



2323 Grand Avenue · Des Moines · Iowa 50312-5307
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www.ialottery.com

Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor
Terry Rich · Chief Executive Officer

AGENDA

IOWA LOTTERY BOARD

June 20, 2011

10:30 a.m.

- I. Call to Order
 - a. Approval of Minutes

- II. Monthly Reports
 - a. Financial
 - b. Marketing
 - c. External Relations
 - i. Legislative Update
 - d. Security

- III. CEO Update
 - a. Travel
 - b. Conversion

- IV. Administrative Rule Change

- V. **Closed Session**
 - a. Non-contract/Key Employee Salaries
 - b. Personnel – VP Hire

- VI. FY 12 Budget

- VII. Adjournment

If you require the assistance of auxiliary aids or services to participate in or attend the meeting because of a disability, please call our ADA coordinator at 515-725-7864, or if you are hearing impaired, call Relay TTY at 1-800-735-2942.

MINUTES

IOWA LOTTERY BOARD

April 28, 2011

The Iowa Lottery Board convened by teleconference at 10:30 a.m., Vice Chairperson Schroeder presiding.

Board members participating: Michael Klappholz, Brad Schroeder, Elaine Baxter (teleconference), Mary Junge (teleconference), Tom Rial. Absent: Michael Fitzgerald.

Lottery staff present: Terry Rich, CEO; Kenneth Brickman, Executive Vice President/COO; Teri Wood, Vice President for Marketing; Brenda Loy, CFO; Larry Loss, Vice President for Sales; Mary Neubauer, Vice President of External Relations; Molly Juffernbruch, Vice President Legal Counsel; Dave Van Compennolle, Assistant Attorney General; Jack Schroeder, CIO; and Jamie Becker, Board Secretary.

Others present: John Quinn, DCI and Dave Berger, Scientific Games.

Vice Chairperson Schroeder called the meeting to order and noted that some of the Board members were participating by means of a conference call, with the provisions of Iowa Code section 21.8 governing the conduct of electronic meetings in effect. A meeting with all members in attendance in person was impractical due to the Board members' personal scheduling conflicts. The meeting originated from the Lottery central offices in Des Moines and public notice of the meeting was given pursuant to Iowa Code section 21.4, with public access to the conversation of all participants provided by means of speakerphone for the benefit of all in attendance at the meeting site. Klappholz moved to conduct the meeting by electronic means, pursuant to Code section 21.8. The motion was seconded by Junge and carried unanimously.

Minutes

Klappholz moved to approve the minutes of the meeting on February 17, 2011 with the exception of removing the word "effective" from the 3rd paragraph, 1st sentence under the Reports section. The motion was seconded by Baxter and carried unanimously.

Monthly Reports

Written reports were included in the agenda package. Staff members reviewed the information and responded to questions from Board members.

Financial

Loy presented March performance measures and stated that the lottery is over 7% ahead of sales as compared to budget from last year and 16-19% ahead on proceeds. Financials were provided in packet for Jan, Feb, March. Loy pointed out that building updates will be taking place, such as painting and repair from water damage, repairs to parking lot, lighting retrofitting, and upgrading some computers and software.

The FY12 budget will be brought to the board in June for salary updates. FY13 budget will be brought to the board in September for approval.

Junge asked if some repairs had already been paid for and Loy stated that we had some unexpected heating and cooling expenses and Rich pointed out that our biggest expense was the tuck-pointing that happened in May and June of last year.

Junge inquired about the decreased vendor compensation expense and Loy responded that we received a lower rate for the last extension on the existing Scientific Games contract. Junge also asked about the reduced amount of depreciation in the financials and Loy stated that the vending machines are fully depreciated now.

Marketing

Teri Wood stated that marketing continues to work on efficiencies and driving sales. Instant ticket sales performing very well: Black Ticket deployed in Jan outperformed 5 other top \$5 games. Rock of Ages performed very well and came in at #5 of 57 \$2 games. Rock of Ages gave the lottery opportunities for grass roots outreach with statewide initiative. Wood stated that our first VIP Club promotion “Play It Again” is coming up May 16th and the Monopoly licensed game will be out July 18th. The Monopoly game has a tie-in with DNR and Iowa Tourism with Iowa get-away prize packages. Marketing is currently working on Phase II of the Dream Campaign and proceeding with baseline research.

Security

Reports were provided for February and March. No questions or comments.

Junge moved to approve the monthly reports. Klappholz seconded and it passed unanimously.

Elaine Baxter arrived in person for the remainder of the meeting.

Tom Rial arrived in person for meeting at 10:54am.

General Updates

Mary Neubauer presented an update on the legislative session stating that although the session is scheduled to end Friday, it appears it will not. Some special initiatives mentioned previously were not passed, but 2 new issues have come up: 1) Senate File 256 – Racing, Gaming, and a Study of Internet Gambling. This would call for a study of internet gaming and a report is due back to legislature before the start of 2012 session. The lottery would most likely be consulted by The Racing and Gaming Commission in the process of producing the report. 2) House File 686 – State Marketing and Advertising. This is to ensure all state entities that make marketing and advertising expenditures are getting the most for their money. The legislation calls for a task force to be put in place. Terry Rich would be named head of that task force. The task force would also need to report back before the 2012 session.

