

Annual Report FY2010

On our way to
\$500,000,000
(that's half a BILLION!)



Thanks Idaho.

Benefiting Idaho Public Schools and the Permanent Building Fund.





A \$36.5 million check was accepted by Governor C. L. "Butch" Otter on July 13, 2010 on behalf of the People of Idaho. This was a record dividend that was split between Idaho Public Schools and the Permanent Building Fund.

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Lottery mission

The mission of the Idaho Lottery is to responsibly provide entertaining games with a high degree of integrity to maximize the dividend for public schools and the permanent building fund.



C.L. "Butch" Otter

Governor of Idaho

Dear Friends,

Meeting today's challenges is an opportunity for all of us to succeed when faced with adversity.

The Idaho Lottery was among those rising to meet the challenge last year to provide additional revenue to our State's public schools and permanent facilities. The Lottery delivered an additional \$1.5 million in benefits at no General Fund or taxpayer expense!

By setting high standards to measure its success, and realizing its goals, the Lottery reached a monumental achievement by crossing the \$2 billion mark in total sales since selling their first \$1 ticket on July 19, 1989. This remarkable accomplishment was achieved with the highest degree of integrity, fair play and responsible government practices.

Congratulations in particular go to Director Jeff Anderson and Team Lottery. Since beginning 21 years ago, the economic opportunity provided to Idahoans by your Lottery has earned local businesses who sell their products \$117 million in commissions. Players have won \$1.2 billion in prizes and, most importantly, we've empowered our community public schools and the permanent buildings of Idaho with revenues in excess of \$473 million.

Idaho has overcome many challenges in the past year through collaboration and team work. Join me in commending the Idaho Lottery for its standard of excellence, its forthright leadership, and its continuing success in keeping Idaho moving forward. When we all work together, we provide a better and brighter future for Idaho.

As Always – Idaho, "Esto Perpetua"

A handwritten signature in black ink that reads "C.L. Butch Otter". The signature is written in a cursive, flowing style.

C.L. "Butch" Otter
Governor of Idaho



Jeffrey R. Anderson

Idaho Lottery Director

Every Play Pays.

This past summer, I had the honor of delivering another record dividend to Governor C.L. "Butch" Otter and the People of Idaho as a result of the most successful year in Idaho Lottery history. This was my fourth presentation and our fourth consecutive record dividend. During our 20th Anniversary celebration in July 2009, we promised the Governor and the citizens of Idaho an additional \$1,500,000 over that year's record. On July 13, 2010 the Idaho Lottery made good on that promise with a ceremonial check for \$36,500,000. We're well on our way to \$500,000,000 for the People of Idaho in overall dividends since the inception of the Lottery.

Meeting the challenge of providing the State of Idaho with an additional \$1.5 million for our public schools and permanent building fund was a tremendous accomplishment considering the economic climate facing Idaho during Fiscal Year 2010. It was a challenge that was not going to be easily reached in a day, a month, or a quarter, but one that was attainable within the scope of an entire year's worth of hard work. The dedicated members of our Lottery Commission, exceptional employees of the Lottery, our vendors, and our nearly 1,000 retailer partners, whom I recognize as Team Lottery, did the work and made it a reality.

Our mission at the Idaho Lottery is to responsibly grow our dividend in a manner keeping with the leadership ideals of the state: to promote responsible government, to provide economic opportunity, and to empower Idahoans. This year we paid more prizes to players than any previous year, we rigorously managed our costs, and returned more in hard-earned commissions to Idaho businesses.

The Idaho Lottery had more winners claim prizes of \$10,000 or higher than any previous year. People win the Lottery every day. We say all the time, "You must play to win" and in fact our players did. We paid a record \$88.4 million in prizes to our winners this past year. That is an average of \$242,192 per day, each day of the year.

Thank you to our players, retailers, and integral vendors for supporting us throughout the year.

Every Play Pays.

Jeffrey R. Anderson
Director, Idaho Lottery

(Clockwise From Left)
Mike Helppie, Deputy Director of Sales;
Jeff Anderson, Director;
Becky Schroeder, Chief Operating Officer;
Kym Pratt, Deputy Director of Marketing;
Amber French, Deputy Director of Security.





Roger Jones

Chairman of the Idaho Lottery Commission

We have had a remarkable year and the Idaho Lottery Commission would like to congratulate Director Anderson and Team Lottery on their achievements, their dedication, and their hard work to provide for the citizenry of Idaho.

In Fiscal Year 2010, the Idaho Lottery's sales increased by 5.4% over the previous year, turning in an additional \$7.5 million in revenue. In total, the Idaho Lottery had sales in excess of \$147.2 million and provided our public schools and the State's permanent buildings with a record dividend of \$36.5 million. For every second of every day during the past year, \$1.15 was added to this year's dividend.

Over the past four years, Idaho Lottery sales have grown a total of 12.5 percent. In Fiscal Year 2010, Idaho ranked seventh out of forty-three state lotteries in overall sales by percentage of increase, third out of eight state lotteries in the western United States, and first in the northwest.

The Lottery has provided the State of Idaho with the resources to accomplish much needed work on improving our schools and the State's permanent buildings. They have done this by keeping their operating costs to a necessary minimum while continuing to provide fun entertainment for all their players. By keeping to their business plan, the Idaho Lottery successfully delivered on their promise of an additional \$1,500,000 in dividend to the People of Idaho.

We have much to be proud of for this past year's achievements. Director Anderson and Team Lottery retain my full confidence in continuing their success for responsibly growing next year's dividend for the careful, wise investment into Idaho's tomorrow.

Sincerely,

Roger Jones

Chairman, Idaho Lottery Commission

Idaho Lottery Commissioners:
(Clockwise From Left) Mel Fisher;
Roger Jones, Chairman; David Keyes;
Scott McLeod; Lydia Justice-Edwards



Where The Money Goes

With the Idaho Lottery's growing success each year, we've seen a commensurate amount of public accountability for where the lottery money actually goes. Requests for information about where the money goes has come from players, citizens, special interest groups, and the media with increasing frequency in recent years.

At the culmination of the most successful year in Idaho Lottery history, on July 13, 2010 during a public ceremony in the Governor's Office, Idaho Lottery Director, Jeff Anderson, along with Idaho Lottery Commissioners Roger Jones and Mel Fisher, presented Governor C.L. "Butch" Otter with a record setting dividend check for \$36.5 million.

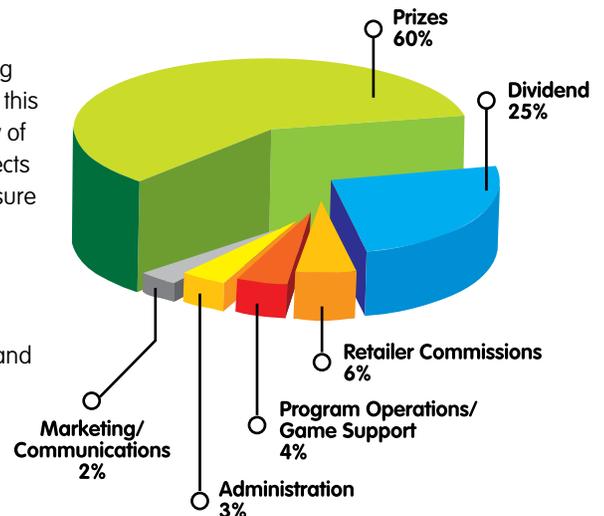
After prizes paid to the players, the largest amount of Lottery revenue takes the form of the annual dividend, the profit made for the benefit of Idaho's public schools and the state's permanent buildings. On average, about twenty-five cents of each dollar played on the Lottery is returned to the People of Idaho every year.

Historically, Lottery dividends are shared by the Idaho Department of Education's Public School Building Account and the Department of Administration's Permanent Building Fund. A statute change in 2009 (which sunsets in 2014) sets aside a portion of Lottery funds above the Fiscal Year 2008 funding level of \$34 million for the Idaho Bond Levy Equalization Fund. This year, the Bond Levy Equalization Fund received \$2.5 million, bringing the two-year total to \$3.5 million since the law was changed.

Like the dividend monies that were generated for the 2009 – 2010 school year, districts are again allowed flexibility in their use of Lottery funding. Many still use their funds for continued facility maintenance and repair, while others use it for technology improvements, installation of safety and security systems, and special programs for at risk students. It is one more way Idaho is working to raise student achievement and provide a quality education for Idaho's future.

The Permanent Building Fund is managed by the Permanent Building Fund Commission and the Idaho Department of Administration. For this year's building projects, Idaho Lottery revenues contribute a majority of the total funding for Fiscal Year 2011. Permanent Building Fund projects advance the quality of Idaho's higher education facilities, help to ensure public safety, and safeguard Idaho's historical treasures.

