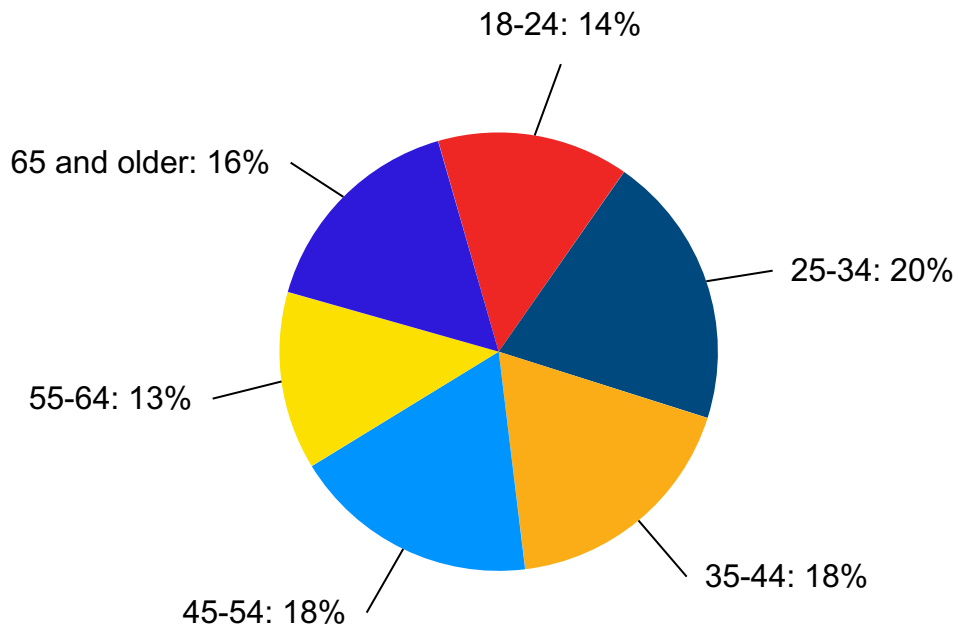
Source: California Employment Development Department.

Definitions of Terms and Source Notes at 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.

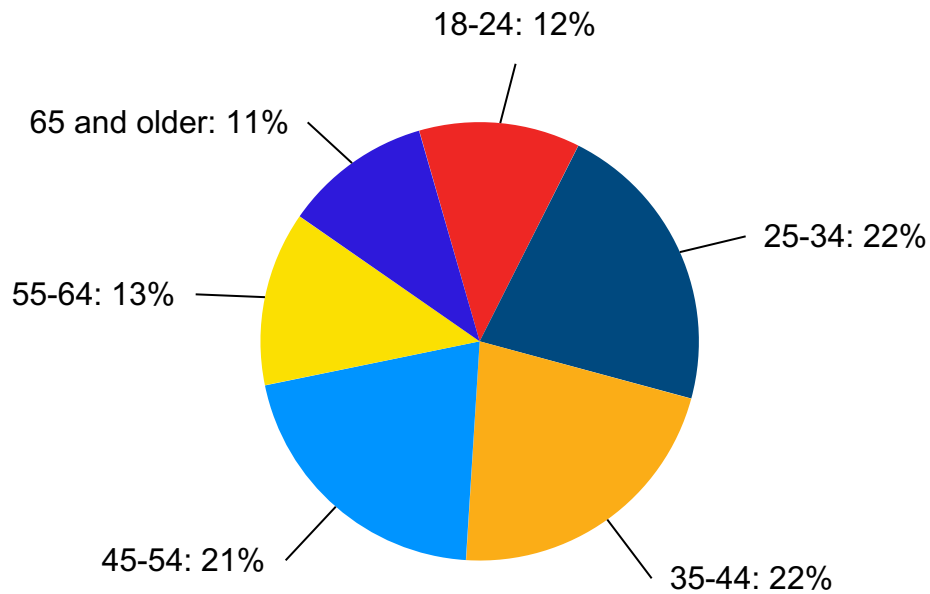
Note: Businesses are designated as "Non classifiable Establishments" when there is insufficient information to determine the appropriate industry classification.

