



13001 University Avenue
Clive · Iowa 50325-8225
515-725-7900
www.ialottery.com

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

AGENDA

IOWA LOTTERY BOARD

March 24, 2016
10:00 am

Join the meeting via UberConference
<https://uberconference.com/ialottery>
or
Dial In: 515-207-3637 (no PIN needed)

- I. Call to Order
 - a. Approval of Agenda
 - b. Approval of Minutes – December 21, 2015
- II. Quarterly Reports
 - a. Financial
 - b. Marketing
 - c. Security
 - d. Legislative
 - e. Legal
- III. Contract Extensions
 - a. Game Auditing Services, Advertising Services, Media Services
- IV. Approval of Membership Dues
- V. WLS 2016
- VI. Lucky for Life Update
- VII. Succession Planning
- VIII. Closed Session
 - a. DCI Presentation – Szrek2Solutions Background Check
- IX. Open Session
- X. CEO Report
- XI. Board Recognition
- XII. 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

December 21, 2015

2:00 p.m.

The Iowa Lottery Board convened at 2:00 p.m.; Board Chairperson Matt McDermott presiding.

Board Members Present on Teleconference:

Matt McDermott, chair; Mary Rathje; Connor Flynn; Mike Klappholz

Board Members Absent:

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Lottery Staff Participating on the Teleconference:

Terry Rich, CEO; Larry Loss, EVP; Mary Neubauer, VP, External Relations; Hale Strasser, VP, Systems Operations; Rob Porter, VP, Legal Counsel; Doug Orr, Dir of Retail Sales; David VanCompernelle, Assistant AG; Deb Bassett, Board Secretary

Guests:

Rod Boshart, Cedar Rapids Gazette

CALL TO ORDER

Chairperson McDermott called the meeting to order at 2:00 p.m. and roll was taken. There was a quorum. Chairperson McDermott announced the meeting would be held via teleconference in accordance with Iowa Code section 21.8.

Flynn moved to conduct the meeting via teleconference. Rathje seconded. Motion carried unanimously.

APPROVAL OF MINUTES

Klappholz moved to approve the December 9, 2015 board meeting minutes. Flynn seconded. Motion carried unanimously.

RANDOM NUMBER GENERATOR DRAWING SYSTEM RFP

Strasser presented information on the Random Number Generator Bid Selection and a summary of the scoring.

A 3-person committee reviewed and scored the three (3) bids submitted for the RFP. Of the 3 bidders, only 2 vendors submitted compliant bids; Szrek2Solutions a Rhode Island based company and SCA, a Texas-based company. The other vendor, SmartPlay, a New Jersey based company, was disqualified because of noncompliance to some key provisions of the RFP; particularly with respect to RFP requirement 3.0.B as the equipment and solution proposed by Smartplay would not fit in the ILA cabinet. It was noted that even if Smartplay had not been disqualified, they would have only placed 2nd in scoring.

Flynn asked about the committee's range of scoring for the technical component of the RFP. In general, there are many things that can influence scoring. Of the 3 bids, Szrek2Solutions had the highest total points. And the general consensus among committee members was that Szrek2Solutions provided the best solution for the RFP.

Flynn also asked whether the cabinets used for draw equipment were in all retail outlets. Lottery staff explained the cabinets are not at retail locations; only at the Lottery. The room at ILA headquarters where draw operations take place has a pair of cabinets. In addition, another pair is kept at an offsite location for back up purposes. These cabinets house the RNG equipment and are sealed with an audit tag to prevent unauthorized access. The cabinets have to fit in a controlled room which has limited physical space. The Lottery would not allow any proposed modification to the mandatory requirement 3.0.B that would leave the draw equipment unsecured or require more physical space in the draw room.

The evaluation committee recommended to the Board that the Iowa Lottery issue a Notice of Intent to Award to Szrek2Solutions, a Rhode Island-based company, subject to the successful completion of a DCI background investigation.

The committee also recommended that the CEO, working with the Lottery's Vice-President, Security, authorize completion of a background investigation of Szrek2Solutions and that the Vice-President, General Counsel begin contract negotiations with Szrek2Solutions.

Rathje moved to approve the recommendation to issue a Notice of Intent to Award to Szrek2Solutions. Flynn seconded. Motion carried unanimously.

ADJOURNMENT

Klappholz moved the meeting be adjourned. Flynn seconded. Motion carried unanimously.

Meeting adjourned at 2:13 p.m.

IOWA LOTTERY
PERFORMANCE MEASURES
FY 2016

Month		JUL	AUG	SEP	OCT	NOV	DEC	JAN			FEB	MAR	APR	MAY	JUN
Gross Sales	Budget '16	23,834,084	25,461,659	23,733,551	24,811,289	27,194,561	26,705,439	26,858,803			29,997,407	31,388,556	27,291,539	28,928,003	24,945,109
	5-year av.	23,411,245	25,009,945	23,312,496	24,371,114	26,712,104	26,231,659	26,382,303			28,787,466	30,153,935	26,129,603	27,737,035	23,824,802
	Actual '16	25,907,997	25,180,933	26,791,422	26,284,951	25,413,630	30,084,542	54,079,072			-	-	-	-	-
Prize Expense	Budget '16	14,116,232	15,080,197	14,056,689	14,695,002	16,106,544	15,816,852	15,907,685	59.23% 1)		17,766,588	18,590,525	16,163,982	17,133,211	14,774,260
	5-year av.	14,170,986	14,598,857	13,709,047	14,346,043	15,220,681	16,164,184	16,073,258	60.92% 2)		17,141,508	17,868,628	15,188,040	16,429,395	14,296,686
	Actual '16	15,690,151	15,581,596	15,908,821	16,370,729	14,944,595	19,305,677	30,211,996	55.87% 3)		-	-	-	-	-
Operating Expenses	Budget '16	503,008	1,092,391	1,579,119	953,326	1,092,391	1,092,391	1,092,391			1,092,391	1,579,119	1,092,391	953,326	2,039,118
	5-year av.	508,168	841,926	1,067,719	1,035,796	1,004,500	862,588	923,101			979,081	1,002,573	1,087,245	1,021,482	1,419,524
	Actual '16	452,290	958,895	1,402,002	832,037	950,019	979,097	946,697			-	-	-	-	-
Total Proceeds	Budget '16	5,680,642	5,513,526	4,578,448	5,483,856	5,963,120	5,836,220	5,876,009			6,690,306	6,564,506	5,988,281	6,551,919	4,432,783
	5-year av.	5,566,219	6,066,103	6,037,982	6,196,005	7,314,599	5,605,872	6,159,970			7,271,757	7,422,268	6,634,641	6,935,723	4,809,997
	Actual '16	6,188,361	5,102,911	6,813,453	5,656,822	6,099,550	6,211,365	17,267,602			-	-	-	-	-
YEAR TO DATE															
Gross Sales	Budget '16	23,834,084	49,295,743	73,029,294	97,840,583	125,035,144	151,740,583	178,599,386			208,596,793	239,985,349	267,276,888	296,204,891	321,150,000
	5-year av.	23,411,245	48,421,190	71,733,686	96,104,800	122,816,904	149,048,563	175,430,866	21.84% 4)		204,218,332	234,372,267	260,501,870	288,238,905	312,063,707
	Actual '16	25,907,997	51,088,930	77,880,352	104,165,303	129,578,933	159,663,475	213,742,547	19.68% 5)						
Prize Expense	Budget '16	14,116,232	29,196,429	43,253,118	57,948,120	74,054,664	89,871,516	105,779,201	59.23% 1)		123,545,789	142,136,314	158,300,296	175,433,507	190,207,767
	5-year av.	14,170,986	28,769,843	42,478,890	56,824,933	72,045,614	88,209,798	104,283,056	59.44% 2)		121,424,564	139,293,192	154,481,232	170,910,627	185,207,313
	Actual '16	15,690,151	31,271,747	47,180,568	63,551,297	78,495,892	97,801,569	128,013,565	59.89% 3)						
Operating Expenses	Budget '16	503,008	1,595,399	3,174,518	4,127,844	5,220,235	6,312,626	7,405,017			8,497,408	10,076,527	11,168,918	12,122,244	14,161,362
	5-year av.	508,168	1,350,094	2,417,813	3,453,609	4,458,109	5,320,697	6,243,798			7,222,879	8,225,452	9,312,697	10,334,179	11,753,703
	Actual '16	452,290	1,411,185	2,813,187	3,645,224	4,595,243	5,574,340	6,521,037							
Total Proceeds	Budget '16	5,680,642	11,194,168	15,772,616	21,256,472	27,219,592	33,055,812	38,931,821			45,622,127	52,186,633	58,174,914	64,726,833	69,159,616
	5-year av.	5,566,219	11,632,322	17,670,304	23,866,309	31,180,908	36,786,780	42,946,750	24.20% 4)		50,218,507	57,640,775	64,275,416	71,211,139	76,021,136
	Actual '16	6,188,361	11,291,272	18,104,725	23,761,547	29,861,097	36,072,462	53,340,064	37.01% 5)						