The Idaho Bond Levy Equalization Fund is managed by the Idaho Department of Education. The Department of Education disburses funds to eligible school districts for the cost of annual bond interest and redemption payments made on bonds passed on or after September 15, 2002. The Idaho Lottery provided dividend funds to the Bond Levy Equalization Fund from FY 2003 – FY 2006. With this year's \$2.5 million contribution, the Idaho Lottery has provided over \$15.6 million to the Bond Levy Equalization Fund.



Jim Bruce SCRATCH FOR SCHOOLS

In the fall of 2009, the Idaho Lottery hosted the largest series of Jim Bruce Scratch for Schools events in the nine year history of the popular fundraiser. In total, 399 schools participated in one of twelve venues in eight cities across the Gem State. That is the highest number of schools ever for one year, representing 52% of every public school in Idaho, and a record number of venues. The Idaho Lottery also hosted the largest single event ever with 59 schools competing at the same time during the greater Magic Valley's area venue at the College of Southern Idaho on October 20, 2009.

With all twelve events complete, the Idaho Lottery awarded more than \$88,000 in total to this year's participants. In nine years, the Lottery has awarded \$390,925 through Scratch for Schools.

Scratch for Schools is one additional way the Idaho Lottery furthers their primary mission of benefitting Idaho public schools and buildings by returning dollars to individual schools for classroom needs. Each participating school (dressed to show their school spirit) received 300 "Lunch Lady Loot" lottery tickets for the "mass" scratch-off as teachers, principals, and school staffers scratched furiously for five straight minutes. It is a visual spectacle as they simultaneously race to scratch as many tickets as they can. The top school at each event wins and scratches 900 Lottery tickets. Schools keep all their winnings from all tickets. The results from this year are as follows:

Date:	Event Location:	Number of Schools:	Dollars to Schools:
October 13-15, 2009	Boise, BSU Hall of Fame	79	\$17,756
October 20, 2009	Twin Falls, CSI Gymnasium	59	\$13,047
October 21-22, 2009	Caldwell, College of Idaho	58	\$12,598
October 26, 2009	Idaho Falls, ISU Extension, SUB	56	\$12,287
October 28, 2009	Pocatello, ISU Student Union	48	\$10,294
November 3, 2009	Lewiston, LSCS Activity Center	40	\$8,609
November 4, 2009	Sandpoint, Best Western	19	\$4,536
November 5, 2009	Coeur d'Alene, Coeur d'Alene Inn	40	\$9,024
Total attendance and prizes claimed from events:		399	\$88,151

Big winners included:

Vaughn Hugie Center - \$936
 Troy High School - \$828
 Amity Elementary School - \$647
 Hacker Middle School - \$645
 Gooding High School - \$643
 Payette High School Alternative Center - \$639
 Aberdeen Middle School - \$532
 St. Maries Comm. Education Center - \$486

Scratch Games™

Balancing the Scratch Game portfolio and managing prize expense were key initiatives to the overall performance of instant tickets during Fiscal Year 2010. This success translated into a 2.5% increase over the previous year and an additional \$2.2 million in overall Scratch Game™ sales.

During the course of the year, the Idaho Lottery had 82 different Scratch Games™ on sale, with 54 new games being launched. The top 17% of the games on sale accounted for 50% of all scratch ticket sales. The Cashword and Slingo family of tickets comprised five of the top six selling games of the year. In addition, the two \$20 games, Idaho Millions and the 20th Anniversary Game, plus the \$10 games like Free Ride and \$100,000 Hold 'em Poker, rounded out the top 10 grossing games of the year. In addition to these best sellers are a few notable highlights from the year's most successful games.

IDAHO MILLIONS

Following on the success of the 20th Anniversary's \$20 Scratch Game™, the Idaho Lottery launched Idaho Millions. Available in stores September 28, 2009, the \$20 ticket gained quick popularity and carried six \$250,000 top prizes and over \$15,000,000 in total prizes throughout the life of the game.

The unique design of the game was to print the game using three different color pulses. The three pulses, blue, green, and red, were sent out consecutively. The strategy worked well as Idaho Millions easily became the year's best seller, accounting for 10.6% of all scratch ticket sales in Fiscal Year 2010.



The road of life is often filled with both hardships and blessings. With Idaho Millions in particular as evidence, the road to winning one of the biggest jackpots – one quarter of a million dollars – ever offered on an Idaho Lottery scratch ticket can often be even stranger. Perhaps more compelling than the success of the game itself were the life-changing stories of the game's four top prize winners throughout the year. A down-on-his-luck miner who worked for the Lucky Friday Mine near Wallace, Idaho, ironically, bought his winning ticket on a Friday, was the first winner. The second winner was the remarkable story of a seven-year Boise resident turning his life around after being shot in the head in New York City, moving to Idaho with no job, friends, or money after witnessing the 9/11 attacks first hand, and then living in a Boise homeless shelter for several years prior to learning a marketable job profession. The third winner, a man who was given up for adoption at birth and only recently had been re-united with his birth family 42 years later, was meeting his new found family at the Boise airport and while waiting for their plane that was delayed, bought his \$250,000 winning ticket from a nearby retailer. The fourth winner, an Idaho Falls family, had never owned a house, but on the day they claimed their prize, they purchased outright the house they had been renting and called home for the past six years.

If any one game during the year inspired the public and captured the hearts of Idaho Lottery players to rise to meet their challenges, it certainly was Idaho Millions.

CHEERS™

During the 1980's and early 90's, the best known spot for happy hour might have been the fictional, below-ground Boston Pub called "Cheers"™. The popular NBC television show that ran for 11 seasons gave viewers a regular break from all their day to day worries and plenty of laughs.

In April, the Idaho Lottery brought plenty of excitement and fun, as well as the chance for players to go where everybody "knows your name" when they launched Cheers, the Scratch Game™. The \$2 game came with six classic cast scenes from the show's favorite characters including Sam, Cliff, Carla, Norm, and Rebecca not to mention a top prize of \$10,000.



And maybe it was a sign of inspiration for the scratch game during an episode when Norm received his favorite beverage, a frothy brew, and he described himself as "Mr. Lucky". The nostalgia of "Cheers"™ the TV show coupled with the brilliant advertising campaign made Cheers the Scratch Game™ the year's best seller in the \$2 price range, selling 92.6% of its tickets in only 15 weeks on the market prior to claiming out.

SHERLOCK HOLMES

It was the game that made winning "elementary". Sherlock Holmes, the \$5 Scratch Game launched on November 26, 2009 and met with instant success. While Robert Downey Jr. and Jude Law brought a dynamic new portrayal to Sir Arthur Conan Doyle's most famous characters, Sherlock Holmes and Dr. Watson, Idaho Lottery players had their shot at solving the game's mystery and winning up to \$50,000.

One of the key components to the success of the Scratch Game™ was tying the Scratch ticket launch to Warner Brother's aggressive advertising campaign leading up to the film's release on Christmas Day. When the Idaho Lottery's advertising took over right after Christmas, the television version used actual movie clips and radio used audio from the film itself, sales increased by 35% for the four weeks the spots aired. Combining the popularity of the film with a great game design made Sherlock Holmes one of the most unique and popular \$5 games of the year.



Draw Games™



POWERBALL

The most popular game in North America is also the most popular Draw game in Idaho. Powerball continued its hold as the most frequently played game in the state in Fiscal Year 2010 bringing in \$36.6 million in total revenue. After a strong year, Powerball saw the average daily announced jackpot at \$83.6 million and the average winning jackpot was \$144.4 million. During the fiscal year, nationwide there were 12 winning jackpots, including four that topped the \$200 million mark. Powerball jackpots continue to be the catalyst for player activity and spins Pow the leader for all Idaho Lottery Draw games.



MEGA MILLIONS

"Always Big" got a lot bigger on January 31, 2010 when the Idaho Lottery began selling Mega Millions with Megaplier, North America's second leading big jackpot Draw game. The addition of Mega Millions to the Draw game portfolio was the largest single addition since Powerball was added in April 1992.

Mega Millions offers players the chance to play for big jackpots on Tuesday and Friday nights. Joined with Powerball's Wednesday and Saturday night draws, players gained the opportunity to play for multi-million dollar jackpots four nights a week.

The Idaho Lottery Commission approved the addition of Mega Millions to the Lottery's product line up by unanimous vote on November 17, 2009. The game successfully launched, astonishingly quickly, just 75 days later.

Like Powerball, Mega Millions with Megaplier utilizes two sets of numbers to determine jackpot and game winners. Players select five numbers from a pool of numbers 1 to 56 and one Mega Ball from 1 to 46. The Idaho version of Mega Millions features a "Megaplier" option which multiplies non-jackpot winnings by 2, 3, or 4 times for \$1 more per play at the time of purchase. Mega Millions jackpots begin at \$12 million and grow until the jackpot is won.

Created in 1996, Mega Millions was previously played in only 12 North American Lotteries. It boasts the record for the single largest North American jackpot ever at \$390 million on March 6, 2007. At the end of the Fiscal Year 2010, Mega Millions was played in 42 United States lottery jurisdictions and Powerball was played in 44.



