



ANNUAL COMPREHENSIVE FINANCIAL REPORT

PREPARED FOR THE FISCAL YEAR ENDED

JUNE 30, 2025

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, 2025

Prepared by the Finance Division of the California Lottery

California Lottery

Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2025

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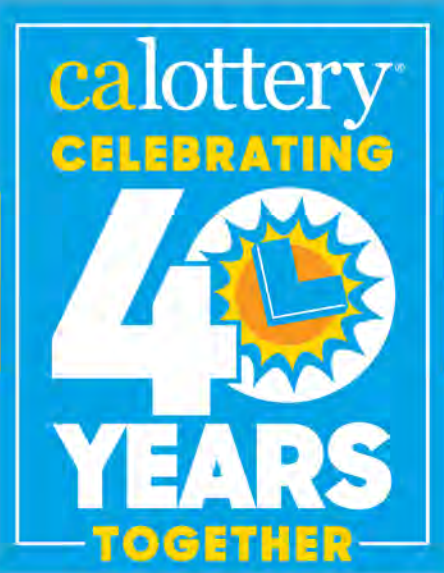
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Introductory Section

700 North Tenth Street
Sacramento, CA 95811
calottery.com



November 21, 2025

The Honorable Gavin Newsom, Governor
Members of the Legislature
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, 2025. The Finance Division of the Lottery prepared this ACFR to present an overview of the Lottery. Pursuant to Government Code section 8880.46.5, the ACFR includes the Lottery's annual financial statements presented in accordance with accounting principles, and audited in accordance with auditing standards, generally accepted in the United States of America.

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

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

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

Profile of the Lottery

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

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

Draw game sales began on October 14, 1986, with Lotto 6/49®. 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. For the fiscal year ended June 30, 2025, prices for Scratchers tickets ranged from \$1 to \$40, and games featured prizes up to \$15 million.



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



Mega Millions – Players select five numbers from a field of 1 through 70 and one Mega number from a field of 1 through 24. 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 \$1.60 billion in August 2023. Jackpots are 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 \$535. 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 \$4,560. Winning numbers are drawn once a day.

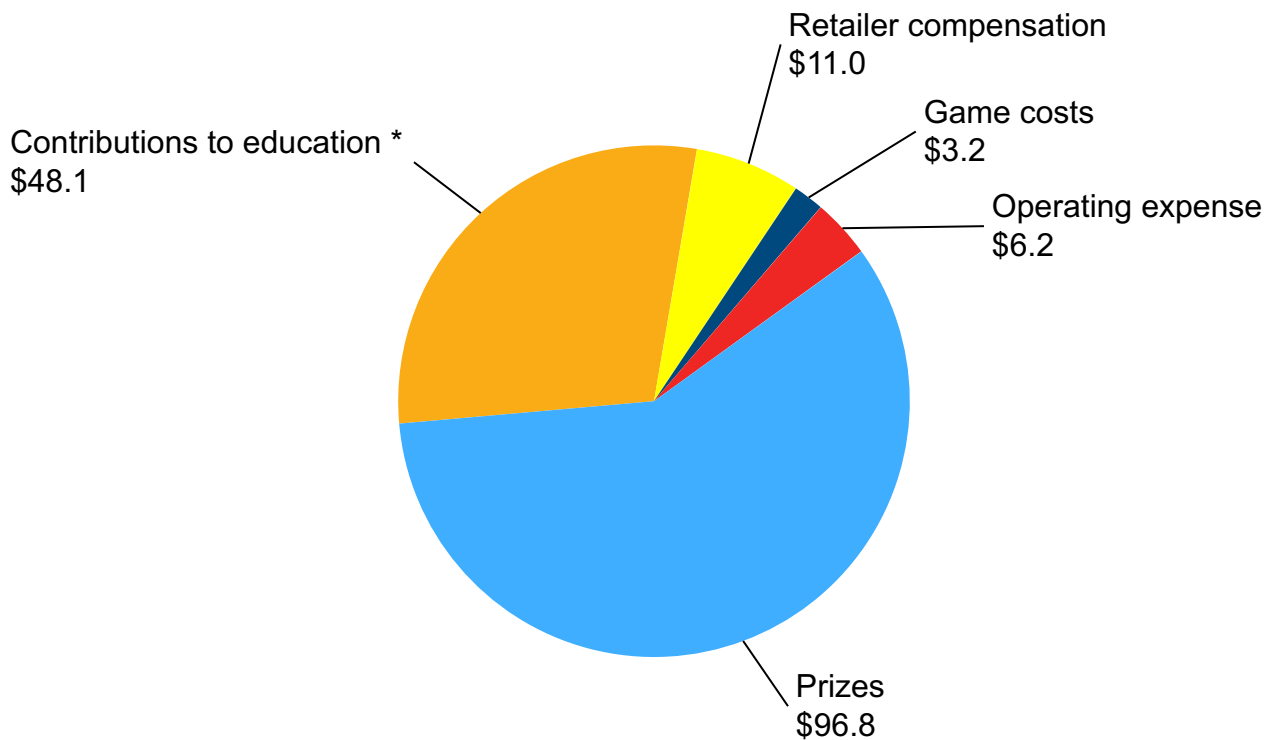


Fantasy 5 – This daily Lotto-style game was designed with better odds than SuperLotto Plus. Players select a set of five numbers from 1 through 39. Winning tickets are those that match any two, three, four, or all five of the five numbers drawn. There are four prize categories in this game. Top prizes start around \$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, 2025



*Includes interest income, unclaimed prizes, and other income of more than \$1.9 billion.

From its inception in 1985 through June 30, 2025, the Lottery has generated approximately \$163.4 billion in sales and contributed more than \$48 billion to education. The retailers who sell lottery tickets have received more than \$11 billion in compensation and approximately \$96.8 billion has been paid to lucky Lottery winners.

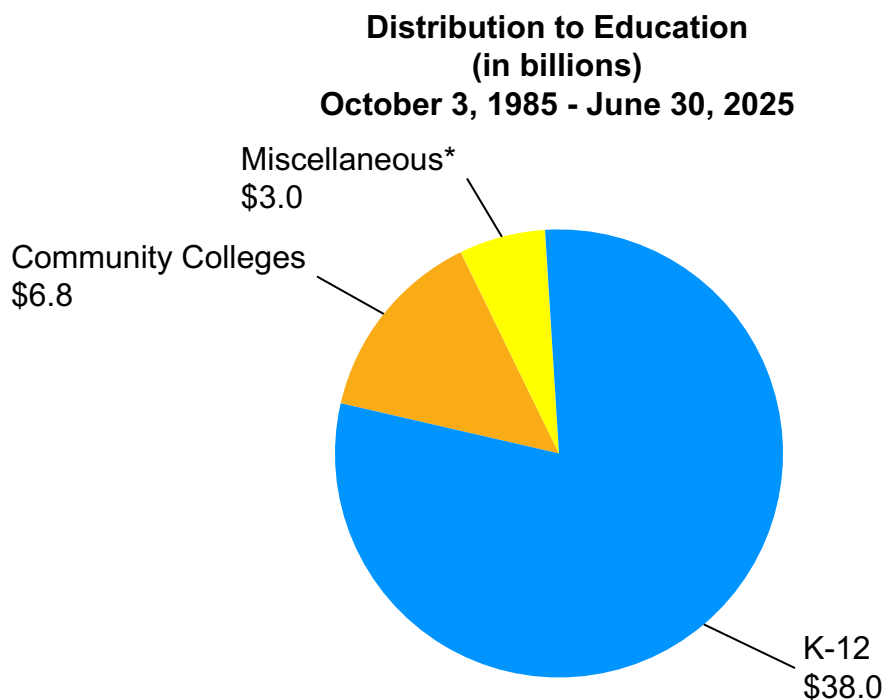
Additionally, by saving money on operations, the Lottery has given more money to schools than required. Since October 1985, the Lottery has contributed more than \$1.7 billion to education through operational savings.

For the fiscal year ended June 30, 2025, 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, 2025, are as follows:

Entity	Amount Allocated
K-12	\$ 1,542,746,941
Community Colleges	283,282,157
California State University	75,608,704
University of California	56,231,845
College of the Law, San Francisco	222,749
Department of Education - State Special Schools	130,083
Total	\$ 1,958,222,479

The table above is a display of the amount allocated to education during the fiscal year ended June 30, 2025, and does not reflect the total earned during the fiscal year.



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

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, 2025, the Lottery Commission authorized a total of 1,148 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

The California Lottery achieved sales approaching \$9 billion during fiscal year 2024-25, which led to a contribution exceeding \$1.9 billion for its designated beneficiary, California public schools. This milestone marks the 25th straight year that the Lottery has delivered more than \$1 billion to its beneficiary, bringing total contributions of more than \$48 billion since its inception four decades ago.

Scratchers games continued to be the primary contributor to Lottery sales, generating almost \$6.9 billion and representing more than 77 percent of overall sales in the fiscal year. To further boost the funds allocated to its beneficiary, the Lottery has established prize payout levels intended to optimize returns, introducing its inaugural \$25 Scratchers game called "2025" and a \$40 Scratchers game titled "40 Years of Play," which commemorates four decades of supporting public school funding. Additionally, crossword-themed Scratchers and games with higher price points maintained strong performance throughout the fiscal year.

Powerball and Mega Millions, which are the Lottery's two multi-state draw games, collectively produced nearly \$1 billion in sales, making up more than 10 percent of the total sales for the fiscal year. The decline in sales, compared to the previous fiscal year, stems from both Mega Millions and Powerball having significantly lower jackpot levels than usual, with only two draws where the announced jackpot was \$1 billion or more in fiscal year 2024-25, compared to 13 such draws in fiscal year 2023-24. During this timeframe, the Mega Millions game was updated to include better overall odds, larger starting jackpots, and a built-in multipliers feature for non-jackpot prizes, with the cost of tickets increasing from \$2 to \$5. These enhancements are expected to generate increased revenue to benefit public education.

Sales of California's own lotto-style game, SuperLotto Plus, continued to be driven by jackpot levels. SuperLotto Plus kicked off the fiscal year with a \$54 million jackpot awarded to one lucky winner, and was followed by another lengthy run that ended with another player securing a \$47 million jackpot prize. Despite the fact that subsequent jackpots during the fiscal year did not reach those earlier heights, SuperLotto Plus sales still exceeded \$230 million for the year, although this figure marks a modest decline compared to the previous fiscal year.

The Hot Spot game experienced another successful year, with sales exceeding \$424 million in fiscal year 2024-25, remaining consistent with the previous year's results. The Lottery maintained collaboration with its retail partners to further promote the game. Additionally, the Lottery introduced a Hot Spot Scratchers game, featuring a complimentary Hot Spot play prize designed to motivate players to cross-play between the various kinds of Lottery games.

Lastly, sales of the Lottery's four daily games (Fantasy 5, Daily 3, Daily 4, and Daily Derby) totaled more than \$426 million combined in fiscal year 2024-25, showing little change compared to the previous year's sales.

The Lottery continues its commitment to its employees, retail partners, players, and the public at large to fulfill its critical mission of supplementing education funding. During fiscal year 2024-25, the Lottery's network of retail partners consisted of more than 23,000. The Lottery supports its retail partners by making its product more appealing, fun, and exciting for Lottery players. Furthermore, the successful rollout of "Paying Claims at the District Office" initiative in all nine district offices statewide has led to a decrease in the number of claims managed at Lottery headquarters and shortened the waiting period for prizewinners to receive their winnings. Eligible prizewinners with validated claims can now receive checks instantly at district offices for qualifying prizes. Throughout the 2024-25 fiscal year, district offices issued upwards of 102,000 checks, distributing more than \$106 million in total winnings.

In the 2024-25 fiscal year, the Lottery enhanced its successful advertising initiative, *You Play, Schools Win*, by introducing innovative creative formats and updating its messaging. This campaign, aimed at informing Californians about the Lottery's purpose, showcased authentic narratives from actual students and educators within genuine educational settings. The goal was to connect with segments of the public who had the least understanding of the Lottery's role in providing additional support to California's public schools.

The Lottery recognizes it has a responsibility to its players to encourage responsible gaming. During fiscal year 2024-25, the Lottery was re-certified at the highest level, Level 4 Responsible Gaming, from the World Lottery Association.

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

Economic Outlook*

The U.S. and California economies generally performed in line with budget forecast, experiencing slowing but relatively stable growth during a mature economic expansion. However, the outlook has abruptly and significantly dampened because of various federal policies, including broad and elevated tariffs, strict immigration policies, and cuts to the federal government workforce. As a result of this, the U.S. Gross Domestic Product (GDP) growth is projected to be downgraded by 0.3 percentage points per year on average from 2025 to 2028.

As the Federal government continues to impose tariffs on our trade partners and these tariffs have not stabilized, it is difficult to predict economic growth. The state is expected to be specially vulnerable to tariffs as California serves as a gateway to goods imported from Asia and as Canada, Mexico and China are three of the state's largest trading partners. The cost of these tariffs is expected to be passed on to consumers, leading to increased inflation across all major consumer price index (CPI) categories.

U.S. inflation was projected to decelerate from 2.9 percent in 2024 to 2.3 percent in 2025, broadly reaching the Federal Reserve's inflation target rate of 2 percent. However, due to the inflationary impact of tariffs, the inflation forecast is revised significantly higher for both the nation and the state, by more than a full percentage point in 2025 and 2026. Tariffs are expected to push prices upward. California inflation is projected to accelerate from 3.1 percent in 2024, to 3.8 percent in 2025 and 3.5 percent in 2026. This is up from the previous projection of 2.3 percent in 2025 and 2.6 percent in 2026.

California's job market lost 18,000 jobs per month in the first three months of 2025, while the Governor's Budget had projected a gain of 13,000 per month. Unlike California, the nation's labor market remains comparably more stable as the U.S. added 144,000 jobs per month in the first four months of 2025. The state is downgrading their growth projection as growth is expected to slow through 2026. This is driven mainly by impacts from tariffs which are broadly assumed to dampen job growth across most sectors but particularly in manufacturing, leisure and hospitality, trade, transportation and utilities sectors.

The federal administration's approach to tariff policies has been remarkably inconsistent thus far, with tariff schedules changing frequently and making it very difficult for consumers and businesses to plan. Even if federal policy in this area were to stay stable for a period of time, tariffs near or above the current levels have no recent historical precedent and are expected to spur inflation and distort many goods markets, significantly impeding economic growth.

Due to uncertainties in federal administration policies on tariffs, immigration, and taxes, the economy may face effects such as increased inflation from higher goods costs. This could potentially reduce consumer spending and impact businesses. Persistent inflation might lead the Federal Reserve to maintain higher target interest rates for a longer period, which could affect business and consumer confidence and result in lower economic growth. Additionally, there are ongoing geopolitical risks, including natural disasters like wildfires, droughts, or floods, and the state's high living costs, particularly due to persistent housing shortages, continue to influence the economy.

**Department of Finance, excerpted from the 2025-2026 May Revision to the Governor's Budget Summary, Economic Outlook section.*

Acknowledgments

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lottery for its Annual Comprehensive Financial Report (ACFR) for 20 fiscal years. 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, integrity, and transparency.

Respectfully submitted,

A handwritten signature in dark ink, appearing to be 'N. Buchen', with a stylized, flowing script.

Nicholas Buchen
Deputy Director
Finance Division



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

California State Lottery

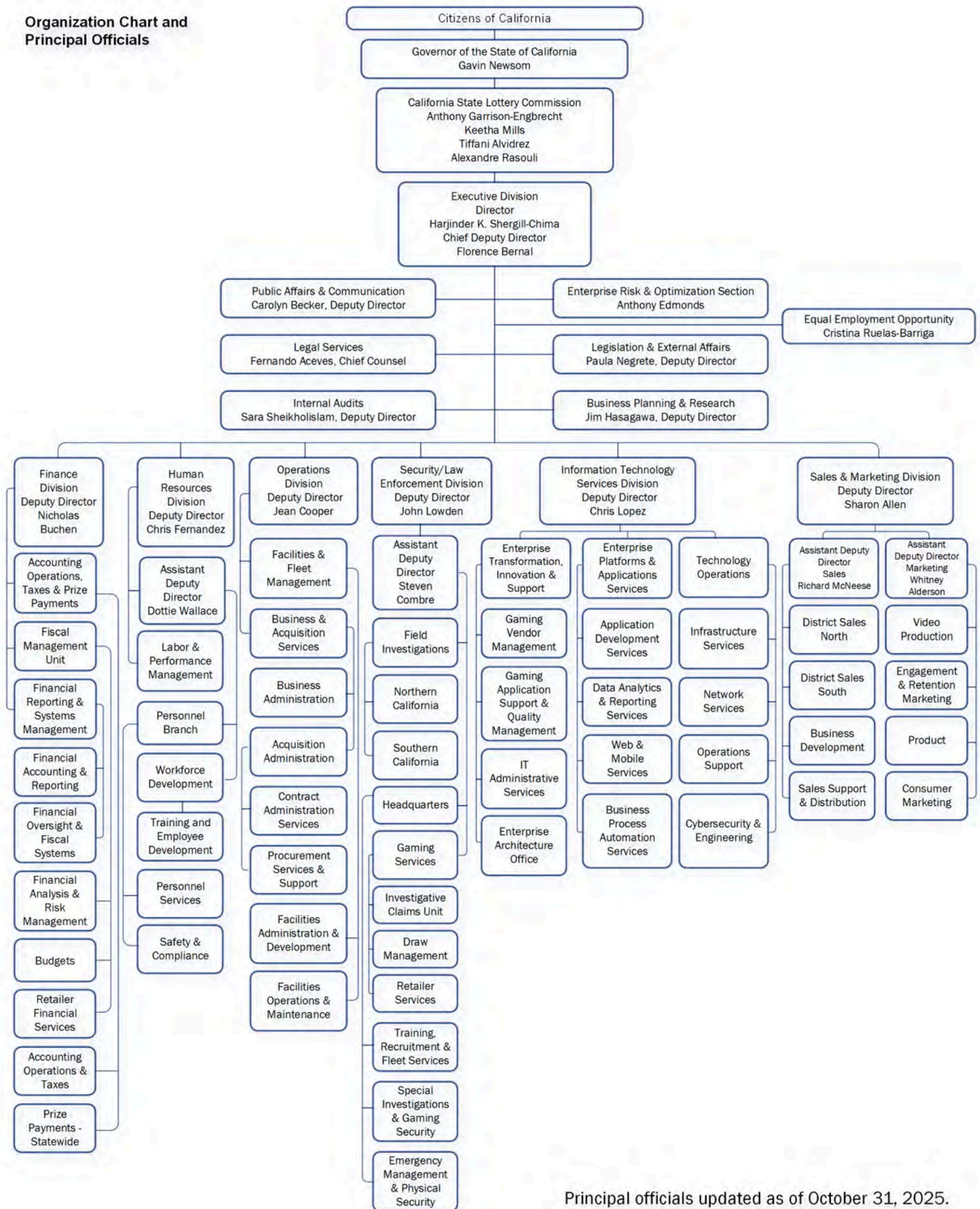
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

Organization Chart and Principal Officials



Principal officials updated as of October 31, 2025.

