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

## **AGENDA**

### **IOWA LOTTERY BOARD**

**September 24, 2013**

**10:30 a.m.**

- I. Call to Order
  - a. Approval of Minutes
  
- II. Monthly Reports
  - a. Financial
  - b. Marketing
  - c. Security
    - i. Administrative Rule
  - d. Operations – Building
  
- III. Legislative Update
  
- IV. Contract Extension
  - a. Trilix
  
- V. CEO Update
  
- VI. 2015 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**  
**June 28, 2013**

The Iowa Lottery Board convened at 10:30 a.m., Board Chairperson Mary Junge presiding.

Board members participating: Mary Junge, Herman Richter, Matt McDermott, Mike Klappholz and Mike Fitzgerald. Deb Burnight, participated via teleconference.

Lottery staff present: Terry Rich, CEO; Larry Loss, EVP; Brenda Nye, CFO; Mary Neubauer, Vice President External Relations; Teri Wood TeBockhorst, Vice President Marketing; Molly Juffernbruch, Vice President General Counsel; Steve Bogle, VP Security; Jack Schroeder, Vice President Operations and Systems; Jamie Becker, Sr Project Director/Board Secretary; Doug Orr, Director, Retail Services; and Tammy Cooper, Procurement.

Others present: Dave Berger, Scientific Games; Dave Jobses, Joe Errion and Wayne McGlaughlin from Iowa Division of Criminal Investigation.

Chairperson Junge called the meeting to order and announced that some board members were present via teleconference in accordance with Iowa Code section 21.8.

Klappholz moved to approve conducting the electronic meeting via teleconference. McDermott seconded. Motion carried unanimously.

**APPROVAL OF MINUTES**

Richter moved to approve minutes of March board meeting. Klappholz seconded. Motion carried unanimously.

**MONTHLY REPORTS**

**FINANCIAL**

Brenda Nye stated that the Performance Measures through May and the February, March, April and May financials were included in the packet. The performance measures show that through May sales are nearly \$314.8 million. That number exceeds both the total budgeted sales for the year and total sales for last year with one month remaining in the fiscal year. Nye stated that proceeds total more than \$80 million through May and that number exceeds both the total budgeted proceeds for the year and total proceeds for last year with one month to go. During FY13, the lottery has had three months where sales and proceeds hit record levels; November 2012, March 2013 and May 2013. All had sales that exceeded \$34 million for the month and proceeds that exceeded \$10 million for the month. Nye stated that the lottery is on track to exceed the highest proceeds year ever in the history of the Iowa Lottery. That year was 2006 with proceeds of \$80,875,796.

Nye stated that in June the lottery was able to pay off the remaining balance of \$1 million on the revenue bonds it had issued in 2004 to pay for the purchase of the lottery's headquarters building and the vending machines. This will be reflected in June's financial reports. Rich added that instant-scratch ticket sales, lotto jackpots and managing costs have all attributed to the success the lottery has experienced the last two years.

**MARKETING**

Teri Wood updated the board on the recent past promotions. Wood stated the Bass Pro Shops promotion launched successfully and, after 9 weeks of sales, the game indexed at 116. The Iowa Lottery also teamed up with the Iowa Department of Natural Resources and Iowa Tourism Office to

offer the Destination Iowa promotion with 5 Iowa vacation prize packages, which received a total of 116,000 entries. Wood stated that the lottery recently launched the Hot Lotto 3x the Sizzle promotion on May 12 where players can purchase 3 quick pick Hot Lotto tickets with the sizzler for \$5 (normally \$6) and then enter the web code on the trailing ticket online for a chance to win \$500 ethanol gas certificates. The drawing for this promotion will be held on July 13. Wood stated that, so far, 105,000 plays have been purchased and over 56,500 have been entered online. Wood moved on to say that the second GameBook launched June 17 and one of the game's top prizes was claimed on its' second day of sales. Upcoming promotions will include SummerCash, a VIP Club promotion, which launches July 15 with 40 cash prizes that will be given away totaling \$250,000. The Sizzling Hot Summer will cap off at the Iowa State Fair followed by a football promotion with Iowa State University, University of Northern Iowa and University of Iowa and then a holiday promotion called Gifts Galore. Wood stated that the lottery has been participating in a number of retailer tent events around the state and those will continue through August. The lottery is also currently working on 'How to Play' tutorial videos and Dream III commercials.

Loss added that this is the first year that the lottery will have over \$200 million in scratch ticket sales and the lottery distributed a record \$2 million of the new Blazing Hot 7s GameBook tickets during that game's first week of sales.

Rich stated that under Iowa Code the lottery is allowed to spend 4% of revenue on marketing and in the past the lottery has typically spent between 2.8 and 3.1%, however this year only 1.89% was spent due to Teri Wood's cost control efforts.

#### **SECURITY**

Steve Bogle presented the security reports and stated that there have been more opportunities for investigators this year to go along with the record breaking year and added that 100% of the cases, complaints or issues reported to Security have been completed successfully. Bogle commended his team on their hard work.

#### **OPERATIONS**

Jack Schroeder reported that every year the lottery allocates monies for upkeep and repair of the building and this year would be no exception. Part of this year's plan is to do a long-term evaluation of the headquarters building and its continued sustainability. During the evaluation, working with DAS and third parties, it was found that the heating and cooling system is a concern. Schroeder stated that there are still many steps in the process but will keep the board informed of findings. Schroeder stated that if the HVAC system were to break down it could impact operations, which currently average nearly \$1 million in sales per day. The lottery is budgeting FY14 monies for building operations to ensure coverage, if an emergency were to occur.

Junge inquired about the plan if the system were to break. Schroeder responded an emergency repair would be required, adding that options are still being considered. Options include displacement of employees, sectioning off certain areas of the building and moving employees around within the headquarters building.

Rich added that the evaluations have shown the system cannot be repaired and has outlasted its' life expectancy. Due to the age of the system, there are no major parts available for repair. The estimates received start at around \$3 million to replace, which doesn't include the asbestos abatement and other issues. Rich stated there are three options to consider; replacement of the system knowing that windows need replaced in the next few years as well, selling the building and leasing somewhere else, or building new. Rich stated that the lottery team will continue to work with DAS and the third parties and come back to the Board in the next few months with a recommendation.

Klappholz asked if an alternate location has been considered, if disaster strikes. Rich said the lottery has a disaster recovery plan in place and employees would be displaced, slowing production and ultimately costing money but sales would continue. Bogle added that the lottery conducted a disaster recovery tabletop discussion approximately one year ago with Department of Homeland Security and feels confident that sales would continue. McDermott asked if approval from the Legislature is required if the lottery were to decide to purchase land or a building, Rich responded if the cost is over \$1 million dollars the Governor and Executive Council would need to approve and the legislature would be informed. Rich added that is unlikely the lottery would have to borrow money.

McDermott moved to approve the monthly reports. Klappholz seconded. Motion carried unanimously.

### **FISCAL POLICIES**

Brenda Nye stated the Iowa Lottery Authority follows the Department of Administrative Services (DAS) fiscal policies in most instances and develops its own policies to allow for authorizations specific to the Lottery. Nye asked for approval of three fiscal policies:

210.315 updates the Lottery policy to allow the Lottery CEO or designee to approve all out-of-state travel. That approval is done through the online Travel Department Authorization (TDA) process. Out-of-state travel is posted on a public website and the Board will be updated annually of out-of-state trips for conferences and training.

210.405 makes minor wording changes to mirror the DAS policy and changes needed as a result of changes to 210.315.

210.245 allows Lottery Board members to be reimbursed for meals without an overnight stay.

Nye added that the travel report is usually provided at the September Board meeting so it can include all travel for the fiscal year.

Burnight moved to approve the three fiscal policies; 210.315, 210.405 and 210.245.

McDermott seconded and the motion carried unanimously.

