



Financial Statements
June 30, 2024 and 2023
Idaho Lottery

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Independent Auditor's Report

To the Director and Board of Commissioners
Idaho Lottery
Boise, Idaho

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Idaho Lottery (the Lottery), an agency of the State of Idaho, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Lottery, as of June 30, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Lottery are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the State of Idaho that is attributable to the transactions of the Lottery. They do not purport to, and do not, present fairly the financial position of the State of Idaho as of June 30, 2024 and 2023, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of employer's share of the net pension (asset) liability, and the schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures

to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024, on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
November 21, 2024

The following Management's Discussion and Analysis (MD&A) allows Idaho Lottery (Lottery) management to provide users of the financial statements with an analysis of the Lottery'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, 2024 and 2023, and financial activity for the years then ended, the MD&A also includes information for the year ended June 30, 2022, 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 Position provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and obligations (liabilities and deferred inflows of resources) at the close of fiscal year 2024 and 2023.

The Statements of Revenues, Expenses and Changes in Net Position, measures the success of the Lottery's operations for fiscal year 2024 and 2023 and the resulting increase or decrease in net position.

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 2024 and 2023. 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 Position. The following analysis is intended to highlight selective changes between 2024 and 2023 and between 2023 and 2022.

Idaho Lottery
Management's Discussion and Analysis
June 30, 2024 and 2023

	2024	2023	Change 2024 to 2023	2022	Change 2023 to 2022
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 90,090,354	\$ 87,749,072	\$ 2,341,282	\$ 74,925,426	\$ 12,823,646
Receivables	1,783,819	2,415,826	(632,007)	2,315,894	99,932
Other	356,033	280,340	75,693	316,198	(35,858)
Total current assets	92,230,206	90,445,238	1,784,968	77,557,518	12,887,720
Reserves with MUSL	2,624,051	2,667,415	(43,364)	2,716,005	(48,590)
Capital assets, net	355,390	211,172	144,218	242,738	(31,566)
Right of use asset, net	1,506,956	1,402,832	104,124	1,988,541	(585,709)
OPEB asset	271,415	268,245	3,170	345,017	(76,772)
Pension asset	-	-	-	48,462	(48,462)
Total non-current assets	4,757,812	4,549,664	208,148	5,340,763	(791,099)
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows pensions	1,404,329	1,554,787	(150,458)	915,402	639,385
	<u>\$ 98,392,347</u>	<u>\$ 96,549,689</u>	<u>\$ 1,842,658</u>	<u>\$ 83,813,683</u>	<u>\$ 12,736,006</u>
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable and accrued expenses	\$ 2,032,682	\$ 1,743,204	\$ 289,478	\$ 1,754,389	\$ (11,185)
Dividend payable	84,000,000	82,000,000	2,000,000	73,000,000	9,000,000
Due to MUSL	265,334	193,848	71,486	200,443	(6,595)
Prizes payable	6,899,271	6,319,191	580,080	5,156,674	1,162,517
Current portion of capital leases	412,567	310,377	102,190	361,456	(51,079)
Total current liabilities	93,609,854	90,566,620	3,043,234	80,472,962	10,093,658
NON-CURRENT LIABILITIES					
Long-term capital leases	1,042,091	1,003,813	38,278	1,664,893	(661,080)
Other post employment benefits	16,654	36,594	(19,940)	83,541	(46,947)
Net pension liability	2,703,646	2,406,843	296,803	-	2,406,843
Total liabilities	97,372,245	94,013,870	3,358,375	82,221,396	11,792,474
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows Pensions	-	10,743	(10,743)	1,550,322	(1,539,579)
NET POSITION					
Invested in capital assets	407,688	299,813	107,875	204,930	94,883
Unrestricted	612,414	2,225,261	(1,612,847)	(162,965)	2,388,226
Total net position	1,020,102	2,525,074	(1,504,972)	41,965	2,483,109
	<u>\$ 98,392,347</u>	<u>\$ 96,549,689</u>	<u>\$ 1,842,658</u>	<u>\$ 83,813,683</u>	<u>\$ 12,736,004</u>

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 2024, 2023, and 2022, consist of the following:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Week ended June 30 sales	\$ 1,779,902	\$ 2,409,913	\$ 2,313,619
Accounts in collection process	3,917	5,913	2,275
Total	<u>\$ 1,783,819</u>	<u>\$ 2,415,826</u>	<u>\$ 2,315,894</u>

Ticket Inventory (Other Assets subcategory)

Two Scratch Ticket printing contracts were awarded in March 2021 to primary vendor, Pollard Banknote and the secondary printing contract to Scientific Games. The contracts include three, two-year extension options. PullTab tickets are expensed when the tickets are sold to the retailers. The Ticket Inventory balances on June 30, 2024, 2023, and 2022, consist of any unamortized production costs of scratch tickets.

Property and Equipment, Net

The balances shown were derived as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 211,172	\$ 242,738	\$ 495,565
GASB 87 implementation	-	-	(188,684)
Add: Acquisitions	245,533	72,117	54,056
Deduct: net retirements	(88,545)	-	(12,599)
Deduct: depreciation	(12,770)	(103,683)	(105,600)
Ending Balance	<u>\$ 355,390</u>	<u>\$ 211,172</u>	<u>\$ 242,738</u>

LIABILITIES AND NET POSITION

Dividend Payable

The dividends declared by the Idaho Lottery Commission for 2024, 2023, and 2022, were \$84,000,000, \$82,000,000, and \$73,000,000, respectively. The dividend is declared on or before June 30th and paid on July 1st or shortly thereafter.

Prizes Payable

The increase in prizes payable between 2023 and 2024 of \$580,080 is primarily due to the increase in the estimated prize payable for scratch games. Though prizes payable for most draw games decreased, the payable for scratch increased by \$1,144,397.