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.



[Anthony Garrison-Engbrecht](#)

Lottery Commission Chair

Dr. Anthony Garrison-Engbrecht is a dedicated higher education administrator and educator committed to crafting transformative, holistic student experiences that meet individuals where they are and empower them to reach their fullest potential. Currently serving as the Vice President of Student Affairs at the California Institute of the Arts, he brings a wealth of experience and a proven track record in student life leadership. Previously, Garrison-Engbrecht served as the Vice President of Student Life at Saint Mary's College of California. He has also held leadership positions at the University of California - Merced, the University of California - Berkeley, and Loyola Marymount University. Throughout his career, Garrison-Engbrecht has consistently demonstrated a steadfast commitment to increasing access to education, cultivating inclusive campus environments, and elevating student engagement. Garrison-Engbrecht earned a BA in Sociology from Loyola University New Orleans, an MA in Education and Psychology from Pepperdine University, and an MA in Theology from Loyola Marymount University. He pursued his graduate studies in Culture and Curriculum at Chapman University and Rural Education at Oregon State University. His research interests encompass the impact of rurality and poverty on college access.



[Keetha Mills](#)

Lottery Commission Vice Chair

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

California State Lottery Commission (continued)



[Tiffani Alvidrez](#)

Lottery Commission Member

Tiffani Alvidrez leads strategic initiatives for public sector ecosystem expansions for NVIDIA. Prior to this role, she served as a Regional Policy Manager for Instacart, where she used 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. Before that, she 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. Tiffani 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. Tiffani 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. Tiffani currently resides in the Sacramento area.



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

Lottery Commission Member

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

California State Lottery Management Team



Harjinder K. Shergill-Chima
Director

Director Harjinder K. Shergill-Chima brings extensive experience to the California Lottery. She served Lottery in the capacity of Chief Deputy Director for four years before Governor Gavin Newsom appointed her to the Director position.

Prior to Lottery, Shergill-Chima was Assistant General Counsel at the California Government Operations Agency from 2018 to 2019. Before that, she was an Attorney at the California Department of Transportation from 2004 to 2018. She was an Associate at Rich, Fuidge, Morris & Iverson Inc. from 2002 to 2004 and at Reinecke & Daily in 2001. She earned a Bachelor of Science degree in Criminal Justice from California State University, Sacramento and a Juris Doctor degree from Whittier Law School.

Shergill-Chima is the first Indian American serving as Director of the California Lottery.



Florence Bernal
Chief Deputy Director



Fernando Aceves
Chief Legal Counsel



Sharon Allen
Deputy Director
Sales & Marketing



Carolyn Becker
Deputy Director
Public Affairs &
Communications



Nicholas Buchen
Deputy Director, CFO
Finance



Jean Cooper
Deputy Director
Operations



Chris Fernandez
Deputy Director
Human Resources



Jim Hasagawa
Deputy Director
Business Planning



John Lowden
Deputy Director
Security & Law
Enforcement



Paula Negrete
Deputy Director
External Affairs



Sara Sheikholislam
Deputy Director
Internal Audits



Chris Lopez
Deputy Director
Information Technology
Services

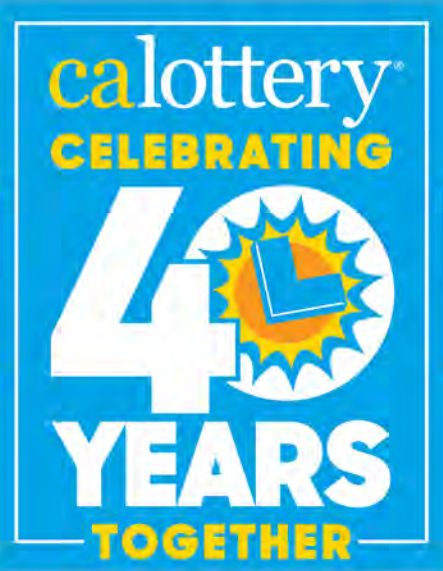


Cristina Ruelas-Barriga
Equal Employment
Opportunity Officer



Anthony Edmonds
Enterprise Risk &
Optimization Officer

Lottery management team updated as of October 31, 2025.



Financial Section

Independent Auditor's Report

The Commissioners
California State Lottery Fund, State of California

Opinion

We have audited the accompanying financial statements of the California State Lottery Fund (the Lottery), a proprietary fund of the State of California, which comprise the statement of net position (deficit) as of June 30, 2025, the related statements of revenues, expenses, and changes in net position (deficit) and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Lottery as of June 30, 2025, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Lottery and do not purport to, and do not, present fairly the financial position of the State of California as of June 30, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lottery's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability and related ratios, schedule of employer contributions related to pensions, schedule of proportionate share of net other postemployment benefits liability and related ratios and schedule of employer contributions related to other postemployment benefits on pages 25-33 and 73-82 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
November 21, 2025

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, 2025. Please read it in conjunction with the Lottery financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- During fiscal year 2024-25, the Lottery recorded nearly \$9 billion in sales, resulting in a contribution of more than \$1.9 billion to its designated beneficiary. This achievement represents the 25th consecutive year in which the Lottery has provided over \$1 billion to its beneficiary, with cumulative contributions surpassing \$48 billion over the past four decades since the Lottery was established.
- Scratchers games remain the biggest driver of Lottery's sales with approximately \$6.9 billion and accounted for 77.2 percent of the total sales during the fiscal year. This strong performance is largely attributed to the ongoing popularity of the crossword-themed Scratchers game, the success of two special anniversary edition games, and the launch of the Lottery's first ever \$40 Scratchers game, "*40 Years of Play*," which celebrates forty years of supporting public school funding.
- Powerball and Mega Millions, the Lottery's two multi-state draw games, together generated close to \$1 billion in sales and accounted for 10.7 percent of total sales for the fiscal year. During this period, Mega Millions was enhanced by introducing a new \$5 price point wager, which now offers improved overall odds, higher initial jackpots, and an integrated multipliers element. These modifications to the game are anticipated to bring in more funds to support public education.
- The Lottery paid out more than \$6.6 billion in the form of prizes and retailer compensation during the fiscal year. Of this, the Lottery paid approximately \$6 billion in prizes to players, and more than \$614.8 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, 2024	June 30, 2025	Dollar Change	Percent Change
Current and other assets	\$ 1,948,798,354	\$ 1,966,224,007	\$ 17,425,653	0.9 %
Capital assets	176,881,782	172,555,349	(4,326,433)	(2.4)%
Total assets	\$ 2,125,680,136	\$ 2,138,779,356	\$ 13,099,220	0.6 %
Deferred outflows of resources	\$ 164,347,479	\$ 147,053,212	\$ (17,294,267)	(10.5)%
Total assets and deferred outflows	\$ 2,290,027,615	\$ 2,285,832,568	\$ (4,195,047)	(0.2)%
Current liabilities	\$ 1,519,287,232	\$ 1,538,694,468	\$ 19,407,236	1.3 %
Non-current liabilities	974,001,950	964,700,059	(9,301,891)	(1.0)%
Total liabilities	\$ 2,493,289,182	\$ 2,503,394,527	\$ 10,105,345	0.4 %
Deferred inflows of resources	\$ 92,338,832	\$ 70,796,356	\$ (21,542,476)	(23.3)%
Total liabilities and deferred inflows	\$ 2,585,628,014	\$ 2,574,190,883	\$ (11,437,131)	(0.4)%
Net investment in capital assets	\$ 171,072,647	\$ 168,873,761	\$ (2,198,886)	(1.3)%
Restricted by legislation	(50,237,987)	—	50,237,987	(100.0)%
Unrestricted deficit	(416,435,059)	(457,232,076)	(40,797,017)	9.8 %
Total net position	\$ (295,600,399)	\$ (288,358,315)	\$ 7,242,084	(2.4)%

During fiscal year 2024-25, the Lottery's net position increased \$7.2 million to a net deficit of \$288.4 million. Most of the increase is attribute to the decrease in pension and OPEB liability. The net deficit also includes a net investment in capital assets of \$167.4 million specifically land, buildings, and various equipment to run the Lottery, along with a \$1.5 million net investment in leased assets, such as Lottery vehicles and software subscriptions. The total cost of these assets, approximately \$358.9 million, is partially offset by accumulated depreciation totaling \$186.3 million.

As of June 30, 2025, the Lottery incurred a net deficit within the funds restricted by legislative requirements designated to cover annuitized prize liabilities, as well as updates in how the state's pension and other postemployment benefits (OPEB) are accounted for. Since GASB standards do not allow a negative restricted balance, this deficit was reclassified as unrestricted within the Statement of Net Position in the financial statements. For further information regarding the Lottery's investment holdings, capital assets, pension and OPEB arrangements, please refer to Notes 2, 5, and 10 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:

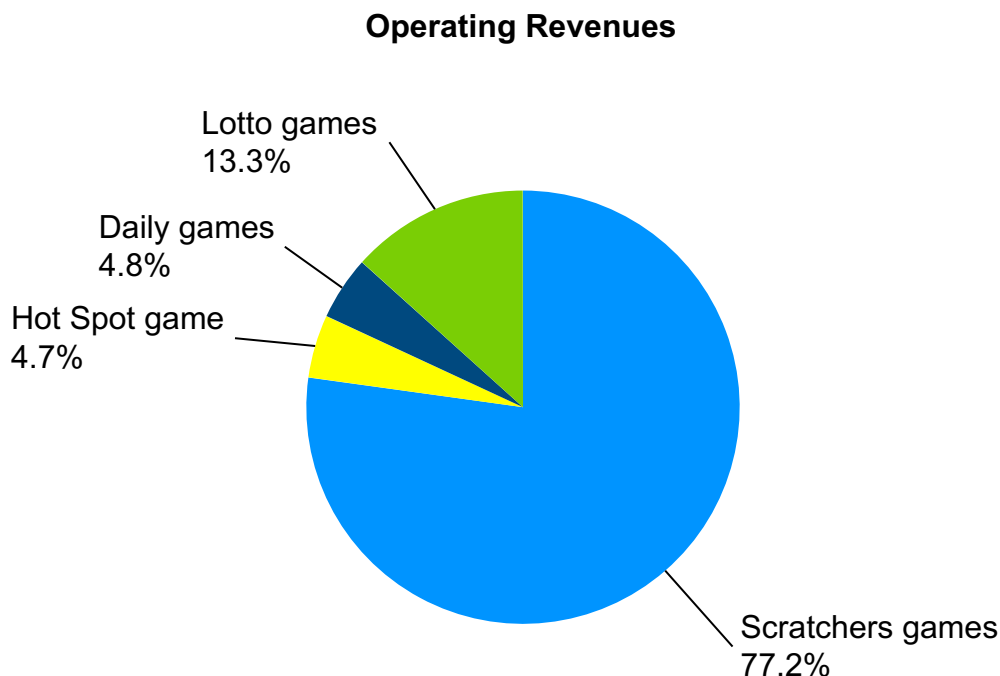
	June 30, 2024	June 30, 2025	Dollar Change	Percent Change
Operating revenues - Lottery sales	\$ 9,275,114,092	\$ 8,932,712,123	\$ (342,401,969)	(3.7)%
Prizes	6,031,571,558	5,994,177,466	(37,394,092)	(0.6)%
Sales after prizes	\$ 3,243,542,534	\$ 2,938,534,657	\$ (305,007,877)	(9.4)%
Game costs	785,214,602	769,185,999	(16,028,603)	(2.0)%
Income before operating expenses	\$ 2,458,327,932	\$ 2,169,348,658	\$ (288,979,274)	(11.8)%
Operating expenses	300,159,146	325,120,518	24,961,372	8.3 %
Operating income	\$ 2,158,168,786	\$ 1,844,228,140	\$ (313,940,646)	(14.5)%
Non-operating expenses	\$(2,174,697,405)	\$(1,836,986,056)	\$ 337,711,349	(15.5)%
Change in net position	\$ (16,528,619)	\$ 7,242,084	\$ 23,770,703	(143.8)%
Total net position - beginning of year	(279,071,780)	(295,600,399)	(16,528,619)	5.9 %
Total net position - end of year	<u>\$ (295,600,399)</u>	<u>\$ (288,358,315)</u>	<u>\$ 7,242,084</u>	<u>(2.4)%</u>

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, 2025:



A summary of total revenues for the fiscal years ended June 30, 2024 and 2025, and the amount and percentage of change in relation to prior year amounts is as follows:

	June 30, 2024	June 30, 2025	Dollar Change	Percent Change
Operating revenues:				
Lotto games	\$ 1,861,671,725	\$ 1,189,825,216	\$ (671,846,509)	(36.1)%
Scratchers games	6,561,264,485	6,892,391,897	331,127,412	5.0 %
Hot Spot game	424,739,564	424,355,620	(383,944)	(0.1)%
Daily games	427,438,318	426,139,390	(1,298,928)	(0.3)%
Total operating revenues	<u>\$9,275,114,092</u>	<u>\$8,932,712,123</u>	<u>\$ (342,401,969)</u>	<u>(3.7)%</u>
Non-operating revenues:				
Unrealized gains (losses) on investments	\$ (15,444,317)	\$ 8,084,716	\$ 23,529,033	(152.3)%
Interest accreted/earned on investments	23,053,950	21,245,635	(1,808,315)	(7.8)%
Interest on funds held by State Treasurer	62,441,489	42,251,452	(20,190,037)	(32.3)%
Other income	194,418	127,593	(66,825)	(34.4)%
Total non-operating revenues	<u>\$ 70,245,540</u>	<u>\$ 71,709,396</u>	<u>\$ 1,463,856</u>	<u>2.1 %</u>
Total revenues	<u><u>\$9,345,359,632</u></u>	<u><u>\$9,004,421,519</u></u>	<u><u>\$ (340,938,113)</u></u>	<u><u>(3.6)%</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

REVENUES (continued)

Lottery operating revenue decreased \$342.4 million or 3.7 percent from the previous fiscal year. Lotto games showed the biggest decline in sales, with a decrease of \$671.8 million or 36.1 percent. The decrease in sales is primarily due to Mega Millions and Powerball reaching much lower than typical jackpot levels, with only two draws in which the advertised jackpot exceeded \$1 billion or more in fiscal year 2024-25 (by comparison, there were 13 such draws in fiscal year 2023-24). Scratchers sales increased \$331.1 million or 5 percent due to the continued popularity of our crossword-theme and higher price point games, including our first \$40 price point game with a \$15 million top prize. Daily games and Hot Spot game sales fell approximately \$1.7 million or 0.4 percent combined from the previous fiscal year. Non-operating revenue increased approximately \$1.5 million from the previous fiscal year primarily due to unrealized gains on investments.

EXPENSES

The Lottery Act requires that the Lottery return not less than 87 percent of annual revenues to the public in the form of prizes and contributions to education, and spend no more than 13 percent of annual revenues on operating expenses. Lottery prize payments, contributions to education, and operating expenses are shown below as a percentage of operating revenue for the year ended June 30, 2025.

Lottery Sales	\$ 8,932,712,123	100.0 %
Revenue returned to the public		
Prizes	\$ 5,994,177,466	67.1 %
Allocation of sales to education	1,844,228,139	20.6 %
Total revenue returned to the public	\$ 7,838,405,605	87.7 %
Expenses of the Lottery		
Retailer costs	\$ 614,805,168	6.9 %
Game costs	154,380,831	1.7 %
Operating expenses	325,120,518	3.7 %
Total expenses of the Lottery	\$ 1,094,306,517	12.3 %

A summary of the total funds transferred by the Lottery to the education community for the fiscal year ended June 30, 2025, is shown below.