### **LEGISLATIVE UPDATE – SELF-EXCLUSION POLICY**

Mary Neubauer stated that the self-exclusion legislation, Senate File 204, and the Governor's veto message were provided in the packet. Neubauer pointed out that the process regarding self-exclusion has been discussed in the legislature for at least three years due to the concerns about the current lifetime ban. Iowa is one of only 2 states where the voluntary self-exclusion program is for life for someone who signs up. Many other states have moved away from a lifetime exclusion. The proposed bill changed the lifetime ban at casinos to a series of five-year bans, and that bill passed both the Iowa Senate and House. Neubauer read from Governor Branstad's veto message that he considers "the lifetime voluntary ban option an important part of Iowa's laws regulating responsible gaming". Neubauer added that the lottery has stated it would not change the policy unless and until legislation had been signed by the Governor changing the casino exclusions and therefore the lottery's self-exclusion policy remains unchanged. Neubauer expects this issue to come up again in future legislative discussions.

Neubauer pointed out that the lottery ban is separate from the casino's ban. The lottery ban seeks to address the motivation to play by banning a player from coming into lottery offices, which makes it impossible for the player to claim a prize of more than \$600. The casino's ban prevents players from coming onto the casino properties. Burnight asked how many people this affects and Neubauer responded that the lottery has 30 people or less who have signed up for self-exclusion and that the majority of players cite casino-style gambling as their main source of gaming at the time they are admitted to treatment for gambling addiction.

Rich added that the lottery recommends not changing the policy until a law is passed on the casino side. Several board members agreed.

#### **ADVERTISING CONTRACT AMENDMENT**

Teri Wood referred to a copy of the amendment included in the packet, stating that the lottery subscribes to an advertising commercial service called "Ad Grab" and the lottery needed to amend the agreement to include updates to that service. Wood noted that this upgrade actually saves money as the lottery won't have to pay companies to format spots for distribution. Wood requested the Board's approval of the amendment.

Klappholz moved to approve the amendment to the contract for Marketing Media Planning, Buying Services and Products. McDermott seconded. The motion carried unanimously.

#### **EXTENSION AGREEMENT - VENDING MACHINES**

Larry Loss stated that the lottery currently has vending machines throughout the state to dispense tickets and there is a service agreement in place for the maintenance and repair of those machines. Loss stated that the lottery is happy with the service provided and asked for approval from the Board to extend the contract for another year, through September 30, 2014.

Richter moved to approve the extension agreement for vending machines maintenance with Pollard Games, doing business as American Games. McDermott seconded and the motion carried unanimously.

#### **CEO UPDATE**

Rich stated that the lottery has had a very successful year, including the World Lottery Association accreditation that the lottery received for Responsible Gaming. Rich went over the lottery's 2014 Priorities, pointing out that "Adding new retailers to diversify opportunities" was a new priority this coming year. Rich stated that big box stores and the bar business are two areas of opportunity that will be explored. Employee professional growth and education will be more of a focus this coming year along with communicating better about how lottery proceeds are spent.

Rich discussed lottery sales and proceeds from the last 10 years, showing the growth in instant tickets and the decline in pull tabs. Rich said lotto games still have a lot of room for growth. Rich attributed the lottery's 2013 success to instant ticket sales, \$2 Powerball, controlling of expenses, security and integrity, and courier delivery.

Areas the lottery will continue to monitor are any potential loss of integrity, building and real estate, amusement devices, online gaming, concentration of retailers, and federal legislation. He went on to say that one of the key factors to future sales is modernization of games and new business, such as bars, corporate accounts, and ePlay.

Rich mentioned that the VIP Club will transition from a points based club to one that utilizes tickets as entries into promotions and that transition takes place July 1.

Rich stated that it's unrealistic to expect sales to grow each year as the lottery has seen in recent years so the new goal is to look at historical data and beat the average of 8 years.

Klappholz stated that the Iowa Racing and Gaming Commission is doing a study on the effects of additional casinos in Iowa and wondered if more casinos being built would affect lottery sales. Rich stated he would anticipate Cedar Rapids sales to decrease nearly 20% if a new casino were to open there, but noted that when a casino was built in northwest Iowa, lottery sales actually went up.

Rich went on to discuss the key employee compensation and asked the board to approve the first four points set forth by the Governor for non-contract employees, which includes 1% increase on July 1, 2013, 1% increase on January 1, 2013, a step increase where appropriate and non-contract employees paying 20% of their healthcare coverage costs.

McDermott moved to approve the Key Employee Compensation plan. Richter seconded. The motion carried unanimously.

Rich thanked the board and commended the lottery employees on a job well done

### **2014 BUDGET**

Nye stated the preliminary FY14 budget was approved by the Board last September. That budget has been updated for projected salary and benefit increases, changes related to the early payoff of the bonds that were issued to buy the headquarters building and ticket vending machines and changes related to the VIP club. Sales and related game expenses were increased accordingly.

Specific line items that changed include interest expense to zero due to payoff of the bonds, \$3.5 million for building related costs and the additional professional fees for changes to the VIP club.

Nye stated that additional fees include professional costs related to webhosting or other services as the VIP Club is moved in-house. The lottery was paying just shy of \$2 million per year for prizes and professional fees to the vendor of the VIP Club. The FY14 budget includes \$1.2 million for prizes and moves \$300,000 from the prize expense category to professional costs, with an estimated savings of \$300,000-\$500,000 by bringing the VIP club in-house.

Burnight moved to approve the FY14 budget, Klappholz seconded. The motion carried unanimously.

### **CLOSED SESSION**

Junge stated "The Chair is advised that the CEO has a matter to discuss with the Board within the parameters of Iowa Code Chapter 21.5(1) (i); that the matter pertains to the DCI background check of the ticket printing companies. The Chair notes that a vote is required during the public portion of the meeting prior to entering closed session."

Richter moved to go into closed session, McDermott seconded.  
Roll call was taken by Junge and the motion carried unanimously.

Rich stated who would be present in the closed session; all board members, Terry Rich, Jack Schroeder, Larry Loss, Jamie Becker, Teri Wood, Steve Bogle, Brenda Nye, Molly Juffernbruch. Bogle added that guests from DCI would be presenting, Dave Jobes, Joe Errion and Wayne McLaughlin. Junge noted that the only person attending the closed session via conference call is Deb Burnight.

Open session temporarily ended at 11:55am.

Klappholz moved to go back into open session. McDermott seconded. The motion carried unanimously. Open session resumes at 12:58pm

### **G-TECH INSTANT CONTRACT**

Rich asked for the board to approve the G-Tech contract. McDermott moved. Burnight seconded and the motion carried unanimously.

### **ELECTION OF OFFICERS**

Junge asked for nominations for the Board chair. McDermott nominated Mike Klappholz. Junge asked for nominations for Vice Chair. Klappholz nominated Herman Richter. Burnight seconded the nominations. Motion for nominations carried unanimously.

Rich then presented Mary Junge with a gift from the board and staff for another great year and a historic record-breaking year.

McDermott moved to adjourn. Richter seconded. Motion carried unanimously.

The meeting adjourned at 1:01pm.

IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2013 FINAL

Month	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
<b>Gross Sales</b>												
Budget '13	20,704,712	23,236,949	21,008,030	21,964,053	22,422,595	23,240,177	23,369,824	24,166,499	26,112,372	24,460,279	24,090,068	22,334,442
Actual '11	20,693,463	20,528,880	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	22,421,899
Actual '12	21,873,877	24,265,848	21,821,797	24,435,865	25,093,494	26,243,111	25,715,692	30,212,168	34,836,028	25,760,263	26,307,787	24,285,855
Actual '13	24,002,158	27,670,294	23,898,937	25,478,715	35,880,677	25,193,904	26,916,821	28,760,205	33,398,754	27,742,685	35,815,945	24,492,363
<b>Prize Expense</b>												
Budget '13	12,225,406	13,720,606	12,404,507	12,969,005	13,239,758	13,722,512	13,799,064	14,269,472	15,418,442	14,442,939	14,218,438	13,187,707
Actual '11	12,779,039	11,692,728	11,763,446	12,293,596	12,390,886	14,042,187	13,741,094	14,281,690	15,042,753	13,796,588	13,991,657	13,145,432
Actual '12	12,753,428	13,913,842	12,543,873	14,418,330	13,955,317	16,548,952	15,632,293	17,991,110	19,681,217	15,101,762	15,850,810	14,051,517
Actual '13	14,725,708	15,978,048	14,152,073	14,520,050	20,300,950	15,702,205	16,369,611	17,428,155	20,337,318	16,343,726	20,154,706	14,788,624
<b>Operating Expenses</b>												
Budget '13	458,823	982,362	982,362	1,432,779	849,140	982,362	988,706	988,706	988,706	1,442,295	855,484	1,640,924
Actual '11	539,097	693,153	894,831	807,776	1,184,565	703,967	828,828	836,391	850,695	888,354	1,287,987	1,548,868
Actual '12	460,879	794,576	991,760	874,688	1,261,482	757,874	882,297	883,113	949,752	878,951	1,376,977	1,919,910
Actual '13	523,449	881,820	958,942	1,344,045	772,498	877,989	960,065	974,427	917,908	1,316,432	768,753	1,618,656
<b>Proceeds to General Fund</b>												
Budget '13	4,896,370	5,030,028	4,453,312	4,250,259	4,952,542	5,030,864	5,058,065	5,264,198	5,767,679	4,896,623	5,375,057	4,137,949
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	7,234,679	6,253,580	4,814,963	4,968,521
Actual '12	5,684,111	6,081,167	5,029,059	5,918,860	7,365,377	5,345,966	5,709,811	7,373,869	9,782,829	6,894,379	5,829,479	5,047,647
Actual '13	5,310,624	6,687,662	6,055,941	7,105,024	10,310,506	4,651,853	6,409,126	6,499,139	8,023,688	6,934,843	10,417,377	4,358,219
<b>Proceeds to Veterans Trust</b>												
Budget '13	91,838	462,261	333,090	181,235	149,349	144,787	207,474	316,167	411,416	219,105	160,997	122,281
Actual '11	131,645	382,640	441,869	251,116	208,123	203,448	184,063	267,748	472,319	229,155	180,588	152,856
Actual '12	57,594	350,656	391,066	165,122	128,253	155,046	321,811	406,376	267,787	248,021	149,725	78,236
Actual '13	268,863	450,192	101,538	69,313	69,101	98,944	253,973	423,787	108,004	104,807	93,004	85,198
<b>Total Proceeds</b>												
Budget '13	4,990,208	5,492,289	4,786,402	4,431,494	5,101,891	5,175,651	5,265,539	5,580,365	6,179,095	5,105,728	5,536,054	4,260,230
Actual '11	4,845,963	5,581,164	4,737,336	5,261,124	6,463,534	5,809,609	6,992,929	4,693,230	7,707,198	6,482,735	4,985,552	5,121,377
Actual '12	5,741,705	6,431,823	5,420,125	5,985,982	7,493,630	5,011,012	6,081,322	7,780,245	10,050,616	7,142,400	5,979,204	5,125,863
Actual '13	5,579,487	7,137,854	6,157,479	7,174,337	10,379,607	4,750,797	6,663,059	6,922,926	8,131,692	7,099,650	10,510,381	4,443,417
<b>YEAR TO DATE</b>												
<b>Gross Sales</b>												
Budget '13	20,704,712	43,941,661	64,949,691	86,913,744	109,336,339	132,576,516	155,946,340	180,112,839	206,225,211	230,685,490	254,765,558	277,100,000
Actual '11	20,693,463	41,210,343	61,479,079	82,186,834	104,600,983	128,239,974	152,106,619	174,689,328	201,856,234	226,006,812	248,969,142	271,391,047
Actual '12	21,873,877	46,199,725	67,961,462	92,397,327	117,490,821	143,733,952	169,449,624	199,661,792	234,497,826	260,258,083	286,585,870	310,851,725
Actual '13	24,002,158	51,672,392	75,571,329	101,050,044	136,390,721	162,124,625	189,041,446	217,801,651	251,200,405	278,943,090	314,759,035	339,251,420
<b>Prize Expense</b>												
Budget '13	12,225,406	25,946,012	38,350,519	51,319,524	64,559,282	78,281,794	92,080,858	106,350,330	121,768,772	136,211,711	150,430,149	163,617,856
Actual '11	12,779,039	24,471,767	36,235,213	48,528,809	60,919,695	74,961,862	88,702,966	102,984,649	118,027,395	131,823,976	145,815,626	158,961,078
Actual '12	12,753,428	26,667,270	39,211,143	53,629,479	67,584,790	84,133,742	99,766,035	117,757,145	137,438,362	152,540,124	168,390,934	182,442,447
Actual '13	14,725,708	30,703,756	44,855,829	59,375,879	79,676,429	95,378,634	111,748,245	129,177,400	149,514,718	165,858,444	186,013,150	200,801,768
<b>Operating Expenses</b>												
Budget '13	458,823	1,441,185	2,423,547	3,856,326	4,705,466	5,687,828	6,676,534	7,665,240	8,653,940	10,096,241	10,951,725	12,592,649
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	8,371,663	9,605,652	11,154,514
Actual '12	460,879	1,255,455	2,247,215	3,121,903	4,383,385	5,141,253	6,023,556	6,906,669	7,856,421	8,735,372	10,112,349	12,032,258
Actual '13	523,449	1,415,269	2,374,211	3,718,256	4,490,754	5,368,743	6,328,908	7,303,235	8,221,143	9,537,575	10,306,328	11,924,984
<b>Proceeds to General Fund</b>												
Budget '13	4,896,370	9,928,698	14,381,710	18,631,969	23,584,511	28,615,375	33,673,440	38,937,638	44,705,317	49,591,940	54,966,997	59,104,946
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	64,896,382
Actual '12	5,684,111	11,765,278	16,794,337	22,614,197	29,978,574	35,324,540	41,084,251	48,458,120	58,240,949	65,135,328	70,964,807	76,012,455
Actual '13	5,310,624	11,998,286	18,054,227	25,159,251	35,469,757	40,121,610	46,530,736	53,029,875	61,059,563	67,988,406	78,405,783	82,764,005
<b>Proceeds to Veterans Trust</b>												
Budget '13	91,838	554,099	897,189	1,068,424	1,217,773	1,362,560	1,570,034	1,896,201	2,297,617	2,516,722	2,677,719	2,800,000
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	3,105,371
Actual '12	57,594	408,250	799,316	964,438	1,092,691	1,247,737	1,568,348	1,975,724	2,243,511	2,491,592	2,641,257	2,719,494
Actual '13	268,863	719,055	820,593	889,906	959,007	1,057,951	1,311,924	1,735,711	1,843,715	1,948,522	2,041,526	2,126,724
<b>Total Proceeds</b>												
Budget '13	4,990,208	10,492,497	15,269,899	19,700,393	24,802,284	29,977,935	35,243,474	40,823,839	47,002,934	52,108,662	57,644,716	61,904,946
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	68,001,753
Actual '12	5,741,705	12,173,528	17,593,653	23,577,695	31,071,265	36,572,277	42,653,559	50,434,844	60,484,460	67,626,860	73,606,064	78,791,949
Actual '13	5,579,487	12,717,341	18,874,820	26,049,157	36,428,764	41,179,561	47,842,660	54,765,586	62,897,278	69,936,928	80,447,309	84,890,729

1) Budget FY13 Prize Payout  
2) Actual FY11 Prize Payout  
3) Actual FY12 Prize Payout  
4) Actual FY13 Prize Payout  
5) Actual FY13 compared to Actual FY11  
6) Actual FY13 compared to Actual FY12  
7) Actual FY13 compared to Budget FY13



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

DATE: September 12, 2013  
TO: Board Members of the Iowa Lottery Authority  
FROM: Brenda Nye, Chief Financial Officer *BN*

Attached are the final financial statements for June 2013. Previously, you received preliminary financial statements for June 2013.

There was approximately \$74,000 in net adjustments related primarily to an increase in estimated payables of \$77,000 and an increase in interest receivable of \$3,000. These factors resulted in a \$74,122 decrease in proceeds payable to the State General Fund.

