



Department of Administration  
Purchasing Division  
2019 Washington Street East  
Post Office Box 50130  
Charleston, WV 25305-0130

State of West Virginia  
**Contract**

Order Date: 04-28-2025

CORRECT ORDER NUMBER MUST APPEAR  
ON ALL PACKAGES, INVOICES, AND  
SHIPPING PAPERS. QUESTIONS  
CONCERNING THIS ORDER SHOULD BE  
DIRECTED TO THE DEPARTMENT  
CONTACT.

Order Number:	CCT 0705 0705 LOT2500000001 1	Procurement Folder:	1635941
Document Name:	Annual Audit and Management Advisory Services	Reason for Modification:	*AWARD for CRFQ LOT25*04
Document Description:	Annual Audit and Management Advisory Services		
Procurement Type:	Central Contract - Fixed Amt		
Buyer Name:	Brandon L Barr		
Telephone:	304-558-2652		
Email:	brandon.l.barr@wv.gov		
Shipping Method:	Best Way	Effective Start Date:	2025-07-01
Free on Board:	FOB Dest, Freight Prepaid	Effective End Date:	2026-06-30

VENDOR				DEPARTMENT CONTACT	
<b>Vendor Customer Code:</b> 000000197366 BROWN EDWARDS & COMPANY LLP 707 Virginia St E				<b>Requestor Name:</b> Thomas P Hymes	
				<b>Requestor Phone:</b> 304-558-2350	
				<b>Requestor Email:</b> thymes@wvlottery.com	
Charleston		WV	25301-2710		
US					
<b>Vendor Contact Phone:</b> 304-345-8400		<b>Extension:</b>			
<b>Discount Details:</b>					
	<b>Discount Allowed</b>	<b>Discount Percentage</b>	<b>Discount Days</b>		
#1	No	0.0000	0		
#2	Not Entered				
#3	Not Entered				
#4	Not Entered				

2025

FILE LOCATION

INVOICE TO	SHIP TO
ACCOUNTS PAYABLE LOTTERY PO BOX 2067  CHARLESTON WV 25327-2067 US	PURCHASING LOTTERY 900 PENNSYLVANIA AVE  CHARLESTON WV 25302 US

CR 4-29-25

Total Order Amount: \$45,900.00

Purchasing Division's File Copy

PURCHASING DIVISION AUTHORIZATION

DATE: *Munk* 4/28/2025  
ELECTRONIC SIGNATURE ON FILE

ATTORNEY GENERAL APPROVAL AS TO FORM

DATE: *John S. Guy*  
ELECTRONIC SIGNATURE ON FILE

ENCUMBRANCE CERTIFICATION

DATE: *5-2-25*  
ELECTRONIC SIGNATURE ON FILE

**Extended Description:**

Central Contract - Fixed Amount

Annual Audit and Management Advisory Services

The Vendor, BROWN EDWARDS & COMPANY LLP agrees to enter with the Agency, the West Virginia Lottery, into a fixed period contract to provide Annual Audit and Management Advisory Services per the specifications, terms and conditions, bid requirements, and the Vendor's bid dated 04/22/2025, Addendum No.1 dated 04/16/2025, all incorporated herein by reference, and made a part of hereof.

Line	Commodity Code	Quantity	Unit	Unit Price	Total Price
1	84111600	0.00000		0.000000	\$45,900.00
Service From	Service To	Manufacturer		Model No	
2025-07-01	2026-06-30				

**Commodity Line Description:**     Audit services FY2025

**Extended Description:**

CERTIFIED PUBLIC ACCOUNTING FIRM TO PROVIDE ANNUAL AUDIT SERVICES FOR FISCAL YEAR ENDING JUNE 30, 2025 (YEAR 1)  
SEE ATTACHED SPECS AND  
EXHIBIT - A PRICING PAGE  
FOR DETAILS

## **GENERAL TERMS AND CONDITIONS:**

**1. CONTRACTUAL AGREEMENT:** Issuance of an Award Document signed by the Purchasing Division Director, or his designee, and approved as to form by the Attorney General's office constitutes acceptance by the State of this Contract made by and between the State of West Virginia and the Vendor. Vendor's signature on its bid, or on the Contract if the Contract is not the result of a bid solicitation, signifies Vendor's agreement to be bound by and accept the terms and conditions contained in this Contract.

**2. DEFINITIONS:** As used in this Solicitation/Contract, the following terms shall have the meanings attributed to them below. Additional definitions may be found in the specifications included with this Solicitation/Contract.

**2.1. "Agency" or "Agencies"** means the agency, board, commission, or other entity of the State of West Virginia that is identified on the first page of the Solicitation or any other public entity seeking to procure goods or services under this Contract.

**2.2. "Bid" or "Proposal"** means the vendors submitted response to this solicitation.

**2.3. "Contract"** means the binding agreement that is entered into between the State and the Vendor to provide the goods or services requested in the Solicitation.

**2.4. "Director"** means the Director of the West Virginia Department of Administration, Purchasing Division.

**2.5. "Purchasing Division"** means the West Virginia Department of Administration, Purchasing Division.

**2.6. "Award Document"** means the document signed by the Agency and the Purchasing Division, and approved as to form by the Attorney General, that identifies the Vendor as the contract holder.

**2.7. "Solicitation"** means the official notice of an opportunity to supply the State with goods or services that is published by the Purchasing Division.

**2.8. "State"** means the State of West Virginia and/or any of its agencies, commissions, boards, etc. as context requires.

**2.9. "Vendor" or "Vendors"** means any entity submitting a bid in response to the Solicitation, the entity that has been selected as the lowest responsible bidder, or the entity that has been awarded the Contract as context requires.

**3. CONTRACT TERM; RENEWAL; EXTENSION:** The term of this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below:

☒ **Term Contract**

**Initial Contract Term:** The Initial Contract Term will be for a period of ONE (1) Year. The Initial Contract Term becomes effective on the effective start date listed on the first page of this Contract, identified as the State of West Virginia contract cover page containing the signatures of the Purchasing Division, Attorney General, and Encumbrance clerk (or another page identified as \_\_\_\_\_), and the Initial Contract Term ends on the effective end date also shown on the first page of this Contract.

**Renewal Term:** This Contract may be renewed upon the mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). Any request for renewal should be delivered to the Agency and then submitted to the Purchasing Division thirty (30) days prior to the expiration date of the initial contract term or appropriate renewal term. A Contract renewal shall be in accordance with the terms and conditions of the original contract. Unless otherwise specified below, renewal of this Contract is limited to TWO (2) successive one (1) year periods or multiple renewal periods of less than one year, provided that the multiple renewal periods do not exceed the total number of months available in all renewal years combined. Automatic renewal of this Contract is prohibited. Renewals must be approved by the Vendor, Agency, Purchasing Division and Attorney General's office (Attorney General approval is as to form only)

☐ **Alternate Renewal Term** – This contract may be renewed for \_\_\_\_\_ successive \_\_\_\_\_ year periods or shorter periods provided that they do not exceed the total number of months contained in all available renewals. Automatic renewal of this Contract is prohibited. Renewals must be approved by the Vendor, Agency, Purchasing Division and Attorney General's office (Attorney General approval is as to form only)

**Delivery Order Limitations:** In the event that this contract permits delivery orders, a delivery order may only be issued during the time this Contract is in effect. Any delivery order issued within one year of the expiration of this Contract shall be effective for one year from the date the delivery order is issued. No delivery order may be extended beyond one year after this Contract has expired.

☐ **Fixed Period Contract:** This Contract becomes effective upon Vendor's receipt of the notice to proceed and must be completed within \_\_\_\_\_ days.

☐ **Fixed Period Contract with Renewals:** This Contract becomes effective upon Vendor's receipt of the notice to proceed and part of the Contract more fully described in the attached specifications must be completed within \_\_\_\_\_ days. Upon completion of the work covered by the preceding sentence, the vendor agrees that:

☐ the contract will continue for \_\_\_\_\_ years;

☐ the contract may be renewed for \_\_\_\_\_ successive \_\_\_\_\_ year periods or shorter periods provided that they do not exceed the total number of months contained in all available renewals. Automatic renewal of this Contract is prohibited. Renewals must be approved by the Vendor, Agency, Purchasing Division and Attorney General's Office (Attorney General approval is as to form only).

☐ **One-Time Purchase:** The term of this Contract shall run from the issuance of the Award Document until all of the goods contracted for have been delivered, but in no event will this Contract extend for more than one fiscal year.

☐ **Construction/Project Oversight:** This Contract becomes effective on the effective start date listed on the first page of this Contract, identified as the State of West Virginia contract cover page containing the signatures of the Purchasing Division, Attorney General, and Encumbrance clerk (or another page identified as \_\_\_\_\_), and continues until the project for which the vendor is providing oversight is complete.

☐ **Other:** Contract Term specified in \_\_\_\_\_

**4. AUTHORITY TO PROCEED:** Vendor is authorized to begin performance of this contract on the date of encumbrance listed on the front page of the Award Document unless either the box for "Fixed Period Contract" or "Fixed Period Contract with Renewals" has been checked in Section 3 above. If either "Fixed Period Contract" or "Fixed Period Contract with Renewals" has been checked, Vendor must not begin work until it receives a separate notice to proceed from the State. The notice to proceed will then be incorporated into the Contract via change order to memorialize the official date that work commenced.

**5. QUANTITIES:** The quantities required under this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below.

☐ **Open End Contract:** Quantities listed in this Solicitation/Award Document are approximations only, based on estimates supplied by the Agency. It is understood and agreed that the Contract shall cover the quantities actually ordered for delivery during the term of the Contract, whether more or less than the quantities shown.

☒ **Service:** The scope of the service to be provided will be more clearly defined in the specifications included herewith.

☐ **Combined Service and Goods:** The scope of the service and deliverable goods to be provided will be more clearly defined in the specifications included herewith.

☐ **One-Time Purchase:** This Contract is for the purchase of a set quantity of goods that are identified in the specifications included herewith. Once those items have been delivered, no additional goods may be procured under this Contract without an appropriate change order approved by the Vendor, Agency, Purchasing Division, and Attorney General's office.

☐ **Construction:** This Contract is for construction activity more fully defined in the specifications.

**6. EMERGENCY PURCHASES:** The Purchasing Division Director may authorize the Agency to purchase goods or services in the open market that Vendor would otherwise provide under this Contract if those goods or services are for immediate or expedited delivery in an emergency. Emergencies shall include, but are not limited to, delays in transportation or an unanticipated increase in the volume of work. An emergency purchase in the open market, approved by the Purchasing Division Director, shall not constitute a breach of this Contract and shall not entitle the Vendor to any form of compensation or damages. This provision does not excuse the State from fulfilling its obligations under a One-Time Purchase contract.

**7. REQUIRED DOCUMENTS:** All of the items checked in this section must be provided to the Purchasing Division by the Vendor as specified:

☒ **LICENSE(S) / CERTIFICATIONS / PERMITS:** In addition to anything required under the Section of the General Terms and Conditions entitled Licensing, the apparent successful Vendor shall furnish proof of the following licenses, certifications, and/or permits upon request and in a form acceptable to the State. The request may be prior to or after contract award at the State's sole discretion.

☒ Certified Public Accountant

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☐

The apparent successful Vendor shall also furnish proof of any additional licenses or certifications contained in the specifications regardless of whether or not that requirement is listed above.

**8. INSURANCE:** The apparent successful Vendor shall furnish proof of the insurance identified by a checkmark below prior to Contract award. The insurance coverages identified below must be maintained throughout the life of this contract. Thirty (30) days prior to the expiration of the insurance policies, Vendor shall provide the Agency with proof that the insurance mandated herein has been continued. Vendor must also provide Agency with immediate notice of any changes in its insurance policies, including but not limited to, policy cancellation, policy reduction, or change in insurers. The apparent successful Vendor shall also furnish proof of any additional insurance requirements contained in the specifications prior to Contract award regardless of whether that insurance requirement is listed in this section.

Vendor must maintain:

☒ **Commercial General Liability Insurance** in at least an amount of: \$1,000,000.00 per occurrence.

☒ **Automobile Liability Insurance** in at least an amount of: \$1,000,000.00 per occurrence.

☐ **Professional/Malpractice/Errors and Omission Insurance** in at least an amount of: \_\_\_\_\_ per occurrence. Notwithstanding the forgoing, Vendor's are not required to list the State as an additional insured for this type of policy.

☐ **Commercial Crime and Third Party Fidelity Insurance** in an amount of: \_\_\_\_\_ per occurrence.

☐ **Cyber Liability Insurance** in an amount of: \_\_\_\_\_ per occurrence.

☐ **Builders Risk Insurance** in an amount equal to 100% of the amount of the Contract.

☐ **Pollution Insurance** in an amount of: \_\_\_\_\_ per occurrence.

