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Earl Ray Tomblin
Governor

John C. Musgrave
Director

MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director

RE: Monthly Report on Lottery Operations
Month Ending September 30, 2015

A handwritten signature in black ink, appearing to read "John C. Musgrave", written over the "FROM:" line of the memorandum.

DATE: October 16, 2015

This report of the Lottery operations is provided pursuant to the State Lottery Act.

Financial statements of the Lottery for the month ending September 30, 2015 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$92,652,304 for the month of September.

Transfers of lottery revenue totaling \$39,381,145 made for the month of September to the designated state agencies per Senate Bill 160, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 10 on pages 19 and 20 of the attached financial statements.

The number of traditional and limited retailers active as of September 30, 2015 was 1,514 and 1,368 respectively.

A listing of the names and amounts of prize winners has been provided to the Clerk of the Senate, the Clerk of the House and Legislative Services.

If any member of the Committee has questions concerning the Lottery, please call me. Also if any members of the Legislature wish to visit the Lottery offices, I would be pleased to show them our facilities and discuss the Lottery with them.

JCM
Attachment

pc: Honorable Earl Ray Tomblin, Governor
Robert S. Kiss, Cabinet Secretary – Dept. of Revenue
John Perdue, Treasurer
Glen B. Gainer III, Auditor
Members of the West Virginia Lottery Commission

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WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

September 30, 2015

WEST VIRGINIA LOTTERY

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WEST VIRGINIA LOTTERY
STATEMENT OF NET POSITION
(In Thousands)
-Unaudited-

	September 30, 2015	June 30, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 132,545	\$ 163,592
Accounts receivable	26,856	33,929
Inventory	451	457
Other assets	1,828	1,894
Total Current Assets	<u>161,680</u>	<u>199,872</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	693	1,130
Capital assets	49,873	47,763
Less accumulated depreciation and amortization	<u>(10,267)</u>	<u>(10,000)</u>
Net Capital Assets	<u>39,606</u>	<u>37,763</u>
Total Noncurrent Assets	<u>40,299</u>	<u>38,893</u>
Total Assets	<u>\$ 201,979</u>	<u>\$ 238,765</u>
Deferred outflows of resources	<u>\$ 1,099</u>	<u>\$ 1,099</u>
Total assets and deferred outflows	<u>\$ 203,078</u>	<u>\$ 239,864</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 92,375	\$ 123,920
Estimated prize claims	16,524	15,911
Accounts payable	2,764	2,158
Other accrued liabilities	<u>35,106</u>	<u>41,566</u>
Total Current Liabilities	<u>146,769</u>	<u>183,555</u>
Deferred inflows	<u>\$ 2,153</u>	<u>2,153</u>
Net Position:		
Restricted by enabling legislation	693	1,130
Net Investment in capital assets	39,606	37,763
Unrestricted	<u>13,857</u>	<u>15,263</u>
Total Net Position	<u>54,156</u>	<u>54,156</u>
Total net position, liabilities, and deferred inflows	<u>\$ 203,078</u>	<u>\$ 239,864</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2015