Revenues to Education

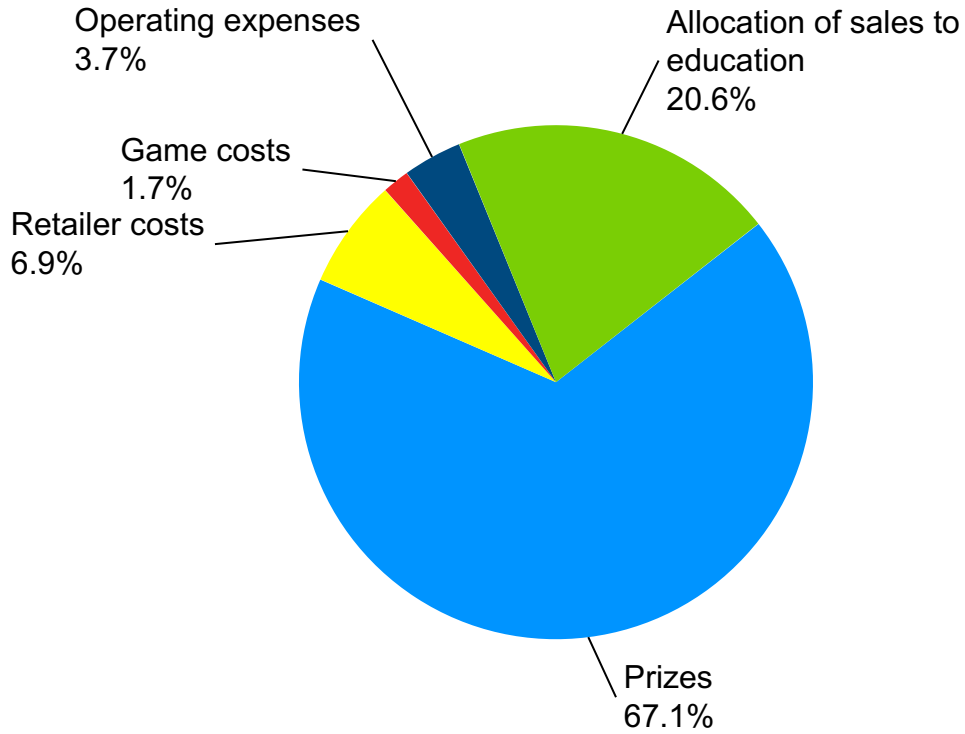
Allocation of sales	\$ 1,844,228,139
Unclaimed prizes directly allocated to the Education Fund	44,968,741
Interest income	42,251,452
Other income	127,593
Total declared for allocation to the Education Fund	<u>\$ 1,931,575,925</u>

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, 2025:

**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, 2024 and 2025, and the amount and percentage change in relation to prior year amounts is as follows:

	June 30, 2024	June 30, 2025	Dollar Change	Percent Change
Prizes:				
Draw game prizes	\$1,383,320,213	\$1,062,429,565	\$(320,890,648)	(23.2)%
Scratchers game prizes	4,648,251,345	4,931,747,901	283,496,556	6.1 %
Total prizes	\$6,031,571,558	\$5,994,177,466	\$ (37,394,092)	(0.6)%
Game costs:				
Retailer costs	\$ 632,678,900	\$ 614,805,168	\$ (17,873,732)	(2.8)%
Draw/Scratchers game costs	152,535,702	154,380,831	1,845,129	1.2 %
Total game costs	\$ 785,214,602	\$ 769,185,999	\$ (16,028,603)	(2.0)%
Operating expenses:				
Salaries, wages, and benefits	\$ 123,281,104	\$ 142,049,639	\$ 18,768,535	15.2 %
Advertising	101,755,246	108,469,821	6,714,575	6.6 %
Promotion, public relations, and point of sale	12,229,984	13,310,553	1,080,569	8.8 %
Other professional services	21,662,247	21,753,318	91,071	0.4 %
Depreciation and amortization	14,518,446	15,274,619	756,173	5.2 %
Other general and administrative expenses	26,712,119	24,262,568	(2,449,551)	(9.2)%
Total operating expenses	\$ 300,159,146	\$ 325,120,518	\$ 24,961,372	8.3 %
Non-operating expenses:				
Allocation to Education Fund	\$2,220,804,693	\$1,886,607,184	\$(334,197,509)	(15.0)%
Interest imputed on annuitized prize liability	24,138,252	22,088,268	(2,049,984)	(8.5)%
Total non-operating expenses	\$2,244,942,945	\$1,908,695,452	\$(336,247,493)	(15.0)%
Total expenses	\$9,361,888,251	\$8,997,179,435	\$(364,708,816)	(3.9)%

Draw game prize expense decreased primarily due to lower sales of the Lotto games. Scratchers prize expense rose with increased sales of our popular crossword-themed and higher-priced Scratchers games. Advertising and promotional costs increased as the Lottery continues to explore new ways to expand and utilize our strong retail network, as well as focusing on direct-to-consumer marketing. Depreciation costs decreased mainly because older equipment such as jackpot signs and vending machines surpassed its useful life.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

CAPITAL ASSETS

A summary of capital assets as of June 30, 2024 and 2025, and the amount and percentage of change in relation to prior year amounts is as follows:

	June 30, 2024	June 30, 2025	Dollar Change	Percent Change
Capital Assets:				
Non-depreciable capital assets:				
Land	\$ 18,798,281	\$ 18,798,281	\$ —	— %
Depreciable capital assets:				
Gaming equipment	\$ 58,025,980	\$ 54,941,329	\$ (3,084,651)	(5.3)%
Software	18,192,147	25,912,625	7,720,478	42.4 %
Vending machines	58,086,273	55,204,383	(2,881,890)	(5.0)%
Buildings	164,622,525	165,499,836	877,311	0.5 %
Data processing equipment	6,542,455	6,048,866	(493,589)	(7.5)%
Office furniture and equipment	5,786,246	5,864,743	78,497	1.4 %
Vehicles	11,245,910	10,732,095	(513,815)	(4.6)%
Audio and Video	524,056	553,181	29,125	5.6 %
Warehouse Equipment	1,353,256	1,295,008	(58,248)	(4.3)%
Mobile Equipment	783,996	783,996	—	— %
Other	4,381,838	4,561,218	179,380	4.1 %
Subtotal	\$ 329,544,682	\$ 331,397,280	\$ 1,852,598	0.6 %
Less accumulated depreciation	(177,270,316)	(182,791,537)	(5,521,221)	3.1 %
Total depreciable capital assets	\$ 152,274,366	\$ 148,605,743	\$ (3,668,623)	(2.4)%
Capital assets, net	\$ 171,072,647	\$ 167,404,024	\$ (3,668,623)	(2.1)%
Right to use leased assets:				
SBITAs	\$ 4,074,495	\$ 4,681,596	\$ 607,101	14.9 %
Vehicles	4,043,424	3,999,746	(43,678)	(1.1)%
Subtotal	\$ 8,117,919	\$ 8,681,342	\$ 563,423	6.9 %
Less accumulated depreciation	(2,308,784)	(3,530,017)	(1,221,233)	52.9 %
Right to use leased assets, net	\$ 5,809,135	\$ 5,151,325	\$ (657,810)	(11.3)%
Lottery activities total, net	\$ 176,881,782	\$ 172,555,349	\$ (4,326,433)	(2.4)%

Capital Assets decreased 2.1 percent from last fiscal year due to the disposal of outdated gaming and data processing equipment. This reduction was partially offset by new software applications, including upgrades to the Lottery's Personal Web Server, ServiceNow HR Service Delivery implementation, and PowerBI Cloud integration. The value of right-to-use leased assets fell by 11.3 percent, reflecting ongoing amortization. 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, 2025, the California State Lottery had \$964.7 million in non-current liabilities, a decrease of \$9.3 million from the previous year. This includes an increase in the net other postemployment benefits (OPEB) liability of \$24.5 million, to \$261.3 million. The increase in net OPEB liability was primarily due to changes in assumptions. The Lottery's net pension liability decreased by \$13.9 million, or 8 percent, to approximately \$159.0 million. The decrease in net pension liability was primarily due to the actual investment returns on plan assets trailing projected returns. Changes in the proportion of the Lottery's share of the State's net pension liability also contributed to the decrease. The reserve for unpaid prizes decreased \$18.6 million as the majority of jackpot and annuity-level prize winners choose the cash option rather than annuitized payments. Lease and SBITA liabilities were reduced by \$407.6 thousand through ongoing repayments to the lessor. Additional detailed information on long-term prize liability may be found in Note 6, lease and SBITA liability may be found in Note 8, and information on pension and other postemployment benefits (OPEB) 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, 2025

Assets

Cash and cash equivalents (Note 2)	\$ 623,039,096
Investments, current portion (Note 2)	56,389,992
Accounts receivable, net of allowances (Note 3)	779,716,663
Due from state funds (Note 4)	10,575,194
Ticket inventories	19,713,512
Other	7,653,355
Total current assets	<u>\$ 1,497,087,812</u>
Investments, less current portion (Note 2)	\$ 466,182,034
Capital assets, net (Note 5)	167,404,024
Right to use leased assets, net (Note 5)	5,151,325
Long-term prepaid charges, net	2,954,161
Total non-current assets	<u>\$ 641,691,544</u>
Total assets	<u>\$ 2,138,779,356</u>

Deferred Outflows of Resources (Note 10)

\$ 147,053,212

Total Assets and Deferred Outflows of Resources

\$ 2,285,832,568

Liabilities

Accounts payable	\$ 96,469,634
Current prize liability (Note 6)	999,317,286
Due to state funds (Note 7)	407,391,258
Accrued liabilities	32,972,716
Unearned revenue	2,543,574
Total current liabilities	<u>\$ 1,538,694,468</u>
Prize liability, less current portion (Note 6)	\$ 540,710,193
Lease/SBITA liabilities (Note 8)	3,681,588
Net other postemployment benefits liability (Note 10)	261,314,000
Net pension liability (Note 10)	158,994,278
Total non-current liabilities	<u>\$ 964,700,059</u>
Total liabilities	<u>\$ 2,503,394,527</u>

Deferred Inflows of Resources (Note 10)

\$ 70,796,356

Total Liabilities and Deferred Inflows of Resources

\$ 2,574,190,883

Net Position (Deficit)

Net investment in capital assets (Note 5)	\$ 168,873,761
Unrestricted deficit	<u>(457,232,076)</u>
Total Net Deficit	<u><u>\$ (288,358,315)</u></u>

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, 2025

Operating revenues: Lottery sales	\$ 8,932,712,123
Prizes	5,994,177,466
Sales after prizes	<u>\$ 2,938,534,657</u>
Less game costs:	
Retailer costs	\$ 614,805,168
Gaming system costs	104,430,041
Scratchers® game costs	49,950,790
Total game costs	<u>\$ 769,185,999</u>
Income before operating expenses	<u>\$ 2,169,348,658</u>
Operating expenses:	
Salaries, wages, and benefits	\$ 142,049,639
Advertising	108,469,821
Promotion, public relations, and point of sale	13,310,553
Other professional services	21,753,318
Depreciation and amortization (Note 5)	15,274,619
Other general and administrative expenses	24,262,568
Total operating expenses	<u>\$ 325,120,518</u>
Operating income	<u>\$ 1,844,228,140</u>
Non-operating (expenses) revenues:	
Investment income (Note 9)	\$ 71,581,803
Interest expense imputed on annuitized prize liability	(22,088,268)
Other income	127,593
Allocation to Education Fund (Note 7)	(1,886,607,184)
Total non-operating expenses	<u>\$ (1,836,986,056)</u>
Change in net deficit	<u>\$ 7,242,084</u>
Total net deficit - beginning balance	(295,600,399)
Total net deficit - ending balance	<u><u>\$ (288,358,315)</u></u>

See accompanying notes to the financial statements.

CALIFORNIA STATE LOTTERY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:

Receipts from customers	\$ 8,917,804,684
Payments for prizes	(6,698,075,227)
Payments to retailers	(614,805,396)
Payments to suppliers for goods and services	(284,177,251)
Payments to employees	(129,210,667)
Internal activity - payments to state funds	(16,870,506)
Receipts from other states	799,330,110
Other receipts	257,408
Net cash flows provided by operating activities	<u>\$ 1,974,253,155</u>

Cash flows from non-capital financing activities:

Distributions to Education Fund	\$ (2,051,363,435)
Net cash flows used in non-capital financing activities	<u>\$ (2,051,363,435)</u>

Cash flows from capital and related financing activities:

Proceeds from disposal of property and equipment	\$ 52,420
Payments for leased assets	(2,501,754)
Payments for property and equipment	(9,260,009)
Net cash flows used in capital and related financing activities	<u>\$ (11,709,343)</u>

Cash flows from investing activities:

Proceeds from matured securities	\$ 86,335,148
Investment and Surplus Money Investment Fund interest	46,463,191
Purchase of securities	(14,907,489)
Net cash flows provided by investing activities	<u>\$ 117,890,850</u>

Increase in cash and cash equivalents	\$ 29,071,227
Cash and cash equivalents at July 1, 2024	<u>\$ 593,967,869</u>
Cash and cash equivalents at June 30, 2025	<u><u>\$ 623,039,096</u></u>

See accompanying notes to the financial statements.

(Continued)

CALIFORNIA STATE LOTTERY FUND
STATEMENT OF CASH FLOWS (Continued)
YEAR ENDED JUNE 30, 2025

Cash flows from operating activities:

Operating income	\$ 1,844,228,140
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	\$ 15,274,619
Provision for doubtful accounts	607,077
Provision for returned tickets	5,967,124
Provision for free ticket redemptions	6,758,441
Net gain on retirement or disposal of capital assets	103,992
Other income	127,593
Changes in assets and liabilities:	
Increase in accounts receivable	(50,231,599)
Decrease in due from other funds net of SMIF	690
Increase in ticket inventories	(12,172)
Increase in other assets	(411,969)
Decrease in long-term prepaid charges	2,658,934
Increase in accounts payable	41,454,302
Increase in prize liability	95,432,349
Increase in due to state funds	17,583,073
Increase in accrued liabilities	6,502,444
Increase in unearned revenues	10,693
Decrease in OPEB and net pension liability	(11,800,576)
Net cash flows provided by operating activities	<u>\$ 1,974,253,155</u>

Supplemental disclosure of non-cash activities:

Interest accreted on annuitized prizes	<u>\$ 22,088,268</u>
Unclaimed prizes directly allocated to the Education Fund	<u>\$ 44,968,741</u>
Unrealized gain (loss) on investments	<u>\$ 8,084,716</u>
Interest accreted on zero coupon bonds	<u>\$ 17,210,096</u>

See accompanying notes to the financial statements.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prizes – Scratchers Games

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

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

Prizes - Draw Games

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

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

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

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

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025

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 2024-25.

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). Per GASB guidelines, the restricted deficit has been offset against the unrestricted net position, ensuring that the restricted net position category on the Statement of Net Position does not reflect a negative balance.

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, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Ticket Inventories

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

Capital Assets

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

Leases

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

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Lottery has adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which improves the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. More information on the Lottery's SBITA can be found on Note 8.

Long-term Prepaid Charges

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

Pensions

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

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

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed when the related liability is incurred. Advertising expense totaled \$108.5 million for the year ended June 30, 2025.

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, 2025, restricted cash and cash equivalents is approximately \$173.4 million and restricted accounts receivable is \$778.3 million.

Net Position

Total net position is calculated by taking the total assets and deferred outflows of resources and subtracting total liabilities and deferred inflows of resources in accordance with Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The net investment in capital assets includes items such as land, buildings, equipment, and right-to-use assets, reduced by any outstanding lease obligations. Under the Lottery's Investment Policy, the difference between the carrying value and fair value of its investments is classified as restricted, as these amounts are reserved to be held until maturity to fulfill the payment of annuitized prizes. Additionally, obligations related to pension plans and other postemployment benefits (OPEB), as required by GASB Statements 68 and 75, together with adjustments in net position and the relevant deferred inflows and outflows, are classified as restricted. This classification is intended to guarantee that pension and OPEB benefits are provided to plan members and their beneficiaries. The impact of the various amounts restricted under legislative requirements resulted in a negative net position. Since a negative balance cannot be considered restricted per GASB guidelines, the deficit was reclassified as unrestricted within the Statement of Net Position. For the fiscal year ended June 30, 2025, the Lottery reported a total deficit in its net position.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The Lottery has adopted GASB No. 101, *Compensated Absences*. This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement apply to the financial statements of all state and local governments. A compensated absence is leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits. The payment or settlement could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. Examples of compensated absences include vacation (or annual) leave, sick leave, personal leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave. More information on the Lottery's Compensated Absences can be found on Note 12.

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.

Accounting Changes and Error Corrections

The Lottery has adopted GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this Statement do not apply to the initial application of U.S. generally accepted accounting principles (GAAP) established by the GASB as a financial reporting framework in circumstances in which a government is asserting for the first time that its financial statements are prepared in accordance with U.S. GAAP established by the GASB. The requirements of this Statement apply to the financial statements of all state and local governments. For the fiscal year ended June 30, 2025, the Lottery has no changes in accounting principles, accounting estimates, or error corrections during the reporting period and the financial reporting remains consistent with the previous period under GASB 100 guidelines.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certain Risk Disclosures

The Lottery has adopted GASB Statement No. 102, *Certain Risk Disclosures*. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. Additionally, this Statement defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. For the fiscal year ended June 30, 2025, the Lottery has determined that there were no material risks to report related to vulnerabilities due to certain concentrations or constraints.

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.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

2. DEPOSITS AND INVESTMENTS (continued)

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.

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, 2025, the Lottery's investments consist of the following:

	Face Amount	Cost	Fair Value
Current portion:			
U.S. Agency Bonds	\$ 10,412,000	\$ 4,283,327	\$ 10,243,344
U.S. Treasury Bonds	36,784,000	25,849,831	36,105,748
U.S. Municipal Bonds	10,000,000	10,010,721	10,040,900
Total current portion	<u>\$ 57,196,000</u>	<u>\$ 40,143,879</u>	<u>\$ 56,389,992</u>
Long-term portion:			
U.S. Agency Bonds	\$ 25,781,000	\$ 9,444,992	\$ 23,163,808
U.S. Treasury Bonds	602,537,000	340,351,137	397,684,577
U.S. Municipal Bonds	44,214,738	44,247,942	45,333,649
Total long-term portion	<u>\$ 672,532,738</u>	<u>\$ 394,044,071</u>	<u>\$ 466,182,034</u>
Total investments	<u><u>\$ 729,728,738</u></u>	<u><u>\$ 434,187,950</u></u>	<u><u>\$ 522,572,026</u></u>

Yields on the Lottery's investments range from 0.46 percent to 5.89 percent for Treasury bonds, from 5.45 percent to 5.48 percent for agency bonds, and from 4.56 percent to 6.04 percent for municipal bonds.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

2. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

The following represents the changes in fair value of investments for the year ended June 30, 2025:

Changes in fair value of investments:

Unrealized investment loss, July 1, 2024	\$ (54,607,953)
Unrealized investment gain, current period	8,084,716
Total unrealized investment loss	<u>\$ (46,523,237)</u>

The fair value of investments represents the sum of the original cost, the accreted interest, and any unrealized gains on those investments. Following investment restructuring activities completed in 2010, the interest imputed on the prize liability differs from the interest generated by the restructured investment portfolio. This variance is disclosed in the statement of revenues, expenses, and changes in net position (deficit), resulting in an adjustment to the net position. Because realized and unrealized gains and losses on these investments are linked to assets that must be retained to meet prize obligations, they are classified as statutorily restricted and disclosed as such under legislative requirements. For the fiscal year ended 2024-25, these statutory restrictions led to a net deficit in the restricted amount. To be consistent with GASB, the restricted deficit has been offset against the unrestricted net position, ensuring that the restricted net position category on the Statement of Net Position does not reflect a negative balance.