☐ **Aircraft Liability** in an amount of: \_\_\_\_\_ per occurrence.

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**9. WORKERS' COMPENSATION INSURANCE:** Vendor shall comply with laws relating to workers compensation, shall maintain workers' compensation insurance when required, and shall furnish proof of workers' compensation insurance upon request.

**10. VENUE:** All legal actions for damages brought by Vendor against the State shall be brought in the West Virginia Claims Commission. Other causes of action must be brought in the West Virginia court authorized by statute to exercise jurisdiction over it.

**11. LIQUIDATED DAMAGES:** This clause shall in no way be considered exclusive and shall not limit the State or Agency's right to pursue any other available remedy. Vendor shall pay liquidated damages in the amount specified below or as described in the specifications:

☐ \_\_\_\_\_ for \_\_\_\_\_.

☐ Liquidated Damages Contained in the Specifications.

☒ Liquidated Damages Are Not Included in this Contract.

**12. ACCEPTANCE:** Vendor's signature on its bid, or on the certification and signature page, constitutes an offer to the State that cannot be unilaterally withdrawn, signifies that the product or service proposed by vendor meets the mandatory requirements contained in the Solicitation for that product or service, unless otherwise indicated, and signifies acceptance of the terms and conditions contained in the Solicitation unless otherwise indicated.

**13. PRICING:** The pricing set forth herein is firm for the life of the Contract, unless specified elsewhere within this Solicitation/Contract by the State. A Vendor's inclusion of price adjustment provisions in its bid, without an express authorization from the State in the Solicitation to do so, may result in bid disqualification. Notwithstanding the foregoing, Vendor must extend any publicly advertised sale price to the State and invoice at the lower of the contract price or the publicly advertised sale price.

**14. PAYMENT IN ARREARS:** Payments for goods/services will be made in arrears only upon receipt of a proper invoice, detailing the goods/services provided or receipt of the goods/services, whichever is later. Notwithstanding the foregoing, payments for software maintenance, licenses, or subscriptions may be paid annually in advance.

**15. PAYMENT METHODS:** Vendor must accept payment by electronic funds transfer and P-Card. (The State of West Virginia's Purchasing Card program, administered under contract by a banking institution, processes payment for goods and services through state designated credit cards.)

**16. TAXES:** The Vendor shall pay any applicable sales, use, personal property or any other taxes arising out of this Contract and the transactions contemplated thereby. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.



**17. ADDITIONAL FEES:** Vendor is not permitted to charge additional fees or assess additional charges that were not either expressly provided for in the solicitation published by the State of West Virginia, included in the Contract, or included in the unit price or lump sum bid amount that Vendor is required by the solicitation to provide. Including such fees or charges as notes to the solicitation may result in rejection of vendor's bid. Requesting such fees or charges be paid after the contract has been awarded may result in cancellation of the contract.

**18. FUNDING:** This Contract shall continue for the term stated herein, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise made available, this Contract becomes void and of no effect beginning on July 1 of the fiscal year for which funding has not been appropriated or otherwise made available. If that occurs, the State may notify the Vendor that an alternative source of funding has been obtained and thereby avoid the automatic termination. Non-appropriation or non-funding shall not be considered an event of default.

**19. CANCELLATION:** The Purchasing Division Director reserves the right to cancel this Contract immediately upon written notice to the vendor if the materials or workmanship supplied do not conform to the specifications contained in the Contract. The Purchasing Division Director may also cancel any purchase or Contract upon 30 days written notice to the Vendor in accordance with West Virginia Code of State Rules § 148-1-5.2.b.

**20. TIME:** Time is of the essence regarding all matters of time and performance in this Contract.

**21. APPLICABLE LAW:** This Contract is governed by and interpreted under West Virginia law without giving effect to its choice of law principles. Any information provided in specification manuals, or any other source, verbal or written, which contradicts or violates the West Virginia Constitution, West Virginia Code, or West Virginia Code of State Rules is void and of no effect.

**22. COMPLIANCE WITH LAWS:** Vendor shall comply with all applicable federal, state, and local laws, regulations and ordinances. By submitting a bid, Vendor acknowledges that it has reviewed, understands, and will comply with all applicable laws, regulations, and ordinances.

**SUBCONTRACTOR COMPLIANCE:** Vendor shall notify all subcontractors providing commodities or services related to this Contract that as subcontractors, they too are required to comply with all applicable laws, regulations, and ordinances. Notification under this provision must occur prior to the performance of any work under the contract by the subcontractor.

**23. ARBITRATION:** Any references made to arbitration contained in this Contract, Vendor's bid, or in any American Institute of Architects documents pertaining to this Contract are hereby deleted, void, and of no effect.

**24. MODIFICATIONS:** This writing is the parties' final expression of intent. Notwithstanding anything contained in this Contract to the contrary no modification of this Contract shall be binding without mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). Any change to existing contracts that adds work or changes contract cost, and were not included in the original contract, must be approved by the Purchasing Division and the Attorney General's Office (as to form) prior to the implementation of the change or commencement of work affected by the change.

**25. WAIVER:** The failure of either party to insist upon a strict performance of any of the terms or provision of this Contract, or to exercise any option, right, or remedy herein contained, shall not be construed as a waiver or a relinquishment for the future of such term, provision, option, right, or remedy, but the same shall continue in full force and effect. Any waiver must be expressly stated in writing and signed by the waiving party.

**26. SUBSEQUENT FORMS:** The terms and conditions contained in this Contract shall supersede any and all subsequent terms and conditions which may appear on any form documents submitted by Vendor to the Agency or Purchasing Division such as price lists, order forms, invoices, sales agreements, or maintenance agreements, and includes internet websites or other electronic documents. Acceptance or use of Vendor's forms does not constitute acceptance of the terms and conditions contained thereon.

**27. ASSIGNMENT:** Neither this Contract nor any monies due, or to become due hereunder, may be assigned by the Vendor without the express written consent of the Agency, the Purchasing Division, the Attorney General's office (as to form only), and any other government agency or office that may be required to approve such assignments.

**28. WARRANTY:** The Vendor expressly warrants that the goods and/or services covered by this Contract will: (a) conform to the specifications, drawings, samples, or other description furnished or specified by the Agency; (b) be merchantable and fit for the purpose intended; and (c) be free from defect in material and workmanship.

**29. STATE EMPLOYEES:** State employees are not permitted to utilize this Contract for personal use and the Vendor is prohibited from permitting or facilitating the same.

**30. PRIVACY, SECURITY, AND CONFIDENTIALITY:** The Vendor agrees that it will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the Agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the Agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in [www.state.wv.us/admin/purchase/privacy](http://www.state.wv.us/admin/purchase/privacy).

**31. YOUR SUBMISSION IS A PUBLIC DOCUMENT:** Vendor's entire response to the Solicitation and the resulting Contract are public documents. As public documents, they will be disclosed to the public following the bid/proposal opening or award of the contract, as required by the competitive bidding laws of West Virginia Code §§ 5A-3-1 et seq., 5-22-1 et seq., and 5G-1-1 et seq. and the Freedom of Information Act West Virginia Code §§ 29B-1-1 et seq.

**DO NOT SUBMIT MATERIAL YOU CONSIDER TO BE CONFIDENTIAL, A TRADE SECRET, OR OTHERWISE NOT SUBJECT TO PUBLIC DISCLOSURE.**

Submission of any bid, proposal, or other document to the Purchasing Division constitutes your explicit consent to the subsequent public disclosure of the bid, proposal, or document. The Purchasing Division will disclose any document labeled "confidential," "proprietary," "trade secret," "private," or labeled with any other claim against public disclosure of the documents, to include any "trade secrets" as defined by West Virginia Code § 47-22-1 et seq. All submissions are subject to public disclosure without notice.

**32. LICENSING:** In accordance with West Virginia Code of State Rules § 148-1-6.1.e, Vendor must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agency or political subdivision. Obligations related to political subdivisions may include, but are not limited to, business licensing, business and occupation taxes, inspection compliance, permitting, etc. Upon request, the Vendor must provide all necessary releases to obtain information to enable the Purchasing Division Director or the Agency to verify that the Vendor is licensed and in good standing with the above entities.

**SUBCONTRACTOR COMPLIANCE:** Vendor shall notify all subcontractors providing commodities or services related to this Contract that as subcontractors, they too are required to be licensed, in good standing, and up-to-date on all state and local obligations as described in this section. Obligations related to political subdivisions may include, but are not limited to, business licensing, business and occupation taxes, inspection compliance, permitting, etc. Notification under this provision must occur prior to the performance of any work under the contract by the subcontractor.

**33. ANTITRUST:** In submitting a bid to, signing a contract with, or accepting a Award Document from any agency of the State of West Virginia, the Vendor agrees to convey, sell, assign, or transfer to the State of West Virginia all rights, title, and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to Vendor.

**34. VENDOR NON-CONFLICT:** Neither Vendor nor its representatives are permitted to have any interest, nor shall they acquire any interest, direct or indirect, which would compromise the performance of its services hereunder. Any such interests shall be promptly presented in detail to the Agency.

**35. VENDOR RELATIONSHIP:** The relationship of the Vendor to the State shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by this Contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents. Vendor shall be responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this Solicitation and resulting contract. Neither the Vendor, nor any employees or subcontractors of the Vendor, shall be deemed to be employees of the State for any purpose whatsoever. Vendor shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension, or other deferred compensation plans, including but not limited to, Workers' Compensation and Social Security obligations, licensing fees, etc. and the filing of all necessary documents, forms, and returns pertinent to all of the foregoing.

Vendor shall hold harmless the State, and shall provide the State and Agency with a defense against any and all claims including, but not limited to, the foregoing payments, withholdings, contributions, taxes, Social Security taxes, and employer income tax returns.

**36. INDEMNIFICATION:** The Vendor agrees to indemnify, defend, and hold harmless the State and the Agency, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person, or firm performing or supplying services, materials, or supplies in connection with the performance of the Contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use, or disposition of any data used under the Contract in a manner not authorized by the Contract, or by Federal or State statutes or regulations; and (3) Any failure of the Vendor, its officers, employees, or subcontractors to observe State and Federal laws including, but not limited to, labor and wage and hour laws.

**37. NO DEBT CERTIFICATION:** In accordance with West Virginia Code §§ 5A-3-10a and 5-22-1(i), the State is prohibited from awarding a contract to any bidder that owes a debt to the State or a political subdivision of the State. By submitting a bid, or entering into a contract with the State, Vendor is affirming that (1) for construction contracts, the Vendor is not in default on any monetary obligation owed to the state or a political subdivision of the state, and (2) for all other contracts, neither the Vendor nor any related party owe a debt as defined above, and neither the Vendor nor any related party are in employer default as defined in the statute cited above unless the debt or employer default is permitted under the statute.

**38. CONFLICT OF INTEREST:** Vendor, its officers or members or employees, shall not presently have or acquire an interest, direct or indirect, which would conflict with or compromise the performance of its obligations hereunder. Vendor shall periodically inquire of its officers, members and employees to ensure that a conflict of interest does not arise. Any conflict of interest discovered shall be promptly presented in detail to the Agency.

**39. REPORTS:** Vendor shall provide the Agency and/or the Purchasing Division with the following reports identified by a checked box below:

☒ Such reports as the Agency and/or the Purchasing Division may request. Requested reports may include, but are not limited to, quantities purchased, agencies utilizing the contract, total contract expenditures by agency, etc.

☐ Quarterly reports detailing the total quantity of purchases in units and dollars, along with a listing of purchases by agency. Quarterly reports should be delivered to the Purchasing Division via email at [purchasing.division@wv.gov](mailto:purchasing.division@wv.gov).

**40. BACKGROUND CHECK:** In accordance with W. Va. Code § 15-2D-3, the State reserves the right to prohibit a service provider's employees from accessing sensitive or critical information or to be present at the Capitol complex based upon results addressed from a criminal background check. Service providers should contact the West Virginia Division of Protective Services by phone at (304) 558-9911 for more information.

**41. PREFERENCE FOR USE OF DOMESTIC STEEL PRODUCTS:** Except when authorized by the Director of the Purchasing Division pursuant to W. Va. Code § 5A-3-56, no contractor may use or supply steel products for a State Contract Project other than those steel products made in the United States. A contractor who uses steel products in violation of this section may be subject to civil penalties pursuant to W. Va. Code § 5A-3-56. As used in this section:

- a. "State Contract Project" means any erection or construction of, or any addition to, alteration of or other improvement to any building or structure, including, but not limited to, roads or highways, or the installation of any heating or cooling or ventilating plants or other equipment, or the supply of and materials for such projects, pursuant to a contract with the State of West Virginia for which bids were solicited on or after June 6, 2001.
- b. "Steel Products" means products rolled, formed, shaped, drawn, extruded, forged, cast, fabricated or otherwise similarly processed, or processed by a combination of two or more or such operations, from steel made by the open hearth, basic oxygen, electric furnace, Bessemer or other steel making process.
- c. The Purchasing Division Director may, in writing, authorize the use of foreign steel products if:
  1. The cost for each contract item used does not exceed one tenth of one percent (.1%) of the total contract cost or two thousand five hundred dollars (\$2,500.00), whichever is greater. For the purposes of this section, the cost is the value of the steel product as delivered to the project; or
  2. The Director of the Purchasing Division determines that specified steel materials are not produced in the United States in sufficient quantity or otherwise are not reasonably available to meet contract requirements.

