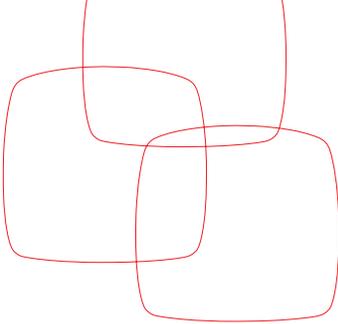




Benefiting Idaho Public Schools and the Permanent Building Fund.





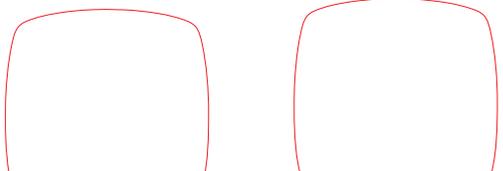
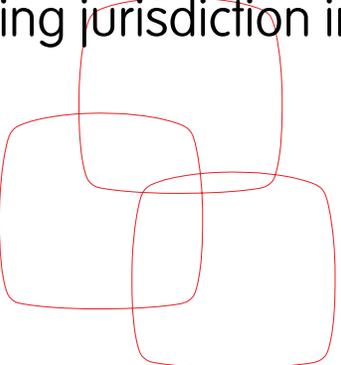
## **Lottery mission**

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.



## **Lottery vision**

The vision of the Idaho Lottery is to become the highest performing jurisdiction in North America



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## Introduction

Luck happens every day in Idaho and in Fiscal Year 2011 it happened more often than in any other year in Idaho Lottery history. More players won bigger prizes, retailers earned more in commissions, and Idaho's beneficiaries received more in dividends than in any other year in the Lottery's 22 year history.

The Idaho Lottery ranked first per capita among all 44 United States Lottery jurisdictions for the entire 2011 Fiscal Year in prizes of \$500,000 or higher on all multi-state Draw Games offered by the Multi-State Lottery Association and the Mega Millions group. In total, the Idaho Lottery had seven of these winners, including one \$614,000 Wild Card jackpot winner, three \$1 million Powerball winners, two \$1 million Mega Millions winners and one Mega Millions jackpot winner. Idaho had one winner of \$500,000 or higher for every 223,940 people in the State.

During Fiscal Year 2011, the Idaho Lottery created seven new millionaires, the most in any year in its 22-year history. In all, twenty players, the most in Idaho Lottery history, won a prize of \$200,000 or more. This is double the number of winners of this size for Fiscal Year 2010 and 25% more than Fiscal Year 2008, the previous most successful year. Indeed, luck did happen in Idaho in Fiscal Year 2011.



## C.L. "Butch" Otter

Governor of Idaho

Dear Friends,

It takes more than just good luck to reach the milestone accomplished by your Idaho Lottery this past summer. This year's success has come after two decades of fastidious operations, dedication, diligence, stringent fiscal management, and hard work. The end result has been a monumental achievement as they've now returned more than half-a-billion dollars for the benefit of Idaho's Public Schools and the State's Permanent Building Fund.

This year, the Idaho Lottery returned its eighth consecutive record dividend with \$37 million in funds that will continue contributing to the infrastructure in our schools and around the state for future generations. And every dollar the Lottery contributes is a dollar less that comes out of taxpayers' pockets.

In addition to their annual dividends, over the Idaho Lottery's 22 year history, businesses have earned \$126.1 million in commissions and the Lottery has delivered another \$25.7 million in large prize income taxes. These are dollars that churn back into Idaho's economy to keep it prosperous.

I have great confidence in Director Jeff Anderson and his team at the Idaho Lottery for their continued commitment to achieving annual successes with the highest degree of responsibility, integrity, security, and fairness for those who voluntarily play the games.

Join me in congratulating the Idaho Lottery on their achievement this year in returning dividends to our great State that now exceed \$510.8 million.

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

## **Luck Happens.**

The Idaho Lottery is celebrating 22 years of responsibly providing critical funds for the good causes we support: Idaho's Public Schools, the Permanent Building Fund, and the Department of Education's Bond Levy Equalization Fund.

Fiscal Year 2011 was unparalleled as the Lottery's most successful year. In keeping with the leadership ideas of the State to promote responsible government, provide economic opportunity, and empower Idahoans, Team Lottery delivered on our mission to responsibly optimize our annual dividend.

At the Idaho Lottery, we say luck happens because every play pays in the form of player prizes, retailer commissions, and the annual dividend. In Fiscal Year 2011, the Idaho Lottery was a \$147.2 million enterprise. Our players won a record amount of prizes, including seven players who won more than a million dollars, the most ever in a single year in Idaho. By recording our first ever Mega Millions jackpot winner, we created a nine million dollar income tax windfall to Idaho's General Fund. Luck happens!

Our 1,000+ retail partners, the local corner stores and markets in nearly every community of the Gem State, had more players visiting them than in any other year and earned record commissions of nearly \$9 million this past year. The Lottery is a winner for Idaho.

Our goals are ambitious, but I am confident in our future success. Through the continued collaboration with our vendor partners and the backbone of our business, our dedicated retailers, we will continue to provide affordable entertainment for our players. Luck truly happens when we are able to responsibly grow our dividend for the benefit of all Idahoans.

**Good Luck.**

A handwritten signature in black ink, appearing to read 'JRA', with a long horizontal line extending to the right.

Jeffrey R. Anderson  
Director, Idaho Lottery



## Roger Jones

Chairman of the Idaho Lottery Commission

During the age of antiquity, luck was thought to happen when preparation met opportunity. In Idaho, over the past 22 years, the citizens of the Gem State have benefited from this philosophy every year as they've received multi-million dollar dividends from the Idaho Lottery.

Over the past 16 years, I've had the pleasure of serving on the Idaho Lottery Commission and as Chairman since 2003. Each year, I've watched the dividend grow. I know from experience, the culmination of diligent work by a statewide consortium of professionals that include the team assembled by Jeff Anderson, my fellow dedicated Commissioners, our great retailer network and our vendor partners are responsible for the success and results delivered each year on behalf of our citizens.

Each year, we as Commissioners ask a lot from the folks at the Idaho Lottery to provide the State of Idaho with more revenue to benefit public schools, the permanent building fund, and the bond levy equalization fund. And each year, they deliver it. This year we had another record for our annual dividend and next year, we'll ask Team Lottery to do it again.

The preparedness that Director Anderson and Team Lottery bring to their operations every day is what provides the opportunity for success. This continued success for responsibly growing next year's dividend will help secure the hope of a bright future for Idaho.

Sincerely,

A handwritten signature in cursive script that reads "Roger L. Jones". The signature is written in dark ink and is positioned above the printed name.

Roger L. Jones

Chairman, Idaho Lottery Commission

# Where The Money Goes

22 Years. \$510.8 Million. That's over half-a-billion dollars in returned dividends to the people of Idaho since the Lottery began in 1989. Since then, the Lottery has sold over \$2.1 billion in tickets, awarded more than \$1.2 billion in prizes, and retailers have earned over \$126 million in commissions. That's a lot of luck happening for Idaho's economy.

Last year, the Idaho Lottery was a \$147.2 million enterprise. Each year, though, we're always asked, where does that much money actually go?