1) Budget FY16 Prize Payout

2) Actual 5-year average Prize Payout

3) Actual FY16 Prize Payout

4) Actual FY16 compared to Actual 5-year average

5) Actual FY16 compared to Budget FY16

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Five Months Ending Monday, November 30, 2015

	Month ended 11/30/2015	Month ended 11/30/2014	Year-to-date 11/30/2015	Year-to-date 11/30/2014
Operating revenues:				
Instant-scratch ticket sales	\$17,959,969.00	\$16,959,511.00	\$88,153,766.00	\$81,754,109.00
Pick 3 sales	592,646.00	564,134.00	3,040,028.50	2,805,285.50
Powerball sales	2,980,528.00	3,870,662.00	18,871,652.50	18,927,558.00
Mega Millions Sales	1,387,369.00	1,394,332.00	6,217,711.00	7,652,487.00
Hot Lotto sales	758,725.00	753,325.00	3,900,185.00	4,662,125.00
Pick 4 sales	275,918.50	265,195.50	1,453,614.00	1,289,878.50
All or Nothing sales	340,021.00	352,885.00	1,768,068.00	2,021,893.00
Monopoly Millionaires' Club sales	-	254,280.00	-	408,935.00
Pull-tab sales	1,118,453.04	1,120,078.77	6,173,907.56	6,547,723.49
Application fees	100.00	250.00	1,575.00	1,225.00
Other	378.64	422.58	3,335.55	2,251.69
Total operating revenues	<u>25,414,108.18</u>	<u>25,535,075.85</u>	<u>129,583,843.11</u>	<u>126,073,471.18</u>
Operating expenses:				
Scratch ticket	11,018,118.67	10,405,590.50	56,646,321.14	52,317,484.55
Pick 3	348,617.60	335,470.40	1,796,287.10	1,654,941.30
Powerball	1,451,730.00	1,900,426.50	9,246,701.00	9,119,394.50
Mega Millions	671,039.50	637,436.43	3,016,942.50	3,722,178.93
Hot Lotto	370,910.50	352,343.39	1,867,803.15	2,246,522.84
Pick 4	161,301.10	191,143.00	860,878.40	845,195.50
All or Nothing	200,942.39	213,531.38	1,046,507.49	1,223,451.35
Monopoly Millionaires' Club	(8,201.00)	602,069.07	(10,433.00)	686,024.25
Pull-tab	700,726.34	700,537.89	3,862,164.48	4,095,052.08
VIP Club prize expense	24,041.97	18,000.00	104,510.30	109,810.90
Promotional	5,367.81	12,719.11	58,209.42	69,711.39
Advertising/publicity	588,964.46	687,431.53	2,791,461.99	2,909,112.26
Retailer compensation expense	1,661,894.75	1,628,194.23	8,381,565.61	8,087,420.50
Ticket expense	305,973.19	340,820.68	1,236,563.45	1,296,978.39
Vendor compensation expense	524,959.66	499,589.20	2,626,574.04	2,539,256.71
Online game expense	-	2,662.50	-	4,733.65
Salary and benefits	809,237.35	746,762.74	4,133,412.87	3,920,579.64
Travel	24,902.67	30,045.14	125,981.09	220,206.48
Supplies	5,910.89	5,730.08	49,805.43	47,676.20
Printing	170.00	-	263.80	188.75
Postage	280.94	373.74	1,786.51	1,721.42
Communications	14,153.97	13,229.56	64,673.38	66,526.80
Rentals	25,548.15	25,017.16	128,229.64	127,033.92
Utilities	5,606.50	8,595.03	31,864.82	64,336.50
Professional fees	10,892.63	33,372.71	43,112.90	77,990.92
Vending machine maintenance	52,327.48	49,129.38	246,226.21	239,497.00
Outside services and repairs	52,161.68	45,772.91	330,755.05	313,311.39
Data processing	11,173.16	8,217.85	51,383.10	40,637.52
Equipment	28,945.90	25,820.11	168,833.23	144,340.60
Reimbursement to other state agencies	33,997.07	34,868.30	188,466.50	179,865.23
Depreciation	27,655.92	17,001.85	135,781.14	94,787.62
Other	3,905.75	4,048.23	24,890.09	34,184.21
MUSL/Lotto administrative expense	9,337.20	12,787.57	46,686.00	50,451.35
Total operating expenses	<u>19,142,594.20</u>	<u>19,588,738.17</u>	<u>99,304,208.83</u>	<u>96,550,604.65</u>
Operating income	<u>6,271,513.98</u>	<u>5,946,337.68</u>	<u>30,279,634.28</u>	<u>29,522,866.53</u>
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(6,099,550.39)	(5,450,755.60)	(27,361,097.61)	(27,674,538.69)
Proceeds provided to Veteran's Trust Fund	-	(160,295.79)	(2,500,000.00)	(1,277,020.63)
Interest income	1,303.81	3,339.43	99,886.76	15,405.79
Interest expense	-	-	-	(4,172.48)
Gain (Loss) on disposal of capital assets	14,650.00	-	24,250.00	(367,766.29)
Net non-operating revenues (expenses)	<u>(6,083,596.58)</u>	<u>(5,607,711.96)</u>	<u>(29,736,960.85)</u>	<u>(29,308,092.30)</u>
Change in net position	<u>187,917.40</u>	<u>338,625.72</u>	<u>542,673.43</u>	<u>214,774.23</u>
Net position beginning of year	<u>6,153,093.81</u>	<u>9,390,004.30</u>	<u>5,798,337.78</u>	<u>9,513,855.79</u>
Net position end of year	<u>6,341,011.21</u>	<u>9,728,630.02</u>	<u>6,341,011.21</u>	<u>9,728,630.02</u>

IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Six Months Ending December 31, 2015

	Month ended 12/31/2015	Month ended 12/31/2014	Year-to-date 12/31/2015	Year-to-date 12/31/2014
Operating revenues:				
Instant-scratch ticket sales	\$19,687,205.00	\$17,922,997.00	\$107,840,971.00	\$99,677,106.00
Pick 3 sales	637,641.50	603,920.50	3,677,670.00	3,409,206.00
Powerball sales	5,669,881.00	3,488,698.00	24,541,533.50	22,416,256.00
Mega Millions Sales	1,224,343.00	1,705,410.00	7,442,054.00	9,357,897.00
Hot Lotto sales	759,895.00	802,399.00	4,660,080.00	5,464,524.00
Pick 4 sales	289,692.00	273,426.00	1,743,306.00	1,563,304.50
All or Nothing sales	349,767.00	369,295.00	2,117,835.00	2,391,188.00
Monopoly Millionaires' Club sales	-	182,670.00	-	591,605.00
Pull-tab sales	1,466,117.47	1,485,038.99	7,640,025.03	8,032,762.48
Application fees	425.00	175.00	2,000.00	1,400.00
Other	255.13	454.57	3,590.68	2,706.26
Total operating revenues	30,085,222.10	26,834,484.06	159,669,065.21	152,907,955.24
Operating expenses:				
Scratch ticket	13,843,791.56	12,783,893.99	70,490,112.70	65,101,378.54
Pick 3	377,984.90	357,422.30	2,174,272.00	2,012,363.60
Powerball	2,791,725.00	1,700,487.50	12,038,426.00	10,819,882.00
Mega Millions	592,043.50	705,619.00	3,608,986.00	4,427,797.93
Hot Lotto	371,233.50	367,583.02	2,239,036.65	2,614,105.86
Pick 4	165,565.20	156,680.60	1,026,443.60	1,001,876.10
All or Nothing	208,237.68	223,461.06	1,254,745.17	1,446,912.41
Monopoly Millionaires' Club	(4,512.00)	97,190.20	(14,945.00)	783,214.45
Pull-tab	916,350.87	930,224.26	4,778,515.35	5,025,276.34
VIP Club prize expense	36,672.80	41,000.00	141,183.10	150,810.90
Promotional	6,583.78	5,994.96	64,793.20	75,706.35
Advertising/publicity	626,510.76	551,129.16	3,417,972.75	3,460,241.42
Retailer compensation expense	1,980,194.76	1,740,502.88	10,361,760.37	9,827,923.38
Ticket expense	266,306.71	242,845.94	1,502,870.16	1,539,824.33
Vendor compensation expense	623,759.28	553,031.71	3,250,333.32	3,092,288.42
Online game expense	-	1,829.75	-	6,563.40
Salary and benefits	897,310.56	902,449.03	5,030,723.43	4,823,028.67
Travel	13,556.17	24,893.03	139,551.03	245,099.51
Supplies	29,770.51	8,160.77	79,575.94	55,836.97
Printing	-	1,593.50	263.80	1,782.25
Postage	367.28	174.11	2,153.79	1,895.53
Communications	13,868.28	18,113.70	78,541.66	84,640.50
Rentals	25,358.22	25,218.13	153,587.86	152,252.05
Utilities	7,947.86	22,216.08	39,812.68	86,552.58
Professional fees	5,638.65	7,982.82	48,751.55	85,973.74
Vending machine maintenance	50,390.76	48,519.18	296,616.97	288,016.18
Outside services and repairs	86,578.16	120,040.43	417,333.21	433,351.82
Data processing	10,344.21	8,698.38	61,727.31	49,335.90
Equipment	58,306.60	158,139.75	227,139.83	302,480.35
Reimbursement to other state agencies	31,633.52	39,537.70	220,100.02	219,402.93
Depreciation	28,003.62	21,299.71	163,784.76	116,087.33
Other	4,741.29	27,352.64	29,617.61	61,536.85
MUSL/Lotto administrative expense	9,337.20	11,080.49	56,023.20	61,531.84
Total operating expenses	24,075,601.19	21,904,365.78	123,379,810.02	118,454,970.43
Operating income	6,009,620.91	4,930,118.28	36,289,255.19	34,452,984.81
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(6,211,364.67)	(4,426,372.36)	(33,572,462.28)	(32,100,911.05)
Proceeds provided to Veteran's Trust Fund	-	(39,268.18)	(2,500,000.00)	(1,316,288.81)
Interest income	10,909.51	5,660.92	110,796.27	21,066.71
Interest expense	-	-	-	(4,172.48)
Gain (Loss) on disposal of capital assets	-	6,220.00	24,250.00	(361,546.29)
Net non-operating revenues (expenses)	(6,200,455.16)	(4,453,759.62)	(35,937,416.01)	(33,761,851.92)
Change in net position	(190,834.25)	476,358.66	351,839.18	691,132.89
Net position beginning of year	6,341,011.21	9,728,630.02	5,798,337.78	9,513,855.79
Net position end of year	6,150,176.96	10,204,988.68	6,150,176.96	10,204,988.68