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2016	2015	2016	2015
Lottery revenues				
On-line games	\$ 6,851	\$ 6,183	\$ 17,555	\$ 18,085
Instant games	8,384	9,202	25,086	26,633
Racetrack video lottery	44,433	44,393	141,126	149,598
Limited video lottery	28,865	29,355	89,360	90,774
Table games	3,479	3,778	11,143	12,240
Historic resort	640	568	1,596	2,025
	<u>92,652</u>	<u>93,479</u>	<u>285,866</u>	<u>299,355</u>
Less commissions				
On-line games	471	438	1,218	1,266
Instant games	587	644	1,756	1,864
Racetrack video lottery	24,378	24,356	77,427	82,076
Limited video lottery	14,144	14,384	43,786	44,480
Table games	1,474	1,601	4,721	5,186
Historic resort	300	291	820	969
	<u>41,354</u>	<u>41,714</u>	<u>129,728</u>	<u>135,841</u>
Less on-line prizes	3,297	3,225	8,593	8,886
Less instant prizes	5,562	6,117	16,607	17,602
Less ticket costs	128	205	381	528
Less vendor fees and costs	895	609	1,745	1,888
	<u>9,882</u>	<u>10,156</u>	<u>27,326</u>	<u>28,904</u>
Gross profit	<u>41,416</u>	<u>41,609</u>	<u>128,812</u>	<u>134,610</u>
Administrative expenses				
Advertising and promotions	381	417	1,425	1,509
Wages and related benefits	891	885	2,368	2,516
Telecommunications	97	82	277	211
Contractual and professional	468	240	1,054	1,074
Rental	40	22	114	73
Depreciation and amortization	89	133	267	474
Other administrative expenses	68	82	311	297
	<u>2,034</u>	<u>1,861</u>	<u>5,816</u>	<u>6,154</u>
Other Operating Income	<u>617</u>	<u>553</u>	<u>1,471</u>	<u>1,991</u>
Operating Income	<u>39,999</u>	<u>40,301</u>	<u>124,467</u>	<u>130,447</u>
Nonoperating income (expense)				
Investment income	99	(21)	116	75
Distributions to municipalities and counties	(566)	(575)	(1,752)	(1,779)
Distributions -capital reinvestment	(17)	(18)	(52)	(57)
Distributions to the State of West Virginia	(39,515)	(39,687)	(122,779)	(128,686)
	<u>(39,999)</u>	<u>(40,301)</u>	<u>(124,467)</u>	<u>(130,447)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>54,156</u>	<u>55,020</u>	<u>54,156</u>	<u>55,020</u>
Net position, end of period	<u>\$ 54,156</u>	<u>\$ 55,020</u>	<u>\$ 54,156</u>	<u>\$ 55,020</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2015

(In Thousands)

-Unaudited-

	2016	2015
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 294,410	\$ 302,218
Cash payments for:		
Personnel costs	(2,276)	(2,437)
Suppliers	(2,682)	(2,895)
Other operating costs	(155,892)	(163,877)
Cash provided by operating activities	<u>133,560</u>	<u>133,009</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(154,324)	(131,955)
Distributions to municipalities and counties	(1,774)	(1,777)
Distributions to racetrack from racetrack cap. reinv. fund	(6,984)	(8,105)
Cash used in noncapital financing activities	<u>(163,082)</u>	<u>(141,837)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(2,110)</u>	<u>(142)</u>
Cash flows from investing activities:		
Investment earnings received	<u>148</u>	<u>123</u>
Increase (decrease) in cash and cash equivalents	(31,484)	(8,847)
Cash and cash equivalents - beginning of period	<u>164,722</u>	<u>151,109</u>
Cash and cash equivalents - end of period	<u>\$ 133,238</u>	<u>\$ 142,262</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 124,467	\$ 130,447
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	267	474
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	7,073	872
(Increase) decrease in inventory	6	23
(Increase) decrease in other assets	34	57
Increase (decrease) in estimated prize claims	613	939
Increase (decrease) in accounts payable	606	200
Increase (decrease) in other accrued liabilities	494	(3)
Cash provided by operating activities	<u>\$ 133,560</u>	<u>\$ 133,009</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 1 - LEGISLATIVE ENACTMENT

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the “State Lottery Fund.” The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a blended proprietary fund component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Lottery is presented below.

BASIS OF PRESENTATION – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments,” and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*,” the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

The Lottery is included in the State’s basic financial statements as a proprietary fund and business type activity using the accrual basis of accounting. Because of the Lottery’s presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

USE OF ESTIMATES – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements. Actual results could differ from management’s estimates.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LOTTERY GAME OPERATIONS – The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