SPRING RAFFLE

It was all about the fives. On May 1, 2010, the Idaho Lottery launched the \$500,000 Spring Raffle, a Draw game similar to the Idaho \$1,000,000 Raffle. The Idaho-only game featured a limit of 300,000 tickets that cost \$5 each and were issued sequentially. The game had one guaranteed top prize of \$500,000. In addition to the top prize, there were two hundred and fifty (250) \$500 prizes, fifteen hundred (1,500) \$50 prizes, and three thousand, two hundred and forty-nine (3,249) \$25 prizes. The game ran for sixty days with the winning numbers announcement held at 5 p.m. on June 30, 2010 at Boise's Alive After Five event.

Supporting this new game was a stop-frame animation television commercial and an entire suite of advertising created entirely by Idaho companies and artists.



NIGHT AND DAY IDAHO PICK 3

During the year, the Idaho Lottery increased the number of draws for its most popular daily game, Idaho Pick 3. On Tuesday, February 16, 2010 Idaho Pick 3 began having two draws per day. The mid-day draw occurs at 1:59 p.m. Mountain Time while the evening draw remained at 7:59 p.m. Mountain Time.

AUTOMATED DRAWS

Coinciding with the launch of the mid-day draw for Idaho Pick 3, the Idaho Lottery initiated unattended, automated draws for both Idaho Pick 3 and the Lottery's other daily Draw game, Double Play Daily which began in May 2009. Information Technology and Security Staff can monitor the draw electronically without the need for a Draw Manager. The winning numbers are fed to the Lottery's gaming systems through a File Transfer Protocol (FTP) that receives the numbers and then distributes them to the retailer's terminals using satellite technology and, via Really Simple Syndication (RSS) feed to the Idaho Lottery's website and winning numbers telephone line.

The entire process, from drawing the numbers to distribution, is completed in a couple of minutes and accomplishes two goals – no draw attendant is required, and, it eliminates the risk of human error and numbers being transposed or entered incorrectly.

The rest of our Draw games for Fiscal Year 2010 included Wild Card, Idaho \$1,000,000 Raffle, Double Play Daily and Hot Lotto Sizzler. These games did not change from the previous year, but continue to provide much needed sales toward the Lottery dividend.

Idaho Lottery Retailers

The backbone of the Idaho Lottery is a dedicated, hard working network of 997 retail locations. Over 200 of these retailers have been with the Idaho Lottery since day one in 1989. This year, the Lottery added 116 retailers, including new locations in the north-central Idaho towns of Kamiah, Kooskia, and Orofino. The economic impact for our retailers was a record \$8.7 million in earned commissions during Fiscal Year 2010. Since 1989, retailers have shared over \$116 million in earnings by offering Lottery products in their stores.

Throughout the year, the Lottery continued their Retailer Advisory Board meetings across Idaho. During these meetings with their retailers, the Lottery discussed topics to improve both retailer/customer service and the overall playing experience.

The dividend to the People of Idaho would not be possible without the continued support of the Lottery's retail network. Thanks, Idaho retailers.

Lottery operations overview

The Idaho Lottery is self-funding and self-governing. It is composed of the Idaho Lottery Commission and the Idaho Lottery staff. The five-member commission is appointed by the Governor and its members each serve five-year terms. The Commission adopts rules for the agency, approves contracts, and monitors Lottery operations.

Lottery Director, Jeffrey R. Anderson, serves at the pleasure of the Governor. As the Director, he is responsible for overseeing day-to-day lottery operations, including security, marketing, sales, media relations, warehousing and inventory control, information technology, and fiscal management. Currently, the Idaho Lottery employs 47 staff members.

Charitable Gaming in Idaho

Charitable gaming, community bingo games and non-profit raffles, were a primary discussion point when Idaho's citizens voted to approve the creation of the Idaho Lottery in 1988. In 1992, the Lottery received oversight responsibility for charitable bingo and raffle games in Idaho. In the past year, more than 220 charitable and non-profit organizations have obtained a charitable gaming license from the Idaho Lottery.

The Idaho Lottery is charged with protecting the public from fraudulently conducted operations and to assure that charitable groups and institutions realize the profits from these games. When a non-profit organization or a charity wishes to conduct a bingo game or a raffle in Idaho, they are required by law to obtain a license from the State through the Idaho Lottery. Licenses for bingo and raffle operations are necessary when the gross revenue (bingo) or prize value (raffle) exceeds statutory benchmarks.

State law directs that a minimum of 20% of an organization's gross bingo revenue and 90% of an organization's net raffle proceeds must be used for charitable purposes. In the past year, charitable bingo gross revenues were nearly \$5.0 million with \$1.1 million returned to charities. Licensed charitable raffles generated over \$3.9 million in gross revenue with net proceeds totaling \$2.9 million and \$2.5 million of those monies being returned to charities.

For more information on charitable bingo and raffles in Idaho, visit www.idaholottery.com/charitablegaming.



CPAs & BUSINESS ADVISORS

To the Idaho Lottery Commission
Idaho Lottery
Boise, Idaho

We have audited the accompanying financial statements of Idaho Lottery (the Lottery), an agency of the State of Idaho, as of and for the year ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of Lottery's management. 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 and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lottery, as of June 30, 2010 and 2009, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2010 on our consideration of the Lottery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and other required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
September 28, 2010

Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) allows Idaho Lottery management to provide users of the financial statements with an analysis of the agency's financial activities based upon currently known facts, decisions and conditions. Please read it in conjunction with the Idaho Lottery Financial Statements that follow this section.

A key focus of the MD&A is the discussion of the current-year results in comparison with the prior year. While the accompanying financial statements present the financial position of the Idaho Lottery as of June 30, 2010 and 2009, and financial activity for the years then ended, the MD&A also includes this information for the year ended June 30, 2008, in order to allow a comparison with the year ended June 30, 2009.

OVERVIEW OF THE ACCOMPANYING FINANCIAL STATEMENTS

These required statements offer short and long-term financial information about the Idaho Lottery.

- *The Statements of Net Assets* provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities) at the close of fiscal year 2010 and 2009.
- *The Statements of Revenues, Expenses and Changes in Fund Net Assets*, measures the success of the Lottery's operations for fiscal year 2010 and 2009 and the resulting increase or decrease in net assets.
- *The Statements of Cash Flows*. The primary purpose of this statement is to provide information about the Lottery's cash receipts and cash payments during the fiscal year 2010 and 2009. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financial activities and provides answers to such questions as where cash originated from and where it went during the fiscal years.

The Idaho Lottery is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and depreciated over their useful lives. The notes to the financial statement contain, among other information, a description of the Idaho Lottery's significant accounting policies. The accompanying notes are an integral part of the financial statements.

The reader should refer to the financial statement and the accompanying notes for information on the individual components of the Statements of Net Asset. The following analysis is intended to highlight selective changes between 2010 and 2009 and 2009 and 2008.

Management's Discussion and Analysis

	<u>2010</u>	<u>2009</u>	Change 2009 to 2010	<u>2008</u>	Change 2008 to 2009
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 37,024,584	\$ 34,375,461	\$ 2,649,123	\$ 34,623,831	\$ (248,370)
Receivables	2,177,129	1,586,131	590,998	1,454,085	132,046
Due From MUSL	-	-	-	156,735	(156,735)
Other	464,202	439,572	24,630	738,351	(298,779)
Total current assets	<u>39,665,915</u>	<u>36,401,164</u>	<u>3,264,751</u>	<u>36,973,002</u>	<u>(571,838)</u>
Reserves with MUSL	2,504,259	2,550,667	(46,408)	2,559,628	(8,961)
Capital assets, net	439,529	521,518	(81,989)	710,555	(189,037)
	<u>\$42,609,703</u>	<u>\$ 39,473,349</u>	<u>\$ 3,136,354</u>	<u>\$ 40,243,185</u>	<u>\$ (769,836)</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 1,096,062	\$ 1,204,878	\$ (108,816)	\$ 1,093,694	\$ 111,184
Dividend payable	36,500,000	35,000,000	1,500,000	34,750,000	250,000
Due to MUSL	440,291	486,954	(46,663)	279,591	207,363
Prizes payable	3,187,245	2,579,245	608,000	3,404,783	(825,538)
Current portion of capital leases	49,057	48,134	923	47,229	905
Total current liabilities	<u>41,272,655</u>	<u>39,319,211</u>	<u>1,953,444</u>	<u>39,575,297</u>	<u>(256,086)</u>
OTHER POST EMPLOYMENT BENEFITS					
	65,795	60,101	5,694	62,144	(2,043)
LONG-TERM CAPITAL LEASES	33,541	82,598	(49,057)	130,732	(48,134)
TOTAL LIABILITIES	<u>41,371,991</u>	<u>39,461,910</u>	<u>1,910,081</u>	<u>39,768,173</u>	<u>(306,263)</u>
NET ASSETS					
Invested in capital assets, net or related debt	356,931	390,786	(33,855)	532,594	(141,808)
Unrestricted	880,781	(379,347)	1,260,128	(57,582)	(321,765)
Total net assets	<u>1,237,712</u>	<u>11,439</u>	<u>1,226,273</u>	<u>475,012</u>	<u>(463,573)</u>
	<u>\$ 42,609,703</u>	<u>\$ 39,473,349</u>	<u>\$ 3,136,354</u>	<u>\$ 40,243,185</u>	<u>\$ (769,836)</u>

Cash and cash equivalents

The increase in cash and cash equivalents between 2009 and 2010 is due primarily to the increase in net assets. Accordingly, the decrease between 2008 and 2009 is attributable to the decrease in net assets.

