

Comprehensive Annual Financial Report



Prepared by **Washington's Lottery**
Finance Department for the fiscal years
ended **June 30, 2016** and **June 30, 2015**.



DEPT OF IMAGINATION

SHARED VISION:

Washington's Lottery is an engaging and energetic workplace. We cultivate an environment of empowerment, accountability, teamwork, and learning.

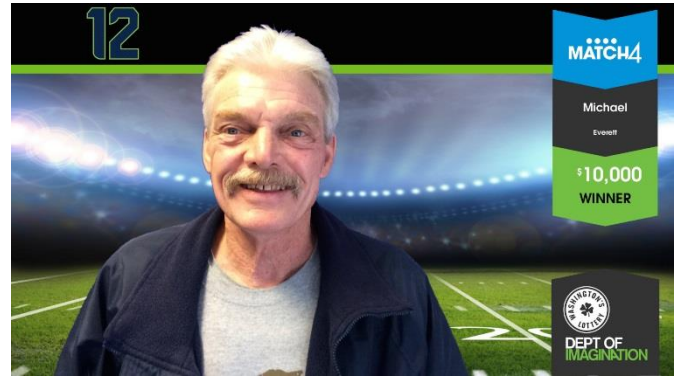
Communication is open and honest.

The Lottery promotes strong relationships with our players, retailers and partners. We progressively implement new and emerging technologies to improve processes and communication. What we do positively influences the citizens of Washington State.

We are proud to be members of Team Lottery.

MISSION:

Washington's Lottery operates with integrity to offer games of chance that generate revenue for the benefit of the people of Washington.



WASHINGTON'S LOTTERY

an agency of the State of Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal years ended June 30, 2016 and June 30, 2015

Prepared by Washington's Lottery's Finance Department

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Washington's Lottery's games give players the chance to imagine winning, and for some, make dreams a reality. These lottery winners have shared their tales of winning and plans for their prizes.



At the center of the Lottery are its players, their families, and retailers, all of whom support a number of beneficiaries. Fiscal year 2016 beneficiaries included Washington Opportunities Pathways Account, CenturyLink Field & Exhibition Center stadium debt reduction, General Fund, Problem Gambling Account and the Governor's Economic Development Account.

Lotto Playing the same Lottery numbers has paid off for a Prosser man who just hit the \$2.8 million *Lotto* jackpot from the June 18 drawing. The winner purchased his ticket the morning of the Saturday drawing from El Mercado (206 N Euclid Rd, Grandview, WA 98930).

"When I first learned I'd won, I told the store manager and then hopped in my car and drove straight to the Washington's Lottery Yakima Regional Office to be sure," said the winner. "Now I'll need some new numbers!"

A vineyard worker in Prosser, the man told Lottery officials he plans to go to lunch to celebrate his win. The winner also has a large family and plans to share his winnings with his loved ones. Then, he plans to look into buying a new house.

Scratch winner Cherri of Bellingham, WA claimed a \$50,000 prize in March 2016 after buying a \$5 High Voltage Scratch ticket "randomly." She plans to buy a couple WaveRunners with her win and put the rest into savings. (Pictured here with her Dad.)

Scratch winner Minh of Spokane, WA claimed a \$51,000 Ultimate Garage Giveaway prize on \$5 Honda Scratch in March 2016. He and his wife purchased matching Honda Civics and would like to visit family in Canada with his win.

Scratch winner Kate plans to put out a record with her band @FurnitureGirls with her \$10,000 Match 4 win!

INTRODUCTORY SECTION

This section includes a transmittal letter describing Washington's Lottery and its business activities, a list of principal officials, the agency organization chart, and the Certificate of Achievement for Excellence in Financial Reporting awarded for the previous year's report.



Washington's Lottery

PO Box 43000 • Olympia, WA 98504-3000 • 814 4th Ave East • Olympia, WA 98506-3922 • (360) 664-4800

October 18, 2016

To the Citizens of Washington State:

Washington's Lottery is pleased to provide this comprehensive annual financial report for the fiscal year that ended June 30, 2016. In fiscal year 2016, the Lottery increased sales by \$94.5 million or 15.7 percent compared to fiscal year 2015 and contributed a total of \$175.5 million to its beneficiaries for state programs. The Washington's Opportunity Pathways Account received \$128.7 million to fund scholarships.

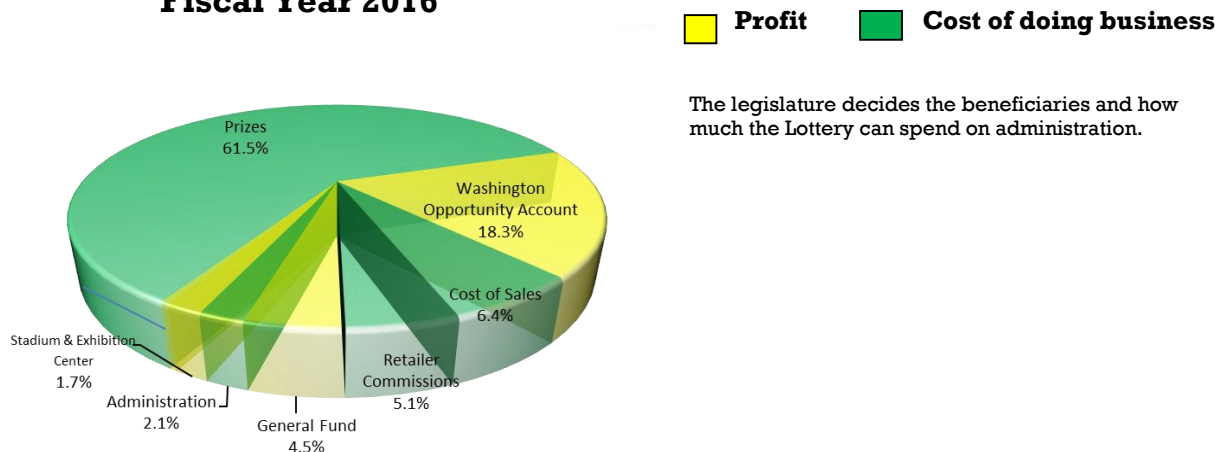
Although state law does not require the Lottery to provide stand-alone audited financial statements, we do so to reflect the highest standards of fiscal transparency and uncompromised accountability to the public, thereby strongly demonstrating our thorough efforts to disclose all relevant information.

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, results of operations, and cash flow of the agency. All disclosures necessary to gain an understanding of the Lottery's financial activities have been included. Management is responsible for the accuracy and completeness of the contents, and the Lottery maintains strict adherence to its stringent internal control policies.

The Lottery is a state agency mandated to generate funds for the support of state programs.

Washington's Lottery sells tickets for games of chance to the general public. The Lottery is a business funded by sales, which in and of itself pays for the costs of running the business, including producing, marketing, and selling the products, while delivering all of the profits to public good. In order to operate the business successfully, the Lottery provides personnel in the following disciplines: security, legal, administrative, planning and research, marketing, sales, finance, management, and information services. The Lottery generated dollars for the Washington Opportunity Pathways Account, Economic Development Account, Problem Gambling Account, General Fund and stadium debt payments for CenturyLink Field. Lottery ticket sales for fiscal year 2016 totaled \$694.9 million. These sales allowed contributions of \$128.7 million to the Washington Opportunity Pathways Account, \$11.7 million to the Stadium and Exhibition Center Account (CenturyLink Field), \$31.9 million to the General Fund, \$2.8 million to the Economic Development Account, and \$340.6 thousand to the Problem Gambling Account.

Total Distribution: \$703.3 Million Fiscal Year 2016



The legislature decides the beneficiaries and how much the Lottery can spend on administration.

Amounts not displayed in graph:
Problem Gambling 0.3%; Economic Development .4%

Washington's Lottery constantly focuses on maintaining and increasing its ability to generate these funds in support of scholarships by contributing to the Washington's Opportunity Pathways Account and other state programs. Development of new products and game enhancements is an ongoing process with a focus on responsible gaming and increasing long-term revenues. This is consistent with acceptable levels of related expenses, which are intended to increase the ability to support these vital programs. A narrative analysis of the Lottery's performance for fiscal year 2016 and further details regarding specific subjects can be found in Management's Discussion and Analysis in the Financial Section of this document.

Background

Communities throughout the state have benefited from the Lottery.

Since Washington's Lottery sold its first ticket in 1982, it has paid over \$8.0 billion in prizes, and retailers have received over \$822.3 million in sales commissions. Winners tend to spend and invest money in their local communities, and Lottery sales often make a big difference for small merchants. In fiscal year 2016, Washington's Lottery paid out more than 35 million winning tickets ranging from \$1 to \$157 million. Eight people became millionaires through Washington's Lottery in the last fiscal year. Since inception, the Lottery has made more than 673 people millionaires, and that number continues to grow.

The State Legislature decides how the government spends monies contributed by the Lottery. The recipients of Lottery's proceeds include the Washington Opportunity Pathways Account, Economic Development Account, the Problem Gambling Account, General Fund Account, and stadium debt payments for CenturyLink Field. Since inception, the Lottery has contributed more than \$3.8 billion to various crucial state programs.

In 1986, the Lottery began collecting outstanding child support and other debts owed to the state. Before winners are paid, these debts are deducted from Lottery prize monies. Over the years, the Lottery has collected \$3.8 million in previously uncollected money. This figure represents \$2.2 million in child support payments and \$1.6 million in recovered taxes, fees, penalties, welfare, and employment security debts.

Washington State's Economy and Revenue Outlook

Summary

Washington's economy has continued to out-pace the nation's during this period of expansion. Although recent economic performance has narrowed that gap somewhat, Washington should out-perform the nation's in terms of job and income growth during the next biennium.

Washington's jobless rate moved above the national rate over the past two years after having mirrored the national figures for much of the recovery. Washington's rate has traditionally been higher than the national norm due to the state's outsized share of seasonal industries and its attractiveness to in-migrants searching for the Northwest experience. More recent figures show Washington's jobless rate remaining above the national average, likely the result of an increase in workforce participation. In fundamental ways, that reflects an increase in workers' confidence in finding gainful employment. By the end of the next biennium, Washington's unemployment rate is projected to fall to 5.2 percent, down from the current 5.7 percent.

Real personal income in Washington is expected to make above-average gains over the next biennium: 3.1 percent in fiscal year 2018 and 3.3 percent in fiscal year 2019, measurably higher than projections for the nation. On a per-capita basis, Washington's real personal income should reach \$49,790 at the end of the biennium, more than \$3,300 above the U.S. average.

These gains in Washington's real personal income will occur notwithstanding declines in aerospace employment, which is expected to fall by 3.5 percent in fiscal year 2018 and 2 percent in fiscal year 2019. Though this places a drag on overall nonfarm employment growth, Washington will still net a 1.5 percent increase in total payroll jobs in fiscal year 2018 and a 1.4 percent increase in fiscal year 2019, again measurably better than projections for the nation.

Construction activity in Washington is expected to increase at a healthy rate during the 2017-19 biennium. While multi-family construction growth was prompted by demand for rental units in the aftermath of the recession, income gains should renew demand for single-family housing. The number of building permits should surpass 43,400 in fiscal year 2018 and 44,200 in fiscal year 2019. As a result, construction employment should jump by 3.4 percent and 3.6 percent, respectively. That should boost construction jobs to nearly 5.9 percent of total nonfarm employment, a bit above historic averages and reflective of a strong housing and commercial building market.

General Fund-State revenues are forecasted to grow at a 6.9 percent rate across the 2017-19 biennium compared to the 12.2 percent gain in the 2015-17 biennium. The expanding economy, accelerated gains in hiring, and recovering housing markets have had a positive effect on revenue growth. Further economic growth, continued job gains and sustained expansion in the housing and commercial building markets should keep revenues growing at a sound pace.

The Lottery's Products



In Washington, *Scratch* is the most popular Lottery game. *Scratch* is called an “instant” game because players learn immediately if they have won a prize. Total *Scratch* sales were \$453.9 million in fiscal year 2016, compared to \$404.1 million in 2015. In fiscal year 2016, *Scratch* sales were \$213 million more than all other Lottery games combined. *Scratch* games provided 65.3 percent of total net sales for fiscal year 2016, compared to 67.3 percent in 2015. The Lottery launched 50 *Scratch* games in fiscal year 2016, compared to 61 games in fiscal year 2015.



Washington joined the nation's biggest lottery game *Mega Millions* in September 2002. Washington was the first state west of the Mississippi to offer the nation's mega-jackpot lottery game. As of 2016, *Mega Millions* is played in forty-four states, District of Columbia and the U.S. Virgin Islands.

Mega Millions ticket sales in Washington were \$41.3 million for fiscal year 2016, representing 5.9 percent of total net Lottery sales. *Mega Millions* sales were \$44.8 million or 7.5 percent of net sales in fiscal year 2015. In fiscal year 2016, jackpots ranged from \$15 million to \$390 million, with 5 winning jackpots over \$100 million. In fiscal year 2016, *Mega Millions* highest jackpot was \$390 million as compared to \$321 million in the prior year 2015. A jackpot of \$157M was won in Washington in fiscal year 2016. The relatively smaller jackpots and higher Powerball sales contributed to \$3.5 million in lower *Mega Millions* sales as compared to prior year 2015.

Mega Millions is a jackpot-based game with nine prize levels. Tickets cost \$1 to play for jackpots of up to hundreds of millions of dollars. Players pick six numbers from two different pools of numbers. They choose five white balls from a field of 75 and one red ball from a field of 15, representing the “*Mega Ball*”, though most players let the computer randomly “Quick Pick” their numbers. Jackpots start at \$15 million and increase by a minimum of \$5 million per draw if there is no jackpot winner. Drawings are held Tuesdays and Fridays. Prizes are also paid for various combinations of matching numbers. Players have a total of 9 different ways to win, including a \$1.0 million prize if five balls are matched from the pool of 75 balls. Players can buy tickets for up to nine drawings in advance, plus the current drawing.

“Megaplier” is a special feature of *Mega Millions* that when purchased, allows players to multiply a win by 2, 3, 4 or 5 times. A player who purchases the “Megaplier” feature and matches all 5 of the white ball numbers will increase their winnings by the multiplier feature purchased, having the chance of winning up to \$5,000,000 on a second-tiered prize win. This multiplication does not include the jackpot prize.



Washington began selling *Powerball* in January 2010, a multi-state lottery game operated by the Multi-State Lottery Association (MUSL). *Powerball* is sold in forty-seven jurisdictions, including District of Columbia, Puerto Rico and the U.S. Virgin Islands. *Powerball* sales were \$95.7 million for fiscal year 2016, representing 13.8 percent of net sales, compared to \$47.6 million or 8.0 percent in fiscal year 2015. In fiscal year 2016, jackpots ranged from \$40 million to \$1.5 billion, with 7 winning jackpots over \$100 million. In fiscal year 2016, *Powerball* had the biggest jackpot ever in the amount of \$1.5 billion. This generated record high *Powerball* sales in Washington.

Powerball is a jackpot-driven game. Players pick five numbers out of sixty-nine plus one out of twenty-six numbers which represents the “*Powerball*”. Most players let the computer randomly “Quick Pick” their numbers. Drawings are held every Wednesday and Saturday as part of the *Powerball* drawing event. Players can buy tickets for up to nine drawings in advance, plus the current drawing.

“*Power play*” is a special feature of *Powerball* that when purchased, allows players to automatically win \$2,000,000 on a second-tiered prize if the “*Power play*” option is chosen at the time of ticket purchase.



Three times a week, on Mondays, Wednesdays, and Saturdays, Lottery players have a chance to win \$1 million or more by playing *Lotto*, the Lottery's flagship game introduced in 1984. Players select 6 of 49 numbers (or let the computer randomly select 6 numbers). Jackpots start at \$1 million, and if no player matches all six numbers, the top prize grows based on ticket sales. Prizes are also paid for matching three, four or five numbers. In fiscal year 2016, players were able to buy tickets for up to ten drawings in advance up until June 25, 2016. Effective June 26, 2016, players can now purchase up to twenty-five consecutive drawings in advance. *Lotto* sales for fiscal year 2016 were \$46.6 million, representing 6.7 percent of total net sales. *Lotto* sales in fiscal year 2015 totaled \$44.8 million or 7.5 percent of net sales in that year. Five winning *Lotto* jackpots were drawn in fiscal year 2016 ranging from \$2.8 million to \$9.2 million.



Hit 5 is as easy to play as *Lotto*; and it's easier to win. Players select 5 of 39 numbers (or let the computer randomly select 5 numbers) and match them to the ones drawn by the Lottery. The cashpot is paid in one lump sum and is won by matching all five of the numbers drawn by the Lottery. Cashpots start at \$100,000. If no player matches all five numbers, the top prize grows based on ticket sales. Thirty-five *Hit 5* cashpots were awarded in fiscal year 2016, ranging from \$100,000 to \$550,000. Prizes are also paid for matching two, three, or four of the numbers drawn. Drawings are held on Mondays, Wednesdays, and Saturdays. Sales for fiscal year 2016 were \$21.7 million or 3.1 percent of net sales compared to \$23.4 million or 3.9 percent of net sales in fiscal year 2015. In fiscal year 2016, players were able to purchase tickets for up to ten drawings in advance until June 25, 2016. Effective June 26, 2016, players can now purchase up to twenty-five consecutive drawings in advance.