Attachments

**IOWA LOTTERY AUTHORITY**  
**SCHEDULE OF ECONOMIC BENEFITS**

June 30, 2013  
**FINAL**

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
<b>Proceeds to the State General Fund:</b>		
Prior to Fiscal Year 2013	\$1,148,408,257	
Fiscal Year 2013		
Transferred	61,053,565	
Payable	21,710,440	
		1,231,172,262
<b>Proceeds to the Veterans Trust Fund:</b>		
Prior to Fiscal Year 2013	\$11,269,796	
Fiscal Year 2013		
Transferred	1,843,716	
Payable	283,008	
		13,396,520
<b>Total</b>		<b>\$1,480,287,356</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**  
**FINAL**

**ASSETS**

Current assets:

Cash	\$24,840,921
Cash on hand	600
Restricted assets - cash	339,541
Interest receivable	9,572
Prepaid expense	60,843
Accounts receivable - net	5,057,071
Ticket inventories	<u>2,265,929</u>

Total current assets 32,574,477

Noncurrent assets:

Investment in prize annuities	5,349,567
Reserve on deposit with MUSL	5,105,041
Capital assets - net	<u>3,707,609</u>

Total noncurrent assets 14,162,217

**Total assets** \$46,736,694

**IOWA LOTTERY AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2013  
FINAL**

**LIABILITIES**

Current liabilities:

Online games prizes payable	3,156,305
Accounts payable	1,934,443
Current obligation for annuities	1,400
Administrative payroll payable	253,017
Due to:	
State General Fund	21,710,440
Veterans Trust Fund	283,008
Other state agencies	145,995
Retailer deposits	27,500
Unearned revenue	256,572
Accrued compensated absences	2,052,763
State withholding payable	152,714
Federal withholding payable	23,750
	<hr/>
Total current liabilities	29,997,907

Noncurrent liabilities:

Annuities payable	5,349,567
Prize reserve fund	5,105,041
	<hr/>
Total noncurrent liabilities	10,454,608

**Total liabilities** 40,452,515

**NET POSITION**

Net investment in capital assets	3,707,609
Unrestricted	2,576,570
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<b>Total net position</b>	<u><u>\$6,284,179</u></u>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE MONTH AND YEAR ENDED JUNE 30, 2013**  
**FINAL**

	Month ended June 30, 2013	Month ended June 30, 2012	Year-to-date June 30, 2013	Year-to-date June 30, 2012
<b>OPERATING REVENUES</b>				
Instant-scratch ticket sales	\$15,673,969	\$14,399,227	\$202,299,747	\$188,814,325
Pick 3 sales	\$552,890	560,473	6,804,870	6,743,717
Powerball sales	\$4,237,153	5,340,243	81,385,271	57,934,104
Mega Millions sales	\$876,984	1,249,582	13,317,888	22,293,152
Hot Lotto sales	\$1,323,979	844,273	11,664,946	10,525,347
Pick 4 sales	\$255,630	230,015	3,085,784	2,788,613
\$100,000 Cash Game sales	\$364,120	372,492	4,483,605	4,314,098
Pull-tab sales	\$1,207,658	1,289,550	16,209,309	17,438,369
Application fees	\$225	350	5,125	4,075
Other revenue	\$557	35,263	11,706	212,884
<b>Total operating revenues</b>	<b>24,493,165</b>	<b>24,321,468</b>	<b>339,268,251</b>	<b>311,068,684</b>
<b>OPERATING EXPENSES</b>				
Scratch ticket prize expense	10,061,739	8,723,307	128,096,203	116,954,213
Pick 3 prize expense	328,094	330,894	4,009,581	3,993,780
Powerball prize expense	2,003,622	2,625,581	39,682,727	28,287,777
Mega Millions prize expense	435,669	632,489	6,538,181	11,307,020
Hot Lotto prize expense	651,601	410,880	5,652,815	5,118,123
Pick 4 prize expense	146,918	135,924	1,812,515	1,634,063
\$100,000 Cash Game prize expense	203,733	198,412	2,740,099	2,175,236
Pull-tab prize expense	753,682	804,187	10,140,042	10,912,790
VIP Club prize expense	160,274	160,714	1,950,002	1,907,142
Promotional prize expense	43,292	29,129	179,603	152,303
Advertising/publicity	705,518	670,821	6,603,905	6,605,304
Retailer compensation expense	1,648,361	1,846,422	22,116,797	20,125,497
Ticket expense	351,554	229,233	3,945,970	3,115,487
Vendor compensation expense	471,035	468,702	6,885,203	6,204,116
Online game expense	65,575	-	295,663	-
Salary and benefits	891,206	904,861	9,375,334	9,120,063
Travel	38,259	36,777	425,300	451,040
Supplies	3,516	11,211	100,620	147,091
Printing	792	589	13,459	15,031
Postage	369	289	6,337	6,238
Communications	21,192	12,967	155,755	130,366
Rentals	24,873	26,900	304,452	290,595
Utilities	6,020	6,377	103,386	97,579
Professional fees	31,334	44,292	125,004	165,225
Vending machine maintenance	47,052	44,818	577,841	537,941
Outside services and repairs	56,834	229,403	326,659	460,445
Data processing	4,916	4,207	57,072	50,320
Equipment	93,111	373,482	380,142	719,188
Reimbursement to other				
state agencies	31,669	34,876	415,056	433,436
Depreciation	23,879	18,899	245,805	173,611
Other	(10,930)	(20,387)	67,345	56,009
MUSL administrative expense	3,087	3,759	37,050	45,106
<b>Total operating expenses</b>	<b>19,297,846</b>	<b>19,000,015</b>	<b>253,365,923</b>	<b>231,392,135</b>
<b>Operating income</b>	<b>5,195,319</b>	<b>5,321,453</b>	<b>85,902,328</b>	<b>79,676,549</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE MONTH AND YEAR ENDED JUNE 30, 2013**  
**FINAL**

	<u>Month ended June 30, 2013</u>	<u>Month ended June 30, 2012</u>	<u>Year-to-date June 30, 2013</u>	<u>Year-to-date June 30, 2012</u>
<b>Non-operating revenues (expenses)</b>				
Proceeds deposited to:				
State General Fund	(4,358,219)	(5,047,647)	(82,764,005)	(76,012,455)
Veterans Trust Fund	(85,198)	(78,236)	(2,126,724)	(2,719,494)
Interest Income	11,094	8,818	110,073	105,755
Interest expense	(362)	(3,010)	(33,453)	(39,134)
<b>Net non-operating revenues (expenses)</b>	<u><b>(4,432,685)</b></u>	<u><b>(5,120,075)</b></u>	<u><b>(84,814,109)</b></u>	<u><b>(78,665,328)</b></u>
<b>Change in net position</b>	<b>762,634</b>	<b>201,378</b>	<b>1,088,219</b>	<b>1,011,221</b>
Net position, beginning of period	<u>5,521,545</u>	<u>4,994,582</u>	<u>5,195,960</u>	<u>4,184,739</u>
<b>Net position, end of period</b>	<u><u><b>\$6,284,179</b></u></u>	<u><u><b>\$5,195,960</b></u></u>	<u><u><b>\$6,284,179</b></u></u>	<u><u><b>\$5,195,960</b></u></u>

IOWA LOTTERY AUTHORITY  
ANALYSIS OF NET POSITION  
JUNE 30, 2013  
FINAL

Cash restricted for vehicle purchases	\$310,641
Ticket inventory	2,265,929
Net investment in capital assets	3,707,609
Net Position	<u>\$6,284,179</u>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEARS 2009 THROUGH 2013**  
**FINAL**