Management's Discussion and Analysis

Receivables

The Lottery's billing week is from Sunday through Saturday. The amount due from retailer transactions (transactions being comprised of sales, less commissions and prizes paid by the retailer) are transferred from the retailer's bank account to the Lottery's account the following Thursday. Similarly, any amounts due to the retailer from the Lottery are transferred to the retailer's account on Thursday. The Lottery refers to this transfer as a "sweep", and this mandatory process between the Lottery and its retailer customers simplifies collections.

The Receivables balances for 2010, 2009 and 2008 consist of the following:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Week ended June 30 sales	\$ 2,146,796	\$ 1,573,063	\$ 1,454,085
Accounts to Attorney General for collection	<u>30,333</u>	<u>13,068</u>	<u>-</u>
Total	<u>\$ 2,177,129</u>	<u>\$ 1,586,131</u>	<u>\$ 1,454,085</u>

Other

Under the contractual agreement with its scratch ticket supplier, Scientific Games International (SGI), the Lottery pays set-up and certain other fixed costs for each game printed. SGI, however, retains ownership of the tickets and the Lottery pays SGI 1.5479% of scratch ticket sales. Other production costs are amortized over the sales life of the game. PullTab tickets are expensed when the tickets are sold to the retailers. PullTab tickets are purchased from International Gamco for 18% of the sales price in 2010 and 11% of the sales price in 2009.

Capital Assets, net

The balances shown were derived as follows (see notes 1 and 3 to the financial statements):

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 521,518	\$ 710,555	\$ 365,471
Add: acquisitions	111,760	20,459	534,254
Deduct: retirements, net of accum. depr.	-	-	(22,625)
Deduct: depreciation	<u>(193,749)</u>	<u>(209,496)</u>	<u>(166,545)</u>
Ending balance	<u>\$ 439,529</u>	<u>\$ 521,518</u>	<u>\$ 710,555</u>

LIABILITIES AND NET ASSESTS

Dividend Payable

The dividends declared by the Idaho Lottery Commission for 2010, 2009 and 2008 were \$36,500,000, \$35,000,000 and \$34,750,000, respectively. The dividend is declared on or before June 30th and paid on July 1 or shortly thereafter.

Prizes Payable

The \$608,000 increase in prizes payable between 2009 and 2010 is primarily due to the Raffle draw game on June 30, 2010. Prizes payable for the Raffle is \$756,550. The \$825,538 decrease in prizes payable between 2008 and 2009 is primarily due to two Powerball prizes of \$200,000 prizes and one \$400,000 prize won during Fiscal Year 2008, but not claimed until after June 30, 2008.

Management's Discussion and Analysis

Total Net Assets

Net assets represent the difference between the Lottery's total assets and its total liabilities. Net assets are allocated between the portion which represents the investment in capital assets (i.e., plant equipment and other fixed assets) and the total.

REVENUES EXPENSES AND CHANGES IN NET FIXED ASSETS

Operating Revenues

Comparative operating revenues for the four major product sales classifications; Draw Games, Scratch™ Games, Raffle and PullTab tickets and other for revenue are as follows:

	<u>2010</u>	<u>2009</u>	Change 2009 to <u>2010</u>	<u>2008</u>	Change 2008 to <u>2009</u>
Draw game sales					
Powerball PowerPlay	\$ 36,662,205	\$ 36,787,378	\$ (125,173)	\$ 39,471,389	\$ (2,684,011)
Wild Card	3,144,771	3,152,691	(7,920)	4,191,160	(1,038,469)
Pick 3	1,639,869	1,883,839	(243,970)	1,840,395	43,444
Hot Lotto Sizzler	3,792,324	4,132,812	(340,488)	2,760,090	1,372,722
Double Play Daily	1,569,130	360,806	1,208,324	-	360,806
Mega Millions	2,623,081	-	2,623,081	-	-
Raffle	3,968,525	2,500,000	1,468,525	2,500,000	-
Total Draw Game Sales	<u>53,399,905</u>	<u>48,817,526</u>	<u>4,582,379</u>	<u>50,763,034</u>	<u>(1,945,508)</u>
Scratch ticket sales	90,647,308	88,425,049	2,222,259	84,386,584	4,038,465
PullTab ticket sales	<u>3,186,863</u>	<u>2,406,606</u>	<u>780,257</u>	<u>1,695,570</u>	<u>711,036</u>
Total sales	147,234,076	139,649,181	7,584,895	136,845,188	2,803,993
Online charges	626,118	614,728	11,390	595,370	19,358
Other revenues	<u>59,980</u>	<u>39,366</u>	<u>20,614</u>	<u>50,486</u>	<u>(11,120)</u>
Total operating revenues	<u>\$ 147,920,174</u>	<u>\$ 140,303,275</u>	<u>\$ 7,616,899</u>	<u>\$ 137,491,044</u>	<u>\$ 2,812,231</u>

Draw Game Sales

The Powerball PowerPlay game is sold in forty-four U.S. lottery jurisdictions (forty-two states, the District of Columbia and the U.S. Virgin Islands). These lotteries contribute a fixed percentage of their Powerball sales revenue to a consolidated jackpot prize. There are two Powerball drawings a week with a minimum-starting jackpot of \$20 million. Each time the jackpot is not won it "rolls" into the next draw and thus the jackpot grows until it is won.

Powerball sales are jackpot driven; the higher the announced jackpot, the higher the sales. Currently the odds of winning the jackpot are 1 in 195,249,054. Over time, additional lottery jurisdictions have also joined the game, thereby increasing the player base. While this has generally tended to make Powerball sales trend up, it is important to be aware of the relationship of the jackpot and sales as illustrated in the following chart:

Management's Discussion and Analysis

Draw Game Sales continued:

	Average Announced Jackpot per Draw	Average Sales per Draw	Annual Sales
2010	\$ 83,361,905	\$ 352,521	\$ 36,662,205
2009	68,605,769	353,725	36,787,378
2008	71,146,154	379,533	39,471,389
2007	69,694,286	365,226	38,348,748
2006	82,345,192	430,385	44,760,077
2005	49,202,885	289,351	30,092,519
2004	62,099,048	339,498	35,647,385
2003	49,337,500	302,959	31,577,648

In January of 2010, Idaho Lottery launched sales of Mega Millions with Megaplier. The Mega Millions game plays similarly to Powerball with drawings on Tuesday and Friday evenings. Mega Millions was originally launched and sold by states NOT selling Powerball. In 2009 all states came together to agree on a cross selling initiative which allows all states to sell both of the "big games" across borders. While sales have been slower than hoped in Idaho (and other jurisdictions) we continue to be optimistic that players will eventually embrace both games and actively play big jackpot games four times a week.

Neither WildCard 2, nor Pick 3 is as sensitive to jackpots as Powerball. Both games have a consistent player base, although players will shift their buying habits from both games to Powerball and Mega Millions, when the latter games' jackpot is unusually large. During fiscal year 2010, the Lottery added an additional spring raffle to the mix, making the current draw games line up six games strong. These Draw games, with higher profit margins than Scratch, increased profits in the Draw category.

Scratch™ Ticket Sales

The 2010 increase in scratch tickets represents the ninth consecutive year of sales increases. The continuing increase in scratch ticket sales is in large measure attributable to the Lottery's efforts to shift sales from the lower price points (one to four dollar tickets) to higher price point tickets, especially those tickets selling from five to seven dollars. The more expensive games generally offer more interesting play features than the simple "match three" format of many one and two-dollar games. As a result, players often perceive the higher priced tickets as having more entertainment value. Scratch ticket sales by price point for the fiscal years 2010, 2009 and 2008 are as follows:

	2010		2009		2008	
One-dollar games	\$ 9,674,854	10.7%	\$ 8,960,548	10.1%	\$ 10,695,179	12.7%
Two-dollar games	7,833,742	8.6%	8,636,566	9.8%	8,145,796	9.7%
Three-dollar games	21,846,132	24.1%	23,301,684	26.4%	28,438,768	33.7%
Five-dollar games	26,888,570	29.7%	23,739,595	26.8%	14,601,734	17.3%
Seven-dollar games	-	0.0%	578,851	0.7%	6,182,442	7.3%
Ten-dollar games	11,939,520	13.2%	12,770,140	14.4%	9,946,570	11.8%
Fifteen-dollar games	525,450	0.6%	6,842,625	7.7%	6,376,095	7.6%
Twenty-dollar games	11,939,040	13.2%	3,595,040	4.1%	-	0.0%
Total sales	<u>\$ 90,647,308</u>	100.0%	<u>\$ 88,425,049</u>	100.0%	<u>\$ 84,386,584</u>	100.0%
Increase over prior year	\$ 2,222,259		\$ 4,038,465		\$ 1,183,725	

Management's Discussion and Analysis

PullTab Ticket Sales

PullTab tickets, which are sold mainly in restaurants and bars, have never represented much more than two-percent of the Lottery's total annual sales. Faced with competition from illegal gaming machines, annual sales reached their maximum in 1997 (\$2 million) and had fallen off gradually ever since. Increased marketing efforts and concentrated efforts by our PullTab vendor, International Gamco, have resulted in a modest increase in sales for 2010.

