



Fulfilling Dreams

Annual Report 2013





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Words From Terry Rich & Board

A lot of things came together to make fiscal year 2013 truly exceptional for the Iowa Lottery, and allowing us to fulfill winners' dreams and raise record proceeds to make a difference in lowans' lives.

Eye-popping Powerball jackpots that twice topped \$500 million and exceeded \$300 million two other times gave a huge boost to the lottery's bottom line. Strong sales of scratch tickets - the first product we introduced back in 1985 - also helped lead the way.

Here are some milestones we're proud of:

- A fourth straight year of higher sales pushed Iowa Lottery proceeds to state causes to their highest total in our 28-year history: \$84.9 million (an increase of 7.8 percent over FY 2012)
- Players reaped rewards from our success as well - they collected \$200.8 million in prizes (the first time the lottery awarded more than \$200 million in prizes in its history);
- Sales of our games to benefit the Iowa Veterans Trust Fund raised \$2.1 million to benefit Iowa veterans and their families; and
- Local retailers across the state earned a record \$22.1 million in total commissions for selling lottery products.

And when it comes to big Powerball prizes, there were a lot of Iowa winners over the past year! In September 2012, Brian and Mary Lohse of Bondurant claimed Iowa's eighth Powerball jackpot when they took home a \$202.1 million prize. Five other Iowa Lottery players collected prizes of \$1 million or more playing Powerball in the past year. Plus, there were scores of other winners in all of our games.

Our first "Game Book" product debuted in January to rave reviews and players bought it out in four months, helping to drive our scratch-ticket sales for the year more than 7 percent higher than our total in FY 2012.

Another significant financial development was that the lottery was able to pay off its bonds six years early. When we bought our ticket-vending machines and headquarters building in 2004, the lottery issued \$8.8 million in revenue bonds with a maturity date of June 2019. But we were able to pay off the remaining principal and interest of a little more than \$1 million on June 5.

Time and again this past year, an incredible set of circumstances combined to produce extraordinary results. And while we know that not every year will be as lucky, we do anticipate that our upward trend will continue. In the long run, we know it's vital that we run our operation based on best business practices and protect our integrity in everything we do.

Our job is to take care of the behind-the-scenes work so our players can just have fun and dream a little.

— Terry Rich, Iowa Lottery CEO



Photos: at top, Terry Rich, Iowa Lottery CEO; below that, from left and across, Iowa Lottery Authority Board members: Chairperson Mike Klappholz, Cedar Rapids; Mary Junge, Cedar Rapids; Deb Burnight, Sioux City; Herman Richter, Milford; Matthew McDermott, West Des Moines and Michael Fitzgerald, State Treasurer, Des Moines (ex-officio member).

Big Winners



Dean Stuhr, Des Moines, won \$1 million in the Mystery Millionaire promotion (8/19/12). For more, see page 8.



Mark Evans, Des Moines, won \$1 million playing Powerball (10/10/12). That same month, Kara Fitters, Evansville, Wis., won \$1 million playing Powerball in Iowa (10/18/12).



Michael Lally, Barnes City, won \$2 million playing Powerball (3/25/13).

FY 2013 Timeline

Aug.

Sept.

Oct.

Nov.

Jan.

Feb.

Mar.

Apr.

May

July 2012



Tom Christeson, Webster City, won \$1 million playing Powerball (9/4/12).



Mary and Brian Lohse, Bondurant, won \$202.1 million playing Powerball (9/26/12). For more, see pages 6 and 7.

December 2012



Troy Panagiotis, Omaha, Neb., won \$500,000 playing the "500 Grand" scratch game (2/14/13).



June 2013



Don Johnson, Decorah, won \$2 million playing Powerball (6/26/13).



\$202.1 Million Powerball® Jackpot Winners

A Bondurant couple claimed a \$202.1 million Powerball® jackpot on Oct. 4, 2012, becoming the second-biggest lottery winners in Iowa history. Mary and Brian Lohse said they had done their homework in advance by meeting with financial planners and had some very specific plans for the future as they claimed their big prize.

Mary Lohse, 42, who at the time was a certified medical assistant at the pediatric clinic at Mercy Hospital in Des Moines, said that the way the couple explained their win to their three children best encapsulates their plans as they move forward.

“We are still the same people that we were a week ago,” she said she explained to her children. “And when your dad and I got married, we had dreams for things we wanted to do for our kids and, you know, have a boat and that kind of stuff. And we’re going to do all that now, but we’re still the same people that we were yesterday.”

Brian Lohse, 43, who at the time was an attorney at EMC Insurance in Des Moines, said the couple has formed the KJH Family, LLC, to claim the prize and handle the money moving ahead.

“We have a plan to help our church and our community and the school,” he said. “We’re going to set up different structures to do that, financial structures to be able to do that. And of course our kids and ourselves - we want to make sure the kids are taken care of, so that we don’t necessarily have to work 40 hours a week the rest of our lives.”

The couple described the feeling of knowing that they will be able to help the Bondurant Federated Church where they are members and the Bondurant-Farrar Community School District where their children are students.

“God has certainly blessed us with more than we will ever need, and with the opportunity to do the good things in life and to do good for other people,” Brian Lohse said. “So, that’s our plan.”

Mary Lohse said she bought just two Powerball plays the same day as the drawing in which they won the jackpot.

“I was just filling up with gas on my way to work, and I usually do that once a week and that’s when I usually buy a couple tickets,” she said.

The next morning, she heard on the news that there was a Powerball jackpot winner in Iowa, and noticed that her ticket seemed to have at least some of the winning numbers. She then checked for sure once she had arrived at work.

“I was shaking so bad, I figured I should not be there giving children shots and stuff, so I lied and said that I had a sick child - which I have since apologized to them for - and left, and called him,” she said as she smiled at Brian.

The couple said they plan to stay in the Bondurant community with their three children.

