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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 30 , 2014
10:30 a.m.

I. Call to Order
   a. Approval of Minutes

II. Quarterly Reports
   a. Financial
   b. Marketing
   c. Security
   d. Legislative

III. Real Estate Update
   a. 13001 University
   b. 2323 Grand – Approval of Sale

IV. FY 2015 Budget

V. Key Employees Merit Increases

VI. UPS Extension

VII. WLA

VIII. CEO Report
   a. National Game Update

IX. Election of Officers

X. 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 22, 2014

The Iowa Lottery Board convened at 10:29 a.m., Board Chairperson Mike Klappholz presiding.

Board members participating: Mike Klappholz, Mary Junge, Herman Richter and Mike Fitzgerald (Hon.).

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, Vice President Security; Jack Schroeder, Vice President Operations and Systems; Doug Orr, Director Sales; Jamie Shae, Sr Project Director/Board Secretary, Dave Van Compernolle, Assistant Attorney General.

Others present: Ben Brackett, Department of Administrative Services; Marian White, Department of Administrative Services, Steve Peterson, Iowa Department of Criminal Investigations; Dave Berger, Scientific Games

Chairperson Klappholz called the meeting to order.

APPROVAL OF MINUTES
Richter moved to approve the December Board meeting minutes. Junge seconded.
Motion carried unanimously.

Board Recognition
Rich thanked Mary Junge for the four terms she served on the board then presented her with a clock and an Iowa Lottery goody bag. Junge stated that the Iowa Lottery is a quality organization and foundation and thanked all the staff for their hard work over the years. Klappholz, Richter and Fitzgerald thanked Junge and added comments, as well.

Quarterly Reports

Financial
Nye stated that performance measures through February and Financials from November through February were included in the packet. Through February, sales were ahead of budget by 12% and ahead of 5-year average by 15%. Proceeds were ahead of budget by 28% and ahead of the 5-year average by over 16%. March and April financials, which will be presented at the next meeting, will include payments for the Clive building, which will have an effect on proceeds. Nye pointed out that those numbers were included in the budget and were not unexpected.

Rich added that last year was a big success and this year is way ahead of budget, however there will be a downtick in March and April due to the Clive building purchase. Rich projects $72-75 million in proceeds this year.

Marketing
Wood highlighted the recent promotions starting with Gifts Galore, the lottery's holiday promotion. There were 310 winners; 10 winners won $10,000 cash and 300 winners won technology prizes. Pro Football Hall of Fame promotion, in cooperation with Powerball, launched November 8 and ran through February 8. 6 winners and 3 of their guests, selected from over 38,000 entries, will travel to Cleveland Ohio in May for the Tail Gate Party. Wood said that on January 4, in cooperation with the Victory Motorcycles, the lottery launched the Veteran's Victory Motorcycle promotion. Tracy Shultz

from Peterson, Iowa won a custom Victory Motorcycle, painted by Ray "Bubba" Sorensen. All proceeds from that ticket went to the Veteran's Trust Fund. On January 28, a new lotto game called All or Nothing launched and replaced the $100K Cash Game. Wood stated a How-To-Play video was created to teach players how to play All or Nothing and has over 19,000 views. Mike's Picks then launched on April 3, in cooperation with Iowa Department of Tourism and Mike Wolfe from Antique Archeology. Wood stated that about 60% of the 6 month supply of tickets has been deployed. Over 550 VIP Club members have joined since the launch of this ticket and second chance promotion. Wood stated there are currently 51,794 VIP Club members and that Marketing is now preparing for a summer promotion for the Iowa State Fair and a new national game, which is set to launch in October.

Security
Bogle stated that a new policy has been enacted in regards to new retailers; in the first 30-90 days an investigator(s) will visit the store and educates the retailer on what the investigators will be looking for, either in a covert or overt manner. A second policy regarding new retailer complaints has been enacted, as well. When a complaint is made regarding a retailer, an investigator will conduct a follow-up covert investigation to ensure integrity, within 45 days, even if the issue was resolved.

Legislative
Neubauer stated that a copy of her report is included in the board packet. Neubauer said that a bill to outlaw all forms of internet gaming in the United States has been introduced. US Senator Lindsey Graham (R- South Carolina) introduced the bill, at the behest of Sheldon Adelson. There are concerns from NASPL and NACS, NCLGS on the impact to lotteries and could outlaw some current games such as Powerball, or outlaw lotteries entirely, due to the interstate transactions over the internet. NASPL has notified federal lawmakers of that concern. Neubauer stated that the two groups that represent the state legislators have stated they want Congress to leave the decision to the States. Neubauer stated that, on the state level, no issues of substance that would impact the lottery have moved forward during the current session. Neubauer stated that two appointees were named to the Lottery board on April 1; Mike Klappholz and Ying Sa from Des Moines. Ying is the Principal CPA at Community and Associates. Ying will be fulfilling the CPA function on the board and will start her term at the next board meeting.