Terry Rich advised the board that the Lottery has informed employees and vendors that the lottery’s focus is currently on the conversion and any new initiatives are on the back burner for now.

Jack Schroeder, CIO and key player in the conversion project, was introduced by Larry Loss. Loss then presented an update on the conversion project, showing photos of the first installation of the new terminals, equipment, and jackpot signs.

The first phase of testing has been completed. Phase II testing (utilizing the new back office) is in progress.

2,283 retailers have received their training with only 50 retailers left to train. 769 retailers have received their new terminals as of this morning. Scientific Games has increased their installation teams across the state. Loss also presented a self-checker display, designed by Schafer Systems in Adair, which will be placed at Kwik Star and Casey's Stores initially.

Klappholz inquired about the determination of the deployment schedule and Loss responded that Sci-Games has followed the training cycle and started in the DM Metro area so that techs could respond quickly if there were any issues.

Rich stated that there will be a publicity tour about the new equipment next week. Lottery representatives will be in Cedar Rapids, Sioux City, Mason City, Council Bluffs and Davenport, as well as Des Moines.

Klappholz asked about the amount of downtime the retailer experiences during the transition. Loss stated the downtime is minimal but it can vary depending on the specific site and installation requirements.

CEO Update

Terry Rich first presented information on industry trends stating we are well ahead on gross sales and on target for prize expenses of 58-60%. Rich spoke of the success of our instant tickets this year and planned investments for next year, which are: 1) VIP Club, 2) New monitors in retail locations that allow us to market our product to customers, and 3) Warehouse and courier delivery.

Rich mentioned a few trends that are happening in the lottery industry: 1) Having a diversified retailer base, 2) The cross-sell between MegaMillions and Powerball and creating new games continues to be reviewed by committees through MUSL, as well as a possible \$5 national game, and 3) the possibility of internet gambling.

Rich mentioned span of control and salaries which will be discussed at the June board meeting. He will work with the Chairperson on recommended salaries for key employees.

Rich introduced other attendees, Dave Berger from Scientific Games, Dave Van Compernelle from the AG's office, and John Quinn from the DCI.

Fiscal Policies

Loy presented the current ILOT policies and the updated DAS policies and stated that the lottery is recommending that we conform to DAS policies and delete the following Iowa Lottery policies: Travel-Direct Billing and Misc - Prior Approvals – Statewide Conference.

Schroeder moved to adopt the DAS fiscal policies. Baxter seconded and it passed unanimously.

Membership Dues

Invoices for membership due renewals were provided in the packet and presented to the board. Rich and Brickman requested approval of the following membership dues: Iowa Grocery Industry Association, Petroleum Markets and Convenience Stores of Iowa, NASPL and WLA.

Schroeder moved to approve the membership dues. Klappholz seconded and it was passed unanimously.

Contracts

Board members were provided with a proposal for an Auditing Services contract with McGladrey & Pullen, LLP. Loy stated that the lottery received 3 responses from Faller & Kincheloe, LWBJ, and McGladrey. Committee members were Ken Moon, Pam Brocker, Brenda Loy. Committee members reviewed all responses and deemed McGladrey the best recommendation. The contract is for 1 year with 5 1-year extensions, for a total of up to 6 years. Each year the board would vote on whether to extend.

Rich stated for the record that an email was sent to the lottery by Joe Diaz on April 28th at 12:08am stating his concerns with integrity, reliability, and possible GAAS security issues with McGladrey & Pullen, LLP.

Loy and Moon expressed no concerns or change in recommendation.

Schroeder moved to approve the contract and recommendation. Baxter seconded and it passed unanimously.

Board members were also provided a recommendation from Teri Wood regarding the extensions of advertising contracts with Integer and Strategic America. Both agencies were initially awarded the contracts on July 1, 2008 with 2 extensions being awarded. Wood stated that both agencies have performed well and she recommended that the final extension be awarded for both Integer and Strategic America for FY12.

Klappholz moved to approve the extensions. Junge seconded and it passed unanimously.

Retailer Compensation Program

The board was provided with an updated Retailer Compensation Program document and Loss stated that the only changes are related to equipment, ticket dispensers and delivery of tickets. Any retailer who has received the new equipment would be covered under the updated Retailer Compensation Program, whereas retailers with the old equipment would still remain covered under the previous program.

Baxter moved to approve the Retailer Compensation Program. Schroeder seconded and it passed unanimously.

Board Member Recognition

Rich recognized and thanked Tom Rial and Elaine Baxter for their years of service on the board. Mary Junge expressed her thanks as well. Tom and Elaine both addressed the board and lottery staff.

Schroeder moved to adjourn. Klappholz seconded and it passed unanimously.

Meeting adjourned at 12:01pm.