Interest income on funds held at the state

All idle cash with the State Treasurer is invested in a variety of securities. The Lottery is an involuntary member of this pool.

Interest income earned on the funds held at the state by the Lottery for 2010, 2009 and 2008 were \$138,162, \$276,707 and \$588,786.

Operating expenses

2010, 2009 and 2008 operating expenses are as follows:

	2010	2009	Change 2009 to 2010	2008	Change 2008 to 2009
Prizes, net of unclaimed prizes	\$ 88,276,295	\$ 84,997,107	\$3,279,188	\$ 81,463,579	\$ 3,533,528
Retailer commissions	8,729,172	8,306,645	422,527	8,188,156	118,489
Draw Game contractor's fees	3,433,354	2,769,240	664,114	2,954,092	(184,852)
Scratch ticket costs	1,627,084	2,018,844	(391,760)	2,094,071	(75,227)
PullTab ticket costs	481,946	301,585	180,361	76,186	225,399
Advertising	3,367,179	2,986,810	380,369	3,054,673	(67,863)
Salaries and benefits	2,449,848	2,484,389	(34,541)	2,474,926	9,463
Telephone and satellite costs	193,749	65,774	127,975	166,545	(100,771)
Depreciation and amortization	56,794	209,496	(152,702)	64,656	144,840
Professional services	105,433	220,288	(114,855)	148,819	71,469
Office and equipment rental	555,257	494,615	60,642	540,228	(45,613)
Shipping costs	387,223	377,781	9,442	362,491	15,290
Supplies	96,847	79,901	16,946	105,141	(25,240)
Tribe compact	97,887	76,038	21,849	-	76,038
Other costs	345,185	388,233	(43,048)	371,931	16,302
Total operating expenses	<u>\$110,203,253</u>	<u>\$105,776,746</u>	<u>\$4,426,507</u>	<u>\$102,065,494</u>	<u>\$ 3,711,252</u>

Generally, the changes in expenses during the three fiscal years reflect the change in the level of sales as well as a shift in the product sales mix, i.e., the relative percentage that each product group (Draw games, Scratch™, and PullTab) represents of total sales. Sales levels and mix for each of the years is represented below:

	2010		2009		2008	
		Mix %		Mix %		Mix %
Draw sales	\$ 53,399,905	36.3%	\$ 48,817,526	35.0%	\$ 50,763,034	37.1%
Scratch ticket sales	90,647,308	61.6%	88,425,049	63.3%	84,386,584	61.7%
PullTab ticket sales	<u>3,186,863</u>	<u>2.2%</u>	<u>2,406,606</u>	<u>1.7%</u>	<u>1,695,570</u>	<u>1.2%</u>
Total sales	<u>\$147,234,076</u>	<u>100.0%</u>	<u>\$ 139,649,181</u>	<u>100.0%</u>	<u>\$ 136,845,188</u>	<u>100.0%</u>
Increase (decrease) from prior year	\$ 7,584,895		\$ 2,803,993		\$ 6,313,769	

Management's Discussion and Analysis

Certain cost categories, namely advertising, salaries and benefits, depreciation and amortization, telephone and data line costs, professional services, office and equipment, supplies and other costs are only minimally affected by sales increases or shifts in the sales mix. However, a change in sales level or mix does impact prizes, retailer commissions, Draw game commissions, Scratch and PullTab ticket costs, as well as shipping, detailed in the following information which outlines prize expense percentages.

Prizes, net of unclaimed prizes

Each of the three product types, Draw games, Scratch, and PullTabs have differing average prize expense percentages associated with that product. The average prize percentage for each category depends upon the prize percentage of the individual games within that product type. Powerball has a prize percentage of 50% (i.e. 50% of the sales go into the prize fund for Powerball); Pick 3 also has a 50% prize percentage while Mega Millions has a prize percentage of 51% and WildCard II has a prize percentage of 55%, Double Play Daily's is 52.18% and the Raffle is 52%. The overall average prize percentage for the suite of draw style products depends upon the sales mix for the games. Similarly, most Scratch and PullTab games have different prize percentages, although they average in the range of 67-70%.

Two other prize factors are considered in computing prize expense. The first factor is the prize expense associated with second chance draws. Second chance draws are held in conjunction with Draw or Scratch games, where the drawing entry is normally a non-winning ticket. The second factor is unclaimed prizes. The value of all prizes not claimed within the statutory 180-day claiming period is off-set against and thus reduces that year's total prize expense.

Prize expense, net of unclaimed prizes, consisted of the following for the years 2008-2010:

<u>2010</u>	<u>Sales</u>	<u>Prize %</u>	<u>Prizes</u>
Draw ticket sales	\$ 49,431,380	50.64%	\$ 25,034,223
Scratch ticket sales	90,647,308	69.01%	62,553,558
Raffle sales	3,968,525	52.44%	2,081,225
PullTab ticket sales	3,186,863	70.15%	2,235,718
Second chance draws			63,544
Unclaimed prizes			(3,691,973)
			<u>\$ 88,276,295</u>

<u>2009</u>	<u>Sales</u>	<u>Prize %</u>	<u>Prizes</u>
Draw ticket sales	\$ 46,317,526	50.48%	\$ 23,381,273
Scratch ticket sales	88,425,049	69.19%	61,178,505
Raffle sales	2,500,000	52.00%	1,300,000
PullTab ticket sales	2,406,606	69.82%	1,680,284
Second chance draws			139,800
Unclaimed prizes			(2,682,755)
			<u>\$ 84,997,107</u>

<u>2008</u>	<u>Sales</u>	<u>Prize %</u>	<u>Prizes</u>
Draw ticket sales	\$ 48,263,034	50.26%	\$ 24,255,853
Scratch ticket sales	84,386,584	69.11%	58,316,777
Raffle sales	2,500,000	52.00%	1,300,000
PullTab ticket sales	1,695,570	69.34%	1,175,633
Second chance draws			41,556
Unclaimed prizes			(3,626,240)
			<u>\$ 81,463,579</u>

Management's Discussion and Analysis

Retailer Commissions, Scratch™ and PullTab ticket costs

Changes in these cost categories generally reflect and are related to the corresponding change in sales.

Draw Game Contractor Fee

The draw game vendor provides the Lottery with critical hardware and software, network communications, and support personnel.

OUTLOOK FOR THE FISCAL YEAR ENDED JUNE 30, 2011

With 2010 as reasonable base, the Lottery believes that FY2011 sales, in all categories, will continue to trend up. The newly launched Mega Millions with Megaplier game is expected to increase the draw game bottom line, in conjunction with the wildly popular Million Dollar Raffle (which is scheduled to make another appearance in the fall of FY2011) will easily continue to trend draw sales up.

Focus on scratch promotions, the continued installation of additional player activated vending machines and gravitation toward higher scratch price points make 2011 sales estimates look favorable.

In addition to the expected sales increases, the Lottery's still relatively new vendor contract with Intralot and a competitive scratch ticket contract with Scientific Games International will result in lower costs relative to former contracts. The combination of increased revenues and relatively lower costs should result in greater overall profitability.

CONTACTING THE IDAHO LOTTERY

This financial reporting is designed to provide a general overview of the Idaho Lottery's finances and to demonstrate accountability for money earned by the Idaho Lottery. If you have questions about this report or need additional financial information, contact the Deputy Director for Administration, Idaho Lottery, P.O. Box 6537, Boise, ID 83707-6537, or call (208) 334-2600.

