

**AUDIT REPORT
OF THE
NEBRASKA LOTTERY**

FOR THE FISCAL YEAR ENDED JUNE 30, 2026

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the Auditor of Public Accounts.**

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Issued on September 21, 2026

NEBRASKA LOTTERY

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NEBRASKA LOTTERY

BACKGROUND

The Legislature created the Lottery Division of the Nebraska Department of Revenue (Nebraska Lottery) in 1991. Nebraska voters passed a constitutional amendment allowing the creation of a State lottery in November 1992, and the Legislature established the State lottery in 1993. As the 37th lottery in the nation, the Nebraska Lottery began scratch ticket sales on September 11, 1993. Sales of on-line products began on July 21, 1994.

The Nebraska Lottery is responsible for contracting for scratch ticket production, on-line equipment, advertising, security, and related services. In addition, the Nebraska Lottery recruits and screens Nebraska Lottery retailers, develops Nebraska Lottery products, and collects Nebraska Lottery revenues.

Currently, the Nebraska Lottery offers Powerball®, Nebraska Pick 5®, Nebraska Pick 3®, Nebraska Pick 4®, 2by2®, MyDaY®, Mega Millions®, Lotto America®, Millionaire for Life®, and instant games.

Article III, § 24, of the Nebraska Constitution sets out the basic requirements for the transfer of lottery proceeds to certain beneficiary funds, specifying that a portion of those revenues are to “be used for education as the Legislature may direct[.]”

Neb. Rev. Stat. § 9-812(2) (2026 Neb. Laws, L.B. 1072, § 126) offers the following legislative directive for the transfer of lottery proceeds:

A portion of the dollar amount of the lottery tickets which have been sold on an annualized basis shall be transferred from the State Lottery Operation Trust Fund as provided in subsection (3) of this section. The dollar amount transferred pursuant to this subsection shall equal the greater of (a) the dollar amount transferred in fiscal year 2002-03 or (b) any amount which constitutes at least twenty-two percent and no more than twenty-five percent of the dollar amount of the lottery tickets which have been sold on an annualized basis. To the extent that funds are available, the Tax Commissioner and director may authorize a transfer exceeding twenty-five percent of the dollar amount of the lottery tickets sold on an annualized basis.

Additionally, § 9-812(3) provides these further instructions:

Of the money available to be transferred as provided in this subsection:

(a) The first five hundred thousand dollars shall be transferred to the Compulsive Gamblers Assistance Fund to be used as provided in section 9-1006;

(b) Forty-four and one-half percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be used for education and transferred pursuant to section 79-3501;

(c) Forty-four and one-half percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Nebraska Environmental Trust Fund to be used as provided in the Nebraska Environmental Trust Act;

(d) Ten percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Nebraska State Fair Board if the most populous city within the county in which the fair is located provides matching funds equivalent to ten percent of the funds available for transfer. Such matching funds may be obtained from the city and any other private or public entity, except that no portion of such matching funds shall be provided by the state. If the Nebraska State Fair ceases operations, ten percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the General Fund; and

(e) One percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Compulsive Gamblers Assistance Fund to be used as provided in section 9-1006.

NEBRASKA LOTTERY

BACKGROUND (Concluded)

Neb. Rev. Stat. § 79-3501(2) (Supp. 2025) states the following:

For fiscal years 2024-25 through 2028-29, the money available to be used for education pursuant to subdivision (3)(b) of section 9-812 shall be transferred as follows:

- (a) Eight percent to the Behavioral Training Cash Fund;*
- (b) Two percent to the College Pathway Program Cash Fund;*
- (c) Seven percent to the Community College Gap Assistance Program Fund;*
- (d) Ten percent to the State Department of Education Improvement Grant Fund;*
- (e) Three percent to fund distance education incentives pursuant to section 79-1337;*
- (f) One percent to the Door to College Scholarship Fund;*
- (g) Eight percent to the Excellence in Teaching Cash Fund;*
- (h) One and one-half percent to the Expanded Learning Opportunity Grant Fund;*
- (i) One and one-half percent to the Mental Health Training Cash Fund; and*
- (j) Fifty-eight percent to the Nebraska Opportunity Grant Fund.*

MISSION STATEMENT

The Nebraska Lottery's webpage (<https://nelottery.com/homeapp/about/main>) contains the following mission statement:

The mission of the Nebraska Lottery is to generate proceeds for good causes as determined by the voters and the Legislature, while providing quality entertainment options to Nebraskans.

NEBRASKA LOTTERY

KEY OFFICIALS AND AGENCY CONTACT INFORMATION

Nebraska Lottery Executive Management

Name	Title
James R. Kamm	Tax Commissioner
Brian Rockey	Lottery Director
Dennis Nelson	Lottery Finance Manager

The Nebraska Lottery
137 N.W. 17th Street
Lincoln, NE 68528-1204
402-471-6100
lottery@nelottery.com

NEBRASKA LOTTERY

COMMENT AND RECOMMENDATION

Identical Wagers

During our audit of the financial statements of the Nebraska Lottery (Lottery), we noted that the Lottery did not consider winnings from “identical wagers” for purposes of reporting and withholding requirements. As a result, the Lottery did not withhold taxes and file tax forms when required.

Federal and State regulations require payers to file a W-2G form to report gambling winnings of at least \$600 (net of wager) and to withhold Federal and State taxes if the winnings exceed \$5,000. The Internal Revenue Service (IRS) requires winnings from “identical wagers” to be added together for the purposes of reporting and withholding requirements. Two or more lottery wagers are identical wagers if they are placed with the same payer, and winning depends on the occurrence (or non-occurrence) of the same event or events.

Given the nature of the games, identical winning wagers are most likely for repeat wins on the Lottery’s MyDaY, Pick 3, and Pick 4 games. During fiscal year 2026, the Lottery had 740 claims over \$600, totaling \$2,148,612, for these three games. During calendar year 2025, the Lottery had 336 claims over \$600, totaling \$1,032,048 for these three games. During our audit period, the Lottery was required to file W-2G forms for calendar year 2025 claims. From the fiscal year 2026 and calendar year 2025 claims, the Auditor of Public Accounts (APA) judgmentally selected 27 claims to test for which we noted a higher risk that the Lottery did not properly withhold taxes or file W-2G forms given the dollar amount of the claims, whether the claim was made by a repeat winner, etc. We obtained the winning tickets for these claims and noted 18 of the claims were calendar year 2025 claims for identical wagers over \$600, and 26 of the claims were for identical wagers over \$5,000. For 18 of the 18 calendar year 2025 identical winning wagers tested over \$600, the Lottery did not file W-2G forms. The Lottery processed all these claims during fiscal year 2025, prior to our communication of a similar finding last year. For 25 of the 26 identical winning wagers tested over \$5,000, the Lottery did not withhold State and Federal taxes, resulting in Federal taxes being underwithheld by a total of \$81,864 and State taxes being underwithheld by a total of \$14,947, as reflected in the table below.

Claim Date	Amount Subject to Withholding from Identical Wagers	Game	Federal Tax Withheld	APA Calculated Federal Tax	Variance	State Tax Withheld	APA Calculated State Tax	Variance
1/13/2025	\$ 6,000	Pick 3	\$ 0	\$ 1,440	\$ (1,440)	\$ 0	\$ 300	\$ (300)
1/23/2025	\$ 6,000	Pick 3	\$ 0	\$ 1,440	\$ (1,440)	\$ 0	\$ 300	\$ (300)
2/3/2025	\$ 12,000	Pick 3	\$ 0	\$ 2,880	\$ (2,880)	\$ 0	\$ 600	\$ (600)
2/10/2025	\$ 9,800	Pick 3	\$ 0	\$ 2,352	\$ (2,352)	\$ 0	\$ 490	\$ (490)
3/10/2025	\$ 12,000	Pick 3	\$ 0	\$ 2,880	\$ (2,880)	\$ 0	\$ 600	\$ (600)
3/18/2025	\$ 9,000	Pick 3	\$ 0	\$ 2,160	\$ (2,160)	\$ 0	\$ 450	\$ (450)
3/18/2025	\$ 6,000	Pick 3	\$ 0	\$ 1,440	\$ (1,440)	\$ 0	\$ 300	\$ (300)
3/31/2025	\$ 18,000	Pick 3	\$ 0	\$ 4,320	\$ (4,320)	\$ 0	\$ 900	\$ (900)
5/12/2025	\$ 18,000	Pick 3	\$ 0	\$ 4,320	\$ (4,320)	\$ 0	\$ 900	\$ (900)
6/9/2025	\$ 9,000	Pick 3	\$ 0	\$ 2,160	\$ (2,160)	\$ 0	\$ 450	\$ (450)
6/11/2025	\$ 15,000	Pick 3	\$ 0	\$ 3,600	\$ (3,600)	\$ 0	\$ 750	\$ (750)
10/31/2025	\$ 9,000	Pick 3	\$ 0	\$ 2,160	\$ (2,160)	\$ 0	\$ 450	\$ (450)
11/6/2025	\$ 12,000	Pick 3	\$ 0	\$ 2,880	\$ (2,880)	\$ 0	\$ 600	\$ (600)
11/18/2025	\$ 15,000	Pick 3	\$ 0	\$ 3,600	\$ (3,600)	\$ 0	\$ 750	\$ (750)
11/25/2025	\$ 25,000	MyDaY	\$ 0	\$ 6,000	\$ (6,000)	\$ 0	\$ 1,250	\$ (1,250)
12/1/2025	\$ 18,750	Pick 4	\$ 0	\$ 4,500	\$ (4,500)	\$ 0	\$ 938	\$ (938)
1/12/2026	\$ 7,200	Pick 3	\$ 0	\$ 1,728	\$ (1,728)	\$ 0	\$ 252	\$ (252)
2/9/2026	\$ 7,200	Pick 3	\$ 0	\$ 1,728	\$ (1,728)	\$ 0	\$ 252	\$ (252)
2/17/2026	\$ 30,000	Pick 3	\$ 0	\$ 7,200	\$ (7,200)	\$ 0	\$ 1,050	\$ (1,050)

NEBRASKA LOTTERY

COMMENT AND RECOMMENDATION

(Continued)

Claim Date	Amount Subject to Withholding from Identical Wagers	Game	Federal Tax Withheld	APA Calculated Federal Tax	Variance	State Tax Withheld	APA Calculated State Tax	Variance
3/30/2026	\$ 16,800	Pick 3	\$ 0	\$ 4,032	\$ (4,032)	\$ 0	\$ 588	\$ (588)
5/15/2026	\$ 18,000	Pick 3	\$ 0	\$ 4,320	\$ (4,320)	\$ 0	\$ 630	\$ (630)
5/26/2026	\$ 14,400	Pick 3	\$ 0	\$ 3,456	\$ (3,456)	\$ 0	\$ 504	\$ (504)
6/3/2026	\$ 31,200	Pick 3	\$ 0	\$ 7,488	\$ (7,488)	\$ 0	\$ 1,092	\$ (1,092)
6/5/2026	\$ 6,000	Pick 3	\$ 0	\$ 1,440	\$ (1,440)	\$ 0	\$ 210	\$ (210)
6/23/2026	\$ 9,750	Pick 4	\$ 0	\$ 2,340	\$ (2,340)	\$ 0	\$ 341	\$ (341)
Total			\$ 0	\$ 81,864	\$ (81,864)	\$ 0	\$ 14,947	\$ (14,947)

All of the identical wagers we noted were multiple bets of the same bet type on identical numbers to be drawn on a single draw date. All were included on a single claim processed by the Nebraska Lottery. Fourteen of the claims included winnings over \$600 for identical wagers on a single ticket.

