VERMONT LOTTERY

State of Vermont
Department of Liquor and Lottery
Division of Lottery

FINANCIAL STATEMENTS
JUNE 30, 2020 and 2019

DAVIS & HODGDON ASSOCIATES
CPAs ▪ PLC

Innovative
Entrepreneurial
Experienced

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

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JUNE 30, 2020 and 2019

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT

To the Board of the
Department of Liquor and Lottery
Barre, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the Department of Liquor and Lottery, Division of Lottery, an enterprise fund of the State of Vermont, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department of Liquor and Lottery, Division of Lottery, as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1., the financial statements present only the Department of Liquor and Lottery, Division of Lottery and do not purport to, and do not present fairly the financial position of the State of Vermont, as of June 30, 2020, 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 opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Department of Liquor and Lottery, Division of Lottery's financial statements for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited financials in our report dated December 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the Schedule of the Lottery's Proportionate Share of the Net Pension Liability and Schedule of Lottery Contributions on page 45 and the Schedule of the Lottery's Proportionate Share of the Net Other Post Employment Benefit (OPEB) Liability and Schedule of Lottery Contributions on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because we did not perform the valuation and allocation of the State of Vermont's pension plan. The amounts used in the schedules were provided to us by the Department of Finance & Management of the State of Vermont. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the Department of Liquor and Lottery, Division of Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department of Liquor and Lottery, Division of Lottery's internal control over financial reporting and compliance.

Davis & Hodgdon Associates, CPAs, PLC

Williston, Vermont
December 21, 2020

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

This discussion of the Department of Liquor and Lottery, Division of Lottery's financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements.

The Department of Liquor and Lottery, Division of Lottery (the Lottery) is an enterprise fund of the State of Vermont. The Lottery's operations are classified as business-type activities and reported in a manner similar to commercial entities.

Financial Highlights

- Gross revenues for lottery gaming activities decreased by $1,885,274 or 1.35%.

- Total operating expenses for the year decreased by $223,504 or 0.20%. Of this decrease, prize expense increased by $753,917, facilities management fees increased by $45,613, agent commissions increased by $127,449, instant ticket printing costs decreased by $305,499, retirement expenses decreased by $244,367, advertising expenses decreased by $305,293, and Tri-State expenses decreased by $339,217.

- Non-operating revenue in FY 2020 included an unrealized gain on investments of $53,453. The total investment gain of $147,033 resulted in an overall increase of $10,584 from the non-operating income in FY 2019. FY 2019 included an unrealized gain on investments of $52,561.

- Income before operating transfers (net revenue) decreased by $1,651,186.

Assets and Net Position

The assets of the Lottery are primarily cash and investments held for operating purposes. Total assets at June 30, 2020, of $11,588,292, include net capital assets of $9,831, restricted investments of $776,869, deferred pension outflows of $496,481, deferred OPEB outflows of $242,447 and current operating assets such as cash and cash equivalents, accounts receivable, prepaid expenses and inventory of $10,062,664. Net position retained by the Lottery was a deficit of $3,014,793, including a net OPEB liability of $1,209,085.

Total assets at June 30, 2019, of $10,546,109 include net capital assets of $17,490, restricted investments of $833,573, deferred pension outflows of $588,465, and current operating assets such as cash and cash equivalents, accounts receivable, prepaid expenses and inventory of $8,838,997. Net position retained by the Lottery was a deficit of $3,014,793, including a net OPEB liability of $2,454,541.

Liabilities

The Lottery's liabilities consist of operating liabilities and obligations for payment of prizes to lottery winners. Total liabilities at June 30, 2020, of $14,603,085 include long-term liabilities for prize obligations of $476,340, cash advances from the State of $300,000, pension and OPEB liabilities of $4,617,979, and current operating liabilities of $9,208,766.

Total liabilities at June 30, 2019, of $13,560,902 include long-term liabilities for prize obligations of $580,168, cash advances from the State of $300,000, pension and OPEB liabilities of $4,889,064, and current operating liabilities of $7,791,670.

Sales

The following shows ticket sales by game:

	2020	2019
Instant scratch off games	$111,076,986	$107,038,489
Draw Games:		
Powerball	6,393,328	9,368,681
Mega Millions	4,312,425	8,033,711
Lucky for Life	1,775,364	1,776,046
Megabucks Plus	3,708,056	4,319,024
Pick 3	1,264,658	1,210,214
Pick 4	1,134,301	1,209,469
Gimme 5	670,880	656,141
Fast Play	7,051,258	5,656,162
Total sales	$ 137,387,256	$ 139,267,937

Prizes

In general, while the prize payout percentage is consistent, prize expense will increase or decrease from year to year in proportion to the increase or decrease in sales for a particular game. Prize expense for the instant games product category is controllable, to a large degree, by printing a predetermined number and value of winning tickets in the production of each instant game. Prize expense for draw games is predetermined by design to yield a certain ratio of prizes to sales over a large number of drawings. The Lottery has designated that at least 50% of draw sales revenue be reserved for prize awards. Each of the draw game's actual prize payout is determined by lottery players' luck in matching the particular set of numbers randomly selected in each drawing for each game. If the value of prizes for the winning tickets selected is not at least the 50% of sales revenue, the difference between the designated prize pool and the value of the winning tickets is contributed to either a jackpot pool, in the case of Tri-State Megabucks, the Powerball game, and Mega Millions game, or is reported as prize contingencies by the Tri-State Lotto Commission in the case of Pick 3, Pick 4, Gimme 5, and Fast Play or by the Lottery in the case of Lucky for Life. Prize expense is detailed as follows:

	2020	2019
Prize expense - Instant scratch off games	$ 76,586,612	$ 73,174,585
Prize expense - Draw games	15,059,372	17,717,482
Total prizes	$ 91,645,984	$ 90,892,067

Other Potentially Significant Factors

Net revenue for 2020 declined 5.7% as compared to 2019. Combined sales growth of over $5M in Instant Scratch and Fast Play games was more than offset by sales declines in draw games, particularly Mega Millions and Powerball. The sales decline in those games reflected lower jackpots throughout the year as compared to 2019. Growth in Instant Scratch games was driven by ongoing strategy to prioritize marketing efforts for the Instant games; also contributing were new offerings of Instant Scratch tickets with a $25 price point that was offered for the first time in March 2019.

The Lottery is a highly visible governmental activity. Its mission is to operate a State Lottery that will produce the maximum amount of net revenue consonant with the dignity of the State and general welfare of the people. There are a number of revenue-enhancing opportunities generally available to the lottery industry. These options, if deemed to be consonant with the general welfare of the people by those in the executive branch and/or legislature, may be considered in future years. Research and due diligence efforts for these options, begun in the first half of 2020, slowed in the second half given the priorities of combatting the COVID-19 pandemic.