“I don’t know how you’re supposed to react,” Mary Lohse said calmly as they claimed their prize. “I don’t know what you’re supposed to be doing. That’s what everybody keeps saying, ‘You should be doing flips!’ But I’ll have somebody else do them for me.”



“God has certainly blessed us with more than we will ever need, and with the opportunity to do the good things in life and to do good for other people. So, that’s our plan.”

— Brian Lohse



In photos above, top, the Lohses’ ticket was validated at Iowa Lottery headquarters as being the ticket winning the \$202.1 million prize; center, the Lohses’ friends and family, the media, and lottery staff welcomed them to a media event with a confetti shower after they claimed their prize; bottom, Mary and Brian Lohse, left and center, visit with Lottery CEO Terry Rich at the media event.

Mystery Millionaire



Iowa Lottery players had an exciting summer, partly due to two unclaimed lotto jackpots.

One of those big prizes - a Hot Lotto® jackpot won with a ticket purchased in Des Moines - generated international headlines when lawyers representing a trust turned in the winning ticket with less than two hours to go before the prize would have expired, but ultimately withdrew the claim in late January.

And just before that hubbub started, an even bigger prize - that one a \$77 million Powerball® jackpot won in Georgia - also expired without being claimed.

The money from those unclaimed jackpots went back to the individual lotteries that sell the games in proportion to the percentage of sales that came from each state. Iowa's share was a total of about \$2 million.

With the unclaimed jackpots occurring in Hot Lotto and Powerball, the lottery designed a summer promotion to give away the money that also focused on those two games. The "Mystery Millionaire" promotion was born.

Lottery players entered more than 197,000 tickets during the promotion's entry period in July 2012 using entry tickets like the one pictured here, which was generated when players purchased a combination of Powerball and Hot Lotto tickets.

A retired police officer won \$1 million, two other Iowans won \$100,000 prizes and 12 more claimed prizes of \$25,000 or \$50,000 in the Mystery Millionaire finale Aug. 19, 2012, at the Iowa State Fair. Thousands of fairgoers crowded in to watch and cheer during one of the biggest live giveaways in the lottery's history.

Dean Stuhr of Des Moines, who retired in April after 42 years on the Des Moines police force, made it through the show's three rounds to win the top prize of \$1 million. The final round had come down to three contestants who chose fair-themed tickets on a stick to determine their prize. Stuhr's ticket revealed "\$1 million" while the other two finalists took home \$100,000 prizes.

A group of lucky fairgoers and representatives of the retailers that sold winning promotional tickets also won prizes at the event.



Above, the crowd at the Mystery Millionaire finale event plays with a beach ball as they anticipate the big million-dollar giveaway. Right, Ryan Reynolds of Hy-Vee on S.E. 14th Street in Des Moines, in orange, congratulates million-dollar winner Dean Stuhr of Des Moines. Stuhr bought his ticket at Reynolds' Hy-Vee store.



Winter of Winners



The Iowa Lottery's "Winter of Winners" holiday promotion spanned three months in the winter of 2012-13 and awarded 150 prizes, including Bass Pro Shops® gift cards, home-entertainment systems and trips to Las Vegas!

Members of the lottery's VIP Club made nearly 8.3 million entries in the promotion by entering their nonwinning holiday scratch tickets, making it the biggest holiday promotion the lottery has ever offered.

These 10 players each won a trip package to THE PALMS™ in Las Vegas:


- Lisa Casey, Waterloo
- Christopher Cox, Melcher
- Barb Fagan, Onslow
- Jacquelyn Goodson, Hiawatha
- Robert Johnson, Independence
- Jon Matteson, Thor
- Kathy McKeehan, Dudley
- Andy Pearson, Central City
- Mona Shelangoski, Abingdon
- Shannon Sorenson, Fort Dodge

*Las Vegas
Trip Winner
Lisa Casey
of Waterloo*



In all, the lottery gave away a total of 150 prizes in the Winter of Winners promotion, including 100 Bass Pro Shops® gift cards for \$250 each, 40 home-entertainment systems worth \$2,019 each and 10 trip packages to THE PALMS™ Casino and Resort in Las Vegas worth \$4,315 each.

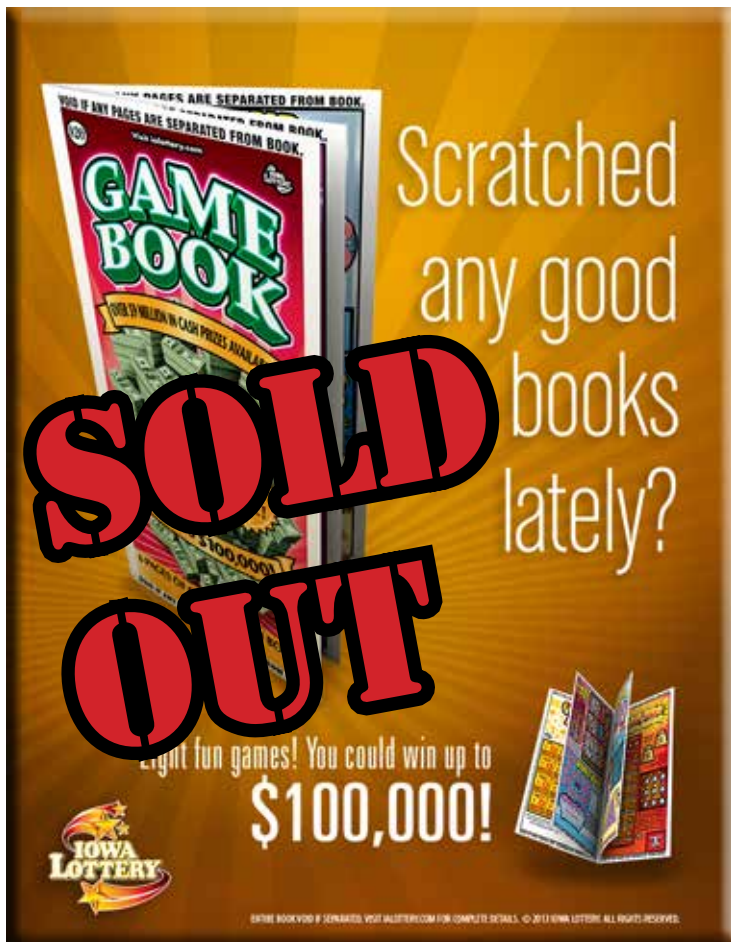
The Las Vegas trip packages each included: Airfare for two to Las Vegas; a three-day, two-night stay for two in a deluxe room at THE PALMS™; roundtrip ground transportation from the destination airport to THE PALMS™; ticket allowance for two tickets to a Las Vegas show; and \$1,000 spending cash.