**42. PREFERENCE FOR USE OF DOMESTIC ALUMINUM, GLASS, AND STEEL:** In Accordance with W. Va. Code § 5-19-1 et seq., and W. Va. CSR § 148-10-1 et seq., for every contract or subcontract, subject to the limitations contained herein, for the construction, reconstruction, alteration, repair, improvement or maintenance of public works or for the purchase of any item of machinery or equipment to be used at sites of public works, only domestic aluminum, glass or steel products shall be supplied unless the spending officer determines, in writing, after the receipt of offers or bids, (1) that the cost of domestic aluminum, glass or steel products is unreasonable or inconsistent with the public interest of the State of West Virginia, (2) that domestic aluminum, glass or steel products are not produced in sufficient quantities to meet the contract requirements, or (3) the available domestic aluminum, glass, or steel do not meet the contract specifications. This provision only applies to public works contracts awarded in an amount more than fifty thousand dollars (\$50,000) or public works contracts that require more than ten thousand pounds of steel products.

The cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than twenty percent (20%) of the bid or offered price for foreign made aluminum, glass, or steel products. If the domestic aluminum, glass or steel products to be supplied or produced in a “substantial labor surplus area”, as defined by the United States Department of Labor, the cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than thirty percent (30%) of the bid or offered price for foreign made aluminum, glass, or steel products. This preference shall be applied to an item of machinery or equipment, as indicated above, when the item is a single unit of equipment or machinery manufactured primarily of aluminum, glass or steel, is part of a public works contract and has the sole purpose or of being a permanent part of a single public works project. This provision does not apply to equipment or machinery purchased by a spending unit for use by that spending unit and not as part of a single public works project.

All bids and offers including domestic aluminum, glass or steel products that exceed bid or offer prices including foreign aluminum, glass or steel products after application of the preferences provided in this provision may be reduced to a price equal to or lower than the lowest bid or offer price for foreign aluminum, glass or steel products plus the applicable preference. If the reduced bid or offer prices are made in writing and supersede the prior bid or offer prices, all bids or offers, including the reduced bid or offer prices, will be reevaluated in accordance with this rule.

**43. INTERESTED PARTY SUPPLEMENTAL DISCLOSURE:** W. Va. Code § 6D-1-2 requires that for contracts with an actual or estimated value of at least \$1 million, the Vendor must submit to the Agency a disclosure of interested parties prior to beginning work under this Contract. Additionally, the Vendor must submit a supplemental disclosure of interested parties reflecting any new or differing interested parties to the contract, which were not included in the original pre-work interested party disclosure, within 30 days following the completion or termination of the contract. A copy of that form is included with this solicitation or can be obtained from the WV Ethics Commission. This requirement does not apply to publicly traded companies listed on a national or international stock exchange. A more detailed definition of interested parties can be obtained from the form referenced above.

**44. PROHIBITION AGAINST USED OR REFURBISHED:** Unless expressly permitted in the solicitation published by the State, Vendor must provide new, unused commodities, and is prohibited from supplying used or refurbished commodities, in fulfilling its responsibilities under this Contract.

**45. VOID CONTRACT CLAUSES:** This Contract is subject to the provisions of West Virginia Code § 5A-3-62, which automatically voids certain contract clauses that violate State law.

**46. ISRAEL BOYCOTT:** Bidder understands and agrees that, pursuant to W. Va. Code § 5A-3-63, it is prohibited from engaging in a boycott of Israel during the term of this contract.

## Appendix D - Required Forms, Continued

**DESIGNATED CONTACT:** Vendor appoints the individual identified in this Section as the Contract Administrator and the initial point of contact for matters relating to this Contract.

(Printed Name and Title) Rob Adams, CPA, CGMA, Engagement Partner

(Address) 300 Chase Tower, 707 Virginia Street, East, Charleston, WV 25301

(Phone Number) / (Fax Number) 304.343.4188 / 304.344.5035

(email address) readams@becpas.com

**CERTIFICATION AND SIGNATURE:** By signing below, or submitting documentation through OASIS, I certify that: I have reviewed this Solicitation/Contract in its entirety; that I understand the requirements, terms and conditions, and other information contained herein; that this bid, offer or proposal constitutes an offer to the State that cannot be unilaterally withdrawn; that the product or service proposed meets the mandatory requirements contained in the Solicitation/Contract for that product or service, unless otherwise stated herein; that the Vendor accepts the terms and conditions contained in the Solicitation, unless otherwise stated herein; that I am submitting this bid, offer or proposal for review and consideration; that this bid or offer was made without prior understanding, agreement, or connection with any entity submitting a bid or offer for the same material, supplies, equipment or services; that this bid or offer is in all respects fair and without collusion or fraud; that this Contract is accepted or entered into without any prior understanding, agreement, or connection to any other entity that could be considered a violation of law; that I am authorized by the Vendor to execute and submit this bid, offer, or proposal, or any documents related thereto on Vendor's behalf; that I am authorized to bind the vendor in a contractual relationship; and that to the best of my knowledge, the vendor has properly registered with any State agency that may require registration.

By signing below, I further certify that I understand this Contract is subject to the provisions of West Virginia Code § 5A-3-62, which automatically voids certain contract clauses that violate State law; and that pursuant to W. Va. Code 5A-3-63, the entity entering into this contract is prohibited from engaging in a boycott against Israel.

Brown, Edwards & Company, L.L.P.

(Company)

(Signature of Authorized Representative)

Rob Adams, CPA, CGMA

(Printed Name and Title of Authorized Representative) (Date)

304.343.4188 / 304.344.5035

(Phone Number) (Fax Number)

readams@becpas.com

(Email Address)



REQUEST FOR QUOTATION  
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

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**SPECIFICATIONS**

- 1. PURPOSE AND SCOPE:** The West Virginia Purchasing Division is soliciting bids on behalf of the West Virginia Lottery to establish a fixed-term contract to provide the Lottery with Audit and Management Advisory Services for the fiscal year ending June 30, 2025. A contract awarded from this solicitation is anticipated to be effective on July 01, 2025. Located at The West Virginia Lottery Headquarters, 900 Pennsylvania Ave., Charleston, WV. The regional office is located at 100 Municipal Plaza, Suite 500, Weirton, WV. The backup data computer facility is in Bridgeport, WV.

**1.1 Background:** A copy of the Lottery's most recent unaudited monthly financial statements is enclosed for extensive background information about the Lottery (see Exhibit "B"). The "Lottery Games Operations" portion of Note 2 to these financial statements provides an organization overview. Also, to view the ACFR (as defined below) for June 30, 2024, please visit <https://wvlottery.com/isplay-with-purpose/financial-reports?title=2024%20Annual%20Report>. It is mandatory that the successful vendor be intricately involved in assisting the Lottery in preparation of the ACFR. It will make reviews, calculations, and graphic presentations in the body of the ACFR and provide personal guidance and assistance to Lottery staff.

**1.1.1 FINANCE DIVISION:** The Finance Division is managed by a deputy director, a chief accountant, and two (2) accounting managers and consists of twelve (12) other active employees.

**1.1.2 Computer Systems – Traditional Lottery Operations:** A daily reconciliation of online operations is performed on the Lottery's computer using a set of software procedures called the Internal Control Systems (ICS). IGT Global Solutions Corporation (IGT), the current online and instant games vendor, provides Lottery with log files of all online transactions recorded during the day's activities. Lottery processes these files on its ICS computer and processes them through the ICS. While doing this, ICS:

- A) Verifies that the correct date is being processed
- B) Processes the transactions and the drawings occurring on that day
- C) Produces prize reports similar to those provided by IGT after each drawing is held, which are reconciled to IGT prize reports
- D) Produces control total reports. Lottery balances to these reports compared to similar reports created by IGT during their end-of-day processing. If the transactions processed by ICS do not balance with those processed by IGT, ICS will generate a report of all retailers who are not in balance and the amount (plus or minus) they differ.

REQUEST FOR QUOTATION  
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Accounting reports are generated daily, weekly, and monthly and provide financial data for sales, cancels (discontinued tickets), accounts receivable, prizes paid, and remaining liabilities. Drawing reports, which provide handle (total) amounts and prizes won, are produced daily for Daily 3, Daily 4, Travel Keno, and Cash Pop, semi-weekly for Powerball®, Mega Millions®, and Lotto America® and four days a week for Cash 25.

Electronic fund transfer files are produced weekly for all outstanding instant and/or online retailer balances. The State Treasurer's Office processes these files to transfer funds from the retailer's bank accounts to the Lottery's fund.

Personal computers are used throughout the Lottery's finance division to summarize daily and weekly reports of sales, prize liability, and payout activities provided by IGT and the Connexus video systems. Personal computers are also used to accumulate, classify, and summarize personnel services and other administrative expenses accrued by Lottery for use in producing the monthly journal entries for the financial statements and other related reports. Microsoft Business Central General Ledger software is used to produce monthly financial statements.

The Lottery utilizes the State of West Virginia's enterprise resources planning system, wvOASIS. The ERP system has modules for timekeeping, human resources management, reporting, employee self-service, budget creation, and a module for financials, procurement, and treasury. Other than payments made for winning claims, all cash transactions are recorded within wvOASIS.

The Lottery also regulates racetrack video lottery, limited video lottery, table games, and sports wagering across the state. Each of the state's four racetracks, located in Jefferson County, Hancock County, Ohio County, and Kanawha County, operate racetrack video lottery terminals, table games, and sports wagering. The Lottery also regulates a limited gaming facility located in Greenbrier County. The limited gaming facility currently operates video lottery terminals, table games, and sports wagering.

Racetrack Video Lottery (RVL), as of January 31, 2025, 4,387 machines available for play at the four racetracks in West Virginia. The daily reports are reviewed for accuracy before the total gross terminal income from each track is swept to the Lottery through the electronic transfer of funds. Settlements are distributed weekly to recipients as allowed by the Racetrack Video Lottery Act, W.Va. Code §29-22A-1 *et seq.*

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As of January 31, 2025, Limited Video Lottery (LVL) has approximately 8,353 machines available for play throughout the state in retail locations restricted for adult amusement. LVL permit holder funds are electronically swept monthly.

Table games, as of January 31, 2025, has approximately 200 tables available for play at the state's 4 racetracks. Racetracks submit a weekly ACH tax remittance and tax return for the thirty-five percent privilege tax on adjusted gross receipts generated through table games.

As of January 31, 2025, the limited gaming facility has approximately 33 tables and 128 video machines. A weekly tax return and tax remittance are submitted for the thirty-five percent privilege tax on adjusted gross receipts from table games. The Lottery sweeps fifty-three percent of total gross terminal income from video lottery on a weekly basis.

Sports Wagering is located at the state's 4 racetracks and the Limited Gaming facility. They submit a weekly ACH tax remittance and tax return for the ten percent sports wagering tax on gaming revenue.

Interactive Wagering is located at the state's 4 racetracks and the Limited Gaming facility. They submit a weekly ACH tax remittance and tax return for the fifteen percent interactive wagering tax on gaming revenue.

The Lottery launched iPlay, an all-digital gaming system, in October 2024. iPlay allows players to play instant games and purchase tickets for draw-based games like Powerball™ and MegaMillions™.

The following is a listing of computer hardware and software used by the Lottery and its vendors. The online/instant system is subject to a SOC 1, Type 2 audit. The Connexus system used for video lottery is an agency-owned-and-operated system for which the Vendor will need to perform such tests as necessary to achieve their reasonable comfort level:

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WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES**

Line of Business	Product Line	Platform	Party Responsible for Support	Hardware Platforms	System Components
Traditional	Online/Instants	Aurora	IGT	IBM 3500, IBM P52, Cisco Switches, Routers, Firewalls, Fortinet Switches and Firewalls	Windows Servers, Linux RHEL 6 & 7, Keno Draw Machines, Flex, and GT terminals. VSAT and Cellular transaction terminal network. All RNG (GLI) certifications for DBGs and Instants.
Traditional	Retailers/ICS	Adtran	IGT/Elsym Adtran	IBM 3500	Insight analytics
Video Lottery	RVL, LVL	Connexus	Light & Wonder	HP SimpliVity, Cisco Switches, Routers, and Firewalls	VMware vCenter Server 7, VMware VSphere 7, Windows Server 2022, SQL 2022
Games Accounting	N/A	Microsoft Business Central	WV Lottery	Microsoft Azure	Microsoft Dynamics
iLottery	Online Lottery/ICS	NeoSpere/NeoDraw	NeoPollard/ Aristocrat	Microsoft Azure, Amazon	Cross-Platform Gaming apps such as IOS, Android, Web and Mobile.