The Lottery's practice is to treat each individual wager separately for purposes of reporting and withholding requirements, even in cases where the wagers are for the same numbers and draw date and even if they are made on a single ticket. However, as the wagers tested were for identical numbers and were placed with the same payer (the Nebraska Lottery), and winning depended on the occurrence of the same event or events (the same numbers being drawn on a single draw date), we believe the wagers met the IRS's definition of identical lottery wagers and should have been combined for purposes of reporting and withholding requirements.

26 CFR § 31.3402(q)-1(b) (April 1, 2024) states, in relevant part, the following:

Winnings subject to withholding--(1) In general. Winnings subject to withholding means any payments from-- (i) A wager placed in a State-conducted lottery . . . but only if the proceeds from the wager exceed \$5,000[.]

26 CFR § 31.3402(q)-1(c)(iii) (April 1, 2024) provides the following, as is relevant:

Amount paid with respect to a wager--(A) Identical wagers. Amounts paid with respect to identical wagers are treated as paid with respect to a single wager for purposes of calculating the amount of proceeds from a wager. Two or more wagers are identical wagers if winning depends on the occurrence (or non-occurrence) of the same event or events; the wagers are placed with the same payer[.]

IRS Instructions for Forms W-2G and 5754 (Rev. January 2021) states, in relevant part, the following:

Reportable Gambling Winnings

Report gambling winnings on Form W-2G if:

* * * *

4. The winnings (except winnings from bingo, slot machines, keno, and poker tournaments) reduced, at the option of the payer, by the wager are:

a. \$600 or more, and

b. At least 300 times the amount of the wager

* * * *

Regular Gambling Withholding for Certain Games

You may be required to withhold 24% of gambling winnings for federal income tax. This is referred to as regular gambling withholding. Withhold at the 24% rate if the winnings minus the wager are more than \$5,000 and are from:

NEBRASKA LOTTERY

COMMENT AND RECOMMENDATION (Concluded)

- Sweepstakes;
- Wagering pools;
- Lotteries;
- Wagering transactions in a parimutuel pool with respect to horse races, dog races, or jai alai. . . .

* * * *

Identical Wagers

Winnings from “identical wagers” are added together for the purposes of reporting and withholding requirements. Two or more wagers are identical wagers if they are placed with the same payer and winning depends on the occurrence (or non-occurrence) of the same event or events.

2025 Nebraska Circular EN states, in relevant part, the following:

Gambling Winnings from Nebraska Sources. There is a flat Nebraska income tax withholding rate of 5% of the winnings in Nebraska that are subject to federal income tax withholding. The amount of income tax withheld must be reported on Federal Form W-2G. Form W-2G is also used when income tax withholding is not required, but income is being reported. The payor must furnish a Form W-2G if the recipient receives any Nebraska Lottery or other gambling winnings received in Nebraska subject to federal income tax withholding.

2026 Nebraska Circular EN states, in relevant part, the following:

Gambling Winnings from Nebraska Sources. There is a flat Nebraska income tax withholding rate of 3.5% of the winnings in Nebraska that are subject to federal income tax withholding. The amount of income tax withheld must be reported on Federal Form W-2G. Form W-2G is also used when income tax withholding is not required, but income is being reported. The payor must furnish a Form W-2G if the recipient receives any Nebraska Lottery or other gambling winnings received in Nebraska subject to federal income tax withholding.

Title 370 NAC 601.06 says the following, in relevant part:

The Division shall file the appropriate income tax reporting forms with the Internal Revenue Services and make the appropriate withholding for both state and federal income tax, and any other required set-offs.

A proper system of internal control requires policies and procedures to ensure that tax reporting and withholding are in accordance with State and Federal regulations.

Without such procedures, there is an increased risk of noncompliance with Federal tax regulations and State rules and regulations.

We noted a similar issue during our prior audit.

We recommend the Lottery implement procedures to ensure it is properly reporting winnings and withholding taxes in accordance with State and Federal regulations.

Lottery Response: We agree with the Auditor’s recommendation and are currently working with our lottery services contractor to update the claims system to properly process identical wagers.

It should be noted this report is critical in nature, containing only our comment and recommendation on the area noted for improvement and does not include our observations regarding any strengths of the Lottery.

Draft copies of this report were furnished to the Lottery to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized as appropriate in the report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next audit.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA LOTTERY

INDEPENDENT AUDITOR'S REPORT

State Tax Commissioner
Nebraska Department of Revenue, Lottery Division
Lincoln, Nebraska

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the business-type activities of the Nebraska Department of Revenue, Lottery Division (Nebraska Lottery), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Nebraska Lottery's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nebraska Lottery, as of June 30, 2026, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nebraska Lottery and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Nebraska Lottery are intended to present the financial position and the changes in financial position of only that portion of the business activities of the State that is attributable to the transactions of the Nebraska Lottery. They do not purport to, and do not, present fairly the financial position of the State of Nebraska as of June 30, 2026, and the changes in its financial position, or its cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, as discussed in Note 1 to the financial statements, in fiscal year 2026 the Lottery adopted new accounting guidance for financial reporting model improvements in GASB Statement No. 103. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nebraska Lottery's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Lottery's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nebraska Lottery's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 10-14 herein, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2026, on our consideration of the Nebraska Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Nebraska Lottery's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Nebraska Lottery's internal control over financial reporting and compliance.



Matt Schochenmaier, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska

September 21, 2026

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Lottery (Lottery) annual audit presents management's discussion and analysis of the financial performance of the Lottery for the fiscal period ended June 30, 2026. This discussion should be read in conjunction with the accompanying financial statements and related notes. The financial statements, notes, and this discussion are the responsibility of the Lottery's management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Nebraska Legislature established the Lottery on February 24, 1993. The Lottery is to provide instant win games and on-line random number selection games. The Lottery began selling instant (scratch) tickets on September 11, 1993, and began selling on-line (lotto) tickets on July 21, 1994. The Lottery is a division of the Nebraska Department of Revenue and as such, the financial summaries presented here, and the related comments are for the Lottery's activities only and do not include the Department of Revenue's activities or statements.

The Lottery accounts for its financial transactions as an enterprise fund. Enterprise funds are used to account for governmental operations that are financed and operated in a manner similar to private business. The Lottery uses the accrual basis of accounting. In the annual report issued by the Lottery, there are three financial reports.

1) Statement of Net Position

This report will show the assets, liabilities, and net position ("equity") of the Lottery as of June 30, 2026. This report is basically the balance sheet for a private business.

2) Statement of Revenues, Expenses, and Changes in Net Position

This report will show the revenue, expenses, transfers to other funds, and changes in net position for the Lottery for the fiscal year. This report would be similar to an income statement or a profit-loss statement for a private business.

3) Statement of Cash Flows

This report is an analysis of the sources of cash flows into the Lottery and out of the Lottery for the fiscal year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL SUMMARY

Table A
Summary of Net Position

	FY 2026	FY 2025	Change
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 5,693,653	\$ 8,376,661	\$ (2,683,008)
Accounts Receivable and Reserves on Deposit	10,807,462	9,495,116	1,312,346
Prepaid Prizes and Costs	45,571	363,440	(317,869)
TOTAL CURRENT ASSETS	16,546,686	18,235,217	(1,688,531)
NONCURRENT ASSETS			
Reserves on Deposit	2,110,830	2,261,267	(150,437)
Capital and Lease Assets (Net)	913,458	958,757	(45,299)
TOTAL NONCURRENT ASSETS	3,024,288	3,220,024	(195,736)
TOTAL ASSETS	\$ 19,570,974	\$ 21,455,241	\$ (1,884,267)
CURRENT LIABILITIES			
Accounts Payable	\$ 1,736,330	\$ 1,590,050	\$ 146,280
Compensated Absences and Accrued Payroll Payable	398,760	388,532	10,228
Prizes Payable	7,839,568	8,644,722	(805,154)
Other Accrued Liabilities	499,336	506,474	(7,138)
TOTAL CURRENT LIABILITIES	10,473,994	11,129,778	(655,784)
NONCURRENT LIABILITIES			
Right to Use Lease Liability	792,236	864,779	(72,543)
Compensated Absences Payable	267,670	230,995	36,675
TOTAL NONCURRENT LIABILITIES	1,059,906	1,095,774	(35,868)
TOTAL LIABILITIES	\$ 11,533,900	\$ 12,225,552	\$ (691,652)
NET POSITION			
Net Investment in Capital Assets	\$ 48,679	\$ 22,345	\$ 26,334
Restricted for Future Prizes	2,110,830	2,261,267	(150,437)
Unrestricted Assets	5,877,565	6,946,077	(1,068,512)
TOTAL NET POSITION	\$ 8,037,074	\$ 9,229,689	\$ (1,192,615)

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table B

Summary of Revenues, Expenses, and Changes in Net Position

	FY 2026	FY 2025	Change
REVENUES			
Sales	\$ 204,284,980	\$ 189,017,395	\$ 15,267,585
Sales Returns	(4,848,244)	(3,647,819)	(1,200,425)
OPERATING REVENUE	<u>199,436,736</u>	<u>185,369,576</u>	<u>14,067,160</u>
Interest Income	488,969	516,276	(27,307)
MUSL and Other Income	65,726	41,498	24,228
NON-OPERATING REVENUE	<u>554,695</u>	<u>557,774</u>	<u>(3,079)</u>
TOTAL REVENUES	<u>\$ 199,991,431</u>	<u>\$ 185,927,350</u>	<u>\$ 14,064,081</u>
EXPENSES			
Prize Expense	\$ 114,698,859	\$ 108,939,593	\$ 5,759,266
Retailer Commissions	12,790,496	11,928,704	861,792
Contractual Services	11,151,397	10,712,552	438,845
Marketing Expense	5,198,618	5,164,327	34,291
Lottery Operating Expense	2,562,074	2,799,148	(237,074)
Lease Interest Expense	11,339	12,238	(899)
TOTAL EXPENSES	<u>\$ 146,412,783</u>	<u>\$ 139,556,562</u>	<u>\$ 6,856,221</u>
NET INCOME BEFORE SUBSIDIES	\$ 53,578,648	\$ 46,370,788	\$ 7,207,860
SUBSIDIES	<u>\$ 54,771,263</u>	<u>\$ 45,698,589</u>	<u>\$ 9,072,674</u>
CHANGE IN NET POSITION	\$ (1,192,615)	\$ 672,199	\$ (1,864,814)
BEGINNING NET POSITION	<u>\$ 9,229,689</u>	<u>\$ 8,557,490</u>	<u>\$ 672,199</u>
ENDING NET POSITION	<u>\$ 8,037,074</u>	<u>\$ 9,229,689</u>	<u>\$ (1,192,615)</u>