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Game Book



A first-of-its-kind instant-scratch game made its debut in Iowa in January 2013 with a new play style.

We thought our players would find the \$20 “Game Book” intriguing and we were right!

The Iowa Lottery ordered what would have been a two-year supply of tickets in a traditional \$20 game and the game completely sold out in four months. The Game Book set several sales records along the way and it helped push overall lottery sales to record levels in the 2013 fiscal year.

The \$20 “Game Book” sported eight games spread across six pages of playing fun, all in one ticket. It featured some player favorites, including “Crossword” and “Lucky Lines,” but new games were also included.

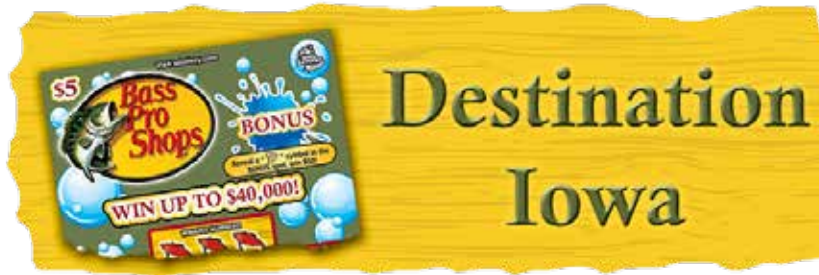
The Game Book’s top prize is \$100,000, and other prizes from \$20 to \$10,000 also were available in it.

As a follow-up, “Blazing Hot 7s Game Book,” was released in June 2013.



Andrea Sauser of Fairfax claimed the very first top prize of \$100,000 playing the Game Book scratch game four days after the game went on sale in stores.

“I was chatting with my friend as I was scratching the ticket, telling her that our other friend had won \$100 last night on the Ten Times game and she was the luckiest person I knew,” Sauser said. “I said, ‘It doesn’t look very good,’ and then I scratched off a ‘7’ on the Game Book on the ‘Golden 7s’ and it said a hundred thousand!”



Players were “hooked” on this getaway giveaway!

Five lucky lottery players won travel getaways in the “Destination Iowa” promotion held in the spring of 2013.

Players could enter through the lottery’s VIP Club to win a \$300 gift card to one of five Iowa getaway spots in the Iowa Lottery’s “Destination Iowa” promotion. Players entered their nonwinning Bass Pro Shops® scratch tickets and selected the Iowa destination drawing they wanted to enter.

The Lottery drew for the prize winners of gift cards to five vacation spots in the state. And those lucky folks were:

- Frank Rasko of Indianola, who won a getaway to Honey Creek Resort State Park on Rathbun Lake in south-central Iowa.
- Donna Hartman of West Burlington, who won a getaway to Café Dodici and Dodici Night Suite in Washington.
- Ronald Gunnare of Davenport, who won a getaway to the Frank Lloyd Wright-designed Historic Park Inn Hotel in Mason City.
- Kelli Ruth of Orient, who won a getaway to King’s Pointe Waterpark Resort in Storm Lake.
- Katie Ehler of Holstein, who won a getaway to Harrah’s Council Bluffs Casino and Hotel.

Players made more than 116,000 entries in the promotion from March 6 through April 29, 2013.



*Honey Creek
Resort State
Park*



*Café Dodici
and Dodici
Night Suite*



*Historic Park Inn
Hotel*

*King’s Pointe
Waterpark
Resort*



*Harrah’s Council
Bluffs Casino
and Hotel*

Hot Lotto® Re-Launch/ 3X the Sizzle



The Hot Lotto® game was redesigned beginning May 12, 2013. The revamped game offers a cash-only jackpot with withholding taxes paid, meaning that if the advertised jackpot is \$2 million, the winner will receive a one-time, lump-sum payment for that full amount.

The minimum Hot Lotto jackpot is now \$1 million cash with state and federal withholding taxes paid for the winner, and will grow until someone wins it. Previously Hot Lotto jackpot winners could choose to receive the prize in annuitized payments over 25 years or as a one-time cash payment, with state and federal withholding applied in either instance. The numbers available to play in Hot Lotto changed, too (see box below).

Hot Lotto plays still cost \$1, and the Sizzler option, which triples non-jackpot prizes, still costs an extra \$1 per play. Players can choose their own numbers or let the computer randomly select them.

In addition to the change in the jackpot, several other prize levels in the game increased. The eight non-jackpot prize levels in the redesigned game range from \$2 for matching the Hot Ball alone up to \$30,000 for matching the first five numbers but missing the Hot Ball. All nonjackpot prizes still triple with the Sizzler option, meaning a player would win \$90,000 for matching the first five numbers with the Sizzler option added.

Hot Lotto drawings are held at 9:40 p.m. on Wednesdays and Saturdays.



Karon McDowell of Indianola won \$90,000 playing Hot Lotto with the revamped prize structure.

What's New?