Match 4, the first \$2 price point draw game in Washington, started in August 2008. Players pick 4 out of 24 (or let the computer randomly select 4) numbers and have the opportunity of winning a top prize of \$10,000. If more than one player picks the winning four numbers, each winner gets \$10,000. In other words, a \$10,000 prize is not split equally amongst the winners. Prizes are also paid for matching 2 and 3 numbers. Numbers are drawn seven nights per week. Sales for fiscal year 2016 were \$13.0 million, representing 1.9 percent of net sales compared to \$12.9 million or 2.2 percent of net sales in fiscal year 2015. In fiscal year 2016, players could purchase tickets for up to ten drawings in advance until June 25, 2016. Effective June 26, 2016, players can now purchase up to twenty-five consecutive drawings in advance. There were 408 prizes in the amount of \$10,000 awarded in fiscal year 2016.



Players pick three numbers from 0 through 9 (or choose a computer-generated Quick Pick). They also choose among nine different play options. Numbers are drawn seven nights per week, and players can buy tickets for up to seven drawings in advance. *The Daily Game* sales totaled \$16.7 million or 2.4 percent of net sales in fiscal year 2016, similar to the \$16.8 million, with a 2.8 percent experienced in fiscal year 2015.



Players pick from 1 to 10 *Keno* game spots, and then they choose a number from 1 through 80 for each spot (or they can let the computer choose their numbers with a Quick Pick). Each night, the Lottery draws 20 numbers. Prizes vary depending on how many spots players choose and how many of the players' numbers match the Lottery's numbers. The top prize in *Daily Keno* is \$100,000. In fiscal year 2016, players could buy tickets for up to seven advance drawings for this game, which was added to the Lottery's product line in November 1992. Effective June 26, 2016, players can now purchase up to twenty-five consecutive drawings in advance. *Daily Keno* sales totaled \$5.9 million or 0.8 percent of net sales in fiscal year 2016, compared to \$5.8 million or 1.0 percent in fiscal year 2015.

FINANCIAL INFORMATION

Internal Controls

Washington's Lottery's policies and procedures tightly control assets, inventory, computer systems, accounting, and the drawing vault. Staffing includes security and law-enforcement personnel. Access to Lottery offices is limited. Risks of loss, theft, or misconduct are minimized through high-level security; strict employee, contractor, and retailer standards; and retailer licensing. Anyone responsible for Lottery tickets or assets, or who works directly with the Lottery, has passed a background check.

When assets could be at risk, responsibilities have been separated (for example, purchasing and accounts payable). Data input and processing are separate from system programming. Management provides approval and oversight. Segregation of duties separates the responsibilities of the custody, authorization, and recording of assets. Reviews of operations and documented procedures are performed internally by general counsel, the internal auditor and the management team. External auditors also conduct reviews and their reports are presented to the Lottery's Director.

Measures to guarantee players a fair game:

- Game drawings are held in a locked vault located at Lottery headquarters. Drawings follow strict security procedures and are witnessed by an independent Certified Public Accountant (CPA).
- Lottery digital drawing systems, which include random number generators for *Draw* games and promotions, are stored in locked cases, marked with security seals, and kept in a locked vault.
- Each retail terminal uses independent random-number-generating formulas for Quick Pick numbers.
- Lottery *Scratch* tickets are printed with special inks, dyes, and security codes.

Inherent Limitations of Internal Controls over Financial Reporting

Washington's Lottery's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management does not expect that the internal controls will prevent or detect all errors and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Accounting Systems and Policies

The Lottery uses the accrual basis of accounting and follows generally accepted accounting principles (GAAP). The Legislature, the Office of Financial Management and Lottery's Commissioners control Lottery spending through several Lottery fund accounts. Additional information regarding these accounts can be found in Note 1 in the notes to the financial statements.

Budgetary System and Controls

The Lottery works with the Office of the Governor to create a biennial budget proposal to support administrative costs. This proposal goes to the Legislature for approval. The Senate, the House of Representatives, and the Office of the Governor negotiate any differences. The Office of Financial Management monitors spending through the Lottery's business and administrative accounts, but the Lottery decides when spending will occur. In addition to the Lottery's fixed administrative budget, there are also business plan estimates for business expenses based on sales forecasts, new products introduced, and industry trends. Estimates and forecasts are compared to actual costs and sales throughout the fiscal year with appropriate changes in action plans made as needed.

The Lottery's revenue forecast for state planning and budgeting is prepared by the Economic Revenue Forecast Council, an external State entity. In addition, expense and contribution budgets are approved by the Lottery Commission and submitted to the Office of Financial Management for inclusion in the State budget. The Lottery Commission members are appointed by the Governor.

Employees

At the end of fiscal year 2016, the Lottery employed 130 staff. Headquarters and offsite warehouse had 80 people, with the remaining staff working out of five regional offices in Everett, Federal Way, Spokane, Vancouver, and Yakima.

INDEPENDENT AUDIT

Washington State law requires an audit of the state by the Washington State Auditor's Office, an independently elected public official. As a state agency, Washington's Lottery is included in this audit. The State Auditor's report on internal controls and compliance with applicable laws and regulations can be found in a separately issued Washington State Single Audit report.

In addition, the Lottery obtained a separate audit of the Lottery's stand-alone financial statements. The fiscal year 2016 audit of Lottery financial statements has been completed in conformance with generally accepted auditing standards. The financial section of this report includes the Independent Auditor's report on the Lottery's financial statements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Washington's Lottery for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the twenty-sixth consecutive year that the Lottery has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit 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 only. The Lottery believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and the Lottery is submitting it to the GFOA to determine its eligibility for another certificate.

This report reflects the Lottery's commitment to maintaining public trust through high ethics and uncompromising integrity. It also demonstrates the professionalism and team effort of Lottery employees. We appreciate our employees' fine work. We also thank the Lottery Commissioners for their dedication and guidance in operating Washington's Lottery.

Respectfully submitted,



R J Foster
Director of Finance and Administration



H W Hanson
Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Washington's Lottery

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

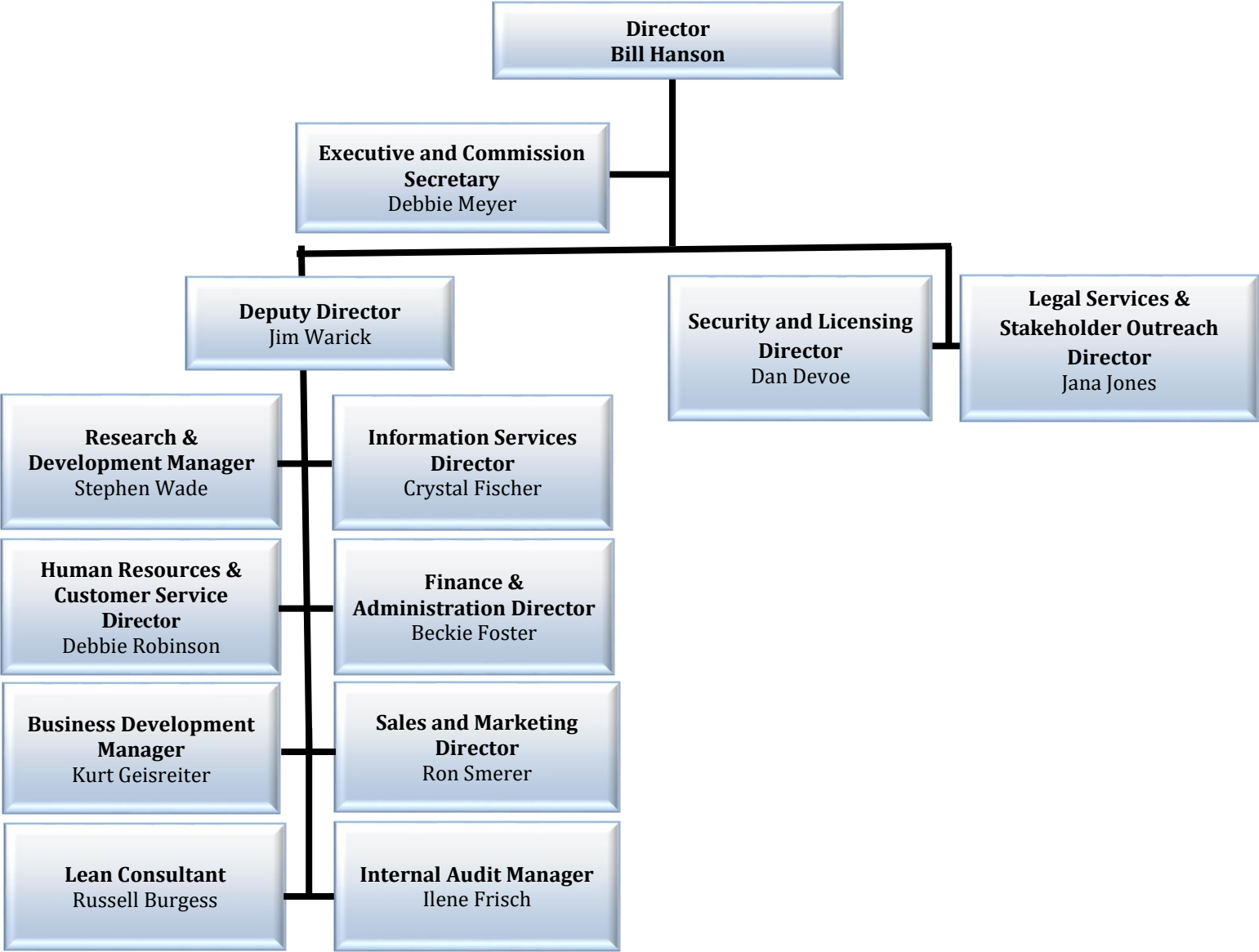
June 30, 2015

Executive Director/CEO

PRINCIPAL OFFICIALS OF WASHINGTON'S LOTTERY

					
H.W. Hanson Lottery Director	Valoria Loveland Chair Pasco Term ends 8/2021	Laura Cantrell Commissioner Seattle Term ends 8/2020	Judy Guenther Commissioner Chehalis Term ends 8/2017	Peter Bogdanoff Commissioner Seattle Term ends 8/2018	Frederick Finn Commissioner Olympia Term ends 8/2016

ORGANIZATION CHART



Scratch winner Alvin of Spokane, WA claimed a \$180,000 prize in April 2016 after buying a \$10 “White Ice 8s” ticket off his “lucky guy” employee at Towner & Towner. He said he calls him this because most of the time when that man sells him a Scratch ticket, it ends up being a winner. He plans to use the money to take his grandkids to Yellowstone and set up a woodworking shop with his win.



FINANCIAL SECTION

This section begins with the Independent Auditor's Report, followed by management's discussion and analysis, the financial statements of the Washington's Lottery and the related notes to the financial statements.



Independent Auditor's Report

To the Director and Commissioners
Washington's Lottery
Olympia, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Washington's Lottery (the Lottery), an agency of the State of Washington, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington's Lottery, as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of the Lottery's Proportionate Share of the Net Pension Liability (PERS 1 and PERS 2/3) as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis includes an overview of activities regarding the financial performance of Washington's Lottery (the Lottery) for the fiscal year ended June 30, 2016 and June 30, 2015. The Lottery is an agency of the State of Washington and operates for the purpose of generating revenues for public use for the residents of the state. This analysis is to be used in conjunction with the financial statements.

Financial Highlights

Sales of all Washington's Lottery products were \$694.9 million, a 15.7 percent increase from fiscal year 2015 and a 16.9 percent increase from fiscal year 2014.

- *Mega Millions* sales were \$41.3 million, with jackpots ranging from \$15 million to \$390 million.
- *Powerball* sales were \$95.7 million, with a high jackpot of \$1.5 billion.
- *Scratch* sales increased by \$49.9 million or 12.3 percent compared to fiscal year 2015. This increase in Scratch helped drive the increase in contributions.
- Total contributions to Lottery beneficiaries increased \$34.2 million or 24.3 percent compared to fiscal year 2015. The increase in contribution is partially related to the surge in Powerball sales associated with the highest ever jackpot of \$1.5 billion in 2016.
- Contributions to the Washington Opportunity Pathways Account reached \$128.7 million.
- Contributions to the Stadium & Exhibition Center (CenturyLink Field) totaled \$11.7 million in fiscal year 2016, representing a 4 percent year-over-year legislative mandated increase.
- Contributions to the Economic Development Account totaled \$2.8 million in fiscal year 2016. Amounts contributed to this beneficiary represent one-third of prizes that go unclaimed each fiscal year.
- Contributions to the General Fund amounted to \$31.9 in fiscal year 2016. Per RCW 67.70.340(4), if in total, contributions to the Washington Opportunity pathways Account from the in-state and Powerball games are in excess of \$102 million, such excess shall be transferred to the General Fund.
- Contributions to the Problem Gambling Account totaled \$341 thousand. This beneficiary receives

thirteen one-hundredths of one percent (0.13%) of "net receipts." "Net receipts" are defined as the difference between revenue received from the sale of Lottery products and the sum of payments made to winners.

- The Education Legacy Trust Account did not receive a contribution in fiscal year 2016, as the legislative mandated order for \$16.1 million to be distributed was fulfilled in the 2013-2015 Biennium.

Using this Annual Report

By law, the Lottery is required to distribute to its beneficiaries, all of its net income, excluding unrealized gains on investments and two-thirds of its unclaimed prizes. As of fiscal year 2016, the legislature mandated that on June 30th of each year, amounts in excess of \$10 million in the unclaimed fund be distributed to the Washington Opportunity Pathways Account.

The net position of the Lottery, as shown in Table 1, consist solely of capital assets, restricted income for future prizes, and unrestricted income. The restricted portion of net position represents unclaimed prize amounts set aside for future use as prizes, as required by law (RCW 67.70.190). Unrestricted income is income related to unrealized gain on investments held to fund future payments due on annuitized lottery prizes. Generally accepted accounting principles (GAAP) dictate that the Lottery record in its financial statements the gain or loss related to the change in fair value of these investments. As the Lottery intends to hold the investments to maturity, market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amounts to be distributed.

The Lottery's net position and changes in net position are shown in Table 1 below and Table 2 on page 18. Net position decreased in fiscal year 2016 by \$1.6 million, from \$6.3 million in 2015 to \$4.7 million in 2016. The Lottery experienced an increase of \$10.2 million in fair value of investments held to fund future annuitized prize payments.

Table 1: Summary of Net Position (in millions)

	2016	2015
Current assets	\$66.1	\$62.0
Non-current assets - investments	135.0	130.0
Capital assets - net of depreciation	0.4	0.5
Deferred outflows of resources	1.1	0.6
Total assets and deferred outflows of resources	\$202.6	\$193.1
Current liabilities	79.1	70.3
Non-current liabilities	117.7	114.4
Deferred inflows	1.1	2.1
Total liabilities and deferred inflows of resources	\$197.9	\$186.8
Net Position		
Invested in capital assets	0.4	0.5
Restricted for future prizes	10.3	15.8
Unrestricted	(6.0)	(10.0)
Total net position	\$4.7	\$6.3

Due to the implementation of GASB 68 as of July 1, 2014, certain comparative information is not available for fiscal year 2014.

Table 2: Summary of Changes in Net Position (in millions)

	2016	2015
Sales	\$694.9	\$600.3
Other operating income	2.8	2.9
Expenses and non-operating activity	(523.8)	(460.6)
Distributions	(175.5)	(141.3)
Changes in net position	(\$1.6)	\$1.3
Total net position at beginning of year	6.3	5.0
Total net position at end of year	\$4.7	\$6.3

Due to the implementation of GASB 68 as of July 1, 2014, certain comparative information is not available for fiscal year 2014. The beginning total net position for fiscal year 2015 was restated due to the implementation of GASB 68.

The Lottery purchases U.S. Treasury Strips to fund annuitized prize payments. As these securities mature, they provide the cash flow to satisfy future payments to prize winners that elect annuitized prize payments. It is important to note that this adjustment to the fair value does not affect the Lottery's ability to meet future liabilities.

Sales and Prize Expense

Table 3 below compares sales, prize expense, and net receipts (sales less prize expenses) for Lottery *Scratch* and *Draw* game products for fiscal years 2016, 2015 and 2014.