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,935,166	$ 4,996,751
Accounts receivable, net	2,537,219	2,924,925
Due from the State Education Fund	--	308,406
Inventory	590,279	598,915
Prepaid expenses	--	10,000
Total current assets	10,062,664	8,838,997
PROPERTY AND EQUIPMENT, net	9,831	17,490
OTHER ASSETS		
Investments	776,869	833,573
Deferred OPEB outflows	242,447	267,584
Deferred pension outflows	496,481	588,465
Total other assets	1,515,797	1,689,622
Total assets	$ 11,588,292	$ 10,546,109
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 1,491,497	$ 948,271
Accrued payroll and compensated absences	173,041	159,717
Reserve for future and unclaimed prizes	7,227,430	6,385,210
Due to winners, current	103,827	110,157
Deferred revenue	212,971	188,315
Total current liabilities	9,208,766	7,791,670
NONCURRENT LIABILITIES		
Due to winners, net of current portion	476,340	580,168
Due to state treasurer	300,000	300,000
Deferred OPEB inflows	1,798,620	814,001
Deferred pension inflows	205,941	57,270
Net OPEB liability	1,209,085	2,454,541
Net pension liability	1,404,333	1,563,252
Total noncurrent liabilities	5,394,319	5,769,232
Total liabilities	14,603,085	13,560,902
NET POSITION, unrestricted	(3,014,793)	(3,014,793)
Total liabilities and net position	$ 11,588,292	$ 10,546,109

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Ticket sales	$ 137,387,256	$ 139,267,937
Agents license fees and other receipts	1,125	5,718
Total revenues	137,388,381	139,273,655
OPERATING EXPENSES		
Prize expenses	91,645,984	90,892,067
Agents commissions	8,660,850	8,533,401
Lottery tickets	1,476,990	1,782,489
Ticket dispensers	27,346	58,673
Courier system	164,220	168,567
Facilities management fee - instant	3,819,437	3,463,800
Facilities management fee - online	371,591	681,615
Tri-State expenses	877,308	1,216,525
MUSL expenses	3,076	23,767
Personal services	1,568,106	1,396,016
Retirement expense	62,696	307,063
Advertising	410,850	716,143
Other operating expenses	914,239	888,528
Depreciation	7,659	7,702
Problem Gambling Grant	2,500	100,000
Total operating expenses	110,012,852	110,236,356
OPERATING INCOME	27,375,529	29,037,299
NON-OPERATING INCOME		
Investment income	147,033	136,449
Total non-operating income	147,033	136,449
INCOME BEFORE OPERATING TRANSFERS	27,522,562	29,173,748
NET PROFIT TRANSFERRED TO THE EDUCATION FUND	27,522,562	29,179,325
Change in net position	--	(5,577)
NET POSITION, beginning of year	(3,014,793)	(3,009,216)
NET POSITION, end of year	$ (3,014,793)	$ (3,014,793)

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 137,809,619	$ 138,972,515
Cash paid for prizes and agents' commissions	(99,574,772)	(98,294,911)
Cash paid for management fees, operations, and other	(7,515,695)	(8,691,333)
Cash paid to employees for services	(1,771,443)	(1,567,156)
Other operating revenue	1,125	5,718
Net cash provided by operating activities	28,948,834	30,424,833
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfers	(27,214,156)	(29,470,436)
Net cash used by noncapital financing activities	(27,214,156)	(29,470,436)
CASH FLOWS FROM INVESTING ACTIVITIES		
Realized gains on investments	93,580	83,888
Proceeds from maturities of investments, net	110,157	116,769
Net cash provided by investing activities	203,737	200,657
Net change in cash and cash equivalents	1,938,415	1,155,054
Cash and cash equivalents, beginning of year	4,996,751	3,841,697
Cash and cash equivalents, end of year	$ 6,935,166	$ 4,996,751
RECONCILATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 27,375,529	$ 29,037,299
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	7,659	7,702
Changes in:		
Accounts receivable	387,706	(299,611)
Inventory	8,636	178,712
Deferred pension inflows and outflows	1,250,411	153,004
Accounts payable and accrued expenses	556,550	233,060
Due to winners	(110,158)	(116,769)
Reserve for future and unclaimed prizes	842,220	1,247,326
Deferred revenue	24,655	14,189
Net OPEB liability	(1,245,456)	(293,173)
Net pension liability	(158,918)	273,094
Total adjustments	1,573,305	1,387,534
Net cash provided by operating activities	$ 28,948,834	$ 30,424,833

See Independent Certified Public Accountants' Audit Report and Notes to Financial Statements.

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

The Vermont Lottery Commission was created by an enactment of the Vermont State Legislature and signed into law by the Governor on April 27, 1977. Title 31, Chapter 14 of the Vermont Statutes is the law under which the Lottery operates. On July 1, 2018, the Vermont Lottery Commission merged with Department of Liquor Control and became the State of Vermont Department of Liquor and Lottery, Division of Lottery (the Lottery). The Lottery is an enterprise fund of the State of Vermont and is managed by the Commissioner of Liquor and Lottery and a five-member Board of Liquor and Lottery. The Board, by law, has the authority to operate the State lottery, determine the type and forms of lottery games, set the price of lottery tickets, determine the number and size of prizes, select the ticket sales locations and may enter into agreements with another state or states to provide for the operation of the Lottery.

Fiscal operations of the Lottery commenced in October, 1977. The Lottery's net revenue was transferred to the State of Vermont's General Fund through June 30, 1998. Beginning July 1, 1998, the Lottery's revenue is committed to funding public education, and Lottery net revenue is transferred to the State of Vermont Education Fund on a monthly basis.

The Lottery entered into a compact with the states of Maine and New Hampshire known as the Tri-State Lotto (Tri-State). The compact was enacted to implement the operation of Tri-State Lotto for the purpose of raising additional revenue for each of the party states. Vermont's portion of the Tri-State Lotto operations is accounted for by the Lottery.

In July 2003, the Lottery entered into an agreement with the Multi-State Lottery Association (MUSL) for the inclusion of the Powerball game. On January 31, 2010 the Lottery added the multi-jurisdictional game Mega Millions.

In March 2012, the Lottery entered into an agreement with the Connecticut Lottery Corporation, the Maine State Liquor & Lottery Commission, the Massachusetts State Lottery Commission, the New Hampshire Lottery Commission, and the Rhode Island Division of State Lottery to offer Lucky for Life, a New England regional lotto game. As of June 2018, Lucky for Life was expanded to include 25 other state lotteries.

A summary of the Corporation's significant accounting policies follows:

Reporting entity

The Lottery is included in the State of Vermont's financial statements as an enterprise fund. In accordance with governmental accounting and financial reporting standards, there are no component units to be included within the Lottery's financial statements as a reporting agency.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Basis of accounting

The financial statement presentation follows the recommendations of the Governmental Accounting Standards Board (GASB) in its Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Lottery uses the economic resources measurement focus and the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation for payment is incurred. The Lottery is classified as an enterprise fund of the governmental proprietary fund type.

Enterprise funds account for operations similar to private business enterprises where the intent of the Legislature is that costs are to be financed or recovered primarily through user charges, or where the Legislature has decided that periodic determination of revenue earned, expenses incurred or net income is appropriate.