Klappholz asked Neubauer to explain how Powerball can be affected by the proposed bill to outlaw internet gaming. Neubauer stated that it's due to how the transaction is processed on the system. All lottery terminals are connected and all transactions can be tracked, however a portion of that system, which is provided by Scientific Games, is located in Alpharetta, Georgia. Therefore, the transaction technically crosses state lines when it is processed. Neubauer said that there's now a question under that legislation, 'If any transaction crosses state lines, is it then outlawed?' Neubauer stated that this is a huge concern for lotteries.

Fitzgerald asked if the people who are supporting this bill understand that by passing this bill, the state lotteries could be shut down. Neubauer stated that it has been explained and believe it's an unintended consequence. The interpretation of the language in the bill can be argued either way.

Junge moved to approve the quarterly reports. Richter seconded. Motion carried unanimously.

<u>Building Update</u>
Loss first introduced Ben Brackett and Marian White from DAS. Loss stated the two year process is finally coming to a conclusion and the lottery hopes to be in the new building by the end of the year. Loss stated that the closing of 13001 University was completed the previous Friday, the deed was recorded that same afternoon, a check to cover cost of items discovered during due diligence was delivered and deposited, and signed documents will be scanned and stored for public viewing. Loss distributed a summary document showing $3, 000,074 delivered to sellers at closing with

$2,225,554.05 loan with Legacy Bank in Clive with a 3% loan rate. The balance is due on or before October 31, 2014. Loss stated that can be paid any time or partial payments can be made and it's anticipated it will be paid off as soon as possible to avoid interest charges. Loss stated steps are being taken to ensure physical security, including insurance. Various staff members are working on finalizing design changes, updating the budget, development of timeline and reaching out to new neighbors.

Junge asked about the tax proration credit. Juffernbruch responded stating that upon submission the assessor will change the status to tax exempt. Juffernbruch believed that would be effective as of the closing date. Juffernbruch added that there is history with 2323 Grand showing that taxes were required to be paid for the fiscal year the tax exempt status was filed and that may be true in this case, as well, but there may be a process available to have that changed.

Junge then asked about the contractor being hired. Rich responded that during the due diligence process, some items were found that needed repair. Negotiations were conducted with the banks and a check was written for the repair costs.

Klappholz inquired as to what the expected move in date is. Rich said the end of the calendar 2014. Klappholz then asked about interruption to system operations and Schroeder responded that internal systems such as check writing will be down for the weekend, but that all external systems and sales will operate as usual.

Loss then stated that an offer to buy 2323 Grand Ave was received by the Des Moines Public School District. That offer to buy was received April 10 for $1.6 million. $160,000 has been deposited into an escrow account. There is a 90-day due diligence period, which has already begun. The intent is that the Offer To Buy will be taken to the School Board in May and final approval would be in June. 30 days after notice that the buyer has removed the due diligence, the offer will be brought to the Lottery Board. If all goes according to the expected timeline, this should occur in June. Closing would occur between August 1 and February 1. This gives the lottery sufficient time to move out.

Rich reminded the Board that they had voted to approve the sale of the 2323 Grand at the last board meeting and, if the School Board approves the purchase, the Lottery Board will be asked to approve the final sale of 2323 Grand Ave at the next board meeting.

Rich stated that Steve Bogle and Tammy Cooper will be taking over the project going forward with procuring contracts and other items needed. Rich thanked all staff for their work. Klappholz stated he appreciates all the work being done on this project.

Closed Session

Klappholz stated "The Chair is advised that the CEO has a matter to discuss with the Board within the parameters of Iowa Code 99G.34(7) and Chapter 21.5(1) (a); that the matter pertains to the DCI background check of the Pull Tab printing companies. The Chair notes that a vote is required during the public portion of the meeting prior to entering closed session. The Chair will now entertain a motion to go into closed session pursuant to Iowa Code chapter 21.5(1) (a) which provides for closed session: 'to review or discuss records which are required or authorized by state or federal law to be kept confidential.' Do I hear such a motion?"

Richter moved and Junge seconded. Roll call vote – Junge "aye", Richter "aye", Klappholz "aye". Klappholz suspended the open session at 11:15am.

Open Session Resumes at 11:33am

Contracts

Pull Tab Printing and Related Services with American Games
Loss stated that at the January 29th board meeting, the board approved award of contract for pull tab printing. The lottery has had a contract with American Games for pull tabs since 1987. They were the sole bidder on RFP IL14-02. The term is from April 1, 2014 through March 31, 2015. In addition, there are three one-year extensions available. Loss stated it is the lottery's recommendation that they approve the contract with American Games for Pull Tab printing and related services.