Table 3: Sales and Prize Expense (in millions)

	<i>Scratch Games</i>			<i>Draw Games</i>		
	2016	2015	2014	2016	2015	2014
Sales	\$453.9	\$404.1	\$379.4	\$240.9	\$196.3	\$215.1
Prize expense	310.6	267.4	255.3	122.3	98.5	107.3
Net receipts	\$143.3	\$136.7	\$124.1	\$118.6	\$97.8	\$107.8

Scratch product sales increased \$49.9 million or 12.3

percent compared to 2015, and increased \$74.6 million or 19.7 percent as compared to 2014. The number of tickets sold increased by 1.72 percent from 108.3 million in fiscal year 2015 to 110.2 million in fiscal year 2016. The average price per ticket increased slightly from \$3.73 in fiscal year 2015 to \$4.12 in fiscal year 2016. *Scratch* prize expense increased in fiscal year 2016 by \$43.2 million, or 16.2 percent compared to fiscal year 2015, and \$55.3 million or 21.7 percent compared to fiscal year 2014. The *Scratch* prize expense ratio increased from 66.2 percent in fiscal year 2015 to 68.4 percent in fiscal year 2016. In fiscal year 2016, \$6.5 million of *Scratch* prizes went unclaimed compared to \$10 million in fiscal year 2015.

In fiscal year 2016, *Draw* game sales increased by \$44.7 million or 22.8 percent over fiscal year 2015 and increased by \$25.8 million or 12 percent over fiscal year 2014. In fiscal year 2016, the highest jackpot for *Powerball* game was \$1.5 billion, as compared to \$500 million in the prior year 2015. During fiscal year 2016, *Hit 5* had thirty-five winning cashpots, with the highest cashpot valued at \$550 thousand. Like other *Draw* games, *Hit 5* sales are jackpot-driven, meaning that as the jackpot rises to higher levels, more people are compelled to participate in the dream of winning the jackpot. *Lotto* is another example of a jackpot-driven game on a greater scale. *Mega Millions* and *Powerball*, by virtue of being a multi-state game, enjoy co-mingled sales and rapidly rising jackpots. *Lotto* sales increased by \$1.8 million or 4 percent compared to fiscal year 2015 and declined by \$741 thousand or 1.6 percent compare to fiscal year 2014. *Match 4* increased by \$76 thousand or 0.6 percent compared to 2015, and increased by \$977 thousand or 8.1 percent compared to fiscal year 2014.

The remaining active *Draw* games in the product portfolio are *The Daily Game* and *Daily Keno*. These games enjoy a loyal player base as exemplified by consistent sales volumes.

Draw games prize expenses increased in fiscal year 2016 by \$23.8 million or 24.1 percent compared to fiscal year 2015 and by \$14.9 million or 13.9 percent compared to fiscal year 2014. In fiscal year 2015, the Lottery changed the manner in which it presented amortization of annuity prize liability. These amounts are now excluded from prize expense. For comparative purposes, a similar change was made to fiscal year 2014.

Other Operating Expenses

Table 4 compares operating expenses, other than prize expense, for gaming operations and administrative expenses for fiscal years 2016, 2015 and 2014.

Table 4: Retail Commissions and Other

Operating Expenses (in Millions)			
	2016	2015	2014
Retail commissions	\$36.0	\$37.3	\$37.4
Other game-related expenses	44.4	41.9	41.4
Administrative expenses			
Salaries and benefits	10.8	9.4	9.6
Goods and services	3.1	2.8	2.4
Travel	0.4	0.5	0.5
Depreciation	0.1	0.1	0.1
Total administrative expenses	\$14.4	\$12.8	\$12.6

Retailer commissions decreased in fiscal year 2016 by \$1.3 million or 3.4 percent compared to fiscal year 2015; Commission costs as a percentage of sales decreased by 1 percent compared to fiscal year 2015 and 0.1 percent compared to 2014. Other game-related expenses, including vendor costs, advertising and miscellaneous promotional expenses, increased by \$2.4 million or 5.8 percent compared to fiscal year 2015. As a percent of sales, these expenses were 6.4 percent in fiscal year 2016, and were constant at 7.0 percent in fiscal years 2015 and 2014. Vendor expense, which is the largest component of these costs, is for the most part, paid as a percentage of sales. Advertising expense increased \$13 thousand or 0.1 percent compared to fiscal year 2015 and increased by \$360 thousand or 3.6 percent compared to fiscal year 2014. Promotional and other operational expenses decreased \$573.3 thousand or 12.4 percent compared to fiscal year 2015 and decreased \$1.7 million or 29 percent compared to fiscal year 2014.

In fiscal year 2016, administrative expenses incurred for the general operation of the agency increased by 13 percent compared to fiscal year 2015, and increased 15.3 percent compared to fiscal year 2014. Depreciation expense decreased by 1.3 percent compared to fiscal year 2015 and increased by 8.1 percent as compared to fiscal year 2014. As a percentage of sales, overall administrative expenses were constant at 2.1 percent in fiscal year 2016, 2015 and 2014.

Salaries and benefits expense increased by \$1.4 million or 15.1 percent compared to fiscal year 2015, and increased by \$1.2 million or 12.6 percent compared to fiscal year 2014. Goods and services increased by \$260 thousand or 9.2 percent compared to 2015, and increased \$722 thousand or 30.5 percent compared to fiscal year 2014. Travel expense decreased by \$13.2 thousand or 2.9 percent compared to fiscal year 2015, and decreased by \$22 thousand or 4.7 percent compared to fiscal year 2014.

Capital Assets

Washington's Lottery's investment in capital assets as of June 30, 2016 amounts to \$418 thousand (net of accumulated depreciation). This investment in capital assets includes leasehold improvements and equipment. The net decrease in the Lottery's investment in capital assets for fiscal year 2016 was 23 percent. Table 6 in note 1 to the financial statements shows the opening and ending balances for assets and accumulated depreciation.

Debt

At the end of fiscal year 2016, current liabilities consisted, in part, of \$15.4 million in annuity prizes payable. Long-term annuity prize liabilities were \$110.7 million. Note 5 "Prize Liabilities," shows the current and long-term portions of prize payments.

Non-operating Revenues and Expenses

Investment revenue before fair value adjustments and amortization expense on the annuity prize liability very nearly equal each other on an ongoing basis. The reason is that we fund future prize liability by purchasing U.S. Treasury Strips at a deep discount. In other words, we are able to purchase certain future payments at a fraction of the future maturity value in exchange for foregoing periodic interest payments. In the meantime, we must recognize changes to the fair value of the investments and the present value of the liabilities.

Table 5 shows interest income and expense on long-term investments and liabilities, and payments made to beneficiaries from Lottery proceeds.

Table 5: Non-Operating Revenues (Expenses) (in millions)

	2016	2015	2014
Investment revenue	10.2	5.0	3.1
Amortization of annuity prize liability	(6.3)	(7.6)	(8.9)
Interest and miscellaneous income	0.1	0.1	0.0
Total non-operating revenues (expenses) before payments	\$ 4.0	(\$ 2.5)	(\$ 5.8)
Proceeds Distribution:			
WA Opportunity Pathways	118.6	119.0	121.9
WOPA - Unclaimed Prizes in Excess of \$10M	10.1	-	-
Education Legacy Trust	0.0	6.1	10.1
State General Fund	32.0	0.0	0.6
Stadium and Exhibition Center	11.7	11.2	10.8
Economic Development	2.8	4.7	4.0
Problem Gambling	0.3	0.3	0.3
Total payments	\$ 175.5	\$ 141.3	\$ 147.7

Annually, the Lottery makes an adjustment to the current fair value of investment securities held in accordance with Government Accounting Standards Board (GASB) Statement No. 31. Since all securities held in the portfolio are U.S. Treasury securities,

prepayment risk and market risk are effectively eliminated for the market valuation. Interest rate risk remains as the primary variable in determining the current fair value. Given the long-term nature of the investment, since they are held for winners up to 30 years in the future, changes in interest rates can have a marked effect on current valuations.

For example, a security was purchased to mature in 20 years and pays 8 percent per year. If one year later, a similar security for the same time frame could be purchased that was paying 10 percent per year, the relative value of the 8 percent security would have dropped significantly. The reason is that if an individual can buy a security paying 10 percent interest, why would they pay the same price for a security paying 8 percent? If the holder wanted to sell their 8 percent security, they would have to drop the price to the level where a purchaser would earn 10 percent. The opposite is also true that if current interest rates were to decrease, another investor would be willing to pay more to get the 8 percent interest payments if they were otherwise to get only 6 percent. The longer the period this discrepancy will exist, the greater the effect on the fair value. For instance, if the security were to mature in one year, the difference in interest payment will be limited to one year, as opposed to if the difference were to be realized year after year over 20 years.

Payments to our beneficiaries as a result of Washington's Lottery operations for fiscal year 2016 amounted to \$175.5 million.

Contributions to the Washington Opportunity Pathways Account reached \$128.7 million in fiscal year 2016 compared to \$119.0 million in fiscal year 2015 and \$121.9 million in fiscal year 2014. Per RCW 67.70.340(4), if in total, contributions to the Washington Opportunity Pathways Account from the in-state and *Powerball* games is in excess of \$102 million, such excess shall be transferred to the General Fund.

Contributions to the General Fund amounted to \$31.9 million in fiscal year 2016 compared to no contributions in 2015 and \$595.8 thousand in fiscal year 2014. Contributions to this fund for fiscal years 2016 and 2014 were generated from excess funding between the in-state and *Powerball* games.

Contributions to the Economic Development account amounted to \$2.8 million in fiscal year 2016 compared to \$4.7 million in fiscal year 2015 and \$4.0 million in fiscal year 2014. Amounts to this beneficiary represent one-third of the amount of prizes which go unclaimed. Unclaimed prizes are those expected prizes that do not get presented for claim within 180 days of the particular game closure or drawing date.

Contributions to Problem Gambling were \$340.6 thousand in fiscal year 2016, compared to \$304.7 thousand in fiscal year 2015 and \$301.4 thousand in fiscal year 2014. Contributions to this beneficiary are calculated based on thirteen one-hundredths of one percent of "net receipts." "Net receipts" are defined as the difference between revenue received from the sale of Lottery products and the sum of payments made to winners.

The remaining payments required by statute are made to the Stadium and Exhibition Center (CenturyLink Field), which consists of semi-annual payments whereby the required payment amount is increased by 4.0 percent year-over-year. Total contribution to this beneficiary was \$11.7 million in fiscal year 2016, compared to \$11.2 million in fiscal year 2015 and \$10.8 million in fiscal year 2014.

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OTHER POTENTIALLY SIGNIFICANT MATTERS IMPACTING NEXT YEAR

Gaming Vendor System

The Lottery maintains a gaming network of approximately 3,615 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through self-service terminals. IGT Corporation (formally GTECH) is responsible for operating all traditional Lottery games, including maintenance of terminals and related communication services. Under a contract expiring June 30, 2026, the Lottery shall have the option to extend up to ten (10) years. On June 26, 2016 the gaming system was upgraded to better serve the Lottery's needs in the processing of prize and annuity payments.

Advertising Contract

A new 3 year Advertising contract began November 8, 2014. The initial term expires November 2017; however, the contract has 3 one year extension options. The value of this contract is \$12M per year.

Retailer Commissions

The legislature mandated the Lottery to reduce its compensation to retailers by \$12M for the 2017 Biennium (July 1, 2015 to June 30, 2017). In order for the Lottery to comply with this requirement, several reductions were necessary. 1) The commission for each ticket sold was reduced to 5% from 6% for most games and 7% for Powerball and Mega Millions. 2) In fiscal year 2016, the retailer selling bonuses were eliminated on jackpot games, including; Lotto, Hit 5, Mega Millions and Powerball. In fiscal year 2017, the retailer selling bonuses will be reinstated. 3) The additional percent commission when Lotto jackpots reach over six million dollars was eliminated. By making these changes, the legislature hopes to add \$12 million additional revenue for the Lottery beneficiaries.

New Unclaimed Prizes Legislative Change

Effective July 1, 2015, the Legislature passed a bill requiring: "On June 30th of each fiscal year, any balance of unclaimed prizes in excess of ten million dollars must be transferred to the Washington Opportunity Pathways Account". As a result of this mandate, the Lottery transferred \$10.1 million to the Washington Opportunity Pathways Account on June 30, 2016.

Retailer Selling Bonuses

In fiscal year 2017, the retailer selling bonus will be reinstated. The Lottery will pay retailers a selling bonus of 1 percent of the jackpot amount if a winning jackpot ticket is sold for Lotto or Hit5.

Retailers that sell a jackpot-winning for Mega Millions or Powerball ticket will receive a \$50,000 bonus.

Retailers that sell a Mega Millions second-tier prize winning ticket worth \$1 million will receive a \$10,000 bonus. The Megaplier feature will not change the selling bonus amount.

Retailers that sell a Powerball second-tier prize winning ticket worth \$1 million will receive a \$10,000 bonus. The Powerplay feature will not change the selling bonus amount.

Gaming System-Replay

Effective June 26, 2016, players can replay their winning Scratch and Draw tickets at the Washington's Lottery Gemini Touch vending machines. Players can still claim winning tickets at the Washington's Lottery Offices and retailer locations.

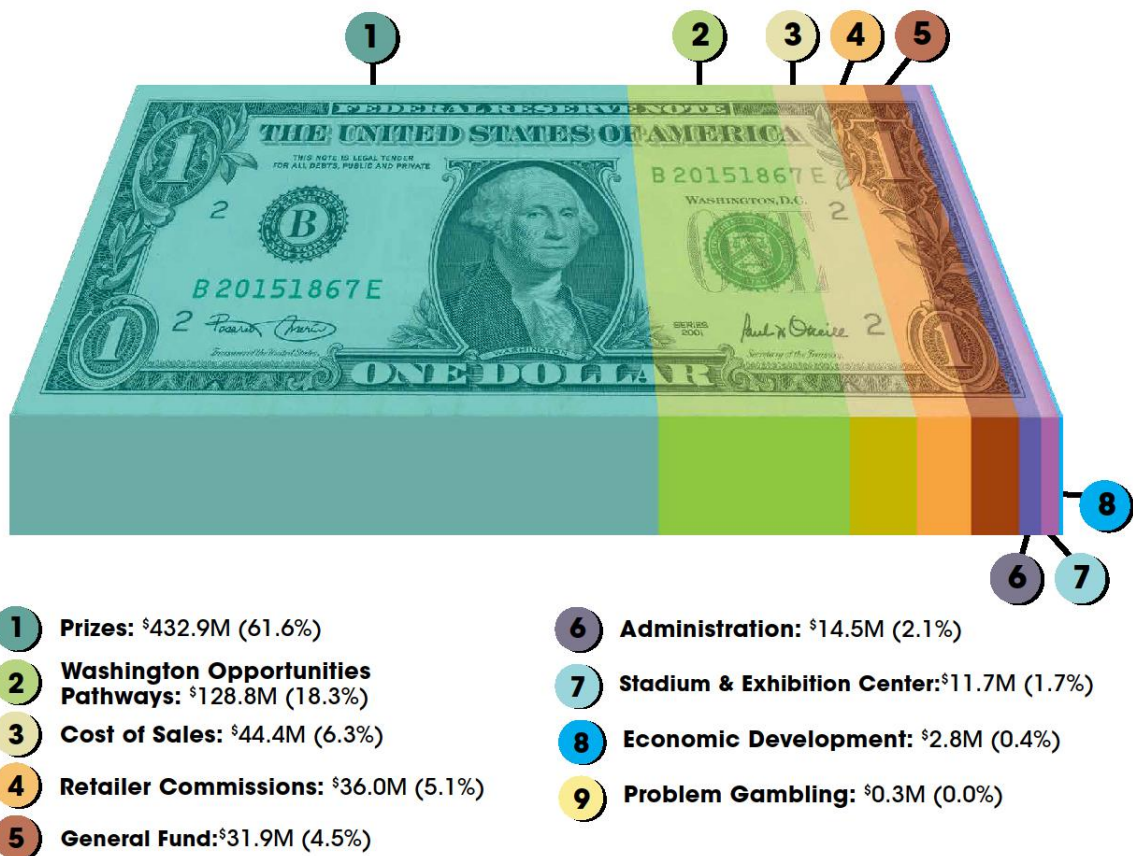
CONTACTING THE LOTTERY

This financial report is provided for interested parties to evaluate the financial results of Lottery activities for fiscal year 2016. If you have questions about this report or need additional financial information, please contact:

Jana Jones
Public Records Officer
Director of Legal Services
(360) 664-4833
Jjones@walottery.com