Revenue recognition

Sales of instant lottery tickets are made to licensed retailers who market the tickets to the public on a commission basis. Revenue is recognized when the books of tickets are settled with the retailers. Tickets activated, but not sold by retailers, may be returned for credit. Sales of online lottery tickets are made to licensed retailers who market the tickets through the use of computerized terminals on a commission basis. Ticket revenue is recognized weekly. Tickets sold in advance of future drawing dates are recorded as deferred revenue until the ticket becomes valid for a drawing.

Expenses

Commissions and fees for the instant and online games are recognized weekly. Administrative expenses, such as salaries, benefits, contracted services, depreciation, equipment and supplies are included in the Lottery's annual operating budget appropriation from the Legislature. This budget appropriation came from Lottery revenues. Other Lottery operating expenses, which will vary with product sales volume, such as lottery tickets, courier system, agent network expenses and facilities management fees for the gaming systems vendor are considered "cost of goods", are part of an authorized amount approved by Finance and Management, and are derived from Lottery revenues. In addition, Vermont State Statute Title 31, Chapter 14, §658 provides that agent commissions may not exceed 6.25% of gross receipts and bank commissions may not exceed 1% of gross receipts. The statutes also provide that the Lottery must pay out no less than 50% of gross receipts as prizes.

Cash and cash equivalents

Cash includes demand deposits and short-term investments with a maturity date within three (3) months of the date acquired by the Lottery except for amounts included in the investment account.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Investments

Investments with readily determinable fair market values are reported at their fair market values on the balance sheet. The Lottery's policy is to retain in net position the unrealized gains and losses on long-term investments held for the purpose of paying long-term installment prizes due to winners. This policy is consistent with the provision for apportionment of Lottery revenues in Title 31, Chapter 14, §654 (11)(A).

Fair value measurements

Professional literature defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The guidance states that fair value is a market-based measurement, not an entity-specific measurement.

Therefore, a fair value measurement should be determined based on the assumptions market participants would use in pricing the asset or liability under current market conditions at the measurement date. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a fair value hierarchy that is based on the subjectivity of inputs.

It distinguishes between observable inputs (Levels 1 and 2) which are either observable from market data or corroborated by observable market data and those that are unobservable (Level 3).

Three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs include quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed debt securities and alternative investments using net asset value (NAV) per share for which the Lottery has the ability to redeem its investment at or close to the measurement date.

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair value measurements (continued)

Level 3 – Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the Lottery's assumptions based on the best information available in the circumstances. This category generally includes certain private debt and equity instruments, alternative investments where the investee at NAV per share or the redemption date is not close to the measurement date. This category also includes investments held in trust where the Lottery is not the trustee and the beneficial interest is in perpetual trust.

All long-term investments (see Note 4.) have been valued in accordance with the definition of Level 1 inputs as described above.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value.

Furthermore, although the Lottery's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Allowance for doubtful accounts

It is the policy of management to review the outstanding receivables at year end, as well as the bad debt write off experienced in the past, and establish an allowance for doubtful accounts for uncollectable amounts. An estimated $101,358 and $65,658 was recorded as an allowance for doubtful accounts at June 30, 2020 and 2019, respectively.

Inventory

Inventory consists of lottery tickets on hand and prizes. Inventory is valued at the lower of cost or net realizable value using the first-in, first-out method.

Property and equipment

Property and equipment are stated at cost, recorded as a capital asset based on the nature of the item and depreciated over the estimated useful life of the asset. Capital assets are defined by the Lottery as assets with an initial individual cost of more than $5,000 and a useful life of more than two years. Capitalized costs include freight-in, licenses, title application and any other costs required to establish the initial operation of the asset. Improvements and additions to an asset are capitalized. Maintenance and repair costs are not capitalized. Depreciation expense is calculated using the straight-line method over the estimated lives of the assets which are:

Office furniture and equipment	3-7 years
Leasehold improvements	10-15 years

Note 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Compensated absences

Lottery employees are entitled to certain compensated absences based on their length of employment. Generally, compensated absences either vest or accumulate and are accrued when they are earned. Sick leave does not accrue beyond annual use.

Advertising

Advertising costs are expensed as incurred and totaled $410,850 and $716,143 for the years ended June 30, 2020 and 2019, respectively.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk management

The Lottery is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to individuals; and natural disasters. These are managed by the State of Vermont on behalf of the Lottery.

Reclassifications

Certain amounts for the year ended June 30, 2019, have been reclassified for comparative purposes to conform to the presentation used in the June 30, 2020 financial statements. The reclassifications have no effect on total net position for the year ended June 30, 2019.

Subsequent events

Subsequent events have been evaluated through December 21, 2020, which is the date the financial statements were issued.

Note 2. Cash and Cash Equivalents

Custodial credit risk on deposits

Custodial credit risk is the risk that in the event of a bank failure, the Lottery's deposits may not be returned to it. The Lottery does not have a deposit policy for custodial credit risk. As of June 30, 2020, all of the Lottery's bank balance of $5,219,169 was insured or collateralized. As of June 30, 2019, all of the Lottery's bank balance of $6,588,617 was insured or collateralized. Collateralized amounts are held by the pledging bank's trust department in the Lottery's name.

Note 2. Cash and Cash Equivalents (continued)

Cash with the State of Vermont Treasurer

Cash with the State Treasurer represents cash held by the Vermont State Treasurer's Office for the purpose of funding expenditures of the Lottery and transfers to the State of Vermont Education Fund. The expenditures are provided for by an appropriation from the State of Vermont which is derived from Lottery revenues for the operation of the Lottery. The balance in this account is reduced by transfers of net revenue of the Lottery to the State of Vermont Education Fund.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2020	2019
MUSL	$ 751,450	$ 1,172,634
Tri-State	968,989	525,359
Regular Agents	689,542	997,676
Chain Agents	214,913	290,056
Online	13,683	4,858
Total accounts receivable	2,638,577	2,990,583
Less allowance for doubtful accounts	(101,358)	(65,658)
Accounts receivable, net	$ 2,537,219	$ 2,924,925

Note 4. Investments

Investments consisted of U.S. Treasury Strips which totaled $776,869 and $833,573 at June 30, 2020 and 2019, respectively.

Interest rate risk

The Lottery purchases investments in government securities that will mature in future years to pay multi-year payment prizes won by certain instant ticket winners (see Note 8.). These are held by the Trust Department of the People's United Bank in Burlington, Vermont, and are reported at market value. Because these investments are scheduled to be paid to winners as they mature, the Lottery has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Note 5. Inventory

Inventory consisted of tickets on hand and totaled $590,279 and $598,915 at June 30, 2020 and 2019, respectively.