IOWA LOTTERY AUTHORITY PERFORMANCE MEASURES FY 2011														
		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	
Month														
Gross Sales	Budget '11	18,722,184	21,125,451	19,513,607	21,220,894	19,642,139	20,464,331	21,420,742	22,054,859	23,025,951	21,590,576	21,385,870	19,933,398	
	Actual '10	19,040,396	22,285,181	19,614,614	19,964,605	19,460,281	21,080,059	20,100,947	20,998,253	24,902,645	23,682,829	23,458,304	21,667,525	
	Actual '11	20,683,463	20,526,880	20,268,736	20,707,755	22,414,149	23,638,991	23,866,645	22,592,711	27,156,908	24,150,580	22,962,332		
Prize Expense	Budget '11	10,924,452	12,326,766	11,386,250	12,382,457	11,461,249	11,941,000	12,499,069	12,869,078	13,435,713	12,598,167	12,478,721	58.35% 3)	11,631,199
	Actual '10	11,008,744	12,885,945	11,457,691	11,590,409	11,177,370	12,395,334	12,887,034	12,888,422	13,856,385	14,726,535	12,965,678	55.27% 4)	12,614,246
	Actual '11	12,779,039	11,692,728	11,763,446	12,293,596	12,390,886	14,042,187	13,741,084	14,281,690	15,042,753	13,796,588	13,991,657	60.93% 5)	
Operating Expenses	Budget '11	595,484	902,980	902,980	902,980	1,309,847	786,732	909,954	909,954	909,954	909,954	1,320,891	1,174,486	
	Actual '10	542,134	833,390	814,169	832,892	808,120	1,044,094	755,973	872,015	854,294	773,491	913,845	1,680,625	
	Actual '11	539,097	693,153	884,831	807,776	1,184,565	703,967	828,828	936,391	850,695	888,354	1,287,987		
Proceeds Transfer-General	Budget '11	4,438,166	4,776,813	4,343,452	4,802,474	3,971,142	4,715,312	4,849,230	5,019,719	5,280,807	4,894,892	4,428,918	4,184,811	
	Actual '10	4,216,491	4,943,188	4,347,444	4,165,398	4,592,408	4,913,856	3,537,410	3,884,803	6,517,645	4,532,576	5,856,542	3,737,751	
	Actual '11	4,714,318	5,198,524	4,295,667	5,010,008	6,255,411	5,606,161	6,208,866	4,335,482	7,234,879	6,253,580	4,814,963		
Proceeds Transfer-Veterans	Budget '11	82,829	517,578	233,211	143,812	121,555	102,969	151,239	274,763	420,489	185,818	145,864	119,872	
	Actual '10	69,484	542,277	211,064	141,357	113,846	97,070	133,242	319,374	455,734	231,865	178,455	167,784	
	Actual '11	131,645	382,640	441,669	251,116	208,123	203,448	184,063	267,748	472,319	229,155	180,589		
Total Proceeds Transfers	Budget '11	4,520,995	5,294,391	4,576,663	4,946,286	4,092,697	4,818,281	5,000,469	5,294,482	5,701,296	5,080,710	4,574,782	4,304,683	
	Actual '10	4,285,975	5,485,465	4,558,508	4,306,755	4,706,254	5,010,926	3,670,652	4,204,177	6,973,379	4,764,441	6,034,997	3,905,535	
	Actual '11	4,845,963	5,581,164	4,737,336	5,261,124	6,463,534	5,809,609	6,392,929	4,603,230	7,707,198	6,482,735	4,995,552		
YEAR TO DATE														
Gross Sales	Budget '11	18,722,184	39,847,634	59,361,241	80,582,135	100,224,274	120,688,605	142,109,347	164,164,206	187,190,156	208,780,732	230,166,602	8.17% 1)	250,100,000
	Actual '10	19,040,396	41,325,577	60,940,191	80,904,796	100,365,077	121,445,136	141,546,083	162,544,336	187,446,981	211,129,810	234,588,114	6.13% 2)	256,255,637
	Actual '11	20,683,463	41,210,343	61,479,079	82,186,834	104,600,983	128,239,974	152,106,619	174,699,328	201,856,234	226,006,812	248,969,142		
Prize Expense	Budget '11	10,924,452	23,251,217	34,637,467	47,019,924	58,481,173	70,422,173	82,921,241	95,790,319	109,226,033	121,824,200	134,302,921	58.35% 3)	145,934,120
	Actual '10	11,008,744	23,894,689	35,352,380	46,942,789	58,120,159	70,515,493	83,402,527	96,290,949	110,147,334	124,873,869	137,839,547	58.76% 4)	150,453,787
	Actual '11	12,779,039	24,471,767	36,235,213	48,528,809	60,919,695	74,961,882	88,702,966	102,984,649	118,027,395	131,823,976	145,815,626	58.57% 5)	
Operating Expenses	Budget '11	595,484	1,498,464	2,401,444	3,304,424	4,614,271	5,401,003	6,310,957	7,220,911	8,130,865	9,040,819	10,361,710	11,536,196	
	Actual '10	542,134	1,375,524	2,189,693	3,022,585	3,830,705	4,874,799	5,630,772	6,502,787	7,357,081	8,130,572	9,044,417	10,725,040	
	Actual '11	539,097	1,232,250	2,117,081	2,924,857	4,109,422	4,813,389	5,642,217	6,578,610	7,429,307	8,317,663	9,605,652		
Proceeds Transfer-General	Budget '11	4,438,166	9,214,979	13,558,431	18,360,905	22,332,047	27,047,359	31,896,589	36,916,308	42,197,115	47,092,007	51,520,925	55,705,736	
	Actual '10	4,216,491	9,159,679	13,507,123	17,672,521	22,264,929	27,178,785	30,716,195	34,600,998	41,118,643	45,651,219	51,507,761	55,245,512	
	Actual '11	4,714,318	9,912,842	14,208,509	19,218,517	25,473,928	31,080,089	37,288,955	41,624,438	48,859,318	55,112,899	59,927,863		
Proceeds Transfer-Veterans	Budget '11	82,829	600,408	833,619	977,431	1,098,986	1,201,955	1,353,194	1,627,957	2,048,446	2,234,264	2,380,128	2,500,000	
	Actual '10	69,484	611,761	822,825	964,182	1,078,028	1,175,098	1,308,340	1,627,714	2,083,448	2,315,313	2,493,768	2,661,554	
	Actual '11	131,645	514,285	955,954	1,207,070	1,415,193	1,618,641	1,802,704	2,070,452	2,542,771	2,771,926	2,952,515		
Total Proceeds Transfers	Budget '11	4,520,995	9,815,387	14,392,050	19,338,336	23,431,033	28,249,314	33,249,783	38,544,265	44,245,561	49,326,271	53,901,053	16.66% 1)	58,205,736
	Actual '10	4,285,975	9,771,440	14,329,948	18,636,703	23,342,957	28,353,883	32,024,535	36,228,712	43,202,091	47,966,532	54,001,529	16.44% 2)	57,907,066
	Actual '11	4,845,963	10,427,127	15,164,463	20,425,587	26,889,121	32,698,730	39,091,659	43,694,890	51,402,089	57,884,825	62,880,378		
1) Actual FY11 compared to Budget FY11														
2) Actual FY11 compared to Actual FY10														
3) Budget FY11 Prize Payout														
4) Actual FY10 Prize Payout														
5) Actual FY11 Prize Payout														