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	7.67 years
U.S. Agency Bonds	1.89 years
U.S. Municipal Bonds	2.91 years
Surplus Money Investment Fund	0.68 years

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

2. DEPOSITS AND INVESTMENTS (continued)

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, 2025. Credit risk is further mitigated by a \$2 million par value agency bond reserve. The bond reserve has a fair value of \$1,996,480 as of June 30, 2025.

As of June 30, 2025, 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	\$ 467,197,477	89.40 %
Aa1	38,940,167	7.45 %
Aa3	15,583,350	2.99 %
Baa3	851,032	0.16 %
Totals	<u>\$ 522,572,026</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	\$ 37,283,330	\$ 37,528,640	7.18%	Aa1

Custodial Credit Risk – Investments

The Lottery does not have a formal investment policy for custodial credit risk for investments. As of June 30, 2025, 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.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

2. DEPOSITS AND INVESTMENTS (continued)

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, 2025, the carrying value of deposits in the Surplus Money Investment Fund approximated fair value.

State Treasury	\$ 17,591,717
Surplus Money Investment Fund (SMIF)	605,220,000
Total	<u>\$ 622,811,717</u>

At June 30, 2025, the total cash and cash equivalents of \$623,039,096 includes \$227,379 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, 2025**

2. DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

At June 30, 2025, 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	\$ 333,427,416
Federal Agency Debt	140,609,414
Supranational Debentures	13,541,806
Certificates of Deposit	55,211,345
Commercial Paper	40,357,189
Bonds	3,237,292
Time Deposits	17,942,838
AB 55 and General Fund Loans	892,700
Total	<u>\$ 605,220,000</u>

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, 2025, 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 4.41 percent for the year ended June 30, 2025.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30, 2025:

Amounts due, primarily from retailers	\$ 907,708,606
Less: Allowance for free ticket redemption	(57,147,775)
Allowance for doubtful accounts	(5,869,351)
Allowance for ticket returns	(64,974,817)
Accounts receivable, net	<u>\$ 779,716,663</u>

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, 2025

5. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2025.

	Beginning Balance	Increase	Decrease	Ending Balance
Lottery activities				
Non-depreciable capital assets:				
Land	\$ 18,798,281	\$ —	\$ —	\$ 18,798,281
Total non-depreciable capital	\$ 18,798,281	\$ —	\$ —	\$ 18,798,281
Depreciable capital assets:				
Gaming equipment	\$ 58,025,980	\$ 288,299	\$ (3,372,950)	\$ 54,941,329
Software	18,192,147	7,720,478	—	25,912,625
Vending machines	58,086,273	—	(2,881,890)	55,204,383
Buildings	164,622,525	877,311	—	165,499,836
Data processing equipment	6,542,455	86,919	(580,508)	6,048,866
Office furniture and equipment	5,786,246	78,497	—	5,864,743
Vehicles	11,245,910	—	(513,815)	10,732,095
Audio/video equipment	524,056	29,125	—	553,181
Warehouse equipment	1,353,256	—	(58,248)	1,295,008
Mobile equipment	783,996	—	—	783,996
Other	4,381,838	179,380	—	4,561,218
Total depreciable capital assets	\$ 329,544,682	\$ 9,260,009	\$ (7,407,411)	\$ 331,397,280
Less accumulated depreciation and amortization:				
Gaming equipment	\$ (55,048,597)	\$ (1,724,972)	\$ 3,372,950	\$ (53,400,619)
Software	(9,525,704)	(1,761,251)	—	(11,286,955)
Vending machines	(50,250,456)	(3,576,686)	2,725,478	(51,101,664)
Buildings	(36,519,585)	(4,274,829)	—	(40,794,414)
Data processing equipment	(5,885,475)	(310,913)	580,508	(5,615,880)
Office furniture and equipment	(5,386,726)	(97,706)	—	(5,484,432)
Vehicles	(9,660,057)	(807,608)	513,815	(9,953,850)
Audio/video equipment	(491,962)	(15,920)	—	(507,882)
Warehouse equipment	(1,350,629)	(2,627)	58,248	(1,295,008)
Mobile equipment	(783,996)	—	—	(783,996)
Other	(2,367,129)	(199,708)	—	(2,566,837)
Total accumulated depreciation and amortization	\$(177,270,316)	\$ (12,772,220)	\$ 7,250,999	\$(182,791,537)
Capital assets, net	\$ 171,072,647	\$ (3,512,211)	\$ (156,412)	\$ 167,404,024

Depreciation and amortization charged to income on capital assets was \$12,772,220 for the year ended June 30, 2025.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

5. CAPITAL ASSETS (continued)

Right To Use Lease Assets and Subscription-Based Information Technology Arrangements (SBITA) consist of the following at June 30, 2025:

Lottery activities	Beginning Balance	Increase	Decrease	Ending Balance
Right to use leased assets:				
SBITAs	\$ 4,074,495	\$ 1,869,135	\$ (1,262,034)	\$ 4,681,596
Leases:				
Vehicles	4,043,424	19,629	(63,307)	3,999,746
Total Cost	<u>\$ 8,117,919</u>	<u>\$ 1,888,764</u>	<u>\$ (1,325,341)</u>	<u>\$ 8,681,342</u>
Less accumulated depreciation and amortization:				
SBITAs	\$ (1,726,862)	\$ (1,691,371)	\$ 1,262,034	\$ (2,156,199)
Leases:				
Vehicles	(581,922)	(811,028)	19,132	(1,373,818)
Total accumulated depreciation and amortization	<u>\$ (2,308,784)</u>	<u>\$ (2,502,399)</u>	<u>\$ 1,281,166</u>	<u>\$ (3,530,017)</u>
Right to use leased assets/ SBITA, net	<u>\$ 5,809,135</u>	<u>\$ (613,635)</u>	<u>\$ (44,175)</u>	<u>\$ 5,151,325</u>
Lottery activities total, net	<u><u>\$ 176,881,782</u></u>	<u><u>\$ (4,125,846)</u></u>	<u><u>\$ (200,587)</u></u>	<u><u>\$ 172,555,349</u></u>

Depreciation and amortization charged to income on lease and SBITA assets were \$2,502,399 for the year ended June 30, 2025.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

6. PRIZE LIABILITY

Prize liability consists of the following at June 30, 2025:

	Scratchers Games	Draw Games	Total
Current:			
Annuitized prizes	\$ 29,659,234	\$ 277,504,580	\$ 307,163,814
Other prizes	648,072,613	44,080,859	692,153,472
Total current prize liability	<u>\$ 677,731,847</u>	<u>\$ 321,585,439</u>	<u>\$ 999,317,286</u>
Long-term annuitized prizes	\$ 297,916,660	\$ 409,398,000	\$ 707,314,660
Less imputed interest	(66,524,860)	(100,079,607)	(166,604,467)
Net present value of long-term prizes	<u>\$ 231,391,800</u>	<u>\$ 309,318,393</u>	<u>\$ 540,710,193</u>
Total prize liability	<u><u>\$ 909,123,647</u></u>	<u><u>\$ 630,903,832</u></u>	<u><u>\$ 1,540,027,479</u></u>

The amount of prizes due within one year is \$999,317,286.

Long-term prize liability as of June 30, 2025, for each of the next five years and for subsequent years is as follows:

	Principal	Interest	Total
For the year ending June 30, 2027	\$ 35,310,337	\$ 26,539,606	\$ 61,849,943
2028	35,005,639	24,919,794	59,925,433
2029	34,599,212	22,735,126	57,334,338
2030	25,351,211	9,806,173	35,157,384
2031	22,586,596	6,669,784	29,256,380
2032-2036	98,267,049	27,407,172	125,674,221
2037-2041	81,930,467	20,507,033	102,437,500
2042-2046	50,148,136	11,093,643	61,241,779
2047-2049	7,166,674	666,541	7,833,215
Total long-term prize liability	<u>\$ 390,365,321</u>	<u>\$ 150,344,872</u>	<u>\$ 540,710,193</u>

Activity in the prize liability accounts consists of:

Balance, July 1, 2024	\$ 1,467,475,603
Prize expense	5,994,177,466
Prize payments	(6,698,075,227)
Grand/Jackpot Prize contributions from Other Party Lotteries	799,330,110
Interest imputed on annuities	22,088,268
Unclaimed prizes	(44,968,741)
Balance, June 30, 2025	<u><u>\$ 1,540,027,479</u></u>

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

7. DUE TO STATE FUNDS

Due to state funds consists of the following at June 30, 2025:

Due to Education Fund	\$ 405,855,288
Due to other state funds	1,535,970
Total due to state funds	<u>\$ 407,391,258</u>

Activity in the Due to Education Fund account consists of:

Balance, July 1, 2024	\$ 525,642,798
Allocation to Education Fund, earned by the California State Lottery Fund	\$ 1,886,607,184
Unclaimed prizes directly allocated to the Education Fund	<u>44,968,741</u>
	\$ 1,931,575,925
Distribution to the Education Fund	<u>(2,051,363,435)</u>
Balance, June 30, 2025	<u>\$ 405,855,288</u>

8. LEASES

The Lottery leases vehicles from Enterprise FM Trust with lease terms through March 2029. For the year ended June 30, 2025, the Lottery paid a total of \$868,026 in lease payments which includes \$223,377 interest and \$644,649 principal. Additional upfitting costs of \$358,668 were paid.

Lease asset activity is included in Note 5.

Lease liability activity as of June 30, 2025:

Fiscal Year Ending	Beginning Balance	Additions	Deductions	Ending Balance
2025	\$ 3,185,642	\$ —	\$ 686,412	\$ 2,499,230

Future principal and interest payment requirements related to the Lottery lease liability at June 30, 2025 are as follows:

	Lease Payments	Interest	Remaining Liability (Principal)
For the year ending June 30: 2026	\$ 865,914	\$ 171,177	\$ 694,737
2027	865,914	115,127	750,787
2028	793,290	55,244	738,046
2029	326,224	10,564	315,660
Total future Lease payments	<u>\$ 2,851,342</u>	<u>\$ 352,112</u>	<u>\$ 2,499,230</u>

The final year's payment includes a service charge due upon termination of the lease.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

8. LEASES (continued)

The Lottery has entered into various *Subscription-Based Information Technology Arrangements (SBITA)* with multiple vendors for the usage of IT software subscriptions. The subscriptions included two Paid in Full purchase and three other subscriptions require fixed annual payments, with an incremental borrowing rate of 2.40%. For the year ended June 30, 2025, the Lottery paid a total \$1,622,777 in SBITA payments which includes \$32,451 interest and \$1,590,326 principal.

SBITA liability activity as of June 30, 2025:

Fiscal Year Ending	Beginning Balance	Additions	Deductions	Ending Balance
2025	\$ 903,549	\$ 1,195,352	\$ 916,543	\$ 1,182,358

Future principal and interest payment requirements related to the Lottery SBITA liability at June 30, 2025 are as follows:

Maturity of SBITA Liabilities	SBITA Payments	Interest	Remaining Liability (Principal)
For the year ending June 30: 2026	\$ 719,827	\$ 22,082	\$ 697,745
2027	490,458	5,845	484,613
Total future SBITA payments	<u>\$ 1,210,285</u>	<u>\$ 27,927</u>	<u>\$ 1,182,358</u>

The Lottery contracts with IGT Global Solutions Corporation (IGT) for the implementation and operation of a fully integrated gaming system, a state-wide telecommunications network, and associated network management services. The initial agreement was for a six-year period and has since undergone multiple amendments extending the term. On September 25, 2023, the Lottery approved Amendment 23 to the original agreement and previous amendments, extending the term from October 31, 2026, through October 31, 2033, and increasing the cumulative amount of the contract by \$974.8 million up to a total of \$3.2 billion.

The amendment adjusted the pricing arrangements of the agreement to include a variable payment primarily for the leasing of equipment and the operation of the system, and a fixed payment primarily for maintenance and storage of retailer equipment. The leasing of equipment from IGT is paid entirely on a variable basis based on a percentage of the Lottery's annual sales, which contains no fixed or minimum lease payments. The Lottery pays 1.0735 percent of annual sales, up to and including \$5 billion, and 1 percent of sales for the portion of annual sales exceeding \$5 billion. Annual sales for this calculation include Scratchers amounts due from retailers versus distributed to retailers, and daily sales for draw games not adjusted for advanced plays, and thus varies from sales reported on Lottery financial statements. The Lottery has also agreed to pay IGT a fixed monthly payment of \$2.6 million for retailer equipment maintenance and storage costs.

The Lottery's outflows of resources to IGT for the year ended June 30, 2025, amounted to \$94.9 million pertaining to the leasing of equipment and operation of the gaming system. This payment is based sales of \$8.9 billion, calculated as described above. In addition, the Lottery paid \$31.3 million for retailer equipment maintenance and storage costs. The Lottery is not subject to any obligations to IGT connected to residual value guarantees under the terms of the contract.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

9. INVESTMENT INCOME

Investment income (loss) consists of:

Interest on funds held by State Treasurer	\$ 42,251,452
Change in fair value of investments	8,084,716
Interest accreted/earned on investments	21,245,635
Total investment income	<u>\$ 71,581,803</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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. CalPERS' ACFR 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, 2023
Measurement Date	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

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, 2024, the average active employee contribution rate for the Miscellaneous Plan is 7.49 percent of annual pay, and the employer's contribution rate is 30.97 percent of annual payroll; for the Peace Officers/Firefighters Plan, the average active employee contribution rate is 11.87 percent of annual pay, and the employer's contribution rate is 47.91 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 6.90 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, 2025, the Lottery reported a liability of \$159.0 million for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State Controller's Office (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, 2024, the Lottery's proportion was 0.410 percent for the State Miscellaneous Plan and 0.114 percent for the State Peace Officers/Firefighters Plan. These proportions represent a increase of 0.005 percentage points for the State Miscellaneous Plan and a increase of 0.012 percentage points for the State Peace Officers/Firefighters Plan from the proportions measured as of June 30, 2023.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

After adjusting for the difference in proportionate share, the Lottery's net pension liability for the Miscellaneous Plan decreased \$15.3 million during the MP to \$142.2 million, and the Lottery's net pension liability for the Peace Officers/Firefighters Plan decreased \$2.3 million during the MP to \$16.8 million. As of June 30, 2025, the Lottery recognized a total net pension liability of \$159.0 million.

For the MP ended June 30, 2024, the Lottery recognized pension expense of \$23.5 million. As of the measurement date of June 30, 2024, the Lottery had deferred outflows and deferred inflows of resources related to pensions as follows:

Deferred outflows of resources:

	Miscellaneous Plan	Peace Officers/ Firefighters Plan	Total
Pension contributions made subsequent to the measurement date	\$ 19,335,399	\$ 1,730,766	\$ 21,066,165
Change in proportionate share	3,975,522	2,434,102	6,409,624
Change of Assumption	4,621,816	901,989	5,523,805
Difference between expected and actual experience	7,663,500	1,261,367	8,924,867
Net difference between projected and actual earnings on pension plan investments	6,831,265	732,486	7,563,751
Total	<u>\$ 42,427,502</u>	<u>\$ 7,060,710</u>	<u>\$ 49,488,212</u>

Deferred inflows of resources:

	Miscellaneous Plan	Peace Officers/ Firefighters Plan	Total
Change in proportionate share	\$ (108,945)	\$ (9,059)	\$ (118,004)
Change of Assumption	—	—	—
Difference between expected and actual experience	(1,382,767)	(331,585)	(1,714,352)
Net difference between projected and actual earnings on pension plan investments	—	—	—
Total	<u>\$ (1,491,712)</u>	<u>\$ (340,644)</u>	<u>\$ (1,832,356)</u>

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

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, 2025, 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
2025	\$ 7,410,464	\$ 1,668,414	\$ 9,078,878
2026	15,611,231	2,732,283	18,343,514
2027	389,352	614,734	1,004,086
2028	(1,810,655)	(26,132)	(1,836,787)
Total	<u>\$ 21,600,392</u>	<u>\$ 4,989,299</u>	<u>\$ 26,589,691</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 2025 measurement period presented above will be expensed in fiscal year 2025-26.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the MP ended June 30, 2024, the total pension liability was determined by rolling forward the June 30, 2023, 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:	6.90%
Inflation:	2.30%
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 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter.

The mortality table used was developed based on CalPERS-specific data. The mortality rate table incorporate full generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 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, 2023, valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

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. The Real Return on these asset classes used an expected inflation rate of 2.30 percent for this period.

Asset Class	Assumed Asset Allocation	Real Return Years 1-10
Global equity-Cap-weighted	30.00 %	4.54 %
Global equity-Non-Cap-weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real assets	15.00	3.21
Leverage	(5.00)	(0.59)

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, 2024, calculated using the discount rate of 6.90 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 (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
Miscellaneous Plan	\$ 215,807,497	\$ 142,193,483	\$ 80,749,152
Peace Officers/Firefighters Plan	27,130,828	16,800,795	8,343,795
Total	<u>\$ 242,938,325</u>	<u>\$ 158,994,278</u>	<u>\$ 89,092,947</u>

Pension Plan Fiduciary Net Position

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

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Plan Description, Benefits Provided and Employees Covered

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

Retiree healthcare benefits include medical, prescription drug, and dental benefits. The state pays a portion of retired Lottery employee health benefits based on the employee's bargaining unit (BU), date hired, and years of service. As of the measurement date of June 30, 2024, the Lottery had 949 active employees in 9 different bargaining units, 625 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, 2024
Measurement Period	July 1, 2023 to June 30, 2024

OPEB Contributions

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

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

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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 2024-25 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 2024 maximum monthly state contributions are \$983 for a single enrollee, \$1,890 for an enrollee with one dependent, and \$2,366 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, 2025, the Lottery paid \$10.5 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 approximately \$2.4 million.