	Fiscal Year 2013	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
<b>OPERATING REVENUES</b>					
Instant-scratch ticket sales	\$202,299,747	\$188,814,325	\$165,329,031	\$143,759,258	\$136,268,555
Pick 3 sales	6,804,870	6,743,717	6,573,020	6,531,001	6,534,765
Powerball sales	81,385,271	57,934,104	47,124,656	59,190,012	58,220,203
Mega Millions sales	13,317,888	22,293,152	16,051,016	5,544,128	0
Hot Lotto sales	11,664,946	10,525,347	11,608,730	13,653,746	14,329,610
Raffle sales	0	0	0	789,200	0
Pick 4 sales	3,085,784	2,788,613	2,701,949	2,662,191	2,555,237
\$100,000 Cash Game sales	4,483,605	4,314,098	3,687,370	3,908,785	4,113,307
Pull-tab sales	16,209,309	17,438,369	18,315,275	20,217,316	21,315,424
Application fees	5,125	4,075	5,575	3,975	3,680
Other revenue	11,706	212,884	138,133	22,147	65,449
<b>Total operating revenues</b>	<b>339,268,251</b>	<b>311,068,684</b>	<b>271,534,755</b>	<b>256,281,759</b>	<b>243,406,230</b>
<b>OPERATING EXPENSES</b>					
Scratch ticket prize expense	128,096,203	116,954,213	103,652,725	91,479,848	81,846,620
Pick 3 prize expense	4,009,581	3,993,780	3,894,422	3,958,003	3,834,735
Powerball prize expense	39,682,727	28,287,777	22,553,385	28,558,287	28,118,140
Mega Millions prize expense	6,538,181	11,307,020	8,365,976	2,879,811	0
Hot Lotto prize expense	5,652,815	5,118,123	5,608,729	6,610,476	7,015,713
Raffle prize expense	0	0	0	392,876	(10,500)
Pick 4 prize expense	1,812,515	1,634,063	1,596,054	1,544,018	1,473,587
\$100,000 Cash Game prize expense	2,740,099	2,175,236	1,745,257	2,005,333	2,271,476
Pull-tab prize expense	10,140,042	10,912,790	11,458,672	12,702,718	13,389,649
VIP Club prize expense	1,950,002	1,907,142	0	0	0
Promotional prize expense	179,603	152,303	85,858	322,417	485,921
Advertising/Publicity	6,603,905	6,605,304	6,647,468	7,539,052	7,007,617
Retailer compensation expense	22,116,797	20,125,497	17,284,432	16,109,637	15,298,641
Ticket expense	3,945,970	3,115,487	2,784,308	2,683,364	2,674,067
Vendor compensation expense	6,885,203	6,204,116	5,848,081	8,168,273	7,796,934
Online game expense	295,663	0	0	0	0
Salary and benefits	9,375,334	9,120,063	8,650,620	9,819,749	8,759,206
Travel	425,300	451,040	415,007	369,153	404,876
Supplies	100,620	147,091	110,465	104,863	110,739
Printing	13,459	15,031	13,830	14,477	9,582
Postage	6,337	6,238	5,112	6,166	4,718
Communications	155,755	130,366	518,708	562,025	568,096
Rentals	304,452	290,595	277,163	285,660	290,254
Utilities	103,386	97,579	103,438	98,468	103,240
Professional fees	125,004	165,225	118,062	165,833	121,965
Vending machine maintenance	577,841	537,941	526,196	488,697	489,809
Outside services & repairs	326,659	460,445	306,730	403,083	197,386
Data processing	57,072	50,320	46,670	37,700	40,929
Equipment	380,142	719,188	387,674	152,832	204,598
Reimbursement to other state agencies	415,056	433,436	432,878	455,697	435,976
Depreciation	245,805	173,611	117,508	864,963	1,403,051
Other	67,345	56,009	58,006	104,355	132,141
MUSL administrative expense	37,050	45,106	40,528	17,818	0
<b>Total operating expenses</b>	<b>253,365,923</b>	<b>231,392,135</b>	<b>203,653,962</b>	<b>198,905,652</b>	<b>184,479,166</b>
<b>Operating income (loss)</b>	<b>85,902,328</b>	<b>79,676,549</b>	<b>67,880,793</b>	<b>57,376,107</b>	<b>58,927,064</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR FISCAL YEARS 2009 THROUGH 2013**  
**FINAL**

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2009</u>
<b>Non-operating revenues (expenses)</b>					
State General Fund	(82,764,005)	(76,012,455)	(64,896,382)	(55,245,512)	(56,550,792)
Veterans Trust Fund	(2,126,724)	(2,719,494)	(3,105,371)	(2,661,554)	(2,783,377)
Gambler's Treatment Program	0	0	0	0	(1,219,137)
Interest income	110,073	105,755	146,178	364,957	421,090
Interest expense	(33,453)	(39,134)	(42,418)	(45,702)	(48,986)
<b>Net non-operating revenues(expenses)</b>	<b>(84,814,109)</b>	<b>(78,665,328)</b>	<b>(67,897,993)</b>	<b>(57,587,811)</b>	<b>(60,181,202)</b>
<b>Change in net position</b>	<b>1,088,219</b>	<b>1,011,221</b>	<b>(17,200)</b>	<b>(211,704)</b>	<b>(1,254,138)</b>
Net position, beginning of period	5,195,960	4,184,739	4,201,939	4,413,643	5,667,781
<b>Net position, end of period</b>	<b>\$6,284,179</b>	<b>\$5,195,960</b>	<b>\$4,184,739</b>	<b>\$4,201,939</b>	<b>\$4,413,643</b>

