2023

VIRGINIA LOTTERY ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the fiscal year ended June 30, 2023

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INTRODUCTORY SECTION

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Virginia Lottery | 600 E. Main St. | Richmond, VA 23219 | ph: 804.692.7000 | fax: 804.692.7102 | valottery.com

January 3, 2024

Virginia Lottery Board
The Honorable Glenn Youngkin, Governor

INTRODUCTION

The Virginia Lottery is pleased to submit its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. Lottery management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge, the information presented is accurate and complete in all material respects and fairly depicts the financial activities and position of the Lottery.

This report is organized into four sections. The introductory section includes this letter of transmittal, an organizational chart, and an historical overview. The financial section includes the independent auditor's report, management's discussion and analysis, and the audited financial statements with accompanying notes. Historical, demographic, and industry comparative data are presented in the statistical section of this report.

The Virginia Lottery was created in January 1988 and began selling lottery tickets on September 20, 1988. The mission is to operate a lottery and produce revenue consonant with the probity of the Commonwealth and the general welfare of its people, to be used for the public purpose of support for public education in Virginia.

The Lottery is considered a major enterprise fund of the Commonwealth of Virginia and is reported as a proprietary fund within the state's Annual Comprehensive Financial Report. The fund is operated in a manner like a private business enterprise.

During its 34 years of operation, the Lottery has offered a variety of instant and draw-style products. The instant games consist of preprinted "scratch-off" tickets, which contain various symbols and captions covered by latex material. Players instantly determine the winning or non-winning status of their tickets by removing the latex. Draw-style game tickets are produced through terminals at lottery retailer locations based on player instructions for number selection. Drawings are conducted to determine winning combinations. Pick 5 was introduced during the fiscal year with sales beginning June 6, 2023. In addition, effective beginning July 1, 2020, iLottery sales began with eInstant games and certain draw-style games. Last year, iLottery activity represented nearly half of all lottery sales. Historical data for all lottery products are presented in the financial and statistical sections of this report.

FINANCIAL CONDITION, ACCOMPLISHMENTS, AND POLICIES

Current year operating performance was exceptional. Total sales of $4.6 billion and income from operations totaling $867.5 million were at the highest levels ever in the thirty-four-year history of the Lottery. General operating expenses were $191 million, retail compensation expense was $138 million, total prize expense was $3.4 billion, and $781.2 million was transferred to the Lottery Proceeds Fund in support of public education. Transfers of profits are handled in accordance with the official state budget; 100% of lottery profits are transferred to the Lottery Proceeds Fund in either the current or subsequent fiscal year as those profits are earned.

Current assets totaled $306.4 million as of June 30, 2023. These assets are primarily cash and accounts receivable balances, available to fund current liabilities for prizes and operations. Liquidity is stable because working capital is continuously replenished through the weekly collection of net sales proceeds from Lottery retailers, and the direct receipt of funds for iLottery purchases.

Investment policies have generated interest earnings of over $4 million. Cash balances not needed for daily funding of operations are invested by the Treasurer of Virginia.

An analysis of comparative financial data is included in Management's Discussion and Analysis beginning on page 19. The notes to the financial statements that begin on page 40 contain information about investments (note 2), prize liabilities (note 11), risk management (note 16), and net income (note 6). A historical perspective of the Lottery's performance and financial condition is included in the statistical section beginning on page 114.

ORGANIZATIONAL INFORMATION

Enterprise Operations

The independent agency status of the Lottery enables it to be managed in an entrepreneurial and business-like manner. The Virginia Lottery's basic business purpose is to operate a lottery to benefit the citizens of Virginia, in a secure and responsible manner. The operations involve the sale of lottery tickets, the determination of winning tickets, the payment of prizes, compensation to lottery retailers, and all necessary administrative functions.

Governmental Operations

In addition to its business-type activities, the Lottery has also been tasked with regulatory responsibilities for land-based casinos and internet sports betting. This includes regulation, licensing, auditing, and compliance for gaming operators, equipment manufacturers and distributors, suppliers, and employees. These activities are accounted for and presented separately in the financial statements as a governmental special revenue fund.

As intended by the enabling statutes, the Lottery is accountable to the governor, the legislature, and the citizens of Virginia through a system of audits, reports, legislative oversight, and thorough financial disclosure.

Operational results are included in the financial and statistical sections of this report.

Internal Control Framework

Management is responsible for the design and operation of the control environment and agency policies and procedures. An effective control system operating as intended prevents or detects material errors or misstatements. Inherently, most controls cannot provide complete effectiveness and the cost of operating the controls should not exceed the anticipated benefits. However, the internal control structure should provide reasonable assurance that corporate objectives will be achieved in the following categories:

- Reliability of financial reporting
- Safeguarding of assets
- Compliance with applicable laws and regulations

Management has assigned responsibilities and designed processes to prevent potential conflicts of interest or unilateral control of critical functions. The Lottery has segregated duties in several key areas including the following:

- Human resources and payroll processing
- Daily cash management and bank account reconciliations
- Cash disbursement authorization and bank account reconciliations
- Purchasing and accounts payable
- Cash disbursement authorization and accounts payable
- Retailer licensing and retailer accounts receivable
- General ledger accounts receivable and retailer accounts receivable
- Data center processing and programming
- Draw operations and information systems data center operations

Operational policies and procedures have been established to communicate management guidelines and requirements for daily operations. Employee compliance with these standards is constantly monitored and evaluated.

Budgetary Controls

The Virginia Lottery is required to submit its forecast of sales and profits, and resulting transfers to the Lottery Proceeds Fund, to the Governor for inclusion in the introduced budget to be considered by the General Assembly. The Virginia Lottery Board reviews the recommended forecast, and then forwards its recommendation to the Governor. The forecast includes expected sales, and the total cost of sales inclusive of prizes, retailer compensation, and operating expenses. The Lottery's strategic objectives are the focus, and all levels of management are involved in the budgeting process. Operational efficiency is emphasized to direct resources to areas that are expected to maximize revenues, profitability, and the available cash profit transfers for the benefit of public education in Virginia.

Actual performance is compared to the approved budget monthly, with weekly monitoring and assessment of sales activities. Variances are monitored, and plans are reviewed for potential adjustments.

Cash Management

Cash due from retailers for lottery transactions is collected on a weekly basis through an electronic funds transfer system and deposited with the State Treasurer. Operating cash balances are used to fund daily lottery operations such as prize and retailer compensation payments. Funds not needed for liquidity purposes are invested by the Treasurer of Virginia, including securities lending activity for investments held for future annuity prize payments. All investment purchases are governed by policies approved by the State Treasurer of Virginia.

Risk Management

The Lottery participates in various insurance programs for protection from significant economic loss. These policies include coverage for standard automobile liability, general liability, worker's compensation claims, property, errors and omissions, and cyber risk liability. In addition, contracts for major purchases of goods or services contain requirements for vendor indemnification of the Lottery and vendor insurance and performance bond coverages. The Code of Virginia requires all licensed lottery retailers to be covered by a surety bond, which protects the agency's significant accounts receivable asset.

MAJOR INITIATIVES

Management has developed a vision statement and a long-term strategic plan. The vision statement reads as follows:

"*Responsibly create and regulate games, experiences, and fun to benefit K-12 education and Virginia Initiatives.*"

The strategic plan supports this vision through projects structured toward integrity, innovation, collaboration, empowerment, and customer focus.

INDEPENDENT AUDIT

The Virginia Auditor of Public Accounts performs an annual audit of the Lottery's financial statements as required by Virginia statutes. The audits are conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards. The independent auditor's opinion on the Lottery's financial statements for the year ended June 30, 2023, is included in the financial section of this report and expresses a clean, unmodified opinion.

ACKNOWLEDGMENTS

The Finance team prepared each section of the Annual Comprehensive Financial Report. Their efforts have greatly contributed to the success of this informative document. In addition, we appreciate the efforts of the Office of the Auditor of Public Accounts, and the Virginia Department of Accounts, in providing assistance with technical requirements.

We are committed to providing thorough and relevant financial information to the users of our financial statements. Our preparation of this Annual Comprehensive Financial Report reflects this commitment. The additional presentations and disclosures required will assist readers in obtaining an understanding of the Lottery's historical and current financial results.

Respectfully submitted,

THE VIRGINIA LOTTERY

Courtney J. Shearer, CPA
Controller

Deborah C. Courtney
Deputy Executive Director for Finance and Administration

ORGANIZATIONAL CHART WITH PRINCIPAL OFFICIALS (EFFECTIVE OCTOBER 25, 2023)

VIRGINIA LOTTERY BOARD OF DIRECTORS

Ferhan Hamid, Chairman

Cynthia Lawrence, Vice Chairman

Vonda Collins, CPA

Jonathan Comer

Orrin Gallop

Scott Price

Adam Tolbert

VIRGINIA LOTTERY ORGANIZATIONAL CHART

INTERIM DIRECTOR
Tony Russell

- DEPUTY DIRECTOR
- EXECUTIVE ASSISTANT
- GENERAL COUNSEL
- DIRECTOR OF INFORMATION SECURITY

DEPUTY EXECUTIVE DIRECTOR OF GAMING COMPLIANCE
- GAMING LICENSING & INVESTIGATION
- GAMING OPERATIONS
- CASINO AUDIT & COMPLIANCE
- GAMING AUDIT
- GAMING COMPLIANCE

DIRECTOR OF SALES
- FIELD SALES
- SALES PROGRAMS
- BUSINESS DEVELOPMENT
- SALES SYSTEMS & OPERATIONS

DEPUTY EXECUTIVE DIRECTOR OF FINANCE & ADMINISTRATION
- PURCHASING
- FINANCE & ACCOUNTING
- ECONOMIC RESEARCH
- LOTTERY BUSINESS OPERATIONS
- LICENSING
- CUSTOMER SERVICE CENTER OPERATIONS
- INTERNAL AUDIT
- COMMUNICATIONS & CUSTOMER RELATIONS

DIRECTOR OF MARKETING
- BRAND & ADVERTISING
- STRATEGIC GAMES
- CUSTOMER STRATEGY

DEPUTY EXECUTIVE DIRECTOR OF ITS & OPERATIONS
- INFORMATION TECHNOLOGY SYSTEMS
- PROJECT MANAGEMENT OPERATIONS
- HUMAN RESOURCES
- FACILITIES & SECURITY
- DRAW SHOW OPERATIONS

HISTORICAL OVERVIEW

1988 - 1989

- January 1988 - The State Lottery Department is created.
- September 1988 - Billy's Restaurant in Chatham, VA becomes the first retailer and the Lottery's first scratch ticket, *"Match 3"* is sold.
- October 1988 - The Lottery crosses $100 million threshold for lifetime sales.
- May 1989 - *"Pick 3"* sales begin and the first draw show is held.

1990 - 1995

- August 1990 - Milestone $1 billion in lifetime sales is acheived.
- September 1991 - "*Pick 4*" sales begin and the first draw occurs.
- December 1992 - The Lottery's first self service terminal is installed.
- January 1993 - "*Cash 5*" sales begin with the first draw taking place in February

1996 - 2000

- March 1996 - Lottery website launches.
- August 1996 - "*The Big Game*" multistate jackpot game sales begin with the first draw taking place in September.
- April 1999 - Lottery proceeds are dedicated to K-12 public education.
- August 2000 - The Lottery achieves $10 billion in lifetime sales.

2001 - 2005

- June 2001 - FY01 acheives $1 billion in annual sales for a single fiscal year
- May 2002 - *"The Big Game"* becomes *"Mega Millions"*
- April 2004 - Virginia's largest *MegaMillions* winner: JR & Peggy Triplett of Winchester won $239 million
- August 2005 - Subscription sales begin online through valottery.com

2006 - 2010

- March 2006 - *"Win for Life"* begins
- February 2007 - 1st "instant win" terminal game begins, *"Fast Play Bingo"*
- June 2007 - First raffle-style Lottery game drawing
- January 2010 - *"Powerball"* sales begin in Virginia

2011 - 2015

- February 2011 - *"Decades of Dollars"* launches
- October 2011 - *"Lottery Match"* launches
- May 2015 - Virgnina Lottery joins *"Cash4Life"* multistate game
- August 2015 - *"Bank A Million"* replaces *"Money Ball"*

2016 - 2020

- January 2016 - $1.5864 billion *PowerBall* Jackpot
- April 2016 - "*Fast Play*" ends and "*Print 'N Play*" begins
- October 2018 - $1.53 billion "*MegaMillions*" Jackpot
- July 2020 - iLottery sales begin, including single-draw game purchases and new eInstant game offerings
- August 2020 - *"KENO"* launches

2021 - 2023

- January 2021 - Fan Duel begins offering legal mobile sports betting in Virginia
- January 2022 - *"CASH POP"* launches
- April 2022 - iLottery's 1st online raffle game *"$100K Rose Gold Raffle"*
- July 2022 - Virginia's 1st casino, Hard Rock Bristol, is officially licensed and begins operations
- February 2023 - Mobile Cashing becomes available
- June 2023 - *"Pick 5"* launches
- June 2023 - Lottery reports record profits for FY23 and earns $867 million for Virginia's K-12 Public Schools

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FINANCIAL SECTION

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Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 3, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Virginia Lottery Board
Virginia Lottery

Tony Russell, Interim Director
Virginia Lottery

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of **Virginia Lottery** as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Virginia Lottery's basic 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 governmental activities, the business-type activities, and each major fund of Virginia Lottery as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Virginia 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 Matters

Relationship to the Commonwealth of Virginia

As discussed in Note 1A, the financial statements of Virginia Lottery are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the major enterprise fund, and the aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of Virginia Lottery. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Virginia, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year 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.

Change in Accounting Principle

As discussed in Notes 1.O., 3 and 10 of the accompanying financial statements, for the year ended June 30, 2023, Virginia Lottery implemented Governmental Accounting Standards Board Statement No. 96, Subscription Based Information Technology Arrangements. Net capital assets and right-to-use subscription liabilities have been restated in Notes 3 and 10 of the accompanying financial statements, respectively, to reflect the provisions of this standard. 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 Virginia 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 following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 19 through 31; the Schedule of Virginia Lottery's Share of Net Pension Liability, the Schedule of Virginia Lottery Contributions, and the Notes to Required Supplementary Information on pages 98 through 99; the Schedule of Virginia Lottery's Share of Net OPEB Liability (Asset), the Schedule of Virginia Lottery Contributions, and the Notes to Required Supplementary Information for the Health Insurance Credit, VRS Disability Insurance, Group Life Insurance, and Line of Duty Act programs on pages 99 through 110; and the Schedule of Virginia Lottery's Share of Total OPEB Liability and the Notes to Required Supplementary Information for the Pre-Medicare Retiree Healthcare program on pages 110 through 111. 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our

inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2023, on our consideration of Virginia Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Virginia Lottery's internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

LDJ/vks

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Virginia Lottery's Management's Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues and provides an overview of financial activity for the fiscal year ended June 30, 2023. All Virginia Lottery Business-type activity profits are transferred to the Commonwealth of Virginia (Commonwealth) each year in accordance with requirements in the Appropriations Act and the *Code of Virginia*. The Virginia Lottery is also responsible for regulatory oversight of mobile sports betting and land-based casino activity, collecting fees for application and licensure used to support the regulatory programs. These Governmental Gaming activities are also reflected in the financial statements. The information contained in this MD&A should be read in conjunction with the information contained in the accompanying financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Lottery sales totaled a record setting $4.6 billion in FY23, an increase of $859.4 million (+22.9%) as compared to $3.8 billion in FY22.
- Transfers to the Lottery Proceeds Fund totaled $867.4 million in FY23, an increase of $87.8 million (+11.3%) as compared to $779.6 million in FY22.
- Prize expenses for Lottery activities increased $739.4 million (+27.6%) to $3.4 billion in FY23 as compared to $2.7 billion in FY22.
- Revenue generated from iLottery instants reached a new record high totaling $2.1 billion in FY23, an increase of $781.1 million (+61.1%) as compared to $1.3 billion in FY22.
- Traditional games sold at retail and online remained consistent with prior year sales, finishing FY23 with total sales of approximately $2.6 billion, an increase of $78.4 million (3.2%) as compared to $2.5 billion in FY22.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Virginia Lottery is an independent agency of the Commonwealth of Virginia. In January 2021, licensed mobile based sports betting operators began accepting sports wagers in Virginia. The Virginia Lottery collected over $68.9 million in taxes associated with this wagering activity in FY23; all of which was deposited to the Commonwealth's General and Problem Gambling Treatment and Support Funds. Land-based casino gaming activities commenced in Virginia in FY23. The Virginia Lottery facilitated the collection of approximately $55.4 million in taxes associated with the casino wagering activity and related distributions were made to the Problem Gambling Treatment and Support Fund, the Family and Children's Trust Fund, and the host city or Regional Improvement Commission. The remainder of the gaming taxes retained in the established regulatory fund have been designated to support school construction projects. Lottery serves in an administrative capacity for the collection of taxes, hence, neither sports betting taxes nor casino taxes are presented in the financial statements; these revenues are included in the Commonwealth of Virginia's Annual Comprehensive Financial Report (ACFR).

FINANCIAL STATEMENTS

The annual financial report of the Virginia Lottery consists of three primary components: government-wide financial statements, fund financial statements, and notes to the financial statements. The government-wide financial statements report information about the Virginia Lottery as a whole, using accounting methods like those used by private-sector companies. The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. These government-wide financial statements are divided into two categories: Business-type Lottery activities and Governmental Gaming.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

FINANCIAL STATEMENTS (CONTINUED)

- The Business-type Lottery activities of the Virginia Lottery are accounted for in an enterprise fund, used to account for governmental operations that are financed and operated in a manner like private business enterprises. Enterprise fund accounting is used when the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate. The basis of accounting is an accrual basis where revenues are recognized when earned and expenses when incurred, regardless of when cash is exchanged. By law, the Virginia Lottery transfers all Business-type Lottery activity profits to the Commonwealth, specifically to the Lottery Proceeds Fund, each year. As a result, the net position of the Virginia Lottery Business-type Lottery activities consists of capital assets (equipment) and U.S. Treasuries held to fund future payments on annuitized Lottery prizes as shown in the Statement of Net Position. To assess the Virginia Lottery's financial position and financial health, the reader of these statements should pay particular attention to changes in operating revenues, expenses, and transfers to the Lottery Proceeds Fund as shown in the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, financing, and investing activities.

- The Governmental Gaming activities are accounted for in a special revenue fund, used to account for resources committed for a specific purpose. The fund balance is committed for the regulation of Sports Betting and Casino activities. The related activity has been accounted for using the modified accrual basis of accounting and the governmental fund financial statements have been prepared using the current financial resources measurement focus.

ENTITY-WIDE FINANCIAL ANALYSIS

Table 1 is a summarized analysis of the government-wide statement of net position as of June 30, 2023, and 2022. The statement of net position includes all the Lottery's assets, deferred outflows or resources, liabilities, and deferred inflows of resources. Net position, the difference between the Lottery's (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources, is one way to measure the Lottery's financial health, or position.

Statement of Net Position TABLE 1

($ in thousands, differences due to rounding)	Fiscal Year 2023			Fiscal Year 2022		
	Governmental Gaming Activities	Business-Type Lottery Activities	Total Entity Activities	Governmental Gaming Activities	Business-Type Lottery Activities	Total Entity Activities
Current assets	$40,091.9	$306,413.1	$346,505.0	$1,449.7	$198,448.4	$199,898.1
U.S. Treasuries	-	184,566.2	184,566.2	-	102,072.0	102,072.0
Net OPEB Asset	274.1	1,378.0	1,652.1	171.2	1,614.3	1,785.5
Capital Assets, net of depreciation	32,534.8	22,946.9	55,481.7	783.2	17,900.7	18,683.9
TOTAL ASSETS	**$72,900.8**	**$515,304.2**	**$588,205.0**	**$2,404.1**	**$320,035.4**	**$322,439.5**
Deferred Outflows of Resources	$1,693.8	$8,876.9	$10,570.7	$1,054.9	$9,331.7	$10,386.6
TOTAL ASSETS AND DEFERRED OUTFLOWS	**$74,594.6**	**$524,181.1**	**$598,775.7**	**$3,459.0**	**$329,367.1**	**$332,826.1**
Current liabilities	$50,513.0	$323,351.5	$373,864.5	$825.4	$213,363.1	$214,188.5
Non-Current liabilities	33,639.4	217,097.3	250,736.7	2,642.7	127,399.0	130,041.7
TOTAL LIABILITIES	**$84,152.3**	**$540,448.8**	**$624,601.1**	**$3,468.1**	**$340,762.1**	**$344,230.2**
Deferred Inflows of Resources	$1,370.9	$7,153.5	$8,524.4	$1,842.0	$16,201.8	$18,043.8
TOTAL LIABILITIES AND DEFERRED INFLOWS	**$85,523.3**	**$547,602.3**	**$633,125.6**	**$5,310.1**	**$356,963.9**	**$362,274.0**
NET POSITION						
Net Investment in capital assets	$1,435.8	$12,102.4	$13,538.2	$772.2	$14,901.4	$15,673.6
Unrestricted	(12,638.6)	(36,901.6)	(49,540.2)	(2,794.5)	(44,112.5)	(46,907.0)
Restricted OPEB	274.1	1,378.0	1,652.1	171.2	1,614.3	1,785.5
TOTAL NET POSITION	**($10,928.7)**	**($23,421.2)**	**($34,349.9)**	**($1,851.1)**	**($27,596.8)**	**($29,447.9)**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTITY-WIDE FINANCIAL ANALYSIS (CONTINUED)

CURRENT ASSETS AND LIABILITIES

Current assets and liabilities for the Governmental Gaming Activities primarily reflect cash and accounts payable and subscription obligations for the Fund. For the Business-Type Lottery activities, current assets and liabilities are primarily cash, accounts receivable, accounts payable, prizes payable and profits due to the Lottery Proceeds Fund.

Current assets and liabilities increased by $146.6 million and $159.7 million, respectively. Fiscal year-end 2023 cash was higher because FY23 profits exceeded expectations beyond what was required to be transferred to the Lottery Proceeds Fund during the year, creating a higher "due to" the Lottery Proceeds Fund balance and therefore a higher year end cash balance. Governmental Gaming Activities reported $42.7 million in unearned revenue related to casino operator license income that was deferred pursuant to generally accepted accounting principles.

NON-CURRENT ASSETS AND LIABILITIES

Non-Current assets are primarily investments in U.S. Treasuries to fund future prize payments won by annuity prize recipients, as well as capital assets comprised of equipment and technology assets. Non-current liabilities represent the obligations due to annuity prize recipients beyond one year, as well as pension and OPEB (Other Postemployment Benefits) liabilities. GASB 96 for subscription-based information technology arrangements went into effect in FY23 which is driving a large part of the increase as previously reported information technology expenses are now being recognized as non-current assets and liabilities. Details of capital asset additions, subtractions, and depreciation/amortization are included in note 3 to the financial statements.

Lottery U.S. Treasuries increased $82.5 million and consist of U.S. Treasury STRIPS purchased to fund individual jackpot and "For Life" prizes, as winners continue to receive their annuity prizes. Deferred inflows of resources decreased by $9.5 million due to the change in investment earnings set aside for future pension and other post-employment retiree benefit liabilities.

Since the Virginia Lottery transfers all Business-type Lottery profits to the Commonwealth each fiscal year, changes in assets do not reflect the results of its operating activities. Those results are discussed later in this document in the financial notes.

NET POSITION

Total net position presents the financial position of the Virginia Lottery, for both the Governmental Gaming activities and the Business-type Lottery activities. All Business-type Lottery activity profits are constitutionally dedicated to Virginia public education, and profits are transferred to the Lottery Proceeds Fund as established by the Appropriations Act. The negative Net Position and any changes in net position of the Lottery enterprise fund at year end reflect Lottery's portion of net pension and other post-employment benefits liabilities. The Net Position of the Governmental Gaming activities reflects resources available to support the ongoing regulatory oversight of mobile sports betting and land-based casino operators. The Net Position for the total entity decreased by $4.9 million in FY23. This decrease was primarily driven by Governmental Gaming expenses incurred in support of casino operations during FY23. Table 2 is a summarized version of the government wide statement of activities as of June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTITY-WIDE FINANCIAL ANALYSIS (CONTINUED)

NET POSITION (CONTINUED)

TABLE 2

Statement of Activities ($ in thousands, differences due to rounding)	Fiscal Year 2023			Fiscal Year 2022		
	Governmental Gaming Activities	Business-Type Lottery Activities	Total Entity Activities	Governmental Gaming Activities	Business-Type Lottery Activities	Total Entity Activities
Program Revenues	$ 9,391.8	$ 4,611,855.8	$ 4,621,247.7	$ 5,558.4	$ 3,752,415.3	$ 3,757,973.7
General Revenues	764.5	4,545.2	5,309.7	4.7	964.4	969.1
Total Revenues	$ 10,156.4	$ 4,616,401.0	$ 4,626,557.4	$ 5,563.1	$ 3,753,379.7	$ 3,758,942.7
Expenses	19,234.0	3,744,873.5	3,764,107.5	11,291.7	2,968,700.6	2,979,992.3
Change in Net Position Prior to Transfers	$ (9,077.6)	$ 871,527.4	$ 862,449.8	$ (5,728.6)	$ 784,679.1	$ 778,950.4
Transfers to the Lottery Proceeds Fund	-	867,351.9	867,351.9	-	779,569.3	779,569.3
Total Change in Net Position	$ (9,077.6)	$ 4,175.5	$ (4,902.1)	$ (5,728.6)	$ 5,109.8	$ (618.9)
Net Position - July 1	(1,851.1)	(27,596.8)	(29,447.9)	3,877.5	(32,706.5)	(28,829.0)
Net Position - June 30	$ (10,928.7)	$ (23,421.2)	$ (34,349.9)	$ (1,851.1)	$ (27,596.8)	$ (29,447.9)

ENTERPRISE FUND FINANCIAL ANALYSIS

In fiscal year 2023, net income from operations from enterprise Business-type Lottery activities of the Virginia Lottery totaled $867.5 million. $781.2 million of Fiscal Year 2023 operating profits were transferred to the Lottery Proceeds Fund during the year, as anticipated by the Appropriations Act. The amount of residual operating profits totaling $86.2 million is due to the Lottery Proceeds Fund and will be transferred in Fiscal Year 2024. Table 3 summarizes the Enterprise Fund revenues, expenses and change in net position.

Table 3

Statement of Revenues, Expenses, and Changes in Net Position ($ in thousands, differences due to rounding)	Fiscal Year 2023	Fiscal Year 2022	Change
Sales	$4,611,855.8	$3,752,415.3	$859,440.6
Prizes	(3,416,373.3)	(2,676,925.0)	(739,448.3)
Retailer Compensation	(137,300.7)	(138,607.9)	1,307.2
Ticket Printing and Gaming Services	(95,731.0)	(70,789.2)	(24,941.8)
Operating expenses	(94,915.2)	(82,270.9)	(12,644.4)
Income from Operations	867,535.5	783,822.3	83,713.3
Net Non-Operating Revenues	3,991.9	856.8	3,135.1
Net Income	871,527.4	784,679.1	86,848.4
Transfers to the Lottery Proceeds Fund	(781,181.2)	(776,078.8)	(5,102.4)
Due From (To) Lottery Proceeds Fund	(86,170.7)	(3,490.5)	(82,680.2)
Beginning Net Position	(27,596.8)	(32,706.5)	5,109.8
Ending Net Position	($23,421.2)	($27,596.8)	$4,175.5

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

SALES

Virginia Lottery products fall into three major categories: instant-win scratch games, draw-based games where results depend on the outcome of a random drawing process – either immediate or delayed, and digital instants purchased by registered adult players within the geographical borders of Virginia.

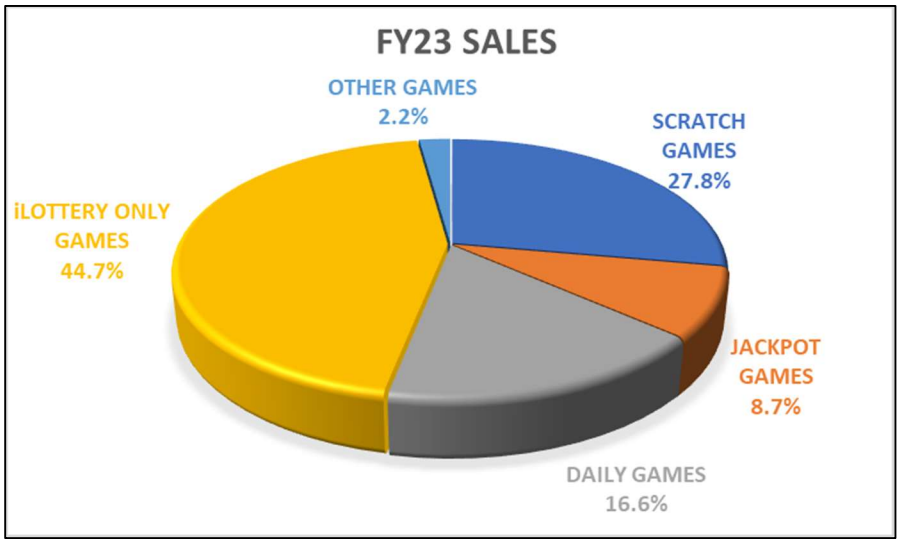
Table 4 compares sales for each Lottery product for fiscal years 2023 and 2022. Total sales revenue for fiscal year 2023 was higher, primarily from the continued growth of sales through iLottery.