OPEB Discount Rate

The SCO commissioned the Actuarial Valuation Report of the State of California Retiree Health Benefits Program as of June 30, 2024. For purposes of developing the full-funding normal cost, actuarial liability, and actuarially-determined contribution, a discount rate of 6.00 percent was used. The discount rate used to develop Total OPEB Liability and Service Cost was based on a blended rate for each respective actuarial valuation group comprised of 3.97 percent if pre-funding assets are not available to pay benefits and 6.00 percent if pre-funding assets are available to pay benefits.

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

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Discount Rate (continued)

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

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

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, 2023, through June 30, 2024. 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, 2024, the Lottery's net OPEB liability was \$236.8 million. The change in allocation basis and proportionate share from prior year resulted in a increase of approximately \$6.8 million. During the measurement period, the Lottery's net OPEB liability increased approximately \$24.5 million, resulting in a net OPEB liability of approximately \$261.3 million as of June 30, 2024.

The Lottery's net OPEB liability as a percentage of the State's net OPEB liability was 0.286 percent for the MP ending June 30, 2024, and 0.278 percent for the MP ending June 30, 2023.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

10. PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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

For the measurement period ended June 30, 2024, the Lottery had an OPEB expense of \$7.3 million.

As of June 30, 2024, 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	\$ 14,120,000	\$ —
Change in proportionate share	52,489,000	(22,631,000)
Difference between expected and actual experience	18,265,000	(12,754,000)
Change of assumptions	11,574,000	(32,325,000)
Net difference between projected and actual earnings on investments	1,117,000	(1,254,000)
Total	<u>\$ 97,565,000</u>	<u>\$ (68,964,000)</u>

Exclusive of deferred outflows related to payments after the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement period ending June 30, 2025, 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	
2025	\$ 232,000
2026	(366,000)
2027	(612,000)
2028	760,000
2029	5,822,000
2030	6,874,000
2031	1,753,000
2032	18,000
Total	<u>\$ 14,481,000</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 2025 measurement period presented above will be expensed in fiscal year 2025-26.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2024, the total OPEB liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB Statement No. 75.
Inflation:	2.30%
Salary Increases:	Varies by entry age and service.
Investment Rate of Return:	6.00%, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses.
Healthcare Cost Trend Rates:	<p>Pre-Medicare: Actual rates for 2025, increasing to 7.00% in 2026, grading down to 4.50% from 2031 through 2039, and 4.25% for 2040 and later years.</p> <p>Post-Medicare: Actual rates for 2025, increasing to rates ranging from 7.00% to 8.01% in 2026, grading down to 4.50% from 2035 through 2039, and 4.25% for 2040 and later years.</p> <p>Dental: 0.00% in 2025, 2.00% for 2026, 3.00% for 2027, 4.00% for 2028, and 4.25% for 2029 and later years.</p>
Discount Rate:	Blended rate for each valuation group, consisting of 6.00% when assets are available to pay benefits, otherwise the 20-year Municipal G.O. Bond AA Index rate of 3.97%.
Participation Rate:	On average, approximately 95% of all eligible retirees elect healthcare coverage.
Mortality Rate Table	Derived using CalPERS' membership data for all members.

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 80 percent of Scale MP 2020 published by the Society of Actuaries. For more details on this table, refer to the 2021 CalPERS Experience Study for the period from 2000 to 2019. Other demographic assumptions used in the June 30, 2024, valuation were also based on the results of the 2021 Experience Study, including updates to termination, disability, and retirement rates. The 2021 Experience Study report is available at www.CalPERS.ca.gov.

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 2022 GRS Experience Review for the period from 2018 to 2022, 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 2022 Experience Review, is available at www.sco.ca.gov.

**CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

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, 2024, 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	\$ 307,284,000	\$ 261,314,000	\$ 223,962,000

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, 2024, 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	\$ 220,663,000	\$ 261,314,000	\$ 312,973,000

OPEB Plan Fiduciary Net Position

The fiduciary net position is the fair value of the assets of the trust dedicated to the defined benefit provisions. As of the valuation report dated June 30, 2024, the net fiduciary position of the State's OPEB plans is approximately \$9.01 billion. The Lottery's proportionate fiduciary net position for the bargaining units in which it has employees is approximately \$27.3 million.

The actuarial valuation report for OPEB may be obtained by visiting the State Controller's website at www.sco.ca.gov.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

11. COMMITMENTS AND CONTINGENCIES

As mentioned previously, the Lottery contracts with IGT Global Solutions Corporation to provide and operate the Lottery's gaming system and provide related equipment, services, and support. The current contract and amendments extend through October 31, 2033, and authorize a maximum expenditure amount of \$3.2 billion. As of June 30, 2025, approximately \$1.9 billion in cumulative expenses have been incurred. Additionally, \$6.6 million of prepaid equipment costs will be amortized and expensed over the period ending October 31, 2033, and approximately \$116.1 million of capitalized gaming equipment and vending machines has been purchased. Of this, approximately \$110.5 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. COMPENSATED ABSENCES

Compensated absences consist of vested unpaid vacation time, annual leave, and additional paid leave programs. Although unused sick leave does not vest to employees, at retirement, any accumulated unused sick leave may be factored into the calculation of service length for retirement benefits. However, employees who exit state employment prior to retirement may forfeit any unused sick leave they have accrued. The Lottery accrues the liability for compensated absences as it is earned by the employees.

The total compensated absence liability as of June 30, 2025 is \$25,286,847, representing a net increase for the period.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 16,107,357	\$ 9,853,005	\$ (673,515)	\$ 25,286,847	\$ 25,286,847

The estimated amount due within one year is \$25,286,847 based on the percentage of average leave hours utilized and the historical payout patterns for compensated leave.

CALIFORNIA STATE LOTTERY FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

13. RISK MANAGEMENT

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

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

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

14. SUBSEQUENT EVENTS

The Lottery has evaluated subsequent events from the statement of net position (deficit) date through November 21, 2025, the date at which financial statements were available to be issued and has determined that there are no other items to disclose.

15. UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis (MD&A); unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Lottery's financial statements for the fiscal year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscriptions assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Lottery's financial statements for the fiscal year ending June 30, 2026.

CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025
(Unaudited)

SCHEDULE 1

Schedule of Lottery's Proportionate Share of the Net Pension Liability and Related Ratios as of June 30, 2025.

Last ten fiscal years

Miscellaneous Plan	2024¹	2023	2022	2021
Lottery's proportion of the net pension liability	0.40997%	0.40539%	0.39626%	0.38072%
Lottery's proportionate share of the net pension liability	\$142,193,483	\$155,776,720	\$149,809,875	\$84,859,858
Lottery's proportionate share of covered payroll	\$68,427,312	\$62,783,164	\$58,359,396	\$49,148,149
Lottery's proportionate share of the net pension liability as a percentage of covered payroll	207.80%	248.12%	256.70%	172.66%
Plan fiduciary net position as a percentage of the total pension liability	76.04%	72.46%	71.63%	82.39%
Peace Officers/Firefighters Plan	2024¹	2023	2022	2021
Lottery's proportion of the net pension liability	0.11379%	0.10194%	0.08980%	0.08157%
Lottery's proportionate share of the net pension liability	\$16,766,905	\$17,186,821	\$14,947,622	\$7,663,407
Lottery's proportionate share of covered payroll	\$4,946,520	\$4,310,076	\$3,623,703	\$2,960,295
Lottery's proportionate share of the net pension liability as a percentage of covered payroll	338.96%	398.76%	412.50%	258.87%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.34%	72.00%	83.35%

¹The 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, 2025
(Unaudited)**

SCHEDULE 1 (continued)

2020	2019	2018	2017	2016	2015
0.38551%	0.38157%	0.36915%	0.35196%	0.36851%	0.33587%
\$134,010,958	\$128,341,272	\$115,967,778	\$128,590,173	\$122,027,896	\$94,857,230
\$52,351,260	\$49,272,524	\$45,237,758	\$40,797,632	\$41,236,048	\$35,739,920
255.98%	260.47%	256.35%	315.19%	295.93%	265.41%
71.51%	71.34%	71.83%	66.42%	66.81%	70.68%
2020	2019	2018	2017	2016	2015
0.08197%	0.06970%	0.07244%	0.07500%	0.07989%	0.08278%
\$11,548,384	\$10,277,648	\$10,074,188	\$11,448,242	\$10,934,505	\$9,661,744
\$3,200,425	\$2,562,611	\$2,576,685	\$2,562,521	\$2,590,072	\$2,578,862
360.84%	401.06%	390.97%	446.76%	422.17%	374.65%
73.19%	70.56%	70.53%	65.89%	66.10%	69.61%

See accompanying independent auditors' report.

CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025
(Unaudited)

SCHEDULE 2

Schedule of Employer Contributions Related to Pensions Year Ended June 30, 2025.

Last ten fiscal years

Miscellaneous Plan	2025	2024	2023	2022
Actuarially determined contribution	\$21,161,211	\$19,472,587	\$18,050,818	\$16,484,933
Contributions in relation to the actuarially determined contributions	(19,335,399)	(21,868,481)	(20,057,145)	(17,032,663)
Contribution Excess	\$1,825,812	\$(2,395,894)	\$(2,006,327)	\$(547,730)
Lottery's covered payroll	\$73,576,039	\$68,427,312	\$62,783,164	\$58,359,396
Contributions as a percentage of covered payroll	26.28%	31.96%	31.95%	29.19%
Peace Officers/Firefighters Plan	2025	2024	2023	2022
Actuarially determined contribution	\$2,540,082	\$2,221,286	\$1,886,921	\$1,134,048
Contributions in relation to the actuarially determined contributions	(1,717,350)	(2,473,261)	(2,116,762)	(1,204,462)
Contribution Excess	\$822,732	\$(251,975)	\$(229,841)	\$(70,414)
Lottery's covered payroll	\$5,571,592	\$4,946,520	\$4,229,440	\$3,623,703
Contributions as a percentage of covered payroll	30.82%	50.00%	50.05%	33.24%

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025
(Unaudited)**

SCHEDULE 2 (continued)

2021	2020	2019	2018	2017	2016
\$16,465,164	\$15,446,268	\$13,857,459	\$12,542,790	\$10,834,123	\$10,019,407
(14,434,235)	(16,133,656)	(14,462,081)	(12,854,881)	(10,905,791)	(10,371,960)
\$2,030,929	\$(687,388)	\$(604,622)	\$(312,091)	\$(71,668)	\$(352,553)
\$49,148,149	\$52,351,260	\$49,272,524	\$45,237,758	\$40,797,632	\$41,236,048
29.37%	30.82%	29.35%	28.42%	26.73%	25.15%
2021	2020	2019	2018	2017	2016
\$1,526,882	\$1,438,740	\$1,101,924	\$1,059,524	\$1,007,403	\$956,456
(1,137,041)	(1,516,389)	(1,162,437)	(1,140,046)	(1,074,285)	(1,009,612)
\$389,841	\$(77,649)	\$(60,513)	\$(80,522)	\$(66,882)	\$(53,156)
\$2,960,295	\$3,200,425	\$2,562,611	\$2,576,685	\$2,562,521	\$2,590,072
38.41%	47.38%	45.36%	44.24%	41.92%	38.98%

See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025
(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 2024-25 were derived from the June 30, 2023, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal.
Amortization Method/ Period	For details, see June 30, 2023, Funding Valuation Report.
Asset Valuation Method	Fair value of assets; for details, see June 30, 2023, Funding Valuation Report.
Inflation	2.30% compounded annually.
Salary Increase	Varies by entry age and service.
Payroll Growth	2.80% compounded annually.
Investment Rate of Return	6.90% Net of pension plan investment and administrative expenses; includes inflation.
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions report. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

See accompanying independent auditors' report.

CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025
(Unaudited)

SCHEDULE 3

Schedule of Lottery's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios as of June 30, 2025.

(In thousands)

Last ten fiscal years¹

<u>Lottery's Proportionate Share Other Postemployment Benefits</u>	<u>2024²</u>	<u>2023</u>
Lottery's proportion of the net other postemployment benefits liability	0.28566%	0.27795%
Lottery's proportionate share of the net other postemployment benefits liability	\$261,314	\$236,760
Lottery's covered payroll	\$73,403	\$67,093
Lottery's proportionate share of the net other postemployment benefits liability as a percentage of covered payroll	356.00%	352.88%
Plan fiduciary net position as a percentage of the total other postemployment benefits liability	8.970%	7.438%

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, 2025
(Unaudited)**

SCHEDULE 3 (continued)

2022	2021	2020	2019	2018	2017
0.22093%	0.25777%	0.25762%	0.26080%	0.27087%	0.23962%
\$182,077	\$246,200	\$245,228	\$239,754	\$231,853	\$218,073
\$61,983	\$52,108	\$55,552	\$51,835	\$47,814	\$43,360
293.75%	472.48%	441.44%	462.53%	484.91%	502.94%
5.861%	4.037%	2.748%	1.693%	1.011%	0.546%

See accompanying independent auditors' report.

CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025
(Unaudited)

SCHEDULE 4

Schedule of Employer Contributions Related to Other Postemployment Benefits (OPEB) Year Ended June 30, 2025.

(In thousands)

Last ten fiscal years¹

	2025	2024
Actuarially determined contributions	\$12,377	\$9,855
Contributions in relation to the actuarially determined contributions	\$12,377	\$9,855
Contribution deficiency	—	—
Lottery's covered payroll	\$79,148	\$73,374
Contributions as a percentage of covered payroll	15.64%	13.43%

Notes to Schedule of Employer Contributions

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2024-25 were derived from the June 30, 2023, Funding Valuation Report.

Actuarial Cost Method	Entry Age Normal and the blended discount rates as required by GASB Statement No. 75. The Normal Cost and Actuarial Accrued Liability for the purpose of calculating the Actuarially Determined Contribution were developed using the Entry Age Normal Actuarial Cost Method and a full-funding discount rate of 6 percent.
Inflation	2.30% compounded annually.
Payroll Growth	2.80% compounded annually.
Retirement Age	The probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019.
Mortality	The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board in November 2021. For purposes of the mortality rates, the rates include 16 years of projected ongoing mortality improvement using 80 percent of Scale MP 2020 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.

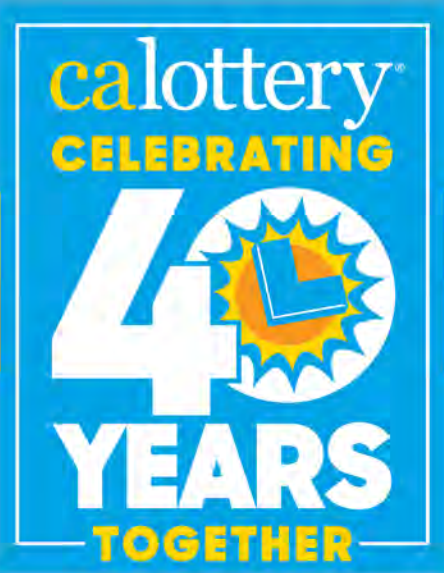
See accompanying independent auditors' report.

**CALIFORNIA STATE LOTTERY FUND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025
(Unaudited)**

SCHEDULE 4 (continued)

2023	2022	2021	2020	2019	2018
\$10,720	\$9,884	\$8,021	\$7,082	\$6,066	\$5,533
\$10,720	\$9,884	\$8,021	\$7,082	\$6,066	\$5,533
—	—	—	—	—	—
\$67,013	\$61,983	\$52,108	\$55,556	\$51,835	\$47,814
16.00 %	15.95 %	15.39%	12.75%	11.70%	11.57%

See accompanying independent auditors' report.