The Lottery has contracted with a private vendor to manufacture, distribute, and provide data processing support for instant and on-line games. Under the terms of the agreements, the Lottery pays a percentage of gross revenues or gross profits for the processing and manufacture of the games.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state “jackpot” game; HOT LOTTO®, a multi-state “lotto” game; Mega Millions®, a multi-state “jackpot” game; Cash25 “lotto” game; Daily 3 and 4 “numbers” games; and Travel, a daily “keno” game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent’s on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery’s sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games’ prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue “gross terminal income” equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The legislation further stipulates the distribution of revenues from video lottery games, and requires any video lottery licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Table games are lotteries as each game involves consideration, the possibility of a prize, and their outcome is determined predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery. Table games are the exclusive intangible intellectual property of the state of West Virginia. Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), and licensed historic resort hotels as defined by WV Code. Each licensee as an agent of the Lottery Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee's adjusted gross receipts for the operation of West Virginia Lottery table games. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents primarily consist of interest-earning deposits in an external investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7 like pool carried at amortized cost which approximates fair value of the underlying securities.

INVENTORY – Inventory consists of instant game tickets available for sale to approved Lottery retailers and is carried at cost as determined by the specific identification method.

OTHER ASSETS – Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

CAPITAL ASSETS – The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements and purchased equipment, comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

ADVERTISING AND PROMOTIONS – The Lottery expenses the costs of advertising and promotions as they are incurred.

COMPENSATED ABSENCES – The Lottery has accrued \$563,913 and \$573,313 of at June 30, 2015 and 2014, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan (see Note 16).

**WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION – Net position is presented as restricted, unrestricted and net investment in capital assets which represent the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

OPERATING REVENUES AND EXPENSES – Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 3 - CASH AND CASH EQUIVALENTS

At September 30, 2015 the carrying amounts of deposits (overdraft) with financial institutions were \$469 thousand with a bank balance (overdraft) of \$514 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia’s agent in the State’s name.

A summary of the amount on deposit with the West Virginia Board of Treasury Investments (BTI) is as follows (in thousands):

	September 30, 2015	June 30, 2015
Deposits with financial institutions	\$ 469	\$ 477
Cash on hand at the Treasurer's Office	12,443	21,525
Investments with BTI reported as cash equivalents	120,326	142,720
	\$ 133,238	\$ 164,722

The deposits with the BTI are part of the State of West Virginia’s consolidated investment cash liquidity pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the month ended September 30, 2015 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2015	Additions	Deletions	Historical Cost At September 30, 2015
Construction in Progress	\$ 1,090	\$ 2,110	\$ -	\$ 3,200
Buildings	38,084	-	-	38,084
Land	1,434	-	-	1,434
Improvements	260	-	-	260
Equipment	6,895	-	-	6,895
	<u>\$ 47,763</u>	<u>\$ 2,110</u>	<u>\$ -</u>	<u>\$ 49,873</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2015	Additions	Deletions	Historical Cost At September 30, 2015
Buildings	\$ 3,093	\$ 238	\$ -	\$ 3,331
Improvements	260	-	-	260
Equipment	6,647	29	-	6,676
	<u>\$ 10,000</u>	<u>\$ 267</u>	<u>\$ -</u>	<u>\$ 10,267</u>

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the HOT LOTTO® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, HOT LOTTO® and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended September 30, 2015 and fiscal year-to-date is as follows:

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 3,763,334	\$ 8,102,772
Hot Lotto	421,293	1,260,188
Mega Millions	853,501	2,633,756
Total	\$ 5,038,128	\$ 11,996,716

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,884,286	\$ 4,057,277
Hot Lotto	210,714	630,261
Mega Millions	426,765	1,320,445
Total	\$ 2,521,765	\$ 6,007,983

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

	<u>PowerBall</u>	<u>Hot Lotto</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$125,000,000	\$9,000,000	\$45,000,000

At September 30, 2015, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 109,939,920	\$ 1,887,126
Hot Lotto	8,053,041	547,805
Mega Millions	36,381,042	544,873
Total	<u>\$ 154,374,003</u>	<u>\$ 2,979,804</u>

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to 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 is never more than one year, except that up to one third

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$15,385,415 at September 30, 2015, of which the Lottery's share was \$1,590,485.

NOTE 6 - RACETRACK VIDEO LOTTERY

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (57%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 10 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.

After deduction of the surcharge, 49% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (5%); and the local county and incorporated municipality governments (2%).

WEST VIRGINIA LOTTERY
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NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 10.