The bulk of our funds are returned to players in the form of prizes, last year that was about \$90 million, or sixty percent of the total monies generated from Idaho Lottery sales in Fiscal Year 2011. This figure represents the portion of prizes the Idaho Lottery is responsible to pay for their share in big jackpot wins and includes our portion of the \$190 million Mega Millions prize won in January 2011. It also includes 100% of the prizes paid on in-state games like our Raffles and Scratch Games™.

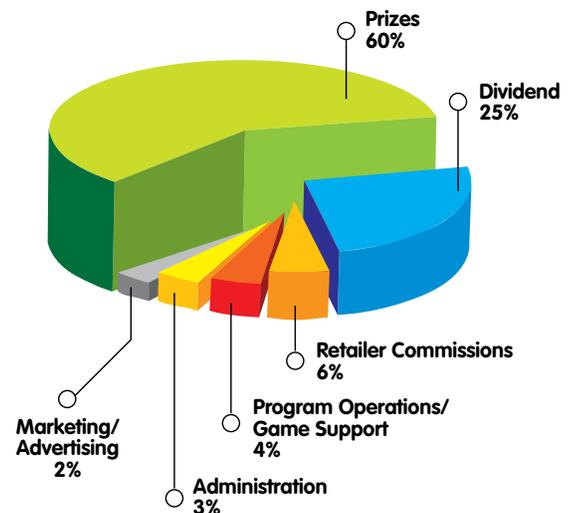
The second largest amount of revenue is returned to the people of Idaho in the form of our annual dividend. This year that amount was a record \$37 million, about twenty-five percent of all sales. Of this amount, \$17 million was returned to the Department of Education for their School Building Fund Account. School districts have flexibility in how these funds are spent for building operations and maintenance projects to keep school facilities in optimal condition.

Another \$17 million was returned to the Department of Administration's Permanent Building Fund Account for use on State owned facilities for improvement to state parks, renovations and new facilities for our college campuses, and maintenance projects for administrative buildings of the State of Idaho.

The final \$3 million was returned to the Department of Education's Bond Levy Equalization Fund. This fund is used to aid smaller school districts meet their bond requirements for school facilities. Since a new law was passed in 2009, the Idaho Lottery has provided \$6.5 million to the Bond Levy Equalization Fund.

A network of over 1,000 retailers in 161 communities across the Gem State earned nearly \$9 million in commissions, roughly 6% of sales, for providing Idaho Lottery products to their customers.

The remaining expenditures are for the Lottery's operational expenses. The vendors who provide our operational systems, terminals, vending machines, and print our Scratch Games™ collectively earn about 4% of the total revenue. Administrative costs continue to be managed well and represent less than 3% of the total cost to operate the Idaho Lottery. The smallest portion of revenue is used for marketing and communications.



# Jim Bruce SCRATCH FOR SCHOOLS

The Idaho Lottery wrapped up their ten-event, eight city tour of the Gem State with their 10th Annual edition of the Jim Bruce Scratch for Schools. In total, 400 schools competed and laid claim to over \$88,000. During the run, the largest single event ever held for a scratching competition in Idaho was hosted at the Red Lion Downtowner in Boise on October 13, 2010 when 83 schools participated in the fastest five minute fundraiser for public schools. Each school received a full pack, 300 tickets, of Class Act scratch tickets and got five minutes to scratch as many tickets as they could. Top scratching schools advanced to a finals round where they received another pack of tickets and another five minutes to scratch. At the end of the day, at least one school received 900 tickets to scratch.

Class Act Scratch tickets carried a top prize of \$500, which was won by 11 different schools. In total, 68 schools won over \$300. Fifteen teams, comprised of parents, teachers, staff, administrators, and principals, scratched more than 200 tickets in just five minutes. That's some fast scratching! Here are the results from this year's events:

<b>Date:</b>	<b>Event Location:</b>	<b>Number of Schools:</b>	<b>Dollars to Schools:</b>
October 13, 2010	Boise, Red Lion Downtowner	83	\$17,638
October 19, 2010	Pocatello, ISU	42	\$8,975
October 20, 2010	Idaho Falls, ISU Extension	29	\$6,485
October 21, 2010	Idaho Falls, ISU Extension	27	\$7,095
October 26, 2010	Lewiston, LCSC	41	\$8,845
October 27, 2010	Sandpoint, Holiday Inn	18	\$3,805
October 28, 2010	Coeur d'Alene, Greyhound Park	41	\$8,980
November 1, 2010	Caldwell, College of Idaho	31	\$6,890
November 2, 2010	Caldwell, College of Idaho	32	\$7,590
November 4, 2010	Twin Falls, CSI	56	\$11,949
<b>Total attendance and prizes claimed from events:</b>		<b>400</b>	<b>\$88,252</b>

# Scratch Games™

Scratch Games are the number one style of game played by Idaho Lottery players, year in and year out, and Fiscal Year 2011 was no exception as Scratch Game sales were again over 62% of all total sales. The Idaho Lottery has a strong scratch game player base with niche market diversity. During the year 53 games were launched and available on the market. Here is a sampling of the more unique, interesting, and most successful Scratch tickets from Fiscal Year 2011.



## MERRY MOOLAH

It was the sweetest holiday treat of all. Players brought “m” home for the holidays. They stuffed “m” in stockings. They gave “m” as gifts. They scratched “m” to win. The \$2 Merry Moolah, featuring M & M’s® was the flagship game and theme for the 2010 holiday lineup of Scratch Games™. The game carried a tasty treat of a top prize of \$10,000 and had four different ticket scenes to play from. To support the holiday campaign, the Merry Moolah tickets and M & M’s® theme were also adopted into decorations for the Festival of Trees events in Boise, Pocatello, Twin Falls and Coeur d’Alene.



## GREEN HORNET®

It was one of the biggest blockbuster movies of the year, and one of the best Scratch Games™ of the year. And while fighting crime got a new set of heroes when Seth Rogen, Jay Chou, and Cameron Diaz hit the big screen in January 2011, in the Columbia Pictures release of the classic radio show turned 1960’s TV show turned Hollywood mega hit, Idaho Lottery players got their try at fighting crime and winning big in mid-December when Green Hornet the Scratch Game™ was released. The game featured all the cool elements of the film including fedora hats, masks, and winning instant prizes by revealing the Green Hornet’s signature car, “Black Beauty.”



### WORLD SERIES OF POKER®

It was the game that asked players to “Ante up, Idaho!” And while the Texas Hold ‘em style, \$5 World Series of Poker® Scratch Game™ carried a top prize of \$50,000, it was the second chance draw grand prize that made this game a spring time hit in early 2011. One lucky winner received a trip to Las Vegas with round-trip airfare for two, deluxe hotel accommodations in Las Vegas for five days and four nights, \$500 spending cash and one guaranteed seat at the 2011 World Series of Poker® Main Event at the Convention Center of the Rio All-Suite Hotel & Casino in July.

### BLACK TICKET

Debuting on the heels of the Hollywood red carpet event season and dressed fashionably for success, the classically elegant \$10 Black Ticket Scratch Game™ graced the dispensers of stores beginning in early April. And although its chic design could have come from the runways of Milan or Paris, the popular game arrived in Idaho with a top prize of \$100,000. The Black Ticket was gold embossed and played like old school lottery with a classic, vintage look, featuring twenty-four ways to win.