IOWA LOTTERY  
PERFORMANCE MEASURES  
FY 2014

Month	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
<b>Gross Sales</b>												
Budget '14	21,480,287	23,387,161	21,894,427	22,749,084	25,139,749	24,001,852	24,352,692	25,533,435	29,111,897	25,298,981	27,014,412	23,036,023
5-year av.	20,836,440	22,686,157	21,238,166	22,067,206	24,386,214	23,282,424	23,622,747	24,768,100	28,239,301	24,540,673	26,204,685	22,345,545
Actual '14	26,045,310	27,668,618	-	-	-	-	-	-	-	-	-	-
<b>Prize Expense</b>												
Budget '14	12,600,256	13,718,820	12,843,188	13,344,527	14,746,882	14,079,396	14,285,197	14,977,817	17,076,929	14,840,287	15,846,552	13,512,846
5-year av.	12,342,598	12,972,723	12,388,357	12,796,810	13,663,667	14,175,858	14,229,622	15,011,692	16,099,572	14,422,795	15,136,777	12,986,412
Actual '14	15,942,444	15,944,936	58.66% 1)	57.18% 2)	57.63% 3)	-	-	-	-	-	-	-
<b>Operating Expenses</b>												
Budget '14	580,184	1,046,345	1,046,345	1,489,947	924,193	1,046,345	1,046,345	1,046,345	1,046,345	1,489,947	924,193	1,816,860
5-year av.	551,107	795,468	903,895	942,875	980,401	929,762	836,710	892,337	872,587	947,155	1,028,017	1,558,356
Actual '14	510,053	946,787	-	-	-	-	-	-	-	-	-	-
<b>Proceeds to General Fund</b>												
Budget '14	4,771,655	4,780,594	4,408,678	4,178,015	5,339,406	4,933,745	5,021,157	5,315,341	6,206,919	4,813,324	5,806,480	3,922,593
5-year av.	4,870,293	5,458,740	4,796,504	5,415,740	6,703,588	4,845,621	5,409,546	5,431,812	7,325,740	6,017,791	6,500,545	4,576,561
Actual '14	5,818,399	6,789,813	-	-	-	-	-	-	-	-	-	-
<b>Proceeds to Veterans Trust</b>												
Budget '14	133,453	482,971	301,434	166,950	140,083	142,482	227,620	354,551	368,677	206,227	154,877	120,675
5-year av.	127,700	462,152	288,440	189,764	134,044	136,340	217,808	339,267	352,785	197,338	148,201	115,474
Actual '14	163,182	422,439	-	-	-	-	-	-	-	-	-	-
<b>Total Proceeds</b>												
Budget '14	4,905,108	5,263,565	4,710,112	4,344,965	5,479,489	5,076,227	5,248,777	5,689,892	6,575,596	5,019,551	5,961,357	4,043,268
5-year av.	4,997,993	5,920,892	5,084,944	5,575,494	6,837,632	4,981,961	5,627,354	5,771,079	7,678,525	6,215,129	6,648,746	4,692,035
Actual '14	5,981,581	7,212,252	-	-	-	-	-	-	-	-	-	-
<b>Gross Sales</b>												
Budget '14	21,480,287	44,867,448	66,761,875	89,510,959	114,650,708	138,652,560	163,005,252	188,538,687	217,650,584	242,949,565	269,963,977	293,000,000
5-year av.	20,836,440	43,522,597	64,780,763	86,827,969	111,214,183	134,496,607	158,119,354	182,887,454	211,126,755	235,667,428	261,872,113	284,217,658
Actual '14	26,045,310	53,713,928	23.42% 4)	19.72% 5)	-	-	-	-	-	-	-	-
<b>Prize Expense</b>												
Budget '14	12,600,256	26,319,076	39,162,264	52,506,791	67,253,673	81,333,069	95,618,266	110,596,083	127,673,012	142,513,299	158,359,851	171,872,697
5-year av.	12,342,598	25,315,321	37,703,678	50,490,488	64,154,155	78,330,013	92,559,635	107,571,327	123,670,899	138,093,694	153,230,471	166,216,883
Actual '14	15,942,444	31,887,380	58.66% 1)	58.17% 2)	59.37% 3)	-	-	-	-	-	-	-
<b>Operating Expenses</b>												
Budget '14	580,184	1,626,529	2,672,874	4,162,821	5,087,014	6,133,359	7,179,704	8,226,049	9,272,394	10,762,341	11,686,534	13,503,394
5-year av.	551,107	1,346,575	2,250,470	3,193,345	4,173,746	5,103,508	5,940,218	6,832,555	7,705,142	8,652,297	9,680,314	11,238,670
Actual '14	510,053	1,456,840	-	-	-	-	-	-	-	-	-	-
<b>Proceeds to General Fund</b>												
Budget '14	4,771,655	9,552,249	13,960,927	18,138,942	23,478,348	28,412,093	33,433,250	38,748,591	44,955,510	49,768,834	55,575,314	59,497,907
5-year av.	4,870,293	10,329,033	15,125,537	20,541,277	27,244,865	32,090,486	37,500,032	42,931,844	50,257,584	56,275,375	62,775,920	67,352,481
Actual '14	5,818,399	12,608,212	-	-	-	-	-	-	-	-	-	-
<b>Proceeds to Veterans Trust</b>												
Budget '14	133,453	616,424	917,858	1,084,808	1,224,891	1,367,373	1,594,993	1,949,544	2,318,221	2,524,448	2,679,325	2,800,000
5-year av.	127,700	589,852	878,292	1,038,046	1,172,090	1,308,430	1,526,238	1,865,505	2,218,290	2,415,628	2,563,829	2,679,303
Actual '14	163,182	585,621	-	-	-	-	-	-	-	-	-	-
<b>Total Proceeds</b>												
Budget '14	4,905,108	10,168,673	14,878,785	19,223,750	24,703,239	29,779,466	35,028,243	40,698,135	47,273,731	52,293,282	58,254,639	62,297,907
5-year av.	4,997,993	10,918,885	16,003,829	21,579,323	28,416,955	33,398,916	39,026,270	44,797,349	52,475,874	58,691,003	65,339,749	70,031,784
Actual '14	5,981,581	13,193,833	20.83% 4)	29.75% 5)	-	-	-	-	-	-	-	-

**YEAR-TO-DATE**

- 1) Budget FY14 Prize Payout
- 2) Actual 5-year average Prize Payout
- 3) Actual FY14 Prize Payout
- 4) Actual FY14 compared to Actual 5-year average
- 5) Actual FY14 compared to Budget FY14



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

DATE: August 15, 2013  
TO: Board Members of the Iowa Lottery Authority  
FROM: Brenda Nye, Chief Financial Officer *BN*

Attached are the financial statements for July 2013. During July, we had revenue of \$26,049,803. This sales level resulted in \$5,818,399 of proceeds payable to the State General Fund and \$163,182 of proceeds payable to the Veterans Trust Fund.

Attachments

**IOWA LOTTERY AUTHORITY**  
**SCHEDULE OF ECONOMIC BENEFITS**

July 31, 2013

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
<b>Proceeds to the State General Fund:</b>		
Prior to Fiscal Year 2014	\$1,231,246,384	
Fiscal Year 2014		
Transferred	0	
Payable	5,818,399	
	<hr/>	1,237,064,783
<b>Proceeds to the Veterans Trust Fund:</b>		
Prior to Fiscal Year 2014	\$13,396,520	
Fiscal Year 2014		
Transferred	0	
Payable	163,182	
	<hr/>	13,559,702
<b>Total</b>		<hr/> <hr/> <b>\$1,486,343,059</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE MONTH ENDED JULY 31, 2013**

	<u>Month ended July 31, 2013</u>	<u>Month ended July 31, 2012</u>
<b>OPERATING REVENUES</b>		
Instant-scratch ticket sales	\$15,945,931	\$14,527,079
Pick 3 sales	544,469	561,001
Powerball sales	5,414,473	4,706,836
Mega Millions sales	929,904	1,161,732
Hot Lotto sales	1,161,221	1,037,656
Pick 4 sales	247,829	241,026
\$100,000 Cash Game sales	375,678	364,950
Pull-tab sales	1,425,805	1,401,878
Application fees	450	350
Other revenue	4,043	917
<b>Total operating revenues</b>	<u><b>26,049,803</b></u>	<u><b>24,003,425</b></u>
<b>OPERATING EXPENSES</b>		
Scratch ticket prize expense	10,627,124	9,616,942
Pick 3 prize expense	317,931	331,730
Powerball prize expense	2,657,511	2,301,338
Mega Millions prize expense	459,445	586,822
Hot Lotto prize expense	555,822	506,505
Pick 4 prize expense	141,012	137,151
\$100,000 Cash Game prize expense	201,116	194,841
Pull-tab prize expense	897,043	878,430
VIP Club prize expense	0	166,071
Promotional prize expense	85,440	5,878
Advertising/publicity	568,008	573,988
Retailer compensation expense	1,650,112	1,525,623
Ticket expense	308,776	226,993
Vendor compensation expense	534,461	489,606
Salary and benefits	853,398	803,063
Travel	34,743	33,817
Supplies	8,524	20,928
Printing	232	312
Postage	243	297
Communications	11,455	9,774
Rentals	26,047	25,665
Utilities	7,540	7,449
Professional fees	3,593	3,324
Vending machine maintenance	47,052	44,818
Outside services and repairs	37,642	23,750
Data processing	8,010	3,914
Equipment	10,511	7,659
Reimbursement to other state agencies	28,224	27,498
Depreciation	24,340	20,283
Other	3,052	4,019
<b>Total operating expenses</b>	<u><b>20,108,407</b></u>	<u><b>18,578,488</b></u>
<b>Operating income</b>	<u><b>5,941,396</b></u>	<u><b>5,424,937</b></u>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE MONTH ENDED JULY 31, 2013**

	<u>Month ended July 31, 2013</u>	<u>Month ended July 31, 2012</u>
<b>Non-operating revenues (expenses)</b>		
Proceeds deposited to:		
State General Fund	(5,818,399)	(5,310,624)
Veterans Trust Fund	(163,182)	(268,863)
Interest expense	<u>0</u>	<u>(3,010)</u>
<b>Net non-operating revenues (expenses)</b>	<u>(5,981,581)</u>	<u>(5,582,497)</u>
<b>Change in net position</b>	<b>(40,185)</b>	<b>(157,560)</b>
Net position, beginning of period	<u>6,284,179</u>	<u>5,195,960</u>
<b>Net position, end of period</b>	<u><u>\$6,243,994</u></u>	<u><u>\$5,038,400</u></u>



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

DATE: September 12, 2013  
TO: Board Members of the Iowa Lottery Authority  
FROM: Brenda Nye, Chief Financial Officer *BN*

Attached are the financial statements for August 2013. During August, we had revenue of \$27,669,221. This sales level resulted in \$6,789,813 of proceeds payable to the State General Fund and \$422,439 of proceeds payable to the Veterans Trust Fund.