FISCAL YEAR 2016

FUND DISTRIBUTION



Total Payments: \$703.3 Million

Washington's Lottery

STATEMENTS OF NET POSITION AS OF JUNE 30, 2016 AND JUNE 30, 2015

Assets	2016	2015
Current assets		
Cash and cash equivalents	\$24,432,960	\$19,488,202
Accounts receivable, net of allowances	22,466,301	18,488,310
Investments, current portion	18,214,110	23,392,121
Due from the state	9,348	1,588
Inventory	886,136	428,985
Prepaid expenses	75,402	154,996
Total current assets	66,084,257	61,954,202
Non-current assets		
Investments less current portion	135,024,500	129,998,205
Capital assets, net of accumulated depreciation	418,217	544,960
Total non-current assets	135,442,717	130,543,165
Deferred Outflows of Resources		
Deferred Outflows Pensions	1,080,606	639,515
Total deferred outflows of resources	1,080,606	639,515
Total assets and deferred outflows of resources	202,607,580	193,136,882
Liabilities and Net Position		
Current liabilities		
Accounts payable	5,663,519	6,385,806
Prizes payable	38,790,159	28,158,357
Annuity prizes payable, current portion	15,409,949	20,129,159
Due to the state	17,677,738	13,724,460
Salaries and benefits payable	421,106	441,210
Unearned revenue	1,149,473	4,366
Total current liabilities	79,111,944	68,843,358
Non-current liabilities		
Annuity prizes payable, net of current portion	110,672,257	109,776,679
Accrued leave payable	887,263	829,356
Net pension liability	6,136,103	5,205,875
Total non-current liabilities	117,695,623	115,811,910
Deferred Inflows of Resources		
Deferred Inflows Pensions	1,090,006	2,142,640
Total deferred inflows of resources	1,090,006	2,142,640
Total liabilities and deferred inflows of resources	197,897,573	186,797,908
Net Position		
Invested in capital assets	418,217	544,959
Restricted for future prizes	10,273,709	15,829,819
Unrestricted	(5,981,919)	(10,035,804)
Total Net Position	\$4,710,007	\$6,338,974

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

Washington's Lottery

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

	2016	2015
Sales		
Scratch ticket sales	\$ 453,948,422	\$404,097,793
Draw game sales	240,926,646	196,250,355
Total sales	694,875,068	600,348,148
Other Operating Income	2,790,632	2,850,714
Total Revenue	697,665,700	603,198,862
Cost of sales		
Prize expense	432,900,790	365,929,999
Retailer commissions	36,021,210	37,307,646
Vendor expense	29,856,808	26,852,529
Advertising expense	10,481,991	10,468,738
Miscellaneous promotional & other operating expenses	4,051,361	4,624,697
Total cost of sales	513,312,160	445,183,609
Administrative expenses		
Salaries and benefits	10,828,120	9,404,819
Goods and services	3,090,238	2,830,400
Travel	439,193	452,426
Depreciation	134,252	136,005
Total administrative expenses	14,491,803	12,823,650
Operating income	169,861,737	145,191,603
Non-operating revenues (expenses)		
Investment revenue	10,226,195	5,007,809
Amortization of annuity prize liability	(6,283,851)	(7,605,541)
Interest income	23,098	40,067
Miscellaneous income (expense)	59,059	-
Fee income	10,325	10,235
Loss on disposal of capital assets	(2,434)	-
Total before payments to beneficiaries	4,032,392	(2,547,430)
Payments to Washington Opportunity Pathways Account (WOPA)	(118,583,583)	(119,000,660)
Payments to WOPA - Unclaimed Prizes Excess of \$10M	(10,148,043)	-
Payments to Education Legacy Trust Account	-	(6,050,000)
Payments to Stadium and Exhibition Center Account	(11,687,403)	(11,237,887)
Payments to Economic Development	(2,844,549)	(4,661,950)
Payments to Problem Gambling	(340,567)	(304,744)
Payments to General Fund	(31,918,951)	-
Total payments to beneficiaries	(175,523,096)	(141,255,241)
Net non-operating expense	(171,490,704)	(143,802,671)
Change in net Position	(1,628,967)	1,388,932
Total net position at beginning of year	\$6,338,974	\$4,950,042
Total net position at end of year	\$4,710,007	\$6,338,974

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

Washington's Lottery

STATEMENTS OF CASH FLOWS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015

	2016	2015
Cash flows from operating activities		
Cash received from players and retailers (net of commissions)	\$658,803,846	\$569,618,327
Cash payments for prizes	(432,376,471)	(393,398,981)
Cash payments to suppliers of goods or services	(49,143,744)	(45,291,909)
Cash payments to employees	(10,790,317)	(9,273,095)
Cash payments for other operating costs	(439,193)	(452,426)
Net cash provided by operating activities	166,054,121	121,201,916
Cash flows from non-capital financing activities		
Cash payments to Washington Opportunity Pathways Account (WOPA)	(128,991,825)	(120,218,403)
Cash payments to WOPA Unclaimed Prizes in Excess of \$10M	(10,148,043)	-
Cash payments to General Fund	(17,147,885)	(595,852)
Cash payments to Stadium and Exhibition Center Account	(11,687,403)	(11,237,887)
Cash payments to Economic Development Account	(3,256,904)	(4,699,747)
Cash payments to Problem Gambling Account	(337,758)	(304,637)
Cash payments to Education Legacy Trust Account	-	(6,050,000)
Net cash used in non-capital financing activities	(171,569,818)	(143,106,526)
Cash flows from capital financing activities		
Payments for acquisition of equipment	(9,942)	(414,436)
Net cash used in capital financing activities	(9,942)	(414,436)
Cash flows from investing activities		
Receipts of interest	92,486	50,302
Proceeds from maturity of investments	23,590,000	28,405,333
Payments for investments	(13,212,089)	(4,968,465)
Net cash provided by investing activities	10,470,397	23,487,170
Net (decrease) increase in cash and cash equivalents	4,944,758	1,168,124
Cash and cash equivalents at the beginning of year	19,488,202	18,320,078
Cash and cash equivalents at end of year	24,432,960	19,488,202
Reconciliation of operating income to cash provided by operating activities		
Operating income	169,861,737	145,191,603
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	134,252	136,005
Pension adjustment (GASB 68)	(563,502)	(330,517)
Decrease (increase) in:		
Accounts receivable	(3,985,751)	4,335,955
Prepaid expenses	79,593	(55,245)
Inventory	(457,151)	(237,101)
Increase (decreases) in:		
Prizes payable	10,631,802	71,081
Accounts Payable	(722,286)	107,318
Lotto and win for life payments	(10,107,483)	(27,540,063)
Accrued payroll	37,803	131,724
Unearned revenue	1,145,107	(608,844)
Total adjustments	(3,807,616)	(23,989,687)
Net cash provided by operating activities	\$166,054,121	\$121,201,916
Schedule of non-cash investing, capital, and financing activities		
Increase (decrease) in fair value of investments	\$10,226,195	\$5,007,809
Amortization of long-term annuity prize liability	\$6,283,851	\$7,605,541

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

WASHINGTON'S LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and June 30, 2015

NOTE 1 – Summary of Significant Accounting Policies

Reporting Entity

Washington's Lottery (the Lottery), an agency within the state, was established under the provisions of Chapter 67.70, Revised Code of Washington (RCW), in 1982. A five-member Commission consisting of Washington residents is appointed by the Governor to promulgate rules governing the Lottery. The Director, who is also appointed by the Governor, administers the agency.

For financial reporting purposes, Washington's Lottery is a part of the primary government of the state of Washington and is included in the basic financial statements of the state. Disclosures related to Washington's deferred compensation plan, self-insurance funds, unemployment insurance compensation, state pension plans, post-employment benefits, and workers' compensation benefits are included in the state of Washington's Comprehensive Annual Financial Report.

The financial statements presented within this document represent all Lottery activity and do not include any activity related to any other state agency or fund.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounting methods and procedures adopted by Washington's Lottery conform to generally accepted accounting principles (GAAP) for governmental enterprise funds. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed primarily through user charges (sales).

The financial transactions of the Lottery are accounted for by using the following three accounts:

- The State Lottery Account is classified as a non-appropriated/allotted enterprise account. It accounts for all revenues from the sale of lottery products or any other source authorized by law, and expenses limited to payment of prizes to lottery winners, cost of sales, and retailer commissions. The account is allotted based on projected revenues.

- The Shared Game Lottery Account is classified as a non-appropriated/allotted enterprise account. It accounts for all revenues from the sale of shared-game lottery tickets or any other source authorized by law. The account is allotted based on projected revenues.

- The Lottery Administrative Account is an appropriated enterprise account. Costs of operation and administration of the Lottery are paid from this account. All revenues received are generated from Lottery product sales, but the amount that can be spent is limited to a legislatively approved appropriation. Spending cannot exceed this biennial appropriation. Spending authority cannot be carried forward into an ensuing biennium. The appropriation approved for the period July 1, 2015, through June 30, 2017, is \$28.8 million.

The Lottery Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of the Lottery are included on the statement of net position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. The Lottery distinguishes operating revenue and expenses from non-operating items and presents them as such in the operating statements. Operating revenue is comprised of sales from Draw and Scratch games, as well as line fees charged to retailers. Operating expenses include cost of sales and administrative expenses.

The Lottery uses the accrual basis of accounting. Under this basis, revenues are recognized when earned, and expenses are recognized when the related liability is incurred. Internal receivables and payables have been eliminated.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of State of Washington's Lottery (PERS 1 and PERS 2/3, collectively the Plans) and additions to/deductions from Plan's fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in

accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

Implementation of New Standards

As of July 1, 2015, the Lottery adopted GASB Statement No. 72, Fair Value Measurement and Application (GASB 72). The implementation of this standard establishes new requirements on how fair value should be measured for eligible assets and liabilities, which assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. See Note 3 for additional disclosures related to assets measured at fair value. The implementation of GASB 72 has no impact on the net position of the Lottery.

Deposits and Investments

The balance in the cash accounts is available to meet current operating requirements. For purposes of reporting cash flows, cash and cash equivalents include all cash accounts, deposits with the State Treasurer, and investments with an original maturity of three months or less.

The Office of State Treasurer (OST) manages the Lottery's deposits with the state. RCW 43.84.080 authorizes the OST to buy and sell the following types of investments: U.S. Treasury and Agency securities, bankers' acceptances, and certificates of deposit with qualified public depositories. Securities underlying repurchase and reverse repurchase agreements are limited to those stated above. RCW 39.59.020 authorizes the Lottery to invest in any investments authorized by law for the OST.

Fixed-income investments (U.S. Treasury Strips) are purchased in the name of the Lottery for annuity prize payments. Investments are stated at fair value based on quoted market prices on a recurring basis.

The Lottery categorizes the fair value measurements of its investments based on the hierarchy established by GASB 72. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are unadjusted quoted prices for identical assets in active markets that the Lottery has the ability to access. Level 2 inputs are quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, inputs other than quoted prices that are observable for the assets, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs are unobservable and significant to the fair value measurement.

Receivables

Receivables are reported at gross value, reduced by the estimated portion that is expected to be uncollectible. Total uncollectible amounts represent less than 1 percent of the Lottery's receivable. Revenue and accounts receivable from *Draw* games are recognized when each draw takes place. Sales for *Draw* tickets sold before year end that represent purchases for future draws in the following fiscal year are classified as unearned revenue on the Statement of Net Position. For *Scratch* tickets, revenue and accounts receivable are recognized when retailers activate tickets for sale.

Inventory and Prepaid Expenses

Inventories are valued at the lower of cost or market using the first-in, first-out method. The cost of consumable supplies is expensed as they are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Lottery's pension obligation qualifies for reporting in this category. The pension obligation results from changes in assumptions or other inputs in the actuarial calculation of the Lottery's net pension liability and contributions to the plan after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Lottery's employer pension assumptions qualifies for reporting in this category. The employer pension assumption results from the differences between the expected and actual experience and the net difference between projected and actual earnings on pension plan investments derived from the actuarial calculation of the Lottery's net pension liability.

Capital Assets

The state of Washington's level for capitalization of Leasehold Improvements is \$100,000 and other capital assets are \$5,000. Capital asset costs include the purchase price plus those costs necessary to place the asset in its intended location and condition for use.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Leasehold Improvements	5
Computer Equipment	5
Furniture and Equipment	10

Table 6: Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Capital assets being depreciated:	Beginning Balance	Increases	Decreases	Ending Balance
Leasehold Improvements	\$666,340	\$0	\$0	\$666,340
Equipment	1,245,471	9,942	(115,001)	1,140,412
Total capital assets being depreciated	1,911,811	\$9,942	(115,001)	1,806,752
Less accumulated depreciation for:				
Leasehold improvements	(666,323)	(1,016)	-	(666,339)
Equipment	(701,528)	(133,235)	112,567	(722,196)
Total accumulated depreciation	(1,366,851)	(134,251)	112,567	(1,388,535)
Total capital assets being depreciated, net	\$544,960	(\$124,309)	(\$2,434)	\$418,217

Capital asset activity for the year ended June 30, 2015 was as follows:

Capital assets being depreciated:	Beginning Balance	Increases	Decreases	Ending Balance
Leasehold Improvements	\$666,340	\$0	\$0	\$666,340
Equipment	831,035	414,436	-	1,245,471
Total capital assets being depreciated	1,497,375	\$414,436	\$0	1,911,811
Less accumulated depreciation for:				
Leasehold improvements	(649,671)	(15,652)	-	(665,323)
Equipment	(581,175)	(120,353)	-	(701,528)
Total accumulated depreciation	(1,230,846)	(136,005)	-	(1,366,851)
Total capital assets being depreciated, net	\$266,529	\$278,431	\$0	\$544,960

Prizes Payable

The prizes payable account represents the difference between the prize liability and the actual prizes redeemed. Per RCW 67.70.190 "unclaimed prizes shall be retained in the state lottery account for the person entitled thereto for one hundred eighty days after the drawing in which the prize is won, or after the official end of the game for instant prizes. If no claim is made for the prize within this time, all rights to the prize shall be extinguished, and the prize shall be retained in the state lottery fund for further use as prizes, except that one-third of all unclaimed prize money shall be deposited in the economic development strategic reserve account created in RCW 43.330.250. On June 30th of each fiscal year, any balance of unclaimed prizes in excess of ten million dollars must be transferred to

the Washington opportunity pathways account created in RCW 28B.76.526."

Due to the State and Other Agencies

Interagency receivables and payables arise from transactions with other state agencies and are recorded by all agencies affected in the period in which transactions occur. At fiscal year-end 2016 and 2015 the breakdown was as follows:

Due to State and Other Agencies		
	2016	2015
WA Opportunity Pathways	\$ 2,743,771	\$ 13,152,013
Economic Development	136,855	549,210
General Fund	14,771,066	-
Problem Gambling	26,046	23,237
Other Agencies	-	-
Total Due to State and Other Agencies	\$ 17,677,738	\$ 13,724,460

Prize Expense

RCW 67.70.040(1)(k)(i) states that a minimum of 45 percent of gross annual revenue must be paid as prizes. For the fiscal years ended June 30, 2016 and 2015, the prize expense as a percentage of sales were 62.3 percent and 61 percent. Effective with fiscal year 2015, the Lottery is reporting the amortization of its prize liability as a non-operating activity excluding it from prize expense. The percentages mentioned above include that change. Prize expense represents the amount of winnings to be paid out for a particular game or drawing. In the case of *Scratch* games, the overall prize expense ratio for a given game is recorded in relationship to the amount of sales of the game. *Draw* game prize expense is recorded from the number of winning tickets sold at a given prize level. These expected prize payments are then adjusted 180 days following closure of a *Scratch* game or drawing, as appropriate. This adjustment reduces prize expense to the extent that the anticipated winning tickets do not get presented for payment within the specified time period. These dollars become unclaimed prizes and become restricted net position.

Retailer Commissions

The legislature mandated reduction of retailer commissions became effective July 1, 2015.

In fiscal year 2016, the commission rate for all scratch tickets launched after July 1, 2015 were paid at 5% and all draw games sold after July 25, 2015 were paid at 5%. Any scratch ticket that was launched prior to July 1, 2015 was paid at 6%.

In fiscal year 2016, the Lottery paid retailers a selling bonus of \$10 thousand on the \$30 scratch ticket top prize. In addition, some other retailer selling bonuses

were paid that were earned prior to the legislative mandated commission reduction of the selling bonus in fiscal year 2016. In fiscal year 2015, the Lottery paid retailers a selling bonus of 1 percent of the jackpot amount for selling a jackpot-winning ticket for *Lotto* or *Hit 5*. Each retailer who sold a jackpot-winning *Mega Millions* or *Powerball* ticket received a \$50,000 bonus.

Payments to Washington Opportunity Pathways Account

Payments to the Washington Opportunity Pathways Account consist of the balance of revenues less expenses from all Lottery products, less legislatively mandated payments to the Stadium and Exhibition Center (CenturyLink Field), Problem Gambling, Economic Development, and the General Fund. Contributions to the Washington Opportunity Pathways Account totaled \$118.6 million in fiscal year 2016 and \$119.0 million in fiscal year 2015. In addition to this distribution to the Washington Opportunity Pathways Account, the legislature mandated amounts in excess of \$10 million in the unclaimed fund at the end of each fiscal year be distributed to the Washington Opportunity Pathways Account starting in the current fiscal year resulting in an additional \$10.1 million in distributions for total distributions of \$128.7 million.