Table 4

Sales

($ in thousands, differences due to rounding)	Fiscal Year 2023	Fiscal Year 2022	Change
Scratch Retail Sales	$ 1,281,673.1	$ 1,325,071.3	-3.3%
Retail Only Sales:			
Print 'n Play	$ 52,918.7	$ 56,972.7	-7.1%
Keno	35,646.7	46,962.4	-24.1%
CASH POP	48,804.7	21,748.1	124.4%
Millionaire Raffle	12,500.0	10,000.0	25.0%
Bank A Million	9,485.5	10,025.8	-5.4%
	$ 159,355.5	$ 145,709.0	9.4%
Online iLottery Only Sales:			
iLottery Instants	$ 2,060,238.7	$ 1,279,177.6	61.1%
iLottery Raffle	2,033.7	500.0	306.7%
	$ 2,062,272.4	$ 1,279,677.6	61.2%
Retail & Online Sales:			
Pick 3	$ 324,780.2	$ 349,713.5	-7.1%
Pick 4	353,152.6	361,898.4	-2.4%
Cash 5	35,734.8	34,840.1	2.6%
Pick 5	3,583.4	-	N/A
Cash4Life	29,633.1	29,459.4	0.6%
Powerball	178,785.2	133,446.1	34.0%
Mega Millions	182,885.5	92,599.9	97.5%
	$ 1,108,554.8	$ 1,001,957.4	10.6%
Total Sales	**$ 4,611,855.8**	**$ 3,752,415.3**	**22.9%**

The following graphic shows the various genres of games as they relate to total product sales for FY23.



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

SALES (CONTINUED)

SCRATCHERS

Instant-Win Scratch Games

Scratch games are games in which players scratch off tickets to reveal whether they have won. These tickets include $1, $2, $3, $5, $10, $20, $30, and $50 product offerings. Each scratch game has multiple prize tiers with prizes starting at $1 and ranging up to $10 million. Scratch Game sales represented 27.8% of total product sales in FY23 and saw a decrease of $43.4 million in sales from FY22.

Retail Terminal & iLottery Games

Retail terminal games are games in which players purchase wagers for a chance to win prizes either instantly or from a subsequent drawing. Retail terminal games include Pick 3, Pick 4, Pick 5 (new in FY23), Cash 5 with EZ Match, Mega Millions, Powerball, Print 'n Play, Cash4Life®, Bank a Million, New Year's Millionaire Raffle, CASH POP, and draw-based Keno. In addition, the internet iLottery platform offers Mega Millions, Powerball, Cash4Life, Pick 3, Pick 4, Pick 5 and Cash 5 for single- or multiple-draw purchases as well as iLottery instant games and raffles at a variety of price points and prize offerings.

Daily game total sales (Pick 3, Pick 4, Pick 5, Cash 5 with EZ Match, and CASH POP) represented 16.6% of total product sales for FY23 and a decrease of $2.1 million in sales from FY22.

Jackpot game total sales (Mega Millions, Powerball, Bank A Million, and Cash4Life) represented 8.7% of total product sales for FY23 and an increase of $135.3 million in sales from FY22.

Total sales for iLottery only games (iLottery instants and iLottery Raffle) represented 44.7% of total product sales for FY23 and an increase of $782.6 million in sales from FY22.

Other game sales (Print 'n Play, Millionaire Raffle, and KENO) represented 2.2% or total product sales for FY23 and a decrease of $12.9 million in sales from FY22.

PICK 3 with FIREBALL

Pick 3 offers players a day drawing and a night drawing, which means two chances to win every day of the week. Players can choose to play Pick 3 for $1 or 50¢ and then select a three-digit number from 000 through 999. Adding FIREBALL doubles the cost of the play but improves the player's chances of winning. Players could win up to $500 just playing the base game. Plus, the FIREBALL add-on gives players the chance to create additional number combinations for another chance to win. Pick 3 sales totaled $324.8 million, a decrease of $24.9 million (7.1%) compared to FY22.

PICK 4 with FIREBALL

Pick 4 offers players a day drawing and a night drawing, which means two chances to win every day of the week. Players can choose to play Pick 4 for $1 or 50¢ and then select a four-digit number from 0000 through 9999. Adding FIREBALL doubles the cost of the play but improves the player's chances of winning. Players could win up to $5,000 just playing the base game. Plus, the FIREBALL add-on gives players the chance to create additional number combinations for another chance to win. Pick 4 sales totaled $353.2 million in FY23, a decrease of $8.7 million (2.4%) compared to FY22.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

SALES (CONTINUED)

Retail Terminal & iLottery Games (continued)

Pick 5 was new in FY23 and offers players a day drawing and a night drawing, which means two chances to win every day of the week. Players can choose to play Pick 5 for $1 or 50¢ and then select a five-digit number from 00000 through 99999. Adding FIREBALL doubles the cost of the play but improves the player's chances of winning. Players could win up to $50,000 just playing the base game. Plus, the FIREBALL add-on gives players the chance to create additional number combinations for another chance to win. Pick 5 launched in June of FY23 and ended its first month in its first fiscal year with total sales of $3.6 million.

Cash 5 is a Virginia only jackpot game. The jackpot starts at $100,000 and grows until it is won. Each play costs $1 and the player can select 5 numbers per play from 1 through 41. Cash 5 drawings take place seven days a week at 11pm. Additionally, for each play purchased, the player can choose to add on EZ Match for an additional $1 for a chance to win up to $500 instantly. Cash 5 sales totaled $35.7 million in FY23, an increase of $0.9 million (2.6%) compared to FY22.

Mega Millions is a multi-state jackpot draw game that occurs twice each week and gives players the opportunity to win a jackpot or other cash prizes. Each play costs $2 and players select five different numbers from 1 through 70 plus a Mega Ball number from 1 through 25. Every Mega Millions jackpot grows until the jackpot is won. Any Mega Millions jackpot can be won by a single individual or by multiple people. All prizes, except the jackpot, are fixed dollar amounts. The jackpot total is dependent on the amount of money in the draw's prize pool. Players can also step up their game with a Megaplier add-on that multiplies a non-jackpot prize by 2, 3, 4, or 5. Megaplier can increase the player's winnings up to $5,000,000 and can be added to any Mega Millions ticket for $1 per play. Mega Millions, which represented 4% of total product sales in FY23, experienced higher sales in FY23, up a little over $90 million from last year's total. This product is a multi-state lotto style game with long odds of winning the top prize. Sales in this product are extremely dependent on the growth of the advertised jackpot, with sales increasing as jackpots grow. During fiscal year 2023, there were nine winning jackpot tickets sold, sharing in eight jackpot prizes. Currently forty-four states, plus the District of Columbia and the U.S. Virgin Islands sell Mega Millions.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

SALES (CONTINUED)

Retail Terminal & iLottery Games (continued)

Powerball is a multi-state jackpot draw game that occurs three times each week and gives players the opportunity to win a jackpot or other cash prizes. Each play costs $2 and players select five different numbers from 1 through 69 plus a Powerball number from 1 through 26. There are eight ways to win playing Powerball plus the chance to win the Powerball jackpot if the player matches ALL five numbers AND the Powerball number. Players can also step up their game with the Power Play® add-on feature that gives them a chance to win even more money for $1 extra per play. Power Play® can increase a player's winnings to up to $2 million. If a player wins with Power Play®, their non-jackpot prize is increased 2x, 3x, 4x, 5x or 10x depending on the Power Play® number drawn. If a player adds Power Play® and matches five numbers without the Powerball, then they automatically win $2 million. Powerball, which represented 4% of total product sales in FY23, experienced an increase in sales, up $45 million from last year. This product is like Mega Millions, a lotto type game with long odds of winning the jackpot. During fiscal year 2023, there were six winning Powerball jackpot tickets sold, sharing in six jackpot prizes. Currently forty-four states plus the District of Columbia, Puerto Rico and the U.S. Virgin Islands sell Powerball.

Cash4Life® is a multi-state draw game that occurs daily at 9pm. Each wager costs $2 and players select five different numbers from 1 through 60 plus one Cash Ball number from 1 through 4. Cash4Life® has a top prize of $1,000 a day for life and a second prize of $1,000 a week for life. In addition to the top tier prizes for life, there are seven other ways to win. Cash4Life® sales totaled $29.6 million in fiscal year 2023, representing under 1% of total product sales. During fiscal year 2023 New York, New Jersey, Pennsylvania, Maryland, Tennessee, Indiana, Florida, Georgia, Missouri, and Virginia sold Cash4Life®.

There are five CASH POP drawings every day. The total cost of each play depends on how many numbers are played, wagers chosen, and number of drawings played. The player first selects anywhere from 1 to 15 numbers, each of which will have a separate prize amount on the ticket. The player then determines how much they want to wager per number. Options are $1, $2, $5, or $10. The wager amount will determine the cash prize that could be won. The last step is for the player to select how many consecutive drawings they would like to play – 1, 2, 3, 4, or 5. In each CASH POP drawing, the Lottery will draw one winning number. The goal of CASH POP is to match the number selected to the winning number. CASH POP sales totaled $48.8 million in FY23, representing slightly over 1% of total product sales. CASH POP was new in FY22 beginning in January 2022, so FY23 was its first full fiscal year of sales.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

SALES (CONTINUED)

Retail Terminal & iLottery Games (continued)

Bank A Million offers chances to win cash prizes every Wednesday and Saturday. The player could bank $1,000,000 and the Lottery pays the taxes. Each ticket offers $2 per wager and players can choose to split that wager among up to 4 sets of numbers to win. Players try to match six numbers from a field of forty, to win a take-home top prize of $1,000,000 on a single $2 wager after the typical required tax withholdings (over $1.4 million gross prize value). Bank A Million sales totaled $9.5 million in fiscal year 2023, representing less than 1% of total product sales.

Keno is a retail terminal-generated game where a player chooses how much to wager per drawing and chooses how many numbers to match. With random-number generated drawings every 4 minutes, prizes range from $1 to $100,000 on a $1 wager. Players may wager up to $10 per wager, and so could win up to $1 million. Keno, launched in August 2020 and generated $35.6 million in sales in its third year, representing just under 1% of total product sales.

Print 'n Play is an instant-win computer terminal product line that plays similarly to a Scratch game. There were a variety of games in this category during fiscal year 2023. The Print and Play portfolio of games represents just over 1% of total product sales and saw a decline of $4.1 million from the prior year.

Virginia's New Year's Millionaire Raffle is a retail terminal-generated game with a limited offering of tickets and prizes. The Lottery offered one retail Raffle during the year, the 16th annual New Year's Millionaire Raffle, with a drawing held on January 1, 2023. Raffle sales represent less than 1% of total product sales. The number of Raffle tickets available was increased to 625,000 for the 2023 Raffle drawing, resulting in $12.5 million in sales.

iLOTTERY INSTANTS & RAFFLE

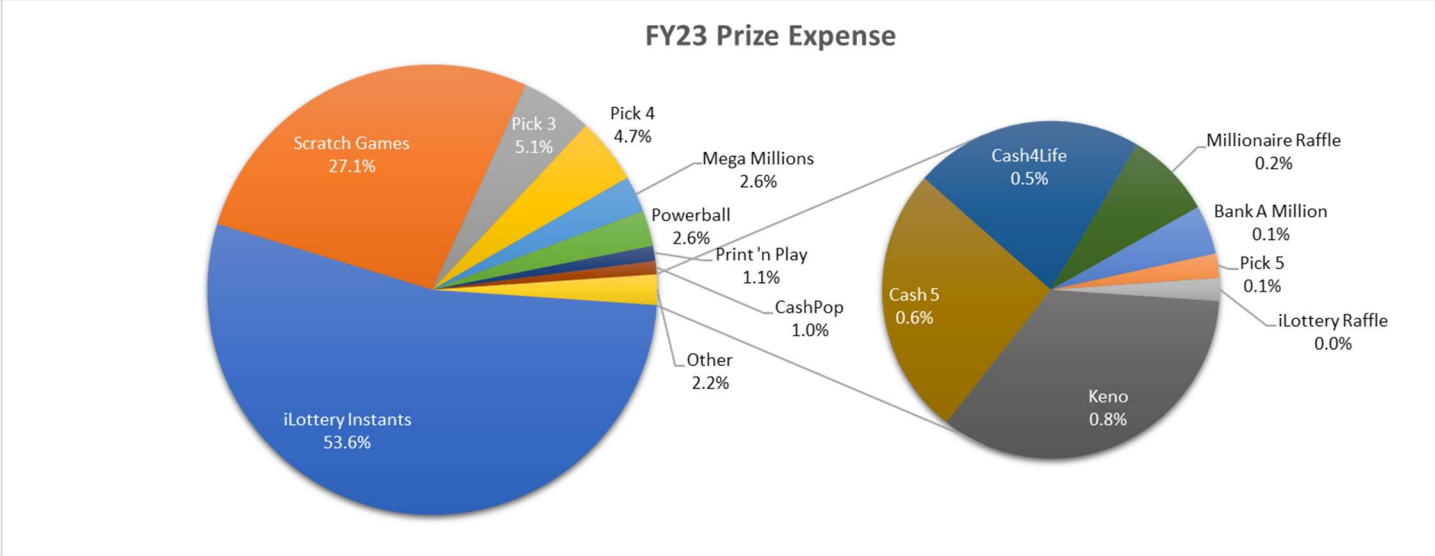
ILottery sales are primarily from iLottery instants, and in the third full year of operation, this category represented 44.7% of total product sales for FY23 and an increase of $782.6 million in sales in its third year. ILottery instant games are available in a variety of play styles, and players can choose various wager amounts from $0.05 up to $60 or more to instantly win prizes.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

EXPENSES

Prizes are the largest expense for the Virginia Lottery and vary with sales fluctuations and player luck. $0.74 of every sales dollar went toward prizes during fiscal year 2023, higher than the $0.71 of every sales dollar during the previous year. This change is consistent with the continued growth of new iLottery instants with higher prize payout rates, and growth in higher price-point scratch sales. In total, prize expense increased by $739.4 million in fiscal year 2023. The following graphic shows how the various games comprise the total prize expense for FY23.



A summary of the Business-type Lottery expenses for the fiscal years ending June 30, 2023, and 2022 is shown in Table 5.

Table 5

Lottery Business-Type Expenses

($ in thousands, differences due to rounding)	Fiscal Year 2023		Fiscal Year 2022		Change	
	$	%	$	%	$	%
Prize Expense	$3,416,373.3	91.2%	$2,676,925.0	90.2%	$739,448.3	27.6%
Retailer Compensation	137,300.7	3.7%	138,607.9	4.7%	(1,307.2)	-0.9%
Operating Expenses	94,915.2	2.5%	82,270.9	2.8%	12,644.3	15.4%
Instant Ticket and Gaming Services	95,731.0	2.6%	70,789.2	2.4%	24,941.8	35.2%
TOTAL	$3,744,320.3	100.0%	$2,968,593.0	100.0%	$775,727.3	26.1%

Retailer compensation expenses decreased slightly in fiscal year 2023 as did the overall retailer compensation rate over the prior year (5.7% of retail sales).

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

EXPENSES (CONTINUED)

Operating expenses increased $12.6 million in fiscal year 2023 along with increases to gaming services costs of $24.9 million. Gaming services are a combination of contractual arrangements constructed primarily as percentage of sales agreements, including expenses associated with the printing, warehousing and distribution of scratch tickets, and the costs of maintaining and servicing iLottery player account activity. Total gaming services costs increased primarily due to the growth of iLottery activities in Fiscal Year 2023. The Lottery has statutory authority to use up to 10% of sales for the administration of Business-type Lottery activities; however, these costs represented less than 5% of sales for the fiscal year.

NON-OPERATING INCOME & EXPENSES

Interest income is earned primarily on cash balances held and invested by the Virginia Department of Treasury on behalf of the Virginia Lottery. As Table 6 shows, interest income increased in fiscal year 2023 due to higher earnings rates throughout the year, and higher cash balances from increased profits.

Other Income Table 6

($ in thousands, differences due to rounding)	Fiscal Year 2023	Fiscal Year 2022	% Change
Net Interest Income	$3,466.4	$148.7	2231.5%
Net Other Income	525.5	708.1	-25.8%
TOTAL	$3,991.9	$856.8	365.9%

Net other income is derived from securities lending income, as well as various fees assessed to retailers for licensing and processing fees, penalties for failure to remit monies owed when due, and other miscellaneous sources. Net other income decreased over 25% percent in fiscal year 2023.

CASH FLOWS

The Statement of Cash Flows, summarized in Table 7, presents detailed information pertaining to the cash activity of the Virginia Lottery during the year. The first part of the statement reflects operating cash flows and shows the net cash provided by operating activities of the Virginia Lottery. Receipts from the sale of tickets and related services totaled $4,592.1 million. Uses of cash include payment of prizes to winners ($3,318.7 million) and payments to the Literary Fund for unclaimed prizes, retailers, suppliers, and employees for goods and services ($308.7 million). The net cash provided by operating activities of $964.8 million represents an 18.9% increase over the prior year.

The cash flows from the non-capital financing activities portion of the statement reflects the $784.4 million used for non-capital financing activities, the major portion being the $784.7 million in total transfers from the Virginia Lottery during the year. This amount represents the $781.2 million initial estimate of Fiscal Year 2023 Virginia Lottery profits for transfer to the Lottery Proceeds Fund prior to July 1, 2023, and the $3.5 million transfer of residual Fiscal Year 2022 profits.

Cash flows from capital financing activities reflect the purchase of capital and intangible assets acquired during the period and the principal payments on related obligations ($7.8 million).

The $76.5 million in cash flows used for investing activities reflect purchases of U.S. Treasuries to fund Virginia win for life and jackpot winners ($91.4 million) and proceeds from maturing U.S. Treasuries previously purchased to fund Virginia Lottery winners ($11.0 million), and interest income on cash balances ($4.0 million). The net increase in cash flows from all activities totaled $96.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

ENTERPRISE FUND FINANCIAL ANALYSIS (CONTINUED)

CASH FLOWS (CONTINUED)

Table 7

STATEMENT OF CASH FLOWS ($ in thousands, differences due to rounding)	Fiscal Year 2023	Fiscal Year 2022	% Change
Cash Flows From :			
Operating Activities	$ 964,779.3	$ 811,302.5	18.9%
Non-Capital Financing Activities	(784,442.5)	(842,705.8)	-6.9%
Capital Financing Activities	(7,814.4)	(6,429.5)	21.5%
Investing Activites	(76,497.9)	8,976.6	-952.2%
Net Change in Cash	96,024.5	(28,856.2)	-432.8%
Ending Cash and Cash Equivalents	$ 156,366.9	$ 60,342.4	159.1%

GOVERNMENTAL REGULATORY FUND FINANCIAL ANALYSIS

The Virginia Lottery performs regulatory licensing and oversight of mobile sports betting and land-based casino activities. This oversight includes the establishment, collection, and use of application and licensure fees from applicants and regulated entities. $9.4 million in application and license fees were earned during this third year of the regulatory oversight functions, almost double the prior year amount. This increase is due to land-based casino operator licenses issued starting in FY23. Three new Casinos were opened during fiscal year 2023:

Hard Rock Bristol, the first casino in Virginia to officially be up and running, opened the doors to its temporary facility on July 8, 2022. The temporary casino is housed in part of the former Bristol Mall, which over the next two years will continue to be transformed into the permanent Hard Rock Bristol casino/hotel/music venue/community space.

Rivers Casino Portsmouth celebrated its grand opening on Monday, January 23, 2023. This was the first permanent casino facility to open in Virginia.

Caesars Virginia in Danville celebrated its grand opening May 15, 2023, after officially receiving its license from the Virginia Lottery. The casino operates in a temporary capacity while the permanent structure is being built. The final project will feature the casino as well as a hotel, restaurants, a music venue, and more.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

GOVERNMENTAL REGULATORY FUND FINANCIAL ANALYSIS (CONTINUED)

Expenses totaling $12.5 million were incurred during FY23 in support of these regulatory functions, over a third higher than last year as land-based casino regulatory activities continued to ramp up this year. These expenses include staff and contractual services in support of the regulatory programs. The ending fund balance of ($7.3 million) is due to timing of start-up expenses for the regulatory oversight of casinos that exceeded the revenue recognized in the first year of casino gaming in Virginia. Each approved casino pays a $15 million license fee, recognized over the 10-year license term. Cash flow is sufficient to meet operating expenses, but the timing of revenue recognition and start-up costs caused the negative ending fund balance. We will continue to assess the adequacy of licensing fee revenues to support the total program costs and explore future options including changes to the licensing fees and terms to offset the costs of the regulatory oversight program. Table 8 summarizes the Governmental Fund revenues, expenditures, and changes in fund balance.

Table 8

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance

($ in thousands, differences due to rounding)	Fiscal Year 2023	Fiscal Year 2022	Change
License and Application Fees	$ 9,391.8	$ 5,558.4	$ 3,833.5
Interest Income	764.5	4.7	759.9
General and Administrative Expenditures	(12,498.6)	(9,094.0)	(3,404.5)
Debt Service Expenditures	(5,933.5)	(6.8)	(5,926.7)
Other Financing Sources	210.6	-	210.6
Beginning Fund Balance, July 1	727.0	4,264.8	(3,537.8)
Ending Fund Balance, June 30	$ (7,338.2)	$ 727.0	$ (8,065.2)

POTENTIALLY SIGNIFICANT FACTORS IMPACTING NEXT YEAR

The 2020 General Assembly placed regulatory oversight for sports wagering and casino gaming at the Virginia Lottery, and the first land-based casino opened for business in early FY23. Two of the three casinos are operating in temporary facilities, and the opening of those permanent facilities will require full reviews during 2024.

Expanded gaming will continue to increase the activity directly managed and executed by the Lottery and create additional competition for traditional Lottery products. Virginia Lottery enterprise profits are constitutionally dedicated to public education, and tax revenues from sports betting and casino activity have been legislatively designated for other state and local priorities.

The 2023 General Assembly passed a resolution to study the feasibility of establishing the Virginia Gaming Commission to regulate and oversee all forms of gaming in the Commonwealth. The study is to be completed in November 2023 and the final report due at the start of the 2024 Regular Session in January 2024.

Finally, there is pending litigation surrounding the legislative ban on skill machines, the outcome of which could affect the sale of Lottery products and resulting profits from operations.

CONTACTING THE VIRGINIA LOTTERY

This financial report is designed to provide the legislative and executive branches of government, the public, and other interested parties with an overview of the financial results of the Virginia Lottery's activities and to demonstrate the Virginia Lottery's accountability for its revenues. If there are any questions about this report or any Virginia Lottery financial issue, please contact the Deputy Executive Director of Finance and Administration at the Virginia Lottery, 600 East Main Street, Richmond, Virginia 23219.

FINANCIAL STATEMENTS

GOVERNMENT-WIDE: STATEMENT OF NET POSITION *(audited)*

As of June 30, 2023

	Governmental Gaming Activities	Business-Type Lottery Activities	Total Entity Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets:			
Cash and cash equivalents (2)	$ 36,724,284	$ 156,366,942	$ 193,091,226
Cash held as collateral: (2)			
Lottery securities lending	-	45,746,334	45,746,334
Treasury securities lending	3,614,054	13,658,944	17,272,998
Accounts receivable	-	75,964,454	75,964,454
Instant ticket inventory (4)	-	201,340	201,340
Prepaid expenses	77,869	588,653	666,522
Short-term U.S. Treasuries (2)	-	13,562,113	13,562,113
Internal balances (7)	(324,333)	324,333	-
Total current assets	40,091,874	306,413,113	346,504,987
Noncurrent assets:			
U.S. Treasuries (2)	-	184,566,155	184,566,155
Net OPEB asset (20)	274,081	1,378,006	1,652,087
Capital assets: (3)			
Nondepreciable subscription in process	18,509	79,073	97,582
Right-to-use lease assets, net	4,344	6,197,802	6,202,146
Right-to-use subscription assets, net	31,886,672	4,692,994	36,579,666
Depreciable equipment and intangible assets, net	625,252	11,976,986	12,602,238
Total noncurrent assets	32,808,858	208,891,016	241,699,874
TOTAL ASSETS	72,900,732	515,304,129	588,204,861
Deferred outflows of resources:			
Deferred outflows related to pension (15)	1,263,772	6,629,871	7,893,643
Deferred outflows related to OPEB (20)	430,049	2,247,060	2,677,109
Total deferred outflows of resources	1,693,821	8,876,931	10,570,752
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 74,594,553**	**$ 524,181,060**	**$ 598,775,613**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current liabilities:			
Accounts payable (13)	$ 1,080,678	$ 40,316,301	$ 41,396,979
Due to the lottery proceeds fund (6)	-	86,170,708	86,170,708
Accrued compensated absences (8)	172,771	1,990,807	2,163,578
Obligations under securities lending: (2)			
Lottery	-	45,746,334	45,746,334
Treasury	3,614,054	13,658,944	17,272,998
Prizes payable: (11)			
U.S. Treasuries prizes payable - current	-	13,562,113	13,562,113
Other prizes payable	-	113,552,321	113,552,321
Unearned revenue (14)	42,735,317	2,426,704	45,162,021
Lease obligations (9)	4,486	4,547,578	4,552,064
Subscription obligations (10)	2,895,573	1,327,609	4,223,182
Interest payable, subscriptions	10,075	52,098	62,173
Total current liabilities	50,512,954	323,351,517	373,864,471
Noncurrent liabilities:			
Accrued compensated absences (8)	385,187	1,091,236	1,476,423
U.S. Treasuries prizes payable (11)	-	184,566,155	184,566,155
Lease obligations (9)	-	1,878,997	1,878,997
Subscription obligations (10)	28,188,884	3,038,218	31,227,102
Net pension liability (15)	4,107,403	21,547,831	25,655,234
OPEB liability (20)	957,897	4,974,883	5,932,780
Total noncurrent liabilities	33,639,371	217,097,320	250,736,691
TOTAL LIABILITIES	84,152,325	540,448,837	624,601,162
Deferred inflows of resources:			
Deferred inflows related to pension (15)	872,441	4,576,912	5,449,353
Deferred inflows related to OPEB (20)	498,495	2,576,534	3,075,029
Total deferred inflows of resources	1,370,936	7,153,446	8,524,382
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$ 85,523,261**	**$ 547,602,283**	**$ 633,125,544**
NET POSITION			
Net investment in capital assets	$ 1,435,759	$ 12,102,355	$ 13,538,114
Unrestricted	(12,638,548)	(36,901,584)	(49,540,132)
Restricted OPEB	274,081	1,378,006	1,652,087
TOTAL NET POSITION	**$ (10,928,708)**	**$ (23,421,223)**	**$ (34,349,931)**

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

FINANCIAL STATEMENTS

GOVERNMENT-WIDE: STATEMENT OF ACTIVITIES *(audited)*

For Fiscal Year Ended June 30, 2023

Functions / Programs:	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities	Business-Type Activities	Total
Governmental					
Gaming activities	$ 19,233,998	$ 9,391,839	$ (9,842,159)	$ -	$ (9,842,159)
Business-Type					
Lottery activities	3,744,873,547	4,611,855,820	-	866,982,273	866,982,273
Total	$ 3,764,107,545	$ 4,621,247,659	$ (9,842,159)	$ 866,982,273	$ 857,140,114
General revenues					
Interest income			764,540	4,019,642	4,784,182
Other income			-	525,530	525,530
Transferred to the lottery proceeds fund			-	(781,181,194)	(781,181,194)
Due to the lottery proceeds fund			-	(86,170,708)	(86,170,708)
Total general revenues and transfers			764,540	(862,806,730)	(862,042,190)
Change in net position			(9,077,619)	4,175,543	(4,902,076)
Net position - July 1, 2022			(1,851,089)	(27,596,766)	(29,447,855)
Net position - June 30, 2023			$ (10,928,708)	$ (23,421,223)	$ (34,349,931)

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

FINANCIAL STATEMENTS

GOVERNMENTAL FUND: BALANCE SHEET *(audited)*

As of June 30, 2023

		Gaming Fund
ASSETS		
Cash and cash equivalents (2)	$	36,724,284
Cash held as collateral: (2)		
Treasury securities lending		3,614,054
Prepaid expenses		77,869
TOTAL ASSETS	**$**	**40,416,207**
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable (13)	$	402,884
Accrued payroll payable (13)		677,794
Obligations under securities lending: (2)		
Treasury		3,614,054
Unearned revenue (14)		42,735,317
Due to business-type lottery activities (7)		324,333
Total liabilities		47,754,382
Fund balance:		
Committed		(7,338,175)
TOTAL LIABILITIES AND FUND BALANCE	**$**	**40,416,207**

Reconciliation of the balance sheet for governmental funds to the government-wide statement of net position:

Capital assets (net of accumulated amortization/depreciation) are not financial resources and, therefore, are not reported in the funds		625,252
Right-to-use lease assets (net of accumulated amortization) used in governmental activities are not financial resources and therefore are not reported in the funds		4,344
Right-to-use subscription assets (net of accumulated amortization) used in governmental activities are not financial resources and therefore are not reported in the funds		31,886,672
Subscription assets not yet in service are not a financial resource and, therefore, not reported in the funds		18,509
Net other postemployment asset is not a financial resource and, therefore, is not reported in the funds		274,081
Long-term liabilities are not due and payable in the current period and; therefore, are not reported in the funds. Those liabilities consist of:		
Lease obligations	(4,486)	
Subscription obligations	(31,084,457)	
Interest payable, subscriptions	(10,075)	
Compensated absences	(557,958)	
Net pension liability	(4,107,403)	
OPEB liabilities	(957,897)	(36,722,276)
Deferred outflows related to pension are not required to be reported in the funds but are required to be reported at the government-wide level		1,263,772
Deferred outflows related to other postemployment activities are not required to be reported in the funds but are required to be reported at the government-wide level		430,049
Deferred inflows to pension are not required to be reported in the funds but are required to be reported at the government-wide level		(872,441)
Deferred inflows other postemployment activities are not required to be reported in the funds but are required to be reported at the government-wide level		(498,495)
NET POSITION OF GOVERNMENTAL GAMING ACTIVITIES	**$**	**(10,928,708)**