CALIFORNIA STATE LOTTERY
California Demographics for Population and Players

Age of Adult Population



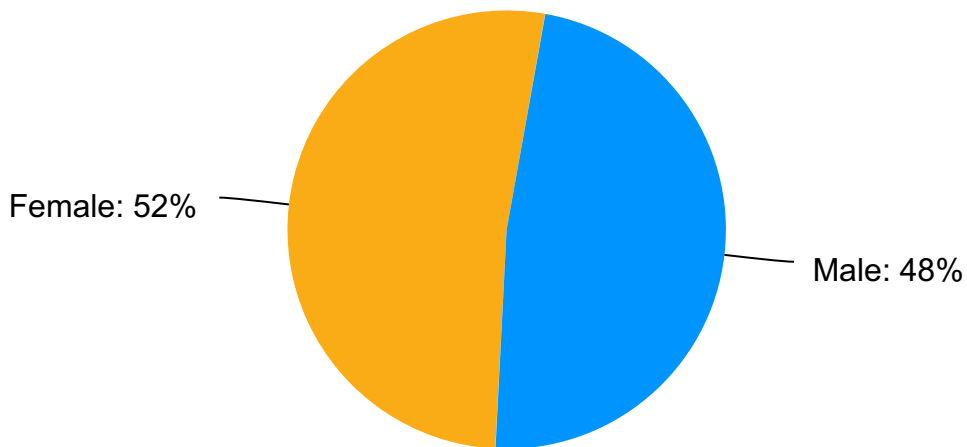
Age of Lottery Players



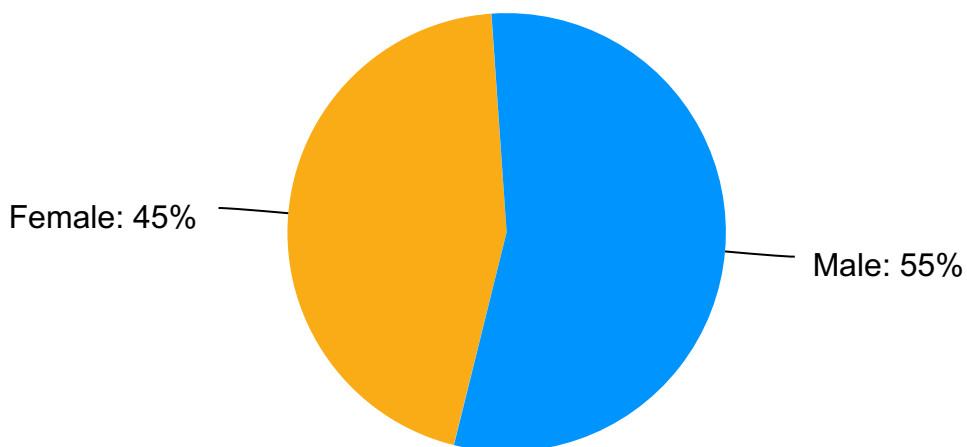
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2020-21. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