Statements of Net Assets

ASSETS

CURRENT ASSETS

	2010	2009
Cash and cash equivalents	\$ 37,024,584	\$ 34,375,461
Receivables	2,177,129	1,586,131
Other	<u>464,202</u>	<u>439,572</u>
Total current assets	39,665,915	36,401,164

DEPOSITS WITH MUSL

2,504,259	2,550,667
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PROPERTY AND EQUIPMENT, NET

439,529	521,518
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<u>\$ 42,609,703</u>	<u>\$ 39,473,349</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 1,096,062	\$ 1,204,878
Dividend payable	36,500,000	35,000,000
Due to MUSL	440,291	486,954
Prizes payable	3,187,245	2,579,245
Current portion of capital leases	<u>49,057</u>	<u>48,134</u>
Total current liabilities	41,272,655	39,319,211

OTHER POST EMPLOYMENT BENEFITS

65,795	60,101
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LONG-TERM CAPITAL LEASES

<u>33,541</u>	<u>82,598</u>
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TOTAL LIABILITIES

41,371,991	39,461,910
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NET ASSETS

Invested in capital assets, net or related debt	356,931	390,786
Unrestricted	<u>880,781</u>	<u>(379,347)</u>
Total net assets	<u>1,237,712</u>	<u>11,439</u>

TOTAL LIABILITIES AND NET ASSETS

<u>\$ 42,609,703</u>	<u>\$ 39,473,349</u>
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Statements of Revenues, Expenses, and Changes in Net Assets

	2010	2009
OPERATING REVENUES		
Scratch ticket sales	90,647,308	88,425,049
Draw ticket sales	49,431,380	46,317,526
PullTab ticket sales	3,186,863	2,406,606
Raffle sales	3,968,525	2,500,000
Communication charges	626,118	614,728
Other	59,980	39,366
Total operating revenues	<u>147,920,174</u>	<u>140,303,275</u>
OPERATING EXPENSES		
Prizes, net of unclaimed prizes	\$ 88,276,295	\$ 84,997,107
Retailer commissions	8,729,172	8,306,645
Gaming system services	3,394,629	2,769,240
Scratch tickets	1,627,084	2,018,844
PullTab tickets	481,946	301,585
Advertising	3,367,179	2,986,810
Salaries and benefits	2,449,848	2,484,389
Depreciation and amortization	193,749	209,496
Telephone and data line costs	56,794	65,774
Professional services	144,158	220,288
Office and equipment	555,257	494,615
Shipping costs	387,223	377,781
Supplies	96,847	79,901
Tribe compact	97,887	76,038
Other	345,185	388,233
Total operating expenses	<u>110,203,253</u>	<u>105,776,746</u>
OPERATING INCOME	37,716,921	34,526,529
NONOPERATING REVENUES		
Interest income	11,418	12,869
Interest income on funds held at the State	138,162	276,707
Interest expense	(2,066)	(2,971)
Total non operating revenue	<u>147,514</u>	<u>286,605</u>
INCOME BEFORE TRANSFERS	37,864,435	34,813,134
TRANSFERS		
State Permanent Building Fund	(17,000,000)	(17,000,000)
State Public Schools Building Fund	(17,000,000)	(17,000,000)
State Bond Equalization Fund	(2,500,000)	(1,000,000)
State general fund-interest earnings	(138,162)	(276,707)
Total transfers	<u>(36,638,162)</u>	<u>(35,276,707)</u>
CHANGE IN NET ASSETS	1,226,273	(463,573)
TOTAL NET ASSETS, BEGINNING OF YEAR	11,439	475,012
TOTAL NET ASSETS, ENDING OF YEAR	<u>\$ 1,237,712</u>	<u>\$ 11,439</u>

Statements of Cash Flows

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Ticket sales	\$ 147,329,176	\$ 140,171,230
Prizes paid to winners	(87,714,958)	(85,458,546)
Commissions and payment to retailers	(8,729,172)	(8,306,645)
Paid to vendors for goods and services	(7,326,510)	(6,394,869)
Paid to vendors for promotions	(3,367,179)	(2,986,811)
Paid to employees for service	(2,738,100)	(2,473,900)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>37,753,257</u>	<u>34,550,459</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Transfers to State Permanent Building Fund	(17,000,000)	(17,375,000)
Transfers to State Public Schools Building Fund	(17,000,000)	(17,375,000)
Transfer to Bond Equalization Fund	(1,000,000)	-
NET CASH USED BY NON CAPITAL FINANCING ACTIVITIES	<u>(35,000,000)</u>	<u>(34,750,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment and software	(111,760)	(20,459)
Principal paid on capital debt	(48,134)	(47,229)
Interest paid on capital debt	(2,066)	(2,971)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(161,960)</u>	<u>(70,659)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	11,418	12,869
Change in deposit with MUSL	46,408	8,961
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>57,826</u>	<u>21,830</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,649,123	(248,370)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	34,375,461	34,623,831
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 37,024,584</u>	<u>\$ 34,375,461</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 37,716,921	\$ 34,526,529
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	193,749	209,496
Changes in assets and liabilities		
Receivables	(590,998)	(132,046)
Due from MUSL	-	156,735
Other assets	(24,630)	298,779
Accounts payable and accrued expenses	(108,816)	111,184
Other post employment benefits	5,694	(2,043)
Due to MUSL	(46,663)	207,363
Prizes payable	608,000	(825,538)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 37,753,257</u>	<u>\$ 34,550,459</u>

Notes to the Financial Statements

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Authorizing Legislation

The Idaho Lottery (the Lottery), an agency of the State of Idaho (the State), was established in November 1988 with the enactment of Title 67, Chapter 74 of the Idaho Code (the Act). The purpose of the Act is to establish a lottery to generate revenue for the State. Revenues generated by the Lottery, after allowances for prizes and expenses, are distributed to the State Permanent Building and Public School Building Funds.

Basis of Presentation

The Lottery is accounted for and reported as a proprietary-type enterprise fund of the State.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. In order to conform to the reporting election made by the State, the Lottery has elected not to apply any private-industry standards issued after November 30, 1989, which is an option under Governmental Accounting Standards Board No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."

Multi-State Lottery Association

State statutes authorize the Lottery to participate in the Multi-State Lottery Association (MUSL). MUSL is a non-profit, government benefit association that administers low odds on-line games with other participant state lotteries. The Lottery contributes to the related prize pools based on weekly on-line ticket sales. MUSL holds semi-weekly drawings for prize amounts determined by ticket sales.

Revenue Recognition

Lottery tickets are sold to the public by contract retailers. Revenue from the sale of on-line tickets is recognized when tickets are sold to players except to the extent that the sales relate to future Lottery drawings. Sales for future drawings and, and related expenses, are deferred to the period in which the draw takes place. Revenue from the sale of scratch tickets is recognized when retailers "settle" scratch ticket packs. "Settling" occurs after the retailer sells the instant tickets to players or when the retailer manually initiates the settlement process.

Accounts Receivable

The Lottery provides credit in the normal course of business to its customers and performs ongoing credit evaluations of those customers. The Lottery sweeps accounts receivables directly from its customers' accounts weekly, and will place customers' accounts on hold if there are insufficient funds after two weeks. As the Lottery identifies bad accounts quickly, the credit losses, when realized, have been within the range of the Lottery's expectations and, historically, have not been significant. Consequently, no allowance for doubtful accounts has been established.

Commissions

Retailers receive a commission of 5% on ticket sales. Additional discretionary commissions of up to 1% may be awarded to retailers and, as a result, commission expense may be slightly higher than 5% of revenue. In addition, retailers selling a winning lotto or scratch ticket with a prize amount of \$500 or greater receive a selling bonus of 10% of the prize amount, up to a predetermined limit.

Prizes

In accordance with the Act, at least 45% of Lottery revenues must be returned to players in the form of prizes.

Scratch™ Games - Prize expense for Scratch Games is recognized as ticket packs are settled by retailers based on a predetermined prize structure for each game.

Multi-State Draw Games:

Idaho Powerball PowerPlay - The Powerball game is sold in forty-four U.S. lottery jurisdictions (forty-two states plus the District of Columbia and the U.S. Virgin Islands). Prize expense represents 50% of revenues recognized for the game. Prizes are paid out over a twenty-nine year annuity (thirty payments) or as a single cash payment.

Mega Millions - The Mega Millions game is sold in forty-two U.S. lottery jurisdictions (forty-one states, and the District of Columbia). Sales began on January 31st, 2010 and prize expense represents 51% of revenues recognized for the game. Prizes are paid out over a twenty-six year annuity or as a single cash payment.

Wild Card - Idaho, in association with Montana, North Dakota and South Dakota, acting as a sub-organization of MUSL participates in the Wild Card draw game. Prize expense represents 55% of revenues recognized for the game. Jackpot prizes are paid out as single cash payments.

Hot Lotto Sizzler - Idaho, in association with District of Columbia, Delaware, Iowa, Kansas, Minnesota, Montana, New Hampshire, New Mexico, North Dakota, Oklahoma, South Dakota, and West Virginia, as a sub-organization of MUSL participates in Hot Lotto. Sales began September 30, 2007 and prize expense represents 50% of revenues recognized for the game. Jackpot prizes are paid out as single cash payments. A multiplier feature called Hot Lotto Sizzler was added on July 3, 2008.

Idaho Draw Games:

Idaho Pick 3 - Sales of Idaho Pick 3 began in June 2000. Prize expense is budgeted at 50% of game revenues, but adjusted in the financial statements to reflect the actual prize expense for the reporting period. Prizes are paid out as single cash payments.

Raffle - Idaho's Million Dollar Raffle and the \$500,000 Spring Raffle are games developed by the Idaho Lottery and played only in Idaho. The Lottery launched its first raffle on November 11, 2007. Sales and when all available tickets are sold out or when an established draw date commences. Prize expense represents 52% of revenues recognized for the game. The one jackpot prize is paid out as a single cash payment.