Total Net Position

Net position represents the difference between the Lottery's total assets and deferred outflows of resources and its total liabilities and deferred inflows of resources. Net position is 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 POSITION

Operating Revenues

Comparative operating revenues for the four major product sales classifications: Draw tickets, Scratch tickets, PullTab/TouchTab tickets and other revenue are as follows:

	2024	2023	Change 2023 to 2024	2022	Change 2022 to 2023
Draw Sales					
Powerball	\$ 48,591,288	\$ 39,099,421	\$ 9,491,867	\$ 30,242,308	\$ 8,857,113
Pick 3	2,312,401	2,313,177	(776)	2,346,461	(33,284)
Mega Millions	25,695,887	28,794,696	(3,098,809)	13,885,979	14,908,717
Weekly Grand	1,816,370	1,750,748	65,622	1,647,644	103,104
Lucky for Life	5,464,692	5,202,628	262,064	4,586,090	616,538
Lotto America	2,756,701	3,653,511	(896,810)	2,586,664	1,066,847
Idaho Cash	2,455,928	2,073,547	382,381	1,707,501	366,046
5 Star Draw	1,912,440	2,413,520	(501,080)	1,901,485	512,035
2by2	-	79,248	(79,248)	628,926	(549,678)
Pick 4	1,247,964	1,063,542	184,422	1,123,620	(60,078)
Raffle	4,500,000	2,500,000	2,000,000	2,500,000	-
Total Draw Sales	96,753,671	88,944,038	7,809,633	63,156,678	25,787,360
Scratch ticket sales	242,739,898	252,967,146	(10,227,248)	234,832,327	18,134,819
PullTab ticket sales	2,538,043	2,151,713	386,330	2,030,150	121,563
TouchTab ticket sales	79,715,027	78,435,101	1,279,926	76,295,737	2,139,364
Total Sales	421,746,639	422,497,998	(751,359)	376,314,892	46,183,106
Data Line Charges	661,938	649,825	12,113	650,338	(513)
Other revenues	53,390	49,666	3,724	50,739	(1,073)
Total operating revenues	<u>\$ 422,461,967</u>	<u>\$ 423,197,489</u>	<u>\$ (735,522)</u>	<u>\$ 377,015,969</u>	<u>\$ 46,181,520</u>

Draw Game Ticket Sales

The Powerball game is sold in forty-five states, Washington, D.C., Puerto Rico and the U.S. Virgin Islands. These lotteries contribute a fixed percentage of their Powerball sales revenue to a consolidated Jackpot prize. There are three 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. Selling for close to 30 years, Powerball is still the most recognizable brand and game offered by the Idaho Lottery. Current odds of winning the Powerball jackpot are 1:292,201,338.

Big game sales are very jackpot driven; the higher the announced jackpot, typically the higher the sales. While Powerball enjoys a consistent core group of players, as half-a-billion dollar or higher jackpots become more common place, more casual lottery players wait to join the game until it reaches near-record levels. While larger jackpot runs have 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 chart below.

**POWERBALL
RELATIONSHIP BETWEEN ANNOUNCED JACKPOT AND SALES**

		Average Announced Jackpot Per Draw	Average Sales Per Draw	Annual Sales
2024	\$	363,420,382	\$ 309,499	\$ 48,591,288
2023	\$	239,288,462	\$ 250,637	\$ 39,099,421
2022	\$	214,013,986	\$ 204,340	\$ 30,242,308
2021	\$	152,447,619	\$ 250,703	\$ 26,323,815
2020	\$	108,490,385	\$ 194,258	\$ 20,397,045
2019	\$	200,451,923	\$ 288,163	\$ 30,257,158
2018	\$	176,504,762	\$ 316,170	\$ 33,197,811
2017	\$	166,451,923	\$ 271,443	\$ 28,501,559
2016	\$	160,275,143	\$ 406,027	\$ 42,632,859
2015	\$	105,336,538	\$ 282,027	\$ 29,330,831

In 2010, the Idaho Lottery began selling Mega Millions with Megaplier. The Mega Millions game is similar to Powerball but holds drawings on Tuesday and Friday. Mega Millions was originally launched and sold by states NOT selling Powerball. All states came together in 2010 to agree on a cross selling initiative which allowed all states to sell both of the “big games” across borders.

Mega Millions is sold in forty-seven localities – forty-five states plus the District of Columbia and the U.S. Virgin Islands, with odds of winning the jackpot 1:302,575,350.

As with Powerball, there is typically a strong relationship between the jackpot and resulting sales.

**MEGA MILLIONS
RELATIONSHIP BETWEEN ANNOUNCED JACKPOT AND SALES**

	Average Announced Jackpot Per Draw	Average Sales Per Draw	Annual Sales
2024	\$ 321,884,615	\$ 247,826	\$ 25,773,907
2023	\$ 275,847,619	\$ 274,235	\$ 28,794,696
2022	\$ 143,564,356	\$ 133,519	\$ 13,885,979
2021	\$ 166,576,923	\$ 190,421	\$ 19,803,804
2020	\$ 136,914,286	\$ 125,834	\$ 13,212,519
2019	\$ 219,259,615	\$ 224,098	\$ 23,530,337
2018	\$ 146,490,385	\$ 130,040	\$ 13,524,177
2017	\$ 78,152,381	\$ 89,755	\$ 9,334,536
2016	\$ 101,730,769	\$ 99,912	\$ 10,390,885
2015	\$ 93,752,381	\$ 107,577	\$ 11,295,562

The smaller jackpot games, both in-state and multi-state games are as sensitive to jackpots as Powerball and Mega Millions. Both games have a consistent player base, although players will sometimes shift their buying habits from both games to Powerball and Mega Millions when jackpots are unusually large. The Lottery offers the following Draw games: Powerball, Mega Millions, Lucky for Life, Idaho Pick 3, Idaho Cash, Pick 3, Pick 4, 5 Star Draw and a fall Raffle game. Weekly Grand was a draw game also offered during the year until it ended on June 22, 2024.

The Draw games, with higher profit margins than Scratch, increase profits in the Draw category.

Scratch Ticket Sales

Sales are down 4.0% in Scratch games from fiscal year 2023 to 2024. The ongoing goal when managing the Scratch game portfolio is to introduce fun, easy to play themes in all price points. The lower priced games typically have a lower pay out and are more profitable. 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, some players feel the higher priced tickets offer more entertainment value. Keeping the perfect Scratch Ticket Game Portfolio is a challenge, as higher priced tickets are less profitable, so the mix is important, and an inordinate number of higher price point sales can skew profit results dramatically.

In FY15, the Lottery launched a new product line, InstaPlay, which plays like a Scratch ticket, with predetermined odds, but are printed from the Lottery terminal without having to wait for a drawing like a Draw game. Players love the fun play action and sales continue to reflect interest in these games.