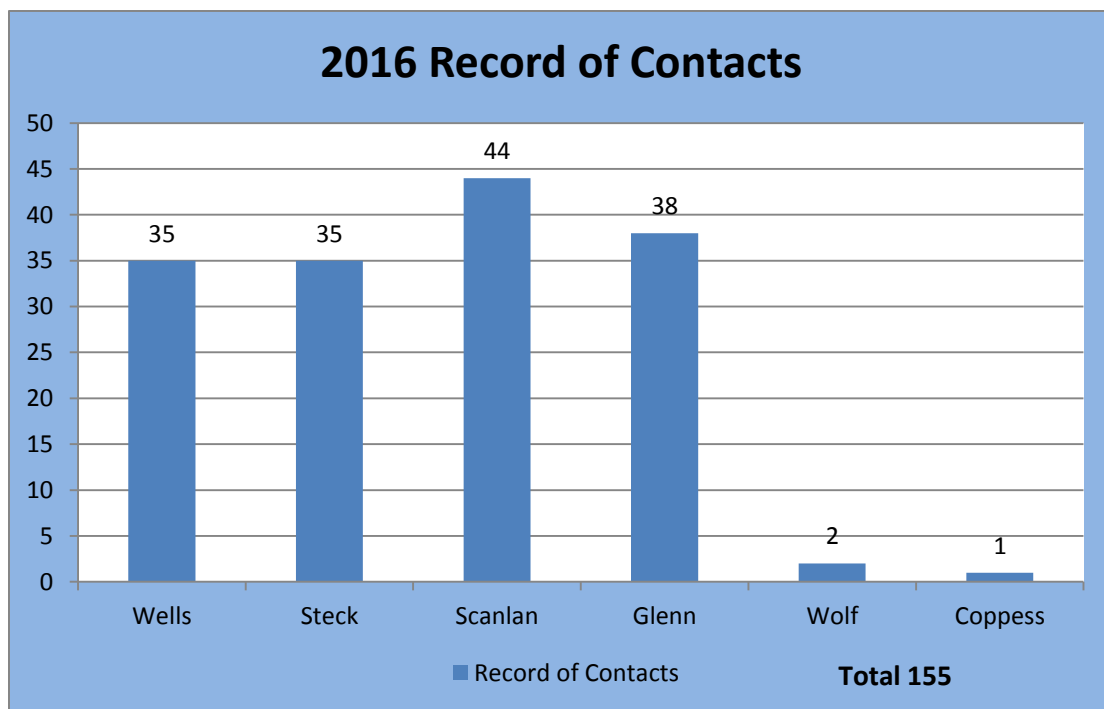
IOWA LOTTERY AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Seven Months Ending January 31, 2016

	Month ended 1/31/2016	Month ended 1/31/2015	Year-to-date 1/31/2016	Year-to-date 1/31/2015
Operating revenues:				
Instant-scratch ticket sales	\$20,835,831.00	\$19,004,490.00	\$128,676,802.00	\$118,681,596.00
Pick 3 sales	620,937.50	584,934.50	4,298,607.50	3,994,140.50
Powerball sales	28,419,183.50	6,433,961.00	52,960,717.00	28,850,217.00
Mega Millions Sales	1,432,911.00	1,965,126.00	8,874,965.00	11,323,023.00
Hot Lotto sales	839,210.00	865,814.00	5,499,290.00	6,330,338.00
Pick 4 sales	284,927.00	265,743.00	2,028,233.00	1,829,047.50
All or Nothing sales	351,918.00	365,953.00	2,469,753.00	2,757,141.00
Monopoly Millionaires' Club sales	-	-	-	591,605.00
Lucky for Life sales	77,474.00	-	77,474.00	-
Pull-tab sales	1,216,679.97	1,230,775.97	8,856,705.00	9,263,538.45
Application fees	275.00	200.00	2,275.00	1,600.00
Other	373.05	278.23	3,963.73	2,984.49
Total operating revenues	<u>54,079,720.02</u>	<u>30,717,275.70</u>	<u>213,748,785.23</u>	<u>183,625,230.94</u>
Operating expenses:				
Scratch ticket	13,365,036.90	12,266,011.00	83,855,149.60	77,367,389.54
Pick 3	368,582.50	344,460.70	2,542,854.50	2,356,824.30
Powerball	14,154,045.50	3,179,234.50	26,192,471.50	13,999,116.50
Mega Millions	689,211.50	971,952.00	4,298,197.50	5,399,749.93
Hot Lotto	409,167.00	419,041.65	2,648,203.65	3,033,147.51
Pick 4	169,906.20	155,135.80	1,196,349.80	1,157,011.90
All or Nothing	207,484.28	220,468.90	1,462,229.45	1,667,381.31
Monopoly Millionaires' Club	-	(114,771.71)	(14,945.00)	668,442.74
Lucky for Life	50,314.35	-	50,314.35	-
Pull-tab	761,745.31	768,816.14	5,540,260.66	5,794,092.48
VIP Club prize expense	14,508.03	15,000.00	155,691.13	165,810.90
Promotional	21,994.45	7,095.49	86,787.65	82,801.84
Advertising/publicity	695,648.14	550,963.62	4,113,620.89	4,011,205.04
Retailer compensation expense	3,409,991.15	1,992,166.91	13,771,751.52	11,820,090.29
Ticket expense	275,551.16	279,558.46	1,778,421.32	1,819,382.79
Vendor compensation expense	1,157,354.39	624,044.37	4,407,687.71	3,716,332.79
Online game expense	-	-	-	6,563.40
Salary and benefits	801,980.26	835,686.12	5,832,703.69	5,658,714.79
Travel	19,127.71	21,736.17	158,678.74	266,835.68
Supplies	6,235.07	13,147.46	85,811.01	68,984.43
Printing	-	2,158.48	263.80	3,940.73
Postage	2,812.72	381.64	4,966.51	2,277.17
Communications	13,108.38	7,494.74	91,650.04	92,135.24
Rentals	25,361.33	25,029.98	178,949.19	177,282.03
Utilities	9,456.81	10,311.37	49,269.49	96,863.95
Professional fees	8,117.13	6,810.55	56,868.68	92,784.29
Vending machine maintenance	50,390.76	48,486.61	347,007.73	336,502.79
Outside services and repairs	63,689.46	65,776.24	481,022.67	499,128.06
Data processing	10,398.66	8,946.27	72,125.97	58,282.17
Equipment	39,964.32	34,644.11	267,104.15	337,124.46
Reimbursement to other state agencies	27,934.47	28,843.39	248,034.49	248,246.32
Depreciation	27,829.77	36,165.42	191,614.53	152,252.75
Other	4,483.97	9,453.27	34,101.58	70,990.12
MUSL/Lotto administrative expense	9,337.20	7,329.47	65,360.40	68,861.31
Total operating expenses	<u>36,870,768.88</u>	<u>22,841,579.12</u>	<u>160,250,578.90</u>	<u>141,296,549.55</u>
Operating income	<u>17,208,951.14</u>	<u>7,875,696.58</u>	<u>53,498,206.33</u>	<u>42,328,681.39</u>
Non-operating revenue (expenses):				
Proceeds provided to State General Fund	(17,267,602.32)	(7,277,557.46)	(50,840,064.60)	(39,378,468.51)
Proceeds provided to Veteran's Trust Fund	-	(249,778.60)	(2,500,000.00)	(1,566,067.41)
Interest income	6,428.55	11,701.80	117,224.82	32,768.51
Interest expense	-	(618.51)	-	(4,790.99)
Gain (Loss) on disposal of capital assets	-	(2,049.61)	24,250.00	(363,595.90)
Net non-operating revenues (expenses)	<u>(17,261,173.77)</u>	<u>(7,518,302.38)</u>	<u>(53,198,589.78)</u>	<u>(41,280,154.30)</u>
Change in net position	<u>(52,222.63)</u>	<u>357,394.20</u>	<u>299,616.55</u>	<u>1,048,527.09</u>
Net position beginning of year	<u>6,150,176.96</u>	<u>10,204,988.68</u>	<u>5,798,337.78</u>	<u>9,513,855.79</u>
Net position end of year	<u><u>6,097,954.33</u></u>	<u><u>10,562,382.88</u></u>	<u><u>6,097,954.33</u></u>	<u><u>10,562,382.88</u></u>