Statistical Section

STATISTICAL SECTION (Unaudited)

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

Contents

Financial Trends/Revenue Capacity.....	87
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	93
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	101
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

Component	2016	2017	2018	2019
Invested in capital assets	163,916,171	185,709,466	197,306,299	208,971,820
Restricted by legislation	146,172,959	87,372,386	55,949,634	93,646,606
Unrestricted deficit	(254,126,583)	(275,919,878)	(442,668,711)	(454,334,232)
Total net position¹	55,962,547	(2,838,026)	(189,412,778)	(151,715,806)

CALIFORNIA STATE LOTTERY
Change in Net Position
Last Ten Fiscal years

Revenues, Costs, Expenses	2016	2017	2018	2019
Operating revenues:				
Lotto games	1,337,129,994	1,041,071,687	1,234,092,648	1,526,370,543
Scratchers® games	4,351,826,436	4,576,028,713	5,077,397,175	5,170,791,532
Hot Spot®	232,286,264	255,808,131	288,701,169	313,779,077
Daily games	354,354,594	360,559,892	365,601,121	377,109,164
Total operating revenues	6,275,597,288	6,233,468,423	6,965,792,113	7,388,050,316
Prizes	3,955,791,373	3,963,453,360	4,476,580,353	4,715,592,673
Game costs:				
Retailer costs	432,985,606	433,656,258	480,545,143	505,903,081
Gaming system costs	78,276,791	81,566,527	90,998,838	92,088,597
Scratchers game costs	36,485,518	34,819,169	36,600,840	39,207,904
Total game costs	547,747,915	550,041,954	608,144,821	637,199,582
Operating expenses:				
Salaries, wages and benefits	79,415,769	91,254,303	101,054,859	99,664,223
Advertising	74,280,130	76,690,663	68,113,747	66,773,171
Promotion, public relations and point of sale	10,990,631	8,657,038	9,552,414	9,305,841
Other professional services	14,367,836	14,266,695	15,321,484	16,898,286
Depreciation and amortization	13,528,573	16,889,648	18,310,965	18,814,684
Other general and administrative expenses	19,806,524	18,036,889	12,658,281	14,080,465
Total operating expenses	212,389,463	225,795,236	225,011,750	225,536,670
Operating income	1,559,668,537	1,494,177,874	1,656,055,189	1,809,721,391
Non-operating (expenses) revenues:				
Investment earnings ²	55,232,507	(54,067,894)	(22,715,200)	53,177,645
Other income	193,432	93,932	124,554	22,036
Allocation to Education Fund ³	(1,563,149,876)	(1,499,004,485)	(1,664,887,295)	(1,825,224,100)
Total non-operating (expenses) revenues	(1,507,723,937)	(1,552,978,447)	(1,687,477,941)	(1,772,024,419)
Total change in net position	51,944,600	(58,800,573)	(31,422,752)	37,696,972

(1) 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

2020	2021	2022	2023	2024	2025
214,519,651	204,847,726	191,966,405	179,671,839	171,072,647	168,873,761
163,905,059	106,929,568	7,116,447	(33,709,368)	(50,237,987)	—
(459,882,063)	(450,210,138)	(437,328,817)	(425,034,251)	(416,435,059)	(457,232,076)
(81,457,353)	(138,432,844)	(238,245,965)	(279,071,780)	(295,600,399)	(288,358,315)

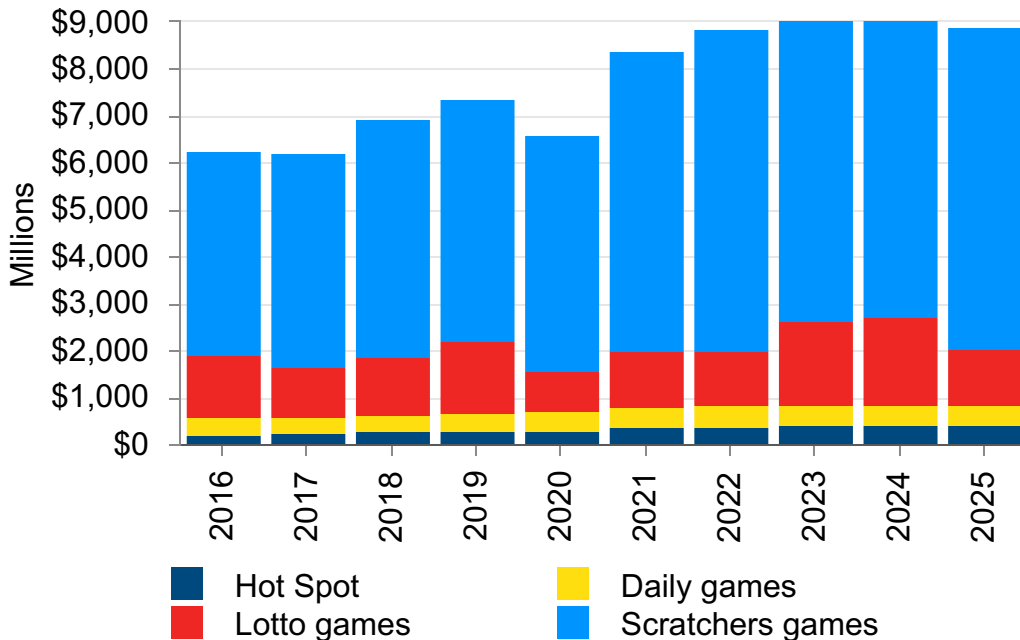
CALIFORNIA STATE LOTTERY
Change in Net Position
Last Ten Fiscal years

2020	2021	2022	2023	2024	2025
888,372,887	1,198,771,157	1,185,499,008	1,819,304,484	1,861,671,725	1,189,825,216
5,029,765,509	6,409,463,025	6,830,109,188	6,574,494,639	6,561,264,485	6,892,391,897
311,848,814	373,301,793	401,837,336	410,942,023	424,739,564	424,355,620
392,016,195	436,407,842	435,804,636	434,612,165	427,438,318	426,139,390
6,622,003,405	8,417,943,817	8,853,250,168	9,239,353,311	9,275,114,092	8,932,712,123
4,403,715,159	5,610,605,541	5,825,673,018	5,960,301,724	6,031,571,558	5,994,177,466
460,706,639	585,861,906	614,710,750	633,200,226	632,678,900	614,805,168
82,692,866	97,963,148	102,320,421	109,720,587	110,124,193	104,430,041
36,567,321	44,601,524	41,836,793	50,428,558	42,411,509	49,950,790
579,966,826	728,426,578	758,867,964	793,349,371	785,214,602	769,185,999
111,146,383	104,757,919	101,243,980	100,871,997	123,281,104	142,049,639
40,856,926	59,135,920	92,849,859	89,181,811	101,755,246	108,469,821
9,385,619	7,490,496	8,529,662	11,095,793	12,229,984	13,310,553
16,225,755	17,728,391	18,129,419	18,072,617	21,662,247	21,753,318
18,428,535	16,765,127	15,982,732	14,961,644	14,518,446	15,274,619
17,123,347	15,302,967	16,924,217	20,464,419	26,712,119	24,262,568
213,166,565	221,180,820	253,659,869	254,648,281	300,159,146	325,120,518
1,425,154,855	1,857,730,878	2,015,049,317	2,231,053,935	2,158,168,786	1,844,228,140
82,091,722	(53,382,892)	(95,791,722)	(15,049,106)	45,912,870	49,493,535
195,722	1,823,112	611,692	6,897	194,418	127,593
(1,437,183,846)	(1,863,146,589)	(2,019,682,408)	(2,256,837,541)	(2,220,804,693)	(1,886,607,184)
(1,354,896,402)	(1,914,706,369)	(2,114,862,438)	(2,271,879,750)	(2,174,697,405)	(1,836,986,056)
70,258,453	(56,975,491)	(99,813,121)	(40,825,815)	(16,528,619)	7,242,084

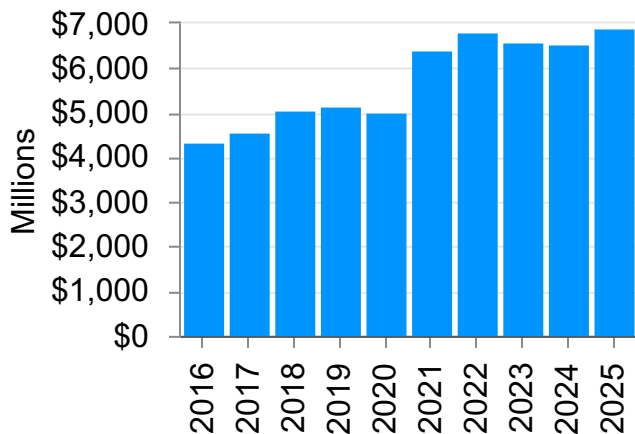
Note: Individual wagers for all SuperLotto Plus®, Hot Spot, and all daily games, with the exception of Daily Derby®, are \$1 each. Daily Derby and Powerball® wagers are \$2 each. Mega Millions® wagers changed from \$2 to \$5 each in April of 2025. Scratchers games have price points of \$1, \$2, \$3, \$5, \$10, \$20, \$25, \$30, and \$40.

CALIFORNIA STATE LOTTERY

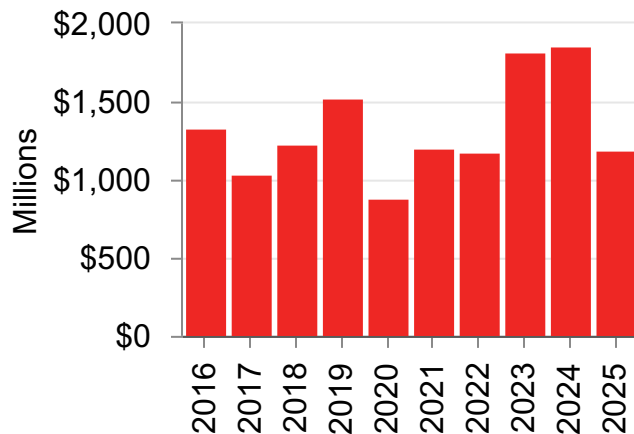
Sales by Product Last Ten Fiscal Years



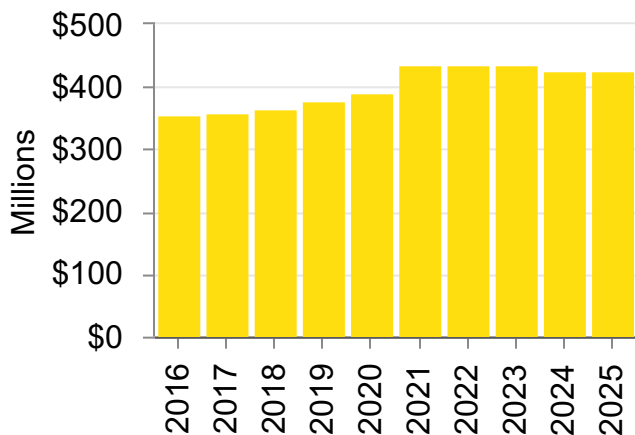
Scratchers games



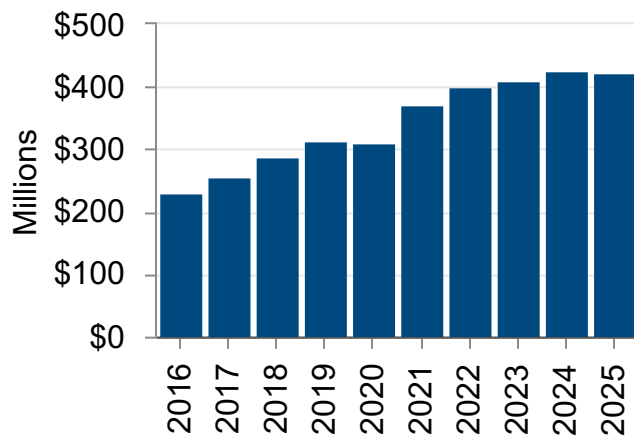
Lotto games



Daily games

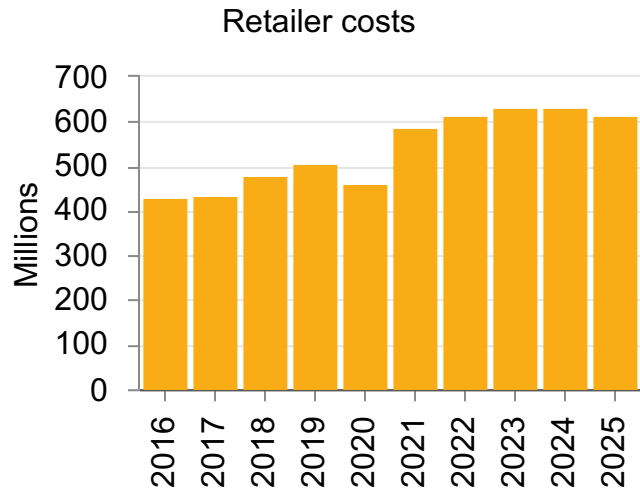
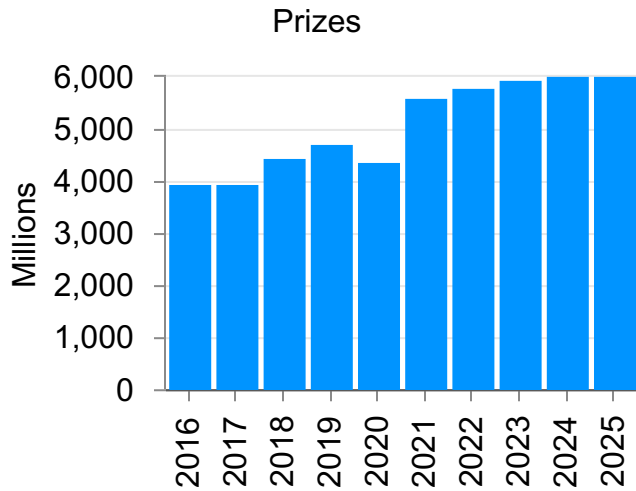
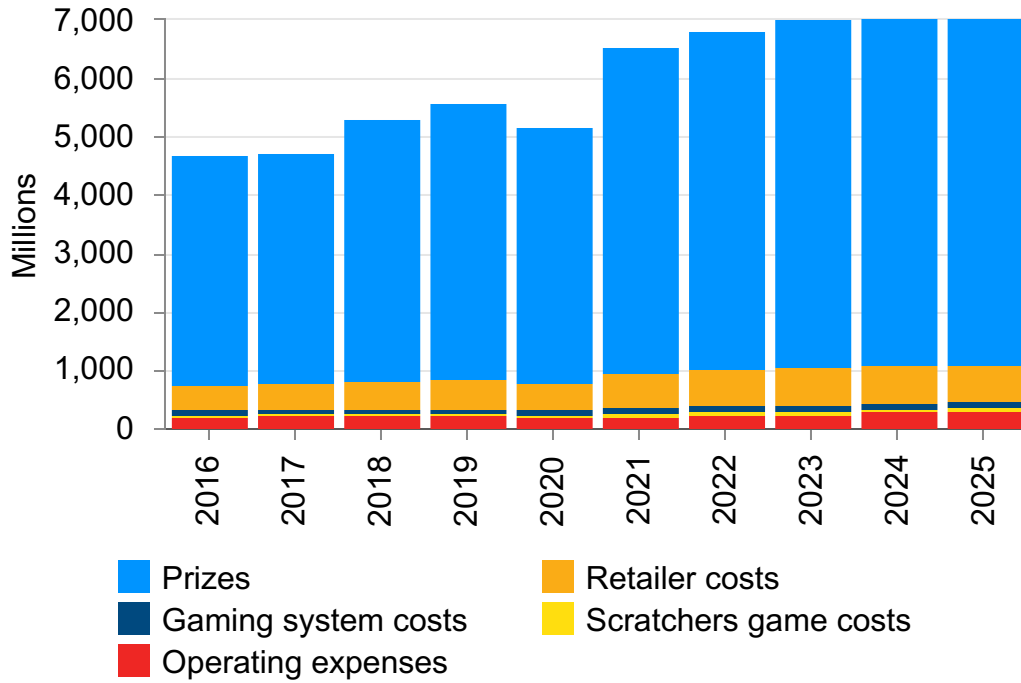


Hot Spot



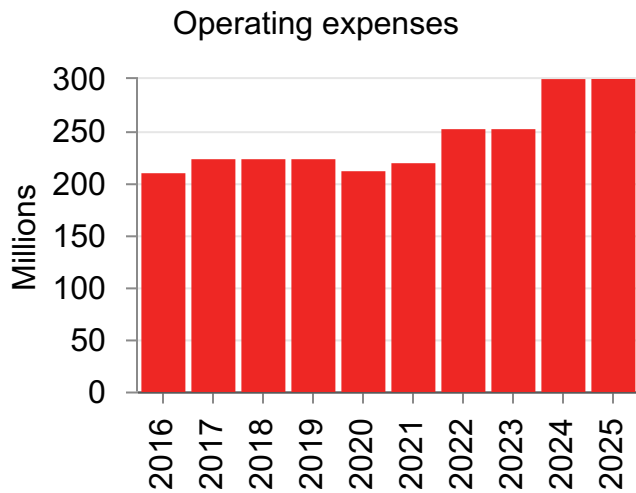
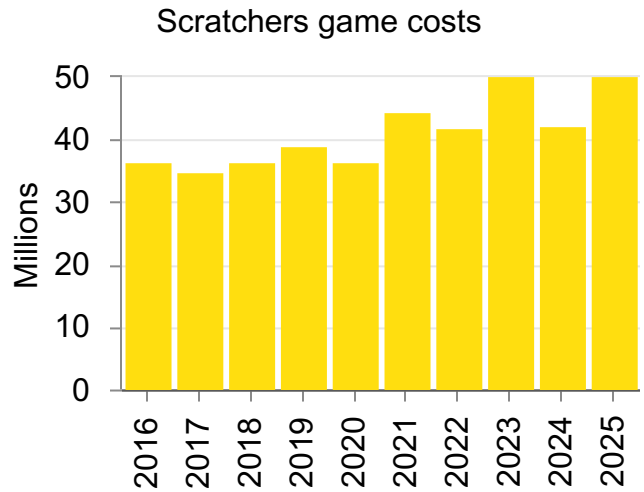
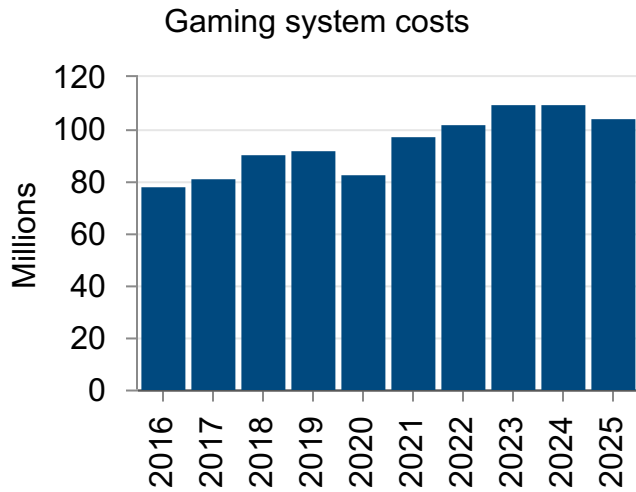
CALIFORNIA STATE LOTTERY

Expenses by Type Last Ten Fiscal Years



CALIFORNIA STATE LOTTERY

Expenses by Type Last Ten Fiscal Years



CALIFORNIA STATE LOTTERY
California Demographics and Economic Information
2015 - 2024

2015	39,145	\$2,103,669	\$53,741	5.7%
2016	39,250	\$2,212,691	\$56,374	5.0%
2017	39,636	\$2,409,537	\$60,792	4.2%
2018	39,625	\$2,558,708	\$64,574	4.1%
2019	39,545	\$2,673,410	\$67,603	3.7%
2020	39,349	\$2,769,079	\$70,372	9.1%
2021	39,171	\$2,983,478	\$76,166	5.0%
2022	38,988	\$3,058,731	\$78,454	4.8%
2023	38,953	\$3,210,090	\$82,408	5.1%
2024	39,458	\$3,482,071	\$88,247	5.2%

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: 2025 information is not available and therefore not presented.