Note 6. Property and Equipment

The following is a summary of the changes in property and equipment over the fiscal years:

	Balance July 1, 2019	Balance June 30, 2020	Accumulated Depreciation	Net Property & Equipment June 30, 2020
Furniture & fixtures	$ 49,118	$ 49,118	$ 49,118	$ --
Other equipment	98,115	98,115	88,284	9,831
Leasehold improv.	59,935	59,935	59,935	--
Total	$ 207,168	$ 207,168	$ 197,337	$ 9,831

	Balance July 1, 2018	Balance June 30, 2019	Accumulated Depreciation	Net Property & Equipment June 30, 2019
Furniture & fixtures	$ 49,118	$ 49,118	$ 49,118	$ --
Other equipment	105,785	98,115	80,625	17,490
Leasehold improv.	59,935	59,935	59,935	--
Total	$ 214,838	$ 207,168	$ 189,678	$ 17,490

Note 7. Accounts Payable

Accounts payable consisted of the following at June 30:

	2020	2019
Tri-State	$ 120,638	$ 63,982
MUSL	129,187	84,598
Vendors	835,968	793,559
Due to other funds	405,704	6,132
Total accounts payable	$ 1,491,497	$ 948,271

Note 8. Due to Winners

The following is a summary of requirements to maturity for long-term installment prizes due to winners awarded as of June 30, 2020 and payable through the year 2033:

	Principal	Interest	Total
Current Portion:			
For the year ending June 30,			
2021	$ 103,827	$ 16,173	$ 120,000
Long-Term Portion:			
For the year ending June 30,			
2022	97,997	22,003	120,000
2023	92,566	27,434	120,000
2024	59,112	20,888	80,000
2025	30,188	9,812	40,000
2026 - 2030	130,391	69,609	200,000
2031 - 2033	66,086	53,914	120,000
Total long-term portion	476,340	203,660	680,000
Total requirements to maturity	$ 580,167	$ 219,833	$ 800,000

Due to winners represents annual payments owed to jackpot winners and is fully funded by investments in U.S. Government Treasury Strips that mature on a schedule coinciding with the installments (see Note 4.).

Note 9. Prize Expense and Reserve for Future and Unclaimed Prizes

By law, the Lottery must pay a minimum of 50% of gross revenue to participants in the form of prizes. Prize expense is calculated on the basis of total sales multiplied by an approved prize payout percentage. The reserve for future and unclaimed prizes is increased by the prize expense as calculated and reduced by the dollar value of prizes actually paid out. Unclaimed prizes from online games can be used for special prizes, to supplement regular prizes or in the case of instant games can be transferred to the State of Vermont Education Fund.

For instant games, the Lottery calculated prize expense at varying percentages according to game design ranging from 62% to 75% for the years ended June 30, 2020 and 2019, respectively.

In September 1985, the states of Vermont, Maine and New Hampshire instituted Tri-State Megabucks (now known as Tri-State Megabucks Plus), with a calculated prize expense of 50% of ticket sales. Megabucks Plus ticket sales in Vermont were approximately $3.7 million for the year ended June 30, 2020 and $4.3 million for the year ended June 30, 2019.

Note 9. Prize Expense and Reserve for Future and Unclaimed Prizes (continued)

The Lottery began offering the Pick 3 and Pick 4 daily numbers games in November 1980 and September 1985, respectively, with calculated prize expense of 50% of ticket sales. Effective June 1995, the daily numbers games, Pick 3 and Pick 4, became Tri-State games. Pick 3 and Pick 4 sales in Vermont were approximately $2.4 million for each of the years ended June 30, 2020 and 2019.

The Tri-State Lotto Commission's net position for the years ending June 30, 2020 and 2019 were $7,021,656 and $6,347,428, respectively. Of these amounts, $4,345,585 represented designated prize reserves for each year and $2,676,071 and $2,001,843 represented unrealized gains on investments held for installment prize obligations for the years ended June 30, 2020 and 2019, respectively. The Tri-State Lotto Commission's annual financial report may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302, Suite 100, Barre, Vermont 05641.

Effective July 1, 2003, the Lottery became a member of the Multi-State Lottery Association (MUSL) which operates online games on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly transfers to the MUSL in an amount equivalent to the member's share of the estimated grand prize liability. Each MUSL member pays non-jackpot prizes directly to the winners. The MUSL operates the Powerball game and is a member of the Mega Millions group offering the Mega Millions game. Participating lotteries are required to maintain deposits with MUSL for contingency reserves to protect MUSL from unforeseen prize liabilities. The money in these reserve funds is refundable to MUSL members if the MUSL disbands or if a member leaves the MUSL Board. Vermont Powerball sales were approximately $6.4 million for the year ended June 30, 2020 and approximately $9.4 million for the year ended June 30, 2019. In January 2010, Vermont began offering Vermont Mega Millions with the Megaplier feature, both with a calculated prize expense currently at no more than 50% of ticket sales. Vermont Mega Millions sales were approximately $4.3 million for the year ended June 30, 2020 and $8.0 million for the year ended June 30, 2019. On behalf of the Lottery, the MUSL held in trust prize reserve accounts for Powerball and Mega Millions totaling $661,236 for the fiscal year ended June 30, 2020 and $676,063 for the fiscal year ended June 30, 2019. The MUSL annual financial report may be obtained by writing to the Multi-State Lottery Association, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322-7919.

In May 2013, Tri-State instituted the Gimme 5 game with a calculated prize expense of 53%. Gimme 5 sales in Vermont were approximately $671,000 for the year ended June 30, 2020 and $656,000 for the year ended June 30, 2019.

In March 2012, the states of Vermont, Maine, New Hampshire, Connecticut, Massachusetts and Rhode Island instituted Lucky for Life, with a calculated prize expense of 60% of ticket sales. Lucky for Life ticket sales in Vermont were approximately $1.8 million for each of the years ended June 30, 2020 and 2019. As of June 30, 2020, Lucky for Life has been expanded to include 25 other state lotteries.

Note 10. Deferred Revenue

Deferred revenue consists of subscription receipts for Megabucks Plus, Powerball and Mega Millions games, advance tickets sold for the Powerball, Mega Millions, and Lucky for Life games, and refundable terminal deposits for new agents. The sales revenue will be recognized as the drawings are held and the terminal deposits are refundable after one year.

Note 11. Net Position

Net position consisted of the following at June 30:

	2020	2019
Invested in capital assets, net of depreciation	$ 9,831	$ 17,490
Reserved for inventory	590,279	598,915
Reserved for Lottery's portion of pension liability due to State of Vermont	(2,602,519)	(1,319,906)
Reserved for Lottery's portion of OPEB liability due to State of Vermont	(1,209,085)	(2,454,541)
Unrealized gains on investments held for future winner payouts	196,701	143,249
Total net position	$ (3,014,793)	$ (3,014,793)

These reserves are consistent with the provision for apportionment of Lottery revenues in Title 31, Chapter 14, §654(11)(A) & (B).

During the year ended June 30, 2018, the Lottery implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than OPEBs*. As a result of this implementation, the Lottery recognized a liability for net other postemployment benefits (OPEB). See Note 15. for further details on the adoption of this standard.