After its debut, players put the Black Ticket on their “A” list as it became the best-selling \$10 Scratch Game™ in the last two years.



# Draw Games™

Everybody loves a winner and in Fiscal Year 2011, the Idaho Lottery had more big Draw Game winners than in any other year in its 22 year history. Idaho finished the year as the number one lottery jurisdiction in the United States for multi-state draw game prize winnings over \$500,000 per capita. Including Idaho-only raffle games, fifteen players won prizes of \$200,000 or more during the year.



## POWERBALL



The premiere Draw Game for the Idaho Lottery continues to be Powerball, accounting for nearly twenty percent of all Lottery sales, and nearly 60 percent of all Draw Game sales in Fiscal Year 2011. The average announced jackpot in FY2011 was \$63.3 million. Nationally, there were 16 Powerball jackpot winners with an average winning jackpot of \$101.9 million. Six times the jackpot climbed to over \$100 million and twice the jackpot reached the \$200 million threshold.

In February, the Lottery began a fresh new multi-media campaign entitled "Luck Happens". The television and radio productions featured the timeless Sinatra classic song "High Hopes" and showcased the winning experience from ticket purchase to jackpot win.

Three lucky players won \$1,000,000 on Powerball PowerPlay tickets during the fiscal year, a record for Idaho.

## MEGA MILLIONS

January 4, 2011 marked a historic day for the Idaho Lottery when one ticket worth half of the second largest jackpot in United States lottery history was sold in Post Falls, Idaho. The \$190,000,000 winning ticket created regional, national, and international press for three weeks.



The winner awareness from this win sparked a surge in Mega Millions sales across the Gem State. Mega Millions accounted for six percent of all Idaho Lottery sales and thirty percent of all draw game sales. The average announced jackpot for Mega Millions for the year was \$64.9 million. Nationwide, there were twelve jackpot winners on Mega Millions with an average winning jackpot of \$115.9 million. The largest jackpot of the year, \$380 million, was won in January and split between Idaho and Washington.

In addition to the jackpot winner, two additional winners won \$1,000,000 on Mega Millions with Megaplier tickets during the fiscal year.



## WILD CARD

The Idaho Lottery recorded their fourth Wild Card jackpot winner in the past five years on April 20, 2011 with a winning ticket worth \$614,731.

Wild Card is played only in Montana, North Dakota, South Dakota, and Idaho. The game accounted for two percent of the Idaho Lottery's overall sales and roughly five percent of all draw sales during the fiscal year.

### HOT LOTTO SIZZLER

Accounting for over six percent of all Draw Game sales, and two percent of overall Idaho Lottery sales, Hot Lotto Sizzler continues to have a strong following. The game is played in 15 lottery jurisdictions in the United States and had an average announced jackpot for the year of \$6.12 million.



### IDAHO \$1,000,000 RAFFLE

The big orange ticket was back and the fourth annual holiday edition of the Idaho \$1,000,000 Raffle was all about the orange in Fiscal Year 2011. To announce the debut of the game, the Idaho Lottery conducted a large scale demonstration at Qwest Arena to explain to players why ping-pong balls are not used to draw the game's 2,500 winning numbers. This was accomplished by simultaneously dropping 2,500 bright orange ping-pong balls from the catwalk of the arena to the ice sheet below.

For the fourth consecutive year, this popular game sold out all of its 250,000 tickets at \$10 each. In addition to the top prize, the game also featured four \$25,000 prizes and 2,500 prizes ranging from \$50 to \$250.

### WINNER TAKE ALL RAFFLE

One winning number, only one winner, and one really big Idaho-only jackpot – guaranteed. Winner Take All Raffle debuted on April 15, 2011 and brought with it a unique play style. The game was a 50/50 raffle, meaning all the revenue collected for the game was divided equally between the Idaho Lottery and the sole winner of the game. The jackpot for this game started at \$0 and grew each time one of the \$20 tickets was sold. Players could also purchase three tickets for \$50. After 55 days, the final jackpot had grown to \$191,100. There were a total of 20,456 tickets available for the draw. The winning ticket was sold at an Albertsons in west Boise.



### IDAHO PICK3

Idaho's only \$1 daily game, Idaho Pick 3 is now 12 years old and continues to have a strong, loyal, consistent following. This single game, which has players match 3 individual numbers from 0 to 9, accounted for slightly more than one percent of all ticket sales in Fiscal Year 2011 and over three percent of all Idaho Lottery Draw Games.

### DOUBLE PLAY DAILY

Idaho's \$2 daily game, Double Play Daily, finished its second complete year with the Idaho Lottery in Fiscal Year 2011. A \$44,774 winning Double Play Daily ticket from the progressive jackpot draw on March 30, 2011, was the single largest winning ticket in Double Play Daily's history.



Double Play Daily continued to have a good following throughout Fiscal Year 2011, seeing total sales that represented about one percent of all Lottery sales and two-and-a-half percent of all Draw Game sales.

## Idaho Lottery Retailers

The commitment and dedication of the Idaho Lottery's retailer network forms the backbone for our success in sales every year. Each year, the Idaho Lottery works on improving its business operations and incorporates these plans into helping our retailers improve their business. In an era of pay at the pump and higher gasoline prices, offering lottery inside the retail location is often the reason for customers to enter the stores. This increased traffic flow from offering lottery games also provides economic opportunity for the business to market other products as well.

During Fiscal Year 2011, the Idaho Lottery added 102 new retailers to the statewide network of businesses that offer our products, bringing the total to 1022. Of these, 918 were full service accounts, meaning they offer all Idaho Lottery products. There were 104 retailers that only offered PullTabs.

Approximately 65.8% of Idaho Lottery retailers are convenience store-type operations that accounted for 76.5% of all sales last fiscal year. Another 16.4% are grocery store accounts that realized 17.7% of total sales. The remaining retail locations are a combination of variety stores, bowling centers, and restaurant and lounges. Of the entire assortment of operators and businesses, 51.2% are corporate chain stores that accounted for 60% of the Idaho Lottery's total sales in Fiscal Year 2011.

This year, the Idaho Lottery's retailers earned a record \$8.96 million in commissions. Since 1989, retailers have earned over \$126.1 million.

## Team Lottery Vendor Partners

The success of the Idaho Lottery is also dependent on the continued good success of its vendor partners:

- INTRALOT, USA – terminal and gaming systems operators, developers
- Scientific Games, Inc. – Scratch Games™ developer and printer
- International Gamco, Inc. – PullTabs / TouchTabs provider
- DaviesMoore – a full service marketing agency

# Charitable Gaming in Idaho

Oversight of charitable gaming, community bingo games and non-profit raffles in Idaho, has been the responsibility of the Idaho Lottery since 1992. In the past year, more than 219 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 nonprofit 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 annual gross revenue (bingo) or prize value (raffle) exceeds statutory benchmarks.

The number of organizations conducting bingo is on the rise and is a great way for a nonprofit to raise money. State law directs that a minimum of 20% of an organization's gross bingo revenue must be used for charity. In the past year there were 48 organizations conducting bingo with gross revenues totaling nearly \$5 million and \$1.1 million returned to charities.