CALIFORNIA STATE LOTTERY
California Demographics for Population and Players

Gender of Adult Population

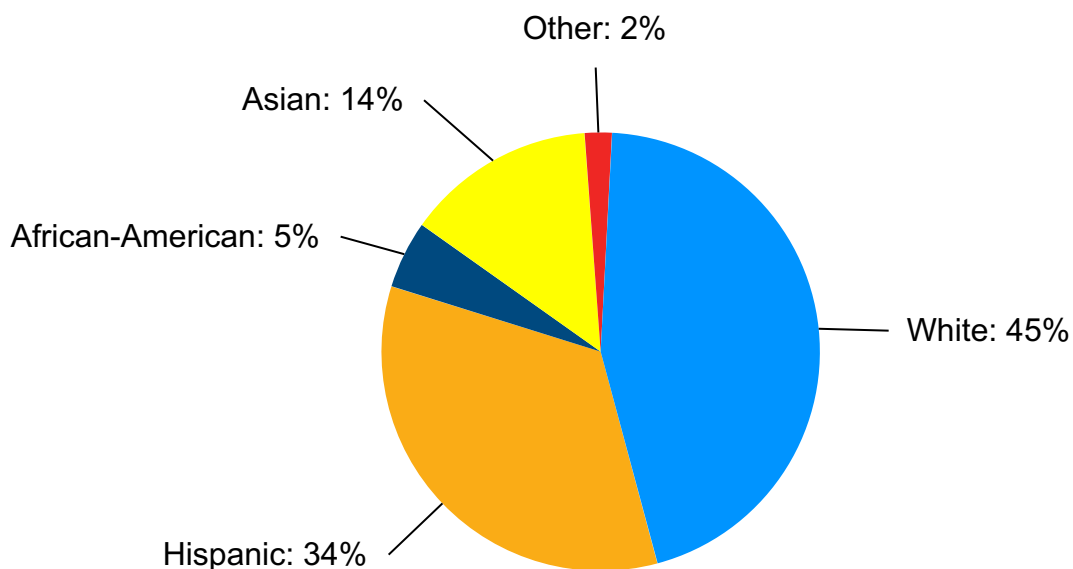


Gender of Lottery Players

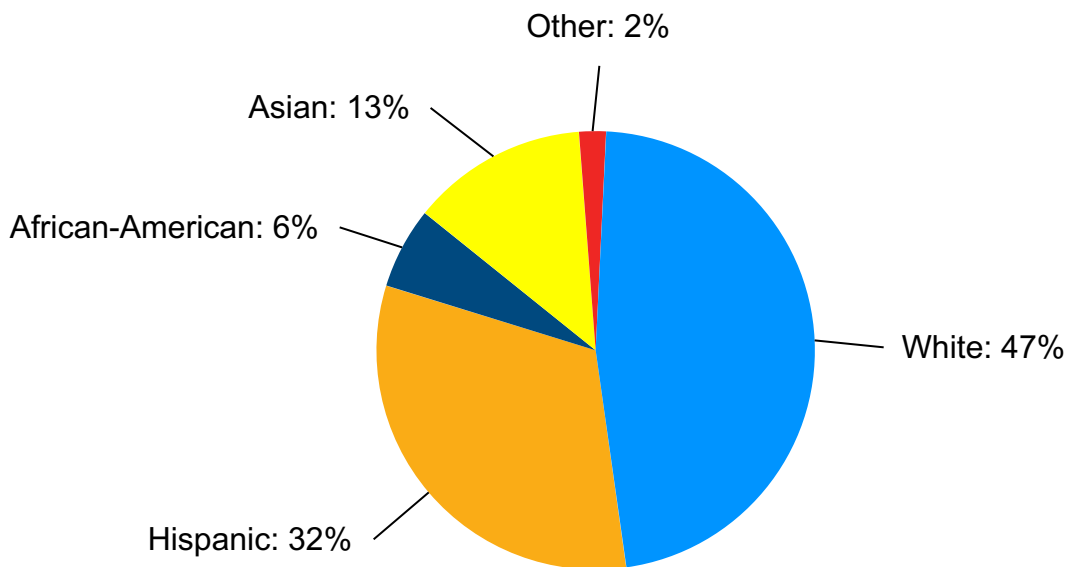


Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2020-21. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