Scratch ticket sales by price point for the fiscal years 2024, 2023, and 2022 are as follows:

	2024	%	2023	%	2022	%
		Change		Change		Change
One-dollar games	\$ 4,215,405	-8.6%	\$ 4,613,886	-12.3%	\$ 5,263,853	-20.7%
Two-dollar games	5,680,380	-20.0%	7,100,596	13.0%	6,284,228	-18.1%
Three-dollar games	10,433,736	-21.4%	13,278,600	-3.7%	13,794,615	-17.3%
Five-dollar games	53,291,395	-2.9%	54,886,595	2.1%	53,751,790	-5.9%
Ten-dollar games	56,438,630	14.6%	49,268,980	-6.6%	52,774,530	3.1%
Twenty-dollar games	30,786,220	-24.7%	40,896,820	-0.8%	41,212,780	-16.2%
Twenty-five-dollar games	-	-	-	-100.0%	(225)	-
Thirty-dollar games	20,616,810	-32.2%	30,402,990	-30.7%	43,882,170	13.4%
Fifty-dollar games	47,972,300	22.0%	39,307,750	640.8%	5,306,300	-
InstaPlay	13,305,022	0.7%	13,210,929	5.2%	12,562,286	-10.8%
	<u>\$ 242,739,898</u>		<u>\$ 252,967,146</u>		<u>\$ 234,832,327</u>	
Change over prior year	\$ (10,227,248)	-4.0%	\$ 18,134,819	7.7%	\$ (6,414,134)	-2.7%

PullTab Ticket Sales

PullTab tickets, which are sold mainly in restaurants and bars, historically make up less than 2% of the Lottery's total annual sales. Although these games fight competition from illegal gaming machines, annual sales were \$2,538,043 in fiscal year 2024, an increase of \$386,330 from fiscal year 2023 sales of \$2,151,713.

Concentrated efforts between the Lottery and our PullTab vendor, International Gamco are ongoing and while the paper PullTab product continues to hold with steady sales, we conservatively seek out additional selling locations and increased sales in the coming fiscal year. As of February of 2018, vendor International Gamco is wholly owned by Pollard Banknote. In May of 2019, the Lottery Commission approved a subcontract agreement between International Gamco and Diamond Game (another wholly owned subsidiary of Pollard Banknote) and in 2020 an extension was granted for five years – extending the contract term to June 30, 2026. With the extension comes a revised revenue share formula that will yield an estimated \$1,000,000 extra in net revenue to the Idaho Lottery.

TouchTab Sales

Together with our PullTab vendor partner International Gamco, the Idaho Lottery launched a pilot project from November 2010 to June 2011 to introduce a new TouchTab dispensing device to retailers around Idaho. The TouchTab dispensing device is co-located with our paper ticket vending machines (TabBOXX), and only offered in age-controlled environments (bars and taverns). TouchTab games are nearly identical to paper PullTabs; each game is played just like the paper version; with a predetermined number of tickets; 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.

Subsequent phases, after the successful pilot, added additional age-controlled locations that have passed our criminal and financial background checks. While the Idaho Lottery expects to deliver enhanced dividends from this product going forward, the payout to the player for this product is higher than other offerings, the resulting profit margin is lower.

At \$79,715,027 in fiscal year 2024, TouchTab sales increased by \$1,279,926 over fiscal year sales 2023 of \$78,435,101.

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. 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 2024 and 2023 were \$2,153,131 and \$1,375,899, respectively.

Operating Expenses

2024, 2023, and 2022 operating expenses are as follows:

	<u>2024</u>	<u>2023</u>	<u>Change 2023 to 2024</u>	<u>2022</u>	<u>Change 2022 to 2023</u>
Prizes, net of unclaimed prizes	\$ 286,162,989	\$ 285,564,486	\$ 598,503	\$ 257,122,291	\$ 28,442,195
Retailer commissions	24,709,816	24,704,242	5,574	22,102,833	2,601,409
Gaming system services	9,500,852	9,638,519	(137,667)	8,601,643	1,036,876
Scratch tickets	2,666,397	2,711,752	(45,355)	2,677,098	34,654
PullTab tickets	5,010,368	4,806,423	203,945	4,650,410	156,013
Advertising	5,013,594	4,607,132	406,462	4,031,845	575,287
Salaries and benefits	4,480,309	4,421,737	58,572	2,965,345	1,456,392
Depreciation	101,314	103,683	(2,369)	105,600	(1,917)
Amortization	442,296	320,247	122,049	394,325	(74,078)
Telephone and data line costs	48,213	26,630	21,583	30,623	(3,993)
Professional services	71,597	163,742	(92,145)	140,644	23,098
Office and equipment	74,218	124,463	(50,245)	30,612	93,851
Shipping costs	835,464	801,929	33,535	715,967	85,962
Supplies	77,381	115,290	(37,909)	122,099	(6,809)
Tribe compact	216,358	182,851	33,507	189,962	(7,111)
Other costs	535,516	390,371	145,145	329,600	60,771
	<u>\$ 339,946,682</u>	<u>\$ 338,683,497</u>	<u>\$ 1,263,185</u>	<u>\$ 304,210,897</u>	<u>\$ 34,472,600</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, Scratch, Raffle, PullTab, and TouchTab) represents of total sales. Sales levels and mix for each of the years is represented below:

	<u>2024</u>	<u>% Sales</u>	<u>2023</u>	<u>% Sales</u>	<u>2022</u>	<u>% Sales</u>
Draw ticket sales	\$ 92,253,671	21.9%	\$ 86,444,038	20.5%	\$ 60,656,678	16.1%
Scratch ticket sales	242,739,898	57.6%	252,967,146	59.9%	234,832,327	62.4%
Raffle sales	4,500,000	1.1%	2,500,000	0.6%	2,500,000	0.7%
PullTab ticket sales	2,538,043	0.6%	2,151,713	0.5%	2,030,150	0.5%
TouchTab ticket sales	<u>79,715,027</u>	18.9%	<u>78,435,101</u>	18.6%	<u>76,295,737</u>	20.3%
Total Sales	<u>\$ 421,746,639</u>	100%	<u>\$ 422,497,998</u>	100%	<u>\$ 376,314,892</u>	100%
Increase (decrease) from prior year	\$ (751,360)		\$ 46,183,106		\$ 1,792,734	

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 does impact prizes, retailer commissions, gaming system services, 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 games (including InstaPlay), and PullTabs (including TouchTabs) 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% (so 50% of the sales go to the prize fund for Powerball); Pick 3 also has a 50% prize percentage while Mega Millions has a prize percentage of 51%. The overall average prize percentage for the suite of Draw game products depends upon the sales mix for the games. Similarly, most Scratch games have different prize percentages, with a range of 62-78%, with higher price point tickets generally offering a higher prize payout percentage. PullTab games have minimal variance and average a prize percentage of 70.2%, while TouchTab games have a prize percentage of between 78-82%.

Two other 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 offset against and reduces that year's total prize expense.

The product mix and resulting sales can significantly skew the overall prize payout.