Raffles are another great source of income and 182 organizations held a raffle license last year. North Idaho College Foundation alone raised \$500,000 for their organization with one raffle. State law directs that 90% of an organization's net raffle proceeds must be used for charitable purposes and allows for up to 12 raffles per year per license. In the past year net proceeds were just over \$3.3 million in which 96% was donated to charity totaling just over \$2.2 million.

The funds raised by licensed organizations conducting bingo and raffles benefit people and communities throughout Idaho in numerous and varied ways which include such things as conservation research on the Island Park Dam; funding a food bank in Payette; offering self-esteem courses for young women in the Treasure Valley; and providing leadership skills in agribusiness statewide.

For more information on charitable bingo and raffles in Idaho, visit [www.idaholottery.com/charitablegaming](http://www.idaholottery.com/charitablegaming)

## Lottery operations overview

The Idaho Lottery is self-funded and self-governing, comprised of an appointed Lottery Commission and the Idaho Lottery staff. The five-member Commission adopts rules for the agency, approves contracts, and monitors all Lottery operations and its members are appointed by the Governor with each member serving a five-year term.

Idaho 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 45 associates.



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 years ended June 30, 2011 and 2010, 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, 2011 and 2010, 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 October 20, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the schedule of funding progress for other post employment benefits on page 28 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.

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

Boise, Idaho  
October 20, 2011

# Management's Discussion and Analysis

The following Management Discussion and Analysis (MD&A) allows Idaho Lottery (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, 2011 and 2010, and financial activity for the years then ended, the MD&A also includes this information for the year ended June 30, 2009, in order to allow for a broader comparison.

## 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 2011 and 2010.
- *The Statements of Revenues, Expenses and Changes in Fund Net Assets*, measures the success of the Lottery's operations for fiscal year 2011 and 2010 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 2011 and 2010. 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 statements and the accompanying notes for information on the individual components of the Statements of Net Assets. The following analysis is intended to highlight selective changes between 2011 and 2010 and 2010 and 2009.

## Management's Discussion and Analysis

	2011	2010	Change 2011 to 2010	2009	Change 2010 to 2009
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$36,285,130	\$37,024,584	\$(739,454)	\$34,375,461	\$2,649,123
Receivables	1,022,466	2,177,129	(1,154,663)	1,586,131	\$590,998
Due From MUSL	-	-	-	-	\$ -
Ticket inventory	-	-	-	-	\$ -
Other	313,625	464,202	(150,577)	439,572	\$24,630
Total current assets	<u>37,621,221</u>	<u>39,665,915</u>	<u>(2,044,694)</u>	<u>36,401,164</u>	<u>3,264,751</u>
Reserves with MUSL	2,779,816	2,504,259	275,557	2,550,667	(46,408)
Plant and Equipment, Net	268,277	439,529	(171,252)	521,518	(81,989)
	<u>\$40,669,314</u>	<u>\$42,609,703</u>	<u>\$(1,940,389)</u>	<u>\$39,473,349</u>	<u>\$3,136,354</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued expenses	\$1,271,500	\$1,096,062	\$175,438	\$1,204,878	\$(108,816)
Dividend payable	37,000,000	36,500,000	500,000	35,000,000	\$1,500,000
Due to MUSL	437,778	440,291	(2,513)	486,954	\$(46,663)
Prizes payable	1,772,122	3,187,245	(1,415,123)	2,579,245	\$608,000
Current portion of capital leases	33,541	49,057	(15,516)	48,134	\$923
Total current liabilities	<u>40,514,941</u>	<u>41,272,655</u>	<u>(757,714)</u>	<u>39,319,211</u>	<u>1,953,444</u>
<b>OTHER POST EMPLOYMENT BENEFITS</b>					
	<u>69,989</u>	<u>65,795</u>	<u>4,194</u>	<u>60,101</u>	<u>5,694</u>
LONG-TERM CAPITAL LEASES	0	33,541	(33,541)	82,598	(49,057)
<b>TOTAL LIABILITIES</b>	<u>40,584,930</u>	<u>41,371,991</u>	<u>(787,061)</u>	<u>142,699</u>	<u>1,910,081</u>
<b>NET ASSETS</b>					
Invested in capital assets	234,736	439,529	(204,793)	390,786	48,743
Unrestricted	(150,352)	798,183	(948,535)	(379,347)	1,177,530
Total net assets	<u>84,384</u>	<u>1,237,712</u>	<u>(1,153,328)</u>	<u>11,439</u>	<u>1,226,273</u>
	<u>\$40,669,314</u>	<u>\$42,609,703</u>	<u>\$(1,940,389)</u>	<u>\$154,138</u>	<u>\$3,136,354</u>

### Cash and cash equivalents

The decrease in cash and cash equivalents between 2010 and 2011 is due primarily to the decrease in net assets. Accordingly, the increase between 2009 and 2010 is due primarily to the increase 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 (i.e., 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 2011, 2010 and 2009 consist of the following:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Week ended June 30 sales	\$985,985	\$2,146,796	\$1,573,063
Accounts to Attorney General for collection	<u>36,481</u>	<u>30,333</u>	<u>13,068</u>
Total	<u>\$1,022,466</u>	<u>\$2,177,129</u>	<u>\$1,586,131</u>

## **Ticket Inventory (prepaid subcategory)**

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 percent 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 14% of the sales price in 2011 and 18% of the sales price in 2010. Consequently, the Ticket Inventory balances on June 30, 2011, 2010, and 2009, consist of any unamortized production costs of scratch tickets and the cost of unsold PullTab ticket stock.

## **Plant, Property, and Equipment, net**

The balances shown were derived as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning balance	\$439,529	\$521,518	\$710,555
Add: acquisitions	4,600	111,760	20,459
Deduct: retirements, net of accum. depr.	-	-	-
Deduct: depreciation	<u>(175,852)</u>	<u>(193,749)</u>	<u>(209,496)</u>
Ending balance	<u>\$268,277</u>	<u>\$439,529</u>	<u>\$521,518</u>

## **LIABILITIES AND NET ASSETS**

### **Dividend Payable**

The dividends declared by the Idaho Lottery Commission for 2011, 2010 and 2009 were \$37,000,000, \$36,500,000, and \$35,000,000, 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 30th, 2010. Prizes payable for the Raffle is \$756,550. The \$1,415,123 decrease in prizes payable between 2010 and 2011 is primarily due to no Raffle liability at year end and a significant decrease in Scratch ticket prize expense accrual at year end.