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



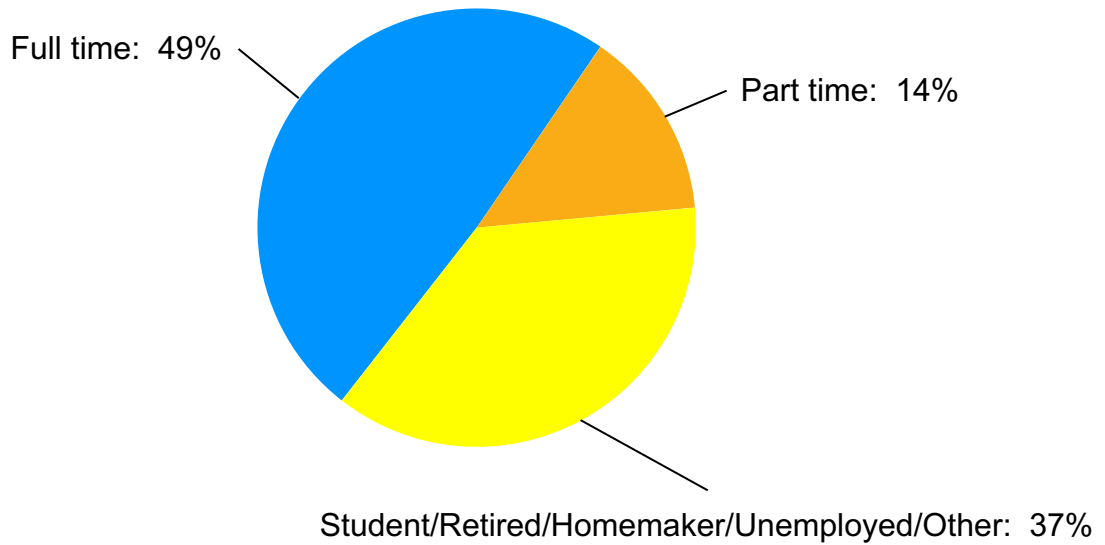
Ethnicity of Lottery Players



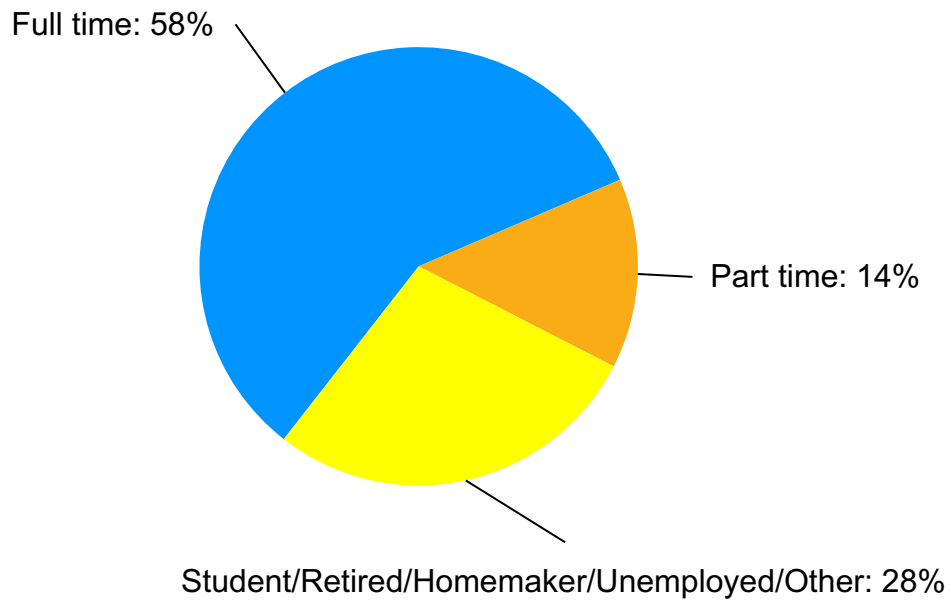
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2020-21. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

