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ACTING DIRECTOR

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MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: David R. Bradley, Acting Director

RE: Monthly Report on Lottery Operations
Month Ending June 30, 2026

DATE: July 20, 2026

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

Financial statements of the Lottery for the month ending June 30, 2026 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, sports wagering, and interactive gaming was $106,716,617 for the month of June.

Transfers of lottery revenue totaling $54,508,054 made for the month of June 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 June 30, 2026 was 1,499 and 1,165 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.

DRB
Attachment

pc: Honorable Patrick Morrisey, 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-

June 30, 2026

WEST VIRGINIA LOTTERY

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

ASSETS	June 30, 2026	June 30, 2025
Current Assets:		
Cash and cash equivalents	$ 186,240	$ 181,724
Accounts receivable	32,843	37,340
Inventory	1,650	1,209
Other assets	199	222
Total Current Assets	220,932	220,495
Capital assets	66,045	65,658
Less accumulated depreciation and amortization	(28,246)	(25,582)
Net Capital Assets	37,799	40,076
Net Pension Asset	3,496	883
Net OPEB Asset		2
Total Noncurrent Assets	41,295	40,961
Total Assets	$ 262,227	$ 261,456
Deferred outflows of resources	$ 1,921	$ 2,251
Total assets and deferred outflows	$ 264,148	$ 263,707
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	$ 142,131	$ 142,469
Estimated prize claims	26,276	22,031
Accounts payable	3,890	3,813
Other accrued liabilities	30,927	34,672
Total Current Liabilities	203,224	202,985
Deferred inflows	$ 1,848	1,182
Net Position:		
Net Investment in capital assets	37,799	40,076
Unrestricted	21,277	19,464
Total Net Position	59,076	59,540
Total net position, liabilities, and deferred inflows	$ 264,148	$ 263,707

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 TWELVE MONTH PERIOD ENDED JUNE 30, 2026
(In Thousands)
-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2026	FY 2025	FY 2026	FY 2025
Lottery revenues				
Draw Based Games	$ 6,044	$ 4,783	$ 85,226	$ 68,458
Scratch-Off Games	12,252	11,558	155,018	155,609
E instants	3,875	1,843	35,458	13,092
Racetrack video lottery	37,798	39,429	479,162	475,498
Limited video lottery	37,631	37,320	469,486	473,964
Table games	2,675	2,422	32,802	32,361
Historic resort	336	224	3,835	4,220
Sports Wagering	295	400	5,960	5,676
Interactive Wagering	5,811	4,087	65,874	46,159
	106,717	102,066	1,332,821	1,275,037
Less commissions				
Draw Based Games	380	322	5,458	4,660
Scratch-Off Games	857	809	10,851	10,892
Racetrack video lottery	17,912	18,518	249,950	245,183
Limited video lottery	18,439	18,287	230,048	232,242
Table games	1,171	1,029	14,345	13,770
Historic resort	180	69	1,878	2,021
	38,939	39,034	512,530	508,768
Less draw based games prizes	2,361	2,334	42,952	33,755
Less scratch-off games prizes	7,949	7,932	106,211	106,615
Less e instant prizes	3,044	1,451	27,841	10,303
Less ticket costs	378	158	2,183	1,793
Less vendor fees and costs	873	884	12,601	10,384
	14,605	12,759	191,788	162,850
Gross profit	53,173	50,273	628,503	603,419
Administrative expenses				
Advertising and promotions	437	269	6,892	7,213
Wages and related benefits	353	648	14,067	13,601
Telecommunications	57	276	677	974
Contractual and professional	2,214	1,107	14,130	14,208
Rental	17	23	201	221
Depreciation and amortization	222	465	2,664	2,038
Other administrative expenses	585	394	3,857	2,989
	3,885	3,182	42,488	41,244
Other Operating Income	669	583	11,908	11,581
Operating Income	49,957	47,674	597,923	573,756
Nonoperating income (expense)				
Investment income	507	625	6,482	9,800
Distributions to municipalities and counties	(738)	(731)	(9,202)	(9,290)
Distributions -capital reinvestment	(7,999)	(8,535)	(12,768)	(12,775)
Distributions to the State of West Virginia	(42,191)	(41,025)	(582,899)	(563,483)
	(50,421)	(49,666)	(598,387)	(575,748)
Net income	(464)	(1,992)	(464)	(1,992)
Net position, beginning of period	59,540	61,532	59,540	61,532
Net position, end of period	$ 59,076	$ 59,540	$ 59,076	$ 59,540

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2026
(In Thousands)
-Unaudited-