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

DETAILED ANALYSES

DISCUSSION OF NET POSITION

While reviewing the Summary of Net Position, it must be compared to the prior year's Summary to see the changes in the various classifications (see Table A). The largest asset change was in Cash and Cash Equivalents, which decreased \$2.7 million. This was caused by a statutorily required cash transfer of \$4.7 million that was completed at the end of the fiscal year. The difference in these two amounts is roughly \$2 million, which was additional profit the Lottery had from higher sales and lower prize expense as well as lower operating costs. Accounts Receivable and Reserves on Deposits were up \$1.3 million due to Lucky for Life as that lotto game was discontinued, and with the game's finalization of balances the Lottery received a distribution of \$1.4 million that was deposited in the Unreserved account at MUSL. Prepaid Prizes was down \$318,000 as the Lottery did not release a new Truck\$ and Buck\$ scratch game in FY26, and as such the Lottery had no pickup trucks in Prepaid Prizes at the end of this fiscal year like the previous year.

On the Liability side, the Prizes Payable had the largest change, which was a decrease of about \$800,000. This decrease was a result of higher lotto sales this year than last year and lower scratch sales this year than last year. The prize payout on lotto games is typically lower than scratch games.

In the Net Position section, the Unrestricted Assets decreased by about \$1.1 million, which can be traced back to transfers made during the year. The Lottery transferred more to the beneficiaries than the Lottery had in profit. At year-end, before the financial statements are finalized, the Lottery uses estimates to compute the final quarterly transfer. Any assumptions or estimates that are off can cause the final transfer, and accordingly transfers for the year, to be higher or lower than the profit made during the year.

DISCUSSION OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

After experiencing record sales for FY24, the Lottery saw substantial decreases for FY25 in both scratch sales and lotto sales. For FY26 (see Table B) the Lottery saw a resurgence in lotto sales but encountered a decrease in scratch again. Scratch was down by \$2.7 million (-2.7%), but lotto was up by \$16.8 million (19.7%). The overall increase from FY25 to FY26 was 7.6%.

On the scratch side, the Lottery saw decreases across four of the seven price points. The price point with the largest sales increase (\$2.6 million) was the \$5 level. The largest decrease was in the \$2 tickets (\$3.2 million) followed by the \$3 tickets (\$1.5 million). The decrease in sales of scratch was attributed to competition from expanded gambling options such as casinos and cash devices. Also, the Lottery did not release a new \$2 Truck\$ and Buck\$ scratch game in FY26, which affected that price point. Scratch returns were up \$1.2 million, but this was just an effect of when scratch games close and how sold-out each game was at closing.

On the lotto side, Powerball had a sizeable increase in sales of \$17.9 million due to some large jackpot runs. During the year, one game was discontinued (Lucky for Life) while two games were introduced (Nebraska Pick 4 and Millionaire for Life). The combined effect of these three games was an increase of \$2.1 million. During this fiscal year, the remaining games all yielded a decrease in sales.

The expenses for the year did change quite a bit as many of the expenses are tied to sales such as prize expense, retailer commissions, and some of the contractual expenses. As the sales of each product went up and down, the expenses followed too. The Marketing Expense (not tied directly to sales) was flat, and Lottery Operating Expense (also not tied directly to sales) decreased.

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

The Lottery did not engage in any significant capital asset activity or long-term financing activity during this fiscal year.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The unpredictability of Powerball, Mega Millions, Lotto America, and Pick 5 jackpots, along with external forces that affect player purchases of both scratch and lotto products (fuel prices, economic situations, international tensions, other entertainment options, casino gaming, pandemics, tax legislation, etc.), could have a material effect on future sales and future transfers to the beneficiary trust funds.

CONTACTING LOTTERY MANAGEMENT

This financial report is required as part of Governmental Accounting Standards Board (GASB) Statement 34 and is prepared to provide the readers such as the Legislature, the public, and other interested parties with an overview of the financial results of the Lottery's activities. If you have any questions about this report, please contact the Lottery at P.O. Box 98901, Lincoln, NE, 68509-8901.

NEBRASKA LOTTERY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2026

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 5,693,653
Accounts Receivable, Net of Allowance (Note 5)	8,306,558
Prepaid Prizes	45,571
Reserves on Deposit (Note 7)	2,500,904
TOTAL CURRENT ASSETS	<u>16,546,686</u>

NONCURRENT ASSETS:

Reserves on Deposit (Note 7)	2,110,830
Capital Assets:	
Furniture, Fixtures, and Equipment, Net (Note 6)	77,618
Right to Use Lease Asset, Net (Note 6)	835,840
Total Capital Assets, Net	<u>913,458</u>
TOTAL NONCURRENT ASSETS	<u>3,024,288</u>

TOTAL ASSETS	<u>\$ 19,570,974</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts Payable	\$ 483,951
Vendors Payable	1,252,379
Compensated Absences Payable (Note 8)	320,623
Accrued Payroll Payable	78,137
Withheld Taxes on Prizes Paid	61,934
Prizes Payable	7,839,568
Due to Other Funds	19,015
Right to Use Lease Liability (Note 8)	72,543
Other Accrued Liabilities	345,844
TOTAL CURRENT LIABILITIES	<u>10,473,994</u>

NONCURRENT LIABILITIES:

Right to Use Lease Liability (Note 8)	792,236
Compensated Absences Payable (Note 8)	267,670
TOTAL NONCURRENT LIABILITIES	<u>1,059,906</u>

TOTAL LIABILITIES	<u>11,533,900</u>
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NET POSITION

Net Investment in Capital Assets	48,679
Restricted for Future Prizes (Note 7)	2,110,830
Unrestricted (Note 10)	5,877,565
TOTAL NET POSITION	<u>8,037,074</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 19,570,974</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

NEBRASKA LOTTERY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2026

OPERATING REVENUE:

Sales	\$ 204,284,980
Less: Sales Returns	4,848,244
TOTAL OPERATING REVENUE	<u>199,436,736</u>

OPERATING EXPENSES:

Prize Expense, Net of Unclaimed Prizes (Note 1c)	114,698,859
Retailer Commissions	12,790,496
Contractual Services Expense	11,151,397
Marketing	5,198,618
Lottery Operating	2,562,074
TOTAL OPERATING EXPENSES	<u>146,401,444</u>

TOTAL OPERATING INCOME	53,035,292
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NONCAPITAL SUBSIDIES (Note 9):

Transfers to Compulsive Gamblers Assistance Fund	(995,072)
Transfers to Nebraska Environmental Trust Fund	(22,030,704)
Transfers to Education Funds as directed by Legislature	(22,030,704)
Transfers to Education Future Fund	(4,764,064)
Transfers to Nebraska State Fair Support and Improvement Cash Fund	(4,950,719)
TOTAL NONCAPITAL SUBSIDIES	<u>(54,771,263)</u>

TOTAL OPERATING INCOME AND NONCAPITAL SUBSIDIES	(1,735,971)
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OTHER NONOPERATING REVENUE (EXPENSES):

Interest Income	488,969
MUSL and Other Income	65,726
Lease Interest Expense	(11,339)
TOTAL OTHER NONOPERATING REVENUE (EXPENSES)	<u>543,356</u>

CHANGE IN NET POSITION	(1,192,615)
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TOTAL NET POSITION, BEGINNING OF YEAR	<u>9,229,689</u>
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TOTAL NET POSITION, END OF YEAR	<u><u>\$ 8,037,074</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

NEBRASKA LOTTERY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES:

Ticket Sales	\$ 199,539,757
Prizes Paid to Winners	(116,357,598)
Commissions Paid to Retailers	(12,789,318)
Paid to Contractors for Goods and Services	(16,246,324)
Paid to Employees	(2,064,182)
Other Operating Expenses	(396,195)
Net Cash Provided by Operating Activities	<u>51,686,140</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Paid to Compulsive Gamblers Assistance Fund	(995,072)
Paid to Nebraska Environmental Trust Fund	(22,030,704)
Paid to Education Funds as directed by Legislature	(22,030,704)
Paid to Education Future Fund	(4,764,064)
Paid to Nebraska State Fair Support and Improvement Cash Fund	(4,950,719)
Net Cash Used in NonCapital Financing Activities	<u>(54,771,263)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of Property and Equipment	(63,846)
Lease Payments	(83,047)
Net Cash Used in Capital and Related Financing Activities	<u>(146,893)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Cash	488,969
Multi-State Lottery Association Income	60,039
Net Cash Provided by Investing Activities	<u>549,008</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,683,008)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,376,661</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 5,693,653</u></u>
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**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	\$ 53,035,292
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	114,832
Changes in Assets (Increase) Decrease in:	
Reserves on Deposit	(1,268,314)
Prepaid Prizes	317,869
Accounts Receivable - Net	106,405
Changes in Liabilities Increase (Decrease) in:	
Other Accrued Liabilities	(20,240)
Accounts Payable and Due to Other Funds	(61,198)
Prizes Payable	(805,154)
Compensated Absences and Accrued Payroll Payable	46,903
Withheld Taxes on Prizes Paid	14,295
Vendors Payable	205,450
Total Adjustments	<u>(1,349,152)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 51,686,140</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2026

1. **Summary of Significant Accounting Policies**

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Department of Revenue, Lottery Division, (Nebraska Lottery) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. As the Nebraska Lottery is a business-type activity, the financial statements presented are the financial statements required by Governmental Accounting Standards Board (GASB) Statement Number 34 for an enterprise fund. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements have been prepared primarily from data maintained by the Nebraska Lottery on computer systems provided by the lottery-services vendor and from accounts maintained by the State Accounting Administrator of the Department of Administrative Services.