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

FINANCIAL STATEMENTS

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE *(audited)*

For Fiscal Year Ended June 30, 2023

		Gaming Fund
REVENUES		
License and application fees		$ 9,391,839
Interest income		764,540
Total revenues		10,156,379
EXPENDITURES		
General and administrative		12,498,570
Debt service		5,933,543
Total expenditures		18,432,113
Deficiency of revenues under expenditures		(8,275,734)
OTHER FINANCING SOURCES		
Subscription asset obligation proceeds		210,552
Net change in fund balance		(8,065,182)
Fund balance - July 1, 2022		727,007
Fund balance - June 30, 2023		$ (7,338,175)
Reconciliation of the balance sheet for governmental funds to the government-wide statement of net position:		
Net increase (decrease) in fund balance of governmental fund:		$ (8,065,182)
Governmental funds report capital outlays as expenditures; however, on the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization/depreciation expense. This amount represents the difference between amortization/depreciation expense and capital outlay expenditures. The details of this difference are as follows:		
Capital outlay	243,056	
Amortization/depreciation expense, capital asset	(147,118)	
Amortization/depreciation expense, right-to-use lease assets	(6,516)	
Amortization/depreciation expense, right-to-use subscription assets	(3,598,203)	(3,508,781)
In governmental funds, issuance of long-term debt provides, and principal repayments consume current financial resources and are reported as revenues and expenditures, while in government-wide reporting, these transactions are reported as adjustments to non-current liabilities, having no effect on the change in net position. These amounts are the difference in the treatment of long-term debt.		
Principal payments		4,392,973
(Increase) decrease in accrued interest payable		(10,075)
Long-term subscription proceeds		(210,552)
Increases/decreases of expenses reported in the Statement of Activities that do not require the use of, or provide, current financial resources and, therefore, are not reported in the governmental funds.		
(Increase) decrease in compensated absences		(344,861)
Other post-employment benefits:		
Increase (decrease) in net OPEB asset	102,847	
(Increase) decrease in net OPEB liability	(421,973)	
Increase (decrease) in deferred outflows related to OPEB	250,589	
(Increase) decrease in deferred inflows related to OPEB	(137,256)	(205,793)
Pension:		
(Increase) decrease in net pension liability	(2,122,032)	
Increase (decrease) in deferred outflows related to pension	388,325	
(Increase) decrease in deferred inflows related to pension	608,359	(1,125,348)
CHANGE IN NET POSITION OF GOVERNMENTAL GAMING ACTIVITIES		$ (9,077,619)

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

FINANCIAL STATEMENTS

ENTERPRISE FUND: STATEMENT OF NET POSITION *(audited)*

As of June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Lottery Fund
Current assets:	
Cash and cash equivalents (2)	$ 156,366,942
Cash held as collateral: (2)	
Lottery securities lending	45,746,334
Treasury securities lending	13,658,944
Accounts receivable	75,964,454
Instant ticket inventory (4)	201,340
Prepaid expenses	588,653
Short-term U.S. Treasuries (2)	13,562,113
Due from Gaming Fund (7)	324,333
Total current assets	306,413,113
Noncurrent assets:	
U.S. Treasuries (2)	184,566,155
Net OPEB asset (20)	1,378,006
Capital assets: (3)	
Nondepreciable subscription in process	79,073
Right-to-use lease assets, net	6,197,802
Right-to-use subscription assets, net	4,692,994
Depreciable equipment and intangible assets, net	11,976,986
Total noncurrent assets	208,891,016
TOTAL ASSETS	515,304,129
Deferred outflows of resources:	
Deferred outflows related to pension (15)	6,629,871
Deferred outflows related to OPEB (20)	2,247,060
Total deferred outflows of resources	8,876,931
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 524,181,060**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities:	
Accounts payable (13)	$ 40,316,301
Due to the lottery proceeds fund (6)	86,170,708
Accrued compensated absences (8)	1,990,807
Obligations under securities lending: (2)	
Lottery	45,746,334
Treasury	13,658,944
Prizes payable: (11)	
U.S. Treasuries prizes payable - current	13,562,113
Other prizes payable	113,552,321
Unearned revenue (14)	2,426,704
Lease obligations (9)	4,547,578
Subscription obligations (10)	1,327,609
Interest payable, subscriptions	52,098
Total current liabilities	323,351,517
Noncurrent liabilities:	
Accrued compensated absences (8)	1,091,236
U.S. Treasuries prizes payable (11)	184,566,155
Lease obligations (9)	1,878,997
Subscription obligations (10)	3,038,218
Net pension liability (15)	21,547,831
OPEB liability (20)	4,974,883
Total noncurrent liabilities	217,097,320
TOTAL LIABILITIES	540,448,837
Deferred inflows of resources:	
Deferred inflows related to pension (15)	4,576,912
Deferred inflows related to OPEB (20)	2,576,534
Total deferred inflows of resources	7,153,446
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$ 547,602,283**
NET POSITION	
Net investment in capital assets	$ 12,102,355
Unrestricted	(36,901,584)
Restricted OPEB	1,378,006
TOTAL NET POSITION	**$ (23,421,223)**

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

FINANCIAL STATEMENTS

STATEMENT OF ENTERPRISE FUND REVENUES, EXPENSES, CHANGES IN NET POSITION *(audited)*

For Fiscal Year Ended June 30, 2023

	Lottery Fund
OPERATING REVENUES	
Ticket sales	$ 4,611,855,820
Less:	
Prize expense	3,416,373,320
Retailer compensation	137,300,692
Instant ticket & gaming services	95,731,025
Gross margin	962,450,783
OPERATING EXPENSES	
Advertising and promotion	36,803,158
General and administrative	48,041,239
Depreciation and amortization	10,070,848
Total operating expenses	94,915,245
OPERATING INCOME (LOSS)	$ 867,535,538
NONOPERATING REVENUES (EXPENSES)	
Interest income	4,019,642
Interest expense	(553,265)
Net other income	525,530
Total nonoperating revenues (expenses)	3,991,907
INCOME BEFORE OTHER REVENUE, EXPENSES, GAINS, LOSSES, AND TRANSFERS (6)	871,527,445
Transferred from (to) the Lottery Proceeds Fund	(781,181,194)
Due from (to) the Lottery Proceeds Fund	(86,170,708)
Total transfers	(867,351,902)
INCREASE (DECREASE) IN NET POSITION	4,175,543
TOTAL NET POSITION - JULY 1, 2022	(27,596,766)
TOTAL NET POSITION - JUNE 30, 2023	$ (23,421,223)

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

FINANCIAL STATEMENTS

ENTERPRISE FUND: STATEMENT OF CASH FLOWS *(audited)*

For Fiscal Year Ended June 30, 2023

Cash flows from operating activities:		
Cash received from ticket sales	$	4,592,107,934
Cash payments for prizes		(3,318,678,632)
Discounts for retailer compensation		(137,300,692)
Cash payments to supplier of instant and online services		(95,171,296)
Cash payments to suppliers of other goods and services		(24,919,311)
Cash payments to employees for services		(38,615,580)
Cash payments to the Literary Fund for unclaimed prizes (12)		(12,643,140)
Net cash provided by operating activities		964,779,283
Cash flows from noncapital financing activities:		
Proceeds from other income		514,868
Interfund transfer		(285,655)
Transfers to the Lottery Proceeds Fund		(784,671,715)
Net cash used for noncapital financing activities		(784,442,502)
Cash flows from capital and related financing activities:		
Acquisition of capital assets		(1,802,833)
Proceeds on disposal of capital assets		10,662
Principal payments on installment notes		(5,521,086)
Interest payment on installment notes		(501,167)
Net cash used for capital financing activities		(7,814,424)
Cash flows from investing activities:		
Purchase of U.S Treasuries		(91,445,471)
Proceeds from maturing U.S. Treasuries		10,962,000
Interest proceeds from cash balances		3,985,612
Net cash used for investing activities		(76,497,859)
Net increase in cash and cash equivalents		96,024,498
Cash and cash equivalents at July 1		60,342,444
Cash and cash equivalents at June 30	$	156,366,942
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations		867,535,538
Adjustments to reconcile operating income to net cash:		
Depreciation and amortization		10,070,848
Accreted interest on U.S. Treasuries		(4,816,226)
Changes in assets, liabilities and deferred inflows/outflows:		
(Increase) Decrease in accounts receivable		(19,870,506)
(Increase) Decrease in instant ticket inventory		559,729
(Increase) Decrease in prepaid expenses		19,727
(Increase) Decrease in OPEB asset		236,309
(Increase) Decrease in deferred outflows related to pensions		912,439
(Increase) Decrease in deferred outflows related to OPEB		(457,700)
Increase (Decrease) in accounts payable		12,203,231
Increase (Decrease) in current prizes payable		20,016,806
Increase (Decrease) in unearned revenue		122,620
Increase (Decrease) in accrued compensated absences		618,951
Increase (Decrease) in noncurrent prizes payable		82,494,108
Increase (Decrease) in pension liability		4,443,092
Increase (Decrease) in OPEB liability		(261,357)
Increase (Decrease) in deferred inflows related to pensions		(8,180,748)
Increase (Decrease) in deferred inflows related to OPEB		(867,578)
Net cash provided by (used for) operating activities	$	964,779,283
Non-cash Investing, capital and financing activities:		
Lease obligations related to right-to-use lease assets	$	7,817,216
Lease obligations related to right-to-use subscription assets		2,652,519
Total non-cash Investing, capital and financing activities	$	10,469,735

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Lottery (originally State Lottery Department) was established by Chapter 531 of the 1987 Acts of Assembly and operates as an Independent Agency in accordance with the provisions of Chapter 40 of Title 58.1 of the Code of Virginia. The 2020 Acts of Assembly contained significant revisions to the scope of the Virginia Lottery responsibilities, adding sports betting as Article 2 of Chapter 40, and establishing Chapter 41 outlining responsibilities for the regulation of specific approved casino gaming in Virginia.

The Virginia Lottery continues to operate lottery games, including multi-state games and iLottery offerings, with the financial activity reported as an enterprise activity. The Virginia Lottery participates in three multi-state games, Mega Millions, Powerball and Cash4Life. Mega Millions and Powerball member lotteries include California, Georgia, Illinois, Massachusetts, Michigan, New Jersey, Ohio, Virginia, Washington, and the Multi-State Lottery (MUSL) Group. Cash4Life member lotteries include Florida, Georgia, Indiana, Maryland, Missouri, New Jersey, New York, Pennsylvania, Tennessee, and Virginia. The financial activity included in the financial statements reflects only Virginia's portion of these multi-state games. Separate agreed-upon procedures reports are issued for Cash4Life, Mega Millions, and Powerball.

In addition to the enterprise activity, the financial statements include governmental fund activity associated with the regulation of sports betting and casino gaming, which began operating in January 2021 and July 2022, respectively. The taxes assessed on these regulated activities are not reported in these financial reports but are accounted for in various funds included in the Commonwealth's Annual Comprehensive Financial Report (ACFR).

The Commonwealth's ACFR includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or can exercise oversight authority. The Virginia Lottery is an agency of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

B. Measurement Focus and Basis of Accounting

The accompanying financial statements are presented using the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The Virginia Lottery's entity-wide and enterprise fund financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the full accrual basis revenues are recognized when earned and expenses when incurred. Online ticket revenue, which includes sales of tickets generated through Lottery terminals and purchases over the internet by registered adult players, is recognized as corresponding drawings are held. Instant ticket revenue, which includes sales of instant-win preprinted tickets, is recognized when tickets are activated for sale to the public by retailers. Revenue for internet sales of Instants, which are instant-win digital games, is recognized when games are purchased.

The Virginia Lottery's governmental fund financial statements have been prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance current expenditures. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Virginia Lottery considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized when liabilities are incurred, however, expenditures related to compensated absences and lease obligations are recorded only when the payment is due.

C. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are defined as the consumption of net assets applicable to a future reporting period. The deferred outflows of resources have a positive effect on net position similar to assets. Deferred inflows of resources are defined as the acquisition of net assets applicable to a future reporting period. The deferred inflows of resources have a negative effect on net position similar to liabilities. Contributions subsequent to the measurement date for Pensions and Other Post-Employment Benefits (OPEB) are always a deferred outflow; this will be applied to the net pension or OPEB liability in the next fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Deferred Outflows/Inflows of Resources (Continued)

Differences between expected and actual experience for economic/demographic factors in the measurement of the total pension or OPEB liability will be recognized in pension or OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate. Differences resulting from a change in proportion of the collective net pension and OPEB liabilities will be recognized in pension and OPEB expense over the expected average remaining service life of all employees provided with benefits in the plan and may be reported as a deferred inflow or outflow as appropriate. Differences between projected and actual earnings on pension and OPEB plan investments will be recognized in pension or OPEB expense over the closed five-year period and may be reported as a deferred outflow or inflow as appropriate. Differences resulting from changes in assumptions on pension plan or OPEB investments will be recognized in pension or OPEB expense over the estimated remaining service life of employees subject to the plan.

D. Revenue and Expense Classifications

In the enterprise fund statements, operating revenues and expenses include activities related to the sale of lottery tickets. Operating expenses include prizes to winners, compensation to retailers, and ticket printing costs. Non-operating revenues and expenses include activities that have the characteristics of investing transactions and capital and non-capital financing activities as defined by Governmental Accounting Standards Board (GASB) Statement 9 and GASB Statement 34. Additionally, non-operating revenues include interest income from its cash balances held with the Treasurer of Virginia.

In the governmental fund statements, revenues and expenditures include activities related to the issuance of sports betting and casino licenses, and activities necessary to regulate and oversee these forms of gaming. Expenditures also include the indirect cost of shared personnel services and rent, which represents supporting services of the Virginia Lottery in its regulation of sports betting and casinos. Expenditures that are attributable to one or more fund or supporting services of the Virginia Lottery include departments of the Executive Director, General Counsel, Internal Audit, Security, Administration, Finance, Communications and Customer Relations and Information Technology Services. Shared service costs are allocated to the funds using a methodology based on the proportional headcount of direct-allocated full-time employees for each fund.

E. Fund Accounting

The main activities of the Virginia Lottery are accounted for in an enterprise fund, used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Enterprise fund accounting is used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate. This fund is considered a major fund of the Virginia Lottery.

The Gaming activities of the Virginia Lottery are accounted for in a special revenue fund. The special revenue fund accounts for transactions related to resources received and used for a committed or specific purpose. The Virginia Lottery's Gaming Fund accounts for financial resources related to the regulation of sports betting and casino activities. The Fund balance in the special revenue fund is committed for the operation of these activities. With the implementation of GASB No. 54, the fund balance classifications are reported as Non-spendable, Restricted, Committed, Assigned, and Unassigned. The Committed fund balance includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority through enabling legislation. The highest level of decision authority for the Commonwealth is the General Assembly and the Governor. This fund is considered a major fund of the Virginia Lottery.

The Lottery's policy is to apply expenditures against restricted resources first when either restricted or unrestricted amounts are available. Within unrestricted fund balance, it is the Lottery's policy to apply expenditures against committed amounts first, followed by assigned, and unassigned amounts. In a governmental fund other than the General Fund, a negative unassigned fund balance could result if expenditures incurred for a specific purpose exceeds amounts in the fund that are restricted, committed, and assigned for that purpose.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash, Cash Equivalents, and U.S. Treasuries

The Virginia Lottery's cash and cash equivalents are considered to be cash on hand, cash with the Treasurer of Virginia and deposits.

Statutes authorize the Virginia Lottery to invest in obligations of the Commonwealth, federal government, other states, or political subdivisions thereof, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the Virginia Lottery may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's, Incorporated; overnight term or open repurchase agreements; and money market funds comprised of U.S. Treasuries, which are otherwise legal U.S. Treasuries of the Virginia Lottery.

U.S. Treasuries, both current and long-term, consist of U.S. Treasury STRIPS purchased to fund individual jackpot and "For Life" prizes. U.S. Treasuries are valued at cost plus accrued interest, not at fair market value, because it is management's intention to hold these U.S. Treasuries to maturity to match the future payment obligations to winners.

G. Inventories

Inventories consist of materials and supplies held for future consumption and are stated at cost using the first-in, first-out method. Inventory is accounted for under the consumption method.

H. Prepaids

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the basic financial statements. Prepaid items are recorded as expenditures when consumed.

I. Capital Assets

Equipment, property, intangible assets, and right-to-use assets are capitalized and depreciated/amortized on a straight-line basis over their estimated useful lives and are valued at historical or amortized cost. The Virginia Lottery capitalizes all equipment and property assets that have a cost or value equal to or greater than $5,000 and an expected useful life of more than one year. The capitalization threshold for intangible assets is the value equal to or greater than $100,000 of the cost. The capitalization threshold for right-to-use assets, which consist of leases and subscription assets, is the value equal to or greater than $50,000 of the cost. Capital asset depreciation/amortization has been provided over the estimated useful lives using the straight-line method annually as follows:

	Estimated Useful Life in Years
Machinery, Furniture, and Equipment	3 - 15
Intangibles	3 - 10
Lease Assets	3 - 20
Subscription Assets	2 - 10

J. Significant Contracts

The Virginia Lottery has contracted with vendors for the majority of the gaming systems and supplies.

The Virginia Lottery competitively executed contracts with International Game Technology PLC (IGT) to provide and operate the retail-based gaming system and network effective beginning October 28, 2017, and with NeoPollard Interactive (NPI) to provide and operate an internet sales platform for draw games effective beginning October 31, 2016.

IGT has established a facilities management agreement with the Lottery, through which IGT installs and manages retailer equipment, and manages transaction processing systems to record transactions originating throughout the Commonwealth. IGT also provides various professional services, software development and testing support, backup data processing, and a comprehensive satellite communications network to support gaming systems operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Significant Contracts (Continued)

Primarily a percentage of sales agreement, IGT will receive 0.7840% of total net sales that are processed through the IGT system, 0.4375% of net instant game ticket sales for the warehousing and distribution of scratch tickets and has a total estimated contract value of $213,000,000 for the 7-year contract period. The IGT contract includes a lease for equipment and a subscription for an information technology platform based on variable payments. The compensation for equipment and subscriptions is included in the base contract, for which compensation is calculated on a percentage of sales and therefore not included in the lease and subscription liabilities reported under GASB 87 and GASB 96 respectively.

The Virginia Lottery has contracted with IGT Corporation, as of July 1, 2020, for the printing of scratcher tickets. IGT receives a fee of 0.48% of the net scratcher game tickets distributed and then activated by retailers. The total estimated contract value is $30,000,000 for the 6-year contract period.

The Virginia Lottery has amended its contract with NeoPollard Interactive LLC (NPI) for the development and support of iLottery online gaming effective beginning July 1, 2020. NPI receives an Instant Games Content Fee of 5% of Net Gaming Revenue for all online Instant games provided by NPI, plus a System Fee of 10.80% of Net Gaming Revenue for all wagering transactions processed except for draw-based games designed with prize payouts of 60% or less. For those draw based games, NPI receives a Content Fee of 4.95% of gross sales. The total estimated contract value is $326,000,000 for a 6-year contract period. The NPI contract includes a subscription for an information technology platform based on variable payments. The compensation for the subscription is included in the base contract, for which compensation is calculated on a percentage of sales and therefore not included in the SBITA liabilities reported under GASB 96.

K. Pensions

The Virginia Retirement System (VRS) State Employee Retirement Plan is a single employer pension plan that is treated like a cost-sharing plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Retirement Plan; and the additions to/deductions from the VRS State Employee Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. 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.

L. Other Post-Employment Benefits

State Employee Health Insurance Credit Program

The Virginia Retirement System (VRS) State Employee Health Insurance Credit Program is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The State Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The State Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired state employees. For purposes of measuring the net State Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the State Employee Health Insurance Credit Program OPEB, and the State Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) State Employee Health Insurance Credit Program; and the additions to/deductions from the VRS State Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Other Post-Employment Benefits (Continued)

VRS Disability Insurance Program

The Virginia Retirement System (VRS) Disability Insurance Program (Virginia Sickness and Disability Program) is a single employer plan that is presented as a multiple-employer, cost-sharing plan. The Disability Insurance Program was established pursuant to §51.1-1100 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Disability Insurance Program is a managed care program that provides sick, family, and personal leave and short-term and long-term disability benefits for State Police Officers, state employees, and VaLORS employees. For purposes of measuring the net Disability Insurance Program OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to the Disability Insurance Program OPEB, and Disability Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Disability Insurance Program OPEB Plan and the additions to/deductions from the VRS Disability Insurance Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The Group Life Insurance Program was established pursuant to §51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the VRS Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pre-Medicare Retiree Healthcare Plan

Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes. This program was established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not eligible to participate in Medicare. It is the same health insurance program offered to active employees and managed by the Virginia Department of Human Resource Management. After retirement, the Virginia Lottery no longer subsidizes the retiree's premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) is a multiple-employer, cost-sharing plan. The Line of Duty Act Program was established pursuant to §9.1-400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Line of Duty Act Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net Line of Duty Act Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Line of Duty Act Program OPEB, and Line of Duty Act Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Line of Duty Act Program OPEB Plan and the additions to/deductions from the VRS Line of Duty Act Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accounts Receivable

The Lottery has an account receivable account which consists of proceeds from ticket sales by its retailers. Retailers have from one to three weeks from the activation of those tickets for sale to transfer funds to the Lottery for the sale of those tickets. All Lottery retailers have a surety bond to protect Lottery assets, and funds collected by retailers on behalf of the Lottery are legal trust funds. Uncollected receivables are virtually non-existent.

N. Lessee

The Virginia Lottery is a lessee for noncancellable leases of equipment, buildings, and information technology subscriptions. The Virginia Lottery recognizes a liability and an intangible right-to-use asset (lease asset or subscription asset) in the government-wide and enterprise fund financial statements. The Virginia Lottery recognizes lease liabilities with an initial individual value of $50,000 or more, and subscription liabilities with an initial individual value of $5,000 or more.

At the commencement of a lease or subscription, the Virginia Lottery initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases and subscriptions include how the Virginia Lottery determines (1) the discount rate it uses to discount the expected payments to present value, (2) term, and (3) payments.

- The Virginia Lottery uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Virginia Lottery generally uses the Published Prime Rate as of the beginning of the lease or subscription term.

- The term includes the noncancellable period of the agreement. If the agreement contains an option to extend and it is reasonably certain, based on all relevant factors, that the option will be exercised, then the term includes that additional period. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the Virginia Lottery is reasonably certain to exercise.

The Virginia Lottery monitors changes in circumstances that would require a remeasurement of its lease or subscription and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Lease and subscription assets are reported with other capital assets and the corresponding liabilities are reported with long-term debt on the statement of net position.

O. New Accounting Pronouncements

The Virginia Lottery implemented newly issued GASB Statement No. 96 (GASB 96), *Subscription Based Information Technology Arrangements,* for the fiscal year ended June 30, 2023, as it applies to reporting periods beginning after June 15, 2022. Prior period balances presented in the notes are restated for subscription assets, amortization, and subscription liabilities payable. Further information on GASB 96 is presented in note 10. GASB also issued GASB Statement No. 100 (GASB No. 100), *Accounting Changes and Error Corrections*, for reporting periods beginning after June 15, 2023, and GASB Statement No. 101 (GASB No. 101), *Compensated Absences*, for reporting periods beginning after December 15, 2023. The Virginia Lottery is in the process of assessing the impact of these statements and will implement them as of the effective dates, if appropriate.

P. Budget

Due to the nature of activity accounted for by Virginia Lottery in the Gaming Fund, a budget is not prepared. Therefore, a *Statement of Revenues, Expenditures, and Changes in Balances - Budget to Actual* is not included in the financial statements.

2. CASH AND CASH EQUIVALENTS AND U.S. TREASURIES

Cash and cash equivalents represent cash with the Treasurer of Virginia and deposits. Cash with the Treasurer of Virginia is held pursuant to Section 2.2-1800, et seq., *Code of Virginia*. These funds are held in pooled accounts and, accordingly, are not categorized as to credit risk as defined by GASB Statement 40. Cash on deposit is held in demand deposit accounts maintained for prize payments and is covered by federal depository insurance with the balance in excess of this insurance collateralized in accordance with the Virginia Security for Public Deposits Act. Under this Act, banks holding public deposits in excess of FDIC limits pledge collateral to the Department of the Treasury based on the provisions of the Security for Public Deposits Act and Treasury policies. As of June 30, 2023, the total cash and cash equivalents equaled $193,091,226. This included petty cash on hand of $1,405.

In accordance with the State Treasurer and the Virginia Lottery's investment policy, funds are invested in U.S Treasury obligations for the purpose of payment of deferred prizes to winners. The U.S. Treasuries held for future prize payments are available for lending to broker-dealers and other entities (borrowers) for cash collateral that will be returned for the same securities in the future.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the state and Virginia Lottery will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All security loan agreements are collateralized at loan inception at no less than 100 percent of market value by cash or U.S. government obligations and adjusted to market daily, at a minimum, to cover market value fluctuations. Collateral cash is invested in accordance with the investment policies of the State Treasury Board of the Commonwealth of Virginia, and credit rating categories are detailed as part of this footnote. U.S. Treasuries are presumed to not have credit risk.

Interest Rate Risk - Interest rate risk is the risk that investment's fair value decreases as market interest rates increase. The U.S. Treasuries in prize annuities are subject to fluctuations in fair value due to interest rate risk, but these bonds are held to maturity to satisfy annual installment obligations to the prize winners. The fair value at maturity is the face value of the bonds, regardless of the fluctuations in the value during the period that the U.S. Treasuries are outstanding.

U.S. Treasuries consist of the following:

					Credit Rating: **Not Applicable**
Prize Annuities:					
Treasury bonds					$ 198,128,268
U.S. Treasuries:					
	Less than 1 year	1-5 years	6-10 years	11-20 years	Over 20 years
Prize Annuities:					
Treasury bonds [1]	$ 13,562,113	$ 61,592,835	$ 42,351,127	$ 46,559,435	$ 34,062,758

[1] Virginia Lottery prize annuities of U.S. Treasuries are insured or registered, or for which the securities are held by the Virginia Lottery or its safekeeping agent in the Virginia Lottery's name. All annuities of U.S. Treasuries are made through the U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

Securities Lending – Collateral for securities lending reported on the statement of net position represents cash collateral received by the Lottery that is subsequently reinvested through the State Treasury's securities lending program. The Commonwealth's policy is to record unrealized gains and losses for the State Treasury's securities lending program in the General Fund in the Commonwealth's basic financial statements.

When the Commonwealth realizes gains or losses, or when it determines that a security is other than temporarily impaired, the State Treasury allocates the actual gains and losses to the affected agencies for recording. Detailed information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report.

3. CAPITAL ASSETS

The following schedules present the changes in capital assets:

Business-Type Lottery Activities:

	Balance as of July 1, 2022*	Additions	Reductions	Balance as of June 30, 2023
Nondepreciable subscription asset in process	$ -	$ 79,073	$ -	$ 79,073
Amortizable lease assets				
Equipment	138,662	-	-	138,662
Buildings	3,435,103	135	-	3,435,238
Billboards	-	7,817,081	-	7,817,081
Amortizable subscription assets	2,844,485	2,721,332	-	5,565,817
Depreciable equipment assets	32,357,883	979,947	(191,142)	33,146,688
Depreciable intangible assets	4,878,687	675,000	-	5,553,687
Total capital assets	**$ 43,654,820**	**$ 12,272,568**	**$ (191,142)**	**$ 55,736,246**
Less: Accumulated depreciation and amortization				
Amortizable lease assets				
Equipment	51,461	51,927	-	103,388
Buildings	590,603	590,647	-	1,181,250
Billboards	-	3,908,541	-	3,908,541
Amortizable subscription assets	-	872,823	-	872,823
Depreciable equipment assets	19,159,837	4,107,949	(191,142)	23,076,644
Depreciable intangible assets	3,107,784	538,961	-	3,646,745
Net depreciable capital assets	**20,745,135**	**2,122,647**	**-**	**22,867,782**
Total net capital assets	**$ 20,745,135**	**$ 2,201,720**	**$ -**	**$ 22,946,855**

Governmental Gaming Activities:

	Balance as of July 1, 2022*	Additions	Reductions	Balance as of June 30, 2023
Nondepreciable subscription asset in process	$ -	$ 18,509	$ -	$ 18,509
Amortizable lease assets				
Equipment	17,376	-	-	17,376
Amortizable subscription assets	35,260,328	224,547	-	35,484,875
Depreciable intangible assets	939,449	-	-	939,449
Total capital assets	**$ 36,217,153**	**$ 243,056**	**$ -**	**$ 36,460,209**
Less: Accumulated amortization				
Amortizable lease assets				
Equipment	6,516	6,516	-	13,032
Amortizable subscription assets	-	3,598,203	-	3,598,203
Depreciable intangible assets	167,079	147,118	-	314,197
Net depreciable capital assets	**36,043,558**	**(3,527,290)**	**-**	**32,516,268**
Total net capital assets	**$ 36,043,558**	**$ (3,508,781)**	**$ -**	**$ 32,534,777**

*Capital Asset beginning balances as of July 1, 2022 have been restated by $38.1M to include Subscription Assets pursuant to GASB Statement 96. In 2023, the Virginia Lottery recognized Subscription Based Information & Technology Arrangements (SBITA) per guidance in GASB No. 96. The Subscription Assets were previously not recognized on the financial statements.

Intangible Right-to-Use Lease Assets: In 2022, the Virginia Lottery implemented the guidance in GASB No. 87, *Leases*, and recognized the value of copiers and buildings leased under long-term contracts.

Intangible Right-to-Use Subscription Assets: In 2023, the Virginia Lottery implemented the guidance in GASB No. 96, *SBITA*, and recognized the value of subscription-based information technology arrangements.

4. INSTANT TICKET INVENTORY

Inventories are valued at actual cost and are expensed over the life of each game as instant-win scratch tickets are activated for sale by retailers.

5. LINE OF CREDIT

The State Comptroller has provided the Virginia Lottery with a line of credit not to exceed $56 million in accordance with Section 3-2.03 of Chapter 2, 2022 Special Session 1, to fund administrative and operating expenses in the event unreserved cash is insufficient to cover these short-term costs. There were no outstanding borrowings during the year ended June 30, 2023.

In accordance with item 494 of Chapter 2, 2022 Special Session 1, the Secretary of Finance may authorize an interest-free treasury loan for the Virginia Lottery to fund start-up costs associated with the implementation of casino gaming and sports betting activities as enacted by the 2020 General Assembly of Virginia. The Secretary of Finance may extend the repayment plan for any such interest-free treasury loan for a period of longer than twelve months. There were no borrowings under this arrangement during Fiscal Year 2023.