Note 12. Appropriations

The following are the cash basis appropriations compared to expenses at June 30:

	2020	2019
Appropriation	$ 3,457,490	$ 3,440,247
Expenses	3,119,051	3,415,452
Appropriations in excess of expenses	$ 338,439	$ 24,795

There were no amounts encumbered for personal services and equipment at June 30, 2020 and 2019, respectively.

Note 13. Retirement Plan

The Vermont State Retirement Defined Benefit Plan, which is a single employer plan, covers substantially all Lottery employees except employees hired in a temporary capacity. Membership in the plan is a condition of employment. All eligible employees of the Lottery are Group F members.

The Lottery reports on its defined benefit retirement plan under GASB Statement No. 68, *Accounting and Reporting for Pensions* and GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB Statement No. 68 requires that employers report a net pension liability (NPL) and related pension expense as determined by the plan under the requirements contained in GASB Statement No. 67, *Financial Reporting for Pension Plans*. GASB Statement No. 71 requires that upon implementation of GASB Statement No. 68, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into two sections. The first section (Disclosures about the Defined Benefit Retirement Plans) offers disclosures about the plan itself - descriptions of the plan and who is covered; a discussion of benefits provided by the plan.

The second section (Financial Reporting of Net Pension Liability and Pension Expense by the Employer) provides additional information regarding the pension plan that are required by GASB Statement No. 68 - net pension liability, balances of deferred pension outflows of resources and deferred pension inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the pension expense for the year. For purposes of measuring the Lottery's net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the State. For this purpose, the Lottery recognizes benefit payments (including refunds of employee contributions) when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 68 also requires that government units with stand-alone financial statements present a schedule presenting the employer's proportion and proportionate share of the net pension liability; the employer's covered payroll; the employer's proportionate share of the net pension liability as a percentage of the employer's covered payroll; and the plan's fiduciary net position as a percentage of the total pension liability. In addition, GASB Statement No. 68 requires that if the contribution requirements are statutorily established, the employer present a 10-year schedule presenting the statutorily required contribution; the amount of contributions made; the difference between the two; the employer's covered payroll; and the amount of contributions as a percentage of covered payroll. These two schedules are presented as Required Supplementary Information (see page 44).

Note 13. Retirement Plan (continued)

Disclosures about the Defined Benefit Retirement Plans

This first section provides the disclosures about the defined benefit retirement plan required by GASB Statement No. 68, including the plan descriptions, contribution information, and benefits.

Plan Descriptions and Contribution Information

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer defined benefit pension plan which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. The financial statements of the defined benefit pension plan are included in the State of Vermont Comprehensive Annual Financial Report (CAFR) and can be found on the Department of Finance and Management web page at http://finance.vermont.gov/reports-and-publications/cafr. Detailed information about the pension plan's fiduciary net position is available in the CAFR.

Management of the plan is vested in the VSRS Retirement Board, which consists of an appointee of the governor; state treasurer; commissioner of human resources; commissioner of finance and management; three members of the Vermont State Employees' Association who are active members of the system (each chosen by such association in accordance with its articles of association) and one retired state employee who is a beneficiary of the system (to be elected by the Vermont Retired State Employees' Association).

Membership of the Vermont State Retirement System is made up of the following:

· General employees who did not join the non-contributory system on July 1, 1981 (Group A)
· State police, law enforcement positions, and airport firefighters (Group C)
· Judges (Group D)
· Terminated vested members of the non-contributory system and all other general employees (Group F)

Note 13. Retirement Plan (continued)

Disclosures about the Defined Benefit Retirement Plans (continued)

Benefits Provided

Details of the pension benefits provided by the retirement plan are as follows:

	Group A	Group C	Group D	Group F Hired Before 7/1/2008	Group F Hired After 7/1/2008
Average final compensation (AFC)	Highest 3 consecutive years, including unused annual leave payoff	Highest 2 consecutive years, including unused annual leave payoff	Final salary at retirement	Highest 3 consecutive years, excluding unused annual leave payoff	Same
Benefit formula	1.67% X creditable service	2.5% X AFC X creditable service up to 20 years	3.33% X AFC X creditable service (after 12 years in Group D)	1.25% X AFC X service prior to 12/31/90 + 1.67% X AFC X service after 1/1/91	Same
Max benefit payable	100% of AFC	50% of AFC	100% of final salary	50% of AFC	60% of AFC
Normal retirement (no reduction)	Age 65 with 5 years of service or 62 with 20 years of service	Age 55 (mandatory) with 5 years of service	Age 62 with 5 years of service	Age 62 or with 30 years of service	Age 65 or combination of age & service credit that equals 87
Early retirement eligibility	Age 55 with 5 years of service or 30 years of service (any age)	Age 50 with 20 years of service	Age 55 with 5 years of service or 30 years of service (any age)	Age 55 with 5 years of service	Same

Note 13. Retirement Plan (continued)

Disclosures about the Defined Benefit Retirement Plans (continued)

Benefits Provided (continued)

	Group A	Group C	Group D	Group F Hired Before 7/1/2008	Group F Hired After 7/1/2008
Early retirement reduction	Actuarially reduced benefit if under 30 years of service	No reduction	3% per year from age 62	No reduction if 30 years of service; otherwise, 6% per year preceding age 62	No reduction if age 65 with 5 yeas of service or if combination of age and service equal to 87; otherwise, monthly reduction preceding age 65 based on years of service: 35+ years - 1/8 of 1%; 30-34 years - 1/4 of 1%; 25-29 years 1/3 of 1%; 20-24 years - 5/12 of 1%; less than 20 years - 5/9 of 1%

Note 13. Retirement Plan (continued)

Disclosures about the Defined Benefit Retirement Plans (continued)

Benefits Provided (continued)

	Group A	Group C	Group D	Group F Hired Before 7/1/2008	Group F Hired After 7/1/2008
Post-retirement COLA	Full CPI, from a min of 1% up to a max of 5%, after 12 months of retirement	Full CPI, from a min of 1% up to a max of 5%, after 12 months of retirement	Full CPI, from a min of 1% up to a max of 5%, after 12 months of retirement	For members retiring on or after 07/01/2008, 100% of a fiscal year CPI increase. For members who retired before 7/1/2008, 50% of a a fiscal year CPI	Annual COLA adjustments are 100% of a fiscal year CPI increase, with a minumb of 1% and maximum of 5%
Disability benefit	Unreduced accrued benefit with min of 25% of AFC	Unreduced accrued benefit with min of 25% of AFC, with children's benefit of 10% of AFC to max of three concurrently	Unreduced accrued benefit with min of 25% of AFC	Unreduced accrued benefit with min of 25% of AFC	Same

Note 13. Retirement Plan (continued)

Disclosures about the Defined Benefit Retirement Plans (continued)

Benefits Provided (continued)

	Group A	Group C	Group D	Group F Hired Before 7/1/2008	Group F Hired After 7/1/2008
Death-in-service benefit	Disability benefit or early retirement benefit, whichever greater, with 100% survivorship factor applied plus children's benefits up to max of three concurrently	70% of accrued benefit with no actuarial reduction applied, plus children's benefit	Disability benefit or early retirement benefit, whichever greater, with 100% survivorship factor applied plus children's benefits up to max of three concurrently	Disability benefit or early retirement benefit, whichever greater, with 100% survivorship factor applied plus children's benefits up to max of three concurrently	Same

Benefit terms are established or amended in accordance with 3 V.S.A. Chapter 16.