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Ohio, Rhode Island, Maryland, and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended September 30, 2015 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2016	2015	2016	2015
Total credits played	\$ 493,671	\$ 507,184	\$ 1,564,305	\$ 1,689,352
Credits (prizes) won	(443,059)	(455,074)	(1,403,291)	(1,515,707)
Promotional credits played	(6,158)	(7,688)	(19,815)	(23,952)
MWAP Contributions	(21)	(29)	(73)	(95)
Gross terminal income	44,433	44,393	141,126	149,598
Administrative costs	(1,777)	(1,776)	(5,645)	(5,984)
Net Terminal Income	42,656	42,617	135,481	143,614
Less distribution to agents	(24,378)	(24,356)	(77,427)	(82,076)
Racetrack video lottery revenues	<u>\$ 18,278</u>	<u>\$ 18,261</u>	<u>\$ 58,054</u>	<u>\$ 61,538</u>

A summary of video lottery revenues paid or accrued for certain state funds to conform with the legislation follows (in thousands):

	September 30, 2015	Year-to-Date
State Lottery Fund	\$ 12,797	\$ 40,645
State Excess Lottery Revenue Fund	5,481	17,409
Capital Reinvestment Fund	-	-
Total nonoperating distributions	<u>\$ 18,278</u>	<u>\$ 58,054</u>

NOTE 7 - LIMITED VIDEO LOTTERY

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation

WEST VIRGINIA LOTTERY
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NOTE 7 - LIMITED VIDEO LOTTERY (continued)

stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses.

A summary of limited video lottery revenues for the month ended September 30, 2015 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2016	2015	2016	2015
Total credits played	\$ 346,916	\$ 346,953	\$ 1,064,926	\$ 1,078,077
Credits (prizes) won	(318,051)	(317,598)	(975,566)	(987,303)
Gross terminal income	\$ 28,865	\$ 29,355	\$ 89,360	\$ 90,774
Administrative costs	(577)	(587)	(1,787)	(1,815)
Gross Profit	28,288	28,768	87,573	88,959
Commissions	(14,144)	(14,384)	(43,786)	(44,480)
Municipalities and Counties	(566)	(575)	(1,752)	(1,779)
Limited video lottery revenues	<u>\$ 13,578</u>	<u>\$ 13,809</u>	<u>\$ 42,035</u>	<u>\$ 42,700</u>

NOTE 8 – TABLE GAMES

Table Games legislation passed in 2007 per House Bill 2718. Table games include blackjack, roulette, craps, and various types of poker. Each racetrack licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts which will be deposited weekly into the Racetrack Table Games Fund.

From the gross amounts deposited into the Racetrack Table Games Fund, the Commission, on a monthly basis shall:

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located. Transfer three percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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- 1) Transfer four percent into a special fund to be established by the Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association;
- 2) Transfer ten percent, to be divided and paid in equal shares, to each county commission in the state where table games are not located;
- 3) Transfer ten percent, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located; and
- 4) Transfer seventy-six percent to the State Excess Lottery Revenue Fund.

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 10- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended September 30, 2015 were \$9,939,196 and \$31,837,859, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2016	2015	2016	2015
Table Games Privilege Tax	\$ 3,479	\$ 3,778	\$ 11,143	\$ 12,240
Interest on Table Games Fund	-	-	1	1
Administrative costs	(298)	(324)	(955)	(1,049)
Total Available for Distribution	3,181	3,454	10,189	11,192
<u>Less Distributions:</u>				
Racetrack Purse Funds	224	243	716	787
Thoroughbred & Greyhound Development Funds	179	194	573	629
Racing Association Pension Plan	87	95	280	308
Municipalities/ Counties	984	1,069	3,152	3,462
Total Distributions	1,474	1,601	4,721	5,186
Excess Lottery Fund	\$ 1,707	\$ 1,853	\$ 5,468	\$ 6,006

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – HISTORIC RESORT HOTEL

In 2009, the Legislature passed Senate Bill 575 which permits video lottery and table games at a licensed historic resort hotel which is defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility.”