Payments to the Stadium and Exhibition Center

The Lottery is legislatively mandated to make payments to the Stadium and Exhibition Center for the purpose of paying principal and interest payments on bonds issued to construct CenturyLink Field and Exhibition Center, a multi-purpose stadium and exhibition center. Scheduled payments began in 1998 and increase annually by 4.0 percent. These semi-annual payments are scheduled to be made into fiscal year 2021. Payments to the Stadium and Exhibition Center totaled \$11.7 in fiscal year 2016 and \$11.2 million in fiscal year 2015.

Payments to Economic Development

The Lottery is legislatively mandated to make payments to the Economic Development Strategic Reserve Account. The Economic Development Strategic Reserve Account was created for the Governor, with the recommendation of the Director of the Department of Community, Trade and Economic Development and Economic Development Commission, to make expenditures for the economic good of the state. This includes preventing the closure of a business or facility, preventing relocation of a business or facility outside the state or to recruit a business or facility to the state. Payments to this account are defined to be one-third of the Lottery's unclaimed prize money. Payments to Economic Development

totaled \$2.8 million in fiscal year 2016 and \$4.7 million in fiscal year 2015. In fiscal year 2016 there were less prizes that went unclaimed as compared to fiscal year 2015. Two \$1.0 million dollar *Power Ball* prizes went unclaimed, added to the increased contribution in fiscal year 2015.

Payments to the General Fund

Contributions to the General Fund in fiscal year 2016 amounted to \$32 million, compared to no contribution in fiscal year 2015. *Per RCW 67.70.340(4), if in total, contributions to the Washington Opportunity pathways Account from the in-state and Powerball games are in excess of \$102 million, such excess shall be transferred to the General Fund.*

Payments to Problem Gambling

The Lottery is legislatively mandated to make payments to the Problem Gambling Account. This account was created for the prevention and treatment of problem and pathological gambling and the training of professionals in the identification and treatment of problem and pathological gambling. Lottery payments to this account is defined as thirteen one-hundredths of one percent of "net receipts", defined as the difference between revenue received from the sale of lottery tickets and the sum of payments made to winners. Payments to Problem Gambling totaled \$340.6 thousand in fiscal year 2016 and \$304.7 thousand in fiscal year 2015.

Net Position

Restricted net position represent amounts set aside for unclaimed prizes retained for future use as prizes, as required by RCW 67.70.190. During fiscal year 2016, \$8.5 million of prizes went unclaimed. The following are expenditures of funds in the unclaimed prize fund during the 2016 fiscal year:

1. \$2.8 million was used for contributions to the Economic Development Strategic Reserve Account.
2. \$10.1 million was distributed to the Washington Opportunity Pathways Account as mandated by the legislature for all amounts in excess of \$10 million in the unclaimed fund be distributed to WOPA.
3. \$1.1 million was used to purchase securities to fund future prizes.

As of June 30, 2016, the balance in the reserve totaled \$10.3 million.

Unrestricted net position represents the net position available for future operations and unrealized gains or losses on investments. GASB Statement No. 31 requires that certain investments be reported at

fair value with gains and losses reflected in the statement of operations. The Lottery uses investments only to fund its annuity prize obligations and intends to hold the investments to maturity. Market gains or losses represent temporary fluctuations and are not recognized in the calculation of the amounts due to beneficiaries.

NOTE 2 – General Budgetary Policies and Procedures

As an agency of Washington State, the Lottery is required to submit a budget through the Governor to the State Legislature no later than December 20th of the year preceding odd-year sessions of the Legislature. The budget is a proposal for expenses in the ensuing biennial period based upon anticipated revenues from the sources existing by law at the time of submission of the budget. The Governor may additionally submit, as an appendix to the budget, a proposal for expenses in the ensuing biennium from revenue sources derived from proposed changes in existing statutes.

The appropriated budget and any necessary supplemental budgets are legally required to be adopted through the passage of appropriation bills by the Legislature and approval by the Governor. Operating appropriations are made at the fund/account and agency level. Capital appropriations are generally made at the fund/account, agency, and project level. The legal level of budgetary control is at the fund/account, agency, and appropriation level, with administrative controls established at lower levels of detail in certain instances.

The Lottery's appropriated and non-appropriated/allotted accounts are monitored by the executive branch through the allotment process. This process allocates the expense plan into monthly allotments by program, source of funds, and object of expense. According to RCW 43.88.110, the original biennial allotments are approved by the Governor and may be revised at the request of the Office of Financial Management (OFM), or upon the Lottery's initiative, on a quarterly basis. The revisions must be accompanied by an explanation of the reasons for significant changes. Also, OFM is authorized to make allotments based on the availability of unanticipated receipts. Appropriations are strict legal limits on expenses and over expenditures are prohibited. Appropriations lapse at the end of the biennium.

As an enterprise fund, the Lottery Fund is budgeted using a combination of fixed and flexible budgets. Fixed budgets are employed using the appropriation

and allotment process. Fixed budgets are included with flexible estimates in business plans prepared by the Lottery for operations under its control. These business plans constitute a full-accrual GAAP budget. The Lottery does not employ encumbrance accounting.

NOTE 3 – Detailed Notes on Account Balances Deposits and Investments

As of June 30, 2016 and June 30, 2015, the amount of cash on deposit was \$24,432,960 and \$19,488,202, respectively. All Lottery deposits in a financial institution are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple-financial-institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC is a statutory authority established under RCW 39.58. There are provisions for PDPC to make additional pro-rata assessments of need to cover a loss. Accordingly, the deposits covered by the PDPC are considered to be insured.

The Lottery's investment policy is to purchase U.S. Treasury Stripped Coupons (TINTS), or U.S. Treasury (non-callable) Principal Strips to fund annuity prize payments and to hold these investments to maturity. The investment maturities approximate the annuity prize payment dates.

For an investment, custodial risk is the risk that in the event of the failure of the counterparty, the Lottery will not be able to recover the value of its investments that are in the possession of an outside party. The Lottery has limited custodial risk because the U.S. Treasury Strips are held in the Lottery's name by its custodian.

U.S. Treasury Strips are explicitly guaranteed by the U.S. government and, therefore, have limited credit risk.

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. It's the Lottery's policy that interest rate risk is insignificant because, while the fair value is reported, it is the Lottery's policy to hold the investments to maturity. In the event of a winner's death, the estate has the option of continuing the annuity payments or settling the Lottery's obligation, which would be accomplished by paying the proceeds received from the sale of the investments.

U.S. Treasury Strips investments held on June 30, 2016 were as follows:

Table 7: Maturities in Years

Less than 1	\$18,214,110
1-5	68,546,266
6-10	40,640,048
11-15	15,449,713
16-20	6,378,222
21-25	3,159,252
26-30	850,999
Fair Value	\$153,238,610

Fair value measurements of the Lottery's investments in U.S. Treasury Strips, valued at \$153,238,610 and \$153,390,326 on June 30, 2016 and 2015 respectively, are based on quoted market prices using matrix pricing technique by the pricing source that values securities based on their relationship to benchmark quoted prices (Level 2 inputs). The Lottery does not have any investments that are measured using Level 1 or 3 inputs.

NOTE 4 – Operating Leases

The Lottery leases office and warehouse facilities in Everett, Lacey, Olympia, Federal Way, Spokane, Vancouver, and Yakima under long-term operating leases, which expire at various dates through March 31, 2021. Total costs for such leases were \$782,232 and \$783,972 for the fiscal years ended June 30, 2016 and June 30, 2015, respectively. All leases, which are for periods of one to five years, include a special termination provision allowing the Lottery to terminate the lease.

The aggregate lease commitment for the Lottery, provided cancellation options are not used, is as follows as of June 30, 2016:

Table 8: Lease Commitment

Fiscal Year	Operating Leases
2017	\$769,759
2018	376,790
2019	252,039
2020	159,506
2021	71,007
Total	\$1,629,101

NOTE 5 – Prize Liabilities

Presented below is a summary of the annuity prize payment requirements as of June 30, 2016:

Fiscal Year	Principal	Interest	Total
2017	\$15,409,949	\$2,768,051	\$18,178,000
2018	12,564,862	1,593,138	14,158,000
2019	11,959,421	2,198,579	14,158,000
2020	11,361,921	2,796,079	14,158,000
2021	10,819,109	3,338,891	14,158,000
2022-2026	38,160,378	16,151,622	54,312,000
2027-2031	12,450,682	8,369,318	20,820,000
2032-2036	6,531,870	5,280,130	11,812,000
2037-2041	3,810,337	3,361,663	7,172,000
2042-2073	3,013,677	3,726,321	6,739,998
Total	\$126,082,206	\$49,583,792	\$175,665,998

This debt represents annual payments owed to *Lotto* jackpot winners and lifetime winners. Annuity *Lotto* jackpot prizes are paid in 25 installments, with the first installment on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury Strips purchased by the Lottery. Lifetime prizes are paid semi-annually or annually for the life of the winner, and are funded with U.S. Treasury Strips.

Activity of annuity prize payments for the years ended June 30, 2016 and 2015 was as follows:

Fiscal Year	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
2016	\$129,905,838	19,822,506	(23,646,138)	\$126,082,206	\$15,409,949
2015	\$149,840,360	12,574,006	(32,508,528)	\$129,905,838	\$20,129,159

Compensated Absences

Lottery employees accrue vested annual leave at a variable rate based on years of service. In general, accrued annual leave cannot exceed 30 days at the employee's anniversary date. The expense and accrued liability is recognized when the annual leave is earned. The Lottery's liability for accumulated annual leave, including the employer share of pension benefits and payroll taxes, was \$594,826 and \$542,380 on June 30, 2016 and June 30, 2015, respectively. The Lottery estimates that approximately \$500,000 of its annual leave total liability will be paid within one year, and as such is considered short-term.

With no limit on accumulation, sick leave is earned at 12 days per year. Sick leave is not vested; i.e., employees are not paid for unused sick leave upon termination except upon employee death or retirement, at which time the Lottery is liable for 25 percent of the employee's accumulated sick leave. Each January, employees who have accumulated sick leave in excess of 60 days have the option to redeem sick leave earned but not taken during the previous year at the rate of one day's pay in exchange for each four days of sick leave. Accumulated sick leave balances, including the employer share of payroll taxes as of June 30, 2016

and 2015, represent possible future payments of \$1,321,749 and \$1,292,686, respectively depending on employee options, not probable payments. As a result, only the estimated dollar value of sick leave that will be paid to employees is recognized as an expense and accrued liability. The estimates of \$292,437 and \$286,976 on June 30, 2016 and 2015, respectively, are based on the actuarially-determined factor of the probability that current employees will receive payments for sick leave buyouts. The Lottery estimates that approximately 8-10 percent, or \$132,175 of its sick leave total liability will be paid within one year, and as such is considered short-term.

Long-term liability activity of leave benefits for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Annual Leave	\$542,380	\$560,702	(\$508,256)	\$594,826
Sick Leave	\$286,976	\$84,386	(\$78,925)	\$292,437

Long-term liability activity of leave benefits for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Annual Leave	\$530,128	\$509,129	(\$496,877)	\$542,380
Sick Leave	\$271,977	\$77,398	(\$62,399)	\$286,976

NOTE 6 – Risk Management

The Lottery faces various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters, for which the Lottery participates in Washington State's risk management and insurance program. In order to participate, an annual premium in proportion to the anticipated exposure to liability losses is assessed.

NOTE 7 – Pension Plans

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems are comprised of 12 defined benefit pension plans and three defined benefit/defined contribution plans, of which the Lottery

participates in the following plans:

Public Employees' Retirement System (PERS)

- Plan 1 - defined benefit
- Plan 2 - defined benefit
- Plan 3 - defined benefit/defined contribution

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan. All plans are administered through trust arrangements.

Administration of the PERS and other systems and plans was funded by an employer rate of 0.18 percent of employee salaries. Administration of the JRS and Judges plans is funded by means of legislative appropriations.

Pursuant to RCW 41.50.770, the state offers its employees and employees of those political subdivisions that elect to participate, a deferred compensation program in accordance with Internal Revenue Code Section 457. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency. This deferred compensation plan is administered by the DRS.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at:

<http://www.drs.wa.gov/administration/annual-report/>.

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit / defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets

of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by February 28, 2002, for state employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members, with the following provisions:

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	PERS Plan 1	PERS Plan 2	PERS Plan 3
Vesting years of service	5 Years	5 Years	10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Immediately vested in the defined contribution portion.
Eligibility for retirement	30 Years	30 Years	30 Years
Retirement age	60 with 5 years of service, 55 with 25 years of service.	65 with 5 years of service.	65 with 10 years of service.
Monthly benefit	2% of average final compensation (AFC) per year of service capped at 60%.	2% of AFC per year of service.	Defined benefit portion, 1% of the AFC per year of service. No service cap.
Reductions	Inactive status prior to 65 could reduce benefits.	Optional early retirement but reduction in benefits.	
Cost of living allowance	Optional by member election, automatic to CPI, capped at 3%, but reduces benefits.	CPI, capped at 3%.	
Disability	Duty disability prior to age 60, \$350 per month in a temporary life annuity, or 2/3 of monthly AFC, whichever is less. Converted to service retirement at age 60. Non-duty disability must have 5 years of covered employment. Before age 55, 2% of the AFC for each year of service, reduced by 2% for each year the member's age is less than 55. 60% of AFC limit.	2 percent of the AFC per year of service. No cap on years of service credit.	1 percent of the AFC per year of service. No cap on years of service credit.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

A one-time, duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose out of the member's covered employment, if found eligible by the director of the Department of Labor and Industries.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine contribution requirements are established under state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates (expressed as a percentage of current year covered payroll) for all retirement plans administered by DRS at the close of the fiscal year 2016, were as follows:

	Employer			Employee		
	PERS 1	PERS 2	PERS 3 (DB portion)	PERS 1	PERS 2	PERS 3
Contribution percentage	5.0%	5.0%	5.0%	6.0%	4.9%	Variable
Admin Fee	0.2%	0.2%	0.2%	N/A	N/A	N/A
Plan 1 UAAL	4.0%	4.0%	4.1%	N/A	N/A	N/A
Total	9.2%	9.2%	9.2%	6.0%	4.9%	Variable

OSA - Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014 with the results rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by

projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Investment Board (WSIB). Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Target	Long-Term Expected
	Allocation	Real Rate of Return
Fixed Income	20%	1.7%
Tangible Assets	5%	4.4%
Real Estate	15%	5.8%
Global Equity	37%	6.6%
Private Equity	23%	9.6%
Total	100%	

The inflation component used to create the above table is 2.2 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3). Based on those assumptions, the pension 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 of 7.5 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the fiscal year 2016 net pension liability of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

Employer's Proportionate Share of Net Pension Liability (Asset) (in thousands)			
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 4,273	\$ 3,510	\$ 2,853
PERS 2/3	7,679	2,626	(1,243)
Total	\$11,952	\$6,136	\$1,611

The following presents the fiscal year 2015 net pension liability of the employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

Employer's Proportionate Share of Net Pension Liability (Asset) (in thousands)			
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 4,450	\$ 3,610	\$ 2,890
PERS 2/3	6,655	1,595	(2,269)
Total	\$11,105	\$5,205	\$621

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2016, PERS 1 recognized reduction of pension expense of \$73 thousand, and PERS 2/3 recognized pension expense of \$255 thousand. At June 30, 2016, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source (expressed in thousands), irrespective of state contributions subsequent to the measurement date:

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Deferred Outflows/Inflows as of June 30, 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
(Amounts in thousands)		
PERS 1		
Net difference between projected and actual earnings on pension plan investments		\$ 192
State Contribution subsequent to measurement date	\$ 404	
PERS 2/3		
Net difference between projected and actual earnings on pension plan investments	254	
Changes of assumptions	4	
Difference between projected and actual earnings on pension plan investments		701
Change in proportion		197
Lottery contributions subsequent to measurement date	419	
Total	\$1,081	\$1,090

Deferred Outflows/Inflows as of June 30, 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
(Amounts in thousands)		
PERS 1		
Net difference between projected and actual earnings on pension plan investments		\$451
Lottery contributions subsequent to measurement date	\$325	
PERS 2/3		
Net difference between projected and actual earnings on pension plan investments		1692
Lottery contributions subsequent to measurement date	315	
Total	\$640	\$2,143

The \$1,081,000 and \$640,000 reported as deferred outflows of resources related to pensions resulting from Lottery contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the subsequent years. The remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (not applicable for PERS 3):

	Years ended June 30, Increase / (Reduction in Pension Expense) (Amounts in thousands)		
	PERS 1	PERS 2	Total
2017	\$ (74)	\$ (263)	\$ (337)
2018	(74)	(263)	(337)
2019	(74)	(266)	(340)
2020	30	152	182
Total	(\$192)	(\$640)	(\$832)

Collective Net Pension Liability/Asset. At June 30, 2015, the Lottery reported a liability of \$3.5 million for its proportionate share of the collective net pension liability for PERS 1 and \$2.6 million for PERS 2/3. The Lottery's proportion for PERS 1 was .067046 percent, and .072025 percent for the years ending June 30, 2016 and 2015, respectively and the Lottery's portion of the PERS 2/3 was .073460 percent and .079354 percent for the years ended June 30, 2016 and 2015, respectively. The proportions are based on the Lottery's contributions to the pension plan relative to the contributions of all participating employers. The collective net pension liability was measured as of June 30, 2014 with the results rolled forward to June 30, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date.

