

# Celebrating Our Past...

# Embracing Our *Future*



## Annual Report Fiscal Year 2005



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# CEO's Message

It's hard to believe it's been 20 years since Gov. Terry Branstad signed the bill on April 18 that brought the Iowa Lottery into existence in 1985. Since then we've traveled many roads, weathered a few storms and made a lot of good friends here in Iowa. It's time to celebrate the past and embrace the future.

We have great news about FY 2005: The Iowa Lottery achieved record sales and raised more than \$51 million for state programs! Sales of \$210.7 million in this fiscal year marked the highest sales total for the lottery in its 20-year history. While we achieved record sales, our profits to the state were slightly lower due to the cost of equipping Casey's General Stores locations in Iowa to sell lottery products.

Welcoming Casey's General Stores back to our retailer family allowed us to increase our retailer base by almost 10 percent, and we now have lotto and scratch tickets in locations where we had previously not sold tickets. Some small towns in Iowa only served by one convenience store, Casey's, now have Iowa Lottery products for the first time. The addition meant an expenditure of about \$2 million by the lottery for satellite communications equipment, ticket-vending equipment and point-of-sale material for those locations, but the long-term benefits to the state will more than offset that.

Although Iowa Powerball sales in FY 2005 were down, changes announced in Powerball that will take effect in August are projected to positively impact the game and produce the larger jackpots that players have told us they want.

Some other great things that happened in fiscal year 2005 impacted our success as well:

- Fiscal year 2004 saw the world debut and successful test launch of the electronic game card. Then in May 2005, we introduced the "Quarter Play" electronic game card statewide. Each play

(a total of 80 on each card) costs 25 cents and every card's a guaranteed winner of \$3, \$5 or \$7. And, players can win up to \$500. This product will continue to be successful for us in the future as we roll it out with fun new themes.



**Iowa Lottery Authority CEO  
Dr. Edward Stanek**

- Throughout FY '05, the lottery also continued its partnership with small businesses around the state in the deployment of monitor vending machines, which add video and sound to the process of dispensing a ticket. Net sales from these TouchPlay machines totaled about \$6.4 million for the year.
- We welcomed a new Powerball jackpot winner to the Iowa Lottery winner family: cereal mill worker Jacquelyn Moore of Omaha, Neb., won \$14.4 million in the Oct. 16 drawing on a ticket purchased in Carter Lake.
- We prepared to relocate our headquarters staff to a building better equipped to serve our needs down the street from our current headquarters building in Des Moines.

So as we celebrate a very successful 20 years, we also embrace a future that holds exciting new products we can offer our players so we can continue to generate vital revenue for the state of Iowa.

A handwritten signature of Edward J. Stanek in dark ink.

## Back in 1985 . . .

Dr. Ed Stanek was named commissioner of the Iowa Lottery on June 1, 1985. He is presently the longest tenured lottery director in the country.



# Iowa Lottery Board Chairman's Message



Mary Junge,  
Cedar Rapids

The other members of the Iowa Lottery Board and I are pleased and proud to have helped the lottery through another exciting year. We dealt with several major issues that will help increase the lottery's productivity and boost profits for valuable state causes.

- **Headquarters Relocation/New Vending Machines.** The board approved the issuance of bonds to support both the relocation of the lottery's headquarters to a building more suitable to its needs and the purchase of updated ticket vending machines for retailers. By the end of the fiscal year, the lottery had purchased an alternate building to house headquarters employees.

- **Ticket Printing.** The board approved a contract with a new primary instant-ticket printer and three secondary printers. We also voted to extend the contract with the maker of a first-in-the-world lottery product, the electronic game card, since its testing had gone well.

- **TouchPlay.** The lottery's newest product, TouchPlay, went through a very successful test period in convenience stores and in other locations prior to that. Because of its initial success, the board agreed to permit manufacturers to make improvements to TouchPlay's play action and streamline the process to approve additional manufacturers of the machines. The board recognizes the revenue-producing potential of this product for the state and wants to foster it. The board also agreed to add rules governing how the machines could be promoted and advertised at retail locations.