Maintenance of Vending Machines
Loss stated that the lottery has had vending machines in the field since 2004. The machines continue to be in working order and the lottery intends to continue to use the machines. Loss presented a one – year contract with American Games, which is a follow-up to the existing contract, to service and maintain those machines through the end of September 30, 2015. Loss stated the lottery recommends the board approve the one-year contract.

Klappholz asked what would happen at the end of the contract and Loss stated the lottery would either need to have another contract or go out to bid for new vending equipment. Rich added that the lottery continues to watch the relevance of pull tab games in Iowa.

Advertising Services Contract Extension
Teri Wood stated that the current agreement with Strategic America is scheduled to expire on June 30, 2014 and the lottery is seeking permission to extend the contract with the first of four one-year options.

Media Advertising Services Contract Extension
Wood stated that this agreement is also scheduled to expire on June 30, 2014 and the lottery is seeking permission to extend the first of four one-year options.

Research Agreement
Wood stated that the board approved an extension on that agreement in December and that extension was issued in April, which was the final extension, so the lottery will issue an RFP in fiscal 2015. Junge asked if the extensions were for the same rates and Wood replied that they are along with a CPI of approximately 1%.

Game Auditing Services Contract
Brenda Nye stated the Lottery currently contracts with McGladrey & Pullen, LLP for game auditing services related to drawings. In January 2014 the $100,000 Cash Game ended eliminating the need for an auditor to be present for that drawing. The Lottery continues to require an auditor to be present for observation of promotional drawings. This contract provides that service and expires on April 30, 2014. There are three one-year options available and the lottery seeks permission to exercise one of those options. The contract allows for a CPI increase of approximately 1%. With this extension the hourly rate will go from $103.65 to approximately $104.69.

Richter moves to approve all contracts. Junge seconded. Motion carries unanimously.

Membership Renewals
Loss presented the annual membership renewals for Iowa Grocers Association, the Petroleum Marketers and Convenience Stores of Iowa, the National Association State and Provincial Lotteries, and World Lottery Association. Two are retailer related and two are industry related. The dues continue

to be the same as they have been in previous years. As always, the WLA dues must be paid in Swiss Francs, which can change daily. Loss then asked for approval to remain members.

Junge moved to approve the four memberships. Richter seconded. Motion carries unanimously.

Fiscal Policies

Nye stated that the lottery is seeking the Board's approval for two policies. The first policy is 220.150 – Employee Expenses, Education Leave and/or Education Financial Assistance and Continuing Education. Nye stated that the Lottery generally follows the Department of Administrative Services (DAS) fiscal policy on this topic in the past with minor variations described in the Lottery employee handbook. The Lottery differs from the DAS policy by: 1) Allowing a maximum 80% reimbursement for college credit courses and allowable expenses. The DAS policy allows for 100% reimbursement, 2) Allowing a waiver of continued employment requirement for employer required continuing education expenses, 3) Eliminating the continued employment requirement for reimbursement requests with a total cost less than $500. This parameter is at the individual agency discretion under DAS policy, 4) Requiring all requests for reimbursement of continuing education to be approved by the Executive Vice President. The Lottery continues to require CEO approval on applications for reimbursement of college credit course expenses.

Klappholz added that he had discussions with the ILOT Accounting department regarding these changes and supports the policy changes.

The second policy is 240.102 – Purchasing Policies and Services Contracting. Nye stated that this fiscal policy was approved at the December 2013 Board meeting and there is one change to the policy, due to a change in personnel reporting and job duties. The Vice President, Security will be assuming the responsibility for the approval of purchase orders and contracts up to $10,000. The policy has been updated to reflect the change in approvals from Vice President, Operations and Systems to Vice President, Security. Junge asked why procurement would be reporting to Security and Rich stated that that position had reported to Security once before, reported to EVP for a while and was reporting to Jack Schroeder, VP of Operations, and will now report to Security again. Junge asked about the limits and Nye said the limits are outlined on pages 3 & 4 in the policy.

Richter moved to approve. Junge seconded. Motion carried unanimously.

Self-Reporting Rule

Juffernbruch stated that this rule was presented to the board previously and concerns the suspension and revocation of a license specifically in the event of self-reporting a sale to a minor. The change was taken to the Rules Committee and Juffernbruch stated that some members of the committee were concerned that it gave the lottery too much discretion because the rule did not specify that it was in regards to selling to a minor. Juffernbruch stated that she referred to Code 99G.24 which states "...may suspend, specifically in cases where a retailer sells to a minor." Juffernbruch stated the intention of the rule change was two-fold; to have the discretion to work with retailers who were upfront and forthright about a sale to a minor and to have the Administrative Rule match the Iowa Code. Juffernbruch stated there was one representative who recognized the need for the lottery to have some discretion. Juffernbruch stated that she, Steve Bogle and Mary Neubauer recommends that the Board adopt the rule "in its' current form". Junge asked if by adopting the rule "in its' current form" there was room for discretion for more than just self-reporting. Juffernbruch and Neubauer responded stating the purpose is for self-reporting a sale to a minor but there could be other unforeseen circumstances. Bogle pointed out that there are 21 other areas in the Administrative Rules that gives the lottery discretion in disciplinary action with retailers. This mandate of disciplinary action for selling to a minor is not consistent with the Code.