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DATE: May 26, 2011
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for April 2011. During April, we had revenue of \$24,151,870. This sales level resulted in \$6,253,580 of proceeds payable to the State General Fund and \$229,155 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

April 30, 2011

Proceeds to Iowa Plan			\$170,318,439
Proceeds to CLEAN fund			\$35,894,355
Proceeds to Special Appropriations			\$13,773,572
Proceeds to Gambler's Treatment Program			15,732,208
Proceeds to the State General Fund:			
Prior to Fiscal Year 2011	\$1,007,499,420		
Fiscal Year 2011			
Transferred	48,859,318		
Payable	6,253,580		
		<hr/>	1,062,612,318
Proceeds to the Veterans Trust Fund:			
Prior to Fiscal Year 2011	\$5,444,931		
Fiscal Year 2011			
Transferred	2,542,771		
Payable	229,155		
		<hr/>	8,216,857
Total			<hr/> <hr/> \$1,306,547,749

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED APRIL 30, 2011

	Month ended April 30, 2011	Month ended April 30, 2010	Year-to-date April 30, 2011	Year-to-date April 30, 2010
OPERATING REVENUES				
Instant-scratch ticket sales	\$14,810,633	\$12,933,520	\$137,066,852	\$118,074,560
Pick 3 sales	565,611	527,311	5,481,469	5,473,905
Powerball sales	4,441,421	5,243,601	38,940,824	49,146,530
Mega Millions sales	1,225,285	1,558,931	13,953,418	3,579,520
Hot Lotto sales	1,097,507	1,116,519	9,859,335	11,614,489
Raffle sales	0	0	0	789,200
Pick 4 sales	234,477	221,130	2,257,600	2,236,944
\$100,000 Cash Game sales	323,280	302,188	3,047,351	3,303,927
Pull-tab sales	1,452,366	1,779,629	15,399,967	16,910,734
Application fees	575	500	4,350	3,275
Other revenue	715	(4,907)	136,701	16,540
Total operating revenues	24,151,870	23,678,422	226,147,867	211,149,624
OPERATING EXPENSES				
Scratch ticket prize expense	8,954,721	9,072,931	85,415,146	75,902,377
Pick 3 prize expense	335,767	313,427	3,247,731	3,332,095
Powerball prize expense	2,143,164	2,554,388	18,618,204	23,903,354
Mega Millions prize expense	628,360	791,638	7,289,849	1,818,088
Hot Lotto prize expense	531,808	538,715	4,761,437	5,625,745
Raffle prize expense	0	0	0	394,516
Pick 4 prize expense	139,847	130,398	1,333,095	1,292,070
\$100,000 Cash Game prize expense	153,118	142,673	1,442,258	1,719,555
Pull-tab prize expense	908,195	1,118,713	9,634,952	10,620,764
Promotional prize expense	1,608	63,652	81,316	265,303
Advertising/publicity	523,015	781,150	5,503,098	6,201,317
Retailer compensation expense	1,526,973	1,518,480	14,373,480	13,252,922
Ticket expense	224,646	206,263	2,364,894	2,234,921
Vendor compensation expense	513,981	759,226	4,873,300	6,748,997
Salary and benefits	696,347	757,899	6,897,143	7,138,697
Travel	36,350	31,954	323,955	304,702
Supplies	8,092	9,721	80,179	93,316
Printing	92	509	13,999	14,117
Postage	407	316	4,466	4,983
Communications	26,201	50,751	434,057	474,078
Rentals	25,882	26,436	229,966	238,272
Utilities	5,291	5,895	89,178	85,526
Professional fees	7,516	3,894	52,741	86,160
Vending machine maintenance	44,907	40,727	436,531	407,243
Outside services and repairs	32,044	13,105	254,150	127,824
Data processing	3,572	4,165	39,014	30,071
Equipment	49,319	4,603	211,624	122,908
Reimbursement to other state agencies	35,332	34,269	354,330	369,546
Depreciation	7,968	13,330	96,597	839,093
Other	2,632	8,258	50,452	114,298
MUSL administrative expense	3,377	17,818	33,774	17,818
Total operating expenses	17,570,532	19,015,304	168,540,916	163,780,676
Operating income (loss)	6,581,338	4,663,118	57,606,951	47,368,948
Interest Income	522	22,333	137,134	321,763
Interest expense	(3,558)	(3,831)	(35,577)	(38,313)
Income before transfers	6,578,302	4,681,620	57,708,508	47,652,398
Transfer to:				
Veterans Trust Fund	(229,155)	(231,865)	(2,771,926)	(2,315,314)
State General Fund	(6,253,580)	(4,532,576)	(55,112,898)	(45,651,218)
	<u>(6,482,735)</u>	<u>(4,764,441)</u>	<u>(57,884,824)</u>	<u>(47,966,532)</u>
Change in net assets	95,567	(82,821)	(176,316)	(314,134)
Net assets, beginning of period	3,930,056	4,182,330	4,201,939	4,413,643
Net assets, end of period	\$4,025,623	\$4,099,509	\$4,025,623	\$4,099,509