Prize expense, net of unclaimed prizes, consisted of the following for the years 2024, 2023, 2022:

2024	<u>Sales</u>	<u>Prize %</u>	<u>Prizes</u>
Draw ticket sales	\$ 92,253,671	52.92%	\$ 48,821,411
Scratch ticket sales	242,739,898	71.90%	174,526,767
Raffle sales	4,500,000	53.03%	2,386,555
PullTab ticket sales	2,538,043	70.17%	1,780,823
TouchTab ticket sales	79,715,027	79.80%	63,820,694
Second Chance draws	-		542,769
Unclaimed prizes	-		(5,716,030)
			<u>\$ 286,162,989</u>
			<u>\$ 286,162,989</u>
2023	<u>Sales</u>	<u>Prize %</u>	<u>Prizes</u>
Draw ticket sales	\$ 86,444,038	51.22%	\$ 44,275,293
Scratch ticket sales	252,967,146	71.46%	180,773,284
Raffle sales	2,500,000	52.00%	1,300,000
PullTab ticket sales	2,151,713	70.16%	1,509,592
TouchTab ticket sales	78,435,101	80.07%	62,800,027
Second Chance draws	-		133,507
Unclaimed prizes	-		(5,227,217)
			<u>\$ 285,564,486</u>
			<u>\$ 285,564,486</u>
2022	<u>Sales</u>	<u>Prize %</u>	<u>Prizes</u>
Draw ticket sales	\$ 60,656,678	52.21%	\$ 31,667,317
Scratch ticket sales	234,832,327	70.83%	166,335,412
Raffle sales	2,500,000	52.00%	1,299,980
PullTab ticket sales	2,030,150	70.16%	1,424,351
TouchTab ticket sales	76,295,737	80.09%	61,106,724
Second Chance draws	-		150,835
Unclaimed prizes	-		(4,862,328)
			<u>\$ 257,122,291</u>
			<u>\$ 257,122,291</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 Lottery contracts with INTRALOT as the draw game vendor. INTRALOT provides the Lottery with critical hardware and software, network communications, and support personnel.

OUTLOOK FOR THE FISCAL YEAR ENDED JUNE 30, 2025

The Idaho Lottery celebrated its 35th Anniversary by returning the largest dividend in its history. While sales, commissions paid to retailers, and prizes paid to players were relatively flat year over year, transfers to the Lottery beneficiaries were up 2.4%.

Fiscal Year 2024 saw unprecedented success for both big draw games, *Powerball* and *Mega Millions*. Combined, the games produced five jackpots of a billion dollars or higher including the second largest in history; a Powerball jackpot that reached \$1.765 billion in October. While year-over-year sales were consistent with FY23, the change in product mix produced a higher than forecast dividend. A repeat performance of the big games in Fiscal Year 2025 is statistically unlikely, but possible. It is also anticipated that Mega Millions will undergo a price increase during the Fiscal Year. We remain cautiously optimistic that, like Powerball a few years ago, while we may see a decrease in the number of tickets sold at first, our revenue may remain consistent.

The forecast for *Powerball* and *Mega Millions* in Fiscal Year 2025 is a sales decrease of \$13,000,000. Overall sales are forecast to be down \$2 million from Fiscal Year 2024, resulting in a \$2 million decrease to \$82 million in transfers to beneficiaries.

The Idaho Lottery focuses on the games in the product portfolio that can be influenced with special offerings and promotions for players and retailers. This strategy has a proven track record of success over the years and remains essential to continuing to deliver for those who count on the Lottery for needed funding, Idaho Public Schools and Permanent Building.

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.

Idaho Lottery
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	\$ 90,090,354	\$ 87,749,072
Receivables	1,783,819	2,415,826
Other	356,033	280,340
Total current assets	92,230,206	90,445,238
Non-Current Assets		
Deposits with MUSL	2,624,051	2,667,415
Capital assets	355,390	211,172
Right-to-use lease asset, net	1,506,956	1,402,832
Other post employment benefits asset	271,415	268,245
Total non-current assets	4,757,812	4,549,664
Deferred Outflows of Resources		
Deferred outflows - pensions	1,404,329	1,554,787
	\$ 98,392,347	\$ 96,549,689
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,032,682	\$ 1,743,206
Dividend payable	84,000,000	82,000,000
Due to MUSL	265,334	193,848
Prizes payable	6,899,271	6,319,191
Lease liability, current portion	412,567	310,377
Total current liabilities	93,609,854	90,566,622
Long-Term Liabilities		
Lease liability, long-term portion	1,042,091	1,003,813
Other post employment benefits liability	16,654	36,594
Net pension	2,703,646	2,406,843
Total long-term liabilities	3,762,391	3,447,250
Total liabilities	97,372,245	94,013,872
Deferred Inflows of Resources		
Deferred inflows - pensions	-	10,743
Net Position		
Net investment in capital assets	407,688	299,813
Unrestricted	612,414	2,225,261
Total net position	1,020,102	2,525,074
	\$ 98,392,347	\$ 96,549,689

Idaho Lottery
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Revenues		
Scratch ticket sales	\$ 242,739,898	\$ 252,967,146
Draw ticket sales	92,253,671	86,444,038
PullTab ticket sales	2,538,043	2,151,713
TouchTab ticket sales	79,715,027	78,435,101
Raffle sales	4,500,000	2,500,000
Data line charges	661,938	649,825
Other	53,390	49,666
Total operating revenues	<u>422,461,967</u>	<u>423,197,489</u>
Operating Expenses		
Prizes, net of unclaimed prizes	286,162,989	285,564,486
Retailer commissions	24,709,816	24,704,242
Gaming system services	9,500,852	9,638,519
Scratch tickets	2,666,397	2,711,752
PullTab/TouchTab tickets	5,010,368	4,806,423
Advertising	5,013,594	4,607,132
Salaries and benefits	4,480,309	4,421,737
Depreciation	101,314	103,683
Amortization	442,296	320,247
Telephone and data line costs	48,213	26,630
Professional services	71,597	163,742
Office and equipment	74,218	124,463
Shipping costs	835,464	801,929
Supplies	77,381	115,290
Tribe compact	216,358	182,851
Other	535,516	390,371
Total operating expenses	<u>339,946,682</u>	<u>338,683,497</u>
Operating Income	<u>82,515,285</u>	<u>84,513,992</u>
Nonoperating Revenues (Expenses)		
Gain on disposal of capital assets	26,250	-
Interest income on funds held at the State	2,153,131	1,375,899
Interest expense	<u>(46,507)</u>	<u>(30,883)</u>
Total nonoperating revenues	<u>2,132,874</u>	<u>1,345,016</u>
Income Before Transfers	<u>84,648,159</u>	<u>85,859,008</u>