**1.1.3 Internal Audit Function:** The Lottery has maintained an internal audit function for over 20 years. The Compliance Officer is responsible for the internal audit function. The Lottery's internal audit staff comprises three individuals who will be available as needed during the audit.

**2. DEFINITIONS:** The terms listed below shall have the meanings assigned to them below. Additional definitions can be found in section 2 of the General Terms and Conditions.

**2.1 "Connexus"** means the central management system used to record and monitor all data related to the Lottery's video lottery operations. The system is maintained by Scientific Games.

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WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

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**2.2 “AICPA”** means American Institute of Certified Public Accountants.

**2.3 “ACFR”** means Annual Comprehensive Financial Report.

**2.4 “Contract Services”** means technical accounting services, accounting reporting assistance and financial auditing services in accordance with generally accepted accounting practices (GAAP), generally accepted auditing standards (GAAS), Statement of Auditing Standards No. 99 (SAS 99) and any other that may apply, as well as the requirements of the State Lottery Act (W.Va Code § 29-22-1 *et seq.*), Racetrack Video Lottery Act (§ 29-22A-1 *et seq.*), Limited Video Lottery Act (§29-22B-101 *et seq.*), Table Games Act (§29-22C-1 *et seq.*), Limited Gaming Facility Act (§29-25-1 *et seq.*), Sports Wagering Act (§29-22D-1 *et seq.*), and Interactive Wagering Act (§29-22E-1 *et seq.*).

**2.5 “FARS”** means the Financial Accounting and Reporting Section of the West Virginia Department of Administration.

**2.6 “GAAS”** means Generally Accepted Auditing Standards, which are sets of standards against which the quality of audits are performed and may be judged.

**2.7 “GASB”** means Governmental Accounting Standards Board.

**2.8 “GFOA”** means Government Finance Officers Association.

**2.9 “Pricing Page”** means the pages upon which the Vendor should list its proposed price for the contract services. The Pricing Page is attached hereto as Exhibit “A”.

**2.10 “Solicitation”** means the official notice of an opportunity to supply the state with goods or services that is published by the Purchasing Division.

**2.11 “SOC 1 TYPE 2”** means Statement on Standards for Attestation Engagements No. 16, a regulation created by the Auditing Standards Board of the American Institute of Certified Public Accountants for redefining and updating how service companies report on compliance controls.

**3. QUALIFICATIONS:** Vendor, or Vendor’s staff if requirements are inherently limited to individuals rather than corporate entities, shall have the following minimum qualifications:

**3.1** The vendor must have a minimum of seven (7) CPAs on staff within the audit firm who are strictly audit and not tax professionals. At least five (5) of these audit professionals must all be in the same location and cannot be spread amongst other firm locations.

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The Vendor shall certify that it has read and understood the statutory provisions governing the gaming operation in WV and shall be conversant concerning those statutes while engaged in the audit. IF the successful Vendor substitutes staff for the account at any time during the term of the contract or potential renewal or extension years, the experience and qualifications levels must be of a similar quality to those initially proposed. The Lottery reserves the right to request staff changes throughout the contract term.

- 3.2** Compliance with experience requirements will be determined prior to contract award by the State through references provided by the vendor with its bid or upon request. The vendor should provide a current resume, which includes information regarding the number of years of qualification, experience, training, and relevant professional education for each individual that will be assigned to this project. Vendor must provide any documentation requested by the State to assist in confirmation of compliance with this provision. References, documentation, or other information to confirm compliance with the experience requirement are preferred with bid submission but may be requested after bid opening and prior to contract award.
- 3.3** The Lottery has the right to refuse the services of any on-site employee of the successful Vendor based on the employee's competence or criminal background. All management, supervisory, and key personnel who will be active in the audit shall be subject to initial and periodic background checks using the Lottery's electronic fingerprint capture system. An individual shall be removed from supporting the contract due to adverse results from the background checks, as determined by the Lottery. The Lottery will only refuse the services of an individual if that individual has a conviction for any violation of W. Va. Code §29-22-1 *et seq.*, §29-22A-1 *et seq.*, §29-22B-1 *et seq.*, §29-22C-1 *et seq.*, or §29-25-1 *et seq.*, §29-22D-1 *et seq.*, §29-22E-1 *et seq.* (Code sections available at <http://www.wvlottery.com/about-us/rules-regulations>), or for any felony, or any crime involving moral turpitude, or any other crime that may have bearing upon the individual's fitness to support the contract.
- 3.4** The successful Vendor shall have access to private and confidential data maintained by the Lottery to the extent required to carry out the duties and responsibilities defined in this RFQ. The successful Vendor agrees to maintain the confidentiality and security of the available data.
- 3.5** An affirmative statement must be submitted indicating that the firm and all assigned key professional staff are properly licensed to practice in West Virginia. It is preferred that this is provided with the bid; however, it will be requested prior to award.

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**3.6** The firm shall submit a statement that they have not failed their two (2) most recent AICPA Peer Reviews of their audit/accounting practice and submit the most recent review with their proposal.

**3.7** The firm must not have had a final audit issued by the proposing firm that had to be reissued due to material errors or omissions discovered by West Virginia Financial Accounting and Reporting Section or other West Virginia state agency two times or more.

**3.8** The firm must provide a statement that they are a member in good standing of the AICPA's Governmental Audit Quality Center.

**4. MANDATORY REQUIREMENTS:**

**4.1 Mandatory Contract Services Requirements and Deliverables:** Contract Services must meet or exceed the mandatory requirements listed below.

**4.1.1** The Lottery seeks a qualified certified public accounting firm to audit its financial statements for the fiscal year ending June 30, 2025, with the option to audit for each of the next two subsequent fiscal years. Additionally, the successful Vendor is to provide services that will ensure the successful filing of the Lottery's ACFR. The Lottery will seek advice from the successful Vendor on accounting matters of Lottery operations and changes in accounting standards. The Lottery expects the successful Vendor to be proactive in advising the Lottery on these issues.

IGT is the online and instant ticket vendor and NeoPollard is the iLottery vendor for the fiscal year ending June 30, 2025. The Lottery contracts with a third party to conduct a SOC 1, Type 2 audit of IGT and NeoPollard. The Lottery also contracts with IGT to print instant tickets. No other outside audits or reviews of the Lottery computer systems are scheduled. The successful Vendor must ensure its comfort with other Lottery-based gaming and internal systems.

**4.1.2 SCOPE of WORK:** The Lottery requires the successful Vendor to express an opinion on the fair presentation of financial statements in conformity with U.S. GAAP and standards established by the GASB of the AICPA. Additionally, the successful Vendor will be required to prepare all supporting schedules relating to the Lottery that are required for the preparation of the state's ACFR. These schedules are specified annually by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration. They must

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be filed with FARS by October 15, 2025, and each potential renewal or extension year.

The successful Vendor shall also be responsible for assisting in implementing the supplementary information required by GASB as mandated by the AICPA and utilizing GAAS.

**4.1.3** The Lottery Commission requires an independent and objective auditing firm. The firm must provide an affirmative statement that it is independent of the Lottery as defined by GAAS and the U.S. General Accounting Office's Government Auditing Standards (1988). The firm must also provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity, as defined by those same standards.

**4.1.4 REPORTS:** Following the audit of the fiscal year's financial statements, the Vendor shall issue a report on the fair presentation of the financial statements in conformity with U.S. GAAP and format to comply with GASB standards established by the AICPA.

In addition, the Vendor is to provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general-purpose financial statements.

The Vendor shall communicate in a letter to the Lottery's authorized representative any reportable conditions found during the audit. A "reportable condition" shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**4.1.5 IRREGULARITIES and ILLEGAL ACTS:** The Vendor shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the following parties:

- a) Lottery director;
- b) Lottery General Counsel;
- c) Lottery compliance officer; and
- d) Finance/Audit Committee of the Lottery



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**4.1.6 REPORTING TO LOTTERY FINANCE / AUDIT COMMITTEE:** The Vendor shall report to the Lottery's Financial/Audit committee each of the following within sixty (60) days of the issuance of the audit:

- a) The Vendor responsibility under GAAS
- b) Significant Accounting policies
- c) Management judgments and accounting estimates
- d) Significant audit adjustments
- e) Other information in documents containing audited financial statements
- f) Disagreements with management
- g) Major issues discussed with management before retention
- h) Difficulties encountered in performing the audit

**4.1.7 SPECIAL CONSIDERATIONS:** The Lottery will send its ACFR to the GFOA of the United States and Canada for review in its Certificate of Achievement for Excellence in Financial Reporting Program. The successful audit firm shall assign auditors with at least three (3) years of experience filing successful ACFR reports to work on the Lottery's ACFR. The Vendor will be required to provide special assistance to the Lottery to meet the requirements of that program, which include:

- a) Advising the agency on the technical standards necessary to file an ACFR for an enterprise fund
- b) Reviewing the agency's ACFR documents and assisting in the development of meaningful statistical charts and data by providing direct on-site assistance to the Lottery staff
- c) Formulating the Vendor report to be included in the ACFR
- d) Proofreading the ACFR before filing to ensure financial data and context of discussions are appropriate and in compliance with GFOA standards
- e) Preparing schedules, charts, and graphs to be strategically placed in the ACFR

The Lottery's financial statements are to be included as a component unit of the State's financial statements. The Vendor will be required to provide special assistance to the State's auditors and the Department of Administration's Financial Accounting Reporting Section.

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**4.1.8 WORKING PAPERS RETENTION and ACCESS to WORKING PAPERS:**

All working papers and reports must be retained, at the Vendor's expense, for a minimum of three (3) years unless the firm is notified in writing by the Lottery of the need to extend the retention period. The Vendor will be required to make working papers available to the Lottery upon request.

In addition, the successful Vendor shall respond to reasonable inquiries by the Lottery or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

- 4.1.9** The Vendor's principal contact will be the Deputy Director of Finance, who will coordinate the assistance the Lottery will provide to the successful Vendor.

- 4.1.10 DATE AUDIT MAY COMMENCE:** The Lottery will have records ready for audit and management personnel available to meet with the firm's personnel after its June 30, 2025, year-end.

The successful vendor shall have drafts of the audit report(s) and recommendations to management available for review by the Deputy Director of Finance and internal auditors by August 31<sup>st</sup> immediately following the fiscal year-end being audited.

The Deputy Director of Finance will complete a review of the draft report as expeditiously as possible. During that period, the successful Vendor must be available for any meetings that may be necessary to discuss the audit reports.

The successful Vendor shall prepare the final financial statements, notes, management letter, all required supplementary schedules, and statistical data by the second Friday of September immediately following the fiscal year-end being audited.

In addition to PDF versions of the following documents, printed reports must be delivered to the Deputy Director of Finance:

- a) Management Letter – ten (10) copies
- b) Financial Statements –twenty-five (25) long version copies, twenty-five (25) short version copies

The successful Vendor must be present at such times as necessary to assist Lottery staff in filing the Lottery ACFR.

- 4.1.11 ASSISTANCE to be PROVIDED to the VENDOR and REPORT PREPARATION:** The finance department and management staff will be

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available during the audit to assist the successful Vendor by providing information, documentation, and explanations. The preparation of confirmations will be the responsibility of the successful Vendor.

**4.1.11.1** The Compliance Officer and two (2) individuals on the internal audit staff will be available as needed.

**4.1.11.2** The Lottery will provide the Vendor with reasonable workspace, desks, and chairs. The Vendor will also be provided access to telephone lines, internet, photocopying, and fax machines as appropriate.

**4.1.11.3** Report preparation, editing, and printing shall be the responsibility of the Vendor.

**5. CONTRACT AWARD:**

**5.1 Contract Award:** The Contract is intended to provide the Agency with a purchase price for the Contract Items. The Contract shall be awarded to the Vendor that provides the Contract Items meeting the required specifications for the lowest Total Bid Amount, as shown on the Pricing Pages.

**5.2 Pricing Page:** Vendor should complete the Pricing Page by providing a total, all-inclusive price incorporating professional fees and expenses for all services described in this solicitation, including but not limited to the annual financial audit, preparation of the Lottery ACFR, and preparation of schedules to comply with the Lottery filings required to support the State audit of the Lottery's financials and State-level ACFR. Vendor should provide a separate price to provide these services for each of FY 2025, FY2026, and FY 2027, as well as a Total Bid Amount that is the sum of all three pieces. Vendor should complete the Pricing Page in full as failure to complete the Pricing Page in its entirety may result in Vendor's bid being disqualified.