Junge moved to adopt the rule as it is in the packet. Richter seconded. Motion carried unanimously.

National Game Update

Terry Rich reported that a new national $5 game is underway. This will be played like the LottoMax game in Canada where when the jackpot is hit, there could potentially be 400-500 millionaires, instead of one big winner. There will a national game show, shown nationally and in Iowa. Iowa is guaranteed to have contestants on the show. Rich asked the board to approve moving forward with the national game. Loss added that as game rules and other information is finalized those will be forwarded on to the Board.

Richter moved to move ahead with the national lottery game. Junge seconded. Motion carried unanimously.

2015 Mission and Vision Statement

Rich then presented the 2015 Mission/Vision Statement, noting some differences from years past. Rich stated that the Vision/Mission is the same as last year but Maintaining Highest Integrity has been moved to the top of the list. Education of Lottery Products and Policies is included to support the retailers and operate at the highest level of integrity. Rich stated the base goal for proceeds last year was $62 million and that number has been raised for 2015. Diversification of Retailer Base is high on the list and Best in Class Lottery Operations will focus on professional growth of employees to ensure that the lottery maintains expertise by educating and/or sharpening employee's skills. Rich added that Work with Other State Organizations is still a high priority for the lottery and remains on the list.

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

Meeting adjourned at 12:03pm.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2014

Month		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY		JUN
Gross Sales	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	26,044,760	24,595,516	24,637,797	29,248,436	24,695,558	28,545,036	27,427,790	26,123,641	25,834,341		-
Prize Expense	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	58.66% 1)	13,512,846
	5-year av.	12,342,598	12,972,723	12,388,357	12,786,810	13,663,667	14,175,858	14,229,622	15,011,692	16,099,572	14,422,795	15,136,777	57.76% 2)	12,986,412
	Actual '14	15,942,444	15,944,936	15,424,112	14,558,510	14,087,386	17,158,018	16,390,859	16,222,739	17,067,044	14,858,702	14,972,606	57.96% 3)	-
Operating Expenses	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		1,661,642
	Actual '14	510,053	946,787	1,032,424	1,338,916	811,525	947,361	962,016	1,048,846	866,778	1,324,616	855,107		-
Proceeds to General Fund	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		4,561,737
	Actual '14	5,818,399	6,789,813	6,463,986	6,149,653	6,563,816	7,431,424	3,907,599	7,715,155	4,660,336	5,462,299	6,987,583		-
Proceeds to Veterans Trust	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	159,754	134,044	136,340	217,808	339,267	352,785	197,338	148,201		115,474
	Actual '14	163,182	422,439	83,623	47,564	61,355	70,877	227,566	435,807	83,663	86,008	65,459		-
Total Proceeds	Budget '14	4,905,108	5,263,565	4,710,112	4,344,965	5,479,489	5,076,227	5,248,777	5,669,892	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		4,677,211
	Actual '14	5,981,581	7,212,252	6,547,609	6,197,217	6,625,171	7,502,301	4,135,165	8,150,962	4,743,999	5,548,307	7,053,042		-

YEAR TO DATE														
Gross Sales	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	64,760,763	86,827,969	111,214,183	134,496,607	158,119,354	182,887,454	211,126,755	235,667,428	261,872,113	11.07% 4)	284,217,658
	Actual '14	26,045,310	53,713,928	79,758,688	104,354,204	128,992,001	158,240,437	182,935,995	211,481,031	238,908,821	265,032,462	290,866,803	7.74% 5)	
Prize Expense	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	58.66% 1)	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	58.51% 2)	166,216,883
	Actual '14	15,942,444	31,887,380	47,311,492	61,870,002	75,957,388	93,115,406	109,506,265	125,729,004	142,796,048	157,654,750	172,627,356	59.35% 3)	
Operating Expenses	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	2,489,264	3,828,180	4,639,705	5,587,066	6,549,082	7,597,928	8,464,706	9,789,322	10,644,429		
Proceeds to General Fund	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	19,072,198	25,221,851	31,785,667	39,217,091	43,124,690	50,839,845	55,500,181	60,962,480	67,950,063		
Proceeds to Veterans Trust	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	669,244	716,808	778,163	849,040	1,076,606	1,512,413	1,596,076	1,682,084	1,747,543		
Total Proceeds	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	6.67% 4)	70,031,784
	Actual '14	5,981,581	13,193,833	19,741,442	25,938,659	32,563,830	40,066,131	44,201,296	52,352,258	57,096,257	62,644,564	69,697,606	19.64% 5)	