Idaho Lottery
 Statements of Revenues, Expenses, and Changes in Net Position
 Years Ended June 30, 2024 and 2023

	2024	2023
Transfers		
State Permanent Building Fund	(31,500,000)	(30,750,000)
State Public Schools Building Fund	(52,500,000)	(30,750,000)
State Bond Equalization Fund	-	(20,500,000)
State general fund- interest earnings	(2,153,131)	(1,375,899)
Total transfers	(86,153,131)	(83,375,899)
Change in Net Position	(1,504,972)	2,483,109
Total Net Position, Beginning of Year	2,525,074	41,965
Total Net Position, End of Year	\$ 1,020,102	\$ 2,525,074

Idaho Lottery
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Operating Activities		
Ticket sales	\$ 423,093,974	\$ 423,097,557
Prizes paid to winners	(285,511,423)	(284,408,564)
Commissions and payment to retailers	(24,709,816)	(24,704,242)
Paid to vendors for goods and services	(18,772,350)	(19,014,821)
Paid to vendors for promotions	(5,013,594)	(4,607,132)
Paid to employees for service	(4,094,881)	(4,038,046)
Net Cash from Operating Activities	84,991,910	86,324,752
Noncapital Financing Activities		
Transfers to State Permanent Building Fund	(30,750,000)	(27,375,000)
Transfers to State Public Schools Building Fund	(30,750,000)	(27,375,000)
Transfers to Bond Equalization Fund	(20,500,000)	(18,250,000)
Transfers to State General Fund - interest earnings	(2,153,131)	(1,375,899)
Net Cash used for Noncapital Financing Activities	(84,153,131)	(74,375,899)
Capital and Related Financing Activities		
Purchase of capital assets	(245,533)	(72,117)
Proceeds from sale of capital assets	26,250	-
Principal paid on leases	(428,203)	(446,696)
Interest paid on leases	(46,507)	(30,883)
Net Cash used for Capital and Related Financing Activities	(693,993)	(549,696)
Investing Activities		
Interest income	2,153,131	1,375,899
Change in deposit with MUSL	43,365	48,590
Net Cash from Investing Activities	2,196,496	1,424,489
Net Change in Cash and Cash Equivalents	2,341,282	12,823,646
Cash and Cash Equivalents, Beginning of Year	87,749,072	74,925,426
Cash and Cash Equivalents, End of Year	\$ 90,090,354	\$ 87,749,072

Idaho Lottery
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of Operating Income to Net		
Cash from Operating Activities		
Operating income	\$ 82,515,285	\$ 84,513,992
Adjustment to reconcile operating income to net cash from operating activities		
Depreciation	101,314	103,683
Amortization	442,296	320,247
Other post employment benefit adjustment	10,886	29,825
Pension expense adjustment	424,773	276,340
Changes in assets and liabilities		
Receivables	632,007	(99,932)
Other assets	(75,693)	35,858
Accounts payable and accrued expenses	289,476	(11,183)
Due to MUSL	71,486	(6,595)
Prizes payable	580,080	1,162,517
Net Cash from Operating Activities	\$ 84,991,910	\$ 86,324,752
Supplemental Disclosure for Cash Flow Information		
Non Cash Investing, Capital and Financing Transactions		
Vehicles and equipment financed by leasing arrangements	\$ 568,669	\$ -

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, Public School Building Funds, and Bond Equalization Funds.

The financial statements of the Idaho Lottery are intended to present the financial position, the changes in financial position, and the cash flows attributable to the Lottery. They do not purport to, and do not present fairly the financial position of the State of Idaho (of which the Idaho Lottery is a self-governing agency) as of June 30, 2024 and 2023, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

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 draw games with other participant state lotteries. The Lottery contributes to the related prize pools based on weekly draw ticket sales. MUSL holds semi-weekly drawings for prize amounts determined by ticket sales.

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 on demand.

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 either after the retailer sells the scratch tickets to players, or upon delivery of the pack. The timing is determined by retailer policy but settling at the time the pack goes on sale is encouraged.

Accounts Receivable

The Lottery provides credit in the normal course of business to its customers and performs a thorough credit evaluation of each customer before approving a license to sell lottery products. 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. Since 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.

Other Assets

Other assets are comprised of prepaid expenses and ticket inventory. Ticket inventory consists of Scratch tickets which are recorded at a fixed cost related to ticket designs. The fixed costs of the scratch tickets are amortized over the estimated total sales of the game, with any remaining unamortized amount being expensed to operations at the end of the game.

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.

Property and Equipment

Property and equipment are stated at cost. Depreciation 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.

Leases

As a lessee, the Lottery recognizes a lease liability and a right to use lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives received). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

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, in June of each year, by the Idaho Lottery Commission.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Lottery has one item that qualifies for reporting in this category: the employer pension obligations.

The pension obligations results from changes in the assumptions or other inputs in the actuarial calculation of the Lottery's net pension liability.

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

Pensions

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

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 will be closer to six percent of revenue. In addition, retailers selling a winning draw or scratch ticket with a prize amount of \$1,000 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

Scratch – Prize expense for scratch games is recognized as ticket packs are settled by retailers based on a predetermined prize structure for each game.

InstaPlay – Idaho InstaPlay Games were launched in October of 2014. They are instant play-style games generated through the Lottery terminal. Every InstaPlay Game ticket is generated at the time of purchase with a set of numbers/symbols on it. Players simply match their play numbers/symbols to see if they won. There are no drawings to wait for. Winning tickets are validated through the Lottery terminal just like any other Idaho Lottery game. Average payout for InstaPlay games is between 70-72%.

Draw Games

Powerball – The Powerball game is sold in forty-five states along with the District of Columbia, Puerto Rico 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-five states along with the District of Columbia, and the U.S. Virgin Islands. Sales began in Idaho on January of 2011, and prize expense represents 50 – 51% of revenues recognized for the game. Prizes are paid out over a twenty-nine year annuity (thirty payments) or as a single cash payment.

Lucky for Life - Lucky for Life launched in Idaho in January 2015, along with 15 other US jurisdictions, and offers an actual FOR LIFE prize as its jackpot prize. The game has since grown to 23 US lotteries and continues to be a popular option in Idaho. The prize expense is budgeted at 59.4% of game revenues, but are adjusted in the financial statements to reflect the actual prize expense.