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DATE: June 10, 2011
TO: Board Members of the Iowa Lottery Authority
FROM: Brenda Loy, Chief Financial Officer

Attached are the financial statements for May 2011. During May, we had revenue of \$22,963,418. This sales level resulted in \$4,814,963 of proceeds payable to the State General Fund and \$180,589 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY
SCHEDULE OF ECONOMIC BENEFITS

May 31, 2011

Proceeds to Iowa Plan			\$170,318,439
Proceeds to CLEAN fund			\$35,894,355
Proceeds to Special Appropriations			\$13,773,572
Proceeds to Gambler's Treatment Program			15,732,208
Proceeds to the State General Fund:			
Prior to Fiscal Year 2011	\$1,007,499,420		
Fiscal Year 2011			
Transferred	48,859,318		
Payable	11,068,543		
			1,067,427,281
Proceeds to the Veterans Trust Fund:			
Prior to Fiscal Year 2011	\$5,444,931		
Fiscal Year 2011			
Transferred	2,542,771		
Payable	409,744		
			8,397,446
Total			<u><u>\$1,311,543,301</u></u>

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE MONTH AND YEAR ENDED MAY 31, 2011

	Month ended May 31, 2011	Month ended May 31, 2010	Year-to-date May 31, 2011	Year-to-date May 31, 2010
OPERATING REVENUES				
Instant-scratch ticket sales	\$14,283,248	\$12,994,812	\$151,350,100	\$131,069,372
Pick 3 sales	564,155	530,149	6,045,624	6,004,053
Powerball sales	4,186,625	5,488,258	43,127,449	54,634,788
Mega Millions sales	1,044,477	1,165,516	14,997,895	4,745,036
Hot Lotto sales	861,971	1,188,577	10,721,306	12,803,066
Raffle sales	0	0	0	789,200
Pick 4 sales	230,734	216,959	2,488,334	2,453,903
\$100,000 Cash Game sales	319,618	302,460	3,366,969	3,606,387
Pull-tab sales	1,471,504	1,571,573	16,871,471	18,482,307
Application fees	450	375	4,800	3,650
Other revenue	636	1,289	137,337	17,830
Total operating revenues	22,963,418	23,459,968	249,111,285	234,609,592
OPERATING EXPENSES				
Scratch ticket prize expense	9,494,271	7,757,581	94,909,417	83,659,959
Pick 3 prize expense	332,713	312,680	3,580,444	3,644,774
Powerball prize expense	2,008,950	2,431,087	20,627,155	26,334,441
Mega Millions prize expense	531,293	591,874	7,821,142	2,409,963
Hot Lotto prize expense	415,175	577,289	5,176,611	6,203,034
Raffle prize expense	0	0	0	394,516
Pick 4 prize expense	136,410	129,216	1,469,505	1,421,285
\$100,000 Cash Game prize expense	151,054	143,111	1,593,312	1,862,666
Pull-tab prize expense	919,352	985,368	10,554,304	11,606,131
Promotional prize expense	2,439	37,472	83,755	302,775
Advertising/publicity	509,856	849,359	6,012,954	7,050,676
Retailer compensation expense	1,489,660	1,477,962	15,863,141	14,730,884
Ticket expense	208,533	215,837	2,573,427	2,450,757
Vendor compensation expense	496,020	736,278	5,369,320	7,485,275
Salary and benefits	652,119	684,337	7,549,262	7,823,033
Travel	39,959	30,392	363,915	335,094
Supplies	13,360	8,734	93,539	102,050
Printing	(669)	105	13,330	14,222
Postage	320	856	4,786	5,838
Communications	42,313	36,479	476,370	510,557
Rentals	22,934	23,416	252,900	261,688
Utilities	8,434	6,662	97,612	92,188
Professional fees	4,950	59,711	57,691	145,871
Vending machine maintenance	44,877	40,727	481,408	447,970
Outside services and repairs	12,541	92,245	266,691	220,070
Data processing	3,867	3,807	42,881	33,878
Equipment	94,267	8,303	305,890	131,211
Reimbursement to other state agencies	47,233	32,138	401,562	401,685
Depreciation	10,252	13,130	106,849	852,223
Other	3,185	2,803	53,637	117,102
MUSL administrative expense	3,377	0	37,151	17,818
Total operating expenses	17,699,045	17,288,959	186,239,961	181,069,634
Operating income (loss)	5,264,373	6,171,009	62,871,324	53,539,958
Interest Income	2,297	6,287	139,431	328,051
Interest expense	(3,557)	(3,831)	(39,134)	(42,145)
Income before transfers	5,263,113	6,173,465	62,971,621	53,825,864
Transfer to:				
Veterans Trust Fund	(180,589)	(178,455)	(2,952,515)	(2,493,770)
State General Fund	(4,814,963)	(5,856,542)	(59,927,861)	(51,507,760)
	<u>(4,995,552)</u>	<u>(6,034,997)</u>	<u>(62,880,376)</u>	<u>(54,001,530)</u>
Change in net assets	267,561	138,468	91,245	(175,666)
Net assets, beginning of period	4,025,623	4,099,509	4,201,939	4,413,643
Net assets, end of period	\$4,293,184	\$4,237,977	\$4,293,184	\$4,237,977