	2026	2025
Cash flows from operating activities:		
Cash received from customers and other sources	$ 1,349,226	$ 1,287,861
Cash payments for:		
Personnel costs	(10,403)	(12,907)
Suppliers	(32,205)	(28,484)
Other operating costs	(700,076)	(668,482)
Cash provided by operating activities	606,542	577,988
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(583,237)	(611,029)
Distributions to municipalities and counties	(9,195)	(9,309)
Distributions to racetrack from racetrack cap. reinv. fund	(15,689)	(11,746)
Cash used in noncapital financing activities	(608,121)	(632,084)
Cash flows from capital and related financing acitivities:		
Purchases of capital assets	(387)	(1,743)
Cash flows from investing activities:		
Investment earnings received	6,482	9,800
Increase (decrease) in cash and cash equivalents	4,516	(46,039)
Cash and cash equivalents - beginning of period	181,724	227,763
Cash and cash equivalents - end of period	$ 186,240	$ 181,724
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 597,923	$ 573,756
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	2,664	2,038
Pension Expense	(548)	440
OPEB Expense	112	(32)
OPEB Support	(95)	(7)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	4,497	1,243
(Increase) decrease in inventory	(441)	121
(Increase) decrease in other assets	23	(9)
(Increase) decrease in deferred outflows	(997)	(1,026)
Increase (decrease) in estimated prize claims	4,245	2,738
Increase (decrease) in accounts payable	77	(1,291)
Increase (decrease) in other accrued liabilities	(918)	17
Cash provided by operating activities	$ 606,542	$ 577,988

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 annual comprehensive 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.

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 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 sell 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.

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 $949,857 and $893,184 at June 30, 2026 and 2025, 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.

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 June 30, 2026 the carrying amounts of deposits (overdraft) with financial institutions were $2.4 million with a bank balance (overdraft) of $2.4 million. 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):

	June 30, 2026	June 30, 2025
Deposits with financial institutions	$ 2,370	$ 1,427
Cash on hand at the Treasurer's Office	6,157	5,532
Investments with BTI reported as cash equivalents	177,713	174,764
	$ 186,240	$ 181,723

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.

NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the month ended June 30, 2026, is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2025	Additions	Deletions	Historical Cost At June 30, 2026
Construction in Progress	212	387	-	599
Buildings	48,243	-	-	48,243
Land	1,681	-	-	1,681
Equipment	15,522	-	-	15,522
	$ 65,658	$ 387	$ -	$ 66,045

Accumulated Depreciation:

	Historical Cost At June 30, 2025	Additions	Deletions	Historical Cost At June 30, 2026
Buildings	$ 15,093	$ 1,229	$ -	$ 16,322
Equipment	10,489	1,435	-	11,924
	$ 25,582	$ 2,664	$ -	$ 28,246

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 June 30, 2026, and fiscal year-to-date is as follows:

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

Revenues		Month		Y-T-D
Powerball	$	1,924,942	$	40,322,383
Lotto America		606,989		6,482,508
Millionaire for Life		463,235		2,107,845
Mega Millions		1,209,255		14,180,190
Total	$	4,204,421	$	63,092,926

Expenses (Prizes)		Month		Y-T-D
Powerball	$	966,321	$	20,242,092
Lotto America		303,495		3,241,334
Millionaire for Life		254,779		1,159,326
Mega Millions		604,628		7,144,209
Total	$	2,129,223	$	31,786,961

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 are as follows:

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

At June 30, 2026, the Lotteries share of the prize reserve fund balances were as follows:

Game		Total Prize Reserve		Lottery Share
Powerball	$	108,373,874	$	967,493
Lotto America		11,736,402		934,081
Millionaire for Life		24,251,070		543,920
Mega Millions		93,490,417		676,035
Total	$	237,851,763	$	3,121,529

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

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 $48,703,633 on June 30, 2026, of which the Lottery's share was $198,540.

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 (9.5%); and the local county and municipal governments (2%). The remaining revenues (42%) 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 (6%); and the local county and incorporated municipality governments (2%).

NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

The remaining net terminal revenue (50%) 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 June 30, 2026, and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2026	2025	**2026**	2025
Total credits played	**$ 473,282**	$ 484,989	**$ 5,867,497**	$ 5,739,737
Credits (prizes) won	**(426,827)**	(437,012)	**(5,285,991)**	(5,169,055)
Promotional credits played	**(8,657)**	(8,548)	**(102,344)**	(95,184)
Gross terminal income	**37,798**	39,429	**479,162**	475,498
Administrative costs	**(506)**	(551)	**(13,575)**	(13,625)
Net Terminal Income	**37,292**	38,878	**465,587**	461,873
Less distribution to agents	**(17,912)**	(18,518)	**(249,950)**	(245,183)
Racetrack video lottery revenues	**$ 19,380**	$ 20,360	**$ 215,637**	$ 216,690

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	**$ 3,654**	**$ 99,343**
State Excess Lottery Revenue Fund	**14,815**	**111,423**
Capital Reinvestment Fund	**911**	**4,871**
Total nonoperating distributions	**$ 19,380**	**$ 215,637**

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

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 June 30, 2026 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2026	2025	**2026**	2025
Total credits played	**$ 504,701**	$ 505,813	**$ 6,264,193**	$ 6,339,553
Credits (prizes) won	**(467,070)**	(468,493)	**(5,794,707)**	(5,865,589)
Gross terminal income	**$ 37,631**	$ 37,320	**$ 469,486**	$ 473,964
Administrative costs	**(753)**	(746)	**(9,390)**	(9,479)
Gross Profit	**36,878**	36,574	**460,096**	464,485
Commissions	**(18,439)**	(18,287)	**(230,048)**	(232,242)
Municipalities and Counties	**(738)**	(731)	**(9,202)**	(9,290)
Limited video lottery revenues	**$ 17,701**	$ 17,556	**$ 220,846**	$ 222,953

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:

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 June 30, 2026, were $7,642,949 and $93,720,124, 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	
	2026	2025	**2026**	2025
Table Games Privilege Tax	**$ 2,675**	$ 2,422	**$ 32,802**	$ 32,361
Interest on Table Games Fund	**11**	14	**153**	242
Administrative costs	**(229)**	(208)	**(2,812)**	(2,774)
Total Available for Distribution	**2,457**	2,228	**30,143**	29,829
Less Distributions:				
Racetrack Purse Funds	**191**	156	**2,336**	2,080
Thoroughbred & Greyhound Development Funds	**153**	125	**1,869**	1,664
Racing Association Pension Plan	**68**	61	**831**	823
Municipalities/ Counties	**759**	687	**9,309**	9,203
Total Distributions	**1,171**	1,029	**14,345**	13,770
Excess Lottery Fund	**$ 1,286**	$ 1,199	**$ 15,798**	$ 16,059

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 200Hotel 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 June 30, 2026, and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2026	2025	**2026**	2025
Total credits played	**$ 2,629**	$ 3,179	**$ 40,524**	$ 46,433
Credits (prizes) won	**(2,278)**	(3,072)	**(37,158)**	(43,023)
Promotional credits played	**(100)**	(71)	**(970)**	(896)
Gross terminal income	**251**	36	**2,396**	2,514
Capital reinvestment	**(12)**	(2)	**(113)**	(118)
Excess Lottery Fund	**(2)**	-	**(22)**	(23)
Administrative costs	**(14)**	(2)	**(129)**	(136)
Hotel commissions	**(107)**	(15)	**(1,013)**	(1,064)
Net terminal income	**116**	17	**1,119**	1,173
Historic Resort Hotel Fund	**73**	11	**712**	746
Human Resource Benefit Fund	**43**	6	**407**	427

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 June 30, 2026, were $244,170 and $4,110,043 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:

	2026	2025	2026	2025
Table games privilege tax	**$ 85**	$ 188	**$ 1,439**	$ 1,706
Administrative Costs	**(11)**	(24)	**(185)**	(219)
Total Available for Distribution	**74**	164	**1,254**	1,487
Historic Resort Hotel Fund	**62**	137	**1,048**	1,243
Human Resource Benefit Fund	**12**	27	**206**	244

Historic Resort Hotel Fund

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

1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
2) Four percent (4%) is paid to the county where the gaming facility is located;
3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
6) Two and one-half percent (2.5%) is divided and paid in equal shares
7) , 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):

	Current Month	Year-to-Date
Historic Resort Hotel Video Lottery	$ 73	$ 712
Historic Resort Table Games	62	1,048
Interest on Historic Resort Hotel Fund	3	36
Historic Resort Hotel Fund Net Income	138	1,796
Municipalities/ Counties	18	252
Excess Lottery Fund	120	1,544
Total Distributions	$ 138	$ 1,796

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 June 30, 2026, were $2,951,361 and $59,598,863, 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	
	2026	2025	**2026**	2025
Sports Wagering Privilege Tax	**$ 295**	$ 400	**$ 5,960**	$ 5,676
Interest on Sports Waging Fund	**6**	8	**58**	86
Administrative Costs	**(44)**	(60)	**(894)**	(851)
Total Available for Distribution	**257**	348	**5,124**	4,911