It doesn't seem possible that another year has come and gone. We look forward to the opportunities and challenges that will come in fiscal year 2006!

## Iowa Lottery Board



Elaine Baxter,  
Burlington



Bill Brosnahan,  
Dubuque



Tim Clausen,  
Sioux City



Michael McCoy,  
West Des Moines



Iowa Treasurer  
Michael Fitzgerald,  
West Des Moines  
(ex officio board  
member)

## Back in 1985 . . .

The Iowa Lottery board consisted of: John Van Dyke, chairman; Joan Axel; Gary Hughes; Monroe Colston and Emma Chance.



# Lottery Headquarters Prepares For Move

Out with the old . . .



The Iowa Lottery has been having growing pains lately in its headquarters building located at 2015 Grand Ave. in Des Moines. So, FY 2005 brought plans for a big move for the headquarters staff.

With the approval of the Iowa Lottery Board, the lottery issued revenue bonds to finance the purchase of the building at 2323 Grand Ave. in Des Moines.

The lottery then hired a builder to make necessary modifications to the building to fit the lottery's needs.

Plans are to move in August 2005.

And in with the new!



Back in 1985 . . .

The Iowa Lottery has been headquartered at 2015 Grand Ave. since start-up in 1985.

# Players Enjoy New Way to Play With Quarter Play

The Iowa Lottery is the first to bring the exciting new product known as the electronic game card to market — statewide sales began in May 2005.

The first game card is named “Quarter Play,” which aptly describes it - with 80 plays on a card sold for \$20, each play costs 25 cents.

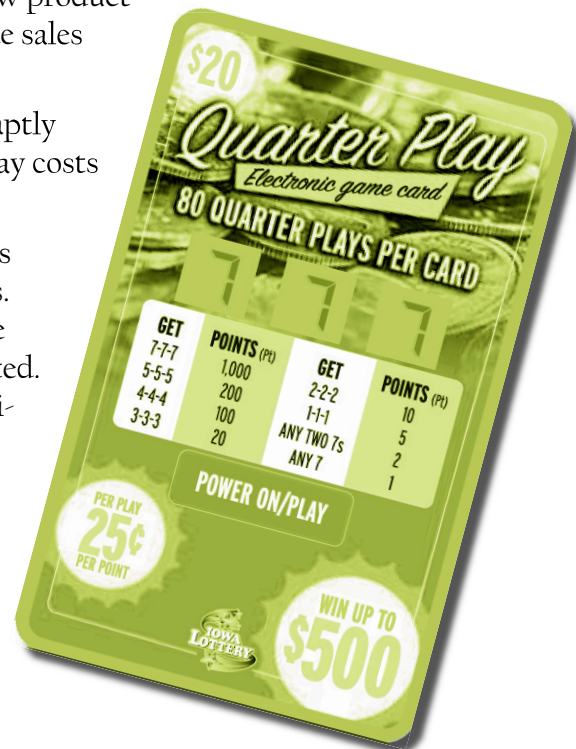
Each electronic game card, about the size of a driver’s license, is battery powered and loaded with random plays. Players activate the card by pulling off a plastic tab on the back, then push the “play” button on the front to get started. Each play loaded onto the card is the equivalent of an individual scratch ticket. But in the case of the game card, an electronic play replaces the traditional scratch area on a paper ticket. Three small screens on the front of the game card display the numbers in a particular play and show whether that play has won a prize.

Players accumulate points, each worth 25 cents, by matching like numbers as they advance through Quarter Play’s 80 plays.

At the conclusion of all the plays, the game card displays the total points accumulated. Each card offers a guaranteed prize, and the top prize in the game is \$500. Players redeem the cards as they do any other lottery product - by having them validated at an Iowa Lottery retailer or one of the lottery’s regional offices.