Vendor should type or clearly print the information into the Pricing Page to prevent errors in the evaluation. If the Vendor is submitting a bid online, the Vendor must submit the Pricing Page as an attachment. TOTAL BID AMOUNT is the amount the Vendor is to enter into the wvOASIS commodity line when submitting. Notwithstanding the foregoing, the Purchasing Division may correct errors at its discretion.

Vendor should type or electronically enter the information into the Pricing Page to prevent errors in the evaluation.

**6. PAYMENT:** Agency shall pay Lump Sum, as shown on the Pricing Pages, for all Contract Services performed and accepted under this Contract. Vendor shall accept payment in accordance with the payment procedures of the State of West Virginia.

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**7. VENDOR DEFAULT:**

7.1 The following shall be considered a vendor default under this Contract.

7.1.1 Failure to provide Contract Items in accordance with the requirements contained herein.

7.1.2 Failure to comply with other specifications and requirements contained herein.

7.1.3 Failure to comply with any laws, rules, and ordinances applicable to the Contract Services provided under this Contract.

7.1.4 Failure to remedy deficient performance upon request.

7.2 The following remedies shall be available to Agency upon default.

7.2.1 Immediate cancellation of the Contract.

7.2.2 Immediate cancellation of one or more release orders issued under this Contract.

7.2.3 Any other remedies available in law or equity.

**8. TRAVEL:** Vendor shall be responsible for all mileage and travel costs, including travel time, associated with performance of this Contract. Any anticipated mileage or travel costs may be included in the flat fee or hourly rate listed on Vendor's bid, but such costs will not be paid by the Agency separately.

**9. FACILITIES ACCESS:** Performance of Contract Services may require access cards and/or keys to gain entrance to Agency's facilities. In the event that access cards and/or keys are required:

9.1 Vendor must identify principal service personnel who will be issued access cards and/or keys to perform service.

9.2 The vendor will be responsible for controlling cards and keys and will pay a replacement fee if they are lost or stolen.

9.3 Vendor shall notify Agency immediately of any lost, stolen, or missing card or key.

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9.4 Anyone performing under this Contract will be subject to Agency's security protocol and procedures.

9.5 Vendor shall inform all staff of Agency's security protocol and procedures.

**10. BY SUBMISSION OF THIS COST BID THE VENDOR CERTIFIES AND AGREES TO THE FOLLOWING:**

10.1 That the Vendor understands the Lottery's need to obtain highly skilled audit and accomplished accounting services and advice needed to ensure accomplishment of the reliance placed on these by bond rating agencies, State of West Virginia Legislature & Governor's Office, the public, and the many users of the national gaming industry.

10.2 That the Vendor will prepare all work necessary and work with the Lottery staff to ensure the Lottery's annual ACFR is filed by the due date of December 31<sup>st</sup> of each year, that the contract is in effect, and that the information contained within the submissions complies with all applicable accounting standards and the filing requirements of the GFOA of the United States and Canada.

10.3 That the Vendor has certified public accountants assigned to the Lottery work who understand traditional, instant, and online gaming (to include the automated computer systems used to account for these operations), RVL, (to include the automated central computer system), LVL (with related central computer system applications), racetrack table games operations, and limited gaming facility operations of table games and video lottery (central computer system). The Vendor is responsible for understanding the West Virginia statutes, legislative rules, and internal policies that control and define the accounting for each game type above. The Lottery requires that all partners, audit managers, and senior accountants assigned to the Lottery work be certified public accountants with a license to practice in West Virginia and who have a minimum of five (5) years of auditing experience of gaming lotteries, and five (5) years governmental auditing of at least three (3) state level agencies.

10.4 That the Vendor will make itself available to the Lottery on short notice to give advice to the Lottery on changes in accounting practices, changes in the law, and engage in general accounting discussions on the appropriate treatment of transactions that may present themselves and which may affect their presentation in the Lottery's financial statements or the course of internal auditing functions.

10.5 That the Vendor certifies its compliance with all other required certifications or requirements listed as listed in the body of this RFQ

## Appendix D - Required Forms, Continued

### REQUEST FOR QUOTATION WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

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#### 11. MISCELLANEOUS:

**11.1 Contract Manager:** During its performance of this Contract, Vendor must designate and maintain a primary contract manager responsible for overseeing Vendor's responsibilities under this Contract. The Contract manager must be available during normal business hours to address any customer service or other issues related to this Contract. Vendor should list its Contract manager and his or her contact information below.

**Contract Manager:** Rob Adams, CPA, CGMA

**Telephone Number:** 304.343.4188

**Fax Number:** 304.344.5035

**Email Address:** readams@becpas.com

REQUEST FOR QUOTATION  
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

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**EXHIBIT A - PRICING PAGE**

**FLAT FEE PRICING**

<b>DESCRIPTION</b>	<b>YEAR</b>	<b>COST</b>
Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of ACFR, and all other services as described in this solicitation.	FY 2025	
Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of ACFR, and all other services as described in this solicitation.	FY 2026	
Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of ACFR, and all other services as described in this solicitation.	FY 2027	
	<b>TOTAL BID AMOUNT</b>	

**Vendor:** \_\_\_\_\_

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**REQUEST FOR QUOTATION  
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES**

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**EXHIBIT B  
JANUARY 2025 UNAUDITED MONTHLY FINANCIAL STATEMENTS  
SEE ATTACHED**





P.O. BOX 2067  
CHARLESTON, WV 25327

JOHN A. MYERS  
DIRECTOR

PHONE: 304.558.0500  
wvlottery.com

# **MEMORANDUM**

TO: Joint Committee on Government and Finance

FROM: John A. Myers, Director

A handwritten signature in dark ink, appearing to read "John A. Myers", written over the printed name in the "FROM" line.

RE: Monthly Report on Lottery Operations  
Month Ending January 31, 2025

DATE: February 18, 2025

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

Financial statements of the Lottery for the month ending January 31, 2025 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, sports wagering, and interactive gaming was \$95,405,256 for the month of January.

Transfers of lottery revenue totaling \$32,491,125 made for the month of January to the designated state agencies per Senate Bill 160, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 12 on pages 20 and 21 of the attached financial statements.

The number of traditional and limited retailers active as of January 31, 2025 was 1,506 and 1,167 respectively.

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

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

JAM  
Attachment

pc: Honorable Patrick Morrissey, Governor  
Eric Nelson, Cabinet Secretary – Department of Revenue  
Larry Pack, Treasurer  
Mark Hunt, Auditor  
Members of the West Virginia Lottery Commission

**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**January 31, 2025**

# **WEST VIRGINIA LOTTERY**

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

	January 31, 2025	June 30, 2024
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 218,400	\$ 227,763
Accounts receivable	32,602	38,583
Inventory	1,136	1,330
Other assets	217	213
Total Current Assets	<u>252,355</u>	<u>267,889</u>
Capital assets	65,608	63,915
Less accumulated depreciation and amortization	<u>(24,542)</u>	<u>(23,544)</u>
Net Capital Assets	<u>41,066</u>	<u>40,371</u>
Net Pension Asset	24	24
Net OPEB Asset	<u>204</u>	<u>204</u>
Total Noncurrent Assets	<u>41,294</u>	<u>40,599</u>
Total Assets	<u>\$ 293,649</u>	<u>\$ 308,488</u>
Deferred outflows of resources	<u>\$ 1,471</u>	<u>\$ 1,471</u>
Total assets and deferred outflows	<u>\$ 295,120</u>	<u>\$ 309,959</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 178,552	\$ 190,015
Estimated prize claims	21,593	19,293
Accounts payable	5,555	5,104
Other accrued liabilities	<u>27,518</u>	<u>33,645</u>
Total Current Liabilities	<u>233,218</u>	<u>248,057</u>
Deferred inflows	<u>\$ 370</u>	<u>370</u>
Net Position:		
Net Investment in capital assets	41,066	40,371
Unrestricted	<u>20,466</u>	<u>21,161</u>
Total Net Position	<u>61,532</u>	<u>61,532</u>
Total net position, liabilities, and deferred inflows	<u>\$ 295,120</u>	<u>\$ 309,959</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE SIX MONTH PERIOD ENDED JANUARY 31, 2025**  
(In Thousands)  
-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2025	FY 2024	FY 2025	FY 2024
Lottery revenues				
On-line games	\$ 5,125	\$ 5,873	\$ 42,687	\$ 58,709
Instant games	12,564	12,928	94,081	98,075
E instants	1,682	-	4,130	-
Racetrack video lottery	33,892	33,459	272,514	272,923
Limited video lottery	34,841	36,971	271,496	278,168
Table games	2,463	2,403	18,576	18,735
Historic resort	326	454	2,832	4,233
Sports Wagering	653	629	3,680	3,390
Interactive Wagering	3,859	2,372	24,457	14,617
	<u>95,405</u>	<u>95,089</u>	<u>734,453</u>	<u>748,850</u>
Less commissions				
On-line games	342	397	2,942	4,100
Instant games	879	905	6,586	6,865
Racetrack video lottery	16,988	17,012	147,906	148,392
Limited video lottery	17,072	18,116	133,033	136,302
Table games	1,049	1,025	7,907	7,983
Historic resort	175	234	1,432	2,131
	<u>36,505</u>	<u>37,689</u>	<u>299,806</u>	<u>305,773</u>
Less on-line prizes	2,492	2,900	21,172	28,592
Less instant prizes	8,601	8,854	64,424	67,001
Less e instant prizes	1,324	-	3,253	-
Less ticket costs	154	236	1,078	1,265
Less vendor fees and costs	1,057	670	5,709	6,536
	<u>13,628</u>	<u>12,660</u>	<u>95,636</u>	<u>103,394</u>
Gross profit	<u>45,272</u>	<u>44,740</u>	<u>339,011</u>	<u>339,683</u>
Administrative expenses				
Advertising and promotions	601	611	4,526	3,439
Wages and related benefits	1,105	1,050	7,958	7,702
Telecommunications	96	44	547	386
Contractual and professional	1,499	993	8,604	6,444
Rental	17	20	128	142
Depreciation and amortization	144	141	998	990
Other administrative expenses	267	229	1,168	1,654
	<u>3,729</u>	<u>3,088</u>	<u>23,929</u>	<u>20,757</u>
Other Operating Income	<u>509</u>	<u>226</u>	<u>3,464</u>	<u>3,435</u>
Operating Income	<u>42,052</u>	<u>41,878</u>	<u>318,546</u>	<u>322,361</u>
Nonoperating income (expense)				
Investment income	800	1,212	5,937	8,224
Distributions to municipalities and counties	(683)	(725)	(5,321)	(5,452)
Distributions -capital reinvestment	(524)	(438)	(780)	(661)
Distributions to the State of West Virginia	(41,645)	(41,927)	(318,382)	(324,472)
	<u>(42,052)</u>	<u>(41,878)</u>	<u>(318,546)</u>	<u>(322,361)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>61,532</u>	<u>61,430</u>	<u>61,532</u>	<u>61,430</u>
Net position, end of period	<u>\$ 61,532</u>	<u>\$ 61,430</u>	<u>\$ 61,532</u>	<u>\$ 61,430</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SEVEN MONTH PERIOD ENDED JANUARY 31, 2025**  
**(In Thousands)**  
**-Unaudited-**

	2025	2024
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 743,898	\$ 756,885
Cash payments for:		
Personnel costs	(7,958)	(7,702)
Suppliers	(12,914)	(12,702)
Other operating costs	(394,808)	(405,113)
Cash provided by operating activities	<u>328,218</u>	<u>331,368</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(329,845)	(332,652)
Distributions to municipalities and counties	(5,429)	(5,518)
Distributions to racetrack from racetrack cap. reinv. fund	(6,551)	(7,790)
Cash used in noncapital financing activities	<u>(341,825)</u>	<u>(345,960)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(1,693)</u>	<u>(387)</u>
Cash flows from investing activities:		
Investment earnings received	<u>5,937</u>	<u>8,224</u>
Cash provided by investing activities	<u>5,937</u>	<u>8,224</u>
Increase (decrease) in cash and cash equivalents	(9,363)	(6,755)
Cash and cash equivalents - beginning of period	<u>227,763</u>	<u>288,680</u>
Cash and cash equivalents - end of period	<u>\$ 218,400</u>	<u>\$ 281,925</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 318,546	\$ 322,361
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	998	990
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	5,981	4,600
(Increase) decrease in inventory	194	(69)
(Increase) decrease in other assets	(4)	1,197
Increase (decrease) in estimated prize claims	2,300	1,661
Increase (decrease) in accounts payable	451	(1,440)
Increase (decrease) in other accrued liabilities	(248)	2,068
Cash provided by operating activities	<u>\$ 328,218</u>	<u>\$ 331,368</u>

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

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

**NOTE 1 - LEGISLATIVE ENACTMENT**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

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

**COMPENSATED ABSENCES** – The Lottery has accrued \$887,847 and \$807,352 at June 30, 2024 and 2023, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At January 31, 2025 the carrying amounts of deposits (overdraft) with financial institutions were \$494 thousand with a bank balance (overdraft) of \$555 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia's agent in the State's name.