CALIFORNIA STATE LOTTERY
California Demographics for Population and Players

Employment Status of Adult Population



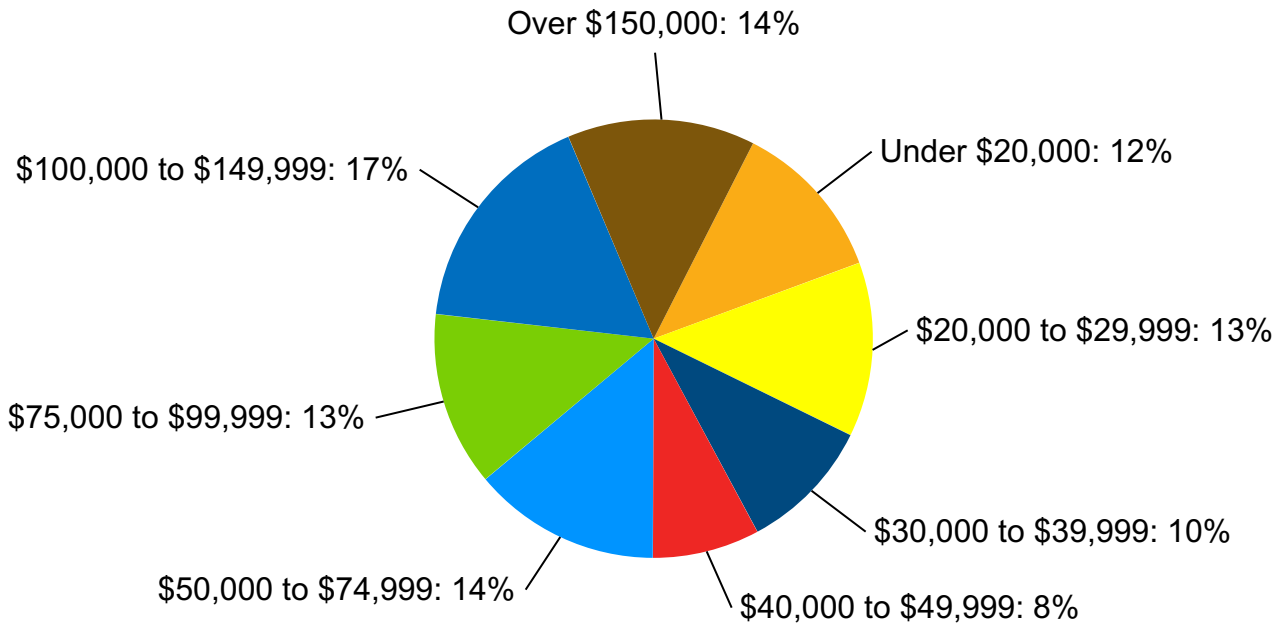
Employment Status of Lottery Players



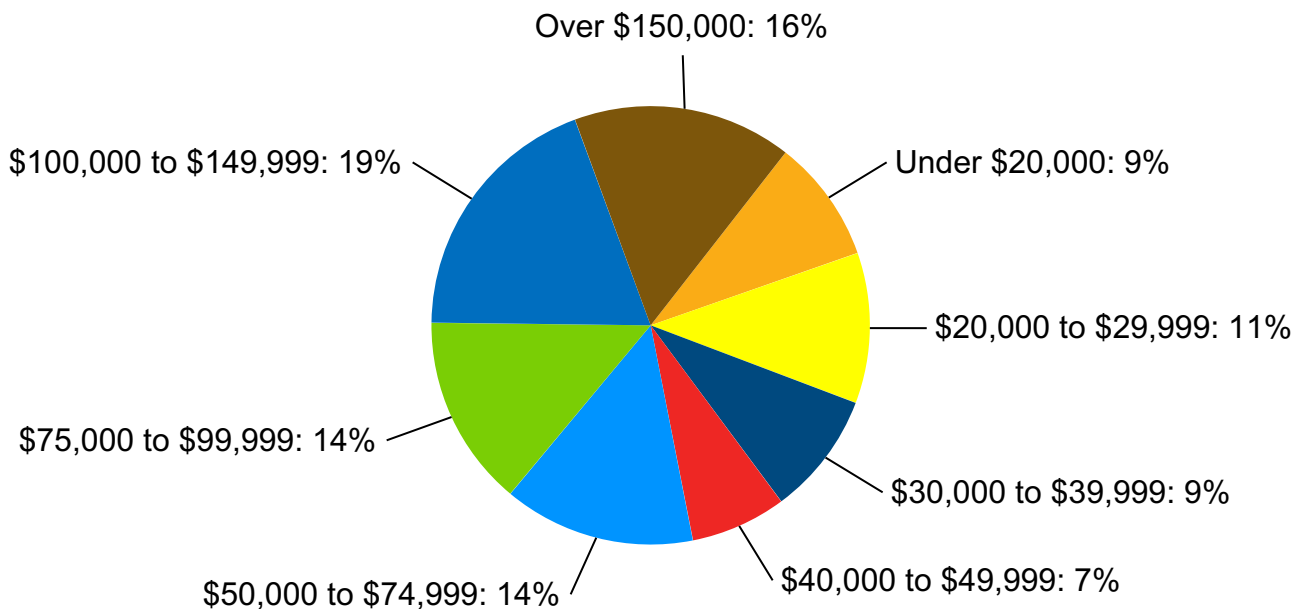
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2020-21. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

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 2020-21. Percentages based on only those responding. Some displays may not equal to 100% due to rounding.

U.S. Lottery Data For Fiscal Year 2020
Excludes Video Lottery Terminal (VLT) sales
(in millions)