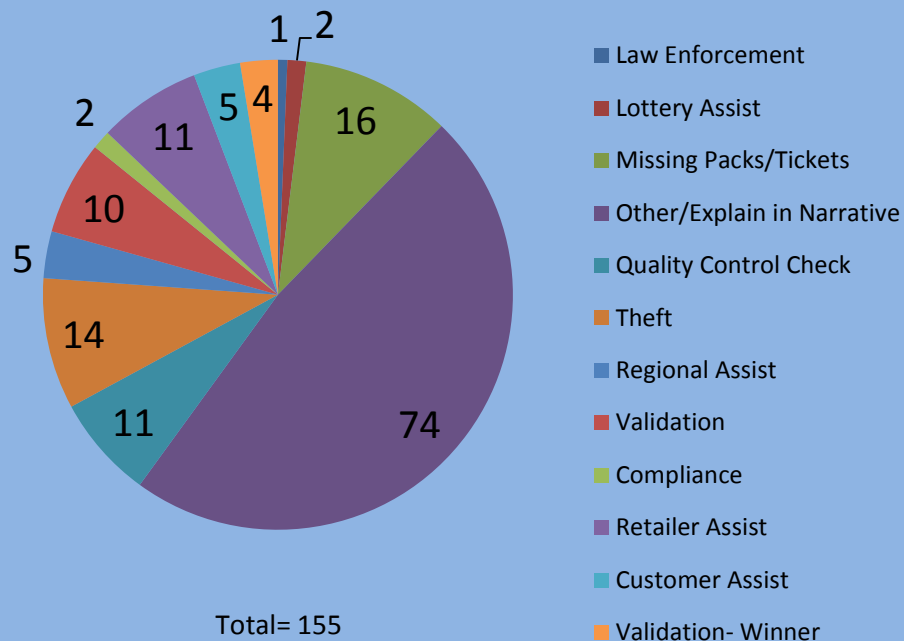


2016 Security Report

March 24, 2016

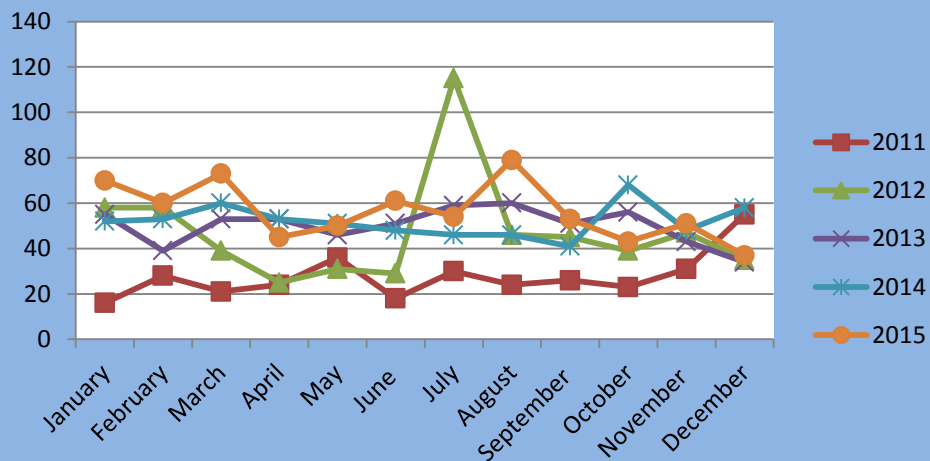


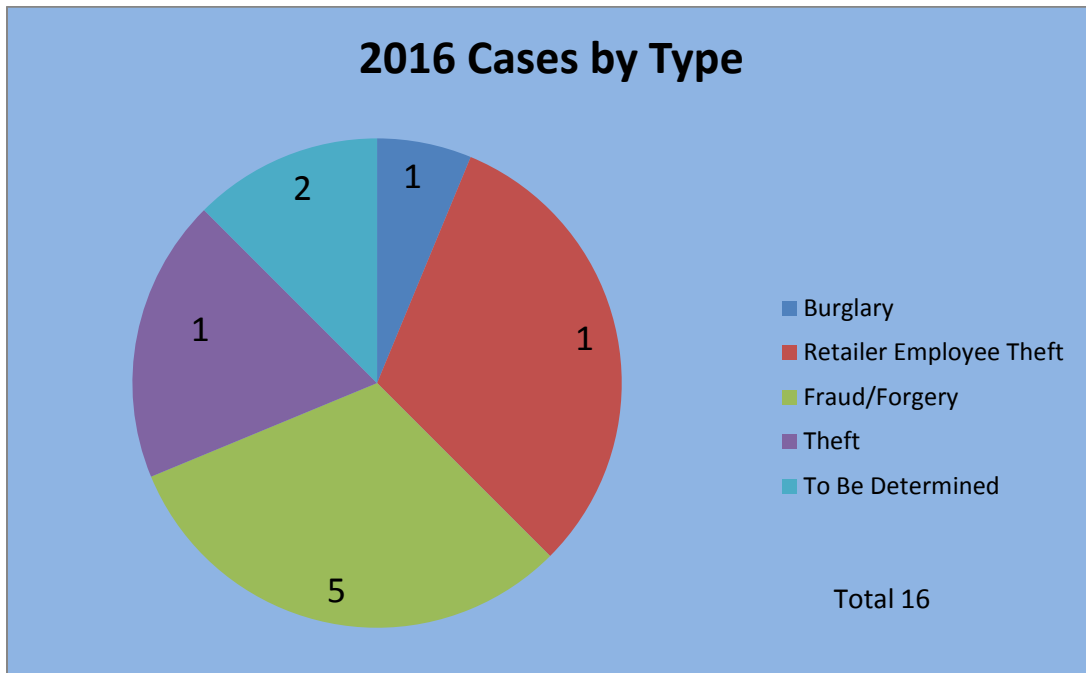
2016 Record of Contacts by Type



Goal to work with staff to define the categories of “Other/Explain in Narrative” and “To Be Determined”

5 Year Trend for Record of Contacts





A Record of Contact is given a case number when the event being investigated is considered a criminal act

- **Fraud case involves lottery tickets purchased with checks on closed account**
- **Retailer Employee Theft is in reference to a store clerk taking product from their employer, to include lottery tickets**





13001 University Avenue
Clive · Iowa 50325-8225
515-725-7900
www.ialottery.com

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

Date: March 24, 2016

To: Iowa Lottery Board
From: Brenda Nye and Robert Porter
Re: Game Auditing Contract Extension

The Iowa Lottery issued IL IL-11-02, Request for Proposal, auditing services, on January 18, 2011. The purpose of the RFP was to solicit proposals from qualified independent certified public accountants to provide auditing services for the Iowa Lottery's drawing events and other special events as required by Iowa Code Chapter 99G.