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 Rich · Chief Executive Officer

DATE: June 12, 2014

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Nye, Chief Financial Officer BN

Attached are the financial statements for May 2014. During May, we had revenue of $25,836,149. This sales level resulted in $6,987,583 of proceeds payable to the State General Fund and $65,459 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

May 31, 2014

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	55,500,183	
Payable	12,449,883	
		1,299,122,328
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2014	$13,396,520	
Fiscal Year 2014		
Transferred	1,596,077	
Payable	151,467	
		15,144,064
Total		**$1,549,984,966**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED MAY 31, 2014

	Month ended May 31, 2014	Month ended May 31, 2013	Year-to-date May 31, 2014	Year-to-date May 31, 2013
OPERATING REVENUES				
Instant-scratch ticket sales	$16,813,357	$17,552,426	$174,173,338	$186,625,778
Pick 3 sales	598,496	593,277	6,407,254	6,251,980
Powerball sales	3,978,341	12,771,236	56,931,966	77,148,118
Mega Millions sales	1,396,049	1,613,351	20,949,156	12,440,904
Hot Lotto sales	1,002,811	1,250,105	9,480,124	10,340,967
Raffle sales	0	0	242,960	0
Pick 4 sales	272,663	271,889	2,973,535	2,830,154
All or Nothing sales	540,691	0	2,727,588	0
$100,000 Cash Game sales	0	390,542	2,530,984	4,119,485
Pull-tab sales	1,231,933	1,373,119	14,449,897	15,001,651
Application fees	350	375	3,725	4,900
Other revenue	1,458	350	9,065	11,149
Total operating revenues	**25,836,149**	**35,816,670**	**290,879,592**	**314,775,086**
OPERATING EXPENSES				
Scratch ticket prize expense	10,389,355	10,531,221	112,170,673	118,034,465
Pick 3 prize expense	353,787	352,577	3,782,465	3,681,487
Powerball prize expense	1,799,998	6,347,505	27,513,261	37,679,105
Mega Millions prize expense	679,024	807,361	10,511,108	6,102,512
Hot Lotto prize expense	479,537	614,927	4,584,591	5,001,215
Raffle prize expense	0	0	101,536	0
Pick 4 prize expense	162,668	160,883	1,755,546	1,665,597
All or Nothing prize expense	327,173	0	1,850,469	0
$100,000 Cash Game prize expense	0	278,055	610,955	2,536,367
Pull-tab prize expense	770,036	855,885	9,048,022	9,386,361
VIP Club prize expense	0	165,617	519,101	1,789,727
Promotional prize expense	11,028	40,675	179,626	136,311
Advertising/publicity	463,502	672,571	6,427,799	5,898,387
Retailer compensation expense	1,656,255	2,276,036	18,618,935	20,468,437
Ticket expense	258,045	267,551	3,106,940	3,594,416
Vendor compensation expense	512,290	751,739	5,906,440	6,414,168
Online game expense	0	0	0	230,088
Salary and benefits	735,028	763,209	8,581,399	8,484,128
Travel	37,710	41,157	380,257	387,041
Supplies	9,076	16,134	107,098	97,104
Printing	435	342	19,211	12,667
Postage	379	258	6,607	5,968
Communications	13,929	10,760	163,735	134,563
Rentals	24,797	29,123	282,150	279,578
Utilities	5,594	6,614	105,298	97,365
Professional fees	29,019	10,305	111,566	93,670
Vending machine maintenance	47,425	47,052	520,382	530,790
Outside services and repairs	70,272	25,537	512,423	269,824
Data processing	7,561	5,260	82,200	52,156
Equipment	10,784	18,712	205,128	287,031
Reimbursement to other state agencies	27,723	43,360	389,494	383,386
Depreciation	22,689	20,314	265,351	221,925
Other	11,507	11,844	74,487	78,274
MUSL administrative expense	8,827	3,087	66,345	33,963
Total operating expenses	**18,925,453**	**25,175,671**	**218,560,598**	**234,068,076**
Operating income	**6,910,696**	**10,640,999**	**72,318,994**	**80,707,010**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED MAY 31, 2014

	Month ended May 31, 2014	Month ended May 31, 2013	Year-to-date May 31, 2014	Year-to-date May 31, 2013
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(6,987,583)	(10,417,377)	(67,950,066)	(78,405,786)
Veterans Trust Fund	(65,459)	(93,004)	(1,747,544)	(2,041,526)
Interest Income	2,999	7,833	43,790	98,978
Interest expense	0	(3,010)	0	(33,091)
Net non-operating revenues (expenses)	**(7,050,043)**	**(10,505,558)**	**(69,653,820)**	**(80,381,425)**
Change in net position	**(139,347)**	**135,441**	**2,665,174**	**325,585**
Net position, beginning of period	9,088,700	5,386,104	6,284,179	5,195,960
Net position, end of period	**$8,949,353**	**$5,521,545**	**$8,949,353**	**$5,521,545**