Raffle – Idaho's Million Dollar Raffle is a game developed by the Idaho Lottery and played only in Idaho. The first version of the Million Dollar Raffle launched November 2007, and sales end when all available tickets are sold out or when an established draw date commences. There is only one draw annually. 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 are adjusted in the financial statements to reflect the actual prize expense for the reporting period. Prizes are paid out as single cash payments.

Weekly Grand - Weekly Grand is an Idaho only game launched in August 2011. Weekly Grand has proven to be a popular replacement to Double Play Daily™. Players can win \$1,000 a week for a year, with the Idaho Lottery paying all of the required withheld taxes. The game pays out on Match 5 (\$1,000/week for a year), Match 4 (\$200), Match 3 (\$25), and Match 2 (free ticket) prize levels, but also offers a second chance draw each month for \$100 per week for a year. Prize expense is budgeted at 58.5% of game revenues, but are adjusted in the financial statements to reflect the actual prize expense for the reporting period. Due to the lack of notable growth and tepid interest in the game, it was ended on June 22, 2024.

Lotto America – Lotto America is a multi-state game available to play in 13 jurisdictions. Lotto America was launched in November 2017 to replace Hot Lotto and takes its name from the original Lotto America which was offered from 1988 to 1992. Prize expense represents 50% of revenues recognized for the game.

Idaho Cash – Sales of Idaho Cash is an Idaho only game launched in February 2017. Prize expense is budgeted at 54% of game revenues, but are adjusted in the financial statements to reflect the actual prize expense for the reporting period. Prizes are paid out as single cash payments.

5 Star Draw – Sales of 5 Star Draw is an Idaho only game launched in October 2019. Prize expense is budgeted at 68% of game revenues, but are adjusted in the financial statements to reflect the actual prize expense for the reporting period. Prizes are paid out as single cash payments.

Idaho Pick 4 – Sales of Pick 4 is an Idaho only game launched in January 2021. Prize expense is budgeted at 50-51% of game revenues but are adjusted in the financial statements to reflect the actual prize expense for the reporting period. Prizes are paid out as single cash payments.

2by2 – Sales of 2by2 launched in Idaho in April 2021 joining four other US jurisdictions, Kansas, North Dakota, Nebraska and Wyoming. The prize expense is budgeted at 51% of game revenues but are adjusted in the financial statements to reflect the actual prize expense. Due to the game not meeting sales expectations, it was ended on August 26, 2022.

PullTab Games

PullTabs – PullTab tickets are traditional paper, break-open style tickets sold in age-controlled, social environments. Prize expense for PullTab games range from 69-71%.

TouchTabs – TouchTab tickets are dispensed via a touchscreen monitor for plays to open windows electronically to reveal winning and non-winning combinations. Prize expense for TouchTab games range from 77-82%.

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.

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 and interest income from the funds held at the state. It is at least reasonably possible that the significant estimates used will change within the next year.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2024 and 2023:

	2024	2023
Cash in banks	\$ 262,038	\$ 240,506
Cash on deposit with State Controller	89,828,316	120,000
Investments in the State of Idaho's General Fund		
Investment Pool, at cost, which approximates fair value	-	87,388,566
Total cash and equivalents	\$ 90,090,354	\$ 87,749,072

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 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. As of June 30, 2024 and 2023, \$0 and \$0, of the Lottery's deposits at financial institutions were uninsured or uncollateralized, respectively.

Fair Value

The Lottery categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in the active markets for identical assets. Level 2 inputs are significant other observable inputs. The Lottery did not hold any investments at fair value at June 30, 2024. The State's Investment Pool is required to report its investments at fair value because the weighted average maturity of the investments is greater than 90 days and thus, the Lottery is required to report its deposits at fair value. However, the Lottery has reported these deposits at cost plus accrued interest which approximates fair value.

Note 3 - Capital Assets

Capital asset activity for the years ended June 30, 2024 and 2023, was as follows:

	July 1, 2023	Additions	Retirements	June 30, 2024
Depreciable capital assets				
Computer equipment	\$ 444,566	\$ 79,947	\$ -	\$ 524,513
Office furniture and equipment	687,190	63,535	-	750,725
Vehicles	314,456	102,051	(88,545)	327,962
Leasehold improvements	263,646	-	-	263,646
Total depreciable capital assets	<u>1,709,858</u>	<u>245,533</u>	<u>(88,545)</u>	<u>1,866,846</u>
Less accumulated depreciation				
Computer equipment	(369,103)	(35,332)	-	(404,435)
Office furniture and equipment	(645,689)	(21,808)	-	(667,497)
Vehicles	(228,619)	(37,476)	88,545	(177,550)
Leasehold improvements	(255,275)	(6,698)	-	(261,974)
Total accumulated depreciation	<u>(1,498,686)</u>	<u>(101,314)</u>	<u>88,545</u>	<u>(1,511,456)</u>
Property and equipment, net	<u>\$ 211,172</u>	<u>\$ 144,219</u>	<u>\$ -</u>	<u>\$ 355,390</u>

	July 1, 2022	Additions	Retirements	June 30, 2023
Depreciable capital assets				
Computer equipment	\$ 422,024	\$ 22,542	\$ -	\$ 444,566
Office furniture and equipment	687,190	-	-	687,190
Vehicles	264,881	49,575	-	314,456
Leasehold improvements	263,646	-	-	263,646
Total depreciable capital assets	<u>1,637,741</u>	<u>72,117</u>	<u>-</u>	<u>1,709,858</u>
Less accumulated depreciation				
Computer equipment	(334,845)	(34,258)	-	(369,103)
Office furniture and equipment	(619,954)	(25,735)	-	(645,689)
Vehicles	(191,627)	(36,992)	-	(228,619)
Leasehold improvements	(248,577)	(6,698)	-	(255,275)
Total accumulated depreciation	<u>(1,395,003)</u>	<u>(103,683)</u>	<u>-</u>	<u>(1,498,686)</u>
Property and equipment, net	<u>\$ 242,738</u>	<u>\$ (31,566)</u>	<u>\$ -</u>	<u>\$ 211,172</u>

Depreciation expense for the years ended June 30, 2024 and 2023, was \$101,314 and \$103,683, respectively.

Note 4 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following at June 30, 2024 and 2023:

	2024	2023
Trade accounts payable	\$ 919,255	\$ 491,183
Personnel costs payable	257,440	259,108
Accrued compensated absences	207,844	234,156
Deferred draw sales	648,143	758,759
Accounts payable and accrued expenses	<u>\$ 2,032,682</u>	<u>\$ 1,743,206</u>

Note 5 - Leases

The Lottery entered into various lease agreements for vehicles for the Lottery Sales Representatives. The leasing agreements have varying interest rates between 5.00% - 9.09%. Payments on the vehicle lease agreements range from \$2,190/year - \$61,737/year, and mature during fiscal year 2024 through fiscal year 2028.