An appealing feature of the cards is that players do not have to play through an entire card at once. The battery-powered cards automatically shut off when they haven’t been played for 20 seconds, then pick up where they left off when the “play” button is pushed again later. While plans to sell the game cards were approved at a meeting of the Iowa Lottery Board in October 2003, initial discussions of the concept started more than a year before that and led to testing and development.

As a market test, the lottery sold the cards at about 130 retail locations in the Cedar Rapids, Waterloo/ Cedar Falls and Dubuque areas. Results of the market test met the lottery’s highest expectations, with all cards sold by early January 2005.



## Back in 1985 . . .

On Aug. 22, 1985, the first scratch ticket — “Scratch, Match and Win!” — went on sale, and by Nov. 1, players had purchased more than 28.1 million tickets!



# Ticket Sold in Carter Lake Wins Powerball Jackpot



**"I kept telling my sister, 'Why doesn't that idiot say something or do something?' Well, I'm the idiot." — Jacquelyn Moore, \$14.4 million Powerball jackpot winner**

Jacquelyn Moore of Omaha, Neb., said that she has an Iowa convenience store clerk to thank for her \$14.4 million Powerball jackpot win, and she will thank her properly.

Moore won on an easy pick ticket purchased for the Oct. 16, 2004, Powerball drawing.

"I always said, 'When you're in Vegas, you tip the dealer,' so I've got to give the clerk something. You cannot not give her something," Moore said.

Moore, 54, a mother of three, has worked for 25 years at a Kellogg's™ cereal plant in Omaha, where her main job is to make Corn Pops™ cereal. She said that the Jump Start convenience store in Carter Lake is a regular stop on her way to work — and the regular spot where she buys Powerball tickets.

Moore said she stuck her Powerball ticket above one of the sun visors in her pick-up and didn't check it until several days after the drawing. Before that, she admits she was growing frustrated with the as-yet-unknown jackpot winner.

"I kept telling my sister, 'Why doesn't that idiot say something or do something?'" she said with a laugh. "Well, I'm the idiot."

Moore said she plans to continue working for a while and intends to pay off debt for herself and her family.

"Debt-free is No. 1 on the agenda," she said. "And part of that debt-free is helping my family. And then, whatever we need to take care of after that."



Kim Fielder, foreground, is the manager of the Jump Start in Carter Lake where the jackpot-winning ticket was sold.

## Back in 1985 . . .

In November 1985 Bill Watson of Council Bluffs won more than \$4 million to become the first winner of the Iowa Lottery's jackpot spin.



# Lottery Achieves Record Sales

The Iowa Lottery achieved record sales in its latest fiscal year and raised more than \$51 million for state programs.

Lottery sales totaled \$210.7 million in fiscal year 2005, which ended June 30. That was up about 1 percent from FY 2004 sales of \$208.5 million and marked the highest sales total for the lottery in its 20-year history.

The lottery raised \$51.1 million in revenues for state programs during FY 2005, a decrease of about 8 percent from the previous year. The cost of equipping Casey's General Stores locations in Iowa to sell lottery products and a decrease in Powerball sales affected profits in FY 2005.

Iowa Powerball sales in FY 2005 were down more than 17 percent compared to the previous year. And, although sales of other lottery products more than made up the difference, those other products had a lower profit margin. Changes announced in Powerball that will take affect in August are projected to positively impact the game.

Beginning Aug. 28, the guaranteed starting jackpot in Powerball will increase from \$10 million to \$15 million. Another change will double the prize for those players who match the first five numbers but miss the Powerball. They'll win \$200,000 instead of the current \$100,000. Two white balls will be added to the first pool of numbers in Powerball drawings, meaning players will chose five numbers from 55. Players will continue to select the Powerball from a pool of 42.