# Management's Discussion and Analysis

## **Total Net Assests**

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 tickets, scratch tickets, raffle and pulltab tickets and other for revenue are as follows:

	<u>2011</u>	<u>2010</u>	Change 2010 to <u>2011</u>	<u>2009</u>	Change 2009 to <u>2010</u>
Draw Game sales					
Powerball PowerPlay	\$29,682,810	\$36,662,205	\$(6,979,395)	\$36,787,378	\$(125,173)
Wild Card	2,363,022	3,144,771	(781,749)	3,152,691	(7,920)
Pick 3	1,653,267	1,639,869	13,398	1,883,839	(243,970)
Hot Lotto Sizzler	3,132,109	3,792,324	(660,215)	4,132,812	(340,488)
Double Play Daily	1,251,100	1,569,130	(318,030)	360,806	1,208,324
Mega Millions	8,962,895	2,623,081	6,339,814	-	2,623,081
Raffle	<u>2,909,120</u>	<u>3,968,525</u>	<u>(1,059,405)</u>	<u>2,500,000</u>	<u>1,468,525</u>
Total Draw Game Sales	49,954,323	53,399,905	(3,445,582)	48,817,526	4,582,379
Scratch ticket sales	90,627,115	90,647,308	(20,193)	88,425,049	2,222,259
PullTab ticket sales	<u>6,570,170</u>	<u>3,186,863</u>	<u>3,383,307</u>	<u>2,406,606</u>	<u>780,257</u>
Total sales	147,151,608	147,234,076	(82,468)	139,649,181	7,584,895
Online charges	642,113	626,118	15,995	614,728	11,390
Other revenues	<u>52,868</u>	<u>59,980</u>	<u>(7,112)</u>	<u>39,366</u>	<u>20,614</u>
Total operating revenues	<u>\$147,846,589</u>	<u>\$147,920,174</u>	<u>\$(73,585)</u>	<u>\$140,303,275</u>	<u>\$7,616,899</u>

### **Draw Game Ticket Sales**

The Powerball 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.

Current odds of winning the jackpot are 1:195,249,054. Over time, additional lottery jurisdictions have joined the game, thereby increasing the player base.

Similarly, Mega Millions is sold in forty three localities: forty one states plus the District of Columbia and the U.S. Virgin Islands, with odds of winning the jackpot 1:175,711,536.

Big game sales are jackpot driven; the higher the announced jackpot, the higher the sales. While this has generally tended to make big game 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

## Powerball Relationship between announced Jackpot and Sales:

	<u>Average Announced Jackpot per Draw</u>	<u>Average Sales per Draw</u>	<u>Annual Sales</u>
2011	\$ 63,019,231	\$ 285,412	\$ 29,682,810
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 2010 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. Sales have increased for Mega Millions after a lucky Idaho winner split a \$190 million jackpot in January of 2011. As with Powerball, it is important to be aware of the relationship of the jackpot and sales as illustrated in the chart below.

## Mega Millions Relationship between announced Jackpot and Sales:

	<u>Average Announced Jackpot per Draw</u>	<u>Average Sales per Draw</u>	<u>Annual Sales</u>
2011	\$ 64,615,385	\$ 86,182	\$ 8,962,895
2010	62,720,930	61,002	2,623,081

Neither WildCard, 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 jackpots are unusually large. The Lottery continues to offer a Spring and Fall Raffle game to the mix, giving the six current draw games a punch twice a year. These draw games, with higher profit margins than scratch, increase profits in the draw category.

## Scratch™ Ticket Sales

Relatively flat scratch ticket sales are in large measure attributable to the downward trending economy and increased gas prices. Increased profitability continues to be the focus, with 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 and longer play features than the simple "match three" format of many one and two-dollar games. As a result, players often feel the higher priced tickets offer more entertainment value. Scratch ticket sales by price point for the fiscal years 2011, 2010 and 2009 are as follows:

	2011		2010		2009	
One-dollar games	\$ 9,098,309	10.0%	\$ 9,674,854	10.7%	\$ 8,960,548	10.1%
Two-dollar games	8,136,506	9.0%	7,833,742	8.6%	8,636,566	9.8%
Three-dollar games	19,551,435	21.6%	21,846,132	24.1%	23,301,684	26.4%
Five-dollar games	29,792,155	32.9%	26,888,570	29.7%	23,739,595	26.8%
Seven-dollar games	-	0.0%	-	0.0%	578,851	0.7%
Ten-dollar games	9,619,920	10.6%	11,939,520	13.2%	12,770,140	14.4%
Fifteen-dollar games	-	0.0%	525,450	0.6%	6,842,625	7.7%
Twenty-dollar games	14,428,790	15.9%	11,939,040	13.2%	3,595,040	4.1%
Total sales	<u>\$ 90,627,115</u>	100.0%	<u>\$ 90,647,308</u>	100.0%	<u>\$ 88,425,049</u>	100.0%
Increase over prior year	\$ (20,193)		\$ 2,222,259		\$ 4,038,465	

# Management's Discussion and Analysis

## PullTab Ticket Sales

PullTab tickets, which are sold mainly in restaurants and bars, have previously represented less than 2% of the Lottery's total annual sales. Despite competition from illegal gaming machines, annual sales reached their highest in 2011 (\$6.5 million) and are continuing to trend up. Concentrated effort between the Lottery and our PullTab vendor, International Gamco, has resulted in a substantial increase in sales for 2011, and a hearty 4.5% of the mix. We have focused on new delivery options for our PullTab product this fiscal year, with increased installations of Gamco's paper ticket vending machines, the TabBOXX, around the state.

## TouchTab PullTab sales

Together with our vendor partner International Gamco, the Idaho Lottery launched a pilot project, from 11/2010 to 6/2011 to introduce a new TouchTab dispensing device to retailers around Idaho. The Touch Tab dispensing device is co-located with our paper ticket vending machines, the TabBOXX, in age-controlled environments only (bars and taverns). The Touch Tab games are nearly identical to paper PullTabs: each game is played just like the paper version; each game has a predetermined number of tickets; the odds are finite with winning tickets randomly seeded throughout the number of tickets in the game; and prizes must be claimed by the selling retailer.

The first phase, beyond the pilot, launched in July 2011 in additional age controlled locations that have passed our criminal and financial background checks. The Idaho Lottery expects to deliver enhanced dividends from this new product going forward.

## 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. As of FY2007, estimated interest accrued is reflected in the Lottery's financial statements. The interest earned is offset by a transfer to the State of Idaho General Fund.

Interest income earned on the funds held at the state by the Lottery for 2011, 2010 and 2009 were \$111,140, \$138,162 and \$276,707.

## Operating expenses

2011, 2010 and 2009 operating expenses are as follows:

	<u>2011</u>	<u>2010</u>	<u>Change 2010 to 2011</u>	<u>2009</u>	<u>Change 2009 to 2010</u>
Prizes, net of unclaimed prizes	\$ 90,229,948	\$ 88,276,295	\$ 1,953,653	\$ 84,997,107	\$ 3,279,188
Retailer commissions	8,983,146	8,729,172	253,974	8,306,645	422,527
Gaming system services	3,484,683	3,394,629	90,054	2,769,240	625,389
Scratch tickets	1,641,817	1,627,084	14,733	2,018,844	(391,760)
PullTab tickets	660,524	481,946	178,578	301,585	180,361
Advertising	3,065,535	3,367,179	(301,644)	2,986,810	380,369
Salaries and benefits	2,395,595	2,449,848	(54,253)	2,484,389	(34,541)
Telephone and data line costs	47,024	56,794	(9,770)	65,774	(8,980)
Depreciation and amortization	175,852	193,749	(17,897)	209,496	(15,747)
Professional services	91,080	144,158	(53,078)	220,288	(76,130)
Office and equipment	458,629	555,257	(96,628)	494,615	60,642
Shipping costs	348,714	387,223	(38,509)	377,781	9,442
Supplies	66,841	96,847	(30,006)	79,901	16,946
Tribe compact	95,554	97,887	(2,333)	76,038	21,849
Other costs	257,329	345,185	(87,856)	388,233	(43,048)
Total operating expenses	<u>\$112,002,271</u>	<u>\$110,203,253</u>	<u>\$1,799,018</u>	<u>\$105,776,746</u>	<u>\$4,426,507</u>