	Population	Sales	Prizes	Profit	Sales/Capita
Arizona	7.3	\$1,098.0	\$703.4	—	\$151
Arkansas	3.0	531.4	369.6	89.5	176
California ⁺⁺	39.5	6,622.0	4,403.7	1,512.6	168
Colorado	5.8	658.8	424.6	142.4	114
Connecticut	3.6	1,305.3	822.2	347.7	366
Delaware ^{2,3}	1.0	220.5	—	—	226
District of Columbia ⁴	0.7	205.0	—	—	290
Florida	21.5	7,505.1	5,197.9	1,914.8	349
Georgia	10.6	4,974.8	3,045.6	1,237.3	469
Idaho	1.8	227.6	185.8	55.0	155
Illinois	12.7	2,844.5	1,842.2	696.0	224
Indiana	6.7	1,384.1	914.2	304.6	206
Iowa	3.2	372.0	236.3	81.4	118
Kansas	2.9	287.0	166.5	69.1	99
Kentucky	4.5	1,203.4	801.2	272.2	269
Louisiana	4.6	509.1	277.9	179.2	110
Maine	1.3	314.1	213.7	64.6	234
Maryland ^{2,3}	6.0	2,181.9	1,361.9	1,113.4	361
Massachusetts	6.9	5,212.0	—	—	756
Michigan ^{1,4}	10.0	3,967.0	2,432.9	1,027.6	397
Minnesota	5.6	668.6	423.6	156.0	119
Mississippi	3.0	340.5	192.5	70.7	114
Missouri	6.1	1,404.1	937.0	333.0	229
Montana	1.1	61.4	36.8	8.1	57
Nebraska	1.9	182.9	108.3	42.4	95
New Hampshire	1.4	384.6	246.6	98.6	283
New Jersey	8.9	3,215.6	—	—	362
New Mexico	2.1	127.1	68.3	38.1	61
New York ^{2,3,4}	19.5	7,726.7	4,623.6	3,376.8	397
North Carolina	10.5	3,016.2	1,957.6	715.8	288
North Dakota	0.8	24.4	13.1	—	32
Ohio ^{2,3}	11.7	3,471.5	2,259.7	1,127.1	297
Oklahoma	4.0	267.8	166.7	64.4	68
Oregon ²	4.2	337.9	219.7	63.5	80
Pennsylvania	12.8	4,595.7	2,927.6	1,141.8	359
Rhode Island ^{2,3}	1.1	246.4	156.7	283.9	233
South Carolina	5.1	2,106.4	1,424.2	490.6	409
South Dakota ^{2,3}	0.9	58.2	34.9	128.0	66
Texas ^{1,4}	29.0	6,704.0	4,523.3	1,683.7	231
Vermont	0.6	137.4	91.6	27.6	220
Virginia	8.5	2,148.6	1,318.1	595.4	252
Washington	7.6	817.3	530.2	—	107
West Virginia ^{2,3}	1.8	208.5	127.9	402.0	116
Wisconsin	5.8	725.4	—	—	125
Wyoming	0.6	23.5	—	—	41

2020 data source: La Fleur's Magazine September/October 2020

Footnotes:

¹ Estimated Sales

² Doesn't include VLT prizes

³ Includes Lottery and VLT profit

⁴ 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 2021
Excludes Video Lottery Terminal (VLT) sales
(in millions)

	Population	Sales	Prizes	Profit	Sales/Capita
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 ^{2,3}	1.0	233.8	—	216.9	236
District of Columbia ⁴	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 ^{2,3}	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 ^{1,4}	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 ^{2,3,4}	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 ^{2,3}	11.7	4,330.1	2,864.5	1,359.0	370
Oklahoma	4.0	346.8	224.0	81.0	87
Oregon ^{2,3}	4.2	409.5	—	502.9	97
Pennsylvania	12.8	5,436.9	3,539.9	1,302.6	425
Rhode Island ^{2,3}	1.1	296.0	—	302.4	280
South Carolina	5.2	2,415.8	1,593.7	605.6	463
South Dakota ^{2,3}	0.9	73.7	46.6	162.0	82
Texas ^{1,4}	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 ^{2,3}	1.8	249.2	160.0	559.0	140
Wisconsin	5.8	894.5	—	—	153.0
Wyoming	0.6	30.7	—	—	53.0

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

Footnotes:

¹ Estimated Sales

² Doesn't include VLT prizes

³ Includes Lottery and VLT profit

⁴ 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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Executive ²	41	37	44	43	44	40	41	49	48	58
Finance	68	76	77	78	80	82	83	88	91	118
Human Resources	26	27	27	28	27	29	29	31	37	50
Operations ¹	64	82	77	77	88	42	43	43	59	59
Public Affairs & Communications ^{2,3}	16	21	23	24	24	25	24	—	7	7
Security & Law Enforcement	50	57	59	59	58	65	64	66	68	74
Information Technology Services	77	85	87	95	101	110	112	112	114	115
Sales & Marketing ^{1,2}	302	374	397	399	399	448	448	470	485	489
Total	644	759	791	803	821	841	844	859	909	970

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:

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

² 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.