Attachments

**IOWA LOTTERY AUTHORITY**  
**SCHEDULE OF ECONOMIC BENEFITS**

August 31, 2013

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 2014	\$1,231,172,262	
Fiscal Year 2014		
Transferred	0	
Payable	<u>12,608,212</u>	
		1,243,780,474
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2014	\$13,396,520	
Fiscal Year 2014		
Transferred	0	
Payable	<u>585,621</u>	
		<u>13,982,141</u>
<b>Total</b>		<b><u><u>\$1,493,481,189</u></u></b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE MONTH AND YEAR ENDED AUGUST 31, 2013**

	<u>Month ended</u> <u>August 31, 2013</u>	<u>Month ended</u> <u>August 31, 2012</u>	<u>Year-to-date</u> <u>August 31, 2013</u>	<u>Year-to-date</u> <u>August 31, 2012</u>
<b>OPERATING REVENUES</b>				
Instant-scratch ticket sales	\$15,076,842	\$15,439,168	\$31,022,773	\$29,966,247
Pick 3 sales	587,250	564,238	1,131,719	1,125,238
Powerball sales	8,180,425	7,556,534	13,594,898	12,263,370
Mega Millions sales	996,986	1,253,041	1,926,890	2,414,773
Hot Lotto sales	837,347	758,449	1,998,568	1,796,105
Pick 4 sales	261,992	244,962	509,820	485,988
\$100,000 Cash Game sales	385,919	380,090	761,597	745,040
Pull-tab sales	1,341,857	1,473,752	2,767,663	2,875,630
Application fees	225	250	675	600
Other revenue	378	4,580	4,421	5,497
<b>Total operating revenues</b>	<b>27,669,221</b>	<b>27,675,064</b>	<b>53,719,024</b>	<b>51,678,488</b>
<b>OPERATING EXPENSES</b>				
Scratch ticket prize expense	9,525,497	9,520,983	20,152,621	19,137,925
Pick 3 prize expense	341,853	332,923	659,784	664,653
Powerball prize expense	3,964,224	3,721,943	6,621,735	6,023,281
Mega Millions prize expense	495,855	635,317	955,300	1,222,139
Hot Lotto prize expense	408,700	320,038	964,521	826,543
Pick 4 prize expense	154,140	146,667	295,152	283,818
\$100,000 Cash Game prize expense	206,421	203,482	407,537	398,323
Pull-tab prize expense	841,308	921,301	1,738,351	1,799,731
VIP Club prize expense	0	165,162	0	331,233
Promotional prize expense	6,938	10,232	92,378	16,110
Advertising/publicity	563,577	539,961	1,131,585	1,113,949
Retailer compensation expense	1,751,998	1,777,517	3,402,110	3,303,140
Ticket expense	265,325	232,568	574,102	459,561
Vendor compensation expense	553,080	566,022	1,087,541	1,055,628
Salary and benefits	821,428	847,577	1,674,826	1,650,640
Travel	46,287	40,786	81,030	74,603
Supplies	20,504	4,523	29,028	25,451
Printing	5,695	0	5,927	312
Postage	290	465	533	761
Communications	9,502	10,594	20,957	20,367
Rentals	26,813	24,705	52,860	50,370
Utilities	5,965	7,317	13,505	14,766
Professional fees	10,197	4,640	13,790	7,964
Vending machine maintenance	47,052	44,691	94,103	89,509
Outside services and repairs	46,381	25,662	84,024	49,412
Data processing	7,036	4,227	15,046	8,142
Equipment	7,099	27,751	17,609	35,411
Reimbursement to other				
state agencies	27,172	27,356	55,397	54,854
Depreciation	24,340	20,283	48,680	40,566
Other	5,471	3,135	8,523	7,154
MUSL administrative expense	8,867	0	8,867	0
<b>Total operating expenses</b>	<b>20,199,015</b>	<b>20,187,828</b>	<b>40,307,422</b>	<b>38,766,316</b>
<b>Operating income</b>	<b>7,470,206</b>	<b>7,487,236</b>	<b>13,411,602</b>	<b>12,912,172</b>

**IOWA LOTTERY AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE MONTH AND YEAR ENDED AUGUST 31, 2013**

	<u>Month ended August 31, 2013</u>	<u>Month ended August 31, 2012</u>	<u>Year-to-date August 31, 2013</u>	<u>Year-to-date August 31, 2012</u>
<b>Non-operating revenues (expenses)</b>				
Proceeds deposited to:				
State General Fund	(6,789,813)	(6,687,662)	(12,608,212)	(11,998,286)
Veterans Trust Fund	(422,439)	(450,192)	(585,621)	(719,054)
Interest income	169	0	169	0
Interest expense	0	(3,010)	0	(6,020)
<b>Net non-operating revenues (expenses)</b>	<u>(7,212,083)</u>	<u>(7,140,864)</u>	<u>(13,193,664)</u>	<u>(12,723,360)</u>
<b>Change in net position</b>	258,123	346,372	217,938	188,812
Net position, beginning of period	<u>6,243,994</u>	<u>5,038,400</u>	<u>6,284,179</u>	<u>5,195,960</u>
<b>Net position, end of period</b>	<u><u>\$6,502,117</u></u>	<u><u>\$5,384,772</u></u>	<u><u>\$6,502,117</u></u>	<u><u>\$5,384,772</u></u>

IOWA LOTTERY AUTHORITY  
CONFERENCE AND TRAINING OUT-OF-STATE TRAVEL  
FY 2013

EMPLOYEE	DATE	CONFERENCE/TRAINING EVENT	DESTINATION	COST
Bogle, Steve	July 2012	NASPL 2012 Professional Development	Orlando FL	\$ 1,544.97
Juffernbruch, Molly	July 2012	NASPL 2012 Professional Development	Orlando FL	\$ 1,677.73
Neubauer, Mary	July 2012	NASPL 2012 Professional Development	Orlando FL	\$ 1,105.63
TeBockhorst, Teri	July 2012	NASPL 2012 Professional Development	Orlando FL	\$ 1,701.22
Loss, Larry	September 2012	World Lottery Summit	Montreal QC Canada	\$ 2,176.49
Schroeder, Jack	September 2012	World Lottery Summit	Montreal QC Canada	\$ 3,373.81
Juffernbruch, Molly	September 2012	US Online Gaming Law Forum	Las Vegas NV	\$ 3,783.09
Orr, Doug	October 2012	NACS Convention	Las Vegas NV	\$ 2,091.18
Warner, Tom	October 2012	NACS Convention	Las Vegas NV	\$ 2,049.93
Loss, Larry	October 2012	PGRI Lottery Expo 2012	Miami Beach FL	\$ 449.30
Rich, Terry	November 2012	LaFleurs Symposium 2012	Orlando FL	\$ 1,193.10
Rich, Terry	February 2013	I-Gaming North America Conference	Las Vegas NV	\$ 885.77
Bogle, Steve	February 2013	GLI Roundtable 2013	Las Vegas NV	\$ 631.88
Schroeder, Jack	February 2013	GLI Roundtable 2013	Las Vegas NV	\$ 844.10
Nye, Brenda	March 2013	SGI Security Evaluation & Instant Ticket Security Workshop	Alpharetta GA	\$ 962.71
Wells, Brad	March 2013	SGI Security Evaluation & Instant Ticket Security Workshop	Alpharetta GA	\$ 1,208.30
Loss, Larry	April 2013	Public Gaming Smart Tech Conference	New York NY	\$ 1,153.07
Rich, Terry	April 2013	Public Gaming Smart Tech Conference	New York NY	\$ 740.53
Loss, Larry	April 2013	iGaming Summit	SanFrancisco CA	\$ 1,677.59
McCool, Diane	April 2013	LaFleurs Symposium	Washington DC	\$ 1,588.45

SECURITY REPORT  
JUNE 2013

**INVESTIGATION**

Cases: 4  
Cases open: 4

**TYPES**

Robbery: 1  
Employee theft: 2  
Theft: 1

**EVENTS**

Provide Security for the \$100,000 Cash Game and all second chance and promotional drawings, 25 draws.