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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

DATE: May 15, 2014

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Nye, Chief Financial Officer BN

Attached are the financial statements for April 2014. During April, we had revenue of $26,124,530. This sales level resulted in $5,462,299 of proceeds payable to the State General Fund and $86,008 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

April 30, 2014

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	55,500,183	
Payable	5,462,299	
		1,292,134,744
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2014	$13,396,520	
Fiscal Year 2014		
Transferred	1,596,077	
Payable	86,008	
		15,078,605
Total		**$1,542,931,923**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED APRIL 30, 2014

	Month ended April 30, 2014	Month ended April 30, 2013	Year-to-date April 30, 2014	Year-to-date April 30, 2013
OPERATING REVENUES				
Instant-scratch ticket sales	$17,120,315	$18,597,279	$157,359,981	$169,073,352
Pick 3 sales	608,341	573,217	5,808,759	5,658,702
Powerball sales	3,940,194	4,267,330	52,953,625	64,376,883
Mega Millions sales	1,114,460	1,353,627	19,553,107	10,827,553
Hot Lotto sales	992,237	867,656	8,477,313	9,090,862
Raffle sales	0	0	242,960	0
Pick 4 sales	284,878	271,780	2,700,872	2,558,264
All or Nothing sales	630,759	0	2,186,897	0
$100,000 Cash Game sales	0	382,682	2,530,984	3,728,943
Pull-tab sales	1,432,457	1,429,114	13,217,964	13,628,532
Application fees	400	325	3,375	4,525
Other revenue	489	345	7,606	10,799
Total operating revenues	**26,124,530**	**27,743,355**	**265,043,443**	**278,958,415**
OPERATING EXPENSES				
Scratch ticket prize expense	10,599,599	11,401,489	101,781,318	107,503,244
Pick 3 prize expense	358,425	319,700	3,428,677	3,328,911
Powerball prize expense	1,932,058	2,081,885	25,713,262	31,331,600
Mega Millions prize expense	545,497	561,159	9,832,084	5,295,152
Hot Lotto prize expense	486,673	422,689	4,105,053	4,386,288
Raffle prize expense	0	0	101,536	0
Pick 4 prize expense	169,302	160,758	1,592,878	1,504,714
All or Nothing prize expense	381,674	0	1,523,296	0
$100,000 Cash Game prize expense	(527,455)	333,923	610,955	2,258,311
Pull-tab prize expense	897,082	894,476	8,277,986	8,530,475
VIP Club prize expense	9,642	160,274	519,101	1,624,111
Promotional prize expense	6,205	7,373	168,598	95,635
Advertising/publicity	536,301	385,219	5,964,297	5,225,817
Retailer compensation expense	1,661,149	1,797,115	16,962,681	18,192,401
Ticket expense	254,784	427,675	2,848,895	3,326,865
Vendor compensation expense	532,707	574,100	5,394,150	5,662,429
Online game expense	0	0	0	230,088
Salary and benefits	781,182	765,602	7,846,371	7,720,918
Travel	35,981	36,245	342,548	345,884
Supplies	18,404	4,343	98,022	80,970
Printing	0	400	18,776	12,325
Postage	390	275	6,229	5,710
Communications	13,839	14,191	149,806	123,802
Rentals	25,135	24,828	257,353	250,456
Utilities	6,530	7,485	99,704	90,751
Professional fees	19,514	7,425	82,546	83,364
Vending machine maintenance	47,373	45,690	472,957	483,738
Outside services and repairs	72,839	31,648	442,151	244,288
Data processing	7,502	5,220	74,639	46,896
Equipment	17,822	14,280	194,345	268,319
Reimbursement to other state agencies	48,227	37,515	361,771	340,026
Depreciation	24,399	19,966	242,662	201,611
Other	4,330	3,710	62,981	66,430
MUSL administrative expense	8,827	3,088	57,518	30,875
Total operating expenses	**18,975,937**	**20,549,746**	**199,635,146**	**208,892,404**
Operating income	**7,148,593**	**7,193,609**	**65,408,297**	**70,066,011**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED APRIL 30, 2014

	Month ended April 30, 2014	Month ended April 30, 2013	Year-to-date April 30, 2014	Year-to-date April 30, 2013
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(5,462,299)	(6,934,843)	(60,962,482)	(67,988,408)
Veterans Trust Fund	(86,008)	(104,807)	(1,682,085)	(1,948,523)
Interest Income	6,363	2,876	40,791	91,145
Interest expense	0	(3,010)	0	(30,081)
Net non-operating revenues (expenses)	(5,541,944)	(7,039,784)	(62,603,776)	(69,875,867)
Change in net position	1,606,649	153,825	2,804,521	190,144
Net position, beginning of period	7,482,051	5,232,279	6,284,179	5,195,960
Net position, end of period	$9,088,700	$5,386,104	$9,088,700	$5,386,104

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Terry E. Branstad · Governor
Kim Reynolds · Lt. Governor

Terry Rich · Chief Executive Officer

DATE: April 23, 2014

TO: Board Members of the Iowa Lottery Authority

FROM: Brenda Nye, Chief Financial Officer BN

Attached are the financial statements for March 2014. During March, we had revenue of $27,428,282. This sales level resulted in $4,660,336 of proceeds payable to the State General Fund and $83,663 of proceeds payable to the Veterans Trust Fund.