## Management's Discussion and Analysis

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:

	<u>2011</u>	Mix %	<u>2010</u>	Mix %	<u>2009</u>	Mix %
Draw sales	\$ 49,954,323	33.9%	\$ 53,399,905	36.3%	\$ 48,817,526	35.0%
Scratch ticket sales	90,627,115	61.6%	90,647,308	61.5%	88,425,049	63.3%
PullTab ticket sales	<u>6,570,170</u>	<u>4.5%</u>	<u>3,186,863</u>	<u>2.2%</u>	<u>2,406,606</u>	<u>1.7%</u>
Total sales	<u>\$147,151,608</u>	100.0%	<u>\$147,234,076</u>	100.0%	<u>\$139,649,181</u>	100.0%
Increase (decrease) from prior year	(\$82,468)		\$7,584,895		\$2,803,993	

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, the change in sales level or mix impacts 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. For example, 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 has a prize percentage of 55%. The overall average prize percentage for the suite of draw products depends upon the sales mix for the three games. Similarly, most scratch and pulltab games have different prize percentages, although they average in the range of 67-70%, with higher price point tickets generally offering a higher prize payout percentage. The product mix and resulting sales can significantly skew the overall prize payout.

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 reduces that year's total prize expense.

Prize expense, net of unclaimed prizes, consisted of the following for the years 2009-2011:

<b>2011</b>	Sales	Prize %	Prizes
Draw ticket sales	\$ 47,045,203	50.12%	\$ 23,578,831
Scratch ticket sales	90,627,115	68.74%	62,294,657
Raffle sales	2,909,120	51.26%	1,491,100
PullTab ticket sales	6,570,170	75.39%	4,953,216
Second chance draws			179,893
Unclaimed prizes			<u>(2,267,749)</u>
			<u>\$ 90,229,948</u>

# Management's Discussion and Analysis

Prize expense, net of unclaimed prizes, consisted of the following for the years 2009-2011 continued:

<b>2010</b>	<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			<u>(3,691,973)</u>
			<u>\$ 88,276,295</u>
<b>2009</b>	<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			<u>(2,682,755)</u>
			<u>\$ 84,997,107</u>

## **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. GTECH Corporation was the Lottery's vendor from 1990 to 2007. In February 2007, after a lengthy competitive bidding process, the Lottery changed vendors to INTRALOT.

## **OUTLOOK FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The Idaho Lottery is not immune to the effects of the negative impact of the economy in Idaho. Draw games encountered a most difficult year with weekly sales declines in all multi-state games except Mega Millions. Our in-state Pick 3 game was the only Idaho-only draw game to post an increase in sales. Scratch™ tickets were essentially unchanged from FY2010 due to stress on player disposable income from rising fuel and food prices. The PullTab product line was buoyed by the pilot project for TouchTab dispensing devices. Because draw games contribute more to our gross profit, delivering on our dividend for FY2011 was an extreme challenge but we were able to turn over our forecasted \$37,000,000 dividend.

With 2011 as reasonable base, the Lottery believes that FY2012 sales, in all categories, will trend up slightly. The still new Mega Millions with Megaplier game is expected to increase the draw game bottom line, in conjunction with the popular Million Dollar Raffle (scheduled to make an appearance each fall) will continue to bring draw sales up. An anticipated new Weekly Grand game slated to launch in August 2011 will bring new interest to a waning Double Play Daily following. Focus on scratch promotions, the continued installation of additional player activated vending machines and gravitation toward higher scratch price points also make 2012 sales estimates look favorable.

## **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 Becky Schroeder, Chief Operating Officer, Idaho Lottery, P.O. Box 6537, Boise, ID 83707-6537, or call (208) 334-2600.

## Statements of Net Assets

### ASSETS

#### CURRENT ASSETS

	2011	2010
Cash and cash equivalents	\$ 36,285,130	\$ 37,024,584
Receivables	1,022,466	2,177,129
Other	<u>313,625</u>	<u>464,202</u>
Total current assets	37,621,221	39,665,915

#### DEPOSITS WITH MUSL

	2,779,816	2,504,259
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#### PROPERTY AND EQUIPMENT, NET

	268,277	439,529
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	<u>\$ 40,669,314</u>	<u>\$ 42,609,703</u>
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### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 1,271,500	\$ 1,096,062
Dividend payable	37,000,000	36,500,000
Due to MUSL	437,778	440,291
Prizes payable	1,772,122	3,187,245
Current portion of notes payable	<u>33,541</u>	<u>49,057</u>
Total current liabilities	40,514,941	41,272,655

#### OTHER POST EMPLOYMENT BENEFITS

	69,989	65,795
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#### LONG-TERM NOTES PAYABLE

	-	<u>33,541</u>
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#### TOTAL LIABILITIES

	<u>40,584,930</u>	<u>41,371,991</u>
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#### NET ASSETS

Invested in capital assets	234,736	439,529
Unrestricted	<u>(150,352)</u>	<u>798,183</u>
Total net assets	<u>84,384</u>	<u>1,237,712</u>

#### TOTAL LIABILITIES AND NET ASSETS

	<u>\$ 40,669,314</u>	<u>\$ 42,609,703</u>
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# Statements of Revenues, Expenses, and Changes in Net Assets

	2011	2010
<b>OPERATING REVENUES</b>		
Scratch ticket sales	\$ 90,627,115	\$ 90,647,308
Draw ticket sales	47,045,203	49,431,380
PullTab ticket sales	6,570,170	3,186,863
Raffle sales	2,909,120	3,968,525
Data Line Charges	642,113	626,118
Other	52,868	59,980
Total operating revenues	<u>147,846,589</u>	<u>147,920,174</u>
<b>OPERATING EXPENSES</b>		
Prizes, net of unclaimed prizes	90,229,948	88,276,295
Retailer commissions	8,983,146	8,729,172
Gaming system services	3,484,683	3,394,629
Scratch tickets	1,641,817	1,627,084
PullTab tickets	660,524	481,946
Advertising	3,065,535	3,367,179
Salaries and benefits	2,395,595	2,449,848
Depreciation and amortization	175,852	193,749
Telephone and data line costs	47,024	56,794
Professional services	91,080	144,158
Office and equipment	458,629	555,257
Shipping costs	348,714	387,223
Supplies	66,841	96,847
Tribe compact	95,554	97,887
Other	257,329	345,185
Total operating expenses	<u>112,002,271</u>	<u>110,203,253</u>
<b>OPERATING INCOME</b>	<u>35,844,318</u>	<u>37,716,921</u>
<b>NONOPERATING REVENUES</b>		
Interest income	3,498	11,418
Interest income on funds held at the State	111,140	138,162
Interest expense	(1,144)	(2,066)
Total non operating revenue	<u>113,494</u>	<u>147,514</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>35,957,812</u>	<u>37,864,435</u>
<b>TRANSFERS</b>		
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	(3,000,000)	(2,500,000)
State general fund-interest earnings	(111,140)	(138,162)
Total transfers	<u>(37,111,140)</u>	<u>(36,638,162)</u>
<b>CHANGE IN NET ASSETS</b>	(1,153,328)	1,226,273
<b>TOTAL NET ASSETS, BEGINNING OF YEAR</b>	<u>1,237,712</u>	<u>11,439</u>
<b>TOTAL NET ASSETS, ENDING OF YEAR</b>	<u>\$ 84,384</u>	<u>\$1,237,712</u>