B. Reporting Entity

The Nebraska Lottery was created on February 24, 1993, by the Nebraska Legislature as a division of the Nebraska Department of Revenue (Department), established under and governed by the laws of the State of Nebraska. As such, the Nebraska Lottery is exempt from State and Federal income taxes. The financial statements include all funds of the Nebraska Lottery. The Nebraska Lottery is to provide an instant win and a random number selection on-line lottery. The net proceeds, as outlined in Neb. Rev. Stat. § 9-812 (Cum. Supp. 2024), are to be transferred to the Compulsive Gamblers Assistance Fund, the education funds pursuant to section 79-3501, the Nebraska Environmental Trust Fund, and the Nebraska State Fair Support and Improvement Cash Fund, a fund of the State Fair Board. The financial statements include only the Nebraska Lottery and are not intended to present the financial position of the Department or the results of operations and changes in net positions of the Department as a whole. The Department is part of the primary government for the State of Nebraska's reporting entity.

The Nebraska Lottery has also considered all potential component units for which it is financially accountable, including other organizations that are fiscally dependent on the Nebraska Lottery or whose relationship with the Nebraska Lottery is so significant that exclusion would be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Nebraska Lottery to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Nebraska Lottery. The Nebraska Lottery is also considered financially accountable if an organization is fiscally dependent on it, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Nebraska Lottery, regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

These financial statements present the Nebraska Lottery. No component units were identified. The Nebraska Lottery is part of the primary government for the State of Nebraska's reporting entity.

C. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

The Nebraska Lottery's financial statements were reported using the economic resources measurement focus and the accrual basis of accounting. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Net Position includes restricted and unrestricted resources. The Nebraska Lottery's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

It is the policy of the State to spend restricted resources only when unrestricted resources are insufficient or unavailable. When both restricted and unrestricted resources are available for use, it is the Nebraska Lottery's policy to use unrestricted resources first, then restricted resources, as they are needed.

Revenues generated from the sale of lottery tickets are reported as operating revenues. Transactions that are capital financing, non-capital financing, or investing related are reported as non-operating revenues. All expenses related to operating the Nebraska Lottery are reported as operating expenses. All other expenses are reported as non-operating expenses.

Instant ticket revenue is recognized when tickets are sold to the retailer, and on-line revenue is recognized after the drawing is completed for the respective wagers. A 5.0% - 6.0% retailer commission and a prize expense are recognized at the same time. Revenues from the sale of on-line tickets for future drawings and the related agent commission and prize expense are deferred until the drawings are held.

Prize expense is recognized in the same period ticket revenue is recognized based on the predetermined prize structure for each game. Because the instant prize-winning tickets are randomly distributed throughout the tickets, and some winning tickets will be lost, destroyed, or unredeemed for other reasons, there will be differences between amounts accrued and the amounts actually paid. These differences, denoted as unclaimed prizes, are recognized as a reduction of prize expense 181 days after the close of each instant game and 181 days after each draw for on-line games, as prizes unclaimed for 180 days expire. Unclaimed prizes for the fiscal year ended June 30, 2026, totaled \$3,864,984.

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

D. Cash and Cash Equivalents

In addition to bank accounts and petty cash, this classification includes all short-term investments, such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments may have original maturities (remaining time to maturity at acquisition) greater than three months; however, cash is available and is considered cash and cash equivalents for reporting purposes. These investments are stated at cost, which at June 30, 2026, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and cash equivalents are under the control of the State Treasurer or other administrative bodies, as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council, which maintains an operating investment pool for such investments. Interest earned on these investments is allocated to funds based on their percentage of the investment pool.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Nebraska Lottery and all other State agencies must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and presents the appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety; b) veto the bill; or c) line-item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

The approved appropriations will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency.

Appropriations are usually made for each year of the biennium, with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary expenditures for the enterprise fund type are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major objects of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total appropriations must also be approved by the Legislature as a deficit appropriations bill.

Revenues are not budgeted.

F. Receivables

Receivables are reported net of estimated allowances for uncollectible amounts, which are estimated based upon past collection experience and current economic conditions.

G. Capital Assets

Capital assets include equipment that is valued at cost when historical records are available and at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost in excess of \$5,000 at the date of acquisition and has an expected useful life of more than one year is capitalized. Computers are an exception to this policy and are capitalized if they have a cost in excess of \$1,500 and a useful life of more than one year.

Equipment is depreciated using the straight-line method over the estimated useful life of three to seven years.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Concluded)

H. Leases

The Lottery determines if an arrangement is a lease at inception. Long-term leases are included in Right-to-Use (RTU) Assets and RTU Lease Liabilities on the Statement of Net Position. RTU assets represent the Lottery's right to use an underlying asset for the lease term, and lease liabilities represent the Lottery's obligation to make lease payments. RTU assets and liabilities are recognized at the present value of lease payments over the lease term. The Lottery has elected to recognize payments for short-term leases, those with a lease term of 12 months or less, as an expense as incurred. These leases are not included as right to use assets or lease liabilities. The RTU assets are amortized over the shorter of the lease term or the underlying asset useful life.

I. Compensated Absences

All permanent employees working for the Nebraska Lottery earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees currently eligible to receive termination payments and other employees expected to become eligible in the future to receive such payments upon termination, are included.

Nebraska Lottery employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year.

Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon either death or reaching the retirement eligibility age of 55, at which time the State is liable for 25 percent of the employee's accumulated sick leave. Employees under certain labor contracts can only be paid a maximum of 60 days.

The Nebraska Lottery's financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned. Sick leave is accrued when it is earned and expected to be paid as termination payment or to be used.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at June 30, 2026, and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. Effects of New Pronouncement

In 2026, the Nebraska Lottery adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of GASB 103 is to improve key components of the financial statements so as to enhance the effectiveness of the information provided. The statement required the Nebraska Lottery to reclassify line items on its financial statements. This included reclassifying transfers to other funds from the transfers section to a new section, following operating income, called Noncapital Subsidies. This statement had no impact on beginning net position.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. Deposits and Investments

Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Additional information on the deposits and investments portfolio, including investment policies, risks, and types of investments, can be found in the State of Nebraska's Annual Comprehensive Financial Report (ACFR).

3. Contingencies and Commitments

Risk Management. The Nebraska Lottery is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Nebraska Lottery, as part of the primary government for the State, participates in the State's risk management program. The Nebraska Department of Administrative Services is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability, motor vehicle liability and physical damage, employee health care, employee indemnification, and workers' compensation. The State has chosen to purchase insurance for:

- A. Life insurance for eligible employees.
- B. Crime coverage, with a limit of \$11,000,000 per occurrence and a deductible of \$1,000,000 per occurrence subject to specific conditions, limits, and exclusions.
- C. Real and personal property on a blanket basis for losses up to \$200,000,000, with an all other perils deductible of \$1,000,000 per loss occurrence. Newly acquired properties are covered up to \$10 million for 90 days. If not reported after 90 days, the property is covered for \$5 million under the miscellaneous unnamed location coverage. There is a wind and hail limit on the real and personal property of \$157,475,000. Please note this coverage does not apply ground up. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self-insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverages are available from the Nebraska Department of Administrative Services – Risk Management Division.

In calendar year 2024, one settlement of \$7,450,000 exceeded insurance coverage by \$2,050,000. No other claims have exceeded coverage in the last three years. Workers' compensation is funded in the Risk Management Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments, as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Lottery's financial statements. Health care insurance is funded in the Insurance Trust Funds through a combination of employee and State contributions.

Litigation. The potential amount of liability involved in litigation pending against the Nebraska Lottery, if any, could not be determined at this time. However, it is the Nebraska Lottery's opinion that final settlement of those matters should not have an adverse effect on the Nebraska Lottery's ability to administer current programs. Any judgment against the Nebraska Lottery would have to be processed through the State Claims Board and be approved by the Legislature.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. State Employees Retirement Plan (Plan)

The single-employer Plan became effective by statute on January 1, 1964. The Plan consists of a defined contribution option and a cash balance benefit and is administered by the Nebraska Public Employees Retirement Systems. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected either to continue participation in the defined contribution option or to begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan is established and can only be amended by the Nebraska Legislature.

All permanent full-time employees are required to begin participation in the retirement system upon employment. All permanent part-time employees, who have attained the age of 18 years, may exercise the option to begin participation in the retirement system.

Contribution. Per statute, each member contributes 4.8% of his or her monthly compensation. The Nebraska Lottery matches the member's contribution at a rate of 156%. The employee's and employer's contributions are kept in separate accounts.

The employee's account is fully vested. The employer's account is fully vested after a total of three years of participation in the system, including credit for participation in another Nebraska governmental plan prior to actual contribution to the Plan.

Defined Contribution Option. Upon attainment of age 55, regardless of service, the retirement allowance is to be equal to the sum of the employee and employer accounts. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

Cash Balance Benefit. Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is single life annuity with five-year certain, payable monthly. Members have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5% annually. Also available are additional forms of payment allowed under the State Plan that are actuarially equivalent to the normal form, including the option of lump-sum or partial lump-sum.

For the fiscal year ended June 30, 2026, employees contributed \$73,872, and the Nebraska Lottery contributed \$115,241. A separate plan report is issued by and can be obtained from the Nebraska Public Employees Retirement Systems. This report contains full pension-related disclosures.

The State of Nebraska Annual Comprehensive Financial Report (ACFR) also includes pension-related disclosures. The ACFR report is available from the Nebraska Department of Administrative Services – Accounting Division or on the Nebraska Auditor of Public Accounts' website at auditors.nebraska.gov.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

5. **Receivables**

Retailers comprised principally of grocery stores, convenience stores, and off-sale liquor stores serve as the primary distribution channel for lottery sales to the general public. Retailers must pay for instant lottery tickets 45 days after activation or when the pack is 70% validated, whichever comes first. Retailers pay for on-line tickets each Wednesday for balances due through the previous Saturday. The retailers' accounts receivable is net of allowance for uncollectible in the amount of \$101,987.

Accounts Receivable	
Retailers (net)	\$ 8,284,630
Other	21,928
Total	<u>\$ 8,306,558</u>

6. **Capital Assets**

Capital asset activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets: Furniture, Fixtures, and Equipment (FFE)	\$ 755,394	\$ 69,533	\$ 62,769	\$ 762,158
Right to Use (RTU) Lease Asset	1,211,941	-	-	1,211,941
Less: Accumulated Depreciation (FFE)	708,462	38,847	62,769	684,540
Less: Accumulated Amortization (RTU)	300,116	75,985	-	376,101
Total Capital Assets, Net	<u>\$ 958,757</u>	<u>\$ (45,299)</u>	<u>\$ -</u>	<u>\$ 913,458</u>

Combined depreciation and amortization expense for the fiscal year ended June 30, 2026, was \$114,832.

7. **On-Line Games**

During the fiscal year ended June 30, 2026, the Nebraska Lottery offered a variety of on-line games, as described below.