6. DUE FROM / (TO) THE LOTTERY PROCEEDS FUND

The amount due from/(to) the Lottery Proceeds Fund represents Virginia Lottery net income payable to the Commonwealth of Virginia's Lottery Proceeds Fund in accordance with Chapter 2, 2022 Special Session 1, as amended by Chapter 769, 2023 Session, and Section 58.1-4022.1, Code of Virginia. The Lottery Proceeds Fund is a special non-reverting fund established solely for the purpose of public education in the Commonwealth. For the year ended June 30, 2023, the net income for transfer to the Lottery Proceeds Fund was $867,351,902, with a net income transfer through June 30 of $781,181,194 and a balance due to the Lottery Proceeds Fund of $86,170,708.

The total amount of $867,351,902 transferred/due to the Lottery Proceeds fund is based on the Lottery's Net Income prior to adjustments made to General and Administrative Expenses for changes in Pension due to GASB 68 ($1,699,869), changes in OPEB due to GASB 75 ($1,144,533), and the Pension/OPEB allocation transferred to Gaming Governmental Activities ($1,331,141). The changes in Pension due to GASB 68 and the changes in other post-employment benefit expenses due to GASB 75 represent the net effect of the adjustment necessary to record the Pension and OPEB related activity under GASB 68 and GASB 75, respectively. The Virginia Lottery made a transfer allocation of $1,331,141 from Lottery Activities to Gaming Governmental Activities to account for the allocation of Pension and Other Post-Employment Benefits for dedicated gaming employees. This adjustment represents the net effect of the allocations necessary to record pension and OPEB related activity under GASB 68 and GASB 75 in the appropriate fund. The net adjustment made to Operating Expenses was ($4,175,543). While this adjustment increases the Net Income shown on the Financial Statements, it does not affect the total amount due to the Lottery Proceeds Fund.

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2023, is as follows:

Fund	Receivables	Payables
Governmental Activities	$ -	$ 324,333
Business-Type Activities	324,333	-
Total All Fund Types	**$ 324,333**	**$ 324,333**

The outstanding balances between funds result mainly from the time lag between the dates that payments between funds are made and when interfund goods and services are provided or reimbursable expenditures occurred.

8. COMPENSATED ABSENCES

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by employees of the Virginia Lottery, but not taken at June 30, 2023. Compensated absences were calculated in accordance with GASB Statement 16. The amount reflects all earned leave payable under the Virginia Lottery's leave payout policies. Information on the Commonwealth's leave policy is available at the statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report.

Fund	Balance as of July 1, 2022	Increases	Decreases	Balance as of June 30, 2023	Due Within One year
Business-Type Lottery Activities	$ 2,463,092	$ 2,056,634	$ (1,437,683)	$ 3,082,043	$ 1,990,807
Governmental Gaming Activities	213,097	362,580	(17,719)	557,958	172,771
Total All Fund Types	**$ 2,676,189**	**$ 2,419,214**	**$ (1,455,402)**	**$ 3,640,001**	**$ 2,163,578**

9. RIGHT-TO-USE LEASE LIABILITIES

In 2022, the Virginia Lottery implemented the guidance in GASBS No. 87, for accounting and reporting leases that had previously been reported as operating leases. Newly recognized lease liabilities are comprised of various leasing arrangements with unrelated parties. Payments are due in varying amounts over the lives of the related leases and are discounted using the Published Prime Rate as of the beginning of the lease term.

Lease Liabilities	Balance as of July 1, 2022	Additions	Modifications & Remeasurements	Subtractions	Balance as of June 30, 2023	Due Within One Year
Governmental Activities						
Equipment	$ 11,036	$ -	$ -	$ (6,550)	$ 4,486	$ 4,486
Business-Type Activities						
Equipment	88,589	-	(16)	(52,175)	36,398	35,911
Buildings	2,910,679	-	157	(547,505)	2,363,331	484,821
Billboards	-	7,817,081	-	(3,790,235)	4,026,846	4,026,846
Total Entity Activities	**$ 3,010,304**	**$ 7,817,081**	**$ 141**	**$ (4,396,465)**	**$ 6,431,061**	**$ 4,552,064**

	Governmental Activities		Business-Type Activities		Total Entity Activities	
Maturity Analysis	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending 2024	$ 4,486	$ 55	$ 4,547,578	$ 174,009	$ 4,552,064	$ 174,064
Year Ending 2025	-	-	379,217	54,893	379,217	54,893
Year Ending 2026	-	-	318,579	44,034	318,579	44,034
Year Ending 2027	-	-	268,969	34,079	268,969	34,079
Year Ending 2028	-	-	246,870	25,992	246,870	25,992
5 Years Ending 2029-2033	-	-	601,086	60,360	601,086	60,360
5 Years Ending 2034-2038	-	-	64,276	611	64,276	611
Total Future Payments	**$ 4,486**	**$ 55**	**$ 6,426,575**	**$ 393,978**	**$ 6,431,061**	**$ 394,033**

10. RIGHT-TO-USE SUBSCRIPTION LIABILITIES

In 2023, the Virginia Lottery implemented the guidance in GASBS No. 96, for subscription-based information technology arrangements (SBITA) that had previously been reported as information technology expenses. Newly recognized SBITA liabilities are comprised of various arrangements with unrelated parties. Payments are due in varying amounts over the lives of the related arrangements and are discounted using the Published Prime Rate as of the beginning of the subscription terms.

SBITA Liabilities	Balance as of July 1, 2022*	Additions	Modifications & Remeasurements	Subtractions	Balance as of June 30, 2023	Due Within One Year
Governmental Activities						
SBITA	$ 35,260,328	$ 210,552	$ -	$ (4,386,423)	$ 31,084,457	$ 2,895,573
Business-Type Activities						
SBITA	2,844,485	2,652,519	-	(1,131,177)	4,365,827	1,327,609
Total Entity Activities	**$ 38,104,813**	**$ 2,863,071**	**$ -**	**$ (5,517,600)**	**$ 35,450,284**	**$ 4,223,182**

	Governmental Activities		Business-Type Activities		Total Entity Activities	
Maturity Analysis	Principal	Interest	Principal	Interest	Principal	Interest
Year Ending 2024	$ 2,895,573	$ 1,407,557	$ 1,327,609	$ 168,544	$ 4,223,182	$ 1,576,101
Year Ending 2025	3,055,225	1,282,718	1,132,393	181,269	4,187,618	1,463,987
Year Ending 2026	3,205,855	1,132,088	972,818	129,194	4,178,673	1,261,282
Year Ending 2027	3,256,077	974,676	384,801	70,423	3,640,878	1,045,099
Year Ending 2028	3,385,488	816,506	268,668	45,145	3,654,156	861,651
5 Years Ending 2029-2033	15,283,520	1,538,452	266,167	77,894	15,549,687	1,616,346
5 Years Ending 2034-2038	2,719	233	13,371	1,146	16,090	1,379
Total Future Payments	**$ 31,084,457**	**$ 7,152,230**	**$ 4,365,827**	**$ 673,615**	**$ 35,450,284**	**$ 7,825,845**

*Amounts have been restated to include items related to the implementation of GASB Statement 96, *SBITA* .

11. PRIZES PAYABLE

Jackpot prize annuities are paid in 20, 25, 26, or 30 installments. The first installment is paid on or about the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery following a winner's irrevocable election of an annuity option. Jackpot winners also have the option of accepting their winnings in a lump sum cash payout. "For Life" prizes payable represents estimated prizes payable monthly, quarterly, or annually for the life of the winner based on actuarial tables from the Internal Revenue Service and funded with a pool of U.S. Treasury STRIPS.

U.S. Treasuries prizes payable represents the future annual prize payments valued at cost plus accrued interest (current value of securities held to maturity) of the investment securities funding the payments.

U.S. Treasuries Prizes Payable *Balance as of June 30, 2023*	Jackpot	Instant For Life	Online For Life	Total
Due within one year	$ 7,586,524	$ 3,781,134	$ 2,194,455	$ 13,562,113
Due in subsequent years	106,351,497	44,597,185	33,617,473	184,566,155
Total (current value)	113,938,021	48,378,319	35,811,928	198,128,268
Add: Interest to maturity	81,028,979	19,109,681	15,186,072	115,324,732
Total at Maturity	**$ 194,967,000**	**$ 67,488,000**	**$ 50,998,000**	**$ 313,453,000**

Other prizes payable represents prizes won but not yet claimed, from drawings or other games which may or may not have ended, and where these prizes are redeemable for up to 180 days after the drawing or game end. "For Life" prizes, for which bonds have not yet been purchased, are also reported as other prizes payable.

11. PRIZES PAYABLE (CONTINUED)

Prizes payable increases when jackpot winners select annuities and securities are purchased and as interest is accrued over time. Prizes payable decreases when securities mature to pay prior jackpot winners.

The following schedule presents the changes in U.S. Treasuries prizes payable.

Balance as of July 1, 2022	Increases	Decreases	Balance as of June 30, 2023
$ 112,828,571	$ 91,445,472	$ 6,145,775	$ 198,128,268

12. LITERARY FUND AND SETOFF DEBT COLLECTION PAYMENTS

Prizes unclaimed after 180 days are paid to the Literary Fund of the Commonwealth. Payments totaled $12,643,140 for the year ended June 30, 2023.

The Virginia Lottery participates in the Setoff Debt Collection Act whereby certain prize payments are withheld to set-off state obligations the prizewinner owes. Payments totaled $7,981,255 for the year ended June 30, 2023. The Literary Fund and state debt setoff payments are reported as prize expense on the financial statements.

Monetary penalties related to Gaming activity totaled $450 for the year ended June 30, 2023, and is recorded as revenue in the Commonwealth's Literary Fund.

13. ACCOUNTS PAYABLE

Accounts payable consisted of the following as of June 30, 2023:

	Business-Type Lottery Activities	Governmental Gaming Activities
Voucher Payable	$ 23,666,098	$ 402,884
Expired Prizes Payable	5,344,806	-
Player Wallets Payable	8,215,950	-
Payroll Payable	2,949,074	677,794
Player Tax Withholdings	140,373	-
Total Accounts Payable	**$ 40,316,301**	**$ 1,080,678**

14. UNEARNED CASINO LICENSE REVENUE

The Code of Virginia 58.1-4108 states that each operator shall submit a nonrefundable fee of $15 million pursuant to the issuance of a casino license. Such fees shall be deposited by the Department into the Gaming Regulatory Fund established by this code within the Commonwealth of Virginia. The license fee is recognized as monthly income over a 10-year period.

The following table shows the collections, revenue recognized in fiscal year 2023, and the balance remaining, which is accounted for in unearned revenue.

Unearned Casino License Revenue For the Year Ended June 30, 2023	Bristol	Portsmouth	Danville	Total
License Fees Collected	$ 15,000,000	$ 15,000,000	$ 15,000,000	$ 45,000,000
less FY23 Revenue Recognized	(1,500,000)	(750,000)	(250,000)	(2,500,000)
Unearned Casino License Revenue Balance	**$ 13,500,000**	**$ 14,250,000**	**$ 14,750,000**	**$ 42,500,000**

15. PENSION PLAN

General Information about the Pension Plan

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, service credit and average final compensation at retirement using a formula.	**About Plan 2** Same as Plan 1.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. • The defined benefit is based on a member's age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, they were vested as of January 1, 2013, and they have not taken a refund.	**Eligible Members** Employees are in Plan 2 if their membership date from July 1, 2010, to December 31, 2013, and they have not taken a refund, or their membership date is prior to July 1, 2010, and they were not vested as of January 1, 2013.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Full-time permanent, salaried state employees. * • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election VRS Plan 1 members could make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Hybrid Opt-In Election** Same as Plan 1.	**Non-Eligible Members* Some employees are not eligible to participate in the Hybrid Retirement Plan. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials, and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payments.	**Retirement Contributions** Same as Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.
Service Credit Service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement if the employer offers the health insurance credit.	**Service Credit** Same as Plan 1.	**Service Credit** *Defined Benefit Component:* Under the defined benefit component of the plan, service credit includes active service. Members earn service credit for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional service credit the member was granted. A member's total service credit is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement if the employer offers the health insurance credit.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
		Defined Contributions Component: Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of service credit. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** *Defined Benefit Component:* Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of service credit. Plan 1 or Plan 2 members with at least five years (60 months) of service credit who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. *Defined Contributions Component:* Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required, except as governed by law.
Calculating the Benefit The basic benefit is determined using the average final compensation, service credit and plan multiplier. An early retirement	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** *Defined Benefit Component:* See definition under Plan 1

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
reduction is applied to this amount if the member is retiring with a reduced benefit. In cases where the member has elected an optional form of retirement payment, an option factor specific to the option chosen is then applied.		*Defined Contribution Component:* The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier ***VRS*:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.	**Service Retirement Multiplier** ***VRS:*** Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for service credit earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** *Defined Benefit Component:* ***VRS:*** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. *Defined Contribution Component:* Not applicable.
Normal Retirement Age ***VRS:*** Age 65.	**Normal Retirement Age** ***VRS:*** Normal Social Security retirement age.	**Normal Retirement Age** *Defined Benefit Component:* ***VRS:*** Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility ***VRS:*** Age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.	**Earliest Unreduced Retirement Eligibility** ***VRS:*** Normal Social Security retirement age with at least five years (60 months) of service credit or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** *Defined Benefit Component:* ***VRS:*** Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility ***VRS:*** Age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.	**Earliest Reduced Retirement Eligibility** ***VRS:*** Age 60 with at least five years (60 months) of service credit.	**Earliest Reduced Retirement Eligibility** *Defined Benefit Component:* ***VRS:*** Same as Plan 2. *Defined Contribution Component:* Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. *Eligibility:* For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. *Exceptions to COLA Effective Dates:* The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability. • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor, or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. *Eligibility:* Same as Plan 1 *Exceptions to COLA Effective Dates:* Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** *Defined Benefit Component:* Same as Plan 2. *Defined Contribution Component:* Not applicable. *Eligibility:* Same as Plan 1 and Plan 2. *Exceptions to COLA Effective Dates:* Same as Plan 1 and Plan 2.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS refunded service as service credit in their plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** *Defined Benefit Component:* Same as Plan 1, with the following exception: • Hybrid Retirement Plan members are ineligible for ported service. *Defined Contribution Component:* Not applicable.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required employer contribution rate for the year ended June 30, 2023, was 14.46% of covered employee compensation for employees in the VRS State Employee Retirement Plan. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Virginia Lottery to the VRS State Employee Retirement Plan were $3,883,561 and $3,561,306 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $219.1 million to the VRS State plan. This special payment was authorized by Chapter 1 of the 2022 Appropriation Act and is classified as special employer contributions.

15. PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On June 30, 2023, the Virginia Lottery reported a liability of $25,655,234 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability. The Net Pension Liability was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Virginia Lottery's proportion of the Net Pension Liability was based on the state agency's actuarially determined employer contributions to the pension plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Virginia Lottery's proportion of the VRS State Employee Retirement Plan was 0.56529% as compared to 0.52630% at June 30, 2021.

For the year ended June 30, 2023, the Virginia Lottery recognized pension expense of $3,424,964 for the VRS State Employee Retirement Plan. Since there was a change in proportionate share between June 30, 2021, and June 30, 2022, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022, measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,696,899
Net difference between projected and actual earnings on pension plan investments	-	3,739,268
Change in Assumption	1,029,316	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,980,766	13,186
Employer contributions subsequent to the measurement date	3,883,561	-
Total	**$ 7,893,643**	**$ 5,449,353**

$3,883,561 reported as deferred outflows of resources related to pensions resulting from the Virginia Lottery's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Total
FY 2024	$ (109,455)
FY 2025	$ (653,378)
FY 2026	$ (2,445,121)
FY 2027	$ 1,768,683
FY 2028	$ -

15. PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.35%
Investment rate of return	6.75%, net of pension plan investment expenses

Mortality Rates

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (Pre-retirement, post- retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

15. PENSION PLAN (CONTINUED)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular plan's total pension liability determined in accordance with GASB Statement No. 67, less that plan's fiduciary net position. As of June 30, 2022, NPL amounts for the VRS State Employee Retirement Plan are as follows (amounts expressed in thousands):

	State Employee Retirement Plan
Total Pension Liability	$ 27,117,746
Plan Fiduciary Net Position	22,579,326
Employers' Net Pension Liability (Asset)	$ 4,538,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.26%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP-Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		Expected arithmetic nominal return **	7.83%

** The above allocation provides a one-year expected return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

*** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

15. PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes, and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2022, the rate contributed by the Virginia Lottery for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Virginia Lottery's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Virginia Lottery's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what the Virginia Lottery's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1.00% Decrease 5.75%	Current Rate 6.75%	1.00% Increase 7.75%
Virginia Lottery's proportionate share of the VRS State Employee Retirement Plan Net Pension Liability	$ 43,845,474	$ 25,655,234	$ 10,578,669

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2022 Annual Report. A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://varetire.org/pdf/publications/2022-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The amount of payables outstanding to the VRS State Employee Retirement Plan at June 30, 2023, was approximately $338K for legally required contributions into the plan.

16. RISK MANAGEMENT

The Virginia Lottery is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Virginia Lottery participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Virginia Lottery pays premiums to each of these departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report.

17. CONTINGENCIES

The Virginia Lottery is currently not named as a party in any legal proceedings.

18. COLLECTIONS OF SPORTS BETTING TAXES

During the year ended June 30, 2023, the Virginia Lottery collected $68,978,815 in sports betting taxes. These funds are deposited by the Lottery directly with the Treasurer of Virginia for credit to the General Fund of the Commonwealth and the Problem Gambling Treatment and Support Fund and are not available to the Lottery to meet current needs and are not included in the financial statements.

19. COLLECTIONS OF CASINO TAXES

Per Code of Virginia 58.1-4124, a tax is imposed on adjusted gross receipts of each licensed casino operator. All gaming taxes, along with license and application fees, are collected from the Bristol Hard Rock, Rivers Portsmouth, and Caesars Danville casinos in the State of Virginia and placed in Gaming Proceeds fund. A percentage of these taxes are distributed back to the Host City (Danville, Portsmouth) and the Regional Improvement Commission (Bristol). Additionally, a percentage of the taxes is distributed to the Problem Gaming Treatment and Support Fund, and the Family and Children's Trust Fund. The remaining monies not apportioned pursuant to the Code are deposited in the School Construction Fund established pursuant to 22.1-140.1 of the Code of Virginia.

Casino Tax Allocation	Hard Rock Bristol	Rivers Portsmouth	Caesars Danville
Host City	$ 9,419,567	$ 7,188,866	$ 1,851,656
Problem Gambling Treatment and Support Fund	226,070	172,533	44,440
Family and Children's Trust Fund	56,517	43,133	11,110
School Construction Fund	18,556,548	14,162,065	3,647,762
Total Taxes Collected in FY2023	**$ 28,258,702**	**$ 21,566,597**	**$ 5,554,968**
***Total Taxes Collected in Aggregate**			**$ 55,380,267**

**These figures are for informational purposes only and are not reflected in the Financial Statements*

20. OTHER POSTEMPLOYMENT BENEFITS

The Virginia Lottery participates in postemployment benefit programs that are sponsored by the Commonwealth and administered by the Virginia Retirement System. These programs include the Group Life Insurance Program, Virginia Sickness and Disability Program, Retiree Health Insurance Credit Program, and Line of Duty Act Program.

General Information about the State Employee Health Insurance Credit Program

Plan Description

All full-time, salaried permanent employees of state agencies are automatically covered by the VRS State Employee Health Insurance Credit Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the State Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out in the table below:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS
Eligible Employees: The State Employee Retiree Health Insurance Credit Program was established January 1, 1990, for retired state employees covered under VRS, SPORS, VaLORS and JRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include: • Full-time and part-time permanent salaried state employees covered under VRS, SPORS, VaLORS and JRS.
Benefit Amounts: The State Employee Retiree Health Insurance Credit Program provides the following benefits for eligible employees:

STATE EMPLOYEE HEALTH INSURANCE CREDIT PROGRAM (HIC) PLAN PROVISIONS

- *At Retirement* – For State employees who retire, the monthly benefit is $4.00 per year of service per month with no cap on the benefit amount.
- *Disability Retirement* – For State employees, other than state police officers, who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP), the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.
  For State police officer employees with a non-work-related disability who retire on disability or go on long-term disability under the Virginia Sickness and Disability Program (VSDP) the monthly benefit is $120.00 or $4.00 per year of service, whichever is higher.

  For State police officer employees with a work-related disability, there is no benefit provided under the State Employee Retiree Health Insurance Credit Program if the premiums are being paid under the Virginia Line of Duty Act. However, they may receive the credit for premiums paid for other qualified health plans.

Health Insurance Credit Program Notes:

- The monthly Health Insurance Credit benefit cannot exceed the individual's premium amount.
- Employees who retire after being on long-term disability under VSDP must have at least 15 years of service credit to qual for the health insurance credit as a retiree.

Contributions

The contribution requirement for active employees is governed by §51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's contractually required employer contribution rate for the year ended June 30, 2023, was 1.12% of covered employee compensation for employees in the VRS State Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Virginia Lottery to the VRS State Employee Health Insurance Credit Program were $328,079 and $298,782 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $8.5 million which was applied to the Health Insurance Credit Plan for state employees. This special payment was authorized by a budget amendment included in Chapter 1 of the 2022 Appropriation Act.

State Employee Health Insurance Credit Program OPEB Liabilities, State Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee Health Insurance Credit Program OPEB

On June 30, 2023, the Virginia Lottery reported a liability of $2,884,062 for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS State Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2022, and the total VRS State Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS State Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Virginia Lottery's proportion of the Net VRS State Employee Health Insurance Credit Program OPEB Liability was based on the Virginia Lottery's actuarially determined employer contributions to the VRS State Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating state employers. On June 30, 2022, the Virginia Lottery's proportion of the VRS State Employee Health Insurance Credit Program was 0.35207% as compared to 0.32422% at June 30, 2021.

For the year ended June 30, 2023, the Virginia Lottery recognized VRS State Employee Health Insurance Credit Program OPEB expense of $326,845. Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

On June 30, 2023, the Virginia Lottery reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee Health Insurance Credit Program OPEB from the following sources:

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the State Employee Health Insurance Credit Program (Continued)

State Employee Health Insurance Credit Program OPEB Liabilities, State Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to State Employee Health Insurance Credit Program OPEB (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 494	$ 174,306
Net difference between projected and actual earnings on State HIC OPEB program investments	-	1,565
Change in assumptions	96,483	1,456
Changes in proportionate share	434,082	15,436
Employer contributions subsequent to the measurement date	328,079	-
Total	$ 859,138	$ 192,763

$328,079 reported as deferred outflows of resources related to the State Employee HIC OPEB resulting from the Virginia Lottery's contributions subsequent to the measurement date will be recognized as a reduction of the Net State Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2024	$	78,376
FY 2025	$	89,669
FY 2026	$	65,027
FY 2027	$	75,496
FY 2028	$	28,895
Thereafter	$	833

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee Health Insurance Credit Program was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary increases, including inflation -	
General state employes	3.50% - 5.35%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS employees	4.00%
Investment rate of return	6.75%, net of plan investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the State Employee Health Insurance Credit Program (Continued)

Actuarial Assumptions (Continued)

Mortality rates – General State Employees (continued)

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the State Employee Health Insurance Credit Program (Continued)

Actuarial Assumptions (Continued)

Mortality rates – SPORS Employees (Continued)

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the State Employee Health Insurance Credit Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – JRS Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Net State Employee HIC OPEB Liability

The net OPEB liability (NOL) for the State Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOL amounts for the VRS State Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the State Employee Health Insurance Credit Program (Continued)

Net State Employee HIC OPEB Liability (continued)

	State Employee HIC OPEB Plan
Total State Employee HIC OPEB Liability	$ 1,043,748
Plan Fiduciary Net Position	224,575
State Employee Net HIC OPEB Liability (Asset)	$ 819,173
Plan Fiduciary Net Position as a Percentage of the Total State Employee HIC OPEB Liability	21.52%

The total State Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net State Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	**100.00%**		**5.33%**
		Inflation	2.50%
		Expected arithmetic nominal return **	7.83%

** The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

*** On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the total State Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the Virginia Lottery for the VRS State Employee Health Insurance Credit Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the State Employee Health Insurance Credit Program (Continued)

Discount Rate (continued)

Based on those assumptions, the State Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB liability.

Sensitivity of the Virginia Lottery's Proportionate Share of the State Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the Virginia Lottery's proportionate share of the VRS State Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 6.75%, as well as what the Virginia Lottery's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Rate (6.75%)	1.00% Increase (7.75%)
Virginia Lottery's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB	$ 3,238,553	$ 2,884,062	$ 2,579,719

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the VRS Disability Insurance Program

Plan Description

All full-time and part-time permanent salaried state employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) hired on or after January 1, 1999, are automatically covered by the Disability Insurance Program (VSDP) upon employment. The Disability Insurance Program also covers state employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for disability retirement. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

The specific information for Disability Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

Eligible Employees

The Virginia Sickness and Disability Program (VSDP), also known as the Disability Insurance Trust Fund was established January 1, 1999, to provide short-term and long-term disability benefits for non-work-related and work-related disabilities.

Eligible employees are enrolled automatically upon employment. They include:

- Full-time and part-time permanent salaried state employees covered under VRS, SPORS and ValORS (members new to VaLORS following its creation on October 1, 1999, have been enrolled since the inception of VSDP).
- State employees hired before January 1, 1999, who elected to transfer to VSDP rather than retain their eligibility to be considered for VRS disability retirement.
- Public college and university faculty members who elect the VRS defined benefit plan. They may participate in VSDP or their institution's disability program, if offered. If the institution does not offer the program or the faculty member does not make an election, he or she is enrolled in VSDP.

Benefit Amounts

The Virginia Sickness and Disability Program (VSDP) provides the following benefits for eligible employees:

DISABILITY INSURANCE PROGRAM (VSDP) PLAN PROVISIONS

- *Leave* – Sick, family, and personal leave. Eligible leave benefits are paid by the employer.
- *Short-Term Disability* – The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. The benefit provides income replacement beginning at 100% of the employee's pre-disability income, reducing to 80% and then 60% based on the period of the disability and the length of service of the employee. Short-term disability benefits are paid by the employer.
- *Long-Term Disability (LTD)* – The program provides a long-term disability benefit beginning after 125 workdays of short-term disability and continuing until the employee reaches his or her normal retirement age. The benefit provides income replacement of 60% of the employee's pre-disability income. If an employee becomes disabled within five years of his or her normal retirement age, the employee will receive up to five years of VSDP benefits, provided he or she remains medically eligible. Long-term disability benefits are paid for by the Virginia Disability Insurance Program (VSDP) OPEB Plan.
- *Income Replacement Adjustment* – The program provides for an income replacement adjustment to 80% for catastrophic conditions.
- *VSDP Long-Term Care Plan* – The program also includes a self-funded long-term care plan that assists with the cost of covered long-term care services.

Disability Insurance Program (VSDP) Plan Notes:

- Employees hired or rehired on or after July 1, 2009, must satisfy eligibility periods before becoming eligible for non-work-related short-term disability benefits and certain income-replacement levels.
- A state employee who is approved for VSDP benefits on or after the date that is five years prior to his or her normal retirement date is eligible for up five years of VSDP benefits.
- Employees on work-related short-term disability receiving only a workers' compensation payment may be eligible to purchase service credit for this period if retirement contributions are not being withheld from the workers' compensation payment. The rate will be based on 5.00% of the employee's compensation.

Cost-of-Living Adjustment (COLA)

- During periods an employee receives long-term disability benefits, the LTD benefit may be increased annually by an amount recommended by the actuary and approved by the Board.
  - Plan 1 employees vested as of 1/1/2013 – 100% of the VRS Plan 1 COLA (The first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%).
  - Plan 1 employee non-vested as of 1/1/2013, Plan 2 and Hybrid Plan employees – 100% of the VRS Plan 2 and Hybrid COLA (The first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%).
- For participating full-time employees taking service retirement, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, with a maximum COLA of 4.00%
- For participating full-time employees receiving supplemental (work-related) disability benefits, the creditable compensation may be increased annually by an amount recommended by the actuary and approved by the Board, from the date of the commencement of the disability to the date of retirement.
  - 100% of the increase in the pay over the previous plan year for continuing VSDP members in the State, SPORS, and VaLORS Plans, with a maximum COLA of 4.00%.

Contributions

The contribution requirements for the Disability Insurance Program (VSDP) are governed by §51.1-1140 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Disability Insurance Program (VSDP) for the year ended June 30, 2023, was 0.61% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate was expected to finance the costs of benefits payable during the year, with an adjustment to amortize the accrued OPEB assets. Contributions to the Disability Insurance Program (VSDP) from the Virginia Lottery were $169,432 and $157,161 for the years ended June 30, 2023, and June 30, 2022, respectively.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the VRS Disability Insurance Program (Continued)

Disability Insurance Program (VSDP) OPEB Liabilities (Assets), VSDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VSDP OPEB

At June 30, 2023, the Virginia Lottery reported a liability (asset) of ($1,652,087) for its proportionate share of the Net VSDP OPEB Liability (Asset). The Net VSDP OPEB Liability (Asset) was measured as of June 30, 2022, and the total VSDP OPEB liability used to calculate the Net VSDP OPEB Liability (Asset) was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Virginia Lottery's proportion of the Net VSDP OPEB Liability (Asset) was based on the Virginia Lottery's actuarially determined employer contributions to the VSDP OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Virginia Lottery's proportion was 0.55974% as compared to 0.51797% at June 30, 2021.