Historic Resort Video Lottery

According to Senate Bill 575, thirty six percent (36%) of gross terminal income is allocated to Historic Resort Hotel Fund and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for each licensed historic resort hotel. The remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the historic resort hotel.

A summary of historic resort hotel video lottery revenues for the month ended September 30, 2015 and fiscal year-to-date follows (in thousands):

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Total credits played	\$ 4,984	\$ 5,479	\$ 15,147	\$ 16,147
Credits (prizes) won	(4,563)	(5,033)	(13,856)	(14,784)
Promotional credits played	(55)	(55)	(188)	(151)
MWAP Contributions	-	-	-	-
Gross terminal income	<u>366</u>	<u>391</u>	<u>1,103</u>	<u>1,212</u>
Capital reinvestment	(17)	(18)	(52)	(57)
Excess Lottery Fund	(3)	(4)	(10)	(11)
Administrative costs	(20)	(21)	(59)	(65)
Hotel commissions	<u>(155)</u>	<u>(165)</u>	<u>(466)</u>	<u>(513)</u>
Net terminal income	171	183	516	566
Historic Resort Hotel Fund	109	116	328	360
Human Resource Benefit Fund	62	67	188	206

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 9 – HISTORIC RESORT HOTEL (continued)

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended September 30, 2015 were \$782,805 and \$1,409,423, respectively.

The following table shows the month and fiscal year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Table games privilege tax	\$ 274	\$ 177	\$ 493	\$ 813
Administrative Costs	<u>(35)</u>	<u>(23)</u>	<u>(64)</u>	<u>(104)</u>
Total Available for Distribution	239	154	429	709
Historic Resort Hotel Fund	200	129	359	593
Human Resource Benefit Fund	39	25	70	116

Historic Resort Hotel Fund

Of the monies deposited into the Historic Resort Hotel Fund, fifteen percent (15%) is allocated for lottery administrative costs. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) is distributed as follows:

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands):

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 109	\$ 328
Historic Resort Table Games	200	359
Interest on Historic Resort Hotel Fund	-	-
Historic Resort Hotel Fund Net Income	<u>309</u>	<u>687</u>
Municipalities/ Counties	44	96
Excess Lottery Fund	265	591
Total Distributions	<u>\$ 309</u>	<u>\$ 687</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2016 the State Legislature budgeted \$136,319,575 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended September 30, 2015 the Lottery has accrued additional distributions of \$92,374,776. The Lottery is a non-appropriated state agency and therefore does not have a budget adopted by the Legislature.

A summary of the cash distributions made to certain state agencies to conform to the legislation follows (in thousands):

<u>BUDGETARY DISTRIBUTIONS</u>	<u>September 30, 2015</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 1,500
Bureau of Senior Services	6,235	40,104
Department of Education	2,274	10,981
Library Commission	1,447	6,986
Higher Education-Policy Commission	914	4,413
Tourism	1,013	4,893
Natural Resources	404	1,950
Division of Culture & History	601	2,902
Department of Education & Arts	201	970
Economic Development Authority	1,000	2,999
School Building Authority	1,800	5,400
Total State Lottery Fund	\$ 16,389	\$ 83,098

**WEST VIRGINIA LOTTERY
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State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,899	\$ 5,696
Higher Education Improvement Fund	1,500	4,500
General Purpose Account	5,638	10,975
Higher Education Improvement Fund	2,516	4,897
State Park Improvement Fund	434	845
School Building Authority	1,899	5,697
Refundable Credit	-	170
WV Racing Commission	173	337
WV Department of Health and Human Resources	-	20,000
Teacher's Retirement Savings	-	-
Division of Justice and Community Services	-	-
WV Lottery Statutory Transfers	5,691	11,078
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	3,202	6,866
	\$ 22,952	\$ 71,061
Total Budgetary distributions:	\$ 39,341	\$ 154,159
Veterans Instant Ticket Fund	\$ 40	\$ 165
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 39,381	\$ 154,324
Accrued nonoperating distributions, beginning	(92,241)	(123,920)
Accrued nonoperating distributions, end	92,375	92,375
	\$ 39,515	\$ 122,779