Jackpot is All Cash - Taxes Paid!:

When a player wins the Hot Lotto jackpot, the prize is paid as a lump sum with all state and federal withholding taxes paid for the winner!

More White Balls to Choose From:

Now pick five white ball numbers from 1-47, as opposed to 1-39. The Hot Ball numbers stay the same at 1-19.

Most Prizes Have Increased: The second prize has increased from \$10,000 to \$30,000 (and multiplies to \$90,000 with the Sizzler option!). Four other prizes have increased as well.

“Taxes are a big discussion point when it comes to lottery prizes, and we’ve heard players say they’d like to see cash jackpots with withholding taxes paid. We’re excited to be offering that very feature with the re-launch of the Hot Lotto game.”

— Iowa Lottery CEO
Terry Rich

Promotion Accompanies Re-Launch

The updated Hot Lotto game was introduced in May 2013 with a special promotion offering 85 prizes of free gas. The “3X the Sizzle” promotion allowed players to purchase three Hot Lotto plays with the Sizzler for \$5 (a regular \$6 value) and the chance to enter a drawing for up to \$500 in free gas.

When a player purchased a 3X the Sizzle ticket during the promotion, the lottery terminal automatically generated a bonus offer trailing ticket containing a special code the player could enter on the lottery’s website for a chance to win ethanol promotional checks for free fuel from the Iowa Corn Growers Association. Players could purchase 3X the Sizzle tickets from May 12 through July 13, and could enter the promotion until noon on July 23 at ialottery.com.

Hot Lotto players made more than 95,000 entries in the promotion

The lottery selected 85 winners of ethanol checks in a drawing July 25, 2013. Fifty players each won \$100 in ethanol checks, 25 each won \$250 in checks and 10 each won \$500 in checks.





Overview

The Iowa Lottery was established in 1985 and began ticket sales on Aug. 22 of that year. Since the lottery's inception, its players have won more than \$3.1 billion in prizes while the lottery has raised more than \$1.4 billion for the state programs that benefit all Iowans.

The guiding principles of the Iowa Lottery are:

- Develop and distribute products that are fun and exciting to Iowans;
- Maintain integrity and security in production and delivery of those products while utilizing the highest level of technology available;
- Educate and motivate the public to play Lottery games responsibly;
- Maintain the dignity of the Lottery through truthful, tasteful and informative advertising;
- Develop an effective employee workforce that is professional, knowledgeable, skilled, and offers maximum service and reliability to retailers and players; and
- Maximize net revenues to the state.

Today, lottery proceeds in Iowa have three main purposes: They provide support for veterans, help for a variety of significant projects through the state General Fund, and backing for the Vision Iowa program, which was implemented to create tourism destinations and community attractions in the state and build and repair schools.

The Lottery has approximately 113 employees in the following departments: external relations, finance, marketing, operations, sales and security. That number also includes the five board members.

The Lottery has approximately 66 employees at its headquarters in Des Moines. The Lottery also maintains a warehouse facility in Ankeny and four regional offices in Cedar Rapids, Council Bluffs, Mason City and Storm Lake. The lottery has three product categories: instant-scratch tickets, pull-tab tickets and lotto games. Lottery products are sold through approximately 2,400 licensed retailers around Iowa.

In 2003 the Legislature recognized that as an entrepreneurial entity, the Iowa Lottery could operate more efficiently and established the Iowa Lottery Authority, a public instrumentality of the state. As a result of that change, combined sales for the Lottery's traditional products have continued to climb in the fiscal years since then.



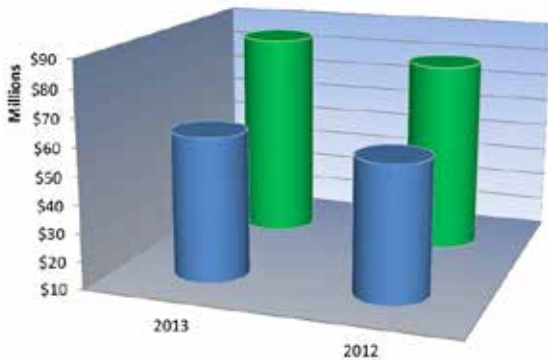
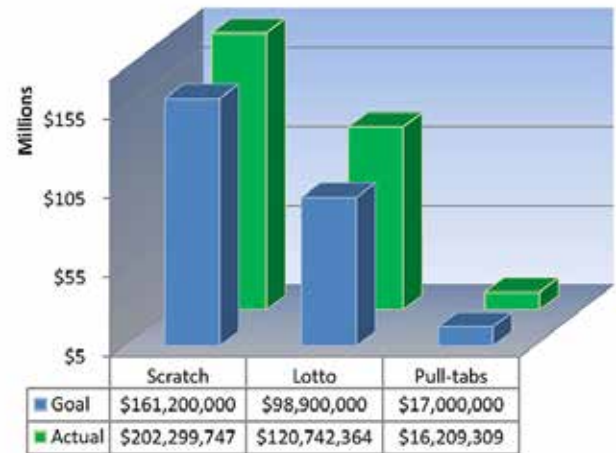
The Iowa Lottery develops an annual budget, which requires approval by the Board of Directors. The budget is monitored through a series of performance measures.

The goals and results discussed in this report cover the following core functions of the Iowa Lottery's operations: sales and distribution; resource management; enforcement and investigation; and reconciliation clearing account.

Sales and Distribution

	<u>Goal</u>	<u>Actual</u>
Instant-Scratch Tickets	\$161.2M	\$202.3M
Lotto Tickets	\$98.9M	\$120.7M
Pull-tab Tickets	\$17.0M	\$16.2M

The Legislature, the governor and the public use sales data to generally determine how the lottery is performing. Sales of different products are analyzed by the Lottery on a yearly basis in order to assess progress.