Double Play Daily - The Idaho Lottery launched an additional in-state draw game, Double Play Daily in May of 2009. It is the only Idaho draw game that gives players two draws for the price of one \$2.00 ticket. Prize expense is budgeted at 52.18% of game revenues, but adjusted in the

financial statements to reflect the actual prize expense for the reporting period. Prizes are paid out as a single cash payment.

Deposits with MUSL

Two percent of the payments to MUSL for multi-state draw games are accumulated in a deposit account with MUSL until the account balance has reached a level established by the MUSL Board. The Lottery is an involuntary member of the MUSL Prize Reserve Funds Account (PRFA) investment pool. The PRFA is an unrated investment pool. All investments of the PRFA shall meet the general requirements of state public funds laws. Permitted investments shall include the direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity shall be no more than 1,209 years. The duration as of June 30, 2010 for the US Government Treasury securities was 1.036 years and for the Agency securities it was .739 years.

Cash held at the State Investment Pool

The Lottery is an involuntary member of the State Investment Pool. All interest is paid to the General account of the State of Idaho.

Unclaimed Prizes

Prizes may be claimed for a period of 180 days after the drawing for draw games or 180 days from the declaration of the end of game for scratch games. Unclaimed prizes are offset against that fiscal year's prize expense.

Cash and Equivalents

Cash and equivalents include liquid investments with original maturities of three months or less. The Lottery's excess funds are held in the State of Idaho's investment pool. Funds held in the pool are generally available to the Lottery within 90 days.

Capital Assets

The Lottery's level for capitalization of capital assets is \$1,000. Property, equipment and software are stated at cost. Depreciation/amortization is computed using the straight-line method over the estimated useful life ranging from three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results of operations in the period of disposal.

Other Assets

Other assets are comprised principally of prepaid expenses.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and illness. Within limits established by law, unused vacation benefits are paid to employees upon separation from State service and are the responsibility of the State entity employing the individual at the time of their separation from State service. Accumulated unused sick leave is paid upon the employee's retirement and is the responsibility of the State. Accumulated benefits for compensated absences are based on the period of service with the State and are accrued at current salary rates. Accordingly, the Lottery assumes the liability for benefits accumulated for employees who transfer to the Lottery from other State agencies. The Lottery will be relieved of liability upon the transfer of an employee to another State agency.

Dividends

Dividends are recorded on the date they are declared by the Idaho Lottery Commission.

Budget

The appropriation for administrative costs is limited to 15% of revenue. Modification of the administrative appropriation must be approved by the State Division of Financial Management. In addition, the Lottery prepares and monitors an operating budget. The budget does not meet the definition of a legally adopted budget for financial reporting purposes. Accordingly, no budget is presented within the financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Management considers all available information related to estimates up to the date of the report. Significant estimates used in preparing these financial statements include those assumed in determining the prizes payable, interest income from the funds held at the state, and the actuarial assumptions made in the other post employment liability. It is at least reasonably possible that the significant estimates used will change within the next year.

NOTE 2 - CASH AND EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30,

	2010	2009
Cash in banks	\$ 147,482	\$ 140,368
Cash on deposit with State Controller	120,000	120,000
Investments in the State of Idaho's General Fund		
Investment Pool, at cost, which approximates market	36,757,102	34,115,093
Total cash and equivalents	<u>\$ 37,024,584</u>	<u>\$ 34,375,461</u>

The Lottery is required to keep excess cash on deposit in the State of Idaho's General Fund. The State Treasurer's Office acts as the State's bank, receiving and disbursing all monies. In accordance with Idaho Code, Section 67-1210 and 67-1210A, all idle cash deposited with the State Treasurer is invested in a variety of securities. The Lottery is an involuntary member of this investment pool. Idaho Code, Section 67-1210(m) states all interest received on all such investments, unless specifically required by law, shall be paid into the general account of the State of Idaho. For the years ended June 30, 2010 and 2009, the Lottery transferred \$138,162 and \$276,707, respectively, to the State of Idaho. Further disclosure of the State's investment pool is located in

Notes to the Financial Statements

the State of Idaho's Comprehensive Annual Financial Report.

The cash in banks is invested in highly rated financial institutions and may, at times, exceed FDIC insurance limits.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	2009	Additions	Retirements	2010
Computer equipment	\$ 515,613	\$ -	\$ -	\$ 515,613
Office furniture	1,781,681	111,760	-	1,893,441
Vehicles	430,916	-	-	430,916
Leasehold improvements	\$ 387,840	-	-	\$ 387,840
	3,116,050	111,760	-	3,227,810

	2009	Additions	Retirements	2010
Accumulated depreciation and amortization	(2,594,532)	(193,749)	-	(2,788,281)

	2009	Additions	Retirements	2010
Capital assets, net	\$ 521,518	\$ (81,989)	\$ -	\$ 439,529

Capital asset activity for the year ended June 30, 2009 was as follows:

	2008	Additions	Retirements	2009
Computer equipment	\$ 1,924,039	\$ -	\$ (1,408,426)	\$ 515,613
Office furniture	1,778,590	3,091	-	1,781,681
Vehicles	430,916	-	-	430,916
Leasehold improvements	370,472	17,368	-	387,840
	4,504,017	20,459	(1,408,426)	3,116,050

	2008	Additions	Retirements	2009
Accumulated depreciation and amortization	(3,793,462)	(209,496)	1,408,426	(2,594,532)

	2008	Additions	Retirements	2009
Capital assets, net	\$ 710,555	\$ (189,037)	\$ -	\$ 521,518

NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following at June 30,

	2010	2009
Trade accounts payable	\$ 419,068	\$ 355,233
Personnel costs payable	122,480	103,535
Accrued compensated absences	114,343	127,234
Deferred draw sales	440,171	618,876

	2010	2009
Accounts payable and accrued expenses	\$ 1,096,062	\$ 1,204,878

NOTE 5 – EMPLOYEE RETIREMENT PLAN

Substantially all Lottery employees are eligible to participate in the Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer defined benefit retirement system, administered by the State. A stand-alone PERSI financial report is available by writing to PERSI at 607 North 8th Street, Boise, Idaho 83702.

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that included audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.gov.

The actuarially determined contribution requirements of the Lottery and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The Lottery's employer contributions required and paid were \$172,146, \$177,461, and \$176,738 for the three years ended June 30, 2010, 2009, and 2008, respectively.

NOTE 6 – CONTRACT WITH INTRALOT

Like all U.S. lotteries, the Idaho Lottery contracts with a gaming contractor to provide the Lottery with critical hardware and software, network communications, and technical support personnel necessary to efficiently operate the lottery lotto systems. As the result of an extensive competitive bidding process, the Lottery changed on-line gaming contractor from GTECH Corp. to INTRALOT, Inc. on February 18, 2007.

INTRALOT: The contract period is from February 19, 2007, to on February 18, 2014. The Lottery has the option to extend the contract, but not to exceed a total of 10 years. As compensation, the Lottery is to pay a fixed price of 1.98% of total net sales. The Lottery also paid Intralot a one-time fee of \$173,000 plus a monthly fee of \$3,466 for a Sales Force Automation System- a wireless tablet reporting system to be used by the Lottery's regional sales representatives. The contract also provides for the leasing of ticket checking devices at retail locations and for the leasing of Scratch™ and draw game automated vending machines.

NOTE 7 – COMMITMENTS

The Lottery has entered into operating leases for the rental of office (expiring June 30, 2011) and warehouse space (expiring in June 30, 2012). Both leases are renewable at the option of the Lottery. Future lease expense for the operating lease is as follows:

For the year ended June 30,

	2011	2012	2013
	368,548	103,827	106,248
			\$ 578,623

Rent expense for operating leases was \$380,988 and \$407,775 for the years ended June 30, 2010 and 2009, respectively.

NOTE 8 – CAPITAL LEASES

The Lottery has a capital lease agreement for vehicles as follows:

	2009	Additions	Retirements	2010
Capital leases	\$ 130,732	\$ -	\$ (48,134)	\$ 82,598

The original cost of the vehicles was \$193,506, with accumulated amortization of \$110,908. Amortization of vehicles under capital lease is included with depreciation expense.