CALIFORNIA STATE LOTTERY
California Industry Number of Employees by Size Category
2015 - 2024

Industry	2015	2016	2017	2018	2019
Agriculture, Forestry, Fishing, Hunting	471,566	474,766	473,554	410,315	408,703
Mining	25,668	21,218	20,130	20,614	19,920
Utilities	57,577	58,008	57,766	56,068	56,963
Construction	748,872	789,841	830,446	877,644	901,215
Manufacturing	1,303,651	1,304,915	1,318,709	1,324,696	1,319,877
Wholesale Trade	719,576	718,853	723,984	705,541	693,780
Retail Trade	1,645,332	1,654,247	1,670,450	1,728,821	1,706,454
Transportation and Warehousing	488,428	517,790	553,571	619,572	670,993
Information	486,838	517,275	526,390	550,261	573,610
Finance and Insurance	523,933	540,844	544,423	540,296	543,498
Real Estate and Rental and Leasing	271,617	278,001	285,957	299,221	309,413
Services	7,247,138	7,442,898	7,630,490	7,969,114	8,154,351
Nonclassifiable Establishment	102,851	119,680	82,201	1,807	985
Federal, State and Local Government	2,388,336	2,434,565	2,346,343	2,520,424	2,548,014
Total for All Industries	16,481,383	16,872,901	17,064,414	17,624,394	17,907,776

Industry	2020	2021	2022	2023	2024
Agriculture, Forestry, Fishing, Hunting	397,377	404,736	396,541	405,183	394,044
Mining	16,797	16,980	17,402	16,953	16,186
Utilities	59,571	60,113	62,469	65,920	67,468
Construction	872,915	896,376	912,111	925,510	910,741
Manufacturing	1,255,814	1,299,211	1,341,547	1,318,188	1,230,642
Wholesale Trade	644,899	660,675	673,841	666,062	657,436
Retail Trade	1,608,512	1,659,808	1,650,348	1,638,839	1,621,077
Transportation and Warehousing	714,235	773,084	794,536	779,399	781,565
Information	539,790	587,668	605,429	540,338	533,804
Finance and Insurance	538,676	544,205	528,784	504,375	492,400
Real Estate and Rental and Leasing	281,141	302,754	310,240	307,037	311,019
Services	7,179,567	7,968,242	8,310,307	8,440,970	8,654,627
Nonclassifiable Establishment	661	3,878	1,760	1,606	1,549
Federal, State and Local Government	2,389,784	2,454,756	2,518,775	2,607,840	2,690,569
Total for All Industries	16,499,739	17,632,486	18,124,090	18,218,220	18,363,127

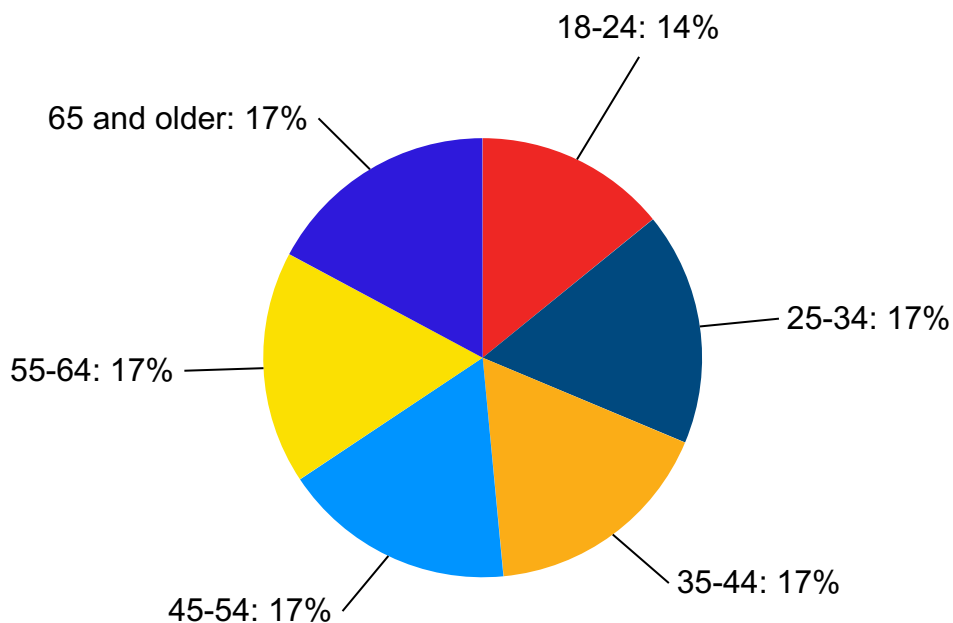
Source: California Employment Development Department.

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.

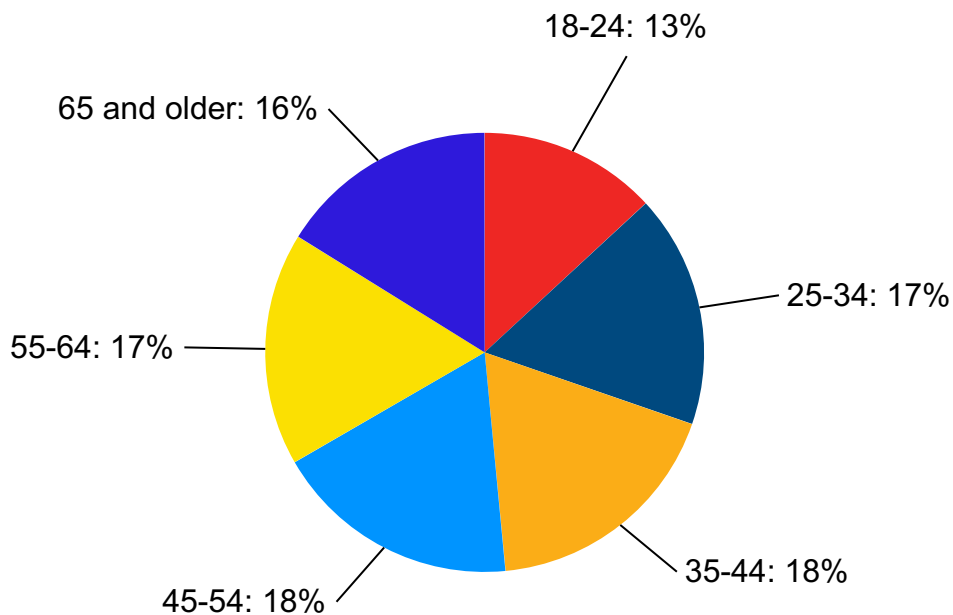
Note: Businesses are designated as "Non classifiable Establishments" when there is insufficient information to determine the appropriate industry classification.

CALIFORNIA STATE LOTTERY
California Demographics for Population and Players

Age of Adult Population

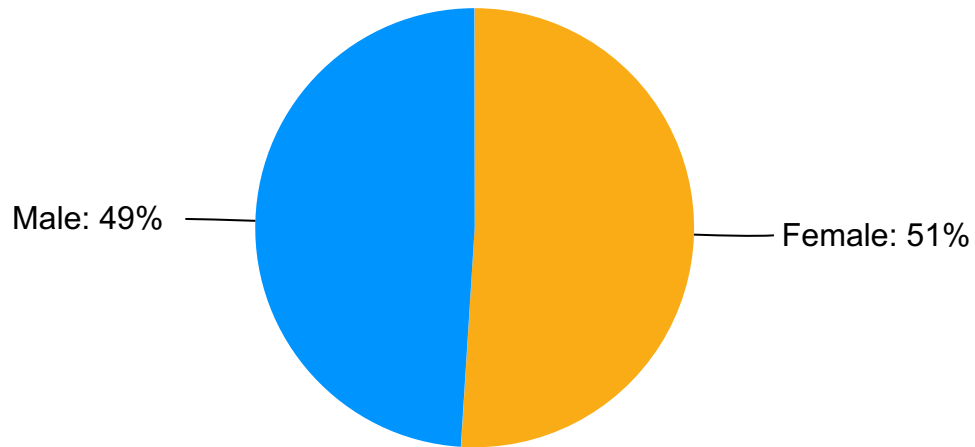


Age of Lottery Players

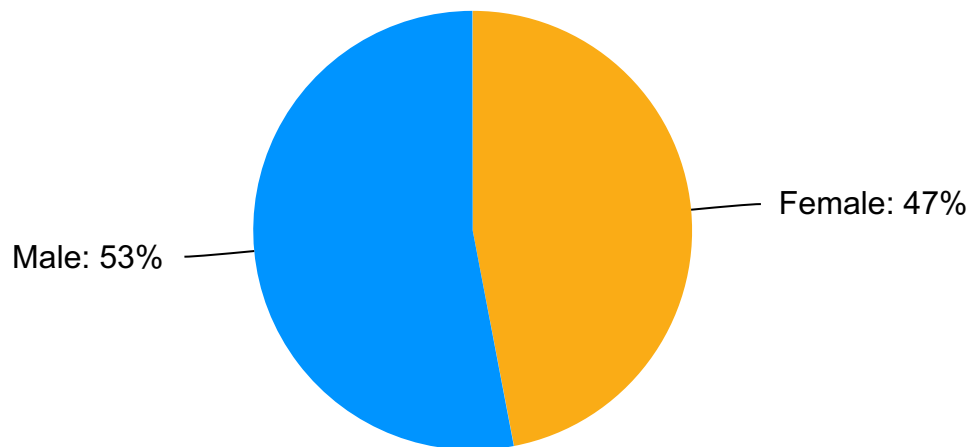


Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2024-25. Percentages are based on self-reported information from the respondents and may not equal to 100% of the total.

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

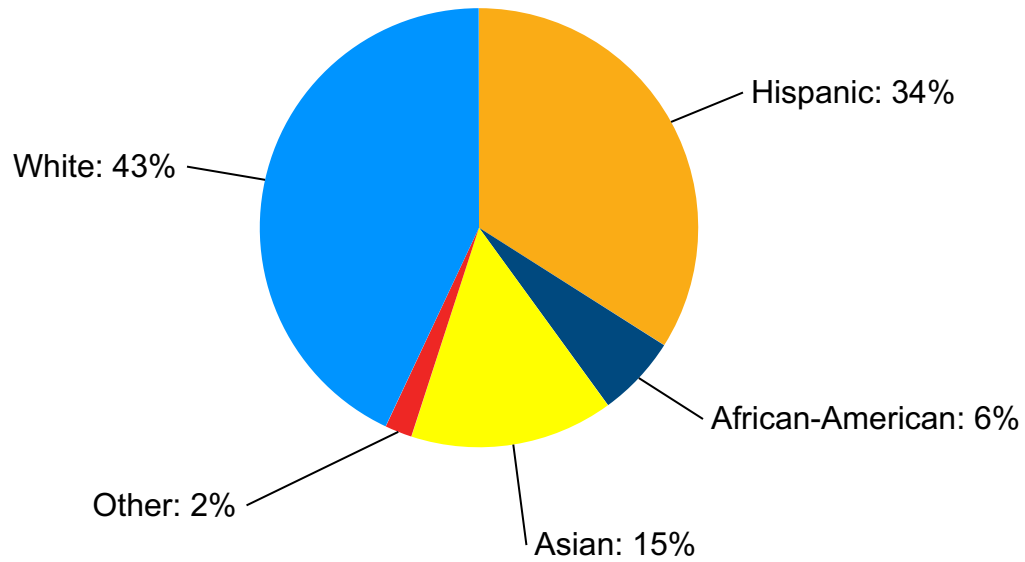


Gender of Lottery Players

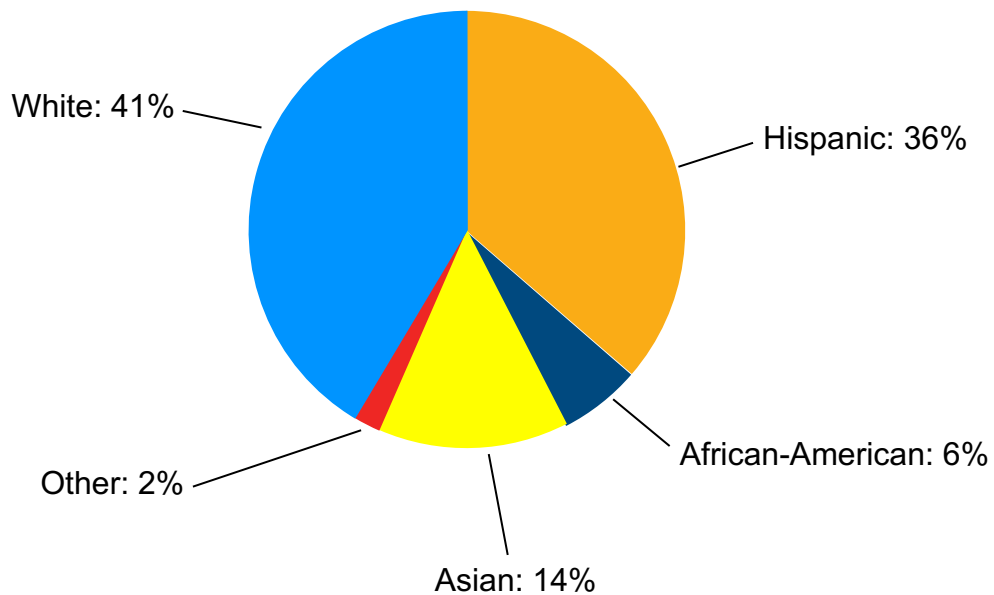


Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2024-25. Percentages are based on self-reported information from the respondents and may not equal to 100% of the total.

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



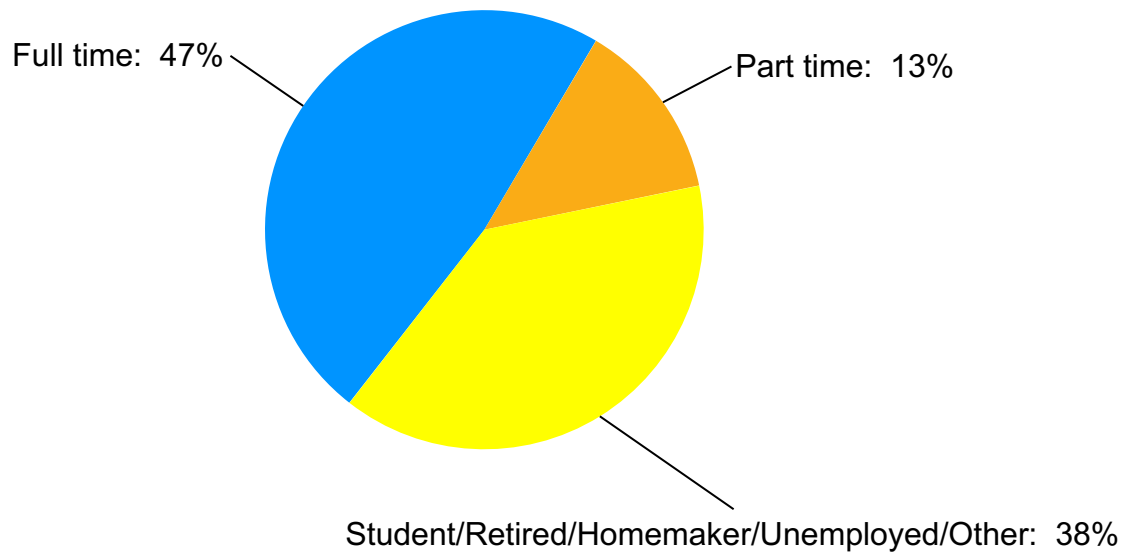
Ethnicity of Lottery Players



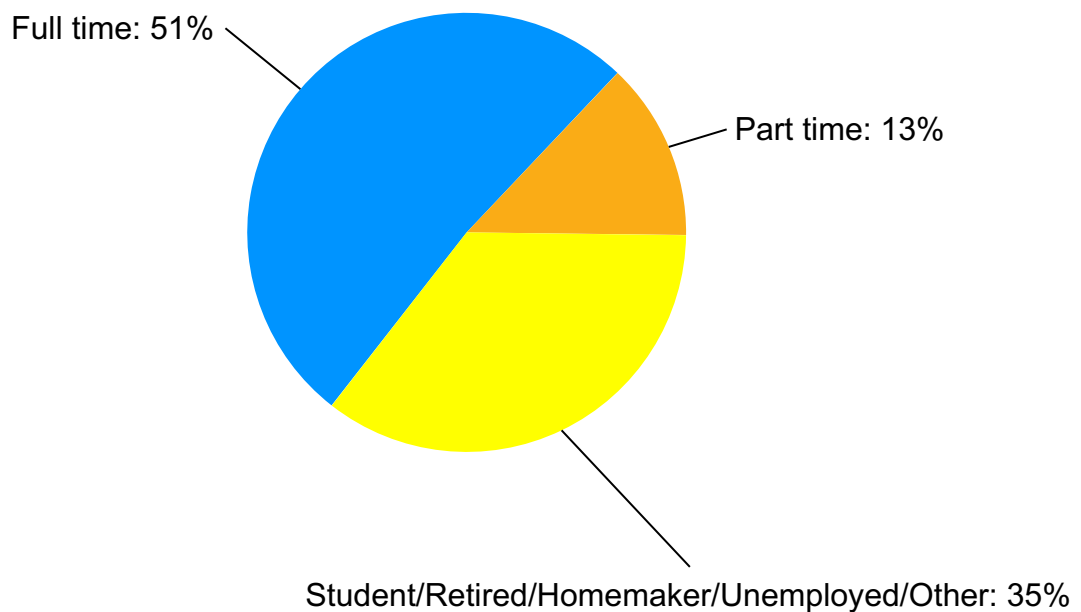
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2024-25. Percentages are based on self-reported information from the respondents and may not equal to 100% of the total.