	2013	2012
■ Goal	\$61,904,946	\$58,663,273
■ Actual	\$84,890,729	\$78,731,949

Resource Management

	<u>Goal</u>	<u>Actual</u>
Proceeds to the state (General Fund and Veterans Trust Fund)	\$61.9M	\$84.9M

Total proceeds is the ultimate measure of how well the lottery is operating because it accounts not only for sales, but also for how well resources are being used. The Lottery must ensure its resources are managed wisely in order to achieve maximum benefits for the state.

Enforcement & Investigations

Our goal is to protect and maintain the integrity and security of all of the Iowa Lottery games, and to accomplish this goal we engage in several activities. Security personnel provide substantial assistance to state and local law enforcement agencies who are investigating crimes involving the theft of Iowa Lottery products. In addition Lottery Security personnel initiate proactive compliance investigations, research anomalies, respond to complaints, validate high-tier prize payouts, monitor and test our vendors, monitor and audit our technology security measures, monitor the drawings, as well as provide oversight of our retail licensing. All of these efforts are designed to protect our customers and retailers, and ensure that everyone has a fair chance of winning. In FY 2013 Iowa Lottery Investigators conducted 348 compliance investigations and inspections of our retailers and found only minor administrative procedural errors. Investigators completed follow-up on 100% of 621 records of contact received, and provided assistance to law enforcement agencies on 61 investigations that resulted in 26 arrests for theft of lottery products. During FY 2013, 32 warning letters were sent to Lottery retailers regarding the sale of lottery products to persons under the age of 21, and one Lottery retailer's license was suspended for seven days for selling lottery products to a person under the age of 21. Lottery Security personnel traveled to each of the instant-ticket vendors and performed inspections and testing of tickets to ensure proper security measures are performed by our vendors and that technological security measures are used on the instant tickets. Lottery Security personnel monitored all of the on-line game drawings as well as the Lottery promotional drawings to ensure all drawing procedures were conducted in a fair and appropriate manner.

Our goal is to prevent the sale of Lottery tickets to minors and ensure the integrity of the Lottery's products and operation.

	<u>Goal</u>	<u>Actual</u>
Number of complaints filed	1	1
Percent of complaints investigated	100%	100%



FY 2013 Performance Plan Results

Name of Agency: Iowa Lottery Authority

Agency Mission: "The Iowa Lottery strives to administer lottery games in a secure manner to maximize revenue while maintaining the dignity of the state and the welfare of its people."

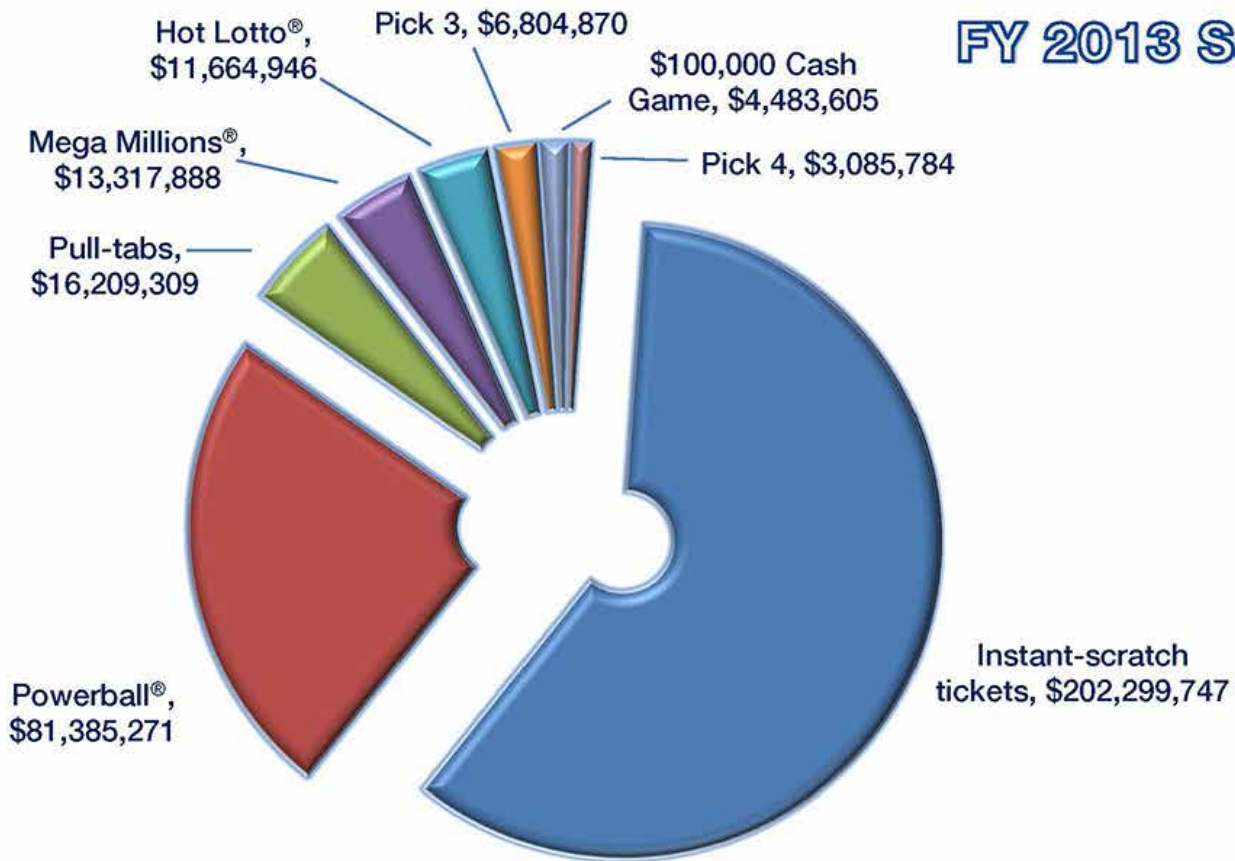
Core Function: Sales & Distribution			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Total Sales	\$277,100,000	\$339,251,420	What Occurred: Total sales exceeded the goal. Data Source: Iowa Lottery Financial Reports
Service, Product or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Total Instant Ticket Sales	\$161,200,000	\$202,299,747	What Occurred: Instant (scratch) ticket sales continued to grow. Data Source: Iowa Lottery Financial Reports
Total Online Game Sales	\$98,900,000	\$120,742,364	What Occurred: Online (lotto) ticket sales continued to grow. Data Source: Iowa Lottery Financial Reports
Total Pull-Tab Sales	\$17,000,000	\$16,209,309	What Occurred: Pull-tab sales have been declining. Data Source: Iowa Lottery Financial Reports
Core Function: Resource Management			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Total Funds Transferred to General Fund and Veterans Fund	\$61,904,946	\$84,890,729	What Occurred: Total transfers exceeded the goal. Data Source: Iowa Lottery Financial Reports
Service, Product or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Percent of Operating & Advertising Budget* to Total Sales	8.5%	5.4%	What Occurred: Expenses were well controlled and stayed below budgeted goal relative to sales. Data Source: Iowa Lottery Financial Reports
Total Funds Transferred to General Fund	\$59,104,946	\$82,764,005	What Occurred: General Fund transfers exceeded the goal. Data Source: Iowa Lottery Financial Reports
Total Funds Transferred to Veterans Trust Fund	\$2,800,000	\$2,126,724	What Occurred: Veterans Trust Fund transfers have been declining. Data Source: Iowa Lottery Financial Reports
Core Function: Enforcement & Investigation			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Total Number of Complaints of Purchases of Lottery Products by Minors Filed	1	1	What Occurred: The number of complaints was as expected. Data Source: Iowa Lottery Security Department
Service, Product or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Total Number of Complaints of Minors' Lottery Purchases Investigated/ Resolved to Total Such Complaints Filed	100%	100%	What Occurred: Investigations goal was met. Data Source: Iowa Lottery Security Department
Total Number of Complaints Regarding Lottery Retailers Investigated/ Resolved to Total Such Complaints Filed	100%	100%	What Occurred: Investigations goal was met. Data Source: Iowa Lottery Security Department
Core Function: Reconciliation Clearing Account			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Annual Prize Payments Due	\$1,615,000	\$1,627,000	What Occurred: Annuity prize payment goal was met. Data Source: Iowa Lottery Financial Reports
Service, Product or Activity:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
Percent of Prizes Paid to Prizes Due	100%	100%	What Occurred: Annuity prize payment goal was met. Data Source: Iowa Lottery Financial Reports