The Lottery entered into a lease agreement for a copier in June 2020. The terms of the lease agreement call for annual payments of \$35,932, for both principal and interest, with an annual interest rate of 6.24%. The terms of the lease agreement end in August of 2025.

The Lottery entered into a lease agreement for jackpot display signs in May 2024. The terms of the lease agreement call for annual payments of \$111,798, for both principal and interest, with an annual interest rate of 6.59%. The terms of the lease agreement end in May of 2028.

In November 2016, the Lottery entered into a lease agreement for the use of office space in Boise, Idaho. A right-to-use asset in the amount of \$1,720,334 was recognized as of June 30, 2024 and 2023, with an annual interest rate of 6.13%. Annual payments for both principal and interest are approximately \$406,802.

The schedule below summarizes the changes in right-of-use assets and the related accumulated amortization for the years ended June 30, 2024 and 2023.

A summary of the activity for leasing arrangements is as follows:

Right-to-use lease asset	July 1, 2023	Additions	Retirements	June 30, 2024
Vehicles	\$ 108,932	\$ 74,663	\$ (80,981)	\$ 102,614
Copiers	120,300	-	-	120,300
Office space	1,720,334	-	-	1,720,334
Signs	-	494,006	-	494,006
	\$ 1,949,566	\$ 568,669	\$ (80,981)	\$ 2,437,254
Accumulated amortization	July 1, 2023	Additions	Retirements	June 30, 2024
Vehicles	\$ (56,812)	\$ (34,263)	\$ 58,731	\$ (32,344)
Copiers	(64,200)	(31,567)	-	(95,767)
Office space	(425,722)	(264,667)	-	(690,389)
Signs	-	(111,798)	-	(111,798)
	\$ (546,734)	\$ (442,295)	\$ 58,731	\$ (930,298)
Total right-to-use asset, net				\$ 1,506,956
Lease liability	July 1, 2023	Additions	Retirements	June 30, 2024
Vehicles	\$ 26,963	\$ 74,663	\$ (31,283)	\$ 70,343
Copiers	67,391	-	(32,650)	34,741
Office space	1,219,836	-	(252,470)	967,366
Signs	-	494,006	(111,798)	382,208
	\$ 1,314,190	\$ 568,669	\$ (428,201)	\$ 1,454,658

Right-to-use lease asset	July 1, 2022	Additions	Retirements	June 30, 2023
Vehicles	\$ 108,932	\$ -	\$ -	\$ 108,932
Copiers	120,300	-	-	120,300
Office space	<u>2,153,634</u>	<u>-</u>	<u>(433,300)</u>	<u>1,720,334</u>
	<u>\$ 2,382,866</u>	<u>\$ -</u>	<u>\$ (433,300)</u>	<u>\$ 1,949,566</u>
Accumulated amortization	July 1, 2022	Additions	Retirements	June 30, 2023
Vehicles	\$ (27,392)	\$ (29,420)	\$ -	\$ (56,812)
Copiers	(32,100)	(32,100)	-	(64,200)
Office space	<u>(334,833)</u>	<u>(258,727)</u>	<u>167,838</u>	<u>(425,722)</u>
	<u>\$ (394,325)</u>	<u>\$ (320,247)</u>	<u>\$ 167,838</u>	<u>\$ (546,734)</u>
Total right-to-use asset, net				<u>\$ 1,402,832</u>
Lease liability	July 1, 2022	Additions	Retirements	June 30, 2023
Vehicles	\$ 57,281	\$ -	\$ (30,318)	\$ 26,963
Copiers	98,071	-	(30,680)	67,391
Office space	<u>1,870,997</u>	<u>-</u>	<u>(651,161)</u>	<u>1,219,836</u>
	<u>\$ 2,026,349</u>	<u>\$ -</u>	<u>\$ (712,159)</u>	<u>\$ 1,314,190</u>

Future payments on the lease agreements are as follows:

Years Ending June 30,	Principal	Interest	Total
2025	\$ 414,168	\$ 84,765	\$ 498,933
2026	399,195	58,938	458,133
2027	422,312	33,013	455,325
2028	<u>218,983</u>	<u>8,985</u>	<u>227,968</u>
	<u>\$ 1,454,658</u>	<u>\$ 185,701</u>	<u>\$ 1,640,359</u>

Note 6 - Pension Plan

Plan Description - The Lottery contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Pension Benefits - The Base Plan provides retirement, disability, and death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0%.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions- Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to sufficient assets to pay benefits when due. The contribution rates for employees are set by statute at 60% of the employer rate for general employees. As of June 30, 2024 and 2023, it was 6.71% and 7.62% for general employees, respectively. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.18% and 11.94% for June 30, 2024 and 2023, respectively. The Lottery's contributions were \$346,637 and \$343,948 for the years ended June 30, 2024 and 2023, respectively.

Pension Liability (Asset), Pension Expense (Expense Offset), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2024 and 2023, the Lottery reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Lottery's proportion of the net pension liability was based on the Lottery's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2023, the Lottery's proportion was .06774918 percent. At June 30, 2022 the Lottery's proportion was .06110666 percent, a decrease of the 2021 proportion which was 0.06136141 percent. For the year ended June 30, 2024 and 2023, the Lottery recognized pension expense of \$424,773 and \$2,141,569, respectively.

At June 30, 2024 and 2023, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 463,427	\$ -
Changes in assumptions or other inputs	267,718	-
Change in proportionate share	72,770	-
Net difference between projected and actual investment earnings on pension plan investments	253,777	-
Lottery contributions subsequent to measurement date	346,637	-
	<u>\$ 1,404,329</u>	<u>\$ -</u>

\$346,637 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2025.