Game Name	Administered by	Nebraska's Share of Prize Reserves
Powerball	MUSL	\$ 1,055,863
Nebraska Pick 5	Nebraska Lottery	N/A
Nebraska Pick 3	Nebraska Lottery	N/A
Nebraska Pick 4	Nebraska Lottery	N/A
MyDaY	Nebraska Lottery	N/A
Mega Millions	MUSL	765,013
2by2	MUSL	94,249
Lucky for Life	MUSL	N/A
Millionaire for Life	MUSL	N/A
Lotto America	MUSL	195,705
Total		<u>\$ 2,110,830</u>

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. On-Line Games (Concluded)

The Nebraska Lottery is a member of the Multi-State Lottery Association (MUSL), which operates games on behalf of participating state lotteries. Each MUSL member sells on-line game tickets through its agents and makes weekly payments to MUSL in an amount equal to each game's prize structure, less amounts retained for prizes paid directly to the winners by each member lottery. MUSL maintains prize reserve funds on some of the games to serve as a contingency reserve to protect from unforeseen prize liabilities. The money in these reserve funds is to be used at the discretion of the MUSL Board of Directors. The prize reserve funds are refundable to MUSL members if MUSL disbands or if a member leaves MUSL. Members leaving MUSL must wait at least one year before receiving their remaining share of the prize reserve funds.

In addition, the Nebraska Lottery has \$2,500,904 held by MUSL, reported on the Statement of Net Position as Reserves on Deposit (Current), which can be used to pay the Nebraska Lottery's portion of MUSL's operating budget, any MUSL legal expenses, and other expenses incurred by MUSL. These funds are not tied directly to any MUSL game.

The Powerball, Lotto America, and Mega Millions grand prizes can be paid either as annual installments or as a lump sum cash payment, depending on the selection of the winner when claiming the prize. If the winner selects annual installments, MUSL purchases bonds, which are held in trust to fund the future installments. Maturities are staggered in order to provide adequate cash flow for each installment. MUSL is responsible for paying amounts owed to the grand prize winners. The assets and related liabilities are reflected in MUSL's financial statements and, therefore, are not reflected in the Nebraska Lottery's financial statements.

The Lucky for Life and Millionaire for Life top two prize levels can be paid either through annuity payments for the life of the winner or as a lump sum cash payment, depending on the selection of the winner when claiming the prize. If a Nebraska winner selects the annuity, the Nebraska Lottery has a contract with MUSL so that MUSL will secure bids from financial services companies to provide the annual payments directly to the winner. Each participating jurisdiction contributes a proportionate share to fund the annuity or lump sum payment. The Lucky for Life game was discontinued on February 21, 2026, and the Millionaire for Life game began February 22, 2026.

8. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2026, are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 548,969	\$ 39,324*	\$ -	\$ 588,293	\$ 320,623
Lease Liability	936,412	-	71,633	864,779	72,543
Total	<u>\$ 1,485,381</u>	<u>\$ 39,324</u>	<u>\$ 71,633</u>	<u>\$ 1,453,072</u>	<u>\$ 393,166</u>

*The change in the Compensated Absences liability is presented as a net change.

9. Significant Compliance Requirements

Article III, § 24, of the Nebraska Constitution sets out the basic requirements for the transfer of lottery proceeds to certain beneficiary funds, specifying that a portion of those revenues are to "be used for education as the Legislature may direct[.]"

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. Significant Compliance Requirements (Continued)

Neb. Rev. Stat. § 9-812(1) (2026 Neb. Laws, L.B. 1072, § 126) provides the following legislative authority for the transfer of lottery proceeds:

All money received from the operation of lottery games conducted pursuant to the State Lottery Act in Nebraska shall be credited to the State Lottery Operation Trust Fund, which fund is hereby created. All payments of the costs of establishing and maintaining the lottery games shall be made from the State Lottery Operation Cash Fund. In accordance with legislative appropriations, money for payments for expenses of the division shall be transferred from the State Lottery Operation Trust Fund to the State Lottery Operation Cash Fund, which fund is hereby created. All money necessary for the payment of lottery prizes shall be transferred from the State Lottery Operation Trust Fund to the State Lottery Prize Trust Fund, which fund is hereby created. The amount used for the payment of lottery prizes shall not be less than forty percent of the dollar amount of the lottery tickets which have been sold. Subject to Article III, section 24, of the Constitution of Nebraska, transfers may be made from the State Lottery Operation Trust Fund and the State Lottery Prize Trust Fund to the Education Future Fund at the direction of the Legislature.

Section 9-812(2) offers the following legislative directive for the transfer of lottery proceeds:

A portion of the dollar amount of the lottery tickets which have been sold on an annualized basis shall be transferred from the State Lottery Operation Trust Fund as provided in subsection (3) of this section. The dollar amount transferred pursuant to this subsection shall equal the greater of (a) the dollar amount transferred in fiscal year 2002-03 or (b) any amount which constitutes at least twenty-two percent and no more than twenty-five percent of the dollar amount of the lottery tickets which have been sold on an annualized basis. To the extent that funds are available, the Tax Commissioner and director may authorize a transfer exceeding twenty-five percent of the dollar amount of the lottery tickets sold on an annualized basis.

Additionally, § 9-812(3) provides these further instructions:

Of the money available to be transferred as provided in this subsection:

(a) The first five hundred thousand dollars shall be transferred to the Compulsive Gamblers Assistance Fund to be used as provided in section 9-1006;

(b) Forty-four and one-half percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be used for education and transferred pursuant to section 79-3501;

(c) Forty-four and one-half percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Nebraska Environmental Trust Fund to be used as provided in the Nebraska Environmental Trust Act;

(d) Ten percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Nebraska State Fair Board if the most populous city within the county in which the fair is located provides matching funds equivalent to ten percent of the funds available for transfer. Such matching funds may be obtained from the city and any other private or public entity, except that no portion of such matching funds shall be provided by the state. If the Nebraska State Fair ceases operations, ten percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the General Fund; and

(e) One percent of the money remaining after the payment of prizes and operating expenses and the initial transfer to the Compulsive Gamblers Assistance Fund shall be transferred to the Compulsive Gamblers Assistance Fund to be used as provided in section 9-1006.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. Significant Compliance Requirements (Concluded)

For fiscal year 2027 and beyond, § 9-812(4) provides the following:

Any money in the State Lottery Operation Trust Fund, the State Lottery Operation Cash Fund, or the State Lottery Prize Trust Fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act. Beginning July 1, 2026, any investment earnings from investment of money in these funds shall be credited to the Education Future Fund.

Neb. Rev. Stat. § 79-3501(2) (Supp. 2025) states the following:

For fiscal years 2024-25 through 2028-29, the money available to be used for education pursuant to subdivision (3)(b) of section 9-812 shall be transferred as follows:

- (a) Eight percent to the Behavioral Training Cash Fund;*
- (b) Two percent to the College Pathway Program Cash Fund;*
- (c) Seven percent to the Community College Gap Assistance Program Fund;*
- (d) Ten percent to the State Department of Education Improvement Grant Fund;*
- (e) Three percent to fund distance education incentives pursuant to section 79-1337;*
- (f) One percent to the Door to College Scholarship Fund;*
- (g) Eight percent to the Excellence in Teaching Cash Fund;*
- (h) One and one-half percent to the Expanded Learning Opportunity Grant Fund;*
- (i) One and one-half percent to the Mental Health Training Cash Fund; and*
- (j) Fifty-eight percent to the Nebraska Opportunity Grant Fund.*

As required under its enabling legislation, transfers of \$54,771,263 were made to other funds during the fiscal year, which included two transfers from Lottery funds made by the State Treasurer. Based on LB 1072 (2026), § 105, \$4,694,064 was transferred from the State Lottery Operations Trust Fund to the Education Future Fund. Pursuant to § 106 of the same bill, \$70,000 was transferred from the State Lottery Prize Trust Fund to the Education Future Fund.

The Nebraska Lottery develops game structures to comply with the minimum prize provision of its enabling legislation, which requires a minimum of 40 percent to be paid in prizes.

The Nebraska Lottery compares the social security number of each winner who has a per-wager prize in excess of \$500 against a list of social security numbers having an outstanding State tax liability or delinquent child support payments. Any delinquent payments are withheld from winnings and forwarded to the appropriate State agency. During the fiscal year, the Nebraska Lottery collected \$39,334 in delinquent State taxes and \$15,442 in delinquent child support payments.

Operating Transfers In/Out will not balance, and Due To/From Other Funds will not balance, within the Nebraska Lottery's financial statements, as the Nebraska Lottery represents only part of the State's primary government.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Concluded)

10. Unrestricted Net Position

The Nebraska Lottery's unrestricted net position represents funds not legally restricted for any specific purpose; however, the funds may be used only to fund additional prize payouts, transfers to the beneficiary funds, or additional operating expenses of the Nebraska Lottery. Management's intention is to use the unrestricted net position to fund additional prize payouts, retailer incentives, and other game enhancements.

11. Leases

The Nebraska Lottery leases office space at 137 N.W. 17th Street in Lincoln, Nebraska. The current lease contains extensions that can be exercised providing the opportunity to go through June 2037. As of June 30, 2026, the value of the Right to Use Lease Asset was \$1,211,941, and the related accumulated amortization was \$376,101. The lease arrangement requires payments for utility and janitorial services that are excluded from the lease liability calculation as non-lease components. Below is the principal and interest payment disclosure requirement for this lease.

Fiscal Period	Principal	Interest	Total
2027	\$ 72,543	\$ 10,428	\$ 82,971
2028	67,576	9,545	77,121
2029	70,023	8,674	78,697
2030	72,502	7,773	80,275
2031	75,012	6,840	81,852
2032-2036	415,456	19,045	434,501
2037	91,667	532	92,199
Total	\$ 864,779	\$ 62,837	\$ 927,616



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA LOTTERY

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

State Tax Commissioner
Nebraska Department of Revenue, Lottery Division
Lincoln, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of the Nebraska Department of Revenue, Lottery Division, (Nebraska Lottery) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Nebraska Lottery's basic financial statements, and have issued our report thereon dated September 21, 2026. The report was modified to emphasize that the financial statements present only the funds of the Nebraska Lottery.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Additional item

We noted a certain additional item that we reported to management of the Nebraska Lottery in the Comment Section of this report as Comment Number 1 (Identical Wagers).