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 June 30, 2026, were $38,741,904 and $439,159,670 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	
	2026	2025	**2026**	2025
Interactive Wagering Privilege Tax	**$ 5,811**	$ 4,087	**$ 65,874**	$ 46,159
Interest on Interactive Wagering Fund	**48**	40	**601**	570
Administrative Costs	**(872)**	(613)	**(9,881)**	(6,924)
Total Available for Distribution	**4,987**	**3,514**	**56,594**	**39,805**

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

	Current Month	Year-to-Date
Pensions	50	566
Lottery Fund	4,937	56,028
Total Distributions	$ 4,987	$ 56,594

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, 2026 the State Legislature budgeted $157,382,400 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 $4,453,098 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 June 30, 2026, the Lottery has accrued additional distributions of $142,131,487. 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):

BUDGETARY DISTRIBUTIONS	June 30, 2026	Year-to-Date
State Lottery Fund:		
Community and Technical College	$	$ 4,999
Bureau of Senior Services		83,775
Department of Education		40,977
Library Commission		11,516
Higher Education-Policy Commission		7,571
Tourism		7,118
General Revenue		
Natural Resources		3,943
Emergency Medical Services Fund	12,000	12,000
Fire Protection Fund		12,000
Division of Culture & History		3,220
Economic Development Authority		9,991
School Building Authority		18,000
Total State Lottery Fund	$ 12,000	$ 215,110

State Excess Lottery Revenue Fund:		
Economic Development Fund	$	$ 2,030
Higher Education Improvement Fund		15,000
Economic Development Authority		4,392
General Purpose Account		65,000
Higher Education Improvement Fund		29,000
State Park Improvement Fund		1,505
School Building Authority		17,640
Refundable Credit		10,000
WV Racing Commission		2,800
Board of Education		12,665
Division of Human Services	42,469	101,350
WV Lottery Statutory Transfers		60,271
General Revenue Fund		
West Va. Infrastructure Council		46,000
Total State Excess Lottery Revenue Fund	$ 42,469	$ 367,653
Total Budgetary distributions:	$ 54,469	$ 582,763
Veterans Instant Ticket Fund	$ 40	$ 474
Total nonoperating distributions to the State of West Virginia (cash basis)	$ 54,509	$ 583,237
Accrued nonoperating distributions, beginning	(154,449)	(142,469)
Accrued nonoperating distributions, end	142,131	142,131
	$ 42,191	$ 582,899

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 June 30, 2026 and June 30, 2025 approximated $200,982 and $220,784 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 June 30, 2026 and June 30, 2025 approximated $1,100,957 and $1,118,613 respectively.

NOTE 14 – COMMITMENTS

For the years ended June 30, 2026 and June 30, 2025 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2026 and 2025, $3,626,999 and $4,783,397, 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 June 30, 2026, and fiscal year-to-date are as follows (in thousands):

	June 30, 2026	Year-to-Date
Employee contributions	$ 43	$ 557
Lottery contributions	74	1,082
Total contributions	$ 117	$ 1,639

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 TWELVE MONTH PERIOD ENDED JUNE 30, 2026
(In Thousands)

	Current Month		FISCAL YEAR	
	Actual	**Projected**	**Actual**	**Projected**
Gross Revenues				
Scratch-Off Games	12,252	12,917	155,018	155,000
Draw Based Games	6,044	6,500	85,226	78,000
E-Instants	3,875	-	35,458	-
Racetrack video lottery	37,798	37,154	479,162	442,000
Limited video lottery	37,631	37,261	469,486	465,000
Racetrack table games	2,675	1,936	32,802	25,000
Historic resort	336	266	3,835	5,163
Sports wagering	295	298	5,960	3,572
Interactive wagering	5,811	2,058	65,874	24,700
Total gross revenues	**106,717**	**98,390**	**1,332,821**	**1,198,435**
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Scratch-Off Games	1,772	1,265	16,585	15,178
Draw Based Games	2,183	1,953	21,386	23,439
E-Instants	579	-	6,336	-
Racetrack Video Lottery	3,689	4,721	100,425	94,955
Sports wagering	257	253	5,125	3,036
Interactive wagering	4,938	1,732	56,028	20,785
Total Lottery Fund net nevenues	13,418	9,924	205,885	157,393
Excess Lottery Fund				
Racetrack Video Lottery	14,955	13,308	112,323	97,862
Limited Video Lottery	17,830	17,528	222,970	218,736
Limited Video Lottery Fees	8	-	6,029	4,500
Racetrack table games	1,286	925	15,798	11,943
Historic resort	122	102	1,565	1,967
Total Excess Lottery Fund Net Revenues	34,201	31,863	358,685	335,008
Total Net Revenues	**47,619**	**41,787**	**564,570**	**492,401**