Contributions

Title 3 VSA Chapter 16 of Vermont Statutes grant the authority to the retirement board to review annually the amount of contribution recommended by the actuary of the retirement system as necessary to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the legislature. Employee contributions are established in Chapter 16. Contribution rates for the fiscal year ended June 30, 2020, for the various groups are as follows:

	Group A	Group C	Group D	Group F
Employee contributions	6.65% of gross payroll	8.53% of gross payroll	6.65% of gross payroll	6.65% of gross payroll
Employer contributions	14.82% of gross payroll	14.82% of gross payroll	14.82% of gross payroll	14.82% of gross payroll

Note 13. Retirement Plan (continued)

Disclosures about the Defined Benefit Retirement Plans (continued)

Contributions to the pension plan from the Lottery were $148,184 for the year ended June 30, 2020.

Financial Reporting of Net Pension Liability and Pension Expense by the Employer

This section includes the information that is required by GASB Statement No. 68. It reports information regarding the net pension liability (NPL), balances in the various components of deferred pension outflows of resources and deferred pension inflows of resources and the amounts to be recognized in pension expense in future periods; and the pension expense. In addition to presenting the NPL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

The Lottery is a separate fund of the State of Vermont, and information is presented in this section for the Lottery's proportionate share of the various components of the plan. The proportionate share was determined by dividing the Lottery's Employer Contribution by the total Employer Contributions by all of the State's funds and component units.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Lottery's reporting date (June 30, 2020) and for the Lottery's reporting period (the year ended June 30, 2020). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2020, the State has chosen to use the end of the prior fiscal year (June 30, 2019) as the measurement date, and the year ended June 30, 2019 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2018, to the measurement date of June 30, 2019.

The net pension liability (NPL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position. For June 30, 2020, the Lottery's proportional share of the NPL is $1,404,333, determined as of the June 30, 2019 measurement date. The Lottery's proportionate share of the collective net pension liability was 0.1669% on the measurement date, a decrease of 0.0369% from the prior measurement date proportionate share of 0.2038%.

Note 13. Retirement Plan (continued)

Financial Reporting of Net Pension Liability and Pension Expense by the Employer (continued)

Deferred Pension Outflows of Resources and Deferred Pension Inflows of Resources

For the year ended June 30, 2020, the Lottery recognized pension expense of $229,920. As of June 30, 2020, the Lottery reported the following deferred pension outflows of resources and deferred pension inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on plan investments	$ 53,817	$ --
Changes of assumptions	52,973	12,159
Differences between expected and actual experience	180,096	--
Changes in proportion	61,411	193,782
Employer contributions made subsequent to the measurement date	148,184	--
Total	$ 496,481	$ 205,941

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date of $148,184 will be recognized as a reduction of the net pension liability at June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2021	$ 76,941
2022	24,500
2023	44,305
2024	21,117
2025	(24,507)
Total	$ 142,356

Note 13. Retirement Plan (continued)

Financial Reporting of Net Pension Liability and Pension Expense by the Employer (continued)

Actuarial Methods and Assumptions

Total pension liability at June 30, 2020 was determined using the June 30, 2018 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

Valuation date	6/30/2018
Inflation assumptions	2.50%
Investment rate of return	7.50%
Projected salary increases	3.5% - 7.04%
Cost of living adjustments	1.4% - 2.55%
<u>Post retirement adjustments:</u>	
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%
For members who retired before 7/1/08 - allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in the CPI but not in excess of the percentage indicated. For members retiring on or after 7/1/08 - Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated.	Group F - 5%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change - 2.55% For those eligible for increases of 50% of CPI change - 1.4%

Note 13. Retirement Plan (continued)

Financial Reporting of Net Pension Liability and Pension Expense by the Employer (continued)

Actuarial Methods and Assumptions (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the following actuarial experience study:

Vermont State Retirement System

Experience Study: July 1, 2010 – June 30, 2014, dated October 29, 2015 completed by Buck Consultants.

Mortality rates are based as follows for the Vermont State Retirement System:

Mortality rates for active employees in Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017.

Mortality rates for active employees in Group C were based on RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017.

Mortality rates for active employees in Group D were based on RP-2006 Healthy Employee with generational projection using Scale SSA-2017.

Mortality rates for retirees and beneficiaries in Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017.

Mortality rates for retirees and beneficiaries in Group C were based on RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017.

Mortality rates for retirees and beneficiaries in Group D were based on RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017.

Mortality rates for disabled retirees in Groups A, C, D, and F were based on RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 measurement date are summarized in the following table:

Note 13. Retirement Plan (continued)

Financial Reporting of Net Pension Liability and Pension Expense by the Employer (continued)

Actuarial Methods and Assumptions (continued)

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	6.90%
U.S. Equity - Large Cap	4.00%	5.94%
U.S. Equity - Small/Mid Cap	3.00%	6.72%
Non-U.S. Equity - Large Cap	5.00%	6.81%
Non-U.S. Equity - Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate.

Discount Rate

The discount rate used to measure the total pension liability as of the June 30, 2019 measurement date was 7.5% for the VSRS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 68. The discount rate used in the prior year was 7.5%.

Note 13. Retirement Plan (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

One-percent decrease	
Discount rate	6.50%
Net pension liability	$ 1,964,322
Net pension liability, as reported	
Discount rate	7.50%
Net pension liability	$ 1,404,333
One-percent increase	
Discount rate	8.50%
Net pension liability (asset)	$ 940,803

Payable to the Defined Benefit Pension Plan

At June 30, 2020, the Lottery reported a payable of $13,560 for the outstanding amount of contributions to the VSRS pension plan required for the year ended June 30, 2020.

Note 14. Retirement Expense

Retirement expense consisted of the following for the years ended June 30:

	2020	2019
GASB Statement No. 68 pension expense	$ 229,930	$ 235,424
GASB Statement No. 75 OPEB expense	(167,234)	71,487
Reclassification of fiscal year contributions made after measurement date	(216,650)	(173,986)
Cash employer contributions to retirement plans	216,650	174,138
Total retirement expense	$ 62,696	$ 307,063

Note 15. Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the Lottery offers postemployment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS. This plan covers substantially all Lottery employees except employees hired in a temporary capacity.

Note 15. Other Postemployment Benefits (OPEB) (continued)

The Lottery reports on its other postemployment benefits plan under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires employers and nonemployer contributing entities to report their net OPEB liability on their financial statements.