Nebraska Lottery's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Nebraska Lottery's response to the finding identified in our audit and described in the Comment Section of the report. The Nebraska Lottery's response was not subjected to other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

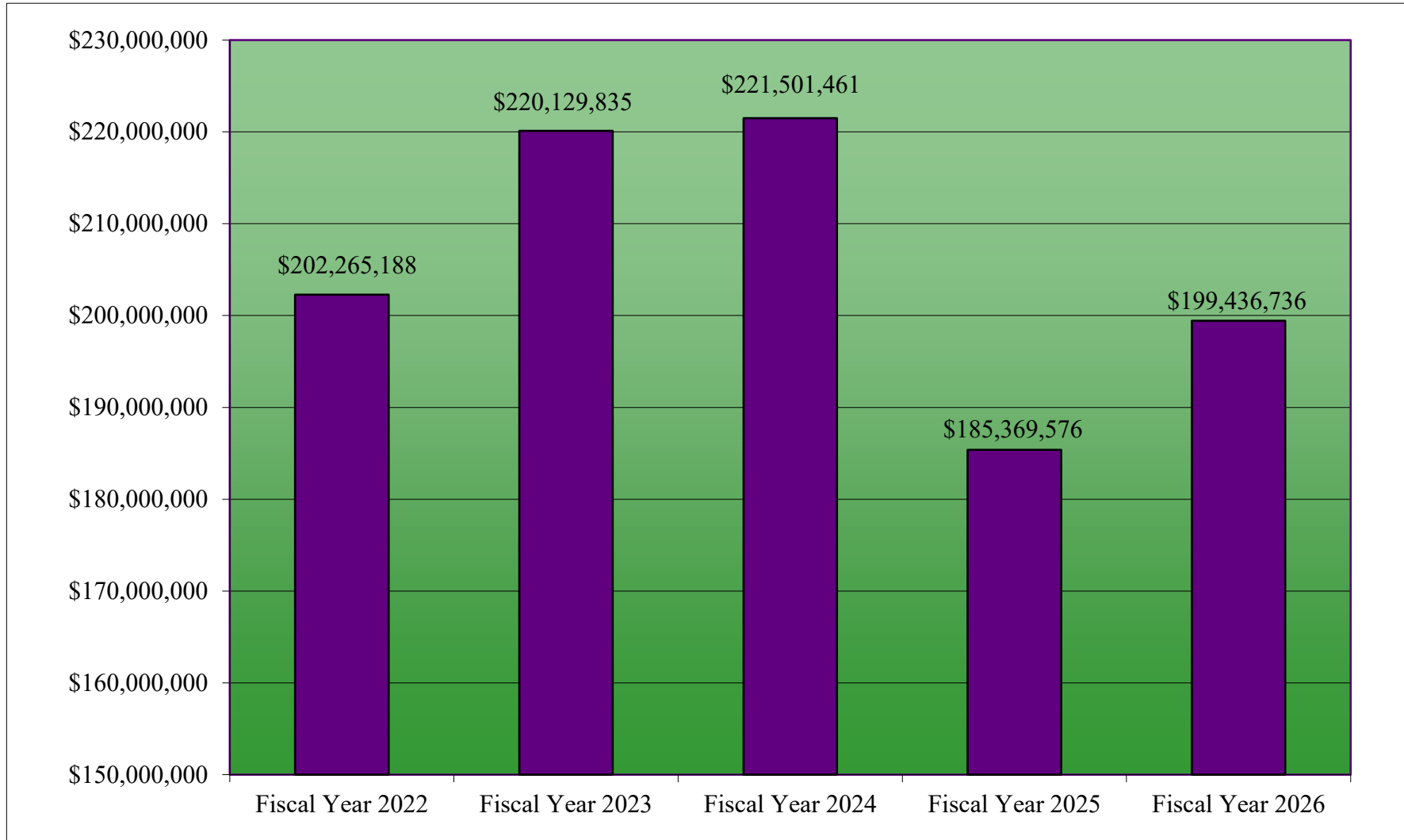
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, not to provide an opinion on the effectiveness of the Nebraska Lottery's internal control or on compliance. This report is an integral part of an audit performed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

September 21, 2026



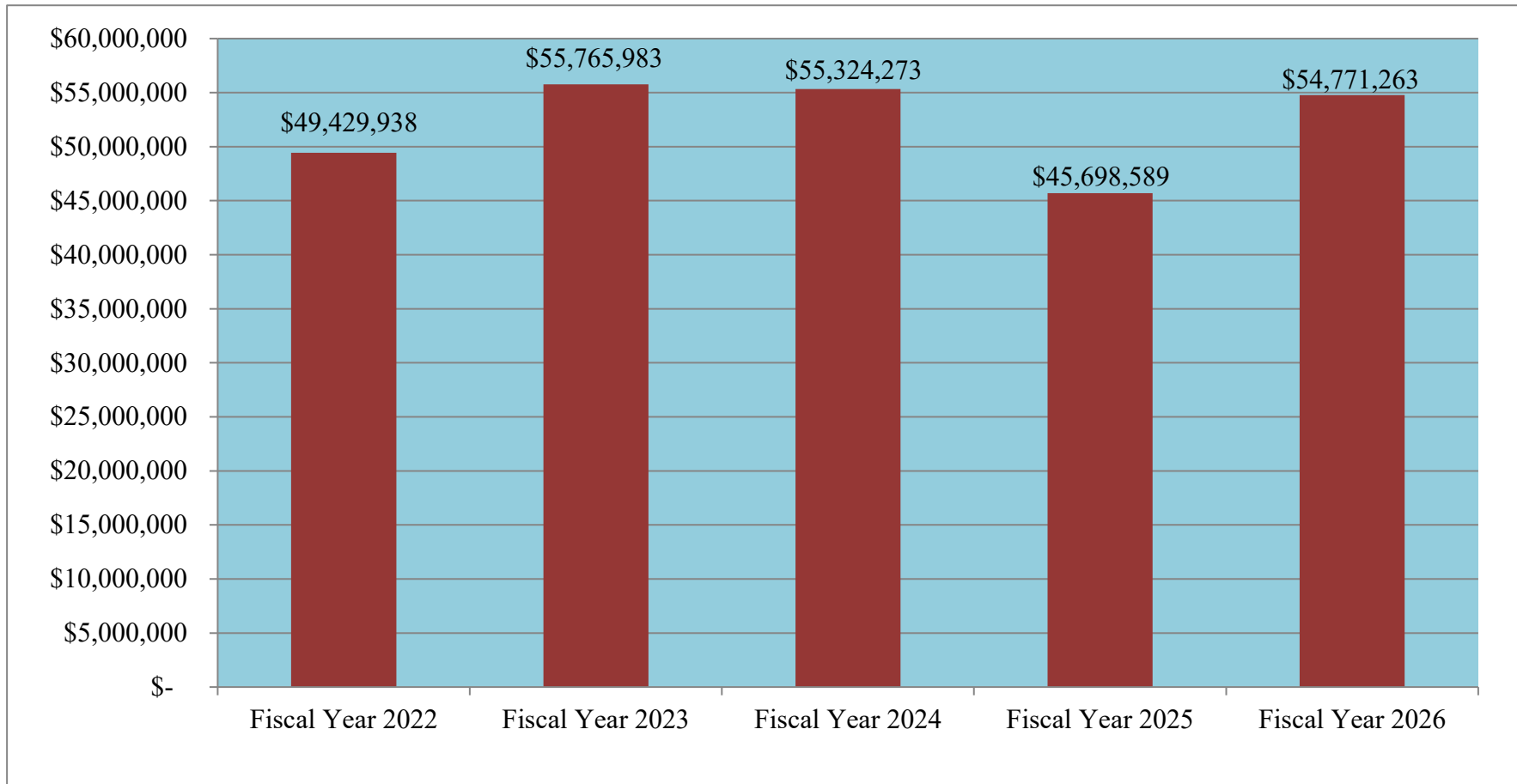
Matt Schochenmaier, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska

NEBRASKA LOTTERY
LOTTERY TICKET SALES
For the Fiscal Years 2022 through 2026



Note: These sales are shown on an accrual basis.

NEBRASKA LOTTERY
TOTAL OPERATING TRANSFERS TO BENEFICIARY FUNDS
For the Fiscal Years 2022 through 2026



Note: The Total Operating Transfers include transfers to the Nebraska Environmental Trust Fund, the Compulsive Gamblers Assistance Fund, the Nebraska Education Improvement Fund as well as education funds pursuant to Sect. 79-3501, and the Nebraska State Fair Support and Improvement Cash Fund. These transfers are shown on a cash basis. The fiscal year 2026 amount includes \$4,764,064 in transfers to the Education Future Fund, as required by LB 1072 (2026).

NEBRASKA LOTTERY
**CUMULATIVE OPERATING TRANSFERS
TO BENEFICIARY FUNDS**
For the Fiscal Years 1994 through 2026