At the time, three vendors (Faller, Kincheloe & Co., PLC, LWBJ, LLP, and McGladrey & Pullen, LLP) submitted bids. At its April 28, 2011 meeting, the Iowa Lottery Board ultimately approved an award of the auditing services contract to McGladrey & Pullen, LLP.

The auditing services agreement commenced on May 1, 2011, and the original term ran for one (1) year, with five (5) additional one-year option periods beyond the original term. The Lottery has previously exercised the first four options under this agreement, and now seeks to exercise the last remaining option for this contract.

In FY 2015, the cost of the auditing services contract was \$4,871.56.

Background

The Iowa Lottery has been pleased with the services provided by McGladrey pursuant to this agreement. McGladrey has been a consistent partner of the Iowa Lottery, and the Lottery seeks to exercise the remaining extension under this agreement.

Recommendation

The Iowa Lottery requests that the Board approve the exercise of the final available extension of the auditing services agreement, making the contract term run through April 30, 2017.

EXTENSION TO THE AGREEMENT FOR GAME AUDITING SERVICES

This Extension of Agreement for Game Auditing Services (Extension) is effective on May 1, 2016, and is made by and between the **Iowa Lottery Authority** (Lottery) and **McGladrey LLP** (Contractor).

In consideration of the mutual covenants contained in this Amendment, the sufficiency of which is acknowledged, it is agreed as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Iowa Lottery Authority 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 13001 University Avenue, Clive, IA 50325.

1.2 The Contractor is a limited liability partnership engaged in the business, of among other things, providing game auditing services. Contractor's address is 400 Locust Street, Suite 640, Des Moines, IA 50309.

SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE. The Lottery and Contractor entered into an Agreement for the purpose of retaining Contractor to conduct game auditing services for Lottery drawings held during the term of the agreement.

SECTION 3. EXTENSION. On or about May 1, 2011 and Amended 11/25/13, the Lottery and Contractor entered into an Agreement for Game Auditing Services (Agreement). The term of the Agreement was for one year, plus five (5) one-year option periods exercisable at the option of the Lottery. Pursuant to Section 4 of the Agreement, the term of the Agreement is hereby extended through April 30, 2017.

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 all 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.

SECTION 6. EXECUTION.

IN WITNESS WHEREOF, in consideration of the 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 Amendment.

Iowa Lottery Authority

McGladrey LLP

By: _____
Larry Loss
Executive Vice President

By: _____
Rod Foster
Managing Partner

Date: _____

Date: _____



13001 University Avenue
Clive · Iowa 50325-8225
515-725-7900
www.ialottery.com

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

Date: March 24, 2016

To: Iowa Lottery Board
From: Teri TeBockhorst and Robert Porter
Re: Advertising and Media Services Contract Extensions

The Iowa Lottery issued IL IL-12-01, Request for Proposal, Advertising and Related Services, on January 13, 2012.

The purpose of this Request for Proposal (RFP) was to solicit proposals from qualified vendors to assist the Iowa Lottery in its brand building and strategic marketing efforts. The RFP sought solicitations for both advertising/creative services and for media services, and allowed prospective vendors to bid on one or both portions of the business.

At the time, three vendors (Strategic America, Trilix Marketing, and ZLR Ignition) submitted bids for both contracts, and one vendor (Gazette Communications, Inc. DBA Fusionfarm) bid solely on the creative/advertising contract. At its May 31, 2012 meeting, the Iowa Lottery Board ultimately approved an award of both the advertising/creative contract and the media services contract to Strategic America.

Both these agreements commenced on July 1, 2012, and the original terms ran through 2014, with four (4) additional one-year option periods beyond the original terms. The Lottery has previously exercised the first two options under both the advertising/creative and the media services agreements.

In FY 2015, the estimated cost of the advertising/creative agreement was \$4,707,216 and the estimated cost of the media services agreement was \$324,072.

Background

The Iowa Lottery has been pleased with the services provided by Strategic America pursuant to this agreement. SA has proven to be a capable business partner, and its assistance has been a factor in the Iowa Lottery's success. The Iowa Lottery seeks to exercise the third extension period available under each of these agreements, so that the parties can continue to work together to achieve great results for Iowans.

Recommendation

The Iowa Lottery requests that the Board approve the exercise of the third available extension of the advertising/creative agreement and the media services agreement with Strategic America, making the term run through June 30, 2017.

**EXTENSION TO THE AGREEMENT
FOR CREATIVE ADVERTISING SERVICES**

THIS EXTENSION, is effective on July 1, 2016 and is made by and between the **IOWA LOTTERY AUTHORITY** (Lottery) and **STRATEGIC AMERICA** (Agency). In consideration of the premises and the mutual promises and covenants contained herein, the parties hereto agree as follows:

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Iowa Lottery Authority 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 13001 University Avenue, Clive, IA 50325.

1.2 Strategic America is an Iowa corporation, whose business, is among other things, of providing creative advertising services for clients. The address for Agency is 6600 Westown Parkway, Suite 100, West Des Moines, IA 50266.

SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE. The Lottery and Agency entered into a two-year Agreement providing that the Agency would provide advertising and marketing support for planning and preparation of materials intended to advertise the Lottery, its services and products during the term of the Agreement.

SECTION 3. EXTENSION. On July 1, 2012, the Lottery and Agency entered into an Agreement for Creative Advertising Services (reference RFP 12-01). The term of the Agreement was for a two-year period with four one-year option periods. The Agreement was amended in August 2012 to reflect a change to Section 6.2 Monthly, Billings. Pursuant to Section 4 of the Agreement, the third option period of the Agreement is hereby exercised through June 30, 2017. Agency shall submit an updated Schedule B to reflect contractually agreed rates, which when approved by the Lottery will be incorporated into this Agreement as if fully set forth herein.

SECTION 4. RATIFICATION. Except as expressly amended hereby, the Agreement or any other amendments to 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 all requisite action (corporate statutory 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.