In order to provide the necessary disclosures that are required under the GASB Statements, the disclosures below are separated into two sections. The first section (Disclosures about the Defined Benefit OPEB Plan) offers disclosures about the plan itself - descriptions of the plan and who is covered; and a discussion of benefits provided by the plan. The second section (Employer Reporting of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB Plans) provides additional information regarding the OPEB plan that is required by GASB Statement No. 75 - net OPEB liability, balances of deferred OPEB outflows of resources and deferred OPEB inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the OPEB expense for the year. For purposes of measuring the Lottery's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the State. For this purpose, the Lottery recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 75 also requires that government units with stand-alone financial statements present a schedule presenting the employer's proportion and proportionate share of the net OPEB liability; the employer's covered payroll; the employer's proportionate share of the net OPEB liability as a percentage of the employer's covered payroll; and the plan's fiduciary net position as a percentage of the total OPEB liability. In addition, GASB Statement No. 75 requires that if the contribution requirements are statutorily established, the employer present a 10-year schedule presenting the statutorily required contribution; the amount of contributions made; the difference between the two; the employer's covered payroll; and the amount of contributions as a percentage of covered payroll. These two schedules are presented as Required Supplementary Information.

Disclosures about the Defined OPEB Plan

This first section provides the disclosures about the defined benefit OPEB plan required by GASB Statement No. 75, including the plan descriptions, contribution information, and benefits.

Note 15. Other Postemployment Benefits (OPEB) (continued)

Disclosures about the Defined OPEB Plan (continued)

Plan Descriptions and Contribution Information

Vermont State Postemployment Benefits Trust Fund

The Vermont State Postemployment Benefits Trust Fund (VSPB) (3 V.S.A. 479a), a single employer defined benefit OPEB plan, was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the Vermont State Retirement System (VSRS). The financial statements of the defined benefit OPEB plan are included in the State of Vermont Comprehensive Annual Financial Report (CAFR) and can be found on the Department of Finance and Management web page at http://finance.vermont.gov/reports-and-publications/cafr.

The VSPB is managed by the VSRS Retirement Board, which consists of an appointee of the governor; state treasurer; commissioner of human resources; commissioner of finance and management; three members of the Vermont State Employees' Association who are active members of the system (each chosen by such association in accordance with its articles of association) and one retired state employee who is a beneficiary of the system (to be elected by the Vermont Retired State Employees' Association). Title 3 V.S.A. Chapters 16 and 21 provides the authority to establish and amend the benefit provisions of the plan, and to establish and amend contribution requirements. Contributions are actuarially determined as required by State statute, however, the State has elected to pay State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. Lottery's contributions for the fiscal year ended June 30, 2020, were $68,466 which is 6.48% of covered payroll. Employees are not required to contribute to the OPEB plan.

Benefits are provided through the State's self-insured Medical Insurance Fund (an internal service fund). VSPB plan members have access to the same healthcare benefit plans as active employees.

Employees hired prior to July 1, 2008 and retiring directly from active service for any reason (disability, early, or normal) may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor pension options and predeceases his or her spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse becomes eligible for Medicare coverage (at age 65); it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

Note 15. Other Postemployment Benefits (OPEB) (continued)

Disclosures about the Defined OPEB Plan (continued)

Plan Descriptions and Contribution Information (continued)

Vermont State Retirement System's defined benefit plan Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. For all other Vermont State Retirement System's active employees, if the employee does not retire directly from State service (inactive members), they are not eligible to participate in the State's medical insurance plan. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Based on legislation enacted during fiscal year 2008, Vermont State Retirement System's defined benefit plan Group F employees hired after June 30, 2008 will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008 will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had 20 years of service upon termination of employment.

Employer Reporting of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB Plans

This section reports information regarding the Lottery's net OPEB liability, balances in the various components of deferred OPEB outflows of resources and deferred OPEB inflows of resources and the amounts to be recognized in OPEB expense in future periods; and the OPEB expense. In addition to presenting the NOL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NOL, and disclosures as to the sensitivity of the NOL to changes in the discount rate.

The Lottery is a separate fund of the State of Vermont, and information is presented in this section for the Lottery's proportionate share of the various components of the plan. The proportionate share was determined by dividing the Lottery's Employer Contribution by the total Employer Contributions by all of the State's funds and component units.

Note 15. Other Postemployment Benefits (OPEB) (continued)

Employer Reporting of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB Plans (continued)

Reporting Date, Measurement Date, and Valuation Date

Net OPEB liabilities, deferred OPEB outflows of resources, deferred OPEB inflows of resources, and OPEB expense are all presented as of the Lottery's reporting date (June 30, 2020) and for the Lottery's reporting period (the year ended June 30, 2020). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 75 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2020, the Lottery has chosen to use the end of the prior fiscal year (June 30, 2019) as the measurement date, and the year ended June 30, 2019 as the measurement period.

The total OPEB liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The Lottery has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2018, to the measurement date of June 30, 2019.

The net OPEB liability (NOL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position. For June 30, 2020, the Lottery's proportional share of the NOL is $1,209,085, determined as of the June 30, 2019 measurement date. The Lottery's proportionate share of the collective net OPEB liability was 0.0985% on the measurement date and was 0.2014% on the prior measurement date.

Note 15. Other Postemployment Benefits (OPEB) (continued)

Employer Reporting of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB Plans (continued)

Reporting Date, Measurement Date, and Valuation Date

For the year ended June 30, 2020, the Lottery recognized OPEB expense of negative $167,234. As of June 30, 2020, the Lottery reported the deferred OPEB outflows of resources and deferred OPEB inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,556	$ --
Changes of assumptions	--	355,722
Differences between projected and actual earnings on plan investments	1,434	--
Changes in proportion	161,991	1,442,898
Employer contributions made subsequent to the measurement date	68,466	--
Total	$ 242,447	$ 1,798,620

The amounts reported as deferred OPEB outflows of resources resulting from employer contributions made subsequent to the measurement date of $68,466, will be recognized as a reduction of the net OPEB liability at June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2021	$ (256,801)
2022	(256,801)
2023	(256,845)
2024	(256,991)
2025	(247,833)
Thereafter	(349,368)
Total	$ (1,624,639)

Note 15. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions

Actuarial Assumptions

The total OPEB liability at June 30, 2020 was determined using the June 30, 2018 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, were as follows:

	VSRS-VSPB
Inflation	2.75%
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation
Discount rate	3.50%
Projected salary increases	Varies by age, 3.5% - 7.04%
Health care cost trend rate	
Non-Medicare	7.15% grade to 4.5% over 12 years
Medicare	7.3% graded to 4.5% over 13 years
Retiree contributions	Equal to health trend

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the following actuarial experience study:

<u>Vermont State Retirement System</u>

Experience Study: July 1, 2010 – June 30, 2014, dated October 29, 2015 completed by Buck Consultants.

Mortality rates are based on the following:

<u>Vermont State Retirement System</u>

Pre-retirement Mortality: Groups A and F - 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017. Group C - RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017. Group D - RP-2006 Healthy Employee with generational projection using Scale SSA-2017.