³ 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

Fiscal year 2020-21 required the Lottery to adapt to changes brought on by the COVID-19 pandemic to complete its critical mission of supplying supplemental funding to California's schools. The Lottery implemented safety protocols to keep its employees, retail partners, and players safe, and resolved supply chain and distribution issues to get Lottery products to a public in need of fun and entertainment.

The result was record-breaking sales and the largest transfer of funds to our beneficiary in Lottery history. For fiscal year 2020-21, the Lottery reported sales of more than \$8.4 billion and transferred more than \$1.88 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 2020-21 was the 21st consecutive year that it provided more than \$1 billion to our beneficiary.

Going forward, the Lottery's fiscal year 2021-22 business plan balances long-term projects needed to ensure future sales growth with more immediate responses to issues that arose during fiscal year 2020-21. The five objectives developed to support the business plan are:

- Respond to emerging needs from recent events and trends
- Focus efforts to reinvigorate retail
- Strengthen sales in Jackpot games
- Defuse the barriers to play by changing consumer perceptions
- Transform the Lottery organization

As we look toward the future, the Lottery's solid business plan of focusing on players, retailers, product, and the Lottery organization itself, will provide the balanced approach needed to reach new sales records. Higher sales in turn will lead to increased contributions to California public education.

CALIFORNIA STATE LOTTERY
Capital Assets, Net
Last Ten Fiscal Years

	2012	2013	2014	2015
Land	6,469,219	6,469,219	6,469,219	9,743,325
Gaming Terminals	1,194,188	552,231	193,002	14,504,545
Vending Machines	—	—	15,286,994	25,905,293
Buildings	65,854,751	66,022,549	64,235,581	70,189,200
Data Processing Equipment	6,063,025	4,992,339	4,260,428	4,125,357
Office Furniture and Equipment	3,871,154	3,086,077	2,256,668	1,482,826
Leasehold Improvements	182,166	105,772	29,378	5,318
Vehicles ¹	—	—	—	—
Other	1,549,479	1,023,312	2,598,923	3,629,632
Total Capital Assets	85,183,982	82,251,499	95,330,193	129,585,496

CALIFORNIA STATE LOTTERY
Contributions to Education
Last Ten Fiscal Years

	2012	2013	2014	2015
Allocations to Education Fund	1,300,240,379	1,262,058,020	1,327,928,392	1,364,542,013
Unclaimed Prizes	20,486,176	22,312,759	21,672,671	27,177,013
Total Contributions to Education	1,320,726,555	1,284,370,779	1,349,601,063	1,391,719,026

Footnotes:

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

CALIFORNIA STATE LOTTERY
Capital Assets, Net
Last Ten Fiscal Years

2016	2017	2018	2019	2020	2021
11,577,348	15,893,968	18,798,281	18,798,281	18,798,281	18,798,281
29,726,121	32,743,102	28,709,712	21,347,423	14,820,418	10,017,625
36,245,295	41,240,019	42,691,156	36,443,593	30,327,101	24,584,159
78,818,382	90,566,226	100,553,839	124,353,366	138,719,630	136,374,440
2,850,624	1,046,034	1,683,868	3,647,573	6,426,088	9,725,778
606,197	610,104	666,223	725,378	535,718	375,018
2,939	1,299	186	—	—	—
—	—	—	3,372,987	4,666,505	4,747,361
4,089,265	3,608,714	4,203,034	283,219	225,910	225,064
163,916,171	185,709,466	197,306,299	208,971,820	214,519,651	204,847,726

CALIFORNIA STATE LOTTERY
Contributions to Education
Last Ten Fiscal Years

2016	2017	2018	2019	2020	2021
1,563,149,876	1,499,004,485	1,664,887,295	1,825,224,100	1,437,183,846	1,863,146,589
24,266,723	46,520,996	36,049,311	45,523,184	75,396,516	19,407,816
1,587,416,599	1,545,525,481	1,700,936,606	1,870,747,284	1,512,580,362	1,882,554,405

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
www.californialottery.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

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Sacramento, CA 95834
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618 South 8th Street,
Suite 300A
Richmond, CA 94804
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7620 North Del Mar Avenue
Fresno, CA 93711
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Chatsworth, CA 91311
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11138 Elm Avenue
Rancho Cucamonga, CA 91730
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Costa Mesa
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