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

	January 31, 2025	June 30, 2024
Deposits with financial institutions	\$ 494	\$ 491
Cash on hand at the Treasurer's Office	4,072	4,236
Investments with BTI reported as cash equivalents	213,834	223,036
	<u>\$ 218,400</u>	<u>\$ 227,763</u>

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

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

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the month ended January 31, 2025 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2024	Additions	Deletions	Historical Cost At January 31, 2025
Construction in Progress	2,812	1,551	-	4,363
Buildings	48,243	-	-	48,243
Land	1,681	-	-	1,681
Equipment	11,180	141	-	11,321
	<u>\$ 63,916</u>	<u>\$ 1,692</u>	<u>\$ -</u>	<u>\$ 65,608</u>
Accumulated Depreciation:				
	Historical Cost At June 30, 2024	Additions	Deletions	Historical Cost At January 31, 2025
Buildings	\$ 13,865	\$ 716	\$ -	\$ 14,581
Equipment	9,679	282	-	9,961
	<u>\$ 23,544</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 24,542</u>

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY**

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

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, LOTTO AMERICA®, and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended January 31, 2025 and fiscal year-to-date is as follows:

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

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

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,901,646	\$ 13,310,752
Lotto America	606,451	3,760,954
Mega Millions	863,429	12,721,293
Total	\$ 3,371,526	\$ 29,792,999

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 954,626	\$ 6,681,952
Lotto America	303,223	1,880,457
Mega Millions	431,708	6,403,659
Total	\$ 1,689,557	\$ 14,966,068

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

	<u>PowerBall</u>	<u>Lotto America</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$132,000,000	\$12,000,000	\$110,000,000

At January 31, 2025, the Lotteries share of the prize reserve fund balances were as follows:

<u>Game</u>	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 126,758,865	\$ 1,137,959
Lotto America	10,528,579	792,010
Mega Millions	97,180,223	707,804
Total	\$ 234,467,667	\$ 2,637,773

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of

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

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

principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$23,646,311 at January 31, 2025, of which the Lottery's share was \$217,907.

**NOTE 6 - RACETRACK VIDEO LOTTERY**

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (66%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 11 titled "Nonoperating Distributions to the State of West Virginia."

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

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

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

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

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

**NOTE 6 - RACETRACK VIDEO LOTTERY (continued)**

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 12.

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

A summary of racetrack video lottery revenues for the month ended January 31, 2025 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Total credits played	\$ 406,562	\$ 399,055	\$ 3,266,513	\$ 3,219,508
Credits (prizes) won	(365,841)	(359,382)	(2,939,674)	(2,897,232)
Promotional credits played	(6,829)	(6,214)	(54,325)	(49,353)
Gross terminal income	33,892	33,459	272,514	272,923
Administrative costs	(659)	(729)	(10,204)	(10,307)
Net Terminal Income	33,233	32,730	262,310	262,616
Less distribution to agents	(16,988)	(17,012)	(147,906)	(148,392)
Racetrack video lottery revenues	\$ 16,245	\$ 15,718	\$ 114,404	\$ 114,224

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

	Current Month	Year-to-Date
State Lottery Fund	\$ 5,950	\$ 74,673
State Excess Lottery Revenue Fund	9,815	39,251
Capital Reinvestment Fund	480	480
Total nonoperating distributions	\$ 16,245	\$ 114,404

**NOTE 7 - LIMITED VIDEO LOTTERY**

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

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

**NOTE 7 - LIMITED VIDEO LOTTERY (continued)**

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

A summary of limited video lottery revenues for the month ended January 31, 2025 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Total credits played	\$ 465,825	\$ 495,090	\$ 3,628,429	\$ 3,705,788
Credits (prizes) won	(430,984)	(458,119)	(3,356,933)	(3,427,620)
Gross terminal income	\$ 34,841	\$ 36,971	\$ 271,496	\$ 278,168
Administrative costs	(697)	(739)	(5,430)	(5,564)
Gross Profit	34,144	36,232	266,066	272,604
Commissions	(17,072)	(18,116)	(133,033)	(136,302)
Municipalities and Counties	(683)	(725)	(5,321)	(5,452)
Limited video lottery revenues	\$ 16,389	\$ 17,391	\$ 127,712	\$ 130,850

**NOTE 8 – TABLE GAMES**

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

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

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

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

**NOTE 8 – TABLE GAMES (continued)**

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

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 12- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended January 31, 2025 were \$7,038,465 and \$53,074,244, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Table Games Privilege Tax	\$ 2,463	\$ 2,403	\$ 18,576	\$ 18,735
Interest on Table Games Fund	20	27	152	186
Administrative costs	(211)	(206)	(1,592)	(1,606)
Total Available for Distribution	2,272	2,224	17,136	17,315
<u>Less Distributions:</u>				
Racetrack Purse Funds	158	154	1,194	1,204
Thoroughbred & Greyhound Development Funds	127	124	955	964
Racing Association Pension Plan	63	62	473	478
Municipalities/ Counties	701	685	5,285	5,337
Total Distributions	1,049	1,025	7,907	7,983
Excess Lottery Fund	\$ 1,223	\$ 1,199	\$ 9,229	\$ 9,332



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

**NOTE 9 – HISTORIC RESORT HOTEL**

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

Historic Resort Video Lottery

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

A summary of historic resort hotel video lottery revenues for the month ended January 31, 2025 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Total credits played	\$ 2,765	\$ 4,195	\$ 27,910	\$ 35,049
Credits (prizes) won	(2,483)	(3,823)	(25,543)	(31,634)
Promotional credits played	(40)	(57)	(483)	(624)
Gross terminal income	242	315	1,884	2,791
Capital reinvestment	(11)	(15)	(89)	(131)
Excess Lottery Fund	(2)	(3)	(17)	(25)
Administrative costs	(13)	(17)	(102)	(151)
Hotel commissions	(102)	(133)	(797)	(1,180)
Net terminal income	114	147	879	1,304
Historic Resort Hotel Fund	73	94	558	830
Human Resource Benefit Fund	41	53	321	474

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

**NOTE 9 – HISTORIC RESORT HOTEL (continued)**

**Historic Resort Table Games**

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended January 31, 2025 were \$240,542 and \$2,709,377 respectively.

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

	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Table games privilege tax	\$ 84	\$ 139	\$ 948	\$ 1,442
Administrative Costs	<u>(11)</u>	<u>(18)</u>	<u>(122)</u>	<u>(185)</u>
Total Available for Distribution	73	121	826	1,257
Historic Resort Hotel Fund	61	101	691	1,051
Human Resource Benefit Fund	12	20	135	206

**Historic Resort Hotel Fund**

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

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located; 20+19+
- 5) +74
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 7) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

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

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 73	\$ 558
Historic Resort Table Games	61	691
Interest on Historic Resort Hotel Fund	<u>5</u>	<u>34</u>
Historic Resort Hotel Fund Net Income	139	1,283
Municipalities/ Counties	20	179
Excess Lottery Fund	<u>119</u>	<u>1,104</u>
Total Distributions	<u>\$ 139</u>	<u>\$ 1,283</u>

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

**NOTE 10– SPORTS WAGERING**

Sports Wagering legislation passed in 2018 per Senate Bill 415. Each racetrack and historic resort hotel licensee is subject to a privilege tax of ten percent (10%) of adjusted gross wagering receipts which will be deposited weekly into the Sports Wagering Fund.

From the privilege tax deposited into the Sports Wagering Fund, the Commission, on a monthly basis shall:

Retain 15% for administrative expenses of which any surplus in excess of \$250,000 shall be reported to the Joint Committee on Government and Finance and remitted to the State Treasurer.

After the reduction for administrative expenses, the net profit shall be deposited into the State Lottery Fund until a total of \$15 million is deposited. The remainder of net profit shall be deposited into the Public Employees Insurance Agency Financial Stability Fund.

The Sports Wagering adjusted gross wagering receipts for the month and year-to-date periods ended January 31, 2025 were \$6,518,495 and \$36,796,365, respectively. The following table shows the month and year-to-date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Sports Wagering Privilege Tax	\$ 653	\$ 629	\$ 3,680	\$ 3,390
Interest on Sports Waging Fund	6	8	45	49
Administrative Costs	(98)	(94)	(552)	(508)
Total Available for Distribution	561	543	3,173	2,931

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

**NOTE 11– INTERACTIVE WAGERING**

Interactive Wagering legislation passed in 2019 per House Bill 2934. Each racetrack and historic resort hotel licensee is subject to a privilege tax of fifteen percent (15%) of adjusted gross interactive gaming receipts which will be deposited weekly into the Interactive Wagering Fund.

From the privilege tax deposited into the Interactive Wagering Fund, the Commission, on a monthly basis shall:

Retain 15% for administrative expenses of which any surplus in excess of \$250,000 shall be reported to the Joint Committee on Government and Finance and remitted to the State Treasurer.

In each fiscal year, the Lottery Commission shall deposit one-quarter of a percent of the net profit into each of the four special funds established by the Racing Commission, pursuant to §29-22A-10 and §29-22C-27 to be used for payment into the pension plan for the employees of the licensed racing associations in this state.

After the reduction for administrative expenses and the pension plans for the racing associations, the net profit shall be deposited into the State Lottery Fund.

The Interactive Wagering adjusted gross interactive gaming receipts for the month and year-to-date periods ended January 31, 2025 were \$25,724,763 and \$163,046,843 respectively. The following table shows the month and year-to-date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Interactive Wagering Privilege Tax	\$ 3,859	\$ 2,372	\$ 24,457	\$ 14,617
Interest on Interactive Wagering Fund	51	53	341	335
Administrative Costs	(579)	(355)	(3,669)	(2,192)
Total Available for Distribution	3,331	2,070	21,129	12,760

A summary of Interactive Gaming Fund related distributions is as follows (in thousands):

	Current Month	Year-to-Date
Pensions	33	211
Lottery Fund	3,298	20,918
Total Distributions	\$ 3,331	\$ 21,129

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

**NOTE 12- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2025 the State Legislature budgeted \$149,094,042 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$6,404,184 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended January 31, 2025 the Lottery has accrued additional distributions of \$178,551,774. The Lottery is a non-appropriated state agency and therefore does not have a legally adopted annual budget.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>January 31, 2025</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 499	\$ 3,494
Bureau of Senior Services	3,036	83,771
Department of Education	668	14,755
Library Commission	522	11,515
Higher Education-Policy Commission	341	7,532
Tourism	321	7,085
General Revenue		
Natural Resources	177	3,903
Fire Protection Fund		
Division of Culture & History	195	4,294
Economic Development Authority	1,000	6,999
School Building Authority	1,800	12,600
Total State Lottery Fund	<u>\$ 8,559</u>	<u>\$ 155,948</u>

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 203	\$ 10,914
Higher Education Improvement Fund	1,500	10,500
Economic Development Authority	439	3,073
General Purpose Account	6,341	37,439
Higher Education Improvement Fund	2,829	16,704
State Park Improvement Fund	147	867
School Building Authority	1,764	12,348
Refundable Credit		412
WVRacing Commission	195	1,952
Division of Human Services		17,000
WV Lottery Statutory Transfers	5,953	35,148
General Revenue Fund		
West Va. Infrastructure Council	4,503	27,242
Total State Excess Lottery Revenue Fund	<u>\$ 23,874</u>	<u>\$ 173,599</u>
Total Budgetary distributions:	<u>\$ 32,433</u>	<u>\$ 329,547</u>
Veterans Instant Ticket Fund	\$ 58	\$ 298
Total nonoperating distributions to the		
State of West Virginia (cash basis)	\$ 32,491	\$ 329,845
Accrued nonoperating distributions, beginning	(169,398)	(190,015)
Accrued nonoperating distributions, end	<u>178,552</u>	<u>178,552</u>
	<u><u>\$ 41,645</u></u>	<u><u>\$ 318,382</u></u>

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

**NOTE 13 – LEASES**

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancellable operating leases. Rental expense for the fiscal year-to-date ended January 31, 2025 and January 31, 2024 approximated \$128,395 and \$141,964 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended January 31, 2025 and January 31, 2024 approximated \$660,345 and \$612,195 respectively.