SECTION 6. EXECUTION. IN WITNESS WHEREOF, in consideration of the 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

Strategic America

Larry Loss
Executive Vice President
Date _____

Name John C. Schreurs
Title: President
Date _____

**EXTENSION TO THE AGREEMENT FOR
MEDIA PLANNING, BUYING SERVICES AND PRODUCTS**

THIS EXTENSION, is effective on July 1, 2016 and is made by and between the **IOWA LOTTERY AUTHORITY** (Lottery) and **STRATEGIC AMERICA** (Agency). 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 Iowa Lottery Authority 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 13001 University Avenue, Clive, IA 50325.

1.2 Strategic America is an Iowa corporation, whose business, is among other things, of providing media purchasing services for clients. The address for Agency is 6600 Westown Parkway, Suite 100, West Des Moines, IA 50266.

SECTION 2. STATEMENT OF AGREEMENT AND PURPOSE. The Lottery and Agency entered into a two-year Agreement, plus extensions, providing for media planning and buying services by the Agency to support advertising and marketing efforts to sell Lottery products.

SECTION 3. EXTENSION. Effective July 1, 2012, the Lottery and the Agency entered into an Agreement (reference RFP 12-01) for media planning and buying services. The term of the Agreement was for a two-year period with four (4) one-year option periods. Effective September 2012 the Agreement was amended to reflect a revised Section 6.3 for Ad-Grab Services. Pursuant to Section 4 of the Agreement, the term of the Agreement is hereby extended for the third option period through June 30, 2017. Agency shall submit an updated Schedule B to reflect contractually agreed rates, which when approved by the Lottery will be incorporated into this Agreement as if fully set forth herein.

SECTION 4. RATIFICATION. Except as expressly amended hereby, the Agreement or any other amendments to 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 all requisite action (corporate statutory 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.

SECTION 6. EXECUTION. IN WITNESS WHEREOF, in consideration of the 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

Strategic America

Larry Loss
Executive Vice President
Date _____

Name John C. Schreurs
Title: President
Date _____



2323 Grand Avenue • Des Moines • Iowa 50312-5307
Telephone: 515-725-7900 • Fax: 515-725-7882
www.ialottery.com

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

Date: 3-24-2016

To: Iowa Lottery Board
From: Larry L. Loss
Re: 2016 Association Membership Dues

For many years, the Iowa Lottery has participated as a member of the Iowa Grocery Industry Association (IGIA), the Petroleum Marketers and Convenience Stores of Iowa (PMCI), the North American Association of State & Provincial Lotteries (NASPL) and the World Lottery Association (WLA). As you are aware, the Board must approve memberships for the lottery. These billings come in annually at about the same time, so as with past practice, we have packaged them for Board approval.

Membership and active participation in IGIA events and activities has led to greater cooperation between the Iowa Lottery and our retailers. IGIA represents the interests of a majority of our retailer outlets. Membership enables us to keep up to date on convenience and grocery store industry trends and concerns. **ILA staff recommends approval of the \$500 membership dues in IGIA.**

Again this year, the Iowa Lottery is seeking approval to participate as a business associate member of PMCI. Membership and active participation in retailer industry events has enabled us to keep our fingers on the pulse of the industry and has led to stronger bonds of cooperation between the ILA and our convenience store retailers. Convenience stores are the Lottery's largest retailer trade type. **ILA staff recommends approval of the \$688 membership dues in PMCI.**

All North American lotteries are members of NASPL. NASPL plays a critical role in connecting member lotteries with essential education, information and communication on key trends and issues and acts as a united voice for the lottery industry on critical issues. NASPL is a key participant in building and maintaining relationships with national corporate retailers as well as the standardization or major procurements for member lotteries. **ILA staff recommends approval of the \$16,000 membership dues for NASPL.**

Staff further supports approval of membership in WLA. Through our membership in WLA, the Iowa Lottery has access to educational information and training seminars, current trends and issues, security information and the opportunity to learn from and interact with lotteries across the world. As with other ventures, lottery industry problems and opportunities are not constrained or defined by international borders.

ILA staff recommends approval of the 5,600 Swiss Francs (approximately \$5,682 at the monetary exchange rate current when this document was prepared on March 14, 2016) membership dues for WLA.

The membership dues for all of these associations are the same as last year. We are asking for the Board's approval to continue our memberships. Enclosed are invoices from the Iowa Grocery Industry Association, Petroleum Marketers and Convenience Stores of Iowa, North American Association of State & Provincial Lotteries and World Lottery Association.



2540 106th St., Suite 102
Urbandale, IA 50322
(515) 270-2628

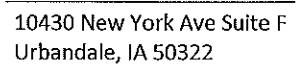
Invoice

27350
2/16/2016

Attn: Tom Warner
Iowa Lottery
13001 University Avenue
Clive, IA 50325

Qty	Item	Price	Extended
1	Membership Dues - Supplier 3/1/2016-2/28/2017 - Tom Warner Comment: Supplier Dues, 3/1/16 - 2/28/17	\$500.00	\$500.00
		Total:	\$500.00

Contributions or gifts to the Iowa Grocery Industry Association are not tax deductible as a charitable contribution for income tax purposes. However, they may be tax deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of association lobbying activities. The Iowa Grocery Industry Association estimates that the deductible portion of your 2015 Dues - the portion not allocable to Lobbying - is 62%. The non-deductible portion of your dues is 38%.



Invoice	Date	Invoice #
	3/14/2016	57301
Due On Receipt		

Total	\$688.00
Payments/Credits	\$0.00
Balance Due	\$688.00

My Check is Enclosed	<input type="checkbox"/>	Charge My Credit Card	<input type="checkbox"/>
Credit Card Number	<input type="text"/>		
Expiration Date	<input type="text"/>		
Signature	<input type="text"/>		
Date of Signature	<input type="text"/>		

Date	Iowa Lottery
3/14/2016	13001 University Ave
Invoice #	Clive, IA 50325-4999
57301	



NORTH AMERICAN ASSOCIATION
OF STATE & PROVINCIAL LOTTERIES
7470 AUBURN ROAD, LL1
CONCORD, OH 44077

INVOICE

DATE
2/16/2016

INVOICE #
7637

BILL TO:

IOWA LOTTERY
TERRY RICH, PRESIDENT & CEO
2323 GRAND AVE.
DES MOINES, IOWA 50312

P.O. NUMBER	TERMS	PROJECT
	Net 30	

QUANTITY	DESCRIPTION	RATE	AMOUNT
1	NASPL DUES INVOICE, JULY 1, 2016 - JUNE 30, 2017	16,000.00	16,000.00
NASPL thanks you for your support - FEIN #58-1846580		TOTAL	\$16,000.00



HEADQUARTERS

World Lottery Association
Lange Gasse 20
PO Box
4002 Basel
Switzerland
Telephone +41 61 284 1502
Fax +41 61 284 1350
info@world-lotteries.org
CHE-100.972.547 MWST

MONTREAL OFFICE

World Lottery Association
c/o Loto-Québec
500, rue Sherbrooke Ouest
Bureau 2000
Montréal, Québec H3A 3G6
Canada
Telephone +1 514 282 0273
Fax +1 514 873 8999
lynne.roiter@loto-quebec.com

Iowa Lottery
Terry Rich
CEO
13001 University Avenue
50325 Clive, IA
USA

Basel, 17 February 2016

Dear Mr Rich,

We hope 2016 has started off on a very positive note and that it will be an excellent year. For our part, the WLA is very pleased to announce that for the 10th year in a row there is no change in the WLA dues. You will find enclosed your lottery 2016 invoice; it is, as always, in Swiss Francs and should be settled, as stipulated under article 6.11 of the WLA by-laws, by May 31, 2016.