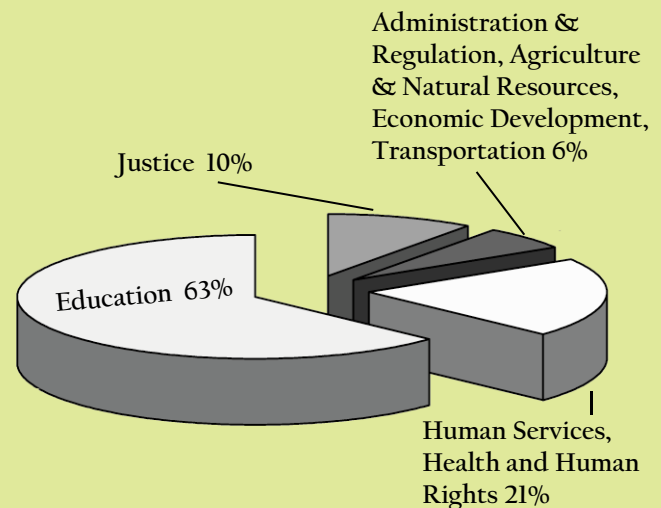
Sales of instant-scratch tickets, the lottery's traditional sales leader, again led the way in FY 2005, with sales in the category increasing by more than 8 percent to \$103.3 million.

Sales in Hot Lotto made the biggest increase among the lottery's traditional products, jumping more than 35 percent to more than \$10 million. Hot Lotto is a multi-state game that is played like Powerball, but with easier odds and jackpots starting at \$1 million.

## Lottery Profits Benefit State General Fund

Iowa Lottery revenues are deposited in the state general fund, where they are used to pay for a variety of programs. Some of the programs that receive money from the general fund include education, natural resources, health and family services and public safety.

Since the Iowa Lottery's inception in 1985, nearly \$1.9 billion has been awarded in prizes and nearly \$935 million has been raised for state programs.



General Fund Appropriations (FY 2005)

Source: Iowa Department of Management

## Back in 1985 . . .

At the lottery's start-up, the Legislature directed lottery funds toward the Iowa Plan, an economic development plan that included a jobs program, government construction, community and economic betterment and agricultural research.





# Sales of Iowa Lottery Games in Millions

	Instant	Lotto	Multi-State* (Powerball)	Pull- tabs	\$100,000 Cash Game	Dream Draw	Daily Millions	Cash 4 Life	Pick 3	Freeplay Replay	Rolldown	Hot Lotto	Monitor Vending	Touch Play (Net)	Pick 4
FY '86	\$77.6	\$4.1													
FY '87	\$62.9	\$21.6													
FY '88	\$59.8	\$47.2	\$6.4	\$10.6											
FY '89	\$72.6	\$48.8	\$30.8	\$20.2											
FY '90	\$68.3	\$42.9	\$38.8	\$18.3											
FY '91	\$75.5	\$34.8	\$27.5	\$17.6	\$2.7										
FY '92	\$85.7	\$36.6	\$23.9	\$21.0	\$9.0										
FY '93	\$96.6	\$24.3	\$38.1	\$36.9	\$11.1										
FY '94	\$99.2	\$17.8	\$44.5	\$35.5	\$10.0										
FY '95	\$103.9	\$12.6	\$48.9	\$32.4	\$9.7										
FY '96	\$96.7	\$14.5	\$41.0	\$28.7	\$9.0										
FY '97	\$91.2	\$10.2	\$32.9	\$25.8	\$6.4	\$1.0	\$6.1								
FY '98	\$90.6	\$7.8	\$37.3	\$26.9	\$5.0		\$3.9	\$2.2							
FY '99	\$91.0		\$51.8	\$28.6	\$4.8			\$4.2	\$3.8						
FY '00	\$90.3		\$48.0	\$27.2	\$4.9			\$3.3	\$4.1	\$0.4					
FY '01	\$84.2		\$52.1	\$27.0	\$4.3			\$0.5	\$4.0	\$0.7	\$2.2				
FY '02	\$80.6		\$60.9	\$27.6	\$4.3				\$5.0	\$0.4	\$1.2	\$1.3			
FY '03	\$84.9		\$57.6	\$28.4	\$4.4				\$6.0	\$0.3		\$6.0	\$0.2		
FY '04	\$95.3		\$66.0	\$25.5	\$4.4				\$6.3	\$0.1		\$7.7	\$1.3	\$0.3	\$1.7
FY '05	\$103.3		\$54.2	23.6	\$4.4				\$6.2			\$10.4		\$6.4	\$2.0