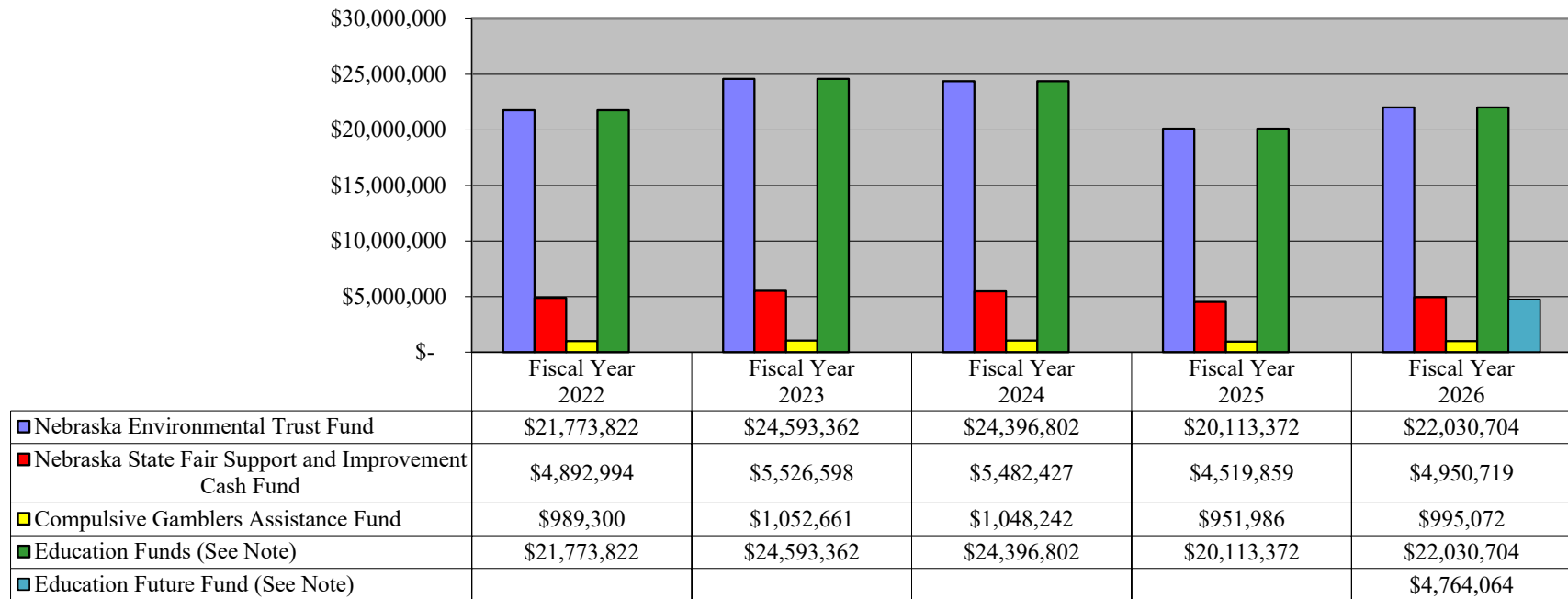
Cumulative Transfers by Fiscal Year

Fiscal Year	Transfer Amount
1994	\$ 10,931,811
1995	19,308,170
1996	20,486,304
1997	23,363,387
1998	18,740,463
1999	17,581,026
2000	17,887,538
2001	16,596,397
2002	18,235,952
2003	20,098,664
2004	20,807,945
2005	27,195,478
2006	27,601,895
2007	29,266,219
2008	31,008,281
2009	30,245,118
2010	32,000,274
2011	32,055,328
2012	36,075,064
2013	40,014,701
2014	38,000,092
2015	37,106,983
2016	42,782,923
2017	41,277,657
2018	45,250,114
2019	46,567,592
2020	42,405,635
2021	48,178,938
2022	49,429,938
2023	55,765,983
2024	55,324,273
2025	45,698,589
2026	54,771,263
Total Cumulative Transfers	<u><u>\$ 1,092,059,995</u></u>

Cumulative Transfers by Beneficiary Fund

Beneficiary Fund	Transfer Amount
Compulsive Gamblers Assistance Fund	\$ 23,692,963
Solid Waste Landfill Closure Assistance Fund	18,460,996
General Fund	5,000,000
Nebraska Environmental Trust Fund	468,024,454
Education Funds as directed by 2024 Legislature	42,144,076
Nebraska Education Improvement Fund	169,189,055
Education Innovation Fund	174,222,841
Nebraska Opportunity Grant Fund	100,929,475
Nebraska State Fair Support & Improvement Cash Fund	85,632,071
Education Future Fund	4,764,064
Total Cumulative Transfers	<u><u>\$ 1,092,059,995</u></u>

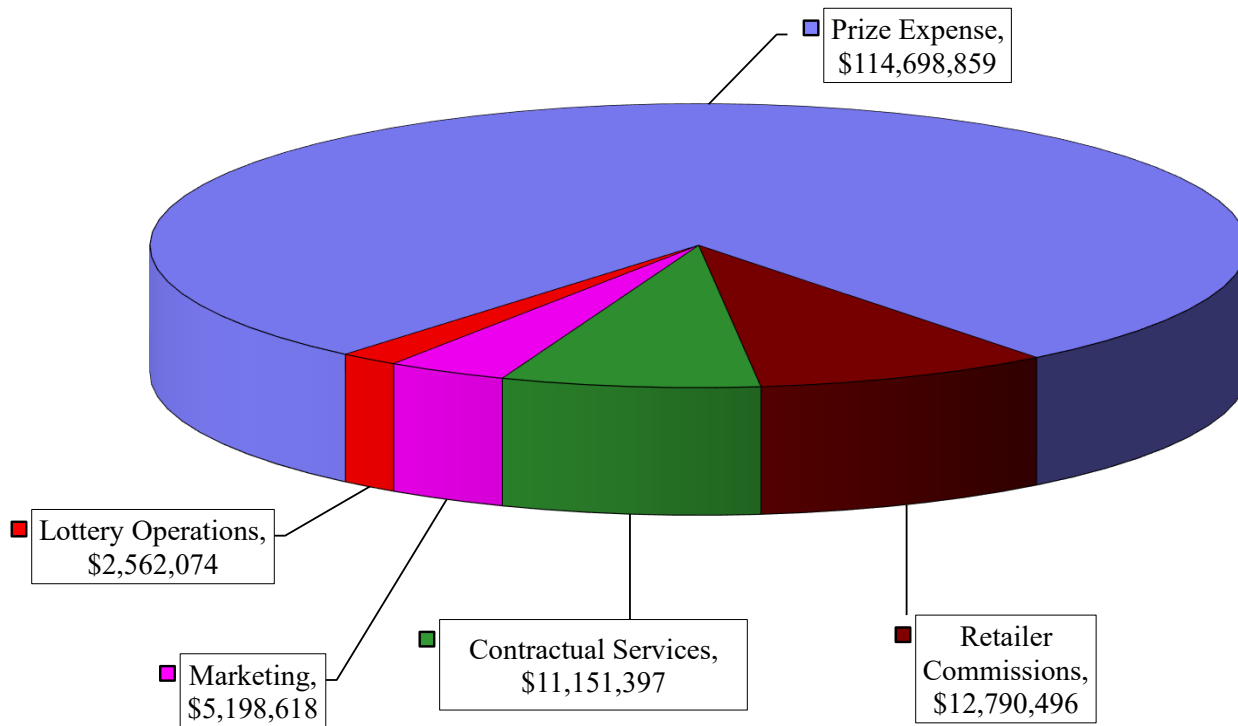
NEBRASKA LOTTERY
OPERATING TRANSFERS TO BENEFICIARY FUNDS
For the Fiscal Years 2022 through 2026



Note: The fiscal year 2026 amount includes \$4,764,064 in transfers to the Education Future Fund, as required by LB 1072 (2026). For fiscal years through fiscal year 2023-24, the money available to be used for education pursuant to subdivision (3)(b) of Neb. Rev. Stat. § 9-812 were transferred to the Nebraska Education Improvement Fund. LB 705 (2023) amended this statute. Pursuant to the amended State statute, Neb. Rev. Stat. § 9-812(2) (2026 Neb. Laws, L.B. 1072, § 126), the Lottery transferred the following amounts for State fiscal year 2026 to be used for education.

Education Fund/Use	Amount
Excellence in Teaching Cash Fund	\$ 1,762,456
Distance Education Incentives	\$ 660,921
Expanded Learning Opportunity Grant Fund	\$ 330,460
Education Improvement Grant Fund	\$ 2,203,070
Mental Health Training Cash Fund	\$ 330,460
Behavioral Training Cash Fund	\$ 1,762,456
College Pathway Program Cash Fund	\$ 440,614
Nebraska Opportunity Grant Fund	\$12,777,811
Community College GAP Assistance Program Fund	\$ 1,542,150
Door to College Scholarship Fund	\$ 220,306
Total	\$22,030,704

**NEBRASKA LOTTERY
OPERATING EXPENSES**
For the Fiscal Year Ended June 30, 2026



Total Operating Expenses \$146,401,444

Breakdown of Expenses

Prize Expense:

Instant Prize Expense	\$ 66,208,175
On-Line Prize Expense	\$ 52,355,668
Unclaimed Prizes	\$ (3,864,984)
Total	\$ 114,698,859

Retailer Commissions:

Instant Commissions	\$ 6,868,732
On-line Commissions	\$ 5,902,709
Misc. Retailer Expense	\$ 19,055
Total	\$ 12,790,496

Contractual Services:

Lottery Service Provider	\$ 10,590,855
Other Contractors	\$ 560,542
Total	\$ 11,151,397

Marketing Expense:

Advertising Expense	\$ 4,451,235
Promotions Expense	\$ 747,383
Total	\$ 5,198,618

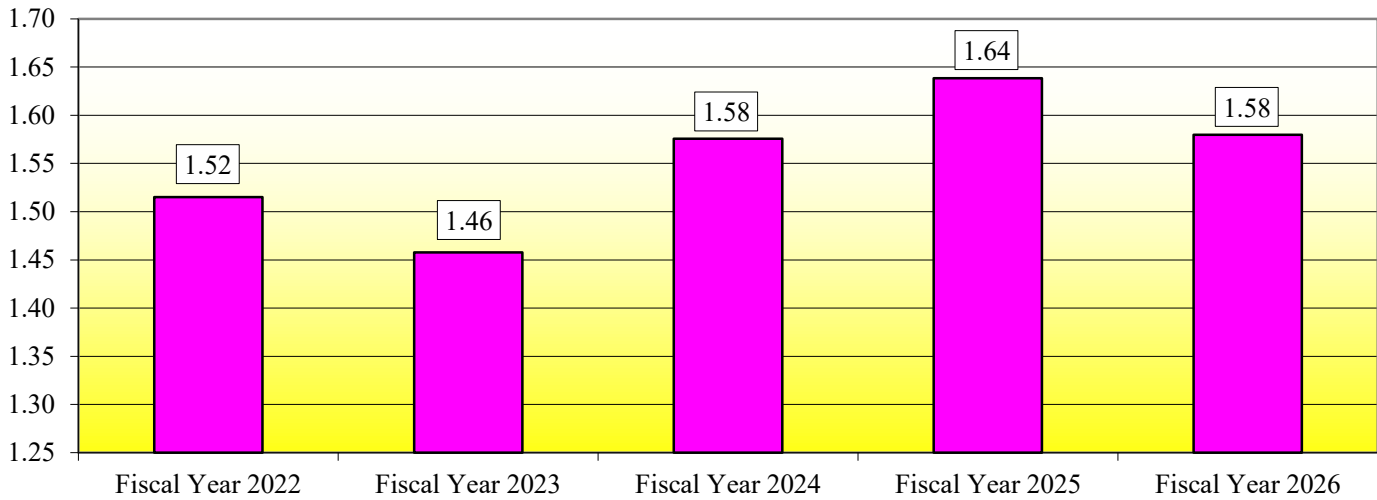
Lottery Operations:

Payroll Expense	\$ 2,111,085
Other Operating Expense	\$ 450,989
Total	\$ 2,562,074