**NOTE 14 – COMMITMENTS**

For the years ended June 30, 2024 and June 30, 2023 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2024 and 2023, \$5,321,574 and \$5,986,994, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

**NOTE 15 - RETIREMENT BENEFITS**

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

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 10% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending January 31, 2025 and fiscal year-to-date are as follows (in thousands):

	<u>January 31, 2025</u>	<u>Year-to-Date</u>
Employee contributions	\$ 41	\$ 319
Lottery contributions	<u>74</u>	<u>564</u>
Total contributions	\$ 115	\$ 883

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

**NOTE 16 - RISK MANAGEMENT**

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

**WORKERS' COMPENSATION INSURANCE**

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

**PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)**

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

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

**BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)**

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



**SCHEDULE OF REVENUES AND NET REVENUES OF THE  
LOTTERY FUND AND EXCESS LOTTERY FUND  
FOR THE SEVEN MONTH PERIOD ENDED JANUARY 31, 2025  
(In Thousands)**

	Current Month		FISCAL YEAR	
	Actual	Projected	Actual	Projected
Gross Revenues				
Instant games	12,564	12,500	94,081	87,500
On-line games	5,125	5,833	42,687	40,833
E instants	1,682	-	4,130	-
Racetrack video lottery	33,892	37,164	272,514	259,586
Limited video lottery	34,841	37,076	271,496	261,883
Racetrack table games	2,463	1,943	18,576	14,469
Historic resort	326	291	2,832	2,986
Sports wagering	653	261	3,680	2,485
Interactive wagering	3,859	1,386	24,457	8,643
Total gross revenues	<u>95,405</u>	<u>96,454</u>	<u>734,453</u>	<u>678,385</u>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,333	1,223	10,144	8,561
On-line games	1,500	1,674	12,769	11,720
Racetrack Video Lottery	6,061	8,721	76,111	72,255
Sports wagering	560	253	3,173	1,771
Interactive wagering	3,298	1,166	20,919	7,273
Total Lottery Fund net revenues	<u>12,752</u>	<u>13,037</u>	<u>123,116</u>	<u>101,580</u>
Excess Lottery Fund				
Racetrack Video Lottery	9,991	5,464	39,940	32,677
Limited Video Lottery	16,673	17,441	129,865	123,190
Limited Video Lottery Fees	(9)	-	1,010	-
Racetrack table games	1,223	953	9,230	7,098
Historic resort	121	111	1,121	1,137
Total Excess Lottery Fund Net Revenues	<u>27,999</u>	<u>23,969</u>	<u>181,166</u>	<u>164,102</u>
Total Net Revenues	<u>40,751</u>	<u>37,006</u>	<u>304,282</u>	<u>265,682</u>

**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**January 31, 2025**

**WEST VIRGINIA LOTTERY**

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

ASSETS	January 31, 2025	June 30, 2024
Current Assets:		
Cash and cash equivalents	\$ 218,400	\$ 227,763
Accounts receivable	32,602	38,583
Inventory	1,136	1,330
Other assets	217	213
Total Current Assets	<u>252,355</u>	<u>267,889</u>
Capital assets	65,608	63,915
Less accumulated depreciation and amortization	<u>(24,542)</u>	<u>(23,544)</u>
Net Capital Assets	<u>41,066</u>	<u>40,371</u>
Net Pension Asset	24	24
Net OPEB Asset	<u>204</u>	<u>204</u>
Total Noncurrent Assets	<u>41,294</u>	<u>40,599</u>
Total Assets	<u>\$ 293,649</u>	<u>\$ 308,488</u>
Deferred outflows of resources	<u>\$ 1,471</u>	<u>\$ 1,471</u>
Total assets and deferred outflows	<u>\$ 295,120</u>	<u>\$ 309,959</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 178,552	\$ 190,015
Estimated prize claims	21,593	19,293
Accounts payable	5,555	5,104
Other accrued liabilities	<u>27,518</u>	<u>33,645</u>
Total Current Liabilities	233,218	248,057
Deferred inflows	<u>\$ 370</u>	<u>370</u>
Net Position:		
Net Investment in capital assets	41,066	40,371
Unrestricted	<u>20,466</u>	<u>21,161</u>
Total Net Position	<u>61,532</u>	<u>61,532</u>
Total net position, liabilities, and deferred inflows	<u>\$ 295,120</u>	<u>\$ 309,959</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE SIX MONTH PERIOD ENDED JANUARY 31, 2025**  
(In Thousands)  
-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2025	FY 2024	FY 2025	FY 2024
Lottery revenues				
On-line games	\$ 5,125	\$ 5,873	\$ 42,687	\$ 58,709
Instant games	12,564	12,928	94,081	98,075
E instants	1,682	-	4,130	-
Racetrack video lottery	33,892	33,459	272,514	272,923
Limited video lottery	34,841	36,971	271,496	278,168
Table games	2,463	2,403	18,576	18,735
Historic resort	326	454	2,832	4,233
Sports Wagering	653	629	3,680	3,390
Interactive Wagering	3,859	2,372	24,457	14,617
	<u>95,405</u>	<u>95,089</u>	<u>734,453</u>	<u>748,850</u>
Less commissions				
On-line games	342	397	2,942	4,100
Instant games	879	905	6,586	6,865
Racetrack video lottery	16,988	17,012	147,906	148,392
Limited video lottery	17,072	18,116	133,033	136,302
Table games	1,049	1,025	7,907	7,983
Historic resort	175	234	1,432	2,131
	<u>36,505</u>	<u>37,689</u>	<u>299,806</u>	<u>305,773</u>
Less on-line prizes	2,492	2,900	21,172	28,592
Less instant prizes	8,601	8,854	64,424	67,001
Less e instant prizes	1,324	-	3,253	-
Less ticket costs	154	236	1,078	1,265
Less vendor fees and costs	1,057	670	5,709	6,536
	<u>13,628</u>	<u>12,660</u>	<u>95,636</u>	<u>103,394</u>
Gross profit	<u>45,272</u>	<u>44,740</u>	<u>339,011</u>	<u>339,683</u>
Administrative expenses				
Advertising and promotions	601	611	4,526	3,439
Wages and related benefits	1,105	1,050	7,958	7,702
Telecommunications	96	44	547	386
Contractual and professional	1,499	993	8,604	6,444
Rental	17	20	128	142
Depreciation and amortization	144	141	998	990
Other administrative expenses	267	229	1,168	1,654
	<u>3,729</u>	<u>3,088</u>	<u>23,929</u>	<u>20,757</u>
Other Operating Income	<u>509</u>	<u>226</u>	<u>3,464</u>	<u>3,435</u>
Operating Income	<u>42,052</u>	<u>41,878</u>	<u>318,546</u>	<u>322,361</u>
Nonoperating income (expense)				
Investment income	800	1,212	5,937	8,224
Distributions to municipalities and counties	(683)	(725)	(5,321)	(5,452)
Distributions -capital reinvestment	(524)	(438)	(780)	(661)
Distributions to the State of West Virginia	(41,645)	(41,927)	(318,382)	(324,472)
	<u>(42,052)</u>	<u>(41,878)</u>	<u>(318,546)</u>	<u>(322,361)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>61,532</u>	<u>61,430</u>	<u>61,532</u>	<u>61,430</u>
Net position, end of period	<u>\$ 61,532</u>	<u>\$ 61,430</u>	<u>\$ 61,532</u>	<u>\$ 61,430</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SEVEN MONTH PERIOD ENDED JANUARY 31, 2025**  
(In Thousands)  
-Unaudited-

	2025	2024
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 743,898	\$ 756,885
Cash payments for:		
Personnel costs	(7,958)	(7,702)
Suppliers	(12,914)	(12,702)
Other operating costs	(394,808)	(405,113)
Cash provided by operating activities	<u>328,218</u>	<u>331,368</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(329,845)	(332,652)
Distributions to municipalities and counties	(5,429)	(5,518)
Distributions to racetrack from racetrack cap. reinv. fund	(6,551)	(7,790)
Cash used in noncapital financing activities	<u>(341,825)</u>	<u>(345,960)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(1,693)</u>	<u>(387)</u>
Cash flows from investing activities:		
Investment earnings received	<u>5,937</u>	<u>8,224</u>
Cash provided by investing activities	<u>5,937</u>	<u>8,224</u>
Increase (decrease) in cash and cash equivalents	(9,363)	(6,755)
Cash and cash equivalents - beginning of period	227,763	288,680
Cash and cash equivalents - end of period	<u>\$ 218,400</u>	<u>\$ 281,925</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 318,546	\$ 322,361
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	998	990
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	5,981	4,600
(Increase) decrease in inventory	194	(69)
(Increase) decrease in other assets	(4)	1,197
Increase (decrease) in estimated prize claims	2,300	1,661
Increase (decrease) in accounts payable	451	(1,440)
Increase (decrease) in other accrued liabilities	(248)	2,068
Cash provided by operating activities	<u>\$ 328,218</u>	<u>\$ 331,368</u>

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

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

**NOTE 1 - LEGISLATIVE ENACTMENT**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

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

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

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

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

**COMPENSATED ABSENCES** – The Lottery has accrued \$887,847 and \$807,352 at June 30, 2024 and 2023, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At January 31, 2025 the carrying amounts of deposits (overdraft) with financial institutions were \$494 thousand with a bank balance (overdraft) of \$555 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia's agent in the State's name.

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

	January 31, 2025	June 30, 2024
Deposits with financial institutions	\$ 494	\$ 491
Cash on hand at the Treasurer's Office	4,072	4,236
Investments with BTI reported as cash equivalents	213,834	223,036
	\$ 218,400	\$ 227,763

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

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

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the month ended January 31, 2025 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2024	Additions	Deletions	Historical Cost At January 31, 2025
Construction in Progress	2,812	1,551	-	4,363
Buildings	48,243	-	-	48,243
Land	1,681	-	-	1,681
Equipment	11,180	141	-	11,321
	<u>\$ 63,916</u>	<u>\$ 1,692</u>	<u>\$ -</u>	<u>\$ 65,608</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2024	Additions	Deletions	Historical Cost At January 31, 2025
Buildings	\$ 13,865	\$ 716	\$ -	\$ 14,581
Equipment	9,679	282	-	9,961
	<u>\$ 23,544</u>	<u>\$ 998</u>	<u>\$ -</u>	<u>\$ 24,542</u>

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY**

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

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, LOTTO AMERICA®, and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended January 31, 2025 and fiscal year-to-date is as follows:

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

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

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,901,646	\$ 13,310,752
Lotto America	606,451	3,760,954
Mega Millions	863,429	12,721,293
Total	\$ 3,371,526	\$ 29,792,999

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 954,626	\$ 6,681,952
Lotto America	303,223	1,880,457
Mega Millions	431,708	6,403,659
Total	\$ 1,689,557	\$ 14,966,068

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

	<u>PowerBall</u>	<u>Lotto America</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$132,000,000	\$12,000,000	\$110,000,000

At January 31, 2025, the Lotteries share of the prize reserve fund balances were as follows:

<u>Game</u>	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 126,758,865	\$ 1,137,959
Lotto America	10,528,579	792,010
Mega Millions	97,180,223	707,804
Total	\$ 234,467,667	\$ 2,637,773

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of

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

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

principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$23,646,311 at January 31, 2025, of which the Lottery's share was \$217,907.

**NOTE 6 - RACETRACK VIDEO LOTTERY**

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (66%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 11 titled "Nonoperating Distributions to the State of West Virginia."

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

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

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

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

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

**NOTE 6 - RACETRACK VIDEO LOTTERY (continued)**

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 12.