NOTE 11 – LEASES

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended September 30, 2015 and September 30, 2014 approximated \$114,484 and \$73,058 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended September 30, 2015 and September 30, 2014 approximated \$123,609 and \$357,132 respectively.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – RESTRICTED NET POSITION

On June 14, 2006, House Bill 106 was enacted by the West Virginia State Legislature to set aside unexpended administrative expenses of the Lottery up to the limits for such expenses established by the enabling legislation of traditional, racetrack video lottery, and limited video lottery games in an amount not to exceed \$20,000,000 beginning in fiscal year 2006 and each year through fiscal year 2012. These assets are to be set aside for the design and construction of a building for the use of the Lottery and certain other State of West Virginia governmental entities. Contributions to the fund for fiscal years ending June 30, 2015 and June 30, 2014 were as follows:

	June 30, 2015	June 30, 2014
Beginning balance	\$ 1,397	\$ 1,640
Additions		
Legislative Appropriations		
Deductions		
Asset acquisition	(267)	(243)
Surplus of excess funds		
Ending balance	\$ 1,130	\$ 1,397

NOTE 13 – COMMITMENTS

For the years ended June 30, 2015 and 2014 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2015 and 2014, \$8,416,061 and \$7,653,177, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

NOTE 14 - RETIREMENT BENEFITS

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the

**WEST VIRGINIA LOTTERY
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NOTE 14 - RETIREMENT BENEFITS (continued)

employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 13.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending September 30, 2015 and fiscal year-to-date are as follows (in thousands):

	September 30, 2015	Year-to-Date
Lottery contributions	\$ 27	\$ 81
Employee contributions	83	262
Total contributions	\$ 110	\$ 343

NOTE 15 - RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia. Each of these risk pools has issued separate audited financial reports on their operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

WORKERS' COMPENSATION INSURANCE

The Lottery carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a monthly rated premium to provide compensation for injuries sustained in the course of employment.

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired

WEST VIRGINIA LOTTERY
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employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

NOTE 15 - RISK MANAGEMENT (continued)

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage to the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

NOTE 16– OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund (Trust), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, South East, Suite 2, Charleston, West Virginia, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is \$389 and \$270 per employee per month for the years ending June 30, 2015 and 2014 respectively. Through June 30, 2015 and 2014, the Lottery has paid premiums of \$287,861 and \$291,750. As of June 30, 2015 and 2014, the Lottery has recorded a liability of \$4,631,089 and \$4,318,481 on its balance sheet for OPEB.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE
 LOTTERY FUND AND EXCESS LOTTERY FUND
 FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2015
 (In Thousands)**

	Current Month		FISCAL YEAR	
	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Gross Revenues				
Instant games	8,384	7,917	25,086	23,750
On-line games	6,851	5,792	17,555	17,375
Racetrack video lottery	44,433	38,193	141,125	122,314
Limited video lottery	28,865	29,481	89,360	90,935
Racetrack table games	3,479	3,004	11,145	9,842
Historic resort	640	649	1,596	1,863
Total gross revenues	<u>92,652</u>	<u>85,036</u>	<u>285,867</u>	<u>266,079</u>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,034	1,035	3,629	3,106
On-line games	2,127	1,692	5,604	5,077
Racetrack Video Lottery	12,800	11,000	40,653	35,227
Total Lottery Fund net revenues	<u>15,961</u>	<u>13,727</u>	<u>49,886</u>	<u>43,410</u>
Excess Lottery Fund				
Racetrack Video Lottery	5,482	4,712	17,412	15,089
Limited Video Lottery	13,671	13,868	42,133	42,775
Limited Video Lottery Fees	530	-	1,208	0
Racetrack table games	1,707	1,474	5,468	4,829
Historic resort	268	305	600	777
Total Excess Lottery Fund Net Revenues	<u>21,658</u>	<u>20,359</u>	<u>66,821</u>	<u>63,470</u>
Total Net Revenues	<u>37,619</u>	<u>34,086</u>	<u>116,707</u>	<u>106,880</u>