Marketing/Sales Board Report, April 2011

Game	Details	April Sales	April Weekly Per Capita*	Fiscal YTD Sales		
				FY2010	FY2011	Change
	I. \$100,000 Cash Game sales for April averaged \$75,432 per week. †	\$323,280	\$0.02	\$3,303,927	\$3,047,351	-7.77%
	The jackpot reached its peak for April at \$221.7 million on April 6 and ended the month at \$25 million on April 30.	\$4,441,421	\$0.34	\$49,146,530	\$38,940,824	-20.77%
	The jackpot reached its peak for April and ended the month at \$8.64 million on April 30.	\$1,097,507	\$0.08	\$11,614,489	\$9,859,335	-15.11%
	I. The jackpot reached its peak for April at \$72 million on April 15 and ended the month at \$40 million on April 29. I.	v. \$1,225,285	v. \$0.09	I. \$3,579,520	I. \$13,953,418	I. 389.81%
	K. Pick 4 sales for April averaged \$54,711 per week. † K.	I. \$234,477	II. \$0.02	II. \$2,236,944	v. \$2,257,600	v. 0.92%
	I. Pick 3 sales for April averaged \$131,976 per week. †	\$565,611	\$0.04	\$5,473,905	\$5,481,469	0.14%

Game	Details	April Sales	April Weekly Per Capita*	Fiscal YTD Sales		
				FY2010	FY2011	Change
	Instant sales for April averaged \$3,455,814 per week. † Two new scratch games were introduced in April: “333” (\$1) and “Super Crossword” (\$5) were introduced on April 18.	\$14,810,633	\$1.13	\$118,074,560	\$137,066,852	16.08%
	Pull-tab sales for April averaged \$338,885 per week. † One new pull-tab game was introduced in April: “Purely Platinum” (\$2) was introduced on April 11.	\$1,452,366	\$0.11	\$16,910,734	\$15,399,967	-8.93%
Totals		\$24,150,580	\$1.85	\$210,340,609	\$226,006,816	7.45%

*Based on the state population of 3,046,355 people (2010 Census).

†Monthly sales divided by the number of days in the month, multiplied times seven (days).

PROMOTIONS FOR APRIL 2011



Rock of Ages Promotion

Beginning Feb. 14, nonwinning \$2 “Rock of Ages” instant-scratch tickets may be entered in a web-based second-chance promotion that gives entrants a chance to win Rockin’ Prize packages. There will be two drawings.

The first prize drawing was on April 6 for 10 “Party Like A Rock Star” prize packages. Each of the 10 winners’ packages included two tickets to the Rock of Ages performance on Friday, April 22, 2011 at 7:30 P.M. at the Civic Center of Greater Des Moines; hotel accommodations for a one-night stay on April 22 at a downtown Des Moines hotel that is within walking distance of the theater; a Meet and Greet Reception with Rock of Ages cast members after the April 22 performance; and a Party Like A Rock Star cool bag of swag/merchandise. Ten packages were given away to 10 different winners.

The 10 “Party Like A Rock Star” prize package winners were: Abbey Fry, Ollie; Jay Griffey, Muscatine; Shirley Grillet, West Des Moines; Andrea Groves, Winterset; Bonnie Martin, Marshalltown; Tisha May, Eldora; Dianne McKenzie, Ocheyedan; Tamara Moseley, Davenport; Tom Pauley, Forest City and Kathleen Schwanz, Breda.