\*Lotto America through 1992.



# Iowa Lottery Authority

## Statement of Revenues, Expenses and Changes in Net Assets

### Year ended June 30, 2005

Operating revenues:	
Instant ticket sales	\$103,259,272
Pick 3 sales	6,200,109
Pick 4 sales	2,042,499
Powerball sales	54,244,379
Hot Lotto sales	10,443,903
\$100,000 Cash Game sales	4,426,833
TouchPlay sales (net receipts)	6,428,123
Pull-tab sales	23,624,094
Application fees	61,225
Other	<u>275,806</u>
Total operating revenues	<u>211,006,243</u>
Operating expenses:	
Prizes:	
Instant ticket	60,759,895
Pick 3	3,596,814
Pick 4	1,179,953
Powerball	25,878,086
Hot Lotto	5,111,857
\$100,000 Cash Game	1,897,416
Pull-tab	14,699,032
Promotional	<u>332,620</u>
Total prizes	113,455,673
Retailer compensation	17,341,859
Advertising/publicity	5,911,199
Vendor compensation/network expense	7,859,205
Instant and Pull-tab rental and inventory expense	3,914,178
Other operating expenses	<u>10,888,164</u>
Total operating expenses	<u>159,370,278</u>
Operating income	51,635,965
Non-operating revenue (expense):	
Interest income	608,980
Interest expense	<u>(210,746)</u>
Total non-operating revenue	<u>398,234</u>
Income before transfers	<u>52,034,199</u>
Transfers to other funds:	
State General Fund	50,036,035
Iowa Department of Public Health-	
Gambling Treatment Fund	<u>1,058,074</u>
Total transfers to other funds	<u>51,094,109</u>
Change in net assets	940,090
Net assets beginning of year	<u>1,394,199</u>
Net assets end of year	<u>\$ 2,334,289</u>

# Iowa Lottery Authority

## Statement of Net Assets

### June 30, 2005

#### Assets

##### Current assets:

Cash	\$ 15,601,324
Restricted assets-cash	1,309,152
Prepaid expense	84,274
Interest receivable	124,844
Accounts receivable, net	3,949,309
Ticket inventories	1,096,220
Investment in prize annuities	<u>8,843,606</u>
Total current assets	<u>31,008,729</u>

##### Noncurrent assets:

Prize reserve	4,243,090
Investment in prize annuities	25,992,771
Capital assets, net	<u>8,429,718</u>
Total non-current assets	<u>38,665,579</u>

**Total assets** \$ 69,674,308

#### Liabilities

##### Current liabilities:

On-line prizes payable	\$ 2,813,265
TouchPlay prizes payable	25,527
Annuity prizes payable	8,974,106
Sales tax payable	125
Accounts payable	1,494,973
Due to:	
State General Fund	14,470,768
Other state agencies	435,194
Interest Payable	20,522
Bonds Payable	2,000,000
Deferred revenue	202,125
Personal services payable	361,832
Compensated absences	<u>567,594</u>
Total current liabilities	<u>31,366,031</u>

##### Long-term liabilities:

Prize reserve fund	4,243,090
Bonds payable	5,500,000
Personal services payable	5,146
Compensated absences	232,981
Long-term annuity prizes payable	<u>25,992,771</u>
Total long-term liabilities	<u>35,973,988</u>