Collective Net Pension Liability/Asset. At June 30, 2014, the Lottery reported a liability of \$3.6 million for its proportionate share of the collective net pension liability for PERS 1 and \$1.6 million for PERS 2/3. The Lottery's proportion for PERS 1 was .072025 percent, a decrease of 1.96 percent since the prior reporting period, and .079354 percent for PERS 2/3, a decrease of 1.05 percent. The proportions are based on the Lottery's contributions to the pension plan relative to the contributions of all participating employers. The collective net pension liability was measured as of June 30, 2013 with the results rolled forward to June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date.

DEFINED CONTRIBUTION PLAN - Public Employees' Retirement System Plan 3. Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS).

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent on employee contributions and investment earnings on those contributions. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions, adjusted by earnings and losses from investments of those contributions, upon separation from PERS-covered employment.

NOTE 8 – Commitments and Contingencies

Gaming Vendor System Contractual Arrangements

The Lottery maintains a gaming network of approximately 3,615 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through self-service terminals. IGT (formerly GTECH) is responsible for operating all traditional Lottery games, including maintenance of terminals and related communication services, under a contract expiring June 30, 2026. On May 15, 2015, a new contract was signed for ten years, commencing July 1, 2016. The contract may be extended up to ten (10) additional years, in any number of extensions.

Instant Game sales are also supported by services provided under additional contracts initiated March 17, 2015:

- 1) Under a contract that expires on March 17, 2020, Scientific Games International is the primary supplier of Instant Game tickets.
- 2) Under a contract that expires on March 17, 2020, Pollard Banknote Limited is an alternate supplier of Instant Game tickets.
- 3) Under a contract that expires on March 17, 2020, GTECH Printing Corporation is an alternate supplier of Instant Game tickets.

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REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

RSI

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of the Lottery's Proportionate Share of the Net Pension Liability

Schedule of the Lottery's Proportionate Share of the Net Pension Liability Public Employee' Retirement System (PERS) Plan 1 Measurement Date of June 30 (dollars in thousands)		
	2015	2014
Lottery's PERS 1 employer's proportion of the net pension liability	0.067046%	0.072025%
Lottery's PERS 1 employer's proportionate share of the net pension liability	\$ 3,510	\$ 3,610
Lottery's PERS 1 employer's covered-employee payroll	\$ 521	\$ 515
Lottery's PERS 1 employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	674%	701%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	61.19%

*GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Lottery will present information for those years for which information is available.

Schedule of the Lottery's Proportionate Share of the Net Pension Liability Public Employee' Retirement System (PERS) Plans 2/3 Measurement Date of June 30 (dollars in thousands)		
	2015	2014
Lottery's PERS 2/3 employer's proportion of the net pension liability	0.734600%	0.079354%
Lottery's PERS 2/3 employer's proportionate share of the net pension liability	\$ 2,626	\$ 1,596
Lottery's PERS 2/3 Employer's covered-employee payroll	\$ 6,584	\$ 6,789
Lottery's PERS 2/3 Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	39.88%	23.51%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	93.29%

*GASB Statement No. 68, requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, the Lottery will present information for those years for which information is available.

PENSION PLAN INFORMATION

Notes to Required Supplementary Information

Methods and assumptions used in calculations of Actuarial Determined Contributions (ADC) for PERS, TRS, LEOFF, and WSPRS – The Office of the State Actuary (OSA) calculates the ADC based on the results of an actuarial valuation consistent with the state's funding policy defined under chapter 41.45 RCW. Consistent with the state's contribution rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2013, valuation date, completed in the Fall of 2014, determines the ADC for the period beginning July 1, 2015, and ending June 30, 2017.

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STATISTICAL SECTION

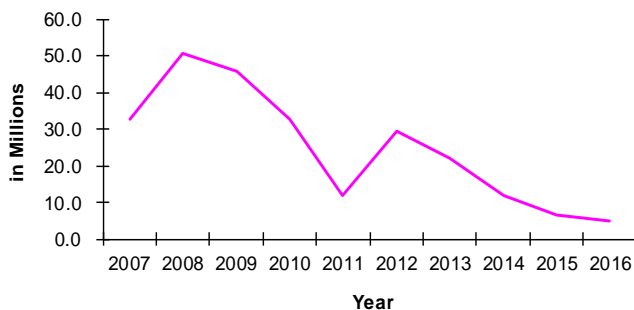
This section offers relevant financial, economic and demographic statistical information, including
National lottery industry trend data

Financial Trends

Lottery's sales increased by \$94.5 million or 15.7 percent over fiscal year 2015. Strong sales in *Scratch* games and in *Powerball* in fiscal year 2016, contributed to the growth compared to fiscal year 2015. The Lottery experienced the largest *Powerball* jackpot in the history of the game resulting in total ticket sales of \$694.9M in fiscal year 2016 as compared to \$600.3 in fiscal year 2015. Overall sales for *Mega Millions* and *Hit5* were down from prior year. The total number of *Scratch* tickets sold increased by 1.72 percent in fiscal year 2016, compared to 2015, and the average price per ticket increased slightly from \$3.73 in fiscal year 2015 to \$4.12 in fiscal year 2016. Operating expenses are dominated by prizes, retailer commissions, gaming vendor commissions, marketing and advertising. Prize expenses increased in fiscal year 2016 by \$67 million, or 18.3 percent compared to fiscal year 2015 and \$70.2 million or 19.4 percent as compared to fiscal year 2014. Net operating profit increased by \$24.7 million or 17.0 percent compared to fiscal year 2015 and increased \$26.5 million or 18.5 percent compared to fiscal year 2014.

Net position is affected by the fluctuation in the value of securities, and the Lottery saw an increase by \$10.2 million in the value of its securities. These are impacted by changes in interest rates from year to year. Because nearly all securities are held to maturity, there is no real change in their value. All net assets for the Lottery are incorporated into one enterprise fund.

Changes in Net Position



Revenue Capacity

The Lottery's sole focus is the sale of tickets for games of chance. These products are divided into two main types: *Scratch*, or "instant" game tickets, and "draw" game tickets. The Lottery offers seven different *Draw* games in which winning numbers are drawn either two, three or seven times a week, depending upon the game. The Lottery launched 50 *Scratch* games during fiscal year 2016.

The number and type of retail locations that sell Lottery products in Washington also impact the revenue capacity. During fiscal year 2015, the Lottery reduced a net of 127 retailer bringing the total number at the end of fiscal year 2016 to 3,615 compared to 3,742 for the prior year.

Debt Capacity

The Lottery offers *Lotto* winners the option to receive their prize over a 25-year period. *Mega Millions* and *Powerball* winners have the option of taking their winnings over a 30-year period. Some *Scratch* games have "For Life" winnings. This long-term liability is backed by the Lottery purchasing Treasury Strips, or annuities, at a deep discount. In other words, the Lottery is able to purchase certain future payments at a fraction of the future payments.

Operating Information

The Lottery consists of six divisions; Executive, Finance & Administration, Information Services, Security, Human Resources/Customer Service and Marketing/Sales. The Executive Division includes 7 employees. These employees include the Director, Deputy Director, Legal Counsel/Legislative Liaison, and Research and Development. The Sales/Marketing Division is the largest with 80 employees working in headquarters and the five regions throughout the state. Supporting the Sales/Marketing staff are the Finance and Administration Division with 21 employees, Information Services Division with 17 employees, Security Division with 4 employees, and Human Resources/Customer Service Division with 10 employees.

The table below shows an ten-year trend of Lottery employees, and is comprised of 100 percent government employees (headcount) as of June 30th each year. The Lottery is overseen by a five-member Commission appointed by the Governor with the consent of the Senate. The Commission advises and makes recommendations to the Director for the operation and administration of the Lottery.

Department	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Executive	9	7	7	8	8	10	11	12	12	12
Finance & Administration	21	22	22	22	20	19	21	20	22	21
Information Services	17	17	15	16	13	15	14	13	13	13
Security	4	4	4	5	5	5	5	5	5	5
Human Resources/Customer Service	10	11	10	11	12	5	5	5	5	4
Sales/Marketing	69	70	72	71	11	12	9	11	10	10
Sales	0	0	0	0	63	72	72	73	73	74
Total	130	131	130	133	132	138	137	139	140	139

Demographic and Economic Information

Washington State's population is almost 7.2 million people. As of November 2015 forecast, 5,458,665 were over 18 years of age and eligible to purchase Lottery products. Median household income in Washington in 2015 was \$62,108 and per capita personal income was \$51,146. Washington's unemployment rate in 2015 was 5.7 percent. Presented below, is a 10-year history for each of the categories above.

Year of CAFR	Population (Millions)	Median Household Income	Per Capita Personal Income	WA's Unemployment Rate
2007	6.4	\$ 56,807	\$ 32,458	4.9%
2008	6.5	59,119	34,592	4.5%
2009	6.6	55,771	34,343	5.3%
2010	6.7	56,317	42,933	8.9%
2011	6.7	54,888	42,570	9.6%
2012	6.7	55,550	43,878	9.2%
2013	6.9	56,444	45,693	8.2%
2014	6.9	58,577	47,031	7.0%
2015	7.1	58,686	49,583	6.3%
2016	7.2	62,108	51,146	5.7%

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The demographic charts in the following section display the population separated by age, education, ethnic background, employment status, and annual income. These categories are further broken out into players versus non-players.

Age: Age: Lottery play is less prevalent in the youngest (under 24) and oldest (over 65) age classes. More than two-thirds of Lottery players are between 30 and 65 years old.

Income: The median household income category is \$50 to \$75 thousand per year for both players and non-players. Although the distribution of household income is very similar between players and non-players, players are less likely to report household income less than \$30,000 per year.

Education: The majority of both players and non-players had some education beyond high school. While in past years players were less likely to have postgraduate degrees than non-players, this difference disappeared in FY2016.

Employment Status:

The majority both players and non-players were employed. Players were less likely to be retired than non-players.

Ethnic Background:

About 90% of the population reports White/Caucasian or Asian/Pacific Islander ethnicity. In FY2016, there were no significant ethnic differences in lottery participation.

The top ten private employers in Washington for fiscal years 2007-2015 are displayed below. No data prior to fiscal year 2007 is available. The Lottery will continue to gather information in order to report the required 10 years of information.

			2015	
#	Employer	City	Employees Count	Percentage
1	The Boeing Company	Seattle	78,225	23%
2	Joint Base Lewis-McChord	Lewis-McChord	58,074	17%
3	Navy Regional Northwest	Silverdale	46,693	14%
4	Microsoft Corp	Redmond	43,618	13%
5	Amazon.com, Inc	Seattle	24,000	7%
6	University of Washington	Seattle	23,639	7%
7	Wal-Mart Stores, Inc	Bentonville, AR	19,484	6%
8	Providence Health & Services	Renton	17,669	5%
9	Fred Meyer Stores	Portland, OR	15,500	4%
10	King County Government	Seattle	13,800	4%
Total			340,702	100%

			2014	
#	Employer	City	Employees Count	Percentage
1	The Boeing Company	Seattle	80,066	24%
2	Joint Base Lewis-McChord	Lewis-McChord	60,000	17%
3	Microsoft Corp	Redmond	41,728	12%
4	Navy Regional Northwest	Silverdale	37,682	11%
5	University of Washington	Seattle	34,700	10%
6	Amazon.com, Inc	Seattle	24,000	7%
7	Wal-Mart Stores, Inc	Bentonville, AR	18,147	5%
8	Providence Health & Services	Renton	17,553	5%
9	Fred Meyer Stores	Portland, OR	15,915	5%
10	Costco Wholesale Corp	Issaquah	14,921	4%
Total			344,712	100%

			2013	
#	Employer	City	Employees Count	Percentage
1	The Boeing Co.	Seattle	85,000	25%
2	Joint Base Lewis-McChord	McChord	56,000	17%
3	Navy Region Northwest	Silverdale	43,000	13%
4	Microsoft Corp	Redmond	41,664	13%
5	University of Washington	Seattle	29,800	9%
6	Providence Health and Services	Renton	20,240	6%
7	Wal-Mart Stores, Inc	Bentonville, AR	18,000	5%
8	Fred Meyer Stores	Portland, OR	14,590	4%
9	King County Government	Seattle	12,993	4%
10	United States Postal Service	Federal Way	11,914	4%
Total			333,201	100%

			2012	
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	31%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	19%
3	Providence Health & Services	Renton	19,000	17%
4	NVAL Air Station Whidbey Island	Oak Harbor	10,000	9%
5	South Seattle Community College	Seattle	5,000	4%
6	Barrett Business Service Inc	Moses Lake	5,000	4%
7	Pacific Northwest National Lab	Richland	4,700	4%
8	Stewart Title	Seatac	4,500	4%
9	Fairchild Air Force Base	Fairchild AFB	4,500	4%
10	St Joseph Medical Center	Tacoma	4,400	4%
Total			113,100	100%

			2011	
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	31%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	19%
3	Providence Health & Services	Renton	19,000	17%
4	NVAL Air Station Whidbey Island	Oak Harbor	10,000	9%
5	Pacific Northwest National Lab	Richland	4,700	4%
6	Fairchild Air Force Base	Fairchild AFB	4,500	4%
7	Stewart Title Co	Seatac	4,500	4%
8	St Joseph Medical Ctr	Tacoma	4,000	4%
9	Providence Sacred Heart Med	Spokane	4,000	4%
10	Sacred Heart Children's Hosp	Spokane	3,900	4%
Total			110,600	100%

			2010	
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	36%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	21%
3	Tacoma General Hospital	Tacoma	8,500	8%
4	Multicare Hospice & Palliative	Tacoma	8,000	8%
5	University of WA OB/GYN	Seattle	6,000	6%
6	Barrett Business Service Inv	Moses Lake	5,000	5%
7	Seattle Main Clinic	Seattle	5,000	5%
8	Stewart Title	Seatac	4,500	4%
9	Sacred Heart Children's Hospital	Spokane	3,900	4%
10	Harborview Medical Center	Seattle	3,400	3%
Total			100,300	100%

			2009	
#	Employer	City	Employees Count	Percentage
1	Microsoft Corp	Redmond	35,000	32%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	20%
3	Boeing Co	Kent	10,000	9%
4	Tacoma General Hospital	Tacoma	8,500	8%
5	Multicare Hospice & Palliative	Tacoma	8,000	7%
6	University of WA OB/GYN	Seattle	6,000	6%
7	Barrett Business Service Inv	Moses Lake	5,000	5%
8	Seattle Main Clinic	Seattle	5,000	5%
9	Stewart Title	Seatac	4,500	4%
10	Sacred Heart Children's Hospital	Spokane	3,900	4%
Total			106,900	100%

			2008	
#	Employer	City	Employees Count	Percentage
1	University of Washington	Seattle	27,000	24%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	19%
3	Microsoft Corp	Redmond	20,000	18%
4	Boeing Co	Kent	10,000	9%
5	University of WA OB/GYN	Seattle	6,000	5%
6	Washington State University	Pullman	5,770	5%
7	South Seattle Community College	Seattle	5,000	5%
8	Virginia Mason Medical Ctr	Seattle	5,000	5%
9	Multi Care Health System	Tacoma	5,000	5%
10	BBSI	Moses Lake	5,000	5%
Total			109,770	100%

			2007	
#	Employer	City	Employees Count	Percentage
1	University of Washington	Seattle	27,000	23%
2	Seattle Tacoma Intl Arprt-Sea	Seatac	21,000	18%
3	Microsoft Corp	Redmond	20,000	17%
4	Boeing Co	Kent	10,000	8%
5	MulticareHospice & Palliative	Tacoma	8,000	7%
6	Multicare Health System	Tacoma	8,000	7%
7	University of WA OB/GYM	Seattle	8,000	7%
8	Washington State University	Pullman	5,770	5%
9	BBSI	Moses Lake	5,000	4%
10	Multicare Health System	Tacoma	5,000	4%
Total			117,770	100%

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Note: In fiscal year 2013, Washington's Lottery changed the source for gather the top 10 employers, which caused a shift in how employers are reported.

WHO PLAYS WASHINGTON'S LOTTERY GAMES?