*Lottery Operating & Advertising Budget includes all administrative & advertising expenses incurred by the Lottery, but excludes other costs including, but not limited to, prize payments, retailer compensation, lottery system and terminal communications, and instant and pull-tab ticket expense and machine maintenance.



Results Analysis

FY 2013 Sales



Proceeds: The lottery generated a record \$84.9 million in proceeds to state causes in FY 2013, the highest annual total since the lottery's start in 1985. That topped the lottery's previous proceeds record of \$80.9 million that had stood since 2006. Another highlight of the lottery's FY 2013 results was the \$2.1 million it raised for the Iowa Veterans Trust Fund to benefit our state's veterans and their families.

Sales: Annual lottery sales in the fiscal year that ended June 30 totaled \$339.3 million, making it the fourth straight year that the lottery achieved record combined sales from lotto, instant-scratch and pull-tab games.

Prizes: Prizes to lottery players totaled \$200.8 million in FY 2013, an additional \$18.4 million more than the previous year, and also a record for the fourth year in a row. It was the first time that Iowa Lottery prizes to players had topped \$200 million.

Top 10 Retailers in FY 2013

Retailer Name	Address	City	Net Sales
Hy-Vee	20 Wilson Ave. SW	Cedar Rapids	\$1,064,160.00
Hy-Vee	1843 Johnson Ave. NW	Cedar Rapids	\$1,023,706.50
Kum & Go	115 N. 22nd St.	Fort Dodge	\$670,252.50
Hy-Vee	2540 E. Euclid Ave.	Des Moines	\$650,109.00
Dahl's	4343 Merle Hay Road	Des Moines	\$636,763.50
Hy-Vee	4000 University Ave.	Waterloo	\$624,594.50
Quik Trip	2945 E. University Ave.	Des Moines	\$621,881.00
Guppy's On The Go	235 Edgewood Road NW	Cedar Rapids	\$605,915.50
Hy-Vee	2323 W. Broadway	Council Bluffs	\$605,509.00
Darrah's	3607 9th Ave.	Council Bluffs	\$600,588.50