The second prize drawing on June 30 is for the Grand Prize and two electric guitar prizes. The Grand Prize trip for two to New York includes a Broadway ticket certificate to the Rock of Ages production for two, hotel gift certificate to the W New York - Times Square Hotel and \$1,500 travel and spending cash. The two guitar prizes are Fender Stratocaster electric guitars signed by Rock of Ages cast members.

SECURITY REPORT
APRIL 2011

INVESTIGATIONS:

Cases opened:	2	Theft:	1
Cases closed:	0	Employee Theft	1
Record of contact:	11	Arrests:	1

EVENTS:

Provide security for the \$100,000 Cash Game and all second chance and promotional drawings. (1) Twitter Contest and (2) Rock of Ages contests.

WAREHOUSING:

Attached

MISCELLANEOUS:

Assist Validations Department:	12
Law Enforcement Contacts:	7
ABD reports:	9

Date: April 28, 2011
To: Steve Bogle
Vice President Security
From: Kevin Jones
Central Warehouse
Ref: Warehousing & Distribution April 2011

Warehousing

Received and stored the following Instant games:

Game No. 713 – Sizzling 7's (reprint)
Game No. 724 – Crossword

Received and stored the following Pull-Tab games:

Game No. 55 – Lady Luck Bucks
Game No. 56 – NasTrac

Distribution

Shipped tickets, Marketing materials and supplies to all regional distribution centers as required.

Miscellaneous

1. Made two trips to International Paper to destroy old tickets and recycling.

SECURITY REPORT
MAY 2011

INVESTIGATIONS

Cases opened:	11	Theft:	5
Cases closed:	1	Burglary:	1
Cleared by arrest:	1	Juvenile:	1
Record of Contact:	25	Customer complaints:	4

EVENTS:

Provide security for the \$100,000 Cash Game and all second chance and promotional drawings.

WAREHOUSING:

Attached

MISCELLANEOUS:

Assist Validations Department:	28
Law Enforcement contacts:	7
ABD Reports:	13
Compliance checks:	151

Date: May 31, 2011

To: Steve Bogle
Vice President Security

From: Kevin Jones
Central Warehouse

Ref: Warehousing & Distribution – May 2011

Warehousing

Received and stored the following instant games:

Game No. 719 - Money See Money Do

Game No. 720 - Diamond Mine

Game No. 721 - Ruby Riches

Game No. 722 - Tic Tac 2's

Distribution

Shipped tickets, Marketing materials and supplies to all regional distribution centers as required.

CHAPTER 21

DRAWING AND CONTESTS

531 – 21.1(99G) Authorization of drawings. The lottery authority board authorizes drawings and contests that meet the criteria set forth in this chapter.

This rule is intended to implement Iowa Code section 99G.9 (3).

531 – 21.2(99G) Definitions.

“Contest” means a lottery event that may or may not involve non-winning tickets in which entries are selected as winners and prizes are valued at a total of \$5,000 or less. If an individual prize is greater than \$600 or at the lottery’s discretion, a player must fill out a claim form and the contest will have written rules informally posted at the event.

“Drawing” or “second-chance drawing” means a lottery event involving a random selection of an entry or entries for prize(s) in which entrants may either use a non-winning Iowa lottery ticket as an entry or, at the lottery’s discretion, may enter the drawing using points earned from entering tickets through the internet or an entry through an alternative method for which a purchase is not necessary.

“Non-winning ticket” means a ticket that did not win in the original game for which it was printed.

“Presentation” of a drawing or contest entry for purposes of this chapter and validation of the same, means entering the ticket into a drawing or contest through the U.S. mail or internet, as permitted by the rules of the drawing or the description of the contest.

This rule is intended to implement Iowa Code section 99G.9(3) and 99G.21.

531 – 21.3(99G) Price for drawings or contests. There shall be no cost to enter a drawing or contest beyond the original ticket price already paid. At its discretion, the lottery may designate certain drawings that may be entered with a designated number of points earned by entry of non-winning tickets through the VIP Club or by some other lottery-approved method.

This rule is intended to implement Iowa Code section 99G.9(3) and 99G.21.

531 – 21.4(99G) Method of play. Contest or drawing winners may be determined from a computer-generated list of all the entries submitted during the eligibility period or by any other method approved by the lottery. The secure drawing system will generate a list of winning entry numbers based on the prize levels. Alternates will be drawn as determined by the lottery. Other methods of choosing a winning entry may be determined by the lottery and, if utilized, shall be set forth in the specific drawing rules or contest description.

This rule is intended to implement Iowa Code section 99G.9(3) and 99G.21.

531 – 21.5(99G) Prizes.

21.5(1) The number and amount of prizes for a drawing or contest shall be determined by the lottery and set forth in the specific drawing rules or contest description.

21.5(2) At the lottery's discretion, a drawing or contest may include a special prize event. The number of prizes, the amount of each prize, the dates and times of the contests or drawings, as well as the procedures for conducting an elimination drawings or prize events, shall be determined by the lottery and set forth in the specific drawing rules or contest description. Finalists for prize events shall be selected in the manner stated in the specific drawing rules or contest description.