Demographics of Lottery Players and Non-Players

The following charts reflect the results of the Fiscal Year 2016 demographic survey. The respondents were categorized as Lottery players and non-players. These charts reflect the percentage of respondents in these two categories by selected demographics.



Data Source: Washington's Lottery Usage and Attitude Tracking Study conducted by IPSOS-Reid.

Washington's Lottery

Ten Years of Net Position

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Position										
Invested in capital assets	387,936	307,841	276,746	355,401	275,584	358,544	403,881	266,529	544,959	418,217
Restricted for future prizes	11,216,128	15,107,376	7,824,817	3,659,665	3,600,628	9,535,984	16,777,500	12,555,919	15,829,819	10,273,709
Unrestricted	20,945,418	35,024,787	37,511,394	28,756,516	8,139,532	19,350,886	4,893,069	(832,889)	(10,035,804)	(5,981,919)
Total net position	32,549,482	50,440,004	45,612,957	32,771,582	12,015,744	29,245,414	22,074,450	11,989,559	6,338,974	4,710,007

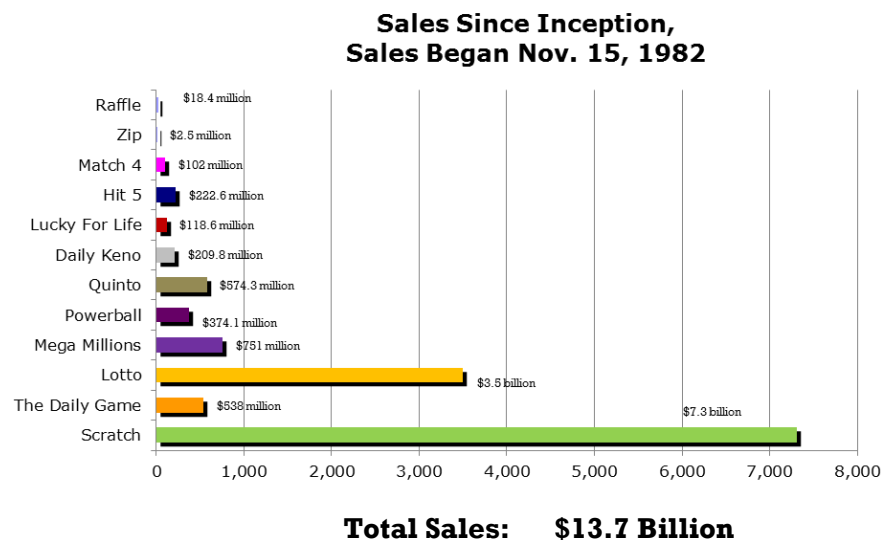
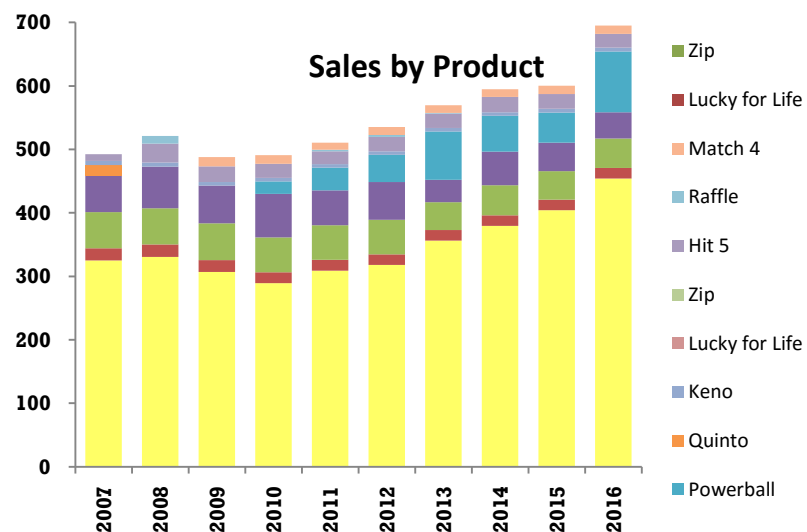
Ten Years of Changes in Net Position

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales										
<i>Scratch</i> ticket sales	325,197,396	330,520,307	307,004,644	289,324,733	309,045,103	318,149,502	356,021,877	379,352,242	404,097,793	453,948,422
<i>Draw</i> game sales	167,393,768	190,582,290	180,714,035	201,696,753	201,412,321	217,047,664	213,565,366	215,171,218	196,250,355	240,926,646
Total Sales	492,591,164	521,102,597	487,718,679	491,021,486	510,457,424	535,197,166	569,587,243	594,523,460	600,348,148	694,875,068
Other operating income					2,966,318	2,985,900	2,875,510	2,865,770	2,850,714	2,790,632
Cost of Sales										
Prize expense	304,834,285	314,923,284	301,279,527	291,827,949	295,155,493	311,545,285	339,365,820	362,666,491	365,929,999	432,900,790
Retailer commissions	31,190,099	32,391,044	30,751,766	31,005,437	31,941,021	33,383,737	35,545,701	37,368,870	37,307,646	36,021,210
Vendor expense	14,250,830	14,637,059	14,026,413	14,283,685	19,948,887	21,823,707	23,978,757	25,542,925	26,852,529	29,856,808
Advertising expense	9,767,655	11,292,640	12,161,926	12,315,924	11,813,258	10,882,354	10,194,020	10,122,178	10,468,738	10,481,991
Misc. promotional & other operating expenses	6,442,018	5,057,841	5,008,198	4,055,394	4,208,989	4,106,779	4,215,283	5,704,670	4,624,697	4,051,361
Total Cost of Sales	366,484,887	378,301,868	363,227,830	353,488,389	363,067,648	381,741,862	413,299,581	441,405,134	445,183,609	513,312,160
Administrative expenses										
Salaries and benefits	8,861,222	9,232,680	9,446,681	9,687,211	9,853,525	9,567,271	9,585,980	9,619,930	9,404,819	10,828,120
Goods and services	2,490,003	2,658,744	2,375,804	2,294,355	2,173,778	2,279,971	2,640,333	2,368,232	2,830,400	3,090,238
Travel	476,157	519,150	369,462	409,270	381,979	434,622	452,446	460,997	452,426	439,193
Depreciation	114,165	117,647	110,969	121,305	120,772	132,145	131,664	124,135	136,005	134,252
Total Administrative Expenses	11,941,547	12,528,221	12,302,916	12,512,141	12,530,054	12,414,009	12,810,423	12,573,294	12,823,650	14,491,803
Operating Income	114,164,730	130,272,508	112,187,933	125,020,956	137,826,040	144,027,195	146,352,749	143,410,802	145,191,603	169,861,737
Non-Operating Revenues (expenses)										
Investment revenue (loss)	23,871,431	38,105,795	22,480,606	21,777,420	6,266,376	23,979,561	(3,612,981)	3,045,060	5,007,809	10,226,195
Amortization of annuity prize liability	(27,099,716)	(22,658,996)	(20,000,662)	(17,351,689)	(14,981,731)	(12,819,949)	(10,743,345)	(8,866,388)	(7,605,541)	(6,283,851)
Interest income	2,757,471	2,421,131	841,625	150,319	87,571	58,387	51,111	49,403	40,067	23,098
Misc. income (expense)	24,086	27,175	37,412	36,415	160,896	13,201	(10,260)	(60,573)	-	59,059
Fee income	19,825	10,636	18,125	17,894	12,764	14,968	14,497	11,050	10,235	10,325
Loss on disposal of capital assets	(10,932)	-	-	-	-	(5,340)	3,881	121	-	(2,434)
Total non-operating revenues (expenses)	(437,835)	17,905,741	3,377,106	4,630,359	(8,454,124)	11,240,828	(14,297,097)	(5,821,327)	(2,547,430)	4,032,392
Payments to:										
Education Funds	(101,932,376)	(102,000,000)	(102,000,000)	(97,368,911)	-	-	-	-	-	-
Washington Opportunity Pathways Account	-	-	-	-	(112,262,295)	(121,840,501)	(115,578,117)	(121,905,022)	(119,000,660)	(128,731,626)
Education Legacy Trust Account	-	-	-	(13,100,000)	(11,900,000)	-	-	(10,050,000.00)	(6,050,000)	-
Other state funds	-	-	-	-	-	-	-	-	-	-
King County	(4,529,547)	(4,710,730)	(4,899,160)	(5,095,125)	(5,298,930)	(2,701,415)	-	-	-	-
Stadium and Exhibition Center Account	(8,211,414)	(8,539,871)	(8,881,466)	(9,236,724)	(9,609,193)	(9,990,441)	(10,390,059)	(10,805,661)	(11,237,887)	(11,687,403)
Economic Development	(2,975,639)	(3,677,118)	(2,377,226)	(4,573,866)	(3,739,469)	(2,967,678)	(3,620,758)	(4,016,417)	(4,661,950)	(2,844,549)
Problem Gambling	(244,084)	(268,038)	(243,995)	(258,950)	(279,892)	(290,747)	(299,288)	(301,414)	(304,744)	(340,567)
Veterans' Innovation Program	-	-	-	-	-	(247,571)	-	-	-	-
General Fund	-	(11,091,970)	(1,990,239)	(12,859,114)	(7,037,975)	-	(9,338,395)	(595,852)	-	(31,918,951)
Total payments	(117,893,060)	(130,287,727)	(120,392,086)	(142,492,690)	(150,127,754)	(138,038,353)	(139,226,617)	(147,674,366)	(141,255,241)	(175,523,096)
Net non-operating expense	(118,330,895)	(112,381,986)	(117,014,980)	(137,862,331)	(158,581,878)	(126,797,525)	(153,523,714)	(153,495,693)	(143,802,671)	(171,490,704)
Change in net position	(4,166,165)	17,890,522	(4,827,047)	(12,841,375)	(20,755,838)	17,229,670	(7,170,965)	(10,084,891)	1,388,932	(1,628,967)
Prior period adjustment to net position	1,522,243	-	-	-	-	-	-	(7,039,517)	-	-
Total net position at beginning of year	35,193,404	32,549,482	50,440,004	45,612,957	32,771,582	12,015,744	29,245,415	22,074,450	4,950,042	6,338,974
Total net position at end of year	32,549,482	50,440,004	45,612,957	32,771,582	12,015,744	29,245,415	22,074,450	4,950,042	6,338,974	4,710,007

Washington's Lottery

Ten Years of Sales and Other Revenues

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Scratch	325,197,396	330,520,307	307,004,644	289,324,733	309,045,103	318,149,502	356,021,877	379,352,242	404,097,793	453,948,422
Draw:										
<i>The Daily Game</i>	18,977,376	19,799,094	18,341,004	16,993,685	16,736,124	16,597,018	16,747,637	16,660,795	16,856,367	16,653,422
<i>Lotto</i>	57,108,545	56,918,875	58,245,291	54,805,991	54,559,716	54,468,198	43,785,467	47,372,657	44,844,196	46,632,119
<i>Mega Millions</i>	57,197,968	65,445,763	59,577,333	68,642,733	55,036,067	59,196,654	35,485,582	52,992,207	44,811,063	41,278,942
<i>Powerball</i>	-	-	-	19,995,130	35,588,849	42,858,045	75,935,191	56,433,962	47,573,226	95,744,270
<i>Quinto</i>	16,694,094	-	-	-	-	-	-	-	-	-
<i>Keno</i>	6,739,225	6,507,227	5,523,027	5,271,489	5,550,604	5,633,672	5,651,905	5,752,923	5,816,200	5,890,354
<i>Lucky for Life</i>	-	-	-	-	-	-	-	-	-	-
<i>Zip</i>	-	-	-	-	-	-	-	-	-	-
<i>Hit 5</i>	10,676,560	29,799,251	24,433,740	22,340,255	20,649,685	22,961,307	22,764,290	23,913,846	23,403,505	21,706,191
<i>Raffle</i>	-	12,112,080	-	-	2,117,470	2,925,910	1,279,240	-	-	-
<i>Match 4</i>	-	-	14,593,640	13,647,470	11,173,806	12,406,860	11,916,054	12,044,828	12,945,798	13,021,348
Total Draw	167,393,768	190,582,290	180,714,035	201,696,753	201,412,321	217,047,664	213,565,366	215,171,218	196,250,355	240,926,646
Total Sales	492,591,164	521,102,597	487,718,679	491,021,486	510,457,424	535,197,166	569,587,243	594,523,460	600,348,148	694,875,068
Other operating income	-	-	-	-	2,966,318	2,985,900	2,875,510	2,865,770	2,850,714	2,790,632
Interest	2,757,471	2,421,131	841,625	150,319	87,571	58,387	51,112	49,403	40,067	23,098
License Fees	19,825	27,175	18,125	17,894	12,764	14,968	14,497	11,050	10,235	10,325
Miscellaneous	24,086	1,482,154	37,411	36,415	160,896	(53,832)	(6,379)	(60,452)	-	56,625
Total Other Revenues	2,801,382	3,930,460	897,161	204,628	261,231	19,523	59,230	1	50,302	90,048
Total Sales and Other Revenues	495,392,546	525,033,057	488,615,840	491,226,114	513,684,973	538,202,589	572,521,983	597,389,231	603,249,164	697,755,748



Washington's Lottery

Ten Years of Expenses

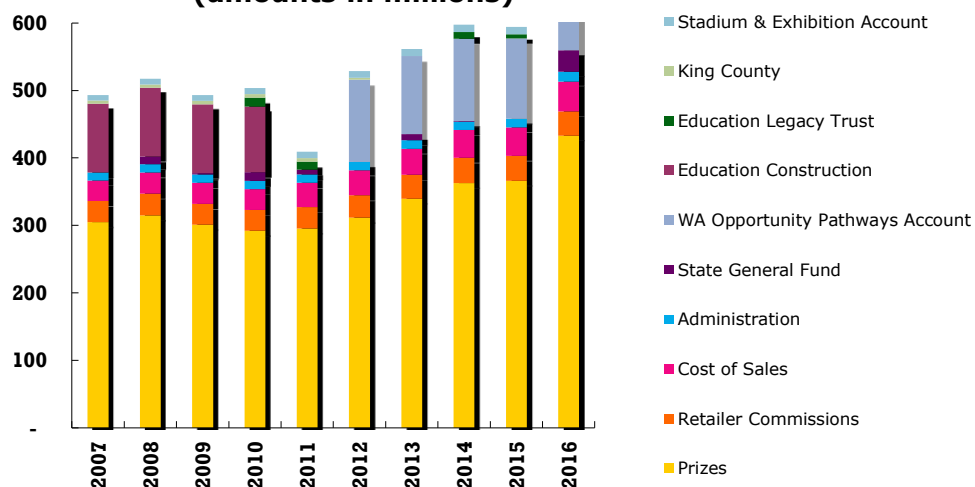
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Prizes	304,834,285	314,923,284	301,279,527	291,827,949	295,155,493	311,545,285	339,365,820	362,666,491	365,929,999	432,900,790
Retailer Commissions	31,190,099	32,391,044	30,751,766	31,005,437	31,941,021	33,383,737	35,545,701	37,368,870	37,307,646	36,021,210
Cost of Sales	30,460,503	30,987,540	31,192,738	30,655,003	35,971,134	36,812,840	38,388,061	41,369,773	41,945,964	44,390,160
Administration	11,941,547	12,528,221	12,302,916	12,512,141	12,530,054	12,414,009	12,810,423	12,573,294	12,823,650	14,491,803
Total Expenses	378,426,434	390,830,089	375,526,947	366,000,530	375,597,702	394,155,871	426,110,005	453,978,428	458,007,259	527,803,963

Note: Non-operating expenses are not included.