For the year ended June 30, 2023, the Virginia Lottery recognized VSDP OPEB expense of ($15,094). Since there was a change in proportionate share between measurement dates, a portion of the VSDP OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 166,307	$ 245,932
Net difference between projected and actual earnings on VSDP OPEB plan investments	$ -	91,222
Change in assumptions	9,532	32,456
Changes in proportionate share	6,900	170,444
Employer contributions subsequent to the measurement date	169,432	-
Total	$ 352,171	$ 540,054

$169,432 reported as deferred outflows of resources related to the VSDP OPEB resulting from the Virginia Lottery's contributions subsequent to the measurement date will be recognized as an adjustment of the Net VSDP OPEB Liability (Asset) in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VSDP OPEB will be recognized in VSDP OPEB expense (recovery) in future reporting periods as follows:

Year ended June 30		
FY 2024	$	(103,070)
FY 2025	$	(103,047)
FY 2026	$	(122,262)
FY 2027	$	(15,783)
FY 2028	$	(16,579)
Thereafter	$	3,425

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the VRS Disability Insurance Program (Continued)

Actuarial Assumptions

The total VSDP OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary Increases, including inflation -	
General state employees	3.50% - 5.35%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the VRS Disability Insurance Program (Continued)

Actuarial Assumptions (continued)

Mortality rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the VRS Disability Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality rates – VaLORS Employees (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Net VSDP OPEB Liability (Asset)

The net OPEB asset (NOA) for the Disability Insurance Program (VSDP) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2022, NOA amounts for the Disability Insurance Program (VSDP) is as follows (amounts expressed in thousands):

	Virginia Sickness and Disability Program
Total VSDP OPEB Liability	$ 307,764
Plan Fiduciary Net Position	602,916
VSDP Net OPEB Liability (Asset)	$ (295,152)
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	195.90%

The total VSDP OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB asset is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the VRS Disability Insurance Program (Continued)

Long-Term Expected Rate of Return (Continued)

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	100.00%		5.33%
		Inflation	2.50%
		** Expected arithmetic nominal return	7.83%

** The above allocation provides a one-year return of 7.83% However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

***On October 10, 2019, the VRS Board elected a long-term rate of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the total VSDP OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by participating employers to the VSDP OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the VSDP OPEB Program's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total VSDP OPEB liability.

Sensitivity of the Virginia Lottery's Proportionate Share of the Net VSDP OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Virginia Lottery's proportionate share of the net VSDP OPEB liability (asset) using the discount rate of 6.75%, as well as what the Virginia Lottery's proportionate share of the net VSDP OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Rate (6.75%)	1.00% Increase (7.75%)
Virginia Lottery's proportionate share of the VSDP Net OPEB Liability (Asset)	$ (1,520,597)	$ (1,652,087)	$ (1,767,619)

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the VRS Disability Insurance Program (Continued)

VSDP OPEB Fiduciary Net Position

Detailed information about the Disability Insurance Program (VSDP) Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website https://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

General Information about the Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Eligible Employees

The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:

- City of Richmond
- City of Portsmouth
- City of Roanoke
- City of Norfolk
- Roanoke City School Board

Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components.

- *Natural Death Benefit* – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- *Accidental Death Benefit* – The accidental death benefit is double the natural death benefit.
- *Other Benefit Provisions* – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
  - Accidental dismemberment benefit
  - Seatbelt benefit
  - Repatriation benefit
  - Felonious assault benefit
  - Accelerated death benefit option

Reduction in benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was $8,984 as of June 30, 2023.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.34% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80% (1.34% X 60%) and the employer component was 0.54% (1.34% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2023, was 0.54% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Virginia Lottery were $157,954 and $144,056 for the years ended June 30, 2023, and June 30, 2022, respectively.

In June 2022, the Commonwealth made a special contribution of approximately $30.4 million to the Group Life Insurance plan. This special payment was authorized by a Budget Amendment included in Chapter 1 of the 2022 Appropriation Act.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB

At June 30, 2023, the Virginia Lottery reported a liability of $1,481,400 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2022, and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2022, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2022, the Virginia Lottery's proportion was 0.12303% as compared to 0.11316% at June 30, 2021.

For the year ended June 30, 2023, the Virginia Lottery recognized GLI OPEB expense of $96,180. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 117,308	$ 59,430
Net difference between projected and actual earnings on GLI OPEB program investments	-	92,566
Change in assumptions	55,254	144,294
Changes in proportionate share	237,811	11,218
Employer contributions subsequent to the measurement date	157,954	-
Total	$ 568,327	$ 307,508

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

$157,954 reported as deferred outflows of resources related to the GLI OPEB resulting from the Virginia Lottery's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2024	$	24,761
FY 2025	$	31,246
FY 2026	$	(21,933)
FY 2027	$	56,999
FY 2028	$	11,792
Thereafter	$	-

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary Increases, including inflation -	
General state employees	3.50% - 5.35%
Teachers	3.50% - 5.95%
SPORS employees	3.50% - 4.75%
VaLORS employees	3.50% - 4.75%
JRS Employees	4.00%
Locality - General employees	3.50% - 5.35%
Locality - Hazardous Duty Employees	3.50% - 4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates – General State Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality rates – General State Employees (Continued)

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – Teachers

Pre-Retirement:
Pub-2010 Amount Weighted Teachers Employee Rates projected generationally; 110% of rates for males.

Post-Retirement:
Pub-2010 Amount Weighted Teachers Healthy Retiree Rates projected generationally; males set forward 1 year; 105% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted Teachers Disabled Rates projected generationally; 110% of rates for males and females.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Teachers Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – VaLORS Employees (Continued)

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – JRS Employees

Pre-Retirement:

Pub-2010 Amount Weighted General Employee Rates projected generationally; males set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 95% of rates for males and females set back 2 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers - General Employees (Continued)

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Largest Ten Locality Employers – Hazardous Duty Employees (Continued)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Mortality Rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Net GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the Measurement Date of June 30, 2022, NOL amounts for the Group Life Insurance Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	$ 3,672,085
Plan Fiduciary Net Position	2,467,989
GLI Net OPEB Liability (Asset)	$ 1,204,096
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return*
Public Equity	34.00%	5.71%	1.94%
Fixed Income	15.00%	2.04%	0.31%
Credit Strategies	14.00%	4.78%	0.67%
Real Assets	14.00%	4.47%	0.63%
Private Equity	14.00%	9.73%	1.36%
MAPS - Multi-Asset Public Strategies	6.00%	3.73%	0.22%
PIP - Private Investment Partnership	3.00%	6.55%	0.20%
Total	**100.00%**		**5.33%**
		Inflation	2.50%
		Expected arithmetic nominal return **	7.83%

** The above allocation provides a one-year return of 7.83%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 6.72%, including expected inflation of 2.50%.*

***On October 10, 2019, the VRS Board elected a long-term rate of return of 6.75% which was roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.11%, including expected inflation of 2.50%.*

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Group Life Insurance Program (Continued)

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2022, on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Virginia Lottery's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the Virginia Lottery's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1.00% Decrease (5.75%)	Current Rate (6.75%)	1.00% Increase (7.75%)
Virginia Lottery's proportionate share of the Group Life Insurance Plan Net OPEB Liability	$ 2,155,610	$ 1,481,400	$ 936,546

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at https://www.varetire.org/pdf/publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Pre-Medicare Retiree Healthcare

The Commonwealth provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. The following are eligibility requirements for Virginia Retirement System retirees:

- You are a retiring state employee who is eligible for a monthly retirement benefit from the Virginia Retirement System (VRS), and
- You start receiving (do not defer) your retirement benefit immediately upon retirement*, and
- Your last employer before retirement was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage as an active employee in the State Health Benefits Program until your retirement date (not including Extended Coverage/COBRA), and
- You enroll no later than 31 days from your retirement date.

**For VRS retirees, this means that your employing agency reported a retirement contribution or leave without pay status for retirement in the month immediately prior to your retirement date. Some faculty members may also be eligible if they are paid on an alternate pay cycle but maintain eligibility for active coverage until their retirement date.*

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Pre-Medicare Retiree Healthcare (Continued)

Effective January 1, 2017**, the following are eligibility requirements for Optional Retirement Plan retirees:

- You are a terminating state employee who participates in one of the qualified Optional Retirement Plans, and
- Your last employer before termination was the Commonwealth of Virginia, and
- You were eligible for (even if you were not enrolled) coverage in the State Employee Health Benefits Program for active employees at the time of your termination, and
- You meet the age and service requirements for an immediate retirement benefit under the non-ORP Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP, and
- You enroll in the State Retiree Health Benefits Program no later than 31 days from the date you lose coverage (or lose eligibility for coverage) in the State Health Benefits Program for active employees due to your termination of employment.

***This change applies to ORP terminations effective January 1, 2017, or later. Eligibility for those who terminated employment prior to January 1 should be determined based on the policy in place at the time of their termination.*

The employer does not pay a portion of the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, this generally results in a higher rate for active employees. Therefore, the employer effectively subsidizes the costs of the participating retirees' healthcare through payment of the employer's portion of the premiums for active employees.

This fund is reported as part of the Commonwealth's Healthcare Internal Service Fund. Benefit payments are recognized when due and payable in accordance with the benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes and is administered by the Department of Human Resource Management. There were approximately 3,647 retirees and 92,839 active employees in the program as of June 30, 2022. There are no inactive employees entitled to future benefits who are not currently receiving benefits. There are no assets accumulated in a trust to pay benefits.

Actuarial Assumptions and Methods

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2022 (one year prior to the end of the fiscal year). The Department of Human Resource Management selected the economic, demographic, and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare costs trend rates used were 8.00 percent for medical and pharmacy and 4.00 percent for dental. The ultimate trend rates used were 4.50 percent for medical and pharmacy and 4.00 percent for dental.

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement Date	June 30, 2022 (one year prior to the end of the fiscal year)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, Closed
Effective Amortization Period	5.86 years
Discount Rate	3.54%
Projected Salary Increases	5.35% to 3.5% based on years of service from 1 year to 20 years or more
Medical Trend Under 65	Medical & Rx: 8.00% to 4.50% Dental: 4.00%
Year of Ultimate Trend	2033
Mortality	Mortality rates vary by participant status and gender.
Pre-Retirement:	Pub-2010 Benefits Weighted General Employee Rates projected generationally with a Modified MP-2021 Improvement Scale; females set forward 2 years.

- Table Continued on Next Page -

Post-Retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for females.
Post-Disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected generationally with a Modified MP-2021 Improvement Scale; males and females set forward 3 years.
Beneficiaries and Survivors:	Pub-2010 Benefits Weighted General Contingent Annuitant Rates projected generationally with a Modified MP-2021 Improvement Scale; 110% of rates for males and females

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date which is June 30, 2022.

Changes of Assumptions: The following actuarial assumptions were updated since the June 30, 2021, valuation based on recent experience:

- Retiree Participation - reduced the rate from 40% to 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2022.

There were no plan changes in the valuation since the prior year.

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

On June 30, 2023, the Virginia Lottery reported a liability of $1,408,480 for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB liability of $363.4 million. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022. The Virginia Lottery's proportion of the Pre-Medicare Retiree Healthcare OPEB liability was based on the Virginia Lottery's calculated healthcare premium contributions as a percentage of the Virginia Lottery's total calculated healthcare premium contributions for all participating employers. On June 30, 2022, the Virginia Lottery's proportion was 0.38757% as compared to 0.34144% at June 30, 2021. For the year ended June 30, 2023, the Virginia Lottery recognized Pre-Medicare Retiree Healthcare OPEB expense of ($679,304).

On June 30, 2023, the Virginia Lottery reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ -	$ 643,220
Changes in assumptions	-	1,303,779
Changes in proportion	658,581	17,468
Rounding Adjustment	-	-
Sub Total	658,581	1,964,467
Amounts associated with transactions subsequent to the measurement date	154,006	N/A
Total	$ 812,587	$ 1,964,467

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Pre-Medicare Retiree Healthcare (Continued)

Pre-Medicare Retiree Healthcare OPEB Liabilities, OPEB Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources

$154,006 reported as deferred outflows of resources related to the Pre-Medicare Retiree Healthcare OPEB resulting from amounts associated with transactions subsequent to the measurement date will be recognized as a reduction of the total OPEB Liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB will be recognized in the Pre-Medicare Retiree Healthcare OPEB expense as follows:

Year End June 30:		
FY 2024	$	(704,260)
FY 2025	$	(387,076)
FY 2026	$	(159,560)
FY 2027	$	(55,402)
FY 2028	$	413
Total Thereafter	$	-

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Discount Rate

The following presents the Virginia Lottery's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 3.54%, as well as what the Virginia Lottery's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Rate (3.54%)	1% Increase (5.54%)
OPEB Liability	$1,486,858	$1,408,480	$1,331,749

Sensitivity of the Employer's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Virginia Lottery's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the healthcare cost trend rate of 8.00% decreasing to 4.50%, as well as what the Virginia Lottery's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00% decreasing to 3.50%) or one percentage point higher (9.00% decreasing to 5.50%) than the current rate:

	1% Decrease (7.00% decreasing to 3.50%)	Trend Rate (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
OPEB Liability	$1,282,259	$1,408,480	$1,553,825

General Information about the Line of Duty Act Program

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

Plan Description (Continued)

The specific information for Line of Duty Act Program (LODA) OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM (LODA) PLAN PROVISIONS
Eligible Employees The eligible employees of the Line of Duty Act Program (LODA) are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS).
Benefit Amounts The Line of Duty Act Program (LODA) provides death and health insurance benefits for eligible individuals: • *Death* – The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: o $100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. o $25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. o An additional $20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • *Health Insurance* – The Line of Duty Act program provides health insurance benefits. o The health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members.

Contributions

The contribution requirements for the Line of Duty Act Program (LODA) are governed by §9.1-400.1 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program (LODA) for the year ended June 30, 2023, was $681.84 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2021, and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program (LODA) from the Virginia Lottery were $5,455 and $5,780 for the years ended June 30, 2023, and June 30, 2022, respectively.

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2023, the Virginia Lottery reported a liability of $158,838 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2022, and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to the measurement date of June 30, 2022. The Virginia Lottery's proportion of the Net LODA OPEB Liability was based on the Virginia Lottery's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2022, relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2022, the Virginia Lottery's proportion was 0.04197% as compared to 0.04168% at June 30, 2021.

For the year ended June 30, 2023, the Virginia Lottery recognized LODA OPEB expense of $24,812. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

Line of Duty Act Program (LODA) OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,203	$ 29,686
Net difference between projected and actual earnings on LODA OPEB plan investments	-	679
Change in assumptions	44,295	39,177
Changes in proportionate share	22,933	695
Employer contributions subsequent to the measurement date	5,455	-
Total	$ 84,886	$ 70,237

$5,455 reported as deferred outflows of resources related to the LODA OPEB resulting from the Virginia Lottery's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the Fiscal Year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

Year ended June 30		
FY 2024	$	3,451
FY 2025	$	3,466
FY 2026	$	3,481
FY 2027	$	3,971
FY 2028	$	3,248
Thereafter	$	(8,422)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2022.

Inflation	2.50%
Salary Increases, including inflation -	
General state employees	N/A
SPORS employees	N/A
VaLORS employees	N/A
Locality employees	N/A
Medical cost trend rates assumption -	
Under age 65	7.00% - 4.75%
Ages 65 and older	5.25% - 4.75%
Year of ultimate trend rate	
Under age 65	Fiscal year ended 2028
Ages 65 and older	Fiscal year ended 2023
Investment rate of return	3.69%, including inflation*

** Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return.*

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

Actuarial Assumptions (Continued)

Mortality rates – General State Employees

Pre-Retirement:
Pub-2010 Amount Weighted General Employee Rates projected generationally; females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted General Healthy Retiree Rates projected generationally; 110% of rates for females.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; males and females set forward 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted General Contingent Annuitant Rates projected generationally; 110% of rates for males and females.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality Rates – SPORS Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – SPORS Employees (Continued)

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality Rates – VaLORS Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – VaLORS Employees (Continued)

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Mortality Rates – Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:

Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:

Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:

Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:

Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

Actuarial Assumptions (Continued)

Mortality Rates – Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:
Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years.

Post-Retirement:
Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years.

Post-Disablement:
Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years.

Beneficiaries and Survivors:
Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years.

Mortality Improvement Scale:
Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program (LODA) represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2022, NOL amounts for the Line of Duty Act Program (LODA) is as follows (amounts expressed in thousands):

	Line of Duty Act Program
Total LODA OPEB Liability	$ 385,669
Plan Fiduciary Net Position	7,214
LODA Net OPEB Liability (Asset)	$ 378,455
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.87%

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

Net LODA OPEB Liability (Continued)

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.69% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments' 6.75% assumption. Instead, the assumed annual rate of return of 3.69% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2022.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.69%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2022, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Virginia Lottery's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the Virginia Lottery's proportionate share of the net LODA OPEB liability using the discount rate of 3.69%, as well as what the Virginia Lottery's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 2.69% or one percentage point higher 4.69% than the current rate:

	1.00% Decrease 2.69%	Current Rate 3.69%	1.00% Increase 4.69%
Virginia Lottery's proportionate share of the LODA Net OPEB Liability	$181,312	$158,838	$140,451

Sensitivity of the Virginia Lottery's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program (LODA) contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the Virginia Lottery's proportionate share of the net LODA OPEB liability using health care trend rate of 7.00% decreasing to 4.75%, as well as what the Virginia Lottery's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.00% decreasing to 3.75%) or one percentage point higher (8.00% decreasing to 5.75%) than the current rate:

	1.00% Decrease (6.00% decreasing to 3.75%)	Current Rate (7.00% decreasing to 4.75%)	1.00% Increase (8.00% decreasing to 5.75%)
Virginia Lottery's proportionate share of the LODA Net OPEB Liability	$133,855	$158,838	$190,195

20. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

General Information about the Line of Duty Act Program (Continued)

LODA OPEB Plan Fiduciary Net Position

Detailed information about the Line of Duty Act Program (LODA) Fiduciary Net Position is available in the separately issued VRS 2022 *Annual Comprehensive Financial Report* (Annual Report). A copy of the 2022 VRS Annual Report may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2022-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to Other Postemployment Benefits (OPEB)

The amount of payables outstanding at June 30, 2023, to each of these OPEB programs was as follows:

GLI	$	34,000
HIC	$	29,000
VSDP	$	15,000

Combining Schedule of OPEB Liabilities, OPEB Expense, Deferred Inflows of Resources and Deferred Outflows of Resources OPEB Plans Related to OPEB Plans

	GLI (VRS)	HIC (VRS)	LODA (VRS)	VSDP (VRS)	Total OPEB (VRS)	Medicare (DHRM)	Total OPEB
Deferred Outflows	$ 568,327	$ 859,138	$ 84,886	$ 352,171	$ 1,864,522	$ 812,587	$ 2,677,109
Net OPEB Asset	N/A	N/A	N/A	1,652,087	$ 1,652,087	N/A	$ 1,652,087
OPEB Liability	1,481,400	2,884,062	158,838	N/A	$ 4,524,300	1,408,480	$ 5,932,780
Deferred Inflows	307,508	192,763	70,237	540,054	$ 1,110,562	1,964,467	$ 3,075,029
OPEB Expense/(Recovery)	96,180	326,845	24,812	(15,094)	$ 432,743	(679,304)	$ (246,561)

Schedule of Virginia Lottery's Share of Net Pension Liability
VRS State Employee Retirement Plan
For the Measurement Dates of June 30, 2014 through 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Lottery's Proportion of the Net Pension Liability (Asset)	0.56529%	0.52630%	0.47931%	0.47457%	0.45501%	0.46150%	0.46485%	0.45999%	0.42957%
Lottery's Proportionate Share of the Net Pension Liability (Asset)	$25,655,234	$19,090,110	$34,725,327	$29,991,555	$24,633,000	$26,894,000	$30,637,000	$28,163,000	$24,049,000
Lottery's Covered Payroll	$24,628,672	$21,702,656	$20,096,050	$19,014,564	$18,184,907	$18,021,090	$20,478,783	$17,527,510	$17,124,458
Lottery's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	104.17%	87.96%	172.80%	157.73%	135.46%	147.90%	169.04%	158.50%	140.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.26%	86.44%	72.15%	75.13%	77.39%	75.33%	71.29%	72.81%	74.28%

Schedule is intended to show information for 10 years. Since 2022 is the ninth year for this presentation, only nine years of data are available. However, additional years will be included as they become available.

Schedule of Virginia Lottery Contributions
VRS State Employee Retirement Plan
For the Years Ended June 30, 2015 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Lottery's Covered Payroll	Contributions as a % of Covered Payroll
2023	$3,883,561	$3,883,561	$0	$26,857,268	14.46%
2022	$3,561,306	$3,561,306	$0	$24,628,672	14.46%
2021	$3,138,204	$3,138,204	$0	$21,702,656	14.46%
2020	$2,716,986	$2,716,986	$0	$20,096,050	13.52%
2019	$2,570,769	$2,570,769	$0	$19,014,564	13.52%
2018	$2,453,144	$2,453,144	$0	$18,184,907	13.49%
2017	$2,431,045	$2,431,045	$0	$18,021,090	13.49%
2016	$2,525,034	$2,525,034	$0	$20,478,783	12.33%
2015	$2,161,142	$2,161,142	$0	$17,527,510	12.33%

VRS STATE EMPLOYEE RETIREMENT PLAN (CONTINUED)

VRS Notes to Required Supplementary Information

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year, age, and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

HEALTH INSURANCE CREDIT PROGRAM

Schedule of Virginia Lottery's Share of Net OPEB Liability
Health Insurance Credit Program (HIC)
For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Lottery's Proportion of the Net HIC OPEB Liability (Asset)	0.35207%	0.32422%	0.29671%	0.29211%	0.27872%	0.28574%
Lottery's Proportionate Share of the Net HIC OPEB Liability (Asset)	$2,884,062	$2,738,170	$2,723,816	$2,696,383	$2,543,000	$2,602,000
Lottery's Covered Payroll	$26,676,964	$23,305,089	$21,377,009	$19,930,427	$18,783,390	$18,184,464
Lottery's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of its Covered Payroll	10.81%	11.75%	12.74%	13.53%	13.54%	14.31%
Plan Fiduciary Net Position as a Percentage of the Total HIC OPEB Liability	21.52%	19.75%	12.02%	10.56%	9.51%	8.03%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only six years of data are available. However, additional years will be included as they become available.

Schedule of Virginia Lottery Contributions
Health Care Insurance Credit Program (HIC)
For the Years Ended June 30, 2018 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Lottery's Covered Payroll	Contributions as a % of Covered Payroll
2023	$328,079	$328,079	$0	$29,292,768	1.12%
2022	$298,782	$298,782	$0	$26,676,964	1.12%
2021	$261,017	$261,017	$0	$23,305,089	1.12%
2020	$250,111	$250,111	$0	$21,377,009	1.17%
2019	$233,186	$233,186	$0	$19,930,427	1.17%
2018	$221,644	$221,644	$0	$18,783,390	1.18%

Health Insurance Credit Program Notes to Required Supplementary Information

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

General State Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Health Insurance Credit Program Notes to Required Supplementary Information (continued)

SPORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Schedule of Virginia Lottery's Share of Net OPEB Liability (Asset)
Disability Insurance Program (VSDP)
For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Lottery's Proportion of the Net VSDP OPEB Liability (Asset)	0.55974%	0.51797%	0.46928%	0.46702%	0.45086%	0.45917%
Lottery's Proportionate Share of the Net VSDP OPEB Liability (Asset)	($1,652,087)	($1,785,549)	($1,035,646)	($916,271)	($1,015,000)	($943,000)
Lottery's Covered Payroll	$25,764,098	$22,328,197	$20,335,323	$18,867,097	$17,786,364	$18,184,464
Lottery's Proportionate Share of the Net VSDP OPEB Liability (Asset) as a Percentage of its Covered Payroll	-6.41%	-8.00%	-5.09%	-4.86%	-5.71%	-5.19%
Plan Fiduciary Net Position as a Percentage of the Total VSDP OPEB Liability	195.90%	229.01%	181.88%	167.18%	194.74%	186.63%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only six years of data are available. However, additional years will be included as they become available.

VRS Disability Insurance Program Notes to Required Supplementary Information

Schedule of Virginia Lottery Contributions
Disability Insurance Program (VSDP)
For the Years Ended June 30, 2018 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Lottery's Covered Payroll	Contributions as a % of Covered Payroll
2023	$169,432	$169,432	$0	$27,775,738	0.61%
2022	$157,161	$157,161	$0	$25,764,098	0.61%
2021	$136,202	$136,202	$0	$22,328,197	0.61%
2020	$126,079	$126,079	$0	$20,335,323	0.62%
2019	$116,976	$116,976	$0	$18,867,097	0.62%
2018	$117,390	$117,390	$0	$17,786,364	0.66%

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

VRS Disability Insurance Program Notes to Required Supplementary Information (continued)

General State Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

VaLORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Virginia Lottery's Share of Net OPEB Liability
Group Life Insurance Program (GLI)
For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Lottery's Proportion of the Net GLI OPEB Liability (Asset)	0.12303%	0.11316%	0.10422%	0.10227%	0.09914%	0.10177%
Lottery's Proportionate Share of the Net GLI OPEB Liability (Asset)	$1,481,400	$1,317,490	$1,739,262	$1,664,205	$1,506,000	$1,532,000
Lottery's Covered Payroll	$26,677,037	$23,305,075	$21,406,870	$19,940,153	$18,947,692	$18,184,464
Lottery's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of its Covered Payroll	5.55%	5.65%	8.12%	8.35%	7.95%	8.42%
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	67.21%	67.45%	52.64%	52.00%	51.22%	48.86%

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only six years of data is available. However, additional years will be included as they become available.

Schedule of Virginia Lottery Contributions
Group Life Insurance Program (GLI)
For the Years Ended June 30, 2018 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Lottery's Covered Payroll	Contributions as a % of Covered Payroll
2023	$157,954	$157,954	$0	$29,250,741	0.54%
2022	$144,056	$144,056	$0	$26,677,037	0.54%
2021	$125,847	$125,847	$0	$23,305,075	0.54%
2020	$111,316	$111,316	$0	$21,406,870	0.52%
2019	$103,689	$103,689	$0	$19,940,153	0.52%
2018	$98,528	$98,528	$0	$18,947,692	0.52%

Group Life Insurance Notes to Required Supplementary Information

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Group Life Insurance Notes to Required Supplementary Information (continued)

General State Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Teachers:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Discount Rate	No change

SPORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service; changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Group Life Insurance Notes to Required Supplementary Information (continued)

VaLORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

JRS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Review separately from State employees because exhibit fewer deaths. Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Decreased rates for ages 60-66 and 70-72
Withdrawal Rates	No change
Disability Rates	No change
Salary Scale	Reduce increases across all ages by 0.50%
Discount Rate	No change

Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Group Life Insurance Notes to Required Supplementary Information (continued)

Non-Largest 10 Locality Employers – General Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each age and service decrement through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Non-Largest 10 Locality Employers – Hazardous Duty Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change
Discount Rate	No change

Schedule of Virginia Lottery's Share of Net OPEB Liability
Line of Duty Act Program (LODA)
For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Lottery's Proportion of the Net LODA OPEB Liability (Asset)	0.04197%	0.04168%	0.04155%	0.03155%	0.03196%	0.03156%
Lottery's Proportionate Share of the Net LODA OPEB Liability (Asset)	$158,838	$183,805	$174,018	$113,197	$100,000	$83,000
Lottery's Covered-Employee Payroll	$800,679 *	$761,849 *	$775,624 *	$747,297 *	$630,840 *	$615,758 *
Lottery's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	19.84% *	24.13% *	22.44% *	15.15% *	15.85% *	13.48% *
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.87%	1.68%	1.02%	0.79%	0.60%	1.30%

**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita based contribution versus a payroll-based contribution. Therefore, covered employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

Schedule is intended to show information for 10 years. Since 2022 is the sixth year for this presentation, only six years of data are available. However, additional years will be included as they become available.

Schedule of Virginia Lottery Contributions
Line of Duty Act Program (LODA)
For the Years Ended June 30, 2018 through 2023

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Lottery's Covered-Employee Payroll*	Contributions as a % of Covered-Employee Payroll*
2023	$5,455	$5,455	$0	$839,388	0.65%
2022	$5,780	$5,780	$0	$800,679	0.72%
2021	$5,738	$5,738	$0	$761,849	0.75%
2020	$5,646	$5,646	$0	$775,624	0.73%
2019	$4,235	$4,235	$0	$747,297	0.57%
2018	$3,404	$3,404	$0	$630,840	0.54%

**The contributions for the Line of Duty Act Program are based on the number of participants in the program using a per capita based contribution versus a payroll-based contribution. Therefore, covered employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan.*

Line of Duty Act Notes to Required Supplementary Information

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study are as follows:

General State Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

SPORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates for ages 55 to 61, 63, and 64 with 26 or more years of service and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rate for 0 years of service and increased rates for 1 to 6 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

VaLORS Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Increased rates at some younger ages, decreased at age 62, and changed final retirement age from 65 to 70
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

LINE OF DUTY ACT PROGRAM (CONTINUED)

Line of Duty Act Notes to Required Supplementary Information (continued)

Employees in the Largest 10 Locality Employers With Public Safety Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

Employees in the Non-Largest 10 Locality Employers With Public Safety Employees:

Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to PUB2010 public sector mortality tables. Increased disability life expectancy. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020
Retirement Rates	Adjusted rates to better fit experience and changed final retirement age from 65 to 70
Withdrawal Rates	Decreased rates and changed from rates based on age and service to rates based on service only to better fit experience and to be more consistent with Locals Top 10 Hazardous Duty
Disability Rates	No change
Salary Scale	No change
Line of Duty Disability	No change

PRE-MEDICARE RETIREE HEALTHCARE PROGRAM

Schedule of Virginia Lottery's Share of Total OPEB Liability
Pre-Medicare Retiree Healthcare Program (PMRH)
For the Measurement Dates of June 30, 2017 through 2022

	2022	2021	2020	2019	2018	2017
Lottery's proportion of the collective total OPEB liability	0.38757%	0.34144%	0.32796%	0.31700%	0.31257%	0.31768%
Lottery's proportionate share of the collective total OPEB liability	$1,408,480	$1,532,699	$1,865,505	$2,152,045	$3,143,351	$4,126,329
Lottery's covered-employee payroll	$24,548,519	$22,296,368	$19,611,684	$18,489,730	$17,092,305	$15,978,308
Lottery's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	5.74%	6.87%	9.51%	11.64%	18.39%	25.82%

Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, only six years of data are available. However, additional years will be included as they become available.