This rule is intended to implement Iowa Code sections 99G.9(3), 99G.21, and 99G.31.

531 – 21.6(99G) Disclosure of odds. Because the odds will vary based on the number of entrants in each contest or drawing, the odds will not be posted.

This rule is intended to implement Iowa Code section 99G.9(3) and 99G.21.

531 – 21.7(99G) Claiming prizes. The specific drawing rules or contest description shall set forth the manner in which prizes won shall be claimed.

This rule is intended to implement Iowa Code section 99G.9(3), 99G.21 and 99G.31.

531 – 21.8(99G) Entry validation requirements. To be a valid entry, the entry must be a legally acquired non-winning Iowa Lottery ticket identified as an entry for the particular promotion. At its discretion, the lottery may include legally obtained winning and non-winning Iowa Lottery online tickets in promotions.

This rule is intended to implement Iowa Code section 99G.9(3), 99G.21 and 99G.31.

531 – 21.9(99G) Owner of a ticket. The lottery and its VIP Club vendor, if any, shall pay prizes in an Internet-based drawing or contest only to persons who present the selected tickets by entering them into the drawing through the online entry form or other entry mechanism. Players are encouraged to sign the original ticket to prevent entry of the ticket by another party into the drawings or contests. The signature on the ticket indicates the owner of the ticket. If no signature is present on the ticket, the owner of the ticket is the possessor of the ticket. If there is a question as to the ownership of a ticket, the chief executive officer's determination as to whether and to whom a prize shall be awarded is final.

This rule is intended to implement Iowa Code section 99G.9(3), 99G.21 and 99G.31.

531 – 21.10(99G) Official end of drawing or contest period. The chief executive officer shall announce the end of any drawing or contest period.

This rule is intended to implement Iowa Code section 99G.9(3) and 99G.21.

FY 2012 Overall Budget

		2010 ACTUAL	2011 BOARD APPROVED BUDGET	2012 APPROVED PRELIMINARY BUDGET	2012 PROPOSED FINAL BUDGET
Resources					
	Lottery sales	256,255,637	250,100,000	256,800,000	271,400,000
	Interest income	364,957	500,000	500,000	500,000
	Application fees	3,975	5,000	5,000	5,000
	Other	22,147	5,000	5,000	5,000
	Total Resources	256,646,716	250,610,000	257,310,000	271,910,000
Expenses and Change in Net Assets					
	Prizes	150,453,787	145,934,120	150,237,152	162,289,381
	Retailer compensation	16,109,748	15,606,100	16,143,868	17,061,705
	Advertising production and media purchases	7,535,084	10,004,000	10,272,000	10,856,000
	Retailer Lottery system/Terminal communications	8,612,934	5,897,595	5,759,776	6,491,856
	Instant/Pull-tab ticket expense & machine maintenance	3,192,775	3,235,412	3,259,168	3,259,168
	Terminal equipment/Ticket dispensers	87,738	100,000	727,872	525,000
	Courier delivery of instant tickets				506,272
	Interest expense (ITVM/PTVM/Building)	45,702	42,500	39,408	39,408
	Lottery operating expense	12,913,586	11,536,196	12,179,279	12,169,597
	Increase (decrease) in net assets	(211,704)	48,341	48,341	48,341
	Total Expenses and Change in Net Assets	198,739,650	192,404,264	198,666,864	213,246,727
Proceeds					
	Proceeds Transfer to General Fund	55,245,512	55,705,736	56,143,136	56,163,273
	Proceeds Transfer to Veterans Trust Fund	2,661,554	2,500,000	2,500,000	2,500,000
	Total Proceeds Transfers	57,907,066	58,205,736	58,643,136	58,663,273
	Total Expenses and Proceeds	256,646,716	250,610,000	257,310,000	271,910,000

FY 2012 Operating Expenses

	2010 ACTUAL	2011 BOARD APPROVED BUDGET	2012 APPROVED PRELIMINARY BUDGET	2012 PROPOSED FINAL BUDGET
Administrative payroll	9,819,750	9,035,279	9,215,279	9,711,869
Travel	369,153	430,000	400,000	400,000
Supplies	104,863	105,000	154,500	104,500
Printing	14,477	10,000	14,500	14,500
Postage	6,166	5,000	6,500	6,500
Communications	117,364	110,000	150,000	150,000
Rentals	285,660	240,000	300,000	300,000
Utilities	98,468	101,515	100,000	100,000
Professional fees	165,833	136,190	65,000	65,000
Outside services and repair	382,369	396,932	870,500	414,228
Data processing	37,700	40,000	40,000	40,000
Equipment	65,094	241,049	100,000	100,000
Reimbursement to state agencies	455,697	392,000	475,000	475,000
Depreciation	864,963	160,931	191,000	191,000
Other expenses	126,029	132,300	97,000	97,000
Total operating expenses	\$ 12,913,586	\$ 11,536,196	\$ 12,179,279	\$ 12,169,597

* 2012 Proposed Budget for "Administrative Payroll" includes salary and benefit cost increases (per DOM projections). Additionally, 2012 Proposed Budget for "Administrative Payroll" includes \$180,000 for additional staff in case of implementation of courier ticket delivery.