June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 264,665	\$ 10,743
Changes in assumptions or other inputs	392,388	-
Change in proportionate share	-	-
Net difference between projected and actual earnings on pension plan investments	553,786	-
Lottery contributions subsequent to measurement date	343,948	-
	<u>\$ 1,554,787</u>	<u>\$ 10,743</u>

\$343,948 was reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ending June 30, 2024.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined for measurement periods ending June 30, 2024 was 4.4 years and June 30, 2023 was 4.6 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (expense offset) as follows:

Years Ended June 30		\$	
2025			358,855
2026			187,505
2027			541,373
2028			(30,043)

Actuarial Assumptions - Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2023 and 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30 percent
Salary increases including inflation	3.05 percent
Investment rate of return	6.35 percent, net of pension plan investment expense
Cost of Living (COLA) adjustments	1.00 percent

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back one year for all general employees and all beneficiaries

Economic assumptions were studied in an experience study performed for the period 2015 through 2020. Demographic assumptions, including mortality were studied for the period 2015 through 2020. The Total Pension Liability (Asset) as of June 30, 2023 and 2022, are based on the results of an actuarial valuation date of July 1, 2023 and 2022.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System’s asset allocation. The assumptions and the System’s formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System’s assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

The capital market assumptions are:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	-0.25%
TIPS	10%	-0.30%
Real Estate	8%	3.75%
Private Equity	8%	6.00%

Discount Rate - The discount rate used to measure the total pension liability was 6.35% for the years ended June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans’ net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate – The following presents the Employer’s proportionate share of the net pension liability calculated using the discount rate 6.35% for 2024 and 2023 as well as what the Employer’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
June 30, 2024			
Employer's Proportionate share of the net pension liability	<u>\$ 4,862,620</u>	<u>\$ 2,703,646</u>	<u>\$ 939,091</u>
June 30, 2023			
Employer's Proportionate share of the net pension liability (asset)	<u>\$ 4,247,843</u>	<u>\$ 2,406,843</u>	<u>\$ 900,033</u>

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

At June 30, 2024 and 2023, the Lottery reported no payables to the defined benefit pension plan for legally required employer contributions and for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

Note 7 - Other Post-Employment Benefits Other Than Pensions

The Lottery contributes to the Retiree Healthcare, Long-Term Disability, Long-Term Disability Income (Health and Disability) Sick Leave Insurance Reserve Fund (Sick Leave) other postemployment benefits (OPEB) plans.

The Retiree Healthcare and Long-Term Disability plans are single-employer defined benefit plans administered by the Idaho Department of Administration in accordance with Idaho Code Section 67-5761. The plans are funded on a pay-as-you-go basis; the State does not set aside any assets in a trust as defined by GASB Statement 75, paragraph 4. The State does not issue a publicly available financial report.

The Sick Leave plan is a cost sharing, multiple-employer defined benefit plan administered by the PERSI in accordance with Idaho Code Sections 67-5333, 33-1216, 59-1365, and 33-1228, and covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. Plan assets are set aside in a trust, as defined by GASB Statement 75, paragraph 4, and comingled with assets from other plans for investment purposes. The PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for the PERSI.

At June 30, 2024 and 2023, the Lottery has recorded an OPEB asset related to Sick Leave for \$271,415 and \$268,245, respectively. At June 30, 2024 and 2023, the Lottery has recorded an OPEB liability related to Health and Disability for \$16,654 and \$36,594, respectively. There were no deferred outflows or inflows of resources related to the OPEB asset and liability as of June 30, 2024 and 2023.

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

Note 8 - 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. The Lottery entered into a contract with INTRALOT to provide these services with a contract period of October 1, 2017 to October 1, 2027; with an option for the Lottery to extend the contract.

This contract includes an all-in price based upon a percentage of sales, which is 2.26% of Total Net Sales for the initial 10 year portion of the contract period. The contract does include two five year extension options, not to exceed a total of 20 years. The contract includes terminals, ticket checking devices, scratch and draw game automated vending machines and electronic jackpot signs.

Note 9 - Contingencies and Commitments

Prize Annuities

The Lottery purchases annuity contracts in the name of individual jackpot prize winners. Although the annuity contracts are in the name of the individual winners, the Lottery retains title to the annuity contracts. The Lottery remains liable for the payment of the guaranteed minimum prizes in the event the insurance companies issuing the annuity contracts default. The guaranteed minimum prize payments for which annuity contracts have been purchased are due in varying amounts through January 2043. The specified payments are \$8,070,000 and \$7,112,000 for the years ended June 30, 2024 and 2023, respectively.



Required Supplementary Information
June 30, 2024

Idaho Lottery

PERSI - Base Plan					
Last 10 - Fiscal Years					
	Employer's portion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
Measurement Period of July 1,					
2023	0.0677492%	\$ 2,703,646	\$ 2,874,141	94.07%	83.83%
2022	0.0611067%	\$ 2,406,843	\$ 2,224,989	108.17%	83.09%
2021	0.0613614%	\$ (48,462)	\$ 2,202,110	-2.20%	100.36%
2020	0.0638148%	\$ 1,481,864	\$ 2,199,057	67.39%	88.22%
2019	0.0684102%	\$ 780,883	\$ 2,252,306	34.67%	93.79%
2018	0.0688296%	\$ 1,015,250	\$ 2,127,591	47.72%	91.69%
2017	0.0691772%	\$ 1,087,348	\$ 2,064,242	52.68%	90.68%
2016	0.0670535%	\$ 1,359,277	\$ 1,900,483	71.52%	87.26%
2015	0.0672688%	\$ 885,821	\$ 1,819,119	48.70%	91.38%
2014	0.0716557%	\$ 527,498	\$ 1,812,989	29.10%	94.95%

Idaho Lottery
Schedule of Employer's Contributions
June 30, 2024

Years Ended June 30,	Statorily required contribution	Contributions in relation to the statorily required contribution	Contribution (deficiency) excess	Employer's covered- employee payroll	Contributions as a percentage of the covered- employee payroll
2024	\$ 346,637	\$ 346,637	\$ -	\$ 3,039,694	11.40%
2023	\$ 343,948	\$ 343,172	\$ 776	\$ 2,874,141	11.97%
2022	\$ 287,719	\$ 265,664	\$ 22,055	\$ 2,224,989	11.94%
2021	\$ 273,417	\$ 262,932	\$ 10,485	\$ 2,202,110	12.42%
2020	\$ 271,321	\$ 262,567	\$ 8,754	\$ 2,199,057	11.87%
2019	\$ 254,736	\$ 255,412	\$ (676)	\$ 2,252,306	11.31%
2018	\$ 244,738	\$ 241,269	\$ 3,469	\$ 2,127,591	11.50%
2017	\$ 221,998	\$ 234,085	\$ (12,087)	\$ 2,064,242	10.75%
2016	\$ 219,749	\$ 215,515	\$ 4,234	\$ 1,900,483	11.56%
2015	\$ 213,289	\$ 206,288	\$ 7,001	\$ 1,819,119	11.72%



Other Information
June 30, 2024

Idaho Lottery



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Director and Board of Commissioners
Idaho Lottery
Boise, Idaho

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Idaho Lottery (the Lottery), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Lottery’s basic financial statements and have issued our report thereon dated November 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lottery's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lottery’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lottery’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
November 21, 2024