## Statements of Cash Flows

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Ticket sales	\$ 149,001,252	\$ 147,329,176
Prizes paid to winners	(91,647,584)	(87,714,958)
Commissions and payment to retailers	(8,983,146)	(8,729,172)
Paid to vendors for goods and services	(6,846,335)	(7,326,510)
Paid to vendors for promotions	(3,065,534)	(3,367,179)
Paid to employees for service	(2,371,247)	(2,438,100)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>36,087,406</u>	<u>37,753,257</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>		
Transfers to State Permanent Building Fund	(17,000,000)	(17,000,000)
Transfers to State Public Schools Building Fund	(17,000,000)	(17,000,000)
Transfer to Bond Equalization Fund	(2,500,000)	(1,000,000)
<b>NET CASH USED FOR NON CAPITAL FINANCING ACTIVITIES</b>	<u>(36,500,000)</u>	<u>(35,000,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment and software	(4,600)	(111,760)
Principal paid on capital debt	(49,057)	(48,134)
Interest paid on capital debt	(1,144)	(2,066)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(54,801)</u>	<u>(161,960)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	3,498	11,418
Change in deposit with MUSL	(275,557)	46,408
<b>NET CASH FROM (USED FOR) INVESTING ACTIVITIES</b>	<u>(272,059)</u>	<u>57,826</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(739,454)	2,649,123
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	37,024,584	34,375,461
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 36,285,130</u>	<u>\$ 37,024,584</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>		
Operating income	\$ 35,844,318	\$ 37,716,921
Adjustment to reconcile operating income to net cash from operating activities		
Depreciation and amortization	175,852	193,749
Changes in assets and liabilities		
Receivables	1,154,663	(590,998)
Other assets	150,577	(24,630)
Accounts payable and accrued expenses	175,438	(108,816)
Other post employment benefits	4,194	5,694
Due to MUSL	(2,513)	(46,663)
Prizes payable	(1,415,123)	608,000
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>\$ 36,087,406</u>	<u>\$ 37,753,257</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 Financial Accounting Standards Board Statements and Interpretations 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 lotto games with other participant state lotteries. The Lottery contributes to the related prize pools based on weekly lotto 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 draw tickets is recognized at the time of the draw. Revenue from the sale of scratch tickets is recognized when retailers "settle" instant ticket packs. "Settling" occurs after the retailer sells the scratch tickets to players.

### 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. Because 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 five percent of revenue. In addition, retailers selling a winning draw 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, 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-three U.S. lottery jurisdictions (forty-one states, and the District of Columbia and the U.S. Virgin Islands). Sales began in Idaho on January 31, 2011 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 WildCard game. Prize expense represents 55% of revenues recognized for the game. Jackpot prizes are paid out as single cash payments.

**Hot Lotto Sizzler** - In association with the following jurisdictions: District of Columbia, Delaware, Idaho, Iowa, Kansas, Maine, Minnesota, Montana, New Hampshire, New Mexico, North Dakota, Oklahoma, South Dakota, Vermont and West Virginia, and as a sub organization of MUSL, Idaho participates in Hot Lotto. Prize expense represents 50% of revenues recognized for the game. Jackpot prizes are paid out as single cash payments.

### Idaho Draw Games:

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

**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.

**Double Play Daily** - Double Play Daily, an Idaho only game launched on May 3, 2009 and is an Idaho only draw game where you get two chances to win for \$2. Players' numbers from each play are entered into two drawings each night. The drawings are held back-to-back. The first drawing is for a \$20,000 prize and the second draw is for a progressive jackpot, which starts at \$20,000.

### 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, 2011 for the US Government Treasury securities was .916 years and for the Agency securities it was .139 years.

### 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.

### Ticket Inventory

Ticket inventory consists of Scratch tickets which are recorded at a fixed cost related to ticket designs and the cost of tickets for PullTab games. The fixed costs of the scratch tickets are amortized over the estimated total sales of the games. The pulltab tickets are valued at cost using the specific identification method, and the cost of tickets is charged to operations when sold. Unused tickets are charged to operations at the end of each game.

### Property and Equipment

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 of prepaid expenses.

### Notes Payable

Notes payable consists of a four year loan for the purchase of eight vehicles for the Lottery sales representative fleet. The final note payment is due in February 2012.

### 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,

	2011	2010
Cash in banks	\$ 1,351,838	\$ 147,482
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	34,813,292	36,757,102
Total cash and equivalents	<u>\$ 36,285,130</u>	<u>\$ 37,024,584</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, and the Lottery receives no interest or investment income on its cash and equivalents. Further disclosure of the State's investment pool is located in 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.

# Notes to the Financial Statements

## NOTE 3 – PROPERTY AND EQUIPMENT

Fixed asset activity for the year ended June 30, 2011 was as follows:

	2010	Additions	Retirements	2011
Computer equipment	\$ 544,190	\$ 4,601	\$ -	\$ 548,791
Office furniture	1,864,863	-	-	1,864,863
Vehicles	430,916	-	-	430,916
Leasehold improvements	<u>\$ 387,840</u>	<u>-</u>	<u>-</u>	<u>387,840</u>
	3,227,809	4,601	-	3,232,410
Accumulated depreciation and amortization	<u>(2,788,281)</u>	<u>(175,852)</u>	<u>-</u>	<u>(2,964,133)</u>
Property and equipment, net	<u>\$439,528</u>	<u>\$ (171,251)</u>	<u>\$ -</u>	<u>\$ 268,277</u>

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

	2009	Additions	Retirements	2010
Computer equipment	\$ 515,613	\$ 28,577	\$ -	\$ 544,190
Office furniture	1,781,681	83,183	-	1,864,864
Vehicles	430,916	-	-	430,916
Leasehold improvements	<u>387,840</u>	<u>-</u>	<u>-</u>	<u>387,840</u>
	3,116,050	111,760	-	3,227,810
Accumulated depreciation and amortization	<u>(2,594,532)</u>	<u>(193,749)</u>	<u>-</u>	<u>(2,788,281)</u>
Property and equipment, net	<u>\$ 521,518</u>	<u>\$ 81,989</u>	<u>\$ -</u>	<u>\$ 439,529</u>

Depreciation and amortization expense for the year ended June 30, 2011 and 2010 was \$175,852 and \$193,749, respectively.

## NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2011	2010
Trade accounts payable	\$ 456,917	\$ 419,068
Personnel costs payable	141,010	122,480
Accrued compensated absences	115,967	114,343
Deferred draw sales	<u>557,606</u>	<u>440,171</u>
Accounts payable and accrued expenses	<u>\$ 1,271,500</u>	<u>\$ 1,096,062</u>

## NOTE 5 – EMPLOYEE RETIREMENT PLAN

Substantially all Lottery employees are eligible to participate in the 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 to 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 include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.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, 2011, the required contribution rate as a percentage of covered payroll 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 employer contributions required and paid were \$182,796, \$172,146, and \$177,461, for the years ended June 30, 2011, 2010, and 2009, respectively.

## NOTE 6 – CONTRACT WITH INTRALOT

Like most 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 gaming 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. 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 December 31, 2017) and warehouse space (expiring in June 30, 2013). Both leases are renewable at the option of the Lottery. Future lease expense for the operating leases follows:

For the year ended June 30,

	2012	2013	2014	2015	2016	THEREAFTER
	\$ 349,526	358,089	258,137	264,591	271,206	418,694
						<u>\$1,920,243</u>

Rent expense for operating leases was \$388,306 and \$397,603 for the years ended June 30, 2011 and 2010, respectively.

## NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

### Summary of Plans

The Lottery participates in other post employment 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, 2010. The Lottery has not set aside any assets to pay future benefits; the Lottery funds these benefits on a pay-as-you-go basis. Details 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](http://www.sco.idaho.gov)

### Plan Descriptions and Funding Policy

#### Retiree Healthcare Plan

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. 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 service. An officer or employee must be an active employee on or before June 30, 2009, and must retire directly from State service. Coverage is not available to Medicare-eligible retirees or their Medicare-eligible dependents. 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 employee per month towards the retiree premium cost.

#### 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.

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 2011. This portion of the long-term disability income benefit is not included in the actuarial estimate as it is considered an insured benefit.

For up to 30 months following the date of disability, an employee is entitled to 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 \$6.96 per active employee per month in fiscal year 2011.

This plan also 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.

# Notes to the Financial Statements

## 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 Nos. 43 and 45. The following table illustrates the annual OPEB cost, the amount of contributions made, the increase (decrease) in the net OPEB obligation (NOO), and the NOO (funding excess) for the current year:

	Retiree	Long-term Disability			Total
		Healthcare	Life	Income	
Annual required contribution	\$ 9,308	\$ 3,052	\$ 1,783	\$ 1,920	\$ 16,063
Interest	2,619	144	(7)	(47)	2,709
Adjustment to ARC	(3,903)	(216)	9	72	(4,038)
Total Annual OPEB Cost	\$ 8,024	2,980	1,785	1,945	14,734
Contributions made	(3,581)	(2,537)	(2,654)	(1,768)	(10,540)
Increase (Decrease) in NOO	4,443	443	(869)	177	4,194
NOO					
- Beginning of Year	<u>63,391</u>	<u>2,833</u>	<u>(156)</u>	<u>(1,012)</u>	<u>65,056</u>
NOO					
- End of Year	<u>\$ 67,834</u>	<u>\$ 3,276</u>	<u>\$ (1,025)</u>	<u>\$ (835)</u>	<u>\$ 69,250</u>

## 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 two prior years.

	Retiree	Long-term Disability			Total	
		Healthcare	Life	Income		
Annual OPEB Cost	2009	\$6,781	\$3,715	\$1,660	\$2,121	\$14,277
	2010	\$6,819	\$4,068	\$1,768	\$2,266	\$14,921
	2011	\$8,024	\$2,980	\$1,785	\$1,945	\$14,734
% of AOC Contributed	2009	111.02%	96.06%	147.37%	96.03%	114.00%
	2010	58.59%	55.66%	107.54%	79.72%	66.79%
	2011	44.63%	85.13%	148.68%	90.90%	71.54%
NOO	2009	\$60,567	\$1,029	\$(23)	\$(1,472)	\$60,101
(Funding Excess)	2010	\$63,391	\$2,833	\$(156)	\$(1,012)	\$65,056
End of Year	2011	\$67,834	\$3,276	\$(1,025)	\$(835)	\$69,250

## Funded Status and Funding Progress

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

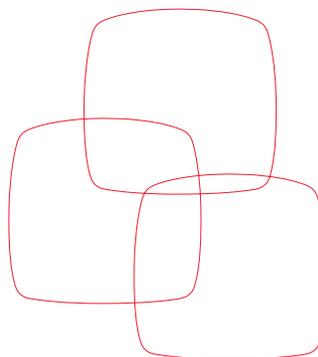
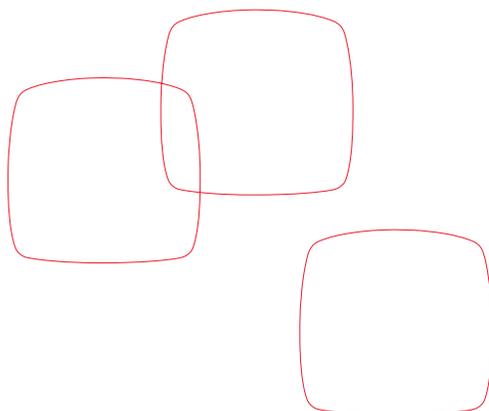
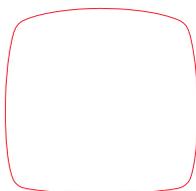
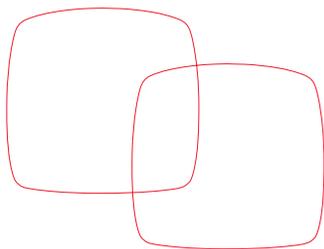
	Retiree	Long-term	Long-term	Long-term
	Healthcare	Disability	Disability Life	Disability
	Plan	Income	Insurance	Healthcare
Actuarial Valuation Date	7/1/2010	7/1/2010	7/1/2010	7/1/2010
Actuarial Value of Assets	\$ -	\$ -	\$ -	\$ -
Accrued Liability (AAL)	\$ 55,934	\$ 20,261	\$ 22,545	\$ 12,918
Unfunded AAL (UAAAL) (2) - (1)	\$ 55,934	\$ 20,261	\$ 22,545	\$ 12,918
Funded Ratios (1) : (2)	0.0%	0.0%	0.0%	0.0%
Annual Covered Payroll	\$ 1,696,774	\$ 1,696,774	\$ 1,696,774	\$ 1,696,774
UAAAL as a Percentage of Covered Payroll (3) : (5)	3.30%	1.19%	1.33%	0.76%

## 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	Long-term	Long-term	Long-term
	Healthcare	Disability	Disability Life	Disability
		Income	Insurance	Healthcare
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar Amount
Amortization Period	11 years Closed	30 years Open	30 years Open	8 years Closed
Assumptions:				
Inflation Rate	3.00%	3.00%	3.00%	3.00%
Investment Return	4.00%	4.00%	4.00%	4.00%
OPEB Increases	N/A	N/A	N/A	N/A
Projected Salary Increases	3.50%	3.50%	3.50%	3.50%
Healthcare Cost Initial Trend Rate	10.00%	10.00%	N/A	N/A
Healthcare Cost Ultimate Trend Rate	5.00%	5.00%	N/A	N/A



**Benefiting Idaho Public Schools and the Permanent Building Fund.**  
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