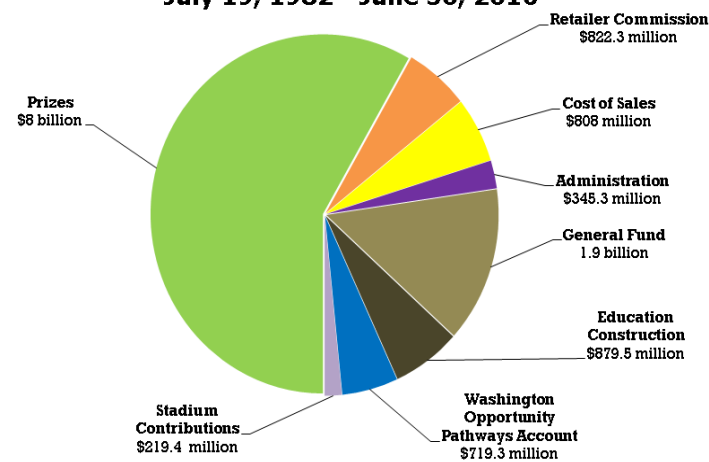
Ten Years of Contributions

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
State General Fund	-	11,091,971	1,990,239	12,859,114	7,037,975	-	9,338,396	595,852	-	31,918,951
Washington Opportunity Pathways Account	-	-	-	-	112,262,295	121,840,501	115,578,116	121,905,022	119,000,660	128,731,626
Education Funds	101,932,376	102,000,000	102,000,000	97,368,911	-	-	-	-	-	-
Education Legacy Trust Fund	-	-	-	13,100,000	11,900,000	-	-	10,050,000	6,050,000	-
Economic Development	2,975,639	3,677,118	2,377,226	4,573,866	3,739,469	2,967,678	3,620,758	4,016,417	4,661,950	2,844,549
Problem Gambling	244,084	268,038	243,995	258,950	279,892	290,747	299,288	301,414	304,744	340,567
Veterans' Innovation Program	-	-	-	-	-	247,571	-	-	-	-
King County	4,529,547	4,710,730	4,899,160	5,095,125	5,298,930	2,701,415	-	-	-	-
Stadium & Exhibition Account	8,211,414	8,539,871	8,881,466	9,236,724	9,609,193	9,990,441	10,390,059	10,805,661	11,237,887	11,687,403
Total Contributions	117,893,060	130,287,728	120,392,086	142,492,690	150,127,754	138,038,353	139,226,617	147,674,366	141,255,241	175,523,096

**Expenses and Contributions
(amounts in millions)**



**Distributions Since Inception
July 19, 1982 - June 30, 2016**



Amounts not displayed on graph:
 Education Legacy Trust Account \$41.1 million
 Veterans Innovations Program \$248 thousands
 Problem Gambling \$3.02 million

Washington's Lottery

COMPARATIVE STATEMENT OF LOTTERY REVENUES AND EXPENSES BY LOTTERY FOR FISCAL YEAR 2015

Lottery	Millions of Dollars					As Percentage of Sales			
	Sales	Prizes	Commissions	Expenses	Net Income	Prizes	Commissions	Expenses	Net Income
New York	7,251.03	4,396.97	434.69	44.60	2,323.12	60.64%	5.99%	0.62%	32.04%
Florida	5,589.72	3,627.94	311.98	157.33	1,491.25	64.90%	5.58%	2.81%	26.68%
California	5,524.85	3,501.75	380.35	279.52	1,357.66	63.38%	6.88%	5.06%	24.57%
Massachusetts	5,014.60	3,641.34	286.72	100.59	985.95	72.61%	5.72%	2.01%	19.66%
Texas	4,530.91	2,585.32	248.56	464.30	1,229.04	57.06%	5.49%	10.25%	27.13%
Georgia	3,923.02	2,528.87	249.01	166.73	977.99	64.46%	6.35%	4.25%	24.93%
Pennsylvania	3,819.64	2,411.65	203.24	145.57	1,060.86	63.14%	5.32%	3.81%	27.77%
New Jersey	3,049.99	1,825.23	169.45	107.47	960.98	59.84%	5.56%	3.52%	31.51%
Ohio	2,892.04	1,875.26	179.24	130.90	-24.20	64.84%	6.20%	4.53%	-0.84%
Illinois	2,854.29	1,823.57	161.61	125.36	742.98	63.89%	5.66%	4.39%	26.03%
Michigan	2,785.13	1,665.45	203.60	116.01	804.60	59.80%	7.31%	4.17%	28.89%
North Carolina	1,977.47	1,231.24	137.77	81.45	527.41	62.26%	6.97%	4.12%	26.67%
Virginia	1,843.88	1,116.63	103.92	90.75	533.76	60.56%	5.64%	4.92%	28.95%
Maryland	1,760.87	1,051.49	128.60	95.40	485.38	59.71%	7.30%	5.42%	27.56%
South Carolina	1,405.29	924.14	98.94	38.83	343.50	65.76%	7.04%	2.76%	24.44%
Tennessee	1,372.42	881.10	96.34	47.30	347.80	64.20%	7.02%	3.45%	25.34%
Connecticut	1,144.02	707.74	64.27	49.47	322.58	61.86%	5.62%	4.32%	28.20%
Missouri	1,127.82	755.43	68.40	49.65	270.95	66.98%	6.06%	4.40%	24.02%
Indiana	1,040.66	670.98	70.13	73.22	243.37	64.48%	6.74%	7.04%	23.39%
Kentucky	886.93	556.28	55.86	43.95	230.18	62.72%	6.30%	4.96%	25.95%
Arizona	750.91	486.64	51.06	42.23	171.06	64.81%	6.80%	5.62%	22.78%
Washington	603.20	365.93	37.31	54.77	142.64	60.66%	6.19%	9.08%	23.65%
Wisconsin	574.74	342.44	39.60	33.37	158.08	59.58%	6.89%	5.81%	27.50%
Minnesota	546.89	335.20	32.87	42.17	136.82	61.29%	6.01%	7.71%	25.02%
Colorado	538.03	331.50	39.82	39.73	126.96	61.61%	7.40%	7.38%	23.60%
Louisiana	452.47	219.20	25.27	26.20	183.16	48.45%	5.58%	5.79%	40.48%
Arkansas	409.23	280.47	23.25	33.15	72.59	68.54%	5.68%	8.10%	17.74%
Iowa	324.78	196.88	20.98	30.55	76.07	60.62%	6.46%	9.41%	23.42%
Oregon	318.66	211.44	26.87	25.46	59.81	66.35%	8.43%	7.99%	18.77%
New Hampshire	282.93	176.42	16.26	16.06	74.25	62.35%	5.75%	5.68%	26.24%
Kansas	254.80	144.91	14.81	15.39	79.69	56.87%	5.81%	6.04%	31.28%
Maine	254.58	165.19	16.70	18.04	54.65	64.89%	6.56%	7.09%	21.47%
Rhode Island	243.09	147.67	17.31	13.59	65.68	60.75%	7.12%	5.59%	27.02%
District of Columbia	212.50	115.28	13.78	27.71	55.74	54.25%	6.48%	13.04%	26.23%
Idaho	210.94	136.77	12.48	16.19	45.58	64.84%	5.92%	7.68%	21.61%
W. Virginia	180.00	106.48	12.60	6.38	66.27	59.16%	7.00%	3.54%	36.82%
Oklahoma	171.75	87.78	11.43	12.67	60.12	51.11%	6.66%	7.38%	35.00%
Nebraska	159.97	94.70	10.22	18.36	36.94	59.20%	6.39%	11.48%	23.09%
Delaware	149.82	108.96	9.68	1.70	29.48	72.73%	6.46%	1.13%	19.68%
New Mexico	137.04	75.59	8.94	11.41	41.12	55.16%	6.52%	8.33%	30.01%
Vermont	111.76	72.71	6.89	9.23	22.93	65.06%	6.16%	8.26%	20.52%
Montana	52.35	29.26	3.11	8.67	11.36	55.89%	5.94%	16.56%	21.70%
South Dakota	51.30	29.74	2.81	6.22	12.70	57.97%	5.48%	12.12%	24.76%
North Dakota	27.21	13.98	1.37	5.01	6.86	51.38%	5.03%	18.41%	25.21%
Wyoming	17.62	09.75	1.07	7.28	-0.48	55.33%	6.07%	41.32%	-2.72%

Note to Table: fiscal year 2015 is the latest data available. Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). 1 Source: U.S. Census Bureau; 2 Source: U.S. Bureau of Economic Analysis; 3 This data represents only revenue from traditional lottery games; 4 Prizes do not include VLT prizes paid; 5 Traditional lottery commissions only; 6 Traditional lottery expenses only; 7 Includes transfers for VLT operations; Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income. ** Reflects operating income only. Source: "La Fleur's 2015 World Lottery Almanac," TLF Publications, Inc.

Washington's Lottery

COMPARISON OF LOTTERY REVENUES AND EXPENSES PER CAPITA BY LOTTERY FOR FISCAL YEAR 2015

Figures Per Capita						
Lottery	Population (M)	Sales	Prizes	Commissions	Expenses	Net Income
California	39.14	141.14	89.46	09.72	07.14	34.68
Texas	27.47	164.95	94.12	09.05	16.90	44.74
Florida	20.27	275.75	178.97	15.39	07.76	73.56
New York	19.80	366.29	222.12	21.96	02.25	117.35
Illinois	12.86	221.95	141.80	12.57	09.75	57.77
Pennsylvania	12.80	298.35	188.37	15.88	11.37	82.86
Ohio	11.61	249.03	161.47	15.43	11.27	-02.08
Georgia	10.21	384.05	247.57	24.38	16.32	95.74
North Carolina	10.04	196.90	122.60	13.72	08.11	52.52
Michigan	9.92	280.69	167.84	20.52	11.69	81.09
New Jersey	8.96	340.48	203.75	18.92	12.00	107.28
Virginia	8.38	219.95	133.20	12.40	10.83	63.67
Washington **	7.17	84.12	51.03	5.20	7.64	19.89
Arizona	6.83	109.97	71.27	07.48	06.18	25.05
Massachusetts	6.79	738.05	535.93	42.20	14.80	145.11
Indiana	6.62	157.21	101.36	10.59	11.06	36.76
Tennessee	6.60	207.93	133.49	14.60	07.17	52.69
Missouri	6.08	185.38	124.17	11.24	08.16	44.54
Maryland	6.01	293.17	175.06	21.41	15.88	80.81
Wisconsin	5.77	99.59	59.33	06.86	05.78	27.39
Minnesota	5.49	99.62	61.06	05.99	07.68	24.92
Colorado	5.46	98.60	60.75	07.30	07.28	23.27
South Carolina	4.90	287.02	188.75	20.21	07.93	70.16
Louisiana	4.67	96.87	46.93	05.41	05.61	39.21
Kentucky	4.43	200.43	125.71	12.62	09.93	52.02
Oregon ¹	4.03	79.09	52.48	06.67	06.32	14.84
Oklahoma	3.91	43.91	22.44	02.92	03.24	15.37
Connecticut	3.59	318.59	197.09	17.90	13.78	89.83
Iowa	3.12	103.97	63.02	06.72	09.78	24.35
Arkansas	2.98	137.41	94.17	07.81	11.13	24.37
Kansas	2.91	87.51	49.77	05.09	05.29	27.37
New Mexico	2.09	65.72	36.25	04.29	05.47	19.72
Nebraska	1.90	84.36	49.94	05.39	09.68	19.48
West Virginia ¹	1.84	97.61	57.74	06.83	03.46	35.94
Idaho	1.65	127.46	82.64	07.54	09.78	27.54
New Hampshire	1.33	212.63	132.59	12.22	12.07	55.80
Maine	1.33	191.51	124.27	12.56	13.57	41.11
Rhode Island ¹	1.06	230.13	139.80	16.39	12.87	62.18
Montana	1.03	50.68	28.33	03.01	08.39	11.00
Delaware ¹	0.95	224.65	121.87	14.57	29.29	58.93
South Dakota	0.86	59.76	34.64	03.27	07.25	14.79
North Dakota	0.76	35.95	18.47	01.81	06.62	09.06
D.C.	0.67	222.87	162.09	14.40	02.53	43.85
Vermont	0.63	178.52	116.14	11.01	14.74	36.63
Wyoming	0.59	30.06	16.64	01.83	12.42	-00.82
Total	305.51	218.75	137.68	13.45	9.59	55.66

Note to Table: fiscal year 2015 is the latest data available. Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). 1 Source: U.S. Census Bureau; 2 Source: U.S. Bureau of Economic Analysis; 3 This data represents only revenue from traditional lottery games; 4 Prizes do not include VLT prizes paid; 5 Traditional lottery commissions only; 6 Traditional lottery expenses only; 7 Includes transfers for VLT operations; Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income.

** Reflects operating income only. Source: "La Fleur's 2015 World Lottery Almanac," TLF Publications, Inc.

Retailers of the year

Washington's Lottery awarded five retailers across the state with the title of Retailer of the Year.
These great retailers include:

- Spokane region winner: PDQ Ten Stop
- Yakima region winner: Tri-Cities Minit Mart 2
- Federal Way region winner: 72nd St Deli Market
- Vancouver region winner: Mickey's Deli
- Everett region winner: Handy Mart

The annual Retailers of the Year award gives Washington's Lottery an opportunity to recognize premier retailers from every region of the state. The employees at these stores strive to provide the best service possible to all of their customers. Additionally, the retailers recognize Washington's Lottery as an organization that adds value by adding an element of fun and an opportunity to dream for their customers.

Washington's Lottery

814 4th Ave East
Olympia, Washington 98506-3922
Phone (360) 664-4800

WWW.WALOTTERY.COM

Mailing Address:
PO Box 43000
Olympia, WA 98504-3000

Regional Offices and Prize Claim Centers

Everett Regional Office

11419 19th Ave SE, Suite A106
Everett, WA 98208-5120

Federal Way Regional Office

33701 9th Ave S
Federal Way, WA 98003-6762

Spokane Regional Office

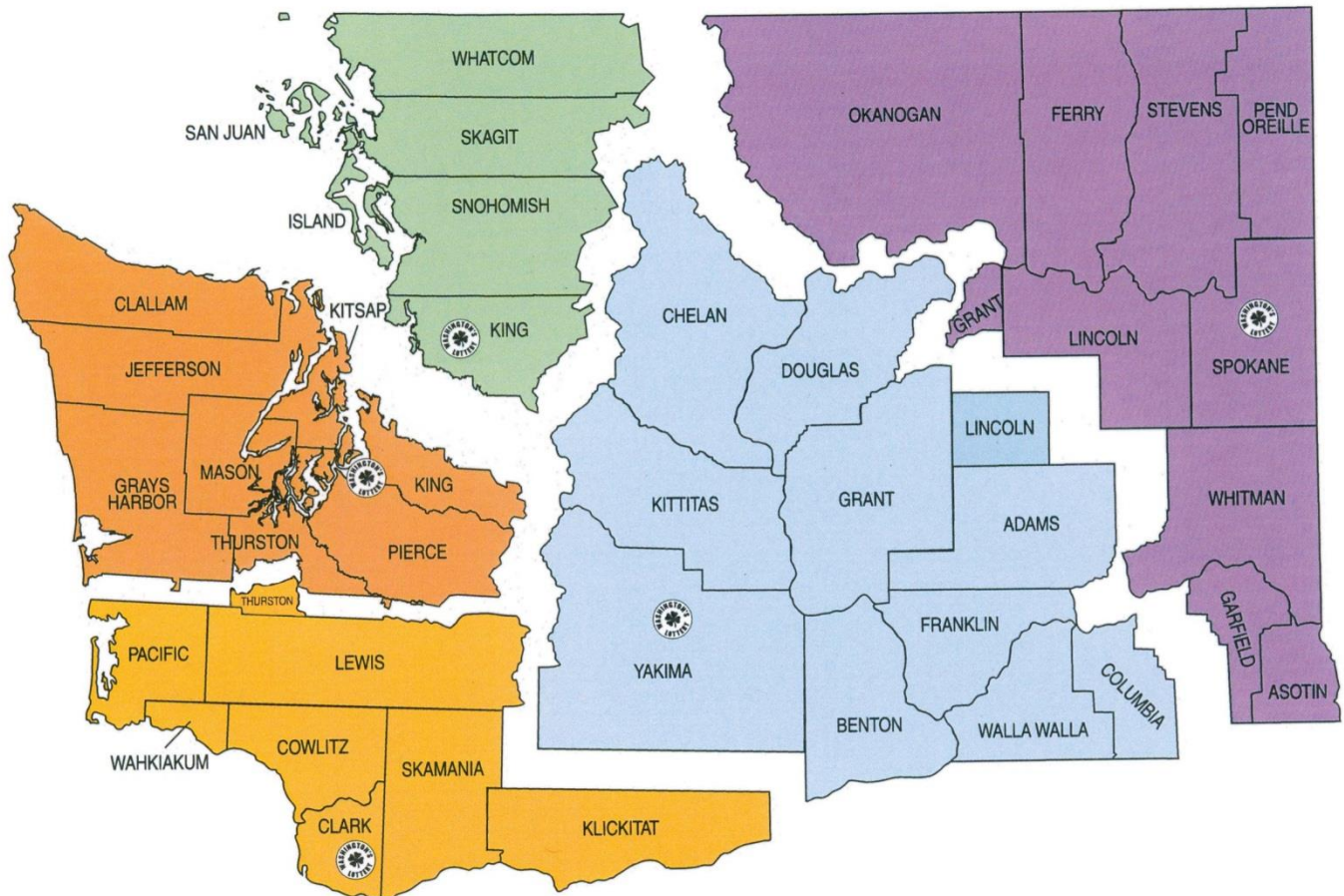
10517 East Sprague Ave,
Spokane Valley, WA 99206-3631

Vancouver Regional Office

1503 Northeast 78th St, Suite #4,
Vancouver, WA 98665-9668

Yakima Regional Office

9 South 5th Ave,
Yakima, WA 98902-3432



This publication is available in alternate format upon request, (360) 664-4815, TDD/TTY (360) 586-0933.