CALIFORNIA STATE LOTTERY
California Demographics for Population and Players

Employment Status of Adult Population



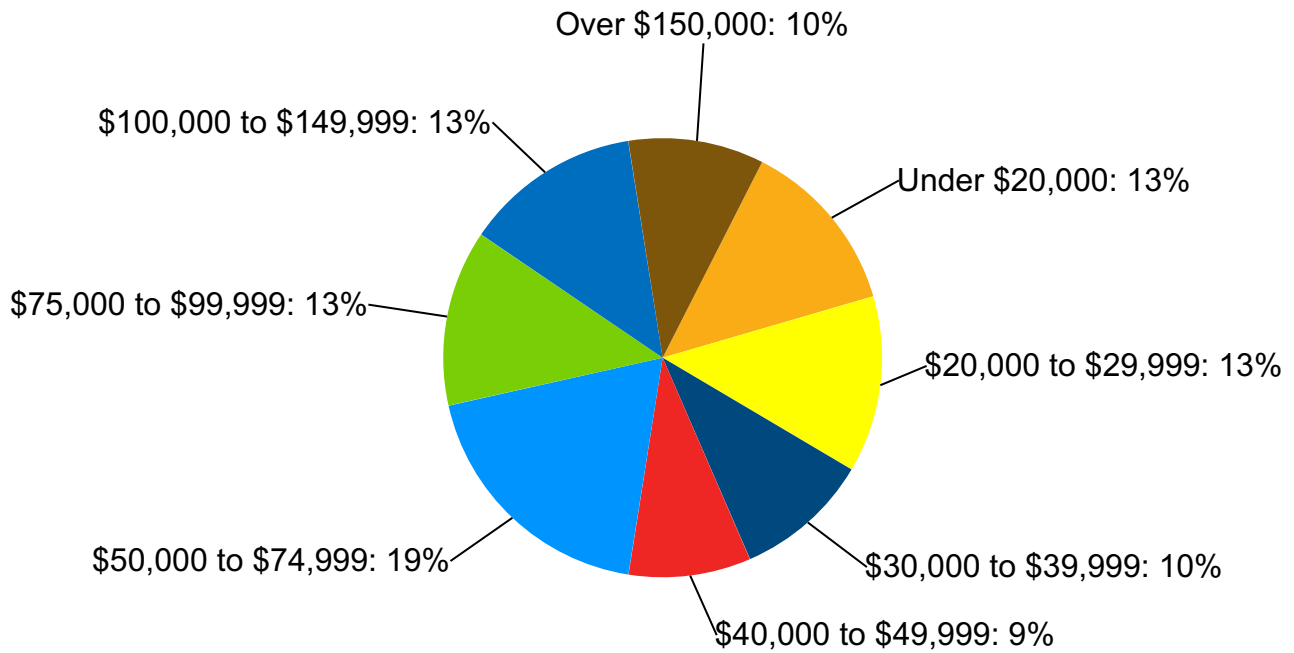
Employment Status of Lottery Players



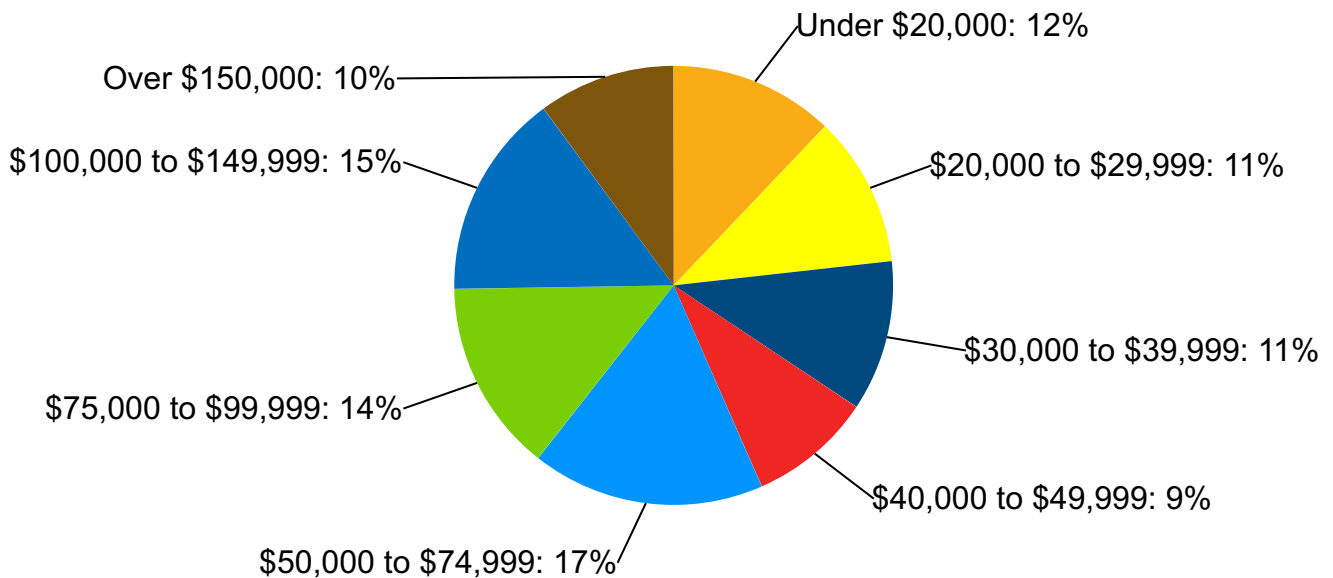
Note: All data are from the Continuous Tracking Study commissioned by the Lottery and provided by an external vendor for fiscal year 2024-25. Percentages are based on self-reported information from the respondents and may not equal to 100% of the total.

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 2024-25. Percentages are based on self-reported information from the respondents and may not equal to 100% of the total.

U.S. Lottery Data For Fiscal Year 2024
Excludes Video Lottery Terminal (VLT) sales
(in millions)

States	Population	Sales	Prizes	Profit	Sales/Capita
Arizona	7.4	\$1,528.2	\$1,027.9	\$—	\$206
Arkansas	3.1	613.0	420.0	129.2	200
California++	39.0	9,275.1	6,031.6	2,287.9	238
Colorado	5.9	900.8	577.8	196.4	153
Connecticut	3.6	1,414.6	1,136.5	387.0	391
Delaware ^{2, 3}	1.0	251.4	145.5	246.3	244
District of Columbia ⁴	0.7	196.1	—	—	289
Florida	22.6	9,417.5	6,374.7	2,386.6	417
Georgia	11.0	5,355.3	3,798.6	1,490.7	486
Idaho	2.0	421.6	282.5	84.0	215
Illinois	12.5	3,857.7	2,585.5	883.8	307
Indiana	6.9	1,744.2	1,141.7	373.1	254
Iowa	3.2	490.0	274.7	106.6	153
Kansas	2.9	350.1	202.4	88.5	119
Kentucky	4.5	1,463.0	963.0	405.4	323
Louisiana	4.6	639.6	370.1	204.8	140
Maine	1.4	430.2	288.8	90.1	308
Maryland ^{2, 3}	6.2	2,715.7	1,715.5	699.6	439
Massachusetts	7.0	6,129.8	4,525.2	1,156.6	876
Michigan ^{1, 4}	10.0	4,630.0	3,026.1	1,257.7	461
Minnesota	5.7	775.7	476.2	196.5	135
Mississippi	2.9	477.6	264.3	125.1	162
Missouri	6.2	1,605.9	1,069.2	389.8	259
Montana	1.1	92.5	54.9	19.5	82
Nebraska	2.0	220.6	129.1	55.3	112
New Hampshire	1.4	520.9	338.4	203.7	372
New Jersey	9.3	3,818.0	2,157.8	1,100.0	411
New Mexico	2.1	170.2	93.6	51.1	81
New York ^{2, 3, 4}	19.6	8,197.9	4,917.9	3,775.4	419
North Carolina	10.8	4,241.3	2,811.6	1,092.3	391
North Dakota	0.8	40.1	20.8	—	51
Ohio ^{2, 3}	11.8	4,543.9	3,018.7	1,477.7	386
Oklahoma	4.1	354.7	219.9	—	87
Oregon ^{2, 3}	4.2	460.6	282.7	—	109
Pennsylvania	13.0	4,861.0	3,215.4	1,220.5	375
Rhode Island ^{2, 3}	1.1	321.0	—	425.5	293
South Carolina	5.4	2,384.7	1,571.7	593.4	444
South Dakota ^{2, 3}	0.9	86.7	42.9	184.0	94
Texas ^{1, 4}	30.5	8,389.8	5,655.5	2,007.3	275
Vermont	0.6	168.6	—	—	261
Virginia	8.7	2,617.0	1,649.9	934.1	300
Washington	7.8	1,029.0	636.3	392.7	132
West Virginia ^{2, 3}	1.8	258.0	156.7	—	146
Wisconsin	5.9	954.8	588.8	—	162
Wyoming	0.6	41.1	15.9	6.1	70

2024 data source: La Fleur's Magazine September/October 2024

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 2025
Excludes Video Lottery Terminal (VLT) sales
(in millions)

States	Population	Sales	Prizes	Profit	Sales/Capita
Arizona	7.6	\$1,403.4	\$962.5	\$440.9	\$185
Arkansas	3.1	578.0	400.3	111.3	187
California++	39.4	8,932.7	5,994.2	1,931.6	227
Colorado	6.0	827.9	539.6	169.8	139
Connecticut	3.7	1,331.7	1,252.6	361.6	362
Delaware ^{2, 3}	1.1	224.8	138.0	223.8	214
District of Columbia ⁴	0.7	169.9	—	—	242
Florida	23.4	9,132.9	6,331.9	2,161.3	391
Georgia	11.2	5,143.0	3,917.4	1,471.4	460
Idaho	2.0	401.7	272.9	75.0	201
Illinois	12.7	3,755.9	2,592.7	796.1	296
Indiana	6.9	1,605.9	1,061.8	340.7	232
Iowa	3.2	434.9	283.5	151.4	134
Kansas	3.0	316.1	239.0	91.4	106
Kentucky	4.6	1,357.4	903.1	382.5	296
Louisiana	4.6	581.2	340.4	181.5	126
Maine	1.4	408.1	278.3	79.9	290
Maryland ^{2, 3}	6.3	2,616.0	1,672.6	667.2	418
Massachusetts	7.1	5,936.5	4,416.1	1,066.0	832
Michigan ^{1, 4}	10.1	4,533.7	2,947.7	1,165.2	447
Minnesota	5.8	708.3	444.8	161.6	122
Mississippi	2.9	444.4	270.4	113.0	151
Missouri	6.2	1,482.6	1,004.4	337.5	237
Montana	1.1	83.8	23.0	60.9	74
Nebraska	2.0	185.0	108.9	45.7	92
New Hampshire	1.4	468.7	318.4	195.3	333
New Jersey	9.5	3,514.3	2,026.0	—	370
New Mexico	2.1	148.9	79.6	44.7	70
New York ^{2, 3, 4}	19.9	7,812.0	4,751.6	3,584.5	393
North Carolina	11.0	3,987.7	—	1,070.0	361
North Dakota	0.8	26.9	14.1	6.2	34
Ohio ^{2, 3}	11.9	4,376.3	2,970.4	1,405.9	368
Oklahoma	4.1	305.1	188.8	—	75
Oregon ²	4.3	431.8	272.3	89.8	101
Pennsylvania	13.1	4,360.5	2,914.9	1,052.0	333
Rhode Island ^{2, 3}	1.1	284.4	1,790.0	433.6	256
South Carolina	5.5	2,299.8	1,534.2	549.0	420
South Dakota ^{2, 3}	0.9	72.6	38.7	182.5	78
Texas ⁴	31.3	7,912.3	5,381.1	1,809.5	253
Vermont	0.6	155.5	111.0	—	240
Virginia	8.8	2,387.2	4,521.8	901.5	271
Washington	8.0	937.2	594.3	342.9	118
West Virginia ²	1.8	222.2	139.1	38.0	126
Wisconsin	6.0	861.8	548.0	—	145
Wyoming	0.6	28.8	13.6	2.8	49

2025 data source: La Fleur's Magazine September/October 2025

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

Divisions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Executive ³	44	40	41	49	48	58	60	60	60	70
Finance	80	82	83	88	91	118	126	137	141	144
Human Resources	27	29	29	31	37	50	50	53	53	54
Operations ¹	88	42	43	43	59	59	71	78	77	81
Public Affairs & Communications ^{2, 3}	24	25	24	—	7	7	7	7	7	—
Security & Law Enforcement	58	65	64	66	68	74	80	85	87	90
Information Technology Services	101	110	112	112	114	115	121	137	140	141
Sales & Marketing ^{1, 2}	399	448	448	470	485	489	550	559	559	568
Total	821	841	844	859	909	970	1,065	1,116	1,124	1,148

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. And, in fiscal year 2024-25, The Public Affairs & Communications staff were redirected to the Executive Division.

CALIFORNIA STATE LOTTERY

Information About Operating Indicators

In fiscal year 2024-25, the Lottery continued to improve productivity and engagement to responsibly grow sales and maximize the supplemental funding we provide to our beneficiary. The Lottery generated nearly \$9 billion in sales and contributed more than \$1.9 billion to California's K-12 schools, community colleges, California State University and University of California campuses, and several specialized schools. The Lottery is proud to note that fiscal year 2024-25 was 25th consecutive year that it provided more than \$1 billion to its beneficiary.

Looking ahead, the Lottery's business plan for fiscal year 2025-26 aims to increase supplemental funds raised for education through responsible growth and continued dedication to the Lottery's mission, vision, and values.

The business plan includes the following objectives for fiscal year 2025-26:

- Expand Scratchers sales by removing barriers to play among infrequent players
- Continue to grow draw game sales
- Explore new ways to expand and utilize the Lottery's strong retail network
- Continue to improve knowledge and perceptions about the Lottery
- Become customer focused and continue to improve the customer experience
- Continue the celebration of the Lottery's 40th anniversary

In recognition of the Lottery's 40th anniversary, distinctive Scratchers games tailored for this milestone will continue to be available and promoted all throughout 2025. The goal of these special anniversary-themed games is to raise awareness of the Lottery's origins and reaffirm its commitment to generating supplemental funding for public schools across California.

The Lottery's solid business plan, which focuses on players, retailers, product, and initiatives within the Lottery organization itself, creates the balanced approach needed to continue to boost sales levels. In addition, the Lottery has engaged in multi-year efforts to strengthen its infrastructure to optimize its operation to be more efficient. The result of these initiatives and efforts will be in line with the Lottery's 40-year mission of maximizing funding to California public education.

CALIFORNIA STATE LOTTERY
Capital Assets, Net
Last Ten Fiscal Years

Assets	2016	2017	2018	2019
Capital Assets:				
Land	11,577,348	15,893,968	18,798,281	18,798,281
Gaming Equipment	29,726,121	32,743,102	28,709,712	21,347,423
Software ²	—	—	—	—
Vending Machines	36,245,295	41,240,019	42,691,156	36,443,593
Buildings	78,818,382	90,566,226	100,553,839	124,353,366
Data Processing Equipment	2,850,624	1,046,034	1,683,868	3,647,573
Office Furniture and Equipment	606,197	610,104	666,223	725,378
Leasehold Improvements	2,939	1,299	186	—
Vehicles ¹	—	—	—	3,372,987
Audio/Video Equipment ²	—	—	—	—
Warehouse Equipment ²	—	—	—	—
Other ¹	4,089,265	3,608,714	4,203,034	283,219
Capital Assets, net	163,916,171	185,709,466	197,306,299	208,971,820
Lease Assets:³				
Right to Use SBITAs	—	—	—	—
Vehicles	—	—	—	—
Lease Assets, net	—	—	—	—
Lottery activities total, net	163,916,171	185,709,466	197,306,299	208,971,820

CALIFORNIA STATE LOTTERY
Contributions to Education
Last Ten Fiscal Years

Contributions	2016	2017	2018	2019
Allocations to Education Fund	1,563,149,876	1,499,004,485	1,664,887,295	1,825,224,100
Unclaimed Prizes	24,266,723	46,520,996	36,049,311	45,523,184
Total Contributions to Education	1,587,416,599	1,545,525,481	1,700,936,606	1,870,747,284

Footnotes:

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

² The Lottery adopted new asset types in fiscal year 2021-22. This included recategorizing the prior year's asset cost and accumulated depreciation.

³ The Lottery adopted GASB Statement No. 87 and 96 to improve the accounting and financial reporting for leased vehicles and Subscription-Based Information Technology Arrangements (SBITA). For more information, see Note 5.

CALIFORNIA STATE LOTTERY
Capital Assets, Net
Last Ten Fiscal Years

2020	2021	2022	2023	2024	2025
18,798,281	18,798,281	18,798,281	18,798,281	18,798,281	18,798,281
14,820,418	10,017,625	6,689,136	4,742,641	2,977,383	1,540,710
—	—	10,952,992	10,263,513	8,666,443	14,625,670
30,327,101	24,584,159	18,928,541	13,211,169	7,835,817	4,102,719
138,719,630	136,374,440	132,014,719	128,236,374	128,102,940	124,705,422
6,426,088	9,725,778	239,374	677,002	656,980	432,986
535,718	375,018	49,259	68,801	399,520	380,311
—	—	—	—	—	—
4,666,505	4,747,361	3,569,426	2,687,916	1,585,853	778,245
—	—	94,390	50,746	32,094	45,299
—	—	10,508	6,567	2,627	—
225,910	225,064	619,779	928,829	2,014,709	1,994,381
214,519,651	204,847,726	191,966,405	179,671,839	171,072,647	167,404,024
—	—	—	2,372,016	2,347,633	2,525,397
—	—	—	1,402,027	3,461,502	2,625,928
—	—	—	3,774,043	5,809,135	5,151,325
214,519,651	204,847,726	191,966,405	183,445,882	176,881,782	172,555,349

CALIFORNIA STATE LOTTERY
Contributions to Education
Last Ten Fiscal Years

2020	2021	2022	2023	2024	2025
1,437,183,846	1,863,146,589	2,019,682,408	2,256,837,541	2,220,804,693	1,886,607,184
75,396,516	19,407,816	57,691,492	51,827,506	67,128,165	44,968,741
1,512,580,362	1,882,554,405	2,077,373,900	2,308,665,047	2,287,932,858	1,931,575,925

The California Lottery's mission is to generate supplemental funding for public education from elementary schools to universities. With honesty and integrity, the Lottery builds a better tomorrow for students and our communities through the responsible sale of entertaining lottery products.

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