NEBRASKA LOTTERY

CURRENT RATIO

For the Fiscal Years 2022 through 2026

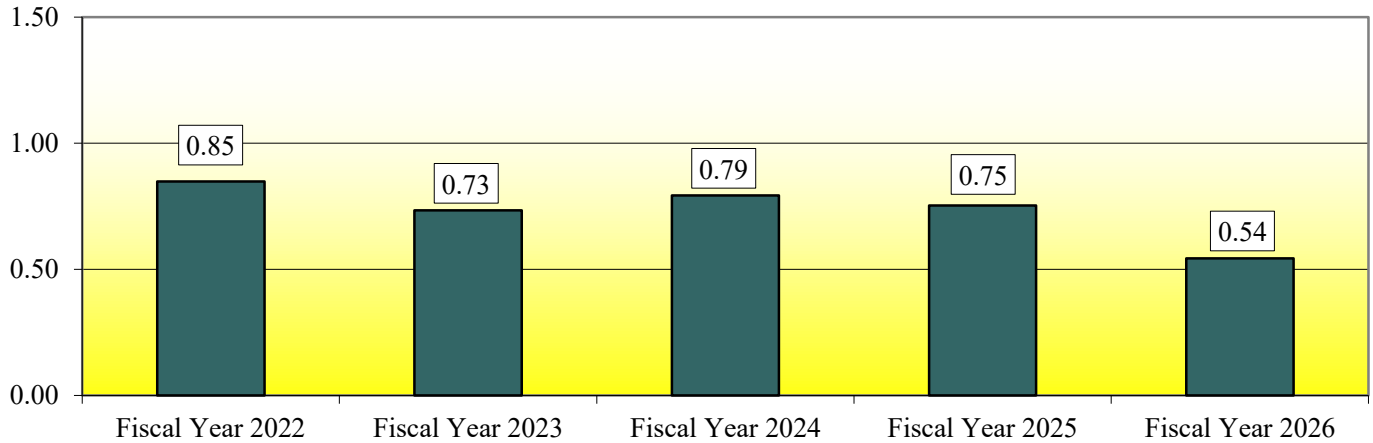


	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Current Assets	\$ 15,968,205	\$ 16,052,622	\$ 17,924,563	\$ 18,235,217	\$ 16,546,686
Current Liabilities	\$ 10,539,467	\$ 11,011,645	\$ 11,376,484	\$ 11,129,778	\$ 10,473,994

Note: The Current Ratio is an assessment of the Nebraska Lottery's current assets in excess of current liabilities.

QUICK RATIO

For the Fiscal Years 2022 through 2026



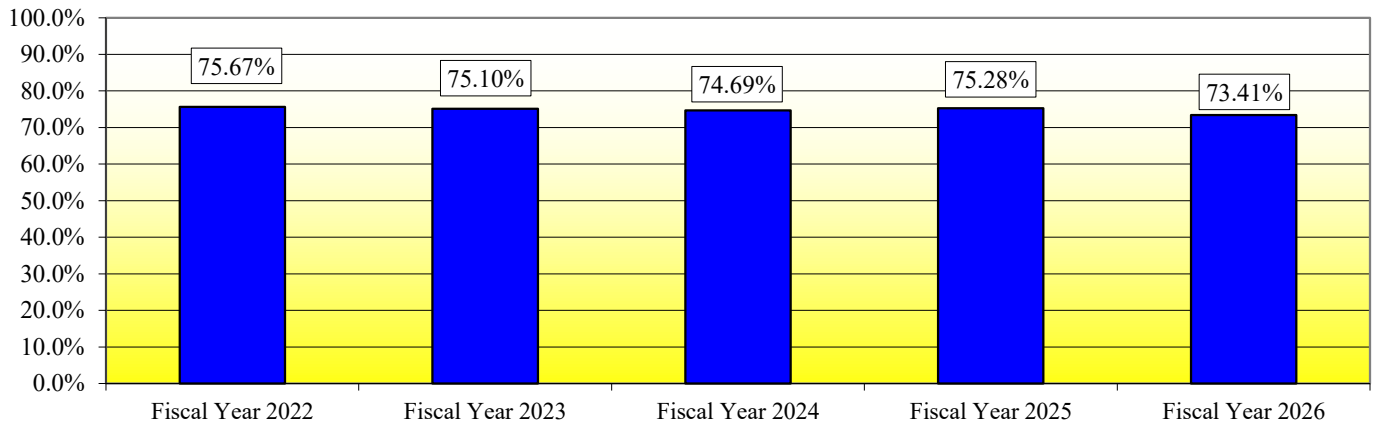
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Cash & Cash Equivalents	\$ 8,941,960	\$ 8,076,160	\$ 9,019,256	\$ 8,376,661	\$ 5,693,653
Current Liabilities	\$ 10,539,467	\$ 11,011,645	\$ 11,376,484	\$ 11,129,778	\$ 10,473,994

Note: The Quick Ratio is an assessment of the Nebraska Lottery's cash in excess of current liabilities.

NEBRASKA LOTTERY

PERCENTAGE OF OPERATING EXPENSES TO REVENUES

For the Fiscal Year 2022 through 2026

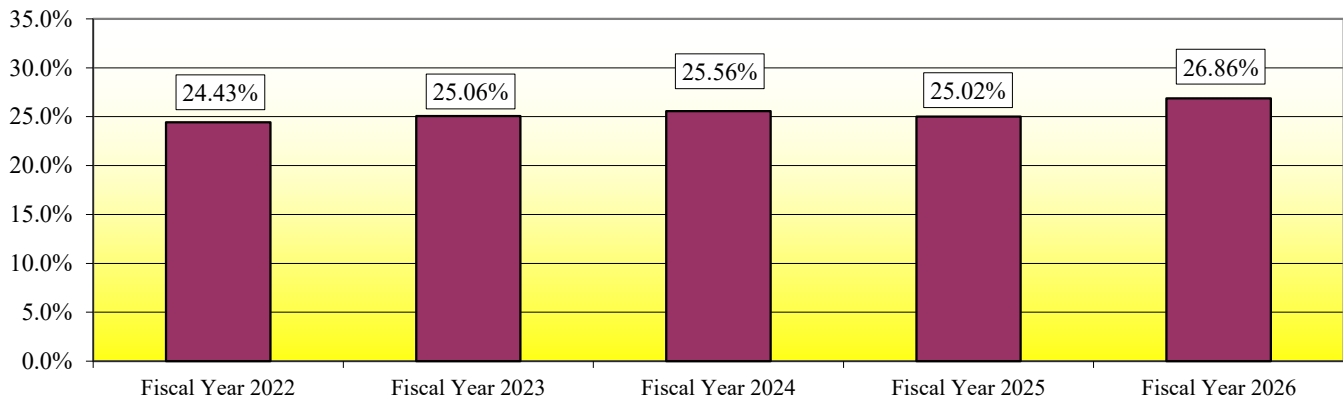


	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Total Operating Expense	\$ 153,056,808	\$ 165,319,156	\$ 165,431,753	\$ 139,544,324	\$ 146,401,444
Total Operating Revenue	\$ 202,265,188	\$ 220,129,835	\$ 221,501,461	\$ 185,369,576	\$ 199,436,736

Note: The graph represents the percentage of operating expenses to revenues.

NET INCOME BEFORE SUBSIDIES COMPARED TO OPERATING REVENUE

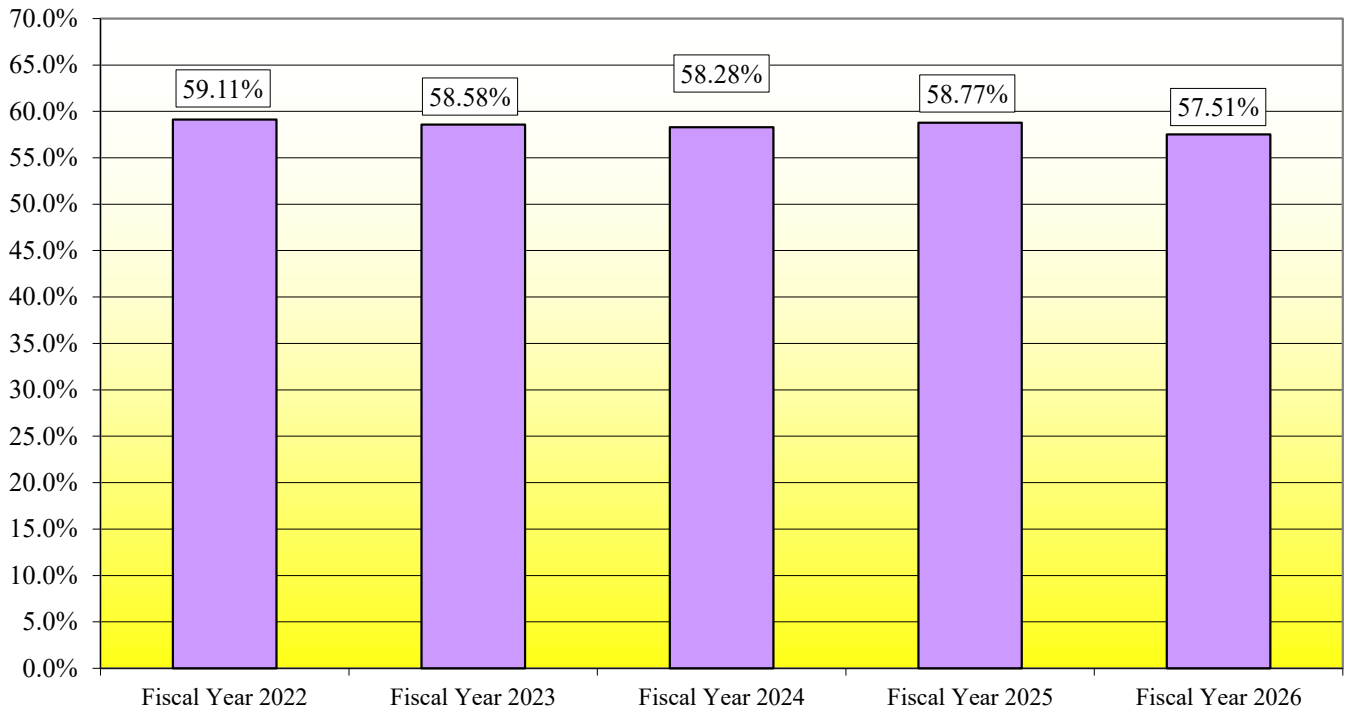
For the Fiscal Years 2022 through 2026



	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Net Income Before Subsidies	\$ 49,420,335	\$ 55,171,640	\$ 56,606,996	\$ 46,370,788	\$ 53,578,648
Total Operating Revenue	\$ 202,265,188	\$ 220,129,835	\$ 221,501,461	\$ 185,369,576	\$ 199,436,736

Note: The graph represents the percentage of net income before operating transfers compared to total operating revenue.

NEBRASKA LOTTERY
PRIZE PERCENTAGE OF SALES
For the Fiscal Years 2022 through 2026



	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Prize Expense	\$ 119,566,977	\$ 128,952,199	\$ 129,091,826	\$ 108,939,593	\$ 114,698,859
Total Operating Revenue	\$ 202,265,188	\$ 220,129,835	\$ 221,501,461	\$ 185,369,576	\$ 199,436,736

Note: The graph represents the percentage of net sales paid out in prizes.