FY 2013 Net Sales By County

Adair.....	1,266,495	Jefferson	1,344,713
Adams.....	365,494	Johnson	10,011,340
Allamakee.....	1,598,892	Jones	2,356,360
Appanoose.....	1,738,576	Keokuk.....	1,022,599
Audubon	447,208	Kossuth.....	1,863,036
Benton	2,276,618	Lee.....	3,698,817
Black Hawk.....	17,354,866	Linn	26,381,984
Boone	2,717,875	Louisa	1,122,319
Bremer	2,035,599	Lucas	980,896
Buchanan.....	2,260,114	Lyon	482,199
Buena Vista.....	3,307,713	Madison	1,496,453
Butler	1,442,558	Mahaska	2,330,204
Calhoun.....	868,329	Marion.....	3,484,760
Carroll.....	2,840,010	Marshall.....	4,742,834
Cass.....	1,473,962	Mills.....	1,336,979
Cedar	1,808,451	Mitchell.....	1,235,664
Cerro Gordo	7,889,293	Monona.....	671,647
Cherokee.....	1,477,488	Monroe.....	1,275,713
Chickasaw.....	1,290,931	Montgomery.....	1,238,310
Clarke.....	979,285	Muscatine.....	5,843,314
Clay.....	2,105,123	O'Brien	1,408,560
Clayton.....	2,133,206	Osceola.....	529,232
Clinton.....	6,587,737	Page.....	1,294,284
Crawford	1,918,447	Palo Alto.....	930,355
Dallas	4,535,297	Plymouth	1,790,551
Davis	459,949	Pocahontas.....	718,241
Decatur	394,292	Polk.....	53,354,255
Delaware	1,770,763	Pottawattamie	11,590,888
Des Moines	4,129,062	Poweshiek.....	2,069,987
Dickinson	2,646,070	Ringgold.....	201,340
Dubuque	9,687,782	Sac.....	1,067,487
Emmet	1,137,174	Scott	20,544,580
Fayette	2,235,707	Shelby	1,119,486
Floyd	2,255,876	Sioux.....	1,286,833
Franklin.....	1,347,963	Story	6,004,009
Fremont.....	965,853	Tama	1,398,329
Greene	1,076,547	Taylor.....	526,172
Grundy	915,682	Union.....	1,616,936
Guthrie	497,158	Van Buren.....	675,447
Hamilton.....	2,804,582	Wapello	6,628,988
Hancock.....	1,084,652	Warren.....	3,740,755
Hardin	2,033,498	Washington	2,357,225
Harrison.....	1,601,653	Wayne	580,291
Henry	2,159,477	Webster.....	7,060,679
Howard	993,707	Winnebago.....	1,406,453
Humboldt	1,317,818	Winneshiek.....	2,135,142
Ida.....	628,813	Woodbury	9,517,207
Iowa	1,547,623	Worth	1,001,029
Jackson.....	2,324,639	Wright.....	2,185,354
Jasper	3,297,315		



Statement of Net Position - June 30, 2013

Assets

Current assets:

Cash	\$24,841,521
Restricted assets - cash	339,541
Prepaid expense	60,843
Interest receivable	9,572
Accounts receivable, net	5,057,071
Ticket inventories	2,265,929
Investment in prize annuities	<u>1,426,029</u>
Total current assets	<u>34,000,506</u>

Noncurrent assets:

Prize reserve	5,105,041
Investment in prize annuities	4,769,220
Capital assets, net	<u>3,707,609</u>
Total noncurrent assets	<u>13,581,870</u>

Total assets

47,582,376

Liabilities

Current liabilities:

Lotto prizes payable	3,156,305
Annuity prizes payable	1,426,029
Accounts payable and accruals	23,987,846
Unearned revenue	256,572
Salary and benefits payable	253,017
Compensated absences	<u>732,115</u>
Total current liabilities	<u>29,811,884</u>

Long-term liabilities:

Accounts payable and accruals	291,404
Prize reserve	5,105,041
Compensated absences and OPEB	1,320,648
Annuity prizes payable	<u>4,769,220</u>
Total long-term liabilities	<u>11,486,313</u>

Total liabilities

41,298,197

Net Position

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

Statement of Revenues, Expenses and Changes in Net Position - Year ended June 30, 2013

Operating revenues:

Instant-scratch ticket sales	\$202,299,747
Pick 3 sales	6,804,870
Pick 4 sales	3,085,784
Powerball® sales	81,385,271
Mega Millions® sales	13,317,888
Hot Lotto® sales	11,664,946
\$100,000 Cash Game sales	4,483,605
Pull-tab sales	16,209,309
Application fees	5,125
Other	11,706
Total operating revenues	<u>339,268,251</u>

Operating expenses:

Prizes:

Scratch ticket	128,096,203
Pick 3	4,009,581
Pick 4	1,812,515
Powerball	39,682,727
Mega Millions	6,538,181
Hot Lotto	5,652,815
\$100,000 Cash Game	2,740,099
Pull-tab	10,140,042
Promotional	179,603
VIP Club prize expense	1,950,002
Total prizes	<u>200,801,768</u>

Retailer compensation	22,116,797
Advertising production and media purchases	6,600,550
Retailer lottery system/terminal communications/online game expense	7,180,866
Instant/pull-tab ticket expense and machine maintenance	4,605,036
Terminal equipment/ticket dispensers	202,330
Courier delivery of tickets	105,353
Other operating expenses	11,753,223
Total operating expenses	<u>253,365,923</u>

Operating income 85,902,328

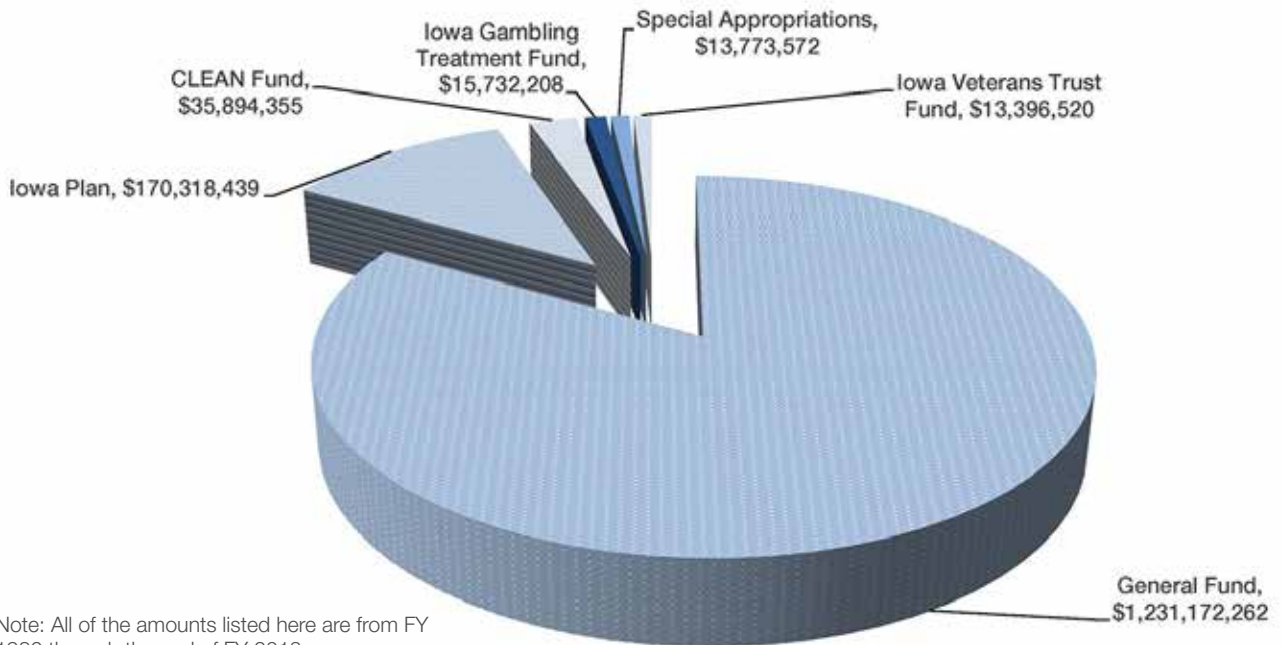
Non-operating revenues (expenses):