**Total liabilities** 67,340,019

#### Net Assets

Invested in capital assets	929,718
Unrestricted	<u>1,404,571</u>

**Total net assets** \$ 2,334,289



# Iowa Lottery Sales By County

For fiscal year 2005, rounded to the nearest \$100,000

ADAIR	800,000	JEFFERSON	900,000
ADAMS	300,000	JOHNSON	5,300,000
ALLAMAKEE	1,500,000	JONES	1,400,000
APPANOOSE	1,200,000	KEOKUK	400,000
AUDUBON	400,000	KOSSUTH	1,100,000
BENTON	1,400,000	LEE	2,600,000
BLACKHAWK	12,900,000	LINN	16,000,000
BOONE	1,800,000	LOUISA	700,000
BREMER	1,600,000	LUCAS	600,000
BUCHANAN	1,600,000	LYON	300,000
BUENA VISTA	1,700,000	MADISON	600,000
BUTLER	1,000,000	MAHASKA	1,400,000
CALHOUN	500,000	MARION	1,700,000
CARROLL	1,600,000	MARSHALL	2,900,000
CASS	900,000	MILLS	800,000
CEDAR	900,000	MITCHELL	800,000
CERRO GORDO	5,500,000	MONONA	600,000
CHEROKEE	900,000	MONROE	800,000
CHICKASAW	900,000	MONTGOMERY	700,000
CLARKE	600,000	MUSCATINE	3,600,000
CLAY	1,600,000	O'BRIEN	800,000
CLAYTON	1,600,000	OSCEOLA	200,000
CLINTON	4,700,000	PAGE	400,000
CRAWFORD	1,400,000	PALO ALTO	600,000
DALLAS	2,300,000	PLYMOUTH	1,400,000
DAVIS	300,000	POCAHONTAS	500,000
DECATUR	200,000	POLK	30,200,000
DELAWARE	1,000,000	POTTAWATTAMIE	7,700,000
DES MOINES	2,800,000	POWESHIEK	1,300,000
DICKINSON	1,600,000	RINGGOLD	200,000
DUBUQUE	6,300,000	SAC	800,000
EMMET	900,000	SCOTT	11,600,000
FAYETTE	1,500,000	SHELBY	700,000
FLOYD	1,700,000	SIOUX	700,000
FRANKLIN	800,000	STORY	3,200,000
FREMONT	1,200,000	TAMA	900,000
GREENE	600,000	TAYLOR	400,000
GRUNDY	600,000	UNION	1,100,000
GUTHRIE	300,000	VAN BUREN	300,000
HAMILTON	1,900,000	WAPELLO	4,300,000
HANCOCK	1,300,000	WARREN	2,000,000
HARDIN	1,100,000	WASHINGTON	1,300,000
HARRISON	900,000	WAYNE	400,000
HENRY	1,200,000	WEBSTER	4,400,000
HOWARD	700,000	WINNEBAGO	900,000
HUMBOLDT	900,000	WINNESHIEK	1,200,000
IDA	300,000	WOODBURY	6,000,000
IOWA	900,000	WORTH	700,000
JACKSON	1,500,000	WRIGHT	1,200,000
JASPER	2,200,000		





# Iowa Lottery Regional Offices

## **Des Moines**

2323 Grand Ave., Des Moines, IA 50312-5307

Phone: 515-725-7900

## **Cedar Rapids**

2345 Blairs Ferry Road NE, Cedar Rapids, IA 52402-1918

Phone: 319-395-9313

## **Mason City**

2900 Fourth St. SW, Mason City, IA 50401-1531

Phone: 641-424-6011

## **Storm Lake**

822 Flindt Dr., Storm Lake, IA 50588-3205

Phone: 712-732-6662

## **Council Bluffs**

Omni Centre Business Park, Suite 8

300 W. Broadway, Council Bluffs, IA 51503-9030

Phone: 712-242-2161