Pre-Medicare Retiree Healthcare Program Notes to Required Supplementary Information

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms – There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following actuarial assumptions were updated since the June 30, 2021 valuation based on recent experience:

- Retiree Participation - reduced the rate from 40% to 35%

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2022. Additionally, the discount rate was increased from 2.16% to 3.54% based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date of June 30, 2022.

STATISTICAL SECTION

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STATISTICAL INFORMATION

This section of the Virginia Lottery's annual comprehensive financial report presents detailed information to supplement the information presented in the preceding financial statements and notes as an assist for the readers in assessing the Lottery's overall financial health.

CONTENTS

PAGE

FINANCIAL TRENDS 114

These schedules contain trend information from the current year and prior years' annual financial reports to help the reader understand how the Lottery's financial performance and position have changed over time.

REVENUE CAPACITY 121

These schedules contain information to help the reader assess the factors affecting the Lottery's ability to generate sales of lottery tickets. Scratcher ticket game strategies, including launch schedules and price points, affect the availability and variety of products for purchase at retailer locations. Draw-based sales by game included in the financial trends section provide data about the variety of games that are available to the public. The network of lottery retailers throughout the state determines the market exposure for the Lottery's scratcher tickets and draw-based games.

DEMOGRAPHIC AND ECONOMIC INFORMATION 123

These schedules contain demographic and economic indicators to help the reader understand the environment in which the Lottery operates. Indexes such as player income distribution, per capita income, and competitive revenues generated by other lottery systems are relevant in assessing the Lottery's performance.

OPERATING INFORMATION 128

These schedules contain information about the Lottery's organizational structure, financial performance indicators compared to other state lotteries, and capital asset information.

NOTE: Should it be available, statistical information is provided for the most recent ten years. There may be instances that contain less than ten years of data because the information was accumulated and retained in that format only back to the latest year reported. Prospectively, the data will be accumulated and ultimately, the schedules will contain information for a ten-year period.

Unless otherwise noted, the source for the data contained in the following charts is the Virginia Lottery Finance Department.

FINANCIAL TRENDS

The Virginia Lottery began operations in January 1988 with ticket sales beginning as of September 1988. Data from the most recent ten fiscal years of Lottery operations are presented in the following charts. The information presented in the charts is as follows:

SALES

Scratch tickets represent the face value of the tickets activated by the retailers. All other games represent the face value of the tickets sold to the public.

REVENUES

Included revenues are comprised of sales, net interest income, and net other miscellaneous income (includes retailer license fees and net gains/losses on the disposal of assets).

PRIZE EXPENSE

These are the accrued expenses for scratch tickets based on established prize structures as well as expenses for prizes won on draw-based games and iLottery instant games (includes iLottery raffle).

RETAILER COMPENSATION

Amounts are representative of a 5.0% base sales commission, plus cashing commissions earned for redeeming prizes, and related incentive payments.

OTHER DIRECT COSTS

These costs include gaming services expenses which are a combination of contractual arrangements constructed primarily as percentage of sales agreements, including expenses associated with the printing, warehousing and distribution of scratch tickets, and the costs of maintaining and servicing iLottery player account activity.

GENERAL & ADMINISTRATIVE EXPENSES

These expenses encompass all other costs associated with operating the Lottery, including advertising and marketing. The change in net position each year is solely driven by the Lottery's portion of the State's net pension and other post-employment benefits liabilities. The changes in Pension due to GASB 68 and the changes in other post- employment benefit expenses due to GASB 75 represent the net effect of the adjustment necessary to record the Pension and OPEB related activity under GASB 68 and GASB 75, respectively, and the net effect is included in the total for general and administrative expenses.

TRANSFERS TO LOTTERY PROCEEDS FUND

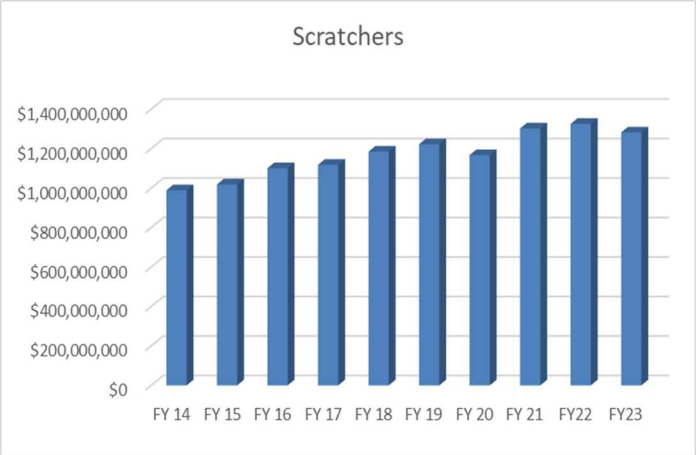
The payments of net profits paid to the Commonwealth of Virginia's Lottery Proceeds Fund as required in accordance with the Appropriation Act in effect for the fiscal year reported, and Section 58.1-4022.1, Code of Virginia.

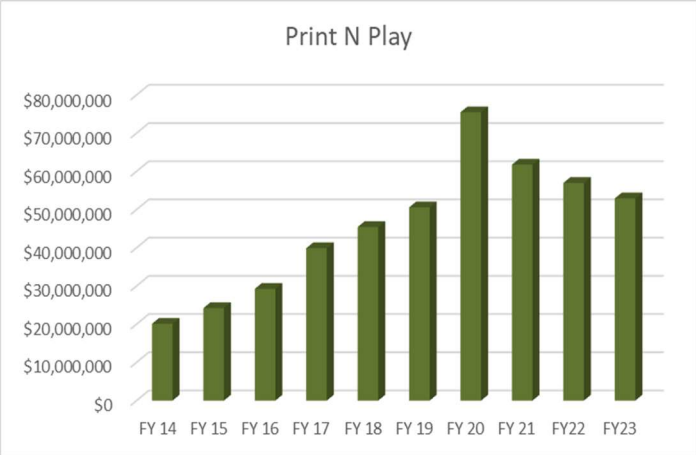
STATISTICAL INFORMATION

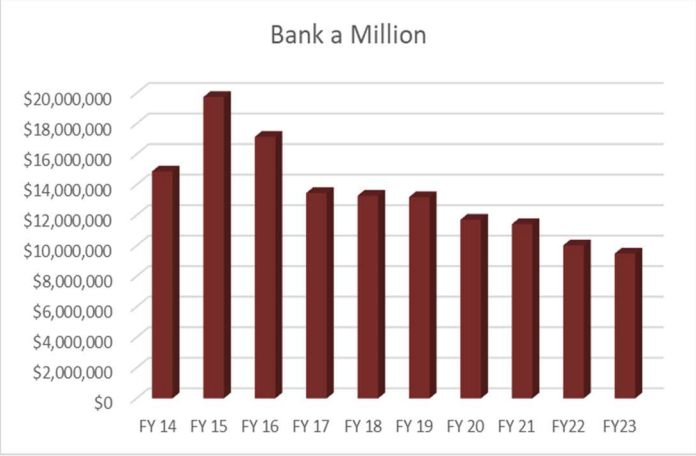
Schedule of Net Position and Changes in Net Position (unaudited)
Accrual Basis of Accounting
Fiscal Year Ending June 30 for the Years Shown

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GOVERNMENTAL GAMING ACTIVITIES										
REVENUES										
License and application fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,134,206	$ 5,558,385	$ 9,391,839
Interest income	-	-	-	-	-	-	-	10,035	4,675	764,540
TOTAL REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,144,241	$ 5,563,060	$ 10,156,379
EXPENSES										
General and administrative	-	-	-	-	-	-	-	7,266,713	11,291,677	19,233,998
CHANGE IN NET POSITION	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,877,528	$ (5,728,617)	$ (9,077,619)
NET POSITION										
Net Investment in Capital Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 632,327	$ 772,194	$ 1,435,759
Unrestricted	-	-	-	-	-	-	-	3,232,463	(2,794,517)	(12,638,548)
Restricted OPEB	-	-	-	-	-	-	-	12,738	171,234	274,081
TOTAL NET POSITION	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,877,528	$ (1,851,089)	$ (10,928,708)
BUSINESS - TYPE LOTTERY ACTIVITIES										
REVENUES										
Operating revenues										
Ticket Sales	$ 1,810,820,611	$ 1,843,876,103	$ 2,006,897,950	$ 1,989,872,193	$ 2,139,819,735	$ 2,293,564,569	$ 2,148,605,252	$ 3,258,976,012	$ 3,752,415,265	$ 4,611,855,820
Nonoperating revenues										
Interest income	744,828	680,540	677,771	944,245	1,265,287	1,856,032	2,103,175	712,788	256,284	4,019,642
Inerest expense	-	-	-	-	-	-	-	-	(107,607)	(553,265)
Net other income	719,561	498,660	310,172	99,712	(315,472)	398,699	404,276	511,535	708,102	525,530
TOTAL REVENUES	$ 1,812,285,000	$ 1,845,055,303	$ 2,007,885,893	$ 1,990,916,150	$ 2,140,769,550	$ 2,295,819,300	$ 2,151,112,703	$ 3,260,200,335	$ 3,753,272,044	$ 4,615,847,727
EXPENSES										
Operating expenses										
Direct costs:										
Prize expense	$ 1,082,470,430	$ 1,116,624,585	$ 1,208,353,352	$ 1,214,303,447	$ 1,307,698,463	$ 1,401,704,199	$ 1,318,103,063	$ 2,206,746,751	$ 2,676,925,000	$ 3,416,373,320
Retailer compensation	101,523,705	103,917,036	112,674,453	111,955,474	121,295,713	128,736,055	120,696,547	139,282,384	138,607,932	137,300,692
Ticket printing & gaming services	28,967,049	29,312,814	30,506,679	31,311,036	33,967,932	36,635,289	37,620,223	59,912,682	70,789,184	95,731,025
Total direct costs	1,212,961,184	1,249,854,435	1,351,534,484	1,357,569,957	1,462,962,108	1,567,075,543	1,476,419,833	2,405,941,817	2,886,322,116	3,649,405,037
Advertising and promotion	26,144,871	24,168,825	27,806,958	25,960,177	27,693,280	34,617,814	30,517,382	34,038,661	34,915,302	36,803,158
General and administrative	31,634,491	60,086,792	37,232,172	46,412,408	42,016,597	39,356,356	43,363,674	46,543,627	40,923,150	48,041,239
Deprecition and amortization	2,992,421	3,116,890	2,929,374	2,609,639	3,396,754	3,263,909	6,004,995	6,848,193	6,432,425	10,070,848
Total operating expenses	1,273,732,967	1,337,226,942	1,419,502,988	1,432,552,181	1,536,068,739	1,644,313,622	1,556,305,884	2,493,372,298	2,968,592,993	3,744,320,282
Transferred to the Lottery Proceeds Fund	510,500,913	529,504,330	534,700,516	546,495,789	596,659,304	622,835,457	586,581,352	699,449,757	776,078,765	781,181,194
Due to the Lottery Proceeds Fund	28,051,120	4,255,031	53,486,355	11,819,169	9,563,190	26,868,512	8,781,366	67,283,046	3,490,521	86,170,708
Total Profits Available for the Lottery Proceeds Fund	538,552,033	533,759,361	588,186,871	558,314,958	606,222,494	649,703,969	595,362,718	766,732,803	779,569,286	867,351,902
CHANGE IN NET POSITION	$ -	$ (25,931,000)	$ 196,034	$ 49,011	$ (1,521,683)	$ 1,801,709	$ (555,899)	$ 95,234	$ 5,109,765	$ 4,175,543
NET POSITION										
Net Investment in Capital Assets	$ 6,873,314	$ 6,503,933	$ 7,007,179	$ 13,217,797	$ 12,941,770	$ 11,805,539	$ 17,829,934	$ 14,998,484	$ 14,901,382	$ 12,102,355
Unrestricted	(6,873,314)	(32,434,933)	(32,742,145)	(38,903,752)	(47,932,345)	(45,066,405)	(51,547,970)	(48,727,923)	(44,112,463)	(36,901,584)
Restricted OPEB	-	-	-	-	943,000	1,015,000	916,271	1,022,908	1,614,315	1,378,006
TOTAL NET POSITION	$ -	$ (25,931,000)	$ (25,734,966)	$ (25,685,955)	$ (34,047,575)	$ (32,245,866)	$ (32,801,765)	$ (32,706,531)	$ (27,596,766)	$ (23,421,223)
TOTAL ENTITY ACTIVITIES										
CHANGE IN NET POSITION	$ -	$ (25,931,000)	$ 196,034	$ 49,011	$ (1,521,683)	$ 1,801,709	$ (555,899)	$ 3,972,762	$ (618,852)	$ (4,902,076)
NET POSITION										
Net Investment in Capital Assets	$ 6,873,314	$ 6,503,933	$ 7,007,179	$ 13,217,797	$ 12,941,770	$ 11,805,539	$ 17,829,934	$ 15,630,811	$ 15,673,576	$ 13,538,114
Unrestricted	(6,873,314)	(32,434,933)	(32,742,145)	(38,903,752)	(47,932,345)	(45,066,405)	(51,547,970)	(45,495,460)	(46,906,980)	(49,540,132)
Restricted OPEB	-	-	-	-	943,000	1,015,000	916,271	1,035,646	1,785,549	1,652,087
TOTAL NET POSITION	$ -	$ (25,931,000)	$ (25,734,966)	$ (25,685,955)	$ (34,047,575)	$ (32,245,866)	$ (32,801,765)	$ (28,829,003)	$ (29,447,855)	$ (34,349,931)

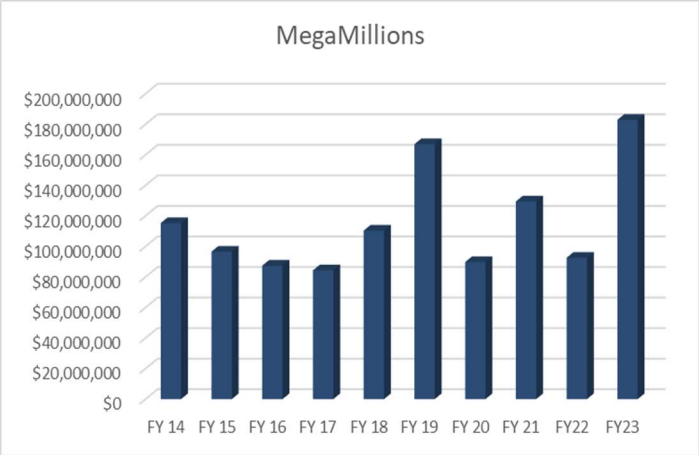
VIRGINIA LOTTERY
SALES BY FISCAL YEAR BY PRODUCT LINE
FISCAL YEARS 2014 - 2023

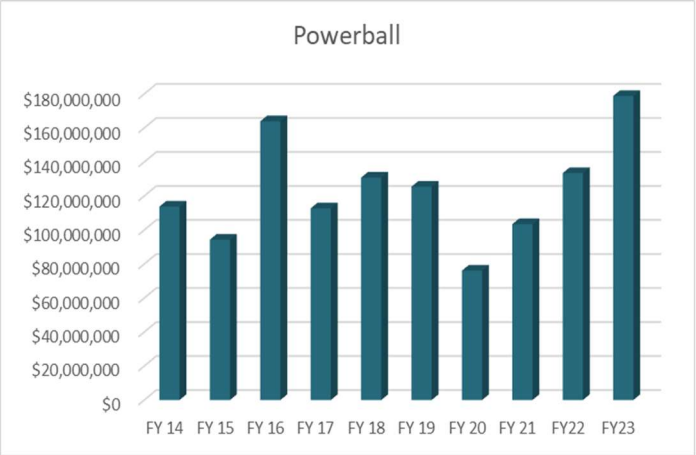


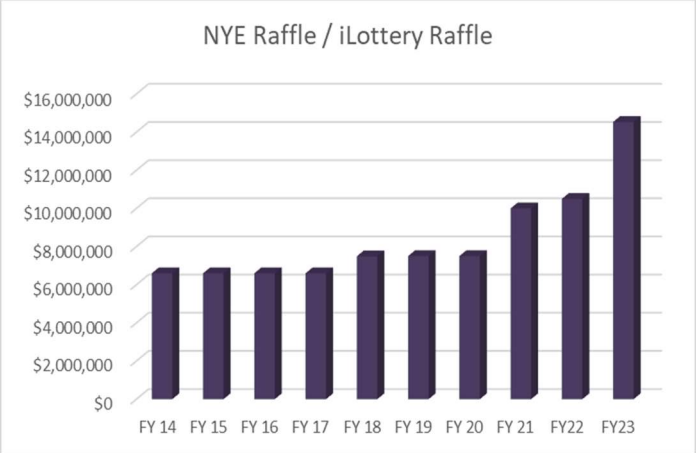


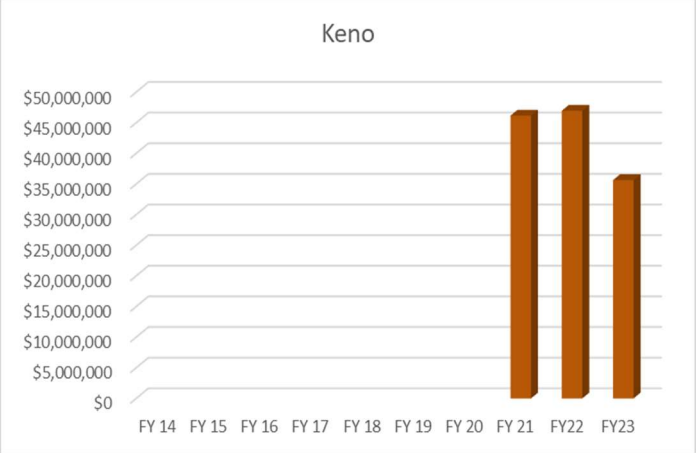


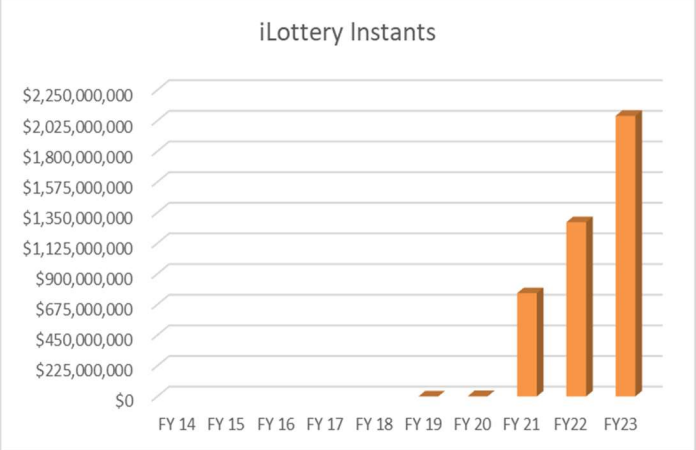
VIRGINIA LOTTERY
SALES BY FISCAL YEAR BY PRODUCT LINE
FISCAL YEARS 2014 - 2023

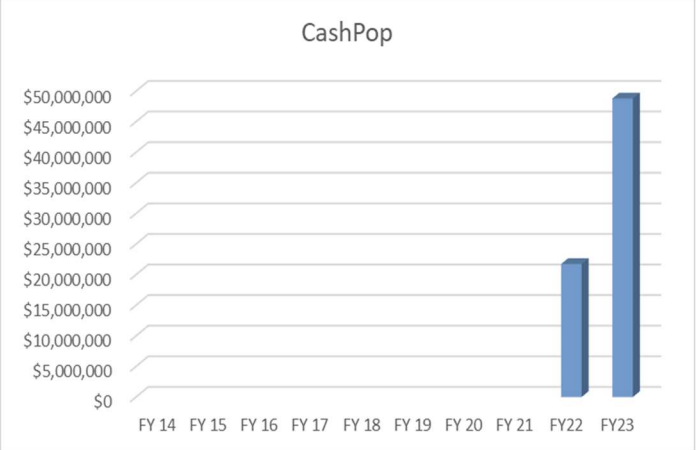




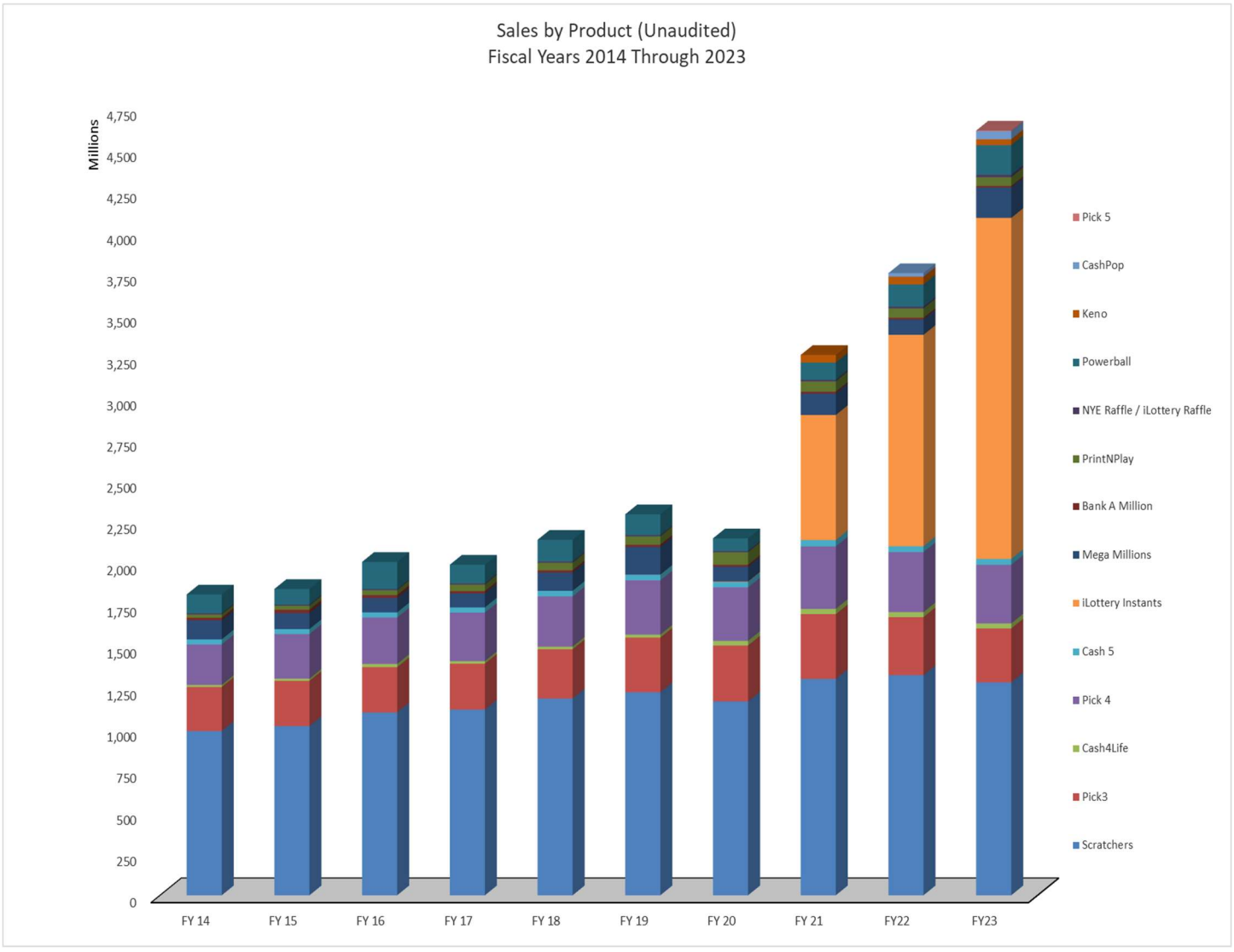






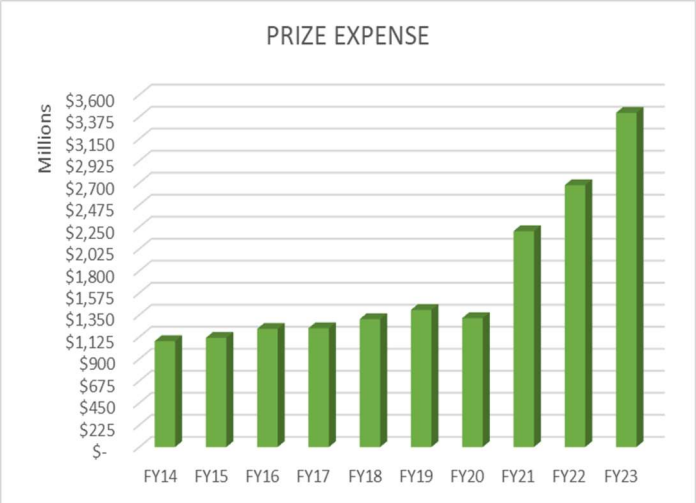


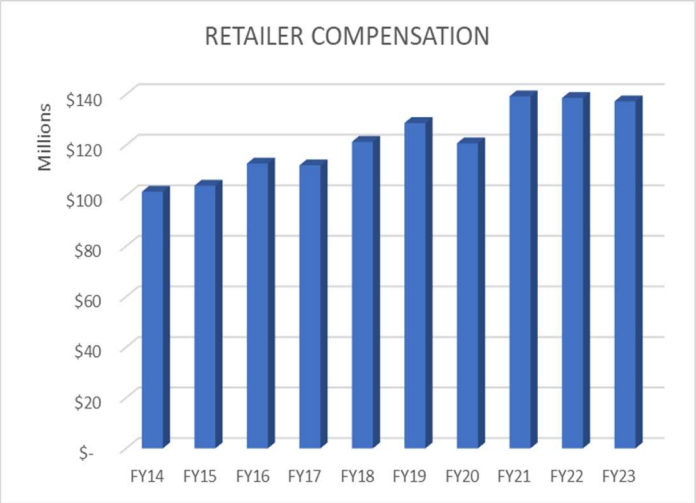
VIRGINIA LOTTERY
SALES BY FISCAL YEAR BY PRODUCT LINE
FISCAL YEARS 2014 - 2023

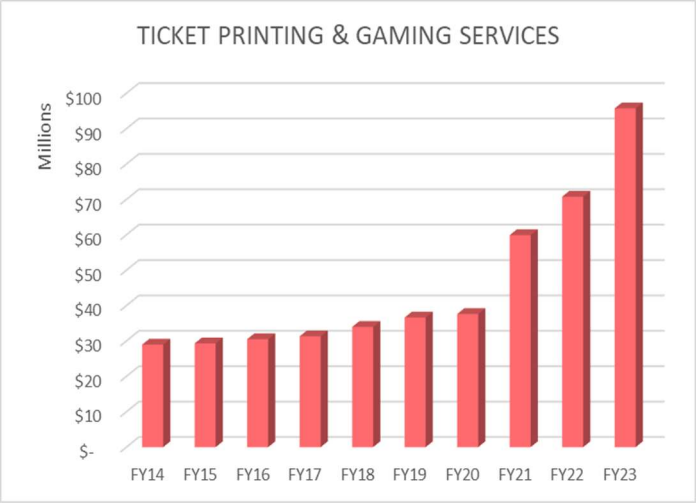


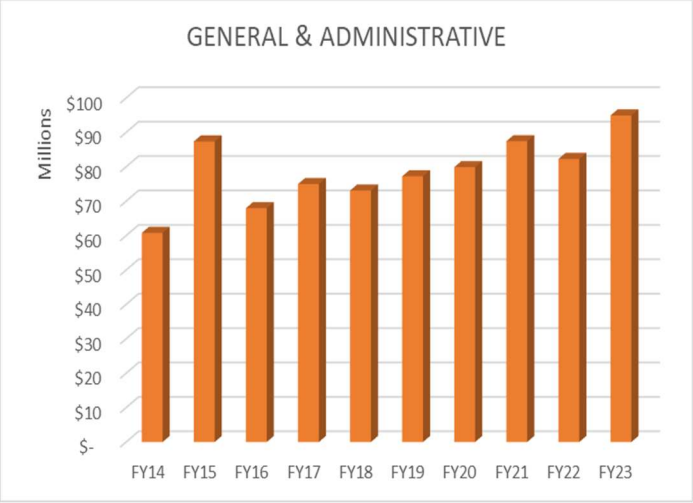
STATISTICAL INFORMATION

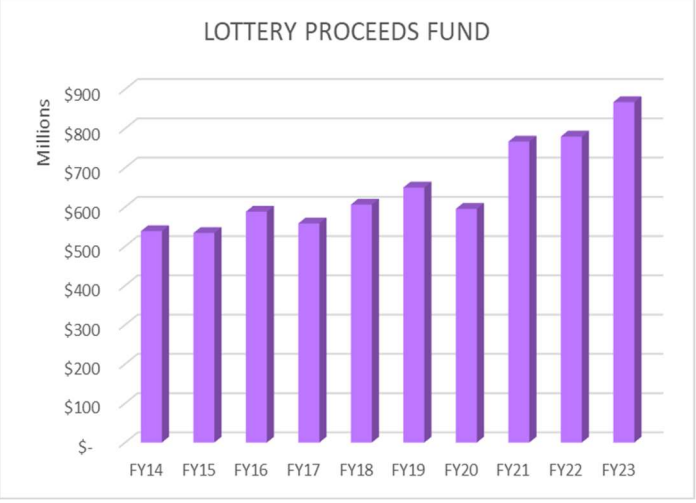
VIRGINIA LOTTERY
EXPENSES BY FISCAL YEAR (LOTTERY'S ENTERPRISE FUND ONLY)
FISCAL YEARS 2014 - 2023











STATISTICAL INFORMATION

Net Position by Component(unaudited)
Accrual Basis of Accounting
Fiscal Year Ending June 30 for the Years Shown