Proceeds deposited to State General Fund	(82,764,005)
Proceeds deposited to Veteran's Trust Fund	(2,126,724)
Interest income	110,073
Interest expense	(33,453)
Net non-operating revenues (expenses)	<u>(84,814,109)</u>

Change in net position	1,088,219
Net position beginning of year	<u>5,195,960</u>
Net position end of year	<u>\$6,284,179</u>



Where The Money Goes



Note: All of the amounts listed here are from FY 1986 through the end of FY 2013.

General Fund: \$1,231,172,262 — Since 1992, a majority of lottery profits have been directed into the state general fund, where they are used to pay for programs that benefit all lowans. In the Iowa Lottery's latest fiscal year, the lottery raised more than \$82 million in proceeds that were deposited in the state general fund. Some of the programs that receive money from the general fund include education, natural resources, health and family services and public safety. The Governor and Iowa Legislature allocate money from the general fund based on where they believe those funds are needed most.

Iowa Plan: \$170,318,439 — The Iowa Plan was a long-term economic development program. It was divided into four basic areas: a Jobs Now program designed to put people to work; government construction programs; community and economic betterment; and educational and agricultural research. Lottery profits were dedicated to the Iowa Plan from fiscal year 1986 through fiscal year 1990.

CLEAN Fund: \$35,894,355 — The CLEAN Fund stood for Committing the Lottery to Environment, Agriculture and Natural Resources. The program dedicated money to environmental and cultural causes. Lottery profits were dedicated to the CLEAN Fund during fiscal year 1991.

Iowa Veterans Trust Fund \$13,396,520 — Since July 2008, a portion of lottery proceeds has been dedicated to the Iowa Veterans Trust Fund, where they are used to support our state's veterans. The proceeds from two instant-scratch games and two pull-tab games each year are directed into the Iowa Veterans Trust Fund. The Iowa Lottery estimates that the games will provide about \$2 to \$3 million in proceeds annually for the Iowa Veterans Trust Fund. The Iowa Veterans Trust Fund was created to provide assistance to qualified veterans to help pay for expenses such as job training or college tuition assistance; some dental, vision and hearing assistance and individual or family counseling programs.

Iowa Gambling Treatment Fund: \$15,732,208 — The Iowa Gambling Treatment Program provides treatment, counseling and outreach programs for those concerned about gambling as well as the 1-800-BETSOFF helpline. The Iowa Lottery is committed to responsible play and helps address the issue of problem gambling. Each year, the lottery provides the public with information about 1-800-BETSOFF by including messages about the helpline on millions of lottery tickets, brochures and point-of-sale materials as well as other publications. In 2009, the Gambling Treatment Fund was eliminated, with the Gambling Treatment Program now receiving its funding from the state General Fund.

Special Appropriations: \$13,773,572 — A portion of lottery profits have been earmarked for specific purposes within the state budget.

Backing For Vision Iowa:

In addition to those direct uses of Lottery proceeds, lottery profits are also linked to the Vision Iowa program. Vision Iowa was implemented in 2000 to create tourism destinations in the state, assist with community attractions, and build and repair schools. Direct funding for Vision Iowa comes from gaming revenues. However, as the program was being initiated, investors indicated there was a need to strengthen the Vision Iowa bonds by dedicating \$20 million annually in lottery revenues as a backup. Legislation was approved that dedicates \$15 million in lottery revenues to programs for community attractions in Iowa and another \$5 million to Vision Iowa programs to build and repair schools if gambling revenues don't reach that amount. Lottery funding will continue to be linked to Vision Iowa over the 20-year payback period of the program's bonds.

Headquarters:

Des Moines
2323 Grand Ave.
Des Moines, IA 50312
Phone: 515-725-7900

Regional Offices:

Cedar Rapids

2345 Blairs Ferry Road N.E.
Cedar Rapids, IA 52402
Phone: 319-395-9313

Mason City

2900 Fourth St. S.W.
Mason City, IA 50401
Phone: 641-424-6011

Storm Lake

822 Flindt Dr.
Storm Lake, IA 50588
Phone: 712-732-6662

Council Bluffs

Omni Centre
Business Park, Suite 8
300 W. Broadway
Council Bluffs, IA 51503
Phone: 712-242-2161



Website: ialottery.com



Email: WMaster@ialottery.com



Blog: ialotteryblog.com



Facebook: facebook.com/lowaLottery



Twitter: twitter.com/ialottery



YouTube: youtube.com/user/IALottery