**MISCELLANEOUS**

Assist Validations Department: 20  
Law Enforcement Contacts: 10  
ABD Notifications: 6  
ABD file only: 13  
Records of contact: 19  
Retailer assists: 5  
Customer assists: 2  
VIP: 0  
Arrests: 0  
Ticket print: 1 (Game 814)  
Compliance checks: 24

## SECURITY REPORT

JULY 2013

### INVESTIGATION

Cases: 6  
Cases open: 6

### TYPES

Theft: 3  
Cut-N-Paste: 1  
Underage purchase: 1  
Possible theft: 1

### EVENTS

Provide security for the \$100,000 Cash Game and all second chance and promotional drawings, 27 drawings, (1) Cash Blowout drawing and (1) Hot Lotto 3X The Sizzle drawing.

### MISCELLANEOUS

Assist Validations Department: 19  
Law Enforcement Contacts: 9  
ABD Notifications: 0  
ABD file only: 11  
Records of contact: 33  
Retailer assists: 5  
Customer assists: 6  
VIP: 2  
Arrests: 1  
Compliance checks: 1  
Ticket print: 1  
Assigned prints: 2

## SECURITY REPORT

**AUGUST 2013**

### **INVESTIGATION**

Cases: 5  
Cases open: 5

### **TYPES**

Theft: 1  
Missing tickets (possible stolen): 1  
Employee Theft: 3

### **EVENTS**

Provide Security for the \$100,000 Cash Game and all second chance and promotional drawings, 27 drawings.

### **MISCELLANEOUS**

Assist Validations Department: 20  
Law Enforcement Contacts: 9  
ABD Notifications: 6  
ABD file only: 9  
Records of contact: 43  
VIP: 14  
Arrests: 1  
Compliance checks: 9  
Ticket print: 1  
Print with/out travel: 6

**Extension to the Agreement for Marketing Research Projects**

**THIS EXTENSION**, is effective on January 1, 2014 and is made by and between the **IOWA LOTTERY AUTHORITY** (the "Lottery"), and **Trilix Marketing Group, Inc.** (Contractor).

In consideration of the premises and the mutual promises and covenants herein contained, the parties hereto agree as follows:

**SECTION 1. IDENTITY OF THE PARTIES.**

1.1 The Lottery is an instrumentality of the State of Iowa and is authorized by Iowa Code Chapter 99G to conduct a lottery in the State of Iowa. The Lottery's address is 2323 Grand Ave., Des Moines, Iowa 50312.

1.2 Trilix Marketing Group, Inc. (Contractor) is an Iowa corporation whose business, among other things, includes providing marketing research services. The address for Contractor is 9105 Northpark Drive, Johnston, IA 50131.

**SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE.**

The Lottery and Contractor entered into an Agreement for Marketing Research Projects (Agreement), effective January 1, 2011 through December 31, 2011. The Agreement provides that the Lottery and the Contractor can extend the Agreement for four one-year option periods.

**SECTION 3. EXTENSION.** Pursuant to Section 4 of the Agreement, the Lottery is hereby extending the

**SECTION 6. EXECUTION.**

**IN WITNESS WHEREOF**, in consideration of mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Agreement and have caused their duly authorized representatives to execute this Agreement.

Iowa Lottery Authority

By: \_\_\_\_\_  
Larry Loss  
Executive Vice President

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

Agreement for option period 3 through December 31, 2014.

**SECTION 4. RATIFICATION.** Except as expressly amended hereby, the Agreement shall remain in full force and effect, and the parties hereby ratify and confirm the terms and conditions thereof.

**SECTION 5. AUTHORIZATION.** Each party to this Agreement represents and warrants to the other that:

5.1 It has the right, power and authority to enter into and perform its obligations under this Agreement.

5.2 It has taken requisite action (corporate or otherwise) to approve execution, delivery and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation upon itself in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency and similar laws.

Trilix Marketing Group, Inc.

By: \_\_\_\_\_  
Todd Senne  
Partner and President

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

# Budget for Lottery Fund

	FY 2013 ACTUAL	FY 2014 FINAL BOARD APPROVED BUDGET	FY 2015 ORIGINAL BOARD APPROVED BUDGET	FY 2015 PROPOSED BUDGET
<u>Resources</u>				
Lottery sales	339,251,420	293,000,000	287,685,000	295,505,000
Interest income	110,073	500,000	500,000	500,000
Application fees	5,125	5,000	5,000	5,000
Other	11,706	5,000	5,000	5,000
<b>Total Resources</b>	<b>339,378,324</b>	<b>293,510,000</b>	<b>288,195,000</b>	<b>296,015,000</b>
<u>Expenses and Change in Net Assets</u>				
Prizes	200,801,768	171,872,697	169,357,666	173,321,198
Retailer compensation	22,116,797	18,969,721	18,625,612	19,264,839
Advertising production and media purchases	6,600,550	11,720,000	11,507,400	11,820,200
Retailer Lottery system/Terminal Communications	7,180,866	6,827,940	6,628,262	6,885,655
Instant/Pull-tab ticket expense & machine maintenance	4,605,036	4,085,000	4,185,000	4,345,000
Terminal equipment/Ticket dispensers/Vending machines	202,330	250,000	250,000	250,000
Courier delivery of instant tickets	105,353	535,000	535,000	535,000
Interest expense (ITVM/PTVM/Building)	33,453	-	29,556	-
Lottery operating expense	11,753,223	13,503,394	14,519,808	13,380,054
Increase (decrease) in net assets; building	1,088,219	3,448,341	48,341	3,448,341
<b>Total Expenses and Change in Net Assets</b>	<b>254,487,595</b>	<b>231,212,093</b>	<b>225,686,645</b>	<b>233,250,287</b>
<u>Proceeds</u>				
Proceeds Transfer to General Fund	82,764,005	59,497,907	59,708,355	60,564,713
Proceeds Transfer to Veterans Trust Fund	2,126,724	2,800,000	2,800,000	2,200,000
<b>Total Proceeds Transfers</b>	<b>84,890,729</b>	<b>62,297,907</b>	<b>62,508,355</b>	<b>62,764,713</b>
<b>Total Expenses and Proceeds</b>	<b>339,378,324</b>	<b>293,510,000</b>	<b>288,195,000</b>	<b>296,015,000</b>

# Lottery Operations - Budget Detail

	FY 2013	FY 2014	FY 2015	FY 2015
	ACTUAL	FINAL BOARD APPROVED BUDGET	ORIGINAL BOARD APPROVED BUDGET	PROPOSED BUDGET
Administrative payroll*	9,375,334	10,027,895	11,515,649	10,027,895
Travel	416,086	495,000	495,000	495,000
Supplies	93,045	125,000	125,000	125,000
Printing	13,459	16,000	16,000	16,000
Postage	6,337	6,500	6,500	6,500
Communications	155,755	160,000	160,000	160,000
Rentals	304,452	328,000	310,000	333,000
Utilities	103,386	105,000	105,000	105,000
Professional fees	121,004	495,000	230,000	530,000
Outside services and repair	160,870	427,840	400,000	400,000
Data processing	57,072	55,000	55,000	60,000
Equipment	177,812	430,500	250,000	270,000
Reimbursement to state agencies	415,056	475,000	495,000	495,000
Depreciation	245,805	251,659	251,659	251,659
Other expenses	107,750	105,000	105,000	105,000
<b>Total operating expenses</b>	<b>\$ 11,753,223</b>	<b>\$ 13,503,394</b>	<b>\$ 14,519,808</b>	<b>\$ 13,380,054</b>

\* 2015 Proposed Budget for "Administrative Payroll" does not include salary and benefit cost increases.  
 Consistent with prior years, salary and benefit cost increases will be requested as a budget amendment in June 2014.