In 2016, our focus is once again set on our biennial summit and we are well on track with preparations for WLS 2016 in Singapore. Over and above that, we continue our efforts to provide our members with quality services and seminars. The WLA Academy was very active, offering, together with the Regional Associations, eight seminars on topics that are of proven interest and benefit to our membership.

Highlights of 2015

- A milestone which was set in 2014, with the publication of the first **WLA Global Lottery Data Compendium**, was so well received in the first year that the second edition enjoyed a considerably higher participation rate with around 90% of our member lotteries and associate members contributing data. We encourage you to support us in our effort to make this compendium THE global resource by sharing your data with us when we reach out to you later this year.
- The **Global Lottery Monitoring System (GLMS)** for sports betting to combat match-fixing and preserve the integrity of sports is progressing nicely.
- Our efforts with Security and Responsible Gaming continue unabated and the revised WLA Security Control Standard, **WLA-SCS:2012**, was further updated to mirror the new ISO 27001:2013 aimed at better countering the increasing sophistication of cyber-attacks today. As of the end of 2015, 66 lotteries and 12 associate members were certified to the WLA SCS 2012 standard.



HEADQUARTERS

World Lottery Association
Lange Gasse 20
PO Box
4002 Basel
Switzerland

Telephone +41 61 284 1502
Fax +41 61 284 1350
info@world-lotteries.org
CHE-100.972.547 MWST

MONTREAL OFFICE

World Lottery Association
c/o Loto-Québec
500, rue Sherbrooke Ouest
Bureau 2000
Montréal, Québec H3A 3G6
Canada

Telephone +1 514 282 0273
Fax +1 514 873 8999
lynne.roiter@loto-quebec.com

- Adhesion to the other pillar of the WLA, the **Responsible Gaming Framework (RGF)**, continues to grow from year to year and now boasts 81 member lotteries certified at level 2 or higher representing 81% of global lottery sales: 20 member lotteries are certified at level 2, 12 member lotteries are certified at level 3, and 49 member lotteries are certified at level 4. 2015 also saw the introduction of RG certification for Associate Members. 3 Associate Members are already certified.
- The WLA **Scholarship Program** once again provided learning opportunities for the world lottery community. Since the program began in 2013, a total of 69 lottery professionals have been able to share their experiences and learn from their peers in other regions. We encourage you to contact our business office in Basel (info@world-lotteries.org) to learn more about how you can propose candidates for the WLA Scholarship Program.

Save the date! We are returning to Singapore 10 years after our last convention in this wonderful city. We look forward to welcoming you at the upcoming World Lottery Summit, WLS 2016, which will be held **November 6 to 9, 2016**. Please visit our website www.world-lotteries.org and www.wls2016.org to get regular updates and do make a note that registration for the event will begin on May 2nd.

If you have any questions in regards to the enclosed invoice please do not hesitate to contact the undersigned.

Wishing you all the very best, the WLA staff at our Basel and Montreal offices look forward to supporting you and meeting your needs in 2016.

Yours sincerely,

Lynne Roiter
Secretary General



HEADQUARTERS

World Lottery Association
Lange Gasse 20
PO Box
4002 Basel
Switzerland

Telephone +41 61 284 1502
Fax +41 61 284 1350
info@world-lotteries.org
CHE-100.972.547 MWST

MONTREAL OFFICE

World Lottery Association
c/o Loto-Québec
500, rue Sherbrooke Ouest
Bureau 2000
Montréal, Québec H3A 3G6
Canada

Telephone +1 514 282 0273
Fax +1 514 873 8999
lynne.roiter@loto-quebec.com

Invoice – Regular Membership Fee 2016

Iowa Lottery
13001 University Avenue
50325 Clive, IA
USA

Invoice-Nr **RM 2016 134**
Due Date **May 31, 2016**
Concerning **Regular Membership fee 2016**
Category **US\$ 100 to 500 million**

Fee **VAT exempt 0%** **5600 CHF**

Please compare your annual sales for 2015 (calculated in US\$) with the fee structure below. Should they place you in a different category than indicated above, please contact Francine Waldvogel (fw@world-lotteries.org) at the WLA office. Upon clarification you will be sent a revised invoice.

Fee Structure Annual sales / Membership fee

up to US\$ 100 million	CHF 4,900	US\$ 1 to 4 billion	CHF 14,000
US\$ 100 to 500 million	CHF 5,600	over US\$ 4 billion	CHF 21,000
US\$ 500 million to 1 billion	CHF 8,400		

We kindly ask you to remit the fee in question by May 31, 2016.
Through settlement of this invoice, Iowa Lottery formally reconfirms its WLA membership.

Payment details	Bank Details	Others
Company	World Lottery Association CH-4002 Basel, Switzerland	Please send your check to: World Lottery Association Lange Gasse 20 PO Box 4002 Basel Switzerland
VAT N°	CHE -100.972.547.	
Account N°	241502-81	
Bank	Crédit Suisse , 4051 Basel, Switzerland	
Swift Address	CRES_CH_ZZ_40A	
IBAN	CH18 0483 5024 1502 8100 0	

Please note your invoice number on the payment
Bank fees: Please make sure that local bank fees are paid by sender



13001 University Avenue
Clive · Iowa 50325-8225
515-725-7900
www.ialottery.com

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

MEMORANDUM

March 24, 2016

TO: Iowa Lottery Board

FR: Terry Rich, CEO

RE: Succession Planning

Due to personnel changes during the past year, the ILA management line of succession needs to be updated. Management requests approval of the following line of succession:

- CEO— Terry Rich (*Statutory*)
- Executive VP / Sales and Product Development—Larry Loss (*Statutory*)
- VP Finance/CFO—Brenda Nye
- VP External Relations—Mary Neubauer
- VP Marketing—Teri Wood
- VP General Counsel—Rob Porter
- VP Operations & Systems—Hale Strasser
- VP Security—Cam Coppess