Attachments

IOWA LOTTERY AUTHORITY

SCHEDULE OF ECONOMIC BENEFITS

March 31, 2014

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	39,217,092	
Payable	16,283,090	
		1,286,672,444
Proceeds to the Veterans Trust Fund:		
Prior to Fiscal Year 2014	$13,396,520	
Fiscal Year 2014		
Transferred	849,040	
Payable	747,037	
		14,992,597
Total		**$1,537,383,615**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED MARCH 31, 2014

	Month ended March 31, 2014	Month ended March 31, 2013	Year-to-date March 31, 2014	Year-to-date March 31, 2013
OPERATING REVENUES				
Instant-scratch ticket sales	$16,733,890	$20,216,145	$140,239,666	$150,476,073
Pick 3 sales	652,423	607,790	5,200,417	5,085,485
Powerball sales	3,602,854	8,669,304	49,013,431	60,109,553
Mega Millions sales	3,037,551	1,013,457	18,438,647	9,473,926
Hot Lotto sales	954,381	888,578	7,485,076	8,223,206
Raffle sales	0	0	242,960	0
Pick 4 sales	308,525	290,304	2,415,994	2,286,485
All or Nothing sales	791,403	0	1,556,138	0
$100,000 Cash Game sales	0	383,752	2,530,984	3,346,261
Pull-tab sales	1,346,763	1,329,424	11,785,506	12,199,418
Application fees	200	375	2,975	4,200
Other revenue	292	511	7,118	10,454
Total operating revenues	**27,428,282**	**33,399,640**	**238,918,912**	**251,215,061**
OPERATING EXPENSES				
Scratch ticket prize expense	11,444,322	13,254,723	91,181,719	96,101,755
Pick 3 prize expense	386,904	360,724	3,070,252	3,009,211
Powerball prize expense	1,708,565	4,296,985	23,781,204	29,249,716
Mega Millions prize expense	1,535,097	471,310	9,286,587	4,733,993
Hot Lotto prize expense	465,498	433,839	3,618,381	3,963,599
Raffle prize expense	0	0	101,536	0
Pick 4 prize expense	183,740	171,997	1,423,577	1,343,956
All or Nothing prize expense	478,880	0	1,141,622	0
$100,000 Cash Game prize expense	(4,165)	339,701	1,138,410	1,924,388
Pull-tab prize expense	841,011	832,747	7,380,904	7,635,999
VIP Club prize expense	20,309	165,617	509,459	1,463,837
Promotional prize expense	6,883	9,675	162,393	88,262
Advertising/publicity	589,048	799,629	5,427,996	4,840,597
Retailer compensation expense	1,748,060	2,146,299	15,301,532	16,395,285
Ticket expense	238,862	367,717	2,594,110	2,899,190
Vendor compensation expense	546,470	676,161	4,861,444	5,088,328
Online game expense	0	0	0	230,088
Salary and benefits	759,908	758,124	7,065,188	6,955,316
Travel	37,005	33,322	306,567	309,639
Supplies	10,629	5,998	79,617	76,627
Printing	5,404	0	18,776	11,925
Postage	429	349	5,838	5,435
Communications	13,978	12,574	135,967	109,612
Rentals	29,152	21,653	232,218	225,627
Utilities	17,434	11,540	93,174	83,266
Professional fees	5,206	10,644	63,032	75,940
Vending machine maintenance	47,405	48,807	425,584	438,048
Outside services and repairs	63,906	14,879	369,312	212,640
Data processing	7,363	5,355	67,138	41,676
Equipment	4,025	22,488	176,523	254,039
Reimbursement to other state agencies	25,241	28,024	313,544	302,511
Depreciation	24,399	19,833	218,264	181,646
Other	5,638	3,512	58,651	62,720
MUSL administrative expense	8,827	3,088	48,690	27,788
Total operating expenses	**21,255,433**	**25,327,314**	**180,659,209**	**188,342,659**
Operating income	**6,172,849**	**8,072,326**	**58,259,703**	**62,872,402**

IOWA LOTTERY AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE MONTH AND YEAR ENDED MARCH 31, 2014