Future minimum lease obligations under capital lease agreements for the year ending June 30, 2010 are as follows:

	2011	2012
Total minimum lease payments	\$ 50,200	33,783
Less amounts representing interest	83,983	1,385
Present value of minimum lease payments	\$ 82,598	

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

Summary of Plans

The Lottery participates in other postemployment benefit plans relating to health, and disability administered by the State of Idaho as agent multiple-employer defined benefit plans. Idaho Code, Sections 67-5760 to 67-5767 and 72-1335, establishes the benefits and contribution obligations. Each of these benefits is provided by the Lottery to retired or disabled employees. The most recent actuarial valuation is as of June 30, 2008. The Lottery has not set aside any assets to pay future benefits; the Lottery funds these benefits on a pay-as-you-go basis. Detail of the plans can be found in the Comprehensive Annual Report of the State of Idaho, which may be obtained as follows:

Office of the Idaho State Controller
700 W State Street, 4th Floor
Boise, ID 83702
P.O. Box 83720 Boise, ID 83720-0011
www.sco.idaho.gov

Plan Descriptions and Funding Policy

Retiree Healthcare Plan

This plan allows retirees to purchase healthcare insurance coverage for themselves and eligible dependents. A retired employee of the Lottery who is eligible to retire under the Public Employee Retirement System of Idaho (PERSI) may elect to purchase the retiree health insurance coverage for themselves and eligible dependents. To be eligible, Lottery employees must enroll within 60 days of the date of their retirement. Additionally, the unreduced PERSI monthly benefit at the time of retirement must meet or exceed the monthly cost of single retiree health insurance coverage, or employees must have 10 or more years (20,800 or more hours) of credited state service. An officer or employee must be an active employee on or before June 30, 2009, and retire directly from State service. Retirees eligible for medical health insurance pay the majority of the premium cost; however, the retiree plan costs are subsidized by the active employee plan. The maximum benefit is \$1,860 per retiree per year. The Lottery contributed \$16.44 per active non-retired employee per month towards the retiree premium cost. Beginning January 1, 2010, coverage was not available to Medicare-eligible retirees or their Medicare-eligible dependents.

Long-Term Disability Plan

Disabled employees are defined as being unable to perform each of the substantial and material duties of the job for which they were hired and unable to earn more than 70 percent of their monthly salary for the first 30 months of disability. If after 30 months the employee is unable to perform any job for which they are reasonably qualified by experience, education, or training, and unable to earn more than 60 percent of their monthly salary the employee is considered totally disabled. To qualify for long-term disability benefits, the waiting period of the longer of 26 weeks of continuous total disability or exhaustion of accrued sick leave must be met.

Notes to the Financial Statements

The plan provides long-term disability income benefits to active employees who become disabled, generally up to a maximum age of 70. The gross benefit equals 60 percent of monthly pre-disability salary or \$4,000 whichever is less. The benefit does not increase with inflation and may be offset by other sources of income such as Social Security, Workers' Compensation, unemployment benefits, and certain retirement benefits. The State is self-insured for employees who became disabled prior to July 1, 2003; the State pays 100 percent of the cost of this benefit. The amount of the contribution is based on active claims and the number of insured individuals.

Employees disabled on or after July 1, 2003, are insured by Principal Life Insurance Company and the obligation for the payment of benefits has been effectively transferred. The Lottery pays 100 percent of the cost of the premiums. The Lottery's contribution for the period was 0.324 percent of payroll in fiscal year 2010. This portion of the long-term disability income benefit is not included in the actuarial estimate.

This plan provides basic life insurance and dependent life coverage to disabled employees, generally up to a maximum age of 70. The life insurance benefit amount is generally 100 percent of annual salary, but not less than \$20,000. In addition, a \$2,000 life insurance benefit is provided for spouses, and a \$1,000 life insurance benefit is provided for dependent children. These benefits do not increase with inflation. The Lottery pays 100 percent of the premiums; the contribution is actuarially determined based on actual claims experience.

For up to 30 months following the date of disability, an employee may continue healthcare coverage under the State plan. The Lottery pays 100 percent of the Lottery's share of medical and dental premiums while the employee remains disabled. The employee is required to pay the normal active employee contribution for the plan and rate category in which the employee is enrolled. The Lottery's contribution for the period was \$7.61 per active employee per month in fiscal year 2010.

Annual OPEB Cost

The annual OPEB cost (AOC) is actuarially determined based on the annual required contribution (ARC) of the employer in accordance with GASB Statement No. 45. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation, and the net OPEB obligation (funding excess) for the current year:

	Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare
Annual required contribution	\$ 7,775	\$ 2,240	\$ 1,767	\$ 4,095
Interest on NOO	2,818	(76)	(2)	83
Adjustment to ARC	(3,774)	102	3	(110)
Total Annual OPEB Cost	\$ 6,819	\$ 2,266	\$ 1,768	\$ 4,068
Contributions made	(3,995)	(1,806)	(1,901)	(2,264)
Increase (Decrease) in NOO	2,824	460	(133)	1,804
NOO (Funding Excess) - Beginning of Year	60,567	(1,472)	(23)	1,029
NOO (Funding Excess) - End of Year	\$ 63,391	\$ (1,012)	\$ (156)	\$ 2,833
% of AOC Contributed	0.59%	0.80%	1.08%	0.56%

Annual OPEB Cost Comparison

The following table compares the annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation (funding excess) for the current and prior year.

	Retiree Healthcare Plan	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability
Annual OPEB Cost	2010 \$6,819	\$2,266	\$1,768	\$4,068
	2009 \$6,781	\$2,121	\$1,660	\$3,715
	2008 \$80,171	\$574	\$1,699	\$3,706
% of AOC Contributed	2010 58.9%	79.72%	107.54%	55.66%
	2009 111.02%	96.03%	147.37%	116.00%
	2008 23.52%	371.32%	55.10%	56.21%
Net OPEB Obligation (Funding Excess)	2010 \$63,391	(\$1,012)	(\$156)	\$2,833
	2009 \$60,567	(\$1,472)	(\$23)	\$1,029
End of Year	2008 \$61,314	(\$1,556)	\$763	\$1,623

Funded Status and Funding Progress

The following table illustrates the funded status and the funding process for the Lottery:

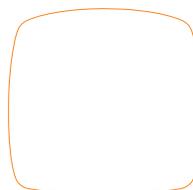
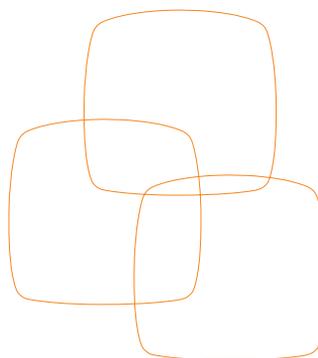
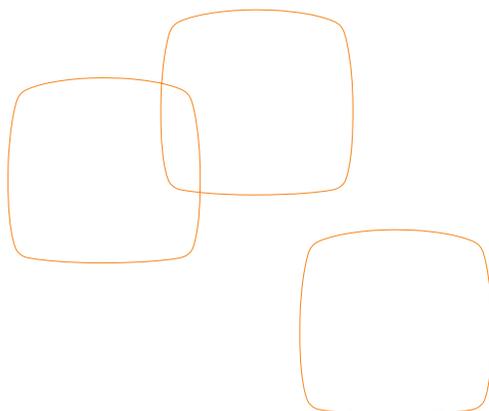
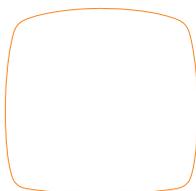
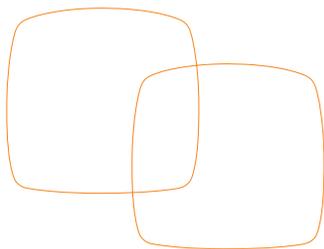
	Retiree Healthcare Plan 7/1/2008	Long-term Disability Income 7/1/2008	Long-term Disability Life Insurance 7/1/2008	Long-term Disability Healthcare 7/1/2008
Actuarial Valuation Date				
Actuarial Value of Assets	\$ -	\$ -	\$ -	\$ -
Accrued Liability (AAL)	\$ 51,372	\$ 13,824	\$ 19,842	\$ 23,721
Unfunded AAL (UAAL) (2) - (1)	\$ 51,372	\$ 13,824	\$ 19,842	\$ 23,721
Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%
Annual Covered Payroll	\$ 1,712,245	\$ 1,712,245	\$ 1,712,245	\$ 1,712,245
UAAL as a Percentage of Covered Payroll (3) : (5)	3.00%	0.81%	1.16%	1.39%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information immediately following the notes to the financial statements contains multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the benefits. The projection of benefits for financial reporting purposes does not incorporate the potential effects of legal funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The following table presents the significant methods and assumptions for all plans:

	Retiree Healthcare	Long-term Disability Income	Long-term Disability Life Insurance	Long-term Disability Healthcare
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Dollar Amount	Level Percentage of Payroll	Level Percentage of Payroll
Amortization Period	11 years Closed	8 years Closed	30 years Open	30 year Open
Assumptions:				
Inflation Rate	3.00%	3.00%	3.00%	3.00%
Investment Return	4.50%	5.25%	5.25%	4.50%
OPEB Increases	N/A	N/A	N/A	N/A
Projected Salary Increases	3.75%	3.75%	3.75%	3.75%
Healthcare Cost Initial Trend Rate	13.60%	N/A	N/A	13.60%
Healthcare Cost Ultimate Trend Rate	5.00%	N/A	N/A	5.00%



Benefiting Idaho Public Schools and the Permanent Building Fund.
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