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Governmental Activities:										
Net Investment in Capital Assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 632,327	$ 772,194	$ 1,435,759
Restricted	-	-	-	-	-	-	-	12,738	171,081	274,081
Unrestricted	-	-	-	-	-	-	-	3,232,463	(2,794,517)	(12,638,548)
Total Governmental Activities Net Position	-	-	-	-	-	-	-	3,877,528	(1,851,242)	(10,928,708)
Business-type Activities:										
Net Investment in Capital Assets	6,873,314	6,503,933	7,007,179	13,217,797	12,941,770	11,805,539	17,829,934	14,998,484	14,901,382	12,102,355
Restricted	-	-	-	-	943,000	1,015,000	916,271	1,022,908	1,614,315	1,378,006
Unrestricted	(6,873,314)	(32,434,933)	(32,742,145)	(38,903,752)	(47,932,345)	(45,066,405)	(51,547,970)	(48,727,923)	(44,112,463)	(36,901,584)
Total Business-type Activities Net Position	-	(25,931,000)	(25,734,966)	(25,685,955)	(34,047,575)	(32,245,866)	(32,801,765)	(32,706,531)	(27,596,766)	(23,421,223)
Total Entity Activities:										
Net Investment in Capital Assets	6,873,314	6,503,933	7,007,179	13,217,797	12,941,770	11,805,539	17,829,934	15,630,811	15,673,576	13,538,114
Restricted	-	-	-	-	943,000	1,015,000	916,271	1,035,646	1,785,396	1,652,087
Unrestricted	(6,873,314)	(32,434,933)	(32,742,145)	(38,903,752)	(47,932,345)	(45,066,405)	(51,547,970)	(45,495,460)	(46,906,980)	(49,540,132)
Total Entity Activities Net Position	$ -	$ (25,931,000)	$ (25,734,966)	$ (25,685,955)	$ (34,047,575)	$ (32,245,866)	$ (32,801,765)	$ (28,829,003)	$ (29,448,008)	$ (34,349,931)

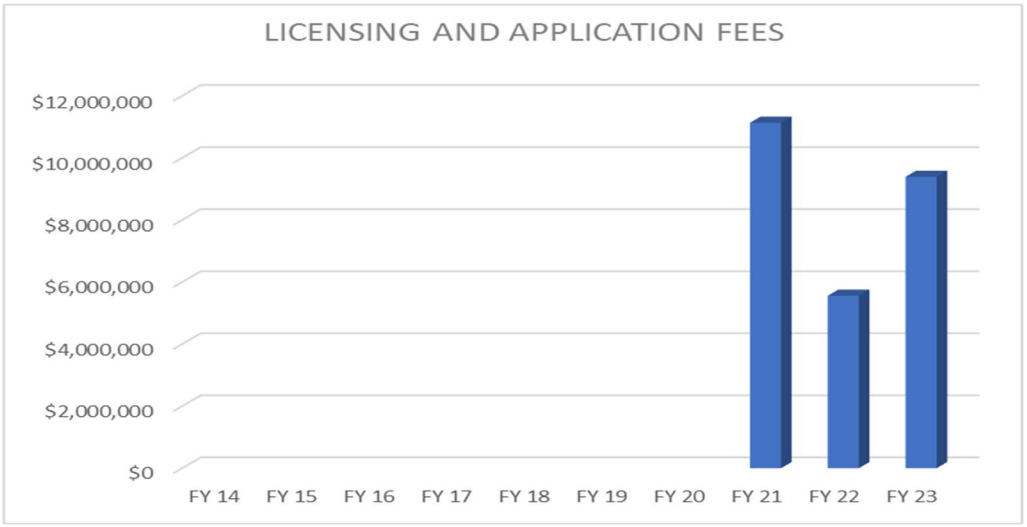
Governmental Activities: Fund Balances (unaudited)
Modified Accrual Basis of Accounting
Fiscal Year Ending June 30 for the Years Shown*

	2021	2022	2023
FUND BALANCE			
Committed	**$ 4,264,798**	**$ 727,007**	**$ (7,338,175)**

Governmental Activities: Changes in Fund Balance (unaudited)
Modified Accrual Basis of Accounting
Fiscal Year Ending June 30 for the Years Shown*

	2021	2022	2023
REVENUES			
License and application fees	$ 11,134,206	$ 5,558,385	$ 9,391,839
Interest income	10,035	4,675	764,540
Total Revenues	**$ 11,144,241**	**$ 5,563,060**	**$ 10,156,379**
EXPENDITURES			
General and administrative	6,879,443	9,094,040	12,498,570
Debt service	-	6,811	5,933,543
Total Expenditures	**$ 6,879,443**	**$ 9,100,851**	**$ 18,432,113**
DEFICIENCY OF REVENUES OVER EXPENDITURES	**$ 4,264,798**	**$ (3,537,791)**	**$ (8,275,734)**
OTHER FINANCING SOURCES			
Other	-	-	210,552
Total Other Financing Sources	**$ -**	**$ -**	**$ 210,552**
NET CHANGE IN FUND BALANCE	**$ 4,264,798**	**$ (3,537,791)**	**$ (8,065,182)**
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	**0.00%**	**0.08%**	**32.62%**

* Fund established in FY2021



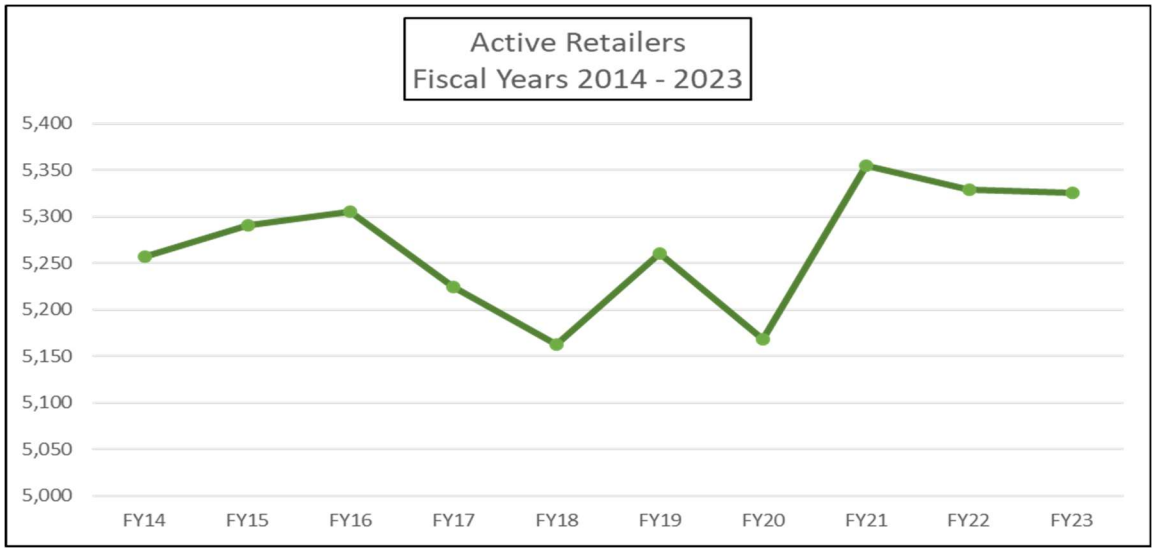
REVENUE CAPACITY

Historically, the Virginia Lottery's sole focus has been the sale of tickets for games of chance. These products fall into three major categories: instant-win scratch games, draw-based games where results depend on the outcome of a random drawing process – either immediate or delayed, and digital instants purchased by registered adult players within the geographical borders of Virginia. The Lottery launched 111 Scratch games during fiscal year 2023 along with new Print 'N Play games each quarter, a new draw game, and consistently launched new games on the iLottery platform throughout the fiscal year.

The number and type of retail locations that sell Lottery products in Virginia also impact the revenue capacity. During fiscal year 2023, the Lottery decreased a net of 4 retailers bringing the total number at the end of fiscal year 2023 to 5,325 compared to 5,329 for the prior year.

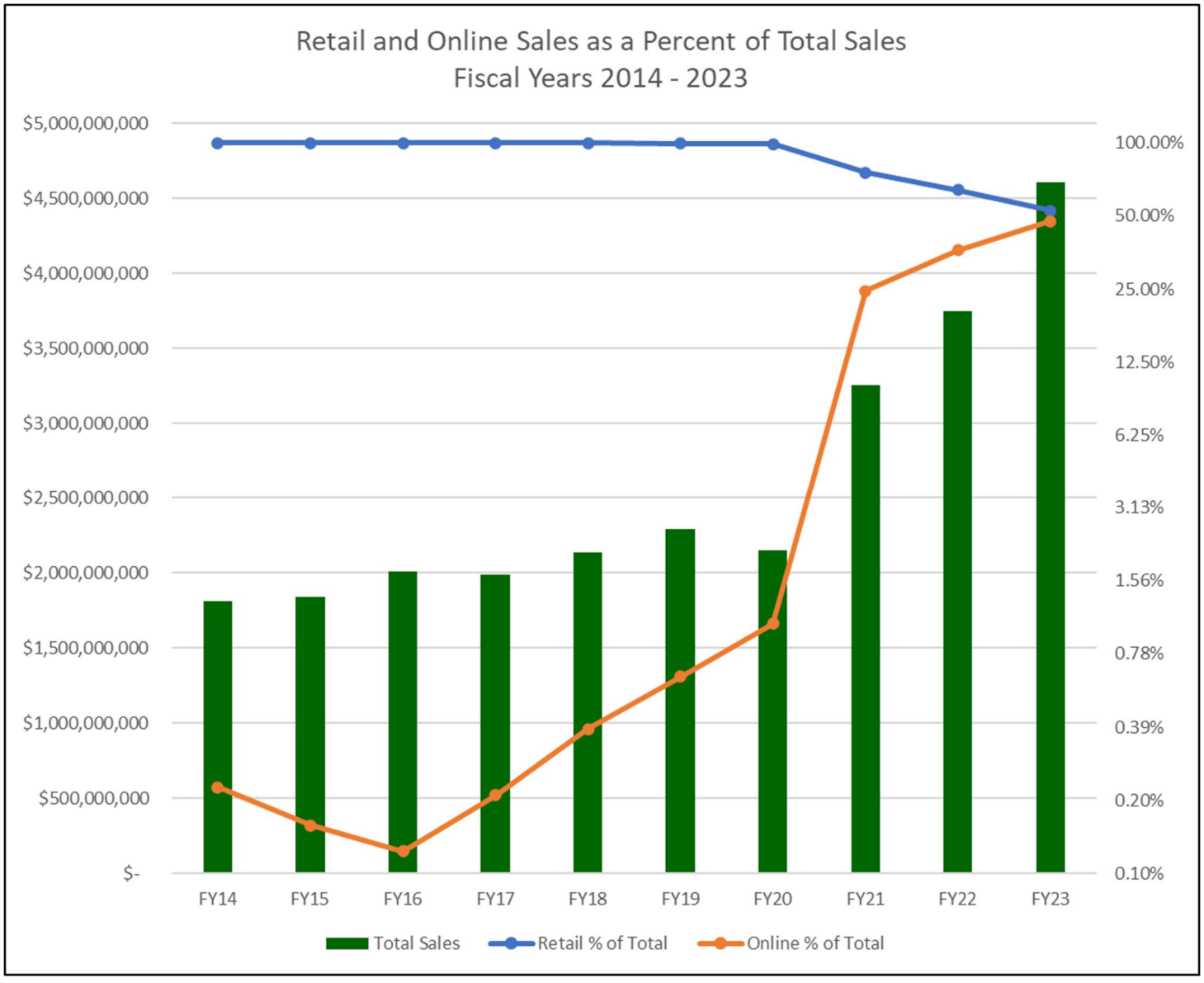
Schedule of Scratcher Game Launches & Sales by Price Point (unaudited)
Fiscal Year Ending June 30 for the Years Shown

PRICE POINT	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	% of Total 2023
	Number of Launches										
$1	37	33	29	30	2	22	20	21	13	16	14.41%
$2	38	34	45	41	23	25	22	25	16	15	13.51%
$3	9	11	20	21	12	10	10	10	8	6	5.41%
$5	46	51	54	53	38	36	39	37	30	28	25.23%
$7	0	1	1	0	0	0	0	0	0	0	0.00%
$10	12	17	22	24	21	18	17	21	21	23	20.72%
$20	11	12	15	14	11	11	11	11	13	14	12.61%
$30	0	0	0	1	2	3	3	6	8	8	7.21%
$50	0	0	0	0	0	0	0	0	0	1	0.90%
Total	153	159	186	184	109	125	122	131	109	111	100.00%
	Sales										
$1	$ 76,188,685	$ 70,468,035	$ 69,992,088	$ 64,744,023	$ 70,968,967	$ 63,024,026	$ 56,866,470	$ 53,840,836	$ 44,809,850	$ 42,624,734	3.33%
$2	113,803,692	109,310,696	109,809,472	98,884,796	107,896,928	99,880,402	94,412,940	82,642,850	65,783,244	57,649,070	4.50%
$3	53,290,038	64,094,850	67,832,958	63,165,438	58,541,235	57,077,553	51,261,543	45,743,706	41,639,364	29,099,127	2.27%
$5	341,970,590	324,881,945	329,654,590	338,908,405	341,186,030	357,526,100	347,776,025	333,215,170	295,264,015	278,572,460	21.73%
$7	-	1,958,096	343,504	-	-	-	-	-	-	-	0.00%
$10	177,708,780	200,078,060	258,918,330	236,992,190	250,618,920	240,180,480	229,800,630	304,022,180	318,729,800	274,736,630	21.44%
$20	225,836,520	247,755,100	264,078,560	180,731,360	196,130,720	221,697,140	210,584,980	216,001,280	278,419,520	227,273,040	17.73%
$30	-	-	-	134,287,890	159,416,640	182,573,970	176,269,590	266,713,230	277,235,010	193,644,390	15.11%
$50	-	-	-	-	-	-	-	-	-	178,107,300	13.90%
Total	$ 988,798,305	$ 1,018,546,782	$ 1,100,629,502	$ 1,117,714,102	$ 1,184,759,440	$ 1,221,959,671	$ 1,166,972,178	$ 1,302,179,252	$ 1,321,880,803	$ 1,281,706,751	100.00%



STATISTICAL INFORMATION

Schedule of Retail Sales vs Online Sales (unaudited) Fiscal Year Ending June 30 for the Years Shown	Retail Sales	% of Total	Online Sales	% of Total	Total Sales
Fiscal Year 2014	$ 1,806,809,777	99.78%	$ 4,010,834	0.22%	$ 1,810,820,611
Fiscal Year 2015	1,841,027,460	99.85%	2,848,643	0.15%	1,843,876,103
Fiscal Year 2016	2,004,471,706	99.88%	2,426,244	0.12%	2,006,897,950
Fiscal Year 2017	1,985,786,557	99.79%	4,085,636	0.21%	1,989,872,193
Fiscal Year 2018	2,131,615,568	99.62%	8,204,167	0.38%	2,139,819,735
Fiscal Year 2019	2,279,113,685	99.37%	14,450,884	0.63%	2,293,564,569
Fiscal Year 2020	2,126,232,190	98.96%	22,373,062	1.04%	2,148,605,252
Fiscal Year 2021	2,460,523,148	75.50%	798,452,864	24.50%	3,258,976,012
Fiscal Year 2022	2,399,925,387	63.96%	1,352,489,878	36.04%	3,752,415,265
Fiscal Year 2023	2,419,585,283	52.46%	2,192,270,537	47.54%	4,611,855,820
Total	$ 21,455,090,761	82.98%	$ 4,401,612,749	17.02%	$ 25,856,703,510



DEMOGRAPHIC & ECONOMIC STATISTICS

Schedule of Demographic and Economic Statistics (unaudited)
Fiscal Year Ending June 30 for the Years Shown

Fiscal Year	Statewide Population[1] *(in thousands)*	Statewide Personal Income[2/3] *(in thousands)*	Statewide Personal Income per Capita[3]	Statewide Unemployement Rate
2014	8,326	408,362,583	49,047	5.2%
2015	8,383	429,618,856	51,249	4.3%
2016	8,412	443,805,708	52,759	4.4%
2017	8,470	458,236,340	54,001	2.9%
2018	8,481	474,548,074	55,954	3.3%
2019	8,566	496,195,033	57,926	2.9%
2020	8,603	524,053,454	60,915	4.5%
2021	8,582	567,685,940	64,983	4.3%
2022	8,667	574,386,657	66,273	2.8%
2023	X	X	X	2.5%

1 - Populaton figures are estimates

2 - Personal Income amount for Fiscal Year 2022 is estimated

3 - Prior Year Personal Income and Per capital income amounts 2013-2021 were revised to reflect the incorporation of newly available and revised source data, as well as improved estimating methodologies.

Sources:

Virginia Annual Comprehensive Financial Report for FY ended June 30,2022

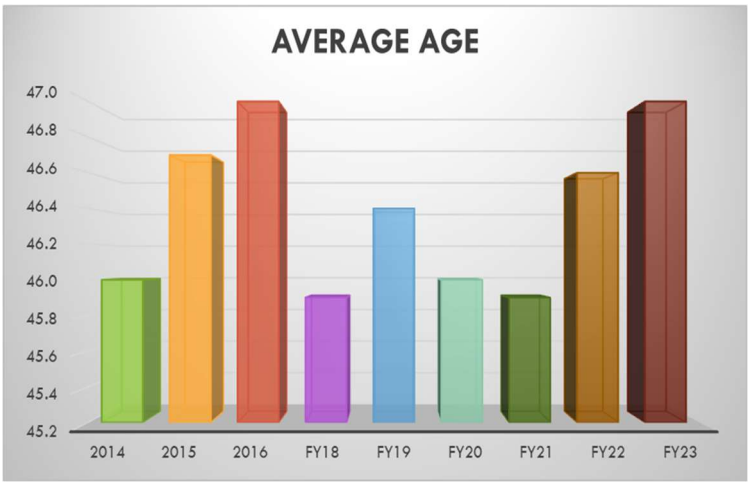
Unemployment Rate from U.S. Department of Labor, Bureau of Statistics

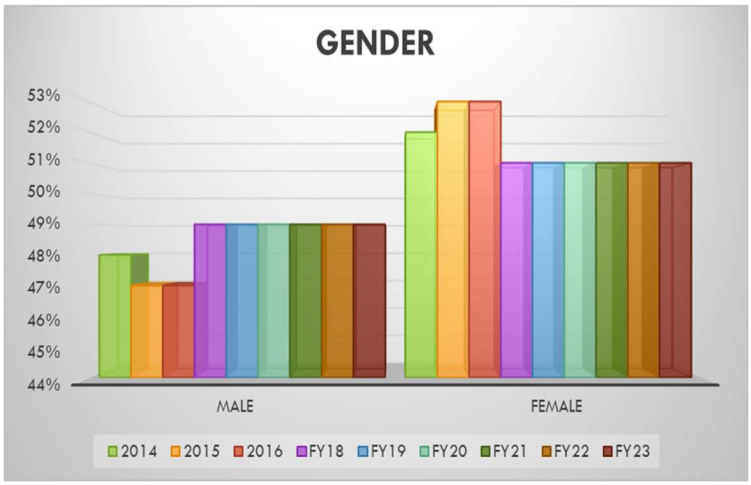
Note:

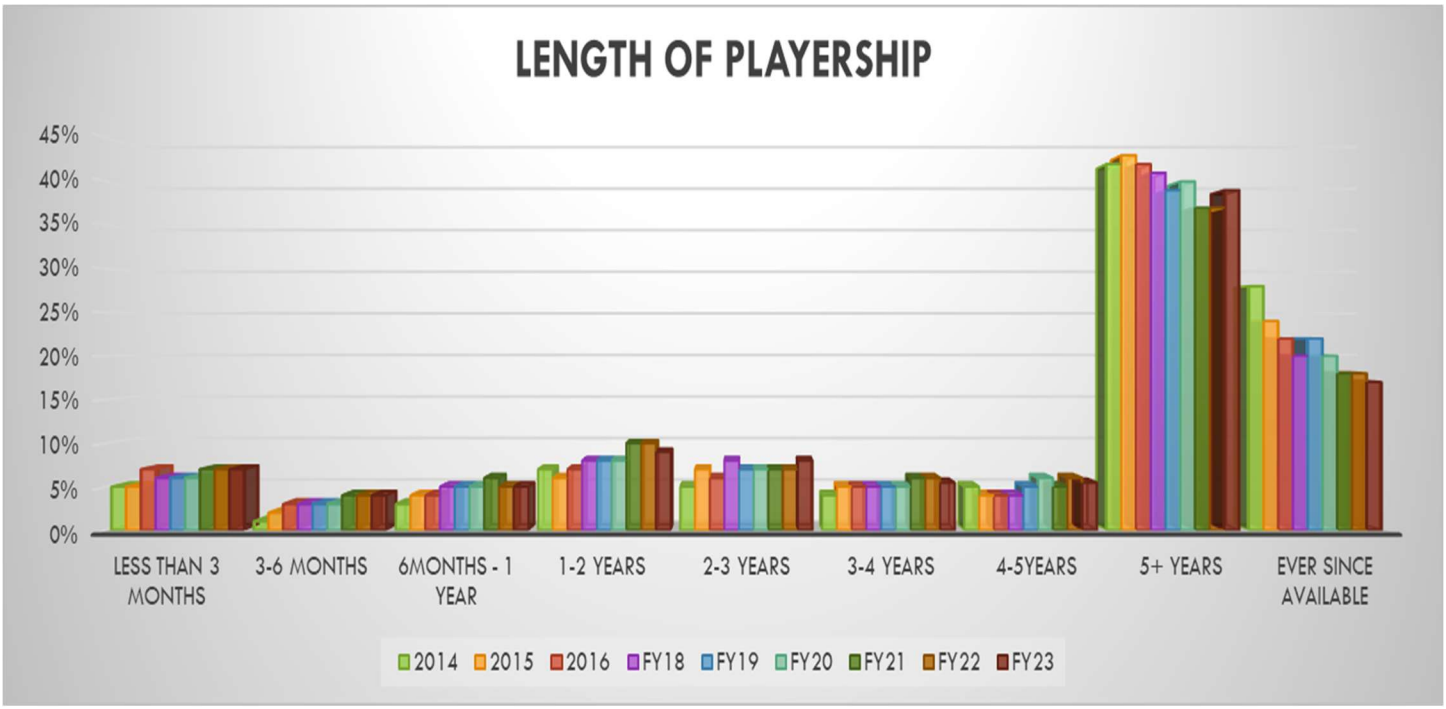
X = Not yet available

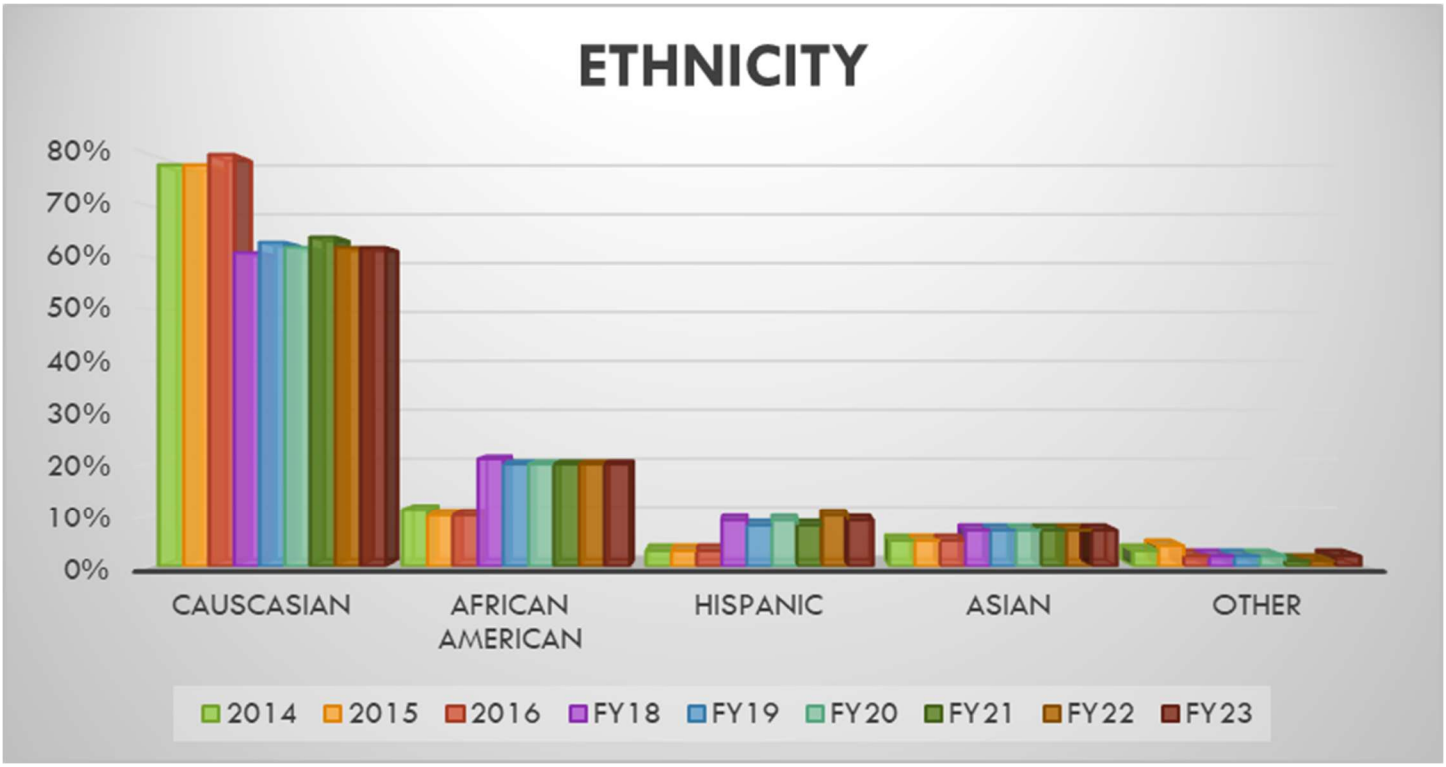
The following demographic group data is shown by calendar year for 2014 - 2016, and by fiscal year for FY18 - FY23.