	Month ended March 31, 2014	Month ended March 31, 2013	Year-to-date March 31, 2014	Year-to-date March 31, 2013
Non-operating revenues (expenses)				
Proceeds deposited to:				
State General Fund	(4,660,336)	(8,023,688)	(55,500,182)	(61,053,565)
Veterans Trust Fund	(83,663)	(108,004)	(1,596,077)	(1,843,716)
Interest Income	2,405	4,917	34,428	88,269
Interest expense	0	(3,010)	0	(27,071)
Net non-operating revenues (expenses)	(4,741,594)	(8,129,785)	(57,061,831)	(62,836,083)
Change in net position	1,431,255	(57,459)	1,197,872	36,319
Net position, beginning of period	6,050,796	5,289,738	6,284,179	5,195,960
Net position, end of period	$7,482,051	$5,232,279	$7,482,051	$5,232,279

SECURITY REPORT
MAY 2014

INVESTIGATIONS
Cases: 7
Cases open: 6
Cases unfounded: 1

TYPES
Employee theft: 4
Possible theft: 1
Theft: 1
Other: 1

EVENTS
Supervise and monitor Powerball, Mega Millions and Hot Lotto games, validate All or Nothing Game.

MISCELLANEOUS
Validations assist: 19
Law enforcement contacts: 7
ABD notifications: 1
ABD file only: 9
Records of contact: 28
Arrest: 1
Customer assists: 4
Ticket print: 1
Annual SGI inspection: 1

SECURITY REPORT
APRIL 2014

INVESTIGATIONS
Cases: 7
Cases open: 5
Cases closed: 2

TYPES
Employee theft: 2
Burglary: 3
Fraud: 2

EVENTS
Supervise and monitor Powerball, Mega Millions and Hot Lotto games, validates All or Nothing game.

MISCELLANEOUS
Validations Assist: 17
Law Enforcement contacts: 12
ABD notifications: 3
ABD file only: 13
Records of contact: 34
Arrest: 3
Compliance checks: 61
Customer assists: 7
Ticket print: 1

Lottery Operations - Budget Detail

	FY 2013 ACTUAL	FY 2014 BOARD APPROVED FINAL BUDGET	FY 2015 BOARD APPROVED PRELIMINARY BUDGET	FY 2015 PROPOSED FINAL BUDGET
Administrative payroll*	9,375,334	10,027,895	10,027,895	10,145,328
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	333,000	310,000
Utilities	103,386	105,000	105,000	128,000
Professional fees	121,004	495,000	530,000	260,000
Outside services and repair	160,870	427,840	400,000	449,500
Data processing	57,072	55,000	60,000	60,000
Equipment	177,812	430,500	270,000	300,000
Reimbursement to state agencies	415,056	475,000	495,000	495,000
Depreciation	245,805	251,659	251,659	423,030
Other expenses	107,750	105,000	105,000	105,000
Total operating expenses	**$ 11,753,223**	**$ 13,503,394**	**$ 13,380,054**	**$ 13,478,358**

* 2015 Proposed Final Budget for "Administrative Payroll" includes salary and benefit cost increases per DOM projections

Budget for Lottery Fund

	FY 2013 ACTUAL	FY 2014 BOARD APPROVED FINAL BUDGET	FY 2015 BOARD APPROVED PRELIMINARY BUDGET	FY 2015 PROPOSED FINAL BUDGET
Resources				
Lottery sales	339,251,420	293,000,000	295,505,000	309,500,000
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
Total Resources	**339,378,324**	**293,510,000**	**296,015,000**	**310,010,000**
Expenses and Change in Net Assets				
Prizes	200,801,768	171,872,697	173,321,198	181,346,675
Retailer compensation	22,116,797	18,969,721	19,264,839	20,037,982
Advertising production and media purchases	6,600,550	11,720,000	11,820,200	12,380,000
Retailer Lottery system/Terminal Communications	7,180,866	6,827,940	6,885,655	7,248,100
Instant/Pull-tab ticket expense & machine maintenance	4,605,036	4,085,000	4,345,000	4,295,000
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	610,000
Interest expense (ITVM/PTVM/Building)	33,453	-	-	-
Lottery operating expense	11,753,223	13,503,394	13,380,054	13,478,358
Building (purchase and sale)		3,500,000	3,500,000	1,964,000
Increase (decrease) in net assets	1,088,219	(51,659)	(51,659)	(308,030)
Total Expenses and Change in Net Assets	**254,487,595**	**231,212,093**	**233,250,287**	**241,302,085**
Proceeds				
Proceeds Transfer to General Fund	82,764,005	59,497,907	60,564,713	66,507,915
Proceeds Transfer to Veterans Trust Fund	2,126,724	2,800,000	2,200,000	2,200,000
Total Proceeds Transfers	**84,890,729**	**62,297,907**	**62,764,713**	**68,707,915**
Total Expenses and Proceeds	**339,378,324**	**293,510,000**	**296,015,000**	**310,010,000**