Post-retirement Mortality: Groups A and F - 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017. Group C - RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017. Group D - RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017.

Note 15. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Actuarial Assumptions (continued)

Disabled Post-retirement Mortality: RP-2006 Disabled Mortality Table with generational projections using Scale SSA-2017.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 the expected inflation. The following table contains the target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate or return assumption:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	3.75%
	100.00%	

Discount Rate

The projection of cash flow used to determine the discount rate assumed that the plans' contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, the OPEB plans' fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 3.50% on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The 3.50% rate is based on the 20-year Bond Buyer GO index at June 30, 2019. The discount rate used in the prior year was 3.87%.

Note 15. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the NOL of the Lottery, as well as what the Lottery's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentge-point higher than the current rate:

One-percent decrease	
Discount rate	2.50%
Net OPEB liability	$ 1,412,302
Net OPEB liability, as reported	
Discount rate	3.50%
Net OPEB liability	$ 1,209,085
One-percent increase	
Discount rate	4.50%
Net OPEB liability (asset)	$ 1,045,096

Note 15. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the NOL of the Lottery, as well as what the Lottery's NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Lottery's Share
One-percent decrease	
Health care cost trend rate	
Non-Medicare	6.15% decreasing to 3.5%
Medicare	6.3% decreasing to 3.5%
Net OPEB liability	$ 1,030,765
Net OPEB liability, as reported	
Health care cost trend rate	
Non-Medicare	7.15% decreasing to 4.5%
Medicare	7.3% decreasing to 4.5%
Net OPEB liability	$ 1,209,085
One-percent increase	
Health care cost trend rate	
Non-Medicare	8.15% decreasing to 5.5%
Medicare	8.3% decreasing to 5.5%
Net OPEB liability	$ 1,437,514

Payable to the OPEB Plan

At June 30, 2020, the Lottery reported a payable of $98 for the outstanding amount of contributions to the VSPB plan required for the year ended June 30, 2020.

Note 16. Deferred Compensation

The State offers its employees a deferred compensation plan created in accordance with section 457 of the Internal Revenue Code. The plan, available to all Lottery employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or an unforeseeable emergency.

Note 16. Deferred Compensation (continued)

In compliance with Federal mandates, the Vermont State Retirement Board adopted a Plan Trust Declaration for the State of Vermont's Deferred Compensation Plan effective January 1, 1999. The Federal mandate was established to protect the assets of deferred compensation plans by requiring the assets be placed in a trust to be used for the sole purpose of plan participants. After January 1, 1999, the plan assets are no longer considered assets of the State of Vermont.

Note 17. Concentrations

Lottery utilized Intralot, Inc., a service organization, to process all of its online games and generate the accounting reports the Lottery used to record this activity during the years ended June 30, 2020 and 2019. The Lottery also utilized Intralot to validate and settle its instant ticket lottery games. The Lottery utilized Pollard Banknote during the years ended June 30, 2020 and 2019 to print its instant games. Other service providers are available; however, an interruption in service by Intralot or Pollard Banknote could have an adverse impact on the Lottery's revenues.

Note 18. Commitments

The State of Vermont entered into an agreement on behalf of the Lottery for office space. The lease commenced September 1, 2004 for ten years. The lease provided for annual rent of $129,675 for the first five years and $142,576 for the remaining five years through August 31, 2014. The State renewed the lease for an additional five years at an annual rate of $156,834 plus allowance for property tax increases through August 31, 2019 and again for another five years at an annual rate of $172,517 plus allowance for property tax increases through August 31, 2024. The annual rent was $189,654 and $175,631 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments for the next five years and in the aggregate required under the above office space lease agreement are as follows:

2021	$ 172,517
2022	172,517
2022	172,517
2023	172,517
2024	28,753
Total	$ 718,821

The Lottery has a two-year agreement with Pollard Banknote Limited to print instant game tickets through January 21, 2020, with the option to renew the contract for two additional one-year periods. The total cost of the contract is not to exceed $4.2 million.

The Lottery is contracted with Intralot, Inc. to provide for the operation of an online gaming system through June 30, 2020. The estimated total contract price is approximately $34 million over the ten-year contract.

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of the
Department of Liquor and Lottery
Barre, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Department of Liquor and Lottery, Division of Lottery (the Lottery), an enterprise fund of the State of Vermont, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Davis & Hodgson Associates, CPAs, PLC

Williston, Vermont
December 21, 2020

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

SCHEDULE OF THE LOTTERY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Vermont State Retirement System
Last Fiscal Year*

	2020	2019
Lottery's proportion of the net pension liability	16.6900%	0.2038%
Lottery's proportionate share of the net pension liability	$ 1,404,333	$ 1,563,252
Lottery's covered-employee payroll	$ 942,949	$ 1,124,463
Lottery's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	148.930%	139.022%
Plan fiduciary net position as a percentage of the total pension liability	69.41%	70.59%

*Amounts are presented based on the measurement date, which is one year prior to the fiscal year date. GASB No. 68 required supplementary information is not available for fiscal years prior to 2015. Data for future years will be added prospectively.

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

SCHEDULE OF LOTTERY CONTRIBUTIONS
Vermont State Retirement System
Last 10 Fiscal Years**

	2020	2019
Contractually required contribution	$ 148,184	$ 111,196
Contributions in relation to the contractually required contribution	148,184	111,196
Contribution deficiency (excess)	--	--
Lottery's covered-employee payroll	$ 1,019,656	$ 942,949
Contributions as a percentage of covered-employee payroll	14.53%	11.79%

**GASB No. 68 required supplementary information is not available for fiscal years prior to 2015. Data for future years will be added prospectively.

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

SCHEDULE OF THE LOTTERY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Vermont State Retirement System - OPEB
Last Fiscal Year*

	2020	2019
Lottery's proportion of the net OPEB liability	0.0985%	0.2014%
Lottery's proportionate share of the net OPEB liability	$ 1,209,085	$ 2,454,541
Lottery's covered-employee payroll	$ 946,505	$ 1,124,463
Lottery's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	128%	218%
Plan fiduciary net position as a percentage of the total OPEB liability	4.04%	1.76%

*Amounts are presented based on the measurement date, which is one year prior to the fiscal year date. GASB No. 68 required supplementary information is not available for fiscal years prior to 2018. Data for future years will be added prospectively.

STATE OF VERMONT
DEPARTMENT OF LIQUOR AND LOTTERY
DIVISION OF LOTTERY

SCHEDULE OF LOTTERY CONTRIBUTIONS
Vermont State Retirement System - OPEB
Last 10 Fiscal Years**

	2020	2019
Contractually required contribution	$ 68,466	$ 62,790
Contributions in relation to the contractually required contribution	68,466	62,790
Contribution deficiency (excess)	--	--
Lottery's covered-employee payroll	$ 1,056,844	$ 946,505
Contributions as a percentage of covered-employee payroll	6.48%	6.63%

**GASB No. 75 required supplementary information is not available for fiscal years prior to 2018, Data for future years will be added prospectively.