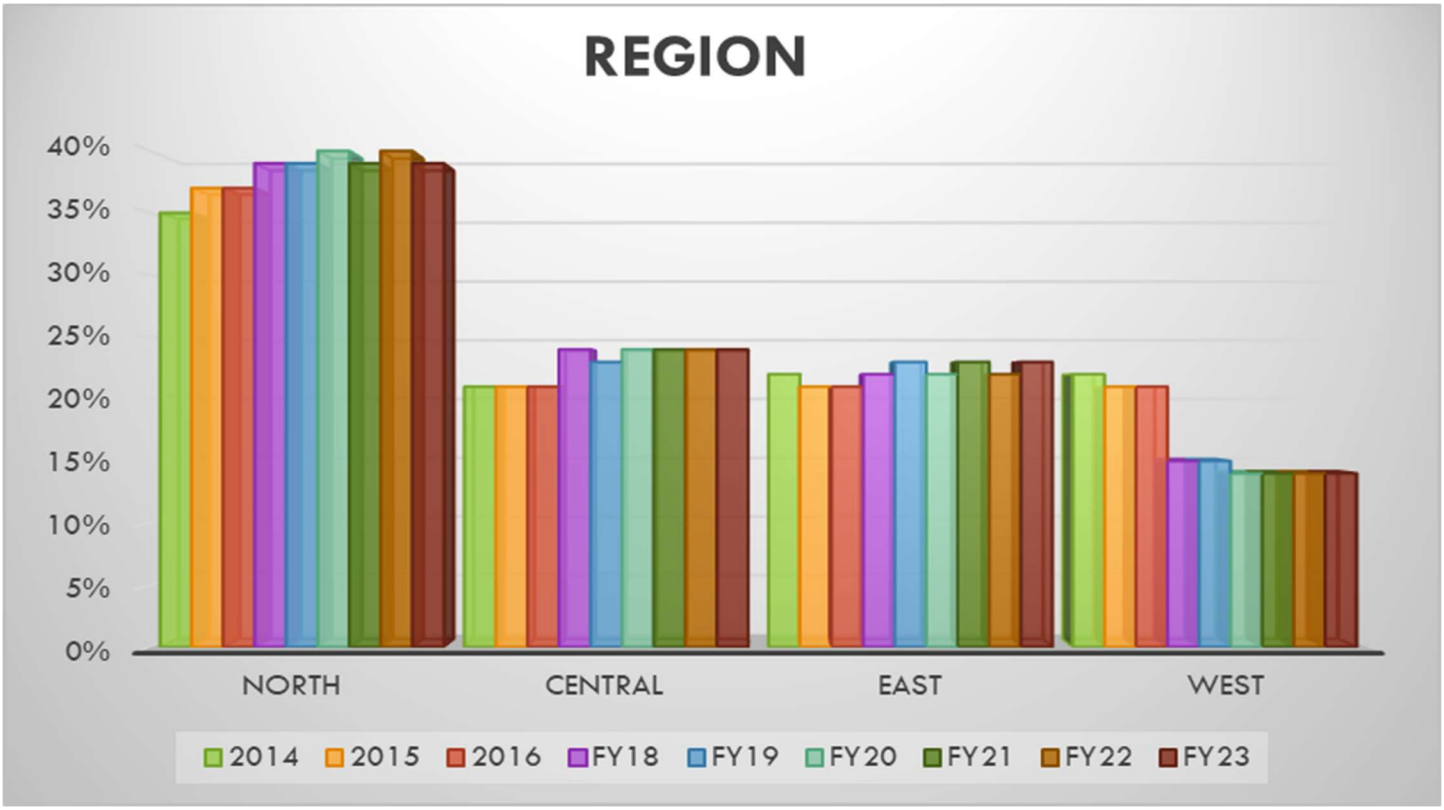
SOURCE: Virginia Lottery Consumer Tracking Study Annual Report(s)

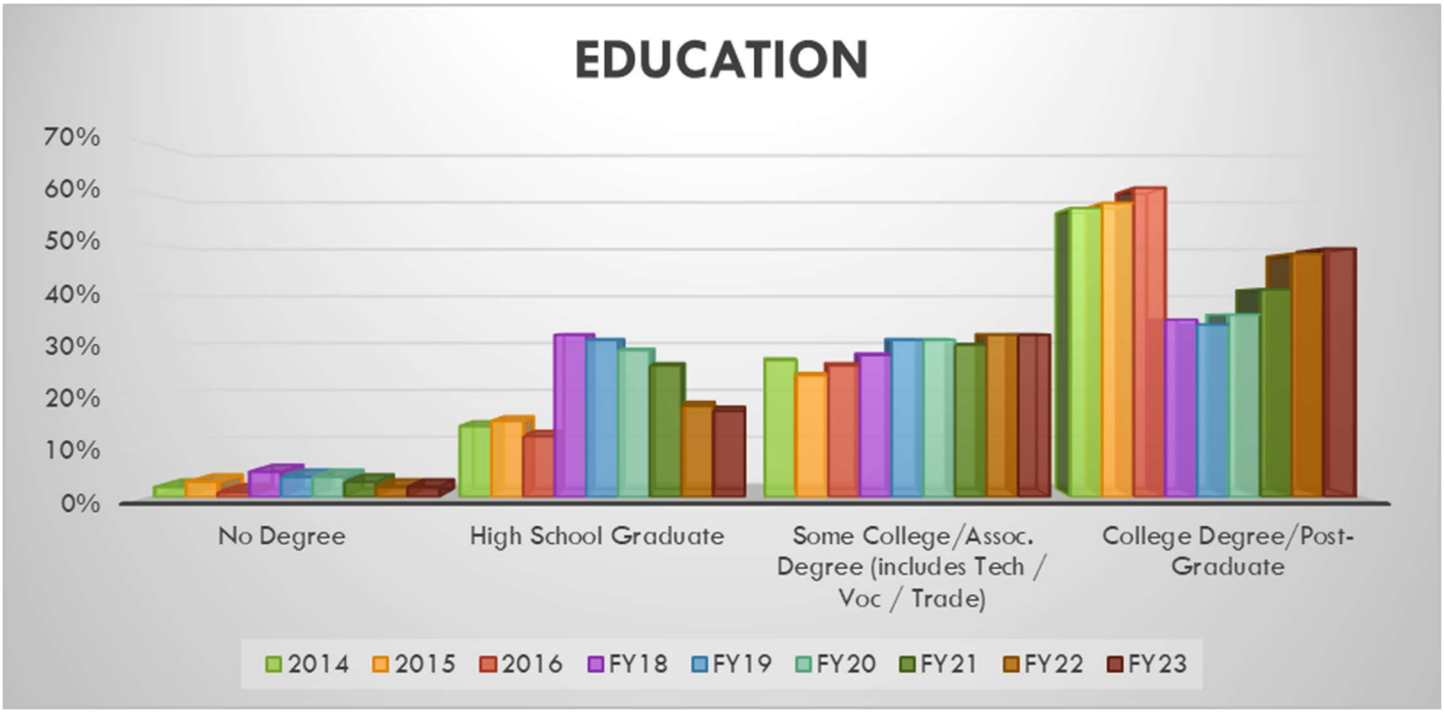


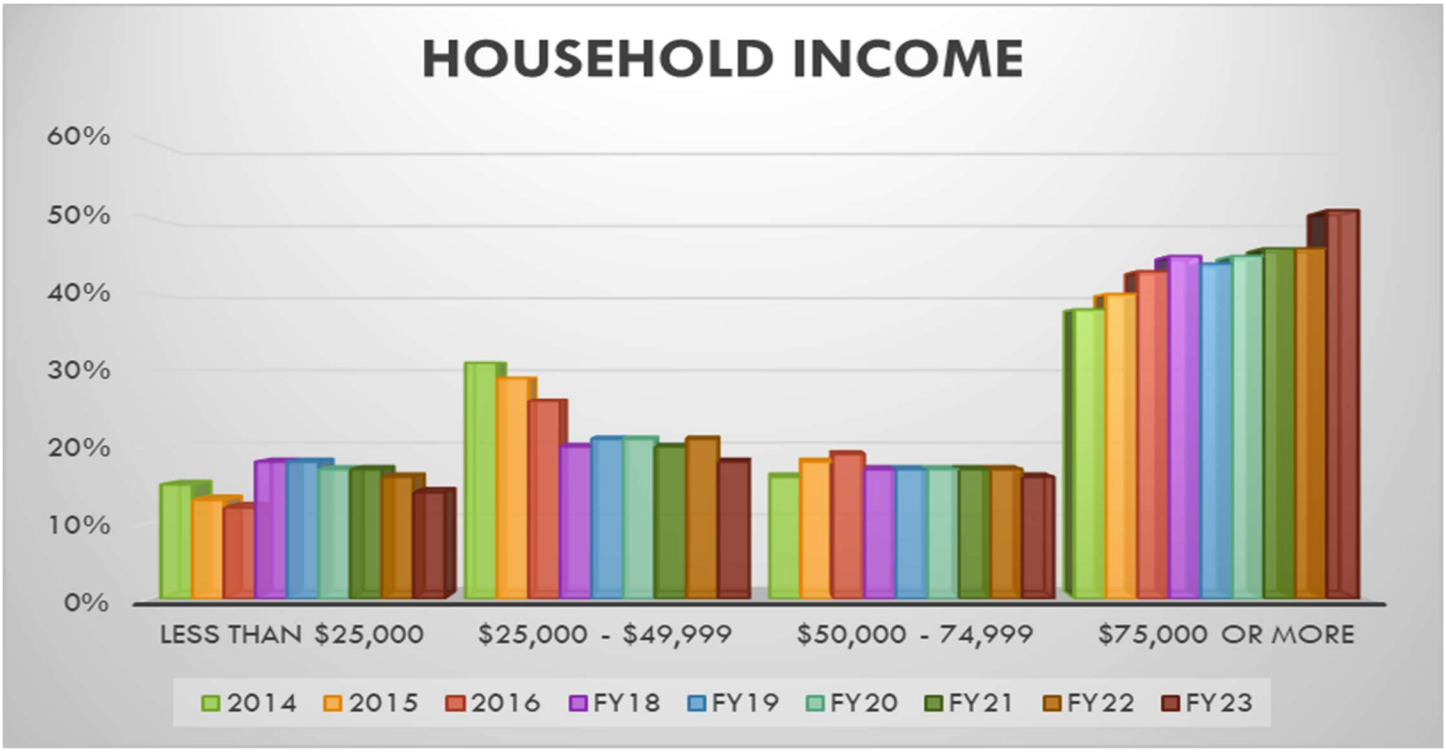



LENGTH OF PLAYERSHIP
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
LESS THAN 3 MONTHS
3-6 MONTHS
6MONTHS - 1 YEAR
1-2 YEARS
2-3 YEARS
3-4 YEARS
4-5YEARS
5+ YEARS
EVER SINCE AVAILABLE
2014 2015 2016 FY18 FY19 FY20 FY21 FY22 FY23


ETHNICITY
80%
70%
60%
50%
40%
30%
20%
10%
0%
CAUSCASIAN
AFRICAN AMERICAN
HISPANIC
ASIAN
OTHER
2014 2015 2016 FY18 FY19 FY20 FY21 FY22 FY23


REGION
40%
35%
30%
25%
20%
15%
10%
5%
0%
NORTH
CENTRAL
EAST
WEST
2014
2015
2016
FY18
FY19
FY20
FY21
FY22
FY23


EDUCATION
70%
60%
50%
40%
30%
20%
10%
0%
No Degree
High School Graduate
Some College/Assoc. Degree (includes Tech / Voc / Trade)
College Degree/Post-Graduate
2014
2015
2016
FY18
FY19
FY20
FY21
FY22
FY23



Schedule of Principal Employers[1] (unaudited) Current Year and Nine Years Ago[2]		
EMPLOYERS	**2022 RANK**	**2013 RANK**
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Sentara Healthcare	4	5
Huntington Ingalls Industries, Inc.	5	4
University of Virginia / Blue Ridge Hospital[3]	6	-
Amazon Fulfillment Services Inc.[3]	7	-
Inova Health Systems[3]	8	-
Capital One Bank[3]	9	-
Food Lion	10	6

[1] The Virginia Employment Commission is precluded from disclosing the actual number of employees per the Confidential Information Protection and Statistical Efficiency Act – Title V of Public Law 107-347. All Employers above have an employment size of 1,000 or more.

[2] Calendar year 2022 is the most recent information available.

[3] Previous ranking not available

Source: Virginia Employment Commission

STATISTICAL INFORMATION

U.S. lotteries' fiscal 2022 sales by game*

(in $millions)

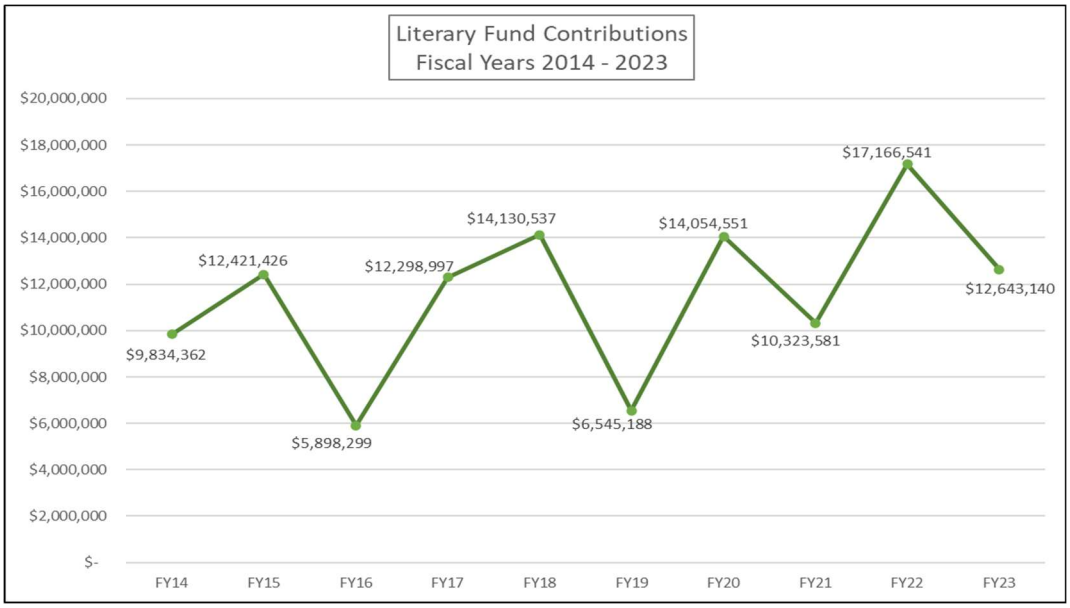
				Systems Games												
Lottery	Pop. (M)	Instant	Pull tab	3-digit	4-digit	In-State Lotto	Small Bloc	Power Ball	Mega Millions	For Life	ITG	Monitor Games	Other	Total Sales	PC Sales	VLT (net)
Arizona	7.4	1,043.2	14.1	16.8	0.0	68.9	0.0	117.5	60.2	0.0	46.0	0.0	1.8	1,368.4	$186	0.0
Arkansas	3.0	480.1	0.0	12.3	6.5	9.3	0.0	31.0	15.5	6.2	18.7	0.0	0.0	579.6	$190	0.0
California [1]	39.0	6,830.1	0.0	184.3	37.2	421.4	0.0	569.9	372.8	0.0	0.0	437.6	0.0	8,853.3	$227	0.0
Colorado	5.8	590.3	0.0	15.3	0.0	82.7	0.0	83.1	35.1	20.4	0.0	0.0	0.0	826.9	$142	0.0
Connecticut	3.6	801.3	0.0	140.4	134.0	45.6	0.0	80.0	39.7	30.5	38.7	141.9	151.2	1,603.2	$442	0.0
Delaware	1.0	110.9	0.0	34.6	28.7	4.1	2.7	23.5	11.1	5.3	0.0	9.7		230.7	$227	416.1
DC	0.7	43.9	0.0	38.3	52.5		0.0	7.5	6.1	3.0	9.6	13.6	32.8	207.3	$309	0.0
Florida	22.2	7,025.3	0.0	469.4	305.1	557.8	0.0	494.1	239.2	64.8	10.8	0.0	158.0	9,324.6	$419	0.0
Georgia	10.9	3,370.2	0.0	606.6	420.2	127.3	0.0	158.6	109.1	24.6	5.5	289.3	309.9	5,421.1	$497	0.0
Idaho	1.9	234.8	78.3	2.3	1.1	5.9	2.6	30.2	13.9	4.6		0.0	2.5	376.3	$194	0.0
Illinois [1]	12.6	2,156.8	0.0	305.2	311.1	221.3	0.0	165.0	106.8	0.0	129.5	0.0	0.4	3,396.3	$270	0.0
Indiana	6.8	1,342.9	0.0	49.3	46.1	77.2	0.0	104.2	40.2	6.8	29.3	0.0	6.8	1,702.9	$249	0.0
Iowa	3.2	293.1	12.7	9.3	5.6	0.0	7.0	53.1	20.4	8.1	23.4	0.0	0.0	432.7	$135	0.0
Kansas	2.9	199.3	7.7	8.5	0.0	8.6	7.3	35.7	16.0	7.8	0.0	19.1	3.0	313.0	$107	0.0
Kentucky	4.5	963.5	0.0	187.1	57.1	15.2	0.0	71.1	35.5	11.7	14.6	94.6	30.0	1,480.4	$328	0.0
Louisiana	4.6	292.8	0.0	70.1	58.3	31.1	0.0	68.3	31.6	0.0	20.1	0.0	10.5	582.9	$127	0.0
Maine	1.4	311.0	0.0	6.4	5.0	1.1	11.8	22.7	8.9	6.6	12.3	0.0	0.0	385.8	$279	0.0
Maryland	6.2	1,009.5	0.0	266.6	373.1	62.1	0.0	127.6	81.0	19.5	76.9	606.1	27.1	2,649.6	$430	1,331.8
Massachusett	7.0	3,906.9	0.0	0.0	358.1	117.2	0.0	132.0	76.7	44.9	0.0	1,217.2	2.6	5,855.6	$839	0.0
Michigan	10.0	2,381.0	43.2	486.2	584.5	123.4	0.0	169.4	175.1	36.6	95.5	627.0	175.0	4,896.9	$488	0.0
Minnesota	5.7	561.6	0.0	22.4	0.0	26.7	11.0	72.8	25.4		13.2	0.0	7.0	740.2	$129	0.0
Mississippi	2.9	329.3	0.0	19.0	5.0	12.5	0.0	36.8	19.3	0.0	0.0	0.0	0.0	421.9	$143	0.0
Missouri	6.2	1,195.3		103.8	71.0	49.2	0.0	90.0	40.7	12.6	0.0	56.5	160.9	1,780.1	$288	0.0
Montana [1]	1.1	25.5	0.0	0.0	0.0	9.2	2.0	12.4	5.0	3.7	7.9	0.0	50.4	116.0	$103	0.0
Nebraska	2.0	117.2	0.0	7.6	0.0	16.9	2.1	35.7	14.6	8.1	0.0	0.0	0.0	202.3	$103	0.0
N. Hampshire	1.4	313.8	0.0	5.4	4.9	0.0	11.3	40.6	18.8	8.4	18.1	53.5	53.0	527.9	$378	0.0
New Jersey	9.3	2,056.9	0.0	432.4	274.9	220.3	0.0	241.0	147.2	59.0	40.2	158.3	4.0	3,634.2	$392	0.0
New Mexico	2.1	80.1	0.0	4.9	1.9	7.3	3.9	25.8	11.7	0.0	1.1	0.0	0.0	136.9	$65	0.0
New York	19.7	4,517.7	0.0	958.6	948.1	282.2	0.0	358.4	294.6	120.9	0.0	663.5	34.1	8,178.1	$416	1,758.4
N. Carolina	10.7	2,649.7	0.0	487.4	222.0	74.7	0.0	180.4	83.5	40.8	65.5	81.2	1.9	3,887.0	$363	0.0
N. Dakota	0.8	0.0	0.0	0.0	0.0	0.0	7.0	12.0	5.6	4.6	0.0	0.0	0.0	29.2	$38	0.0
Ohio	11.8	2,287.8	0.0	437.3	267.7	87.4	0.0	151.3	99.5	37.6	208.7	649.5	64.4	4,291.2	$365	1,331.3
Oklahoma	4.0	263.5	0.0	6.9	0.0	3.9	5.9	44.3	19.6	6.3	0.0	0.0	0.0	350.3	$87	0.0
Oregon	4.2	163.4	0.0	0.0	2.0	35.2	0.0	57.5	24.6	0.0	0.0	112.0	2.5	397.1	$94	1,246.1
Pennsylvania	13.0	3,513.4	0.0	282.6	245.6	309.7	0.0	267.9	111.2	26.5	149.1	55.7	159.5	5,121.3	$395	0.0
Rhode Island	1.1	130.6	0.0	0.0	22.9	5.9	0.0	26.2	10.9	8.1	0.0	89.7	10.9	305.1	$279	481.2
S. Carolina	5.3	1,599.0	0.0	289.1	153.3	28.5	0.0	105.1	44.3		0.0	34.2	0.0	2,253.6	$427	0.0
South Dakota	0.9	48.3	0.0	0.0	0.0	2.2	1.8	14.2	4.5	4.3	0.0	0.0	0.0	75.3	$83	325.4
Tennessee	7.1	1,547.4	0.0	81.5	50.6	15.1	10.4	108.4	43.7	12.2	0.0	14.4	0.3	1,884.0	$267	0.0
Texas	30.0	6,727.3	0.0	298.8	146.8	325.3	0.0	405.8	392.9	0.0	0.0	0.0	0.0	8,296.9	$276	0.0
Vermont	0.6	121.3	0.0	1.3	1.3	0.0	3.9	9.2	4.2	2.8	7.5	0.0	0.0	151.5	$234	0.0
Virginia	8.7	1,325.1	0.0	349.7	361.9	44.9	0.0	133.4	92.6	29.5	57.0	47.0	1,311.4	3,752.4	$432	0.0
Washington	7.8	665.2	0.0	21.4	0.0	71.5	0.0	80.6	48.7	0.0	0.0	0.0	20.3	907.7	$117	
West Virginia	1.8	168.8	0.0	8.0	4.9	4.7	4.9	31.5	12.9	0.0	0.0	7.0		242.8	$137	970.9
Wisconsin [1]	5.9	637.8	1.1	27.8	19.1	76.3	0.0	88.7	36.0	0.0	0.0	0.0	1.0	887.8	$151	0.0
Wyoming	0.6	0.0	0.0	0.0	0.0	8.8	1.8	9.0	4.9	2.9	0.0	0.0	0.0	27.4	$47	
Total	**319.5**	**64,432.7**	**157.1**	**6,754.9**	**5,588.4**	**3,698.4**	**97.4**	**5,183.8**	**3,111.8**	**689.6**	**1,099.3**	**5,478.7**	**2,793.3**	**99,085.4**	**$310**	**7,861.3**
% of total		**65.0%**	**0.2%**	**6.8%**	**5.6%**	**3.7%**	**0.1%**	**5.2%**	**3.1%**	**0.7%**	**1.1%**	**5.5%**	**2.8%**	**100.0%**		

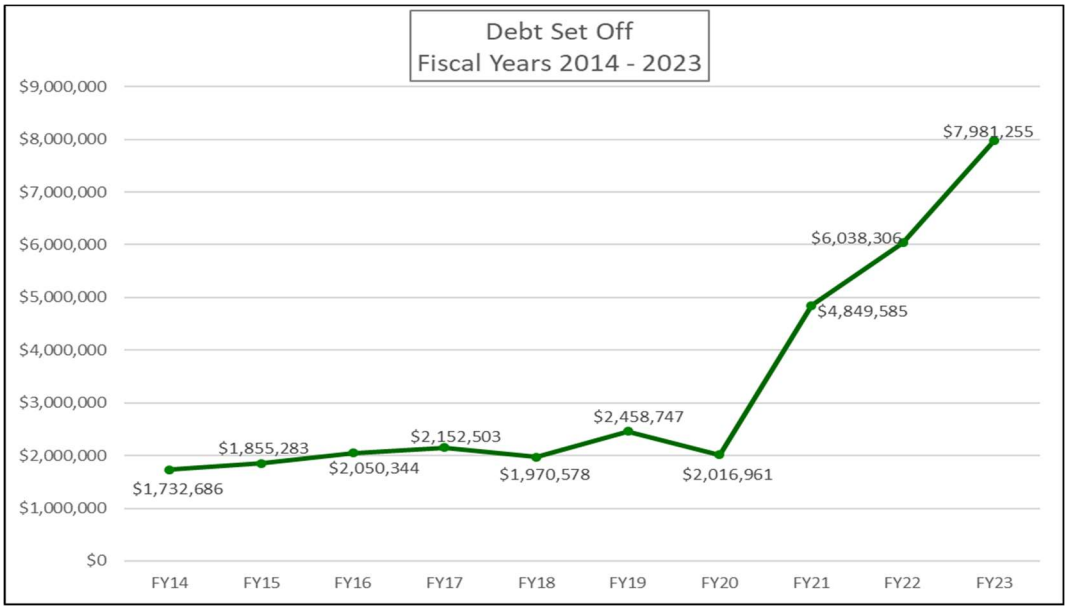
** Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30) [1] Unaudited*

Excel\Fiscal 2022 Sales (Analysis)\[FY Sales Analysis_US.xls]Fiscal Sales by Game

Source: La Fleur's 2023 World Lottery Almanac

OPERATING INFORMATION





Schedule of Capital Assets, Net Information
Fiscal Year Ending June 30 for the Years Shown

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Equipment & Machinery	$ 5,943,880	$ 5,220,526	$ 5,805,244	$ 11,905,166	$ 12,276,210	$ 10,720,642	$ 13,621,669	$ 13,022,025	$ 13,522,148	$ 10,070,044
Leasehold Improvements	324,103	324,103	324,103	324,103	-	-	-	-	-	-
Intangible Assets	605,330	959,304	877,832	988,528	665,560	1,084,896	4,208,265	2,608,786	2,219,171	2,532,194
Right-of-Use Leases										
Equipment	X	X	X	X	X	X	X	X	98,061	39,618
Buildings	X	X	X	X	X	X	X	X	2,844,500	2,253,988
Billboards	X	X	X	X	X	X	X	X	-	3,908,540
									2,942,561	**6,202,146**
Right-of-Use Subscriptions	X	X	X	X	X	X	X	X	X	36,677,248
Total Net Capital Assets	**$ 6,873,313**	**$ 6,503,933**	**$ 7,007,179**	**$ 13,217,797**	**$ 12,941,770**	**$ 11,805,538**	**$ 17,829,934**	**$ 15,630,811**	**$ 18,683,880**	**$ 55,481,632**

X = GASB87 (Right-of-Use Leases) was implemented in FY2022 and GASB96 (Right-of-Use Subscriptions) was implemented in FY2023

STATISTICAL INFORMATION

FY22 U.S. Lottery Sales, Prizes & Government Transfers Measured by GDP*

			(in $millions)								
Lottery	2022 Pop.[1] (M)	2022 Gross Domestic Product[2] (Mil)	Ticket Sales[3] (Mil)	VLT (net) (Mil)	Gaming (net) (Mil)	Prizes[4] (Mil)	Gov't Transfers[5] (Mil)	PC Sales	PC Gov't	Ticket Sales as % of GDP	Gov't Transfers as % of GDP[7]
Arizona	7.4	435,310	1,368.37			925.42	269.52	$186	$37	0.314%	0.062%
Arkansas	3.0	153,715	579.56			402.41	99.39	$190	$33	0.377%	0.065%
California[6]	39.0	3,568,888	8,853.25			5,825.67	2,020.88	$227	$52	0.248%	0.057%
Colorado	5.8	447,520	826.88			538.89	180.32	$142	$31	0.185%	0.040%
Connecticut	3.6	312,212	1,603.23			1,041.16	410.08	$442	$113	0.514%	0.131%
Delaware[4,5]	1.0	85,220	230.73	416.1	177.8	223.55	284.63	$227	$280	0.271%	0.334%
D.C.	0.7	157,671	207.26			114.07	40.67	$309	$61	0.131%	0.026%
Florida	22.2	1,303,945	9,324.63			6,245.46	2,333.50	$419	$105	0.715%	0.179%
Georgia	10.9	725,984	5,421.14			3,585.30	1,474.00	$497	$135	0.747%	0.203%
Idaho	1.9	100,798	376.32			257.12	73.21	$194	$38	0.373%	0.073%
Illinois[6]	12.6	987,388	3,393.76			2,211.36	699.65	$270	$56	0.344%	0.071%
Indiana	6.8	447,236	1,702.86			1,138.52	346.81	$249	$51	0.381%	0.078%
Iowa	3.2	231,651	432.66			274.21	97.95	$135	$31	0.187%	0.042%
Kansas	2.9	202,279	312.99		401.0	191.47	187.38	$107	$64	0.155%	0.093%
Kentucky	4.5	249,047	1,676.50			1,152.01	359.33	$372	$80	0.673%	0.144%
Louisiana	4.6	271,519	582.93			328.42	191.20	$127	$42	0.215%	0.070%
Maine	1.4	80,455	385.80			262.40	72.09	$279	$52	0.480%	0.090%
Maryland[4,5]	6.2	458,827	2,662.70	1,331.8	717.6	1,689.11	1,527.11	$432	$248	0.580%	0.333%
Massachusetts	7.0	673,789	5,855.59			4,311.15	1,105.44	$839	$158	0.869%	0.164%
Michigan	10.0	603,911	4,896.85			3,096.04	1,254.96	$488	$125	0.811%	0.208%
Minnesota	5.7	436,382	740.16			469.77	172.63	$129	$30	0.170%	0.040%
Mississippi	2.9	132,606	421.89			251.26	122.81	$144	$42	0.318%	0.093%
Missouri	6.2	379,232	1,779.95			1,264.39	386.44	$288	$63	0.469%	0.102%
Montana[6]	1.1	63,245	116.04			78.52	16.81	$103	$15	0.183%	0.027%
Nebraska	2.0	157,892	202.27			119.57	49.43	$103	$25	0.128%	0.031%
N. Hampshire	1.4	104,436	527.86			321.75	146.56	$378	$105	0.505%	0.140%
New Jersey	9.3	709,181	3,634.15			2,209.07	1,111.00	$392	$120	0.512%	0.157%
New Mexico	2.1	116,734	136.87			74.11	41.07	$65	$19	0.117%	0.035%
New York[4,5]	19.7	1,931,539	8,178.08	1,758.4	419.0	4,901.59	3,608.11	$416	$183	0.423%	0.187%
N. Carolina	10.7	696,520	3,887.05			2,543.96	932.93	$363	$87	0.558%	0.134%
N. Dakota	0.8	68,449	29.18			15.36	6.72	$37	$9	0.043%	0.010%
Ohio[4,5]	11.8	777,870	4,297.70	1,331.3		2,791.67	1,405.36	$366	$120	0.552%	0.181%
Oklahoma	4.0	223,333	350.34			226.71	79.34	$87	$20	0.157%	0.036%
Oregon[4,5]	4.2	268,864	397.15	1,246.1		257.17	910.50	$94	$215	0.148%	0.339%
Pennsylvania	13.0	888,137	5,121.29			3,376.12	1,220.95	$395	$94	0.577%	0.137%
R. Island[4,5]	1.1	69,751	305.09	481.2	39.7	673.70	388.64	$279	$355	0.437%	0.557%
S. Carolina	5.3	286,535	2,253.56			1,486.91	561.82	$427	$106	0.786%	0.196%
S. Dakota[4,5]	0.9	64,025	75.20	325.4		42.93	179.25	$83	$197	0.117%	0.280%
Tennessee	7.1	447,507	1,886.94			1,202.36	487.82	$268	$69	0.422%	0.109%
Texas	30.0	2,149,054	8,296.89			5,599.72	1,998.42	$276	$67	0.386%	0.093%
Vermont	0.6	38,425	151.47			100.69	31.14	$234	$48	0.394%	0.081%
Virginia	8.7	622,989	3,752.42			2,676.93	779.57	$432	$90	0.602%	0.125%
Washington	7.8	703,117	907.69			573.99	216.84	$117	$28	0.129%	0.031%
W. Virginia[4,5]	1.8	93,891	242.79	970.9	61.6	152.45	567.93	$137	$320	0.259%	0.605%
Wisconsin[6]	5.9	387,972	887.82			557.12	268.63	$151	$46	0.229%	0.069%
Wyoming	0.6	45,208	27.41			15.72	3.18	$47	$5	0.061%	0.007%
Total	**319.5**	**23,360,259**	**99,301.2**	**7,861.3**	**1,816.7**	**65,797.3**	**28,722.0**	**$311**	**$90**	**0.425%**	**0.123%**

** Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). [1] Source: U.S. Census Bureau*

[2] Source: U.S. Bureau of Economic Analysis; [3] Traditional lottery games only; [4] Prizes don't include VLT & sports books

[5] Includes government transfers for VLT operations; [6] Unaudited

Note: If a lottery's operating statement did not include governnment transfers, then net income is reported.

Excel\Fiscal 2022 Sales (Analysis)\[FY Sales Analysis_US.xls]Fiscal Sales

Source: La Fleur's 2023 World Lottery Almanac

STATISTICAL INFORMATION

Schedule of Lottery Employees (unaudited)
Fiscal Year Ending June 30 for the Years Shown

	2014*	2015	2016	2017	2018	2019	2020	2021	2022	2023
Full-Time	X	271	270	264	263	279	283	307	344	356
Part-Time	X	13	15	15	16	17	18	18	17	31
Total	**X**	**284**	**285**	**279**	**279**	**296**	**301**	**325**	**361**	**387**
Administration	X	59	56	56	56	59	61	61	61	59
Communications & Customer Relations	X	5	11	12	11	11	11	9	8	9
Finance	X	23	22	23	25	26	26	25	27	29
Marketing	X	19	30	13	18	21	25	30	30	27
Sales	X	102	100	103	102	106	105	106	103	107
Technology	X	59	48	52	46	49	49	53	56	51
Audit & Security	X	17	18	20	21	24	22	24	24	32
Gaming Compliance**	X	X	X	X	X	X	2	17	52	73
Total	**X**	**284**	**285**	**279**	**279**	**296**	**301**	**325**	**361**	**387**

*Information not available for Fiscal Year 2014

**Gaming Compliance has been operating under the regulation of the Agency since FY2020

X = Not available

Source: Virginia State Lottery Human Resources Department