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

A summary of racetrack video lottery revenues for the month ended January 31, 2025 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Total credits played	\$ 406,562	\$ 399,055	\$ 3,266,513	\$ 3,219,508
Credits (prizes) won	(365,841)	(359,382)	(2,939,674)	(2,897,232)
Promotional credits played	(6,829)	(6,214)	(54,325)	(49,353)
Gross terminal income	33,892	33,459	272,514	272,923
Administrative costs	(659)	(729)	(10,204)	(10,307)
Net Terminal Income	33,233	32,730	262,310	262,616
Less distribution to agents	(16,988)	(17,012)	(147,906)	(148,392)
Racetrack video lottery revenues	\$ 16,245	\$ 15,718	\$ 114,404	\$ 114,224

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

	Current Month	Year-to-Date
State Lottery Fund	\$ 5,950	\$ 74,673
State Excess Lottery Revenue Fund	9,815	39,251
Capital Reinvestment Fund	480	480
Total nonoperating distributions	\$ 16,245	\$ 114,404

**NOTE 7 - LIMITED VIDEO LOTTERY**

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

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

**NOTE 7 - LIMITED VIDEO LOTTERY (continued)**

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

A summary of limited video lottery revenues for the month ended January 31, 2025 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Total credits played	\$ 465,825	\$ 495,090	\$ 3,628,429	\$ 3,705,788
Credits (prizes) won	(430,984)	(458,119)	(3,356,933)	(3,427,620)
Gross terminal income	\$ 34,841	\$ 36,971	\$ 271,496	\$ 278,168
Administrative costs	(697)	(739)	(5,430)	(5,564)
Gross Profit	34,144	36,232	266,066	272,604
Commissions	(17,072)	(18,116)	(133,033)	(136,302)
Municipalities and Counties	(683)	(725)	(5,321)	(5,452)
Limited video lottery revenues	\$ 16,389	\$ 17,391	\$ 127,712	\$ 130,850

**NOTE 8 – TABLE GAMES**

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

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

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

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

**NOTE 8 – TABLE GAMES (continued)**

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

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 12- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended January 31, 2025 were \$7,038,465 and \$53,074,244, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Table Games Privilege Tax	\$ 2,463	\$ 2,403	\$ 18,576	\$ 18,735
Interest on Table Games Fund	20	27	152	186
Administrative costs	(211)	(206)	(1,592)	(1,606)
Total Available for Distribution	2,272	2,224	17,136	17,315
<u>Less Distributions:</u>				
Racetrack Purse Funds	158	154	1,194	1,204
Thoroughbred & Greyhound Development Funds	127	124	955	964
Racing Association Pension Plan	63	62	473	478
Municipalities/ Counties	701	685	5,285	5,337
Total Distributions	1,049	1,025	7,907	7,983
Excess Lottery Fund	<u>\$ 1,223</u>	<u>\$ 1,199</u>	<u>\$ 9,229</u>	<u>\$ 9,332</u>



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

**NOTE 9 – HISTORIC RESORT HOTEL**

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

Historic Resort Video Lottery

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

A summary of historic resort hotel video lottery revenues for the month ended January 31, 2025 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Total credits played	\$ 2,765	\$ 4,195	\$ 27,910	\$ 35,049
Credits (prizes) won	(2,483)	(3,823)	(25,543)	(31,634)
Promotional credits played	(40)	(57)	(483)	(624)
Gross terminal income	242	315	1,884	2,791
Capital reinvestment	(11)	(15)	(89)	(131)
Excess Lottery Fund	(2)	(3)	(17)	(25)
Administrative costs	(13)	(17)	(102)	(151)
Hotel commissions	(102)	(133)	(797)	(1,180)
Net terminal income	114	147	879	1,304
Historic Resort Hotel Fund	73	94	558	830
Human Resource Benefit Fund	41	53	321	474

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

**NOTE 9 – HISTORIC RESORT HOTEL (continued)**

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended January 31, 2025 were \$240,542 and \$2,709,377 respectively.

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

	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Table games privilege tax	\$ 84	\$ 139	\$ 948	\$ 1,442
Administrative Costs	<u>(11)</u>	<u>(18)</u>	<u>(122)</u>	<u>(185)</u>
Total Available for Distribution	73	121	826	1,257
Historic Resort Hotel Fund	61	101	691	1,051
Human Resource Benefit Fund	12	20	135	206

Historic Resort Hotel Fund

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

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located; 20+19+
- 5) +74
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 7) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

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

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 73	\$ 558
Historic Resort Table Games	61	691
Interest on Historic Resort Hotel Fund	<u>5</u>	<u>34</u>
Historic Resort Hotel Fund Net Income	139	1,283
Municipalities/ Counties	20	179
Excess Lottery Fund	<u>119</u>	<u>1,104</u>
Total Distributions	<u>\$ 139</u>	<u>\$ 1,283</u>

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

**NOTE 10– SPORTS WAGERING**

Sports Wagering legislation passed in 2018 per Senate Bill 415. Each racetrack and historic resort hotel licensee is subject to a privilege tax of ten percent (10%) of adjusted gross wagering receipts which will be deposited weekly into the Sports Wagering Fund.

From the privilege tax deposited into the Sports Wagering Fund, the Commission, on a monthly basis shall:

Retain 15% for administrative expenses of which any surplus in excess of \$250,000 shall be reported to the Joint Committee on Government and Finance and remitted to the State Treasurer.

After the reduction for administrative expenses, the net profit shall be deposited into the State Lottery Fund until a total of \$15 million is deposited. The remainder of net profit shall be deposited into the Public Employees Insurance Agency Financial Stability Fund.

The Sports Wagering adjusted gross wagering receipts for the month and year-to-date periods ended January 31, 2025 were \$6,518,495 and \$36,796,365, respectively. The following table shows the month and year-to-date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Sports Wagering Privilege Tax	\$ 653	\$ 629	\$ 3,680	\$ 3,390
Interest on Sports Waging Fund	6	8	45	49
Administrative Costs	(98)	(94)	(552)	(508)
Total Available for Distribution	561	543	3,173	2,931

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

**NOTE 11– INTERACTIVE WAGERING**

Interactive Wagering legislation passed in 2019 per House Bill 2934. Each racetrack and historic resort hotel licensee is subject to a privilege tax of fifteen percent (15%) of adjusted gross interactive gaming receipts which will be deposited weekly into the Interactive Wagering Fund.

From the privilege tax deposited into the Interactive Wagering Fund, the Commission, on a monthly basis shall:

Retain 15% for administrative expenses of which any surplus in excess of \$250,000 shall be reported to the Joint Committee on Government and Finance and remitted to the State Treasurer.

In each fiscal year, the Lottery Commission shall deposit one-quarter of a percent of the net profit into each of the four special funds established by the Racing Commission, pursuant to §29-22A-10 and §29-22C-27 to be used for payment into the pension plan for the employees of the licensed racing associations in this state.

After the reduction for administrative expenses and the pension plans for the racing associations, the net profit shall be deposited into the State Lottery Fund.

The Interactive Wagering adjusted gross interactive gaming receipts for the month and year-to-date periods ended January 31, 2025 were \$25,724,763 and \$163,046,843 respectively. The following table shows the month and year-to-date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2025	2024	2025	2024
Interactive Wagering Privilege Tax	\$ 3,859	\$ 2,372	\$ 24,457	\$ 14,617
Interest on Interactive Wagering Fund	51	53	341	335
Administrative Costs	(579)	(355)	(3,669)	(2,192)
Total Available for Distribution	3,331	2,070	21,129	12,760

A summary of Interactive Gaming Fund related distributions is as follows (in thousands):

	Current Month	Year-to-Date
Pensions	33	211
Lottery Fund	3,298	20,918
Total Distributions	\$ 3,331	\$ 21,129

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

**NOTE 12- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2025 the State Legislature budgeted \$149,094,042 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$6,404,184 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended January 31, 2025 the Lottery has accrued additional distributions of \$178,551,774. The Lottery is a non-appropriated state agency and therefore does not have a legally adopted annual budget.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>January 31, 2025</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 499	\$ 3,494
Bureau of Senior Services	3,036	83,771
Department of Education	668	14,755
Library Commission	522	11,515
Higher Education-Policy Commission	341	7,532
Tourism	321	7,085
General Revenue		
Natural Resources	177	3,903
Fire Protection Fund		
Division of Culture & History	195	4,294
Economic Development Authority	1,000	6,999
School Building Authority	1,800	12,600
Total State Lottery Fund	<u>\$ 8,559</u>	<u>\$ 155,948</u>

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 203	\$ 10,914
Higher Education Improvement Fund	1,500	10,500
Economic Development Authority	439	3,073
General Purpose Account	6,341	37,439
Higher Education Improvement Fund	2,829	16,704
State Park Improvement Fund	147	867
School Building Authority	1,764	12,348
Refundable Credit		412
WV Racing Commission	195	1,952
Division of Human Services		17,000
WV Lottery Statutory Transfers	5,953	35,148
General Revenue Fund		
West Va. Infrastructure Council	4,503	27,242
Total State Excess Lottery Revenue Fund	<u>\$ 23,874</u>	<u>\$ 173,599</u>
Total Budgetary distributions:	<u>\$ 32,433</u>	<u>\$ 329,547</u>
Veterans Instant Ticket Fund	\$ 58	\$ 298
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 32,491	\$ 329,845
Accrued nonoperating distributions, beginning	(169,398)	(190,015)
Accrued nonoperating distributions, end	<u>178,552</u>	<u>178,552</u>
	<u><u>\$ 41,645</u></u>	<u><u>\$ 318,382</u></u>

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

**NOTE 13 – LEASES**

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancellable operating leases. Rental expense for the fiscal year-to-date ended January 31, 2025 and January 31, 2024 approximated \$128,395 and \$141,964 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended January 31, 2025 and January 31, 2024 approximated \$660,345 and \$612,195 respectively.

**NOTE 14 – COMMITMENTS**

For the years ended June 30, 2024 and June 30, 2023 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2024 and 2023, \$5,321,574 and \$5,986,994, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

**NOTE 15 - RETIREMENT BENEFITS**

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

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 10% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending January 31, 2025 and fiscal year-to-date are as follows (in thousands):

	<u>January 31, 2025</u>	<u>Year-to-Date</u>
Employee contributions	\$ 41	\$ 319
Lottery contributions	74	564
Total contributions	\$ 115	\$ 883

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

**NOTE 16 - RISK MANAGEMENT**

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

**WORKERS' COMPENSATION INSURANCE**

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

**PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)**

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

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

**BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)**

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



**SCHEDULE OF REVENUES AND NET REVENUES OF THE  
LOTTERY FUND AND EXCESS LOTTERY FUND  
FOR THE SEVEN MONTH PERIOD ENDED JANUARY 31, 2025  
(In Thousands)**

	Current Month		FISCAL YEAR	
	Actual	Projected	Actual	Projected
Gross Revenues				
Instant games	12,564	12,500	94,081	87,500
On-line games	5,125	5,833	42,687	40,833
E instants	1,682	-	4,130	-
Racetrack video lottery	33,892	37,164	272,514	259,586
Limited video lottery	34,841	37,076	271,496	261,883
Racetrack table games	2,463	1,943	18,576	14,469
Historic resort	326	291	2,832	2,986
Sports wagering	653	261	3,680	2,485
Interactive wagering	3,859	1,386	24,457	8,643
Total gross revenues	<u>95,405</u>	<u>96,454</u>	<u>734,453</u>	<u>678,385</u>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,333	1,223	10,144	8,561
On-line games	1,500	1,674	12,769	11,720
Racetrack Video Lottery	6,061	8,721	76,111	72,255
Sports wagering	560	253	3,173	1,771
Interactive wagering	3,298	1,166	20,919	7,273
Total Lottery Fund net revenues	<u>12,752</u>	<u>13,037</u>	<u>123,116</u>	<u>101,580</u>
Excess Lottery Fund				
Racetrack Video Lottery	9,991	5,464	39,940	32,677
Limited Video Lottery	16,673	17,441	129,865	123,190
Limited Video Lottery Fees	(9)	-	1,010	-
Racetrack table games	1,223	953	9,230	7,098
Historic resort	121	111	1,121	1,137
Total Excess Lottery Fund Net Revenues	<u>27,999</u>	<u>23,969</u>	<u>181,166</u>	<u>164,102</u>
Total Net Revenues	<u>40,751</u>	<u>37,006</u>	<u>304,282</u>	<u>265,682</u>

## Appendix D - Required Forms, Continued

### ADDENDUM ACKNOWLEDGEMENT FORM SOLICITATION NO.: CRFQ LOT25\*04

**Instructions:** Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

**Acknowledgment:** I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

**Addendum Numbers Received:**

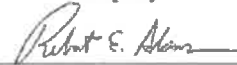
(Check the box next to each addendum received)

<input checked="" type="checkbox"/> Addendum No. 1	<input type="checkbox"/> Addendum No. 6
<input type="checkbox"/> Addendum No. 2	<input type="checkbox"/> Addendum No. 7
<input type="checkbox"/> Addendum No. 3	<input type="checkbox"/> Addendum No. 8
<input type="checkbox"/> Addendum No. 4	<input type="checkbox"/> Addendum No. 9
<input type="checkbox"/> Addendum No. 5	<input type="checkbox"/> Addendum No. 10

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

Brown, Edwards & Company, L.L.P.

Company



Authorized Signature

4/23/2025

Date

**NOTE:** This addendum acknowledgment should be submitted with the bid to expedite document processing.  
Revised 6/8/2012

## Appendix E - Pricing Page

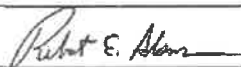
REQUEST FOR QUOTATION  
WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES

## EXHIBIT A - PRICING PAGE

## FLAT FEE PRICING

DESCRIPTION	YEAR	COST
Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of ACFR, and all other services as described in this solicitation.	FY 2025	\$45,900
Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of ACFR, and all other services as described in this solicitation.	FY 2026	\$47,500
Total, all-inclusive price for audit services (including preparation of financial statements and footnote disclosures), preparation of ACFR, and all other services as described in this solicitation.	FY 2027	\$49,800
	<b>TOTAL AMOUNT</b>	<b>BID</b> \$143,200

Vendor: Brown, Edwards &amp; Company, L.L.P.

Signature: 

Date: 4/23/2025