

MINUTES

ARKANSAS LOTTERY COMMISSION

Wednesday, October 16, 2013

10:00 a.m.

**124 West Capitol Avenue, Third Floor
Little Rock, Arkansas**

Call to Order

Chairman George Hammons called the meeting to order. Commissioners Smokey Campbell, Ben Pickard, Dianne Lamberth, Raymond Frazier, Bruce Engstrom and Mark Scott were also present. Commissioner Julie Baldrige was present via conference call. Staff members present included Director Bishop Woosley, Matt Brown, Jean Block, Jerry Fetzer, Robert Stebbins, Joanna Bunten, Angela Meredith, Patti Vick, Maria Craig, Terry Williams, Jeremy Smith, Valerie Basham and Justin Rogers.

Approval of Minutes

The first order of business was the approval of the minutes of the meeting held on September 16, 2013. Commissioner Pickard made a motion to approve, Commissioner Frazier seconded the motion, and the minutes were approved unanimously.

Report from the Internal Auditor

Internal Auditor Brown was recognized to give his monthly Internal Audit Update (in file). He stated that Audit Project Number 15, Instant Ticket Warehouse Operations, was substantially complete and a report would be issued shortly. Internal Audit was in the early planning stage for Audit Project Number 23, Claim Center Operations. A report was issued on October 11 for Audit Project Number 39, Disaster Recovery/Business Continuity, with no observations or recommendations reported. He reported that on August 12, 2013, field work began on audit follow-up Project Number 14F, the Back Office System (BOS) Administration Follow-up Procedures, and that the work was nearing completion. He added that another audit follow-up, Project Number 36F, Accounting Close & Reporting Follow-Up Procedures, was also nearing completion. A summary report was issued on September 25 for Project Number 44, Gaming System SSAE SOC1 annual review. Mr. Brown reported that substantial work was expected to be completed within the next few weeks on the annual Financial Statements & CAFR Review, Project Number 45. Substantial work was also expected to begin on Project Number 36A, Financial Accounting & CAFR.

Commissioner Engstrom asked Mr. Brown if an audit project could be added to the Audit Plan that would cover all of the appropriate steps leading up to the expiration/rebidding of vendor contracts. Mr. Brown responded that the proposed audit project would have to be brought before the Audit and Legal Committee for discussion and possible incorporation into the Audit Plan.

Report from the Director

Director Woosley was recognized to give his regular report (in file). He reported that total revenues for September were up over \$2 Million compared to September of last year, mostly related to the recent \$400 million Powerball jackpot. He added that, although Powerball sales were brisk, lotteries throughout the U.S. are reporting that online ticket sales are still not performing up to expectation, possibly because of jackpot fatigue.

Although sales in September 2013 exceeded sales in September 2012, net proceeds for the same period were down over \$500,000, which Director Woosley attributed to accounting adjustments; he called on ALC's Chief Fiscal Officer Fetzer to explain. Mr. Fetzer said that, from the conception of the lottery, for the calculation of net proceeds it was decided to adjust revenue and the related prize expense to the cash basis calculation which, overall, increases net proceeds, but it does create a deficit in ALC's unrestricted net assets. Because of the cash adjustment to the cash basis for the net proceeds calculation, once ALC calculates the net operating revenue, the net proceeds amount can either swing an additional amount upward or, as in the case this month, downward. Whenever ALC has a \$1 million dollar prize, the impact to the lottery proceeds is not \$1 million dollars, but \$1 million dollars plus whatever impact there is from the change in the prize accrual.

Commissioner Scott asked why ALC budgeted over \$28 Million in sales for the month of September 2013, when the amount earned in September 2012 was under \$24 Million. Director Woosley responded that it depends on ALC's launch schedule. He said that, additionally, based on a \$400 million Powerball jackpot last year, the sales were double during that period compared to the same sized jackpot this year and the anticipation was that the trend would continue. Mr. Fetzer added that the reason \$28.5 million was budgeted for September 2013 was because, in order to meet the \$89 million budgeted for the year, if ALC didn't make the additional \$5 million that particular month, it would have to be made up some other month.

Director Woosley next discussed the ADHE Transfer Analysis for the current fiscal year. He stated that net proceeds for September 2013 were about \$637,000 under the amount budgeted for the month, with an overall budget deficit of \$1.09 Million for the year. Commissioner Pickard asked at what point ALC would need to consider revising the budget. Director Woosley responded that in those years in which the Lottery has revised the budget, it has typically occurred around the January time frame. He explained that, generally, LOC may ask, mid-year, what amount of net proceeds the Lottery anticipated for the fiscal year. The Lottery, in trying to provide the most accurate number, could possibly revise the budget at that time. He said that the Lottery's projection was currently off about \$80,000 for the year, and that he hoped the trends would pick up and the budget would not need to be revised.

Director Woosley gave an update on the Million Dollar Raffle, which began selling in August. He said that sales started slowly, with a sharp spike in sales immediately before the October 1st Early Bird drawing. He compared those sales to the Lottery's first raffle (2010), in which sales were constantly flat, since there were no Early Bird drawings to incentivize the players. He noted that the Lottery was currently offering a Clerk Incentive promotion: every time a clerk or retailer sells a \$20 or \$30 Raffle ticket during the promotional period, a \$1 Hunting for Hundreds ticket will print for free for the CLERK or RETAILER who sells the ticket. Commissioner Lamberth asked where the Early Bird drawing winners were posted. Director Woosley responded that winners are posted on the Arkansas Scholarship Lottery website, as well as on the ASL mobile application. Commissioner Lamberth asked if there were other places in which they could find the winning numbers/winners. Gaming Director Smith told her that players can find the winners at the retailer level; the retailer could print a report for the player. Director Woosley added that Marketing Director Bunten also had an arrangement with KATV, ALC's raffle draw partner, to announce the winning numbers throughout the day of the draw. Chairman Hammons asked why the raffle sales seemed to be a bit depressed compared to sales of the last raffle. Director Woosley said that it seems to actually be doing a little better than the last one. The sales have been slower at the beginning, but the graph reflected the sharp spike upward as the date of the Early Bird draw approached - that raffle ticket purchasers, being creatures of habit, tend to wait and buy their tickets close to the deadline.

Director Woosley then reported that he, Commissioner Pickard, and Commissioner Frazier attended a banquet at the AASAP Conference on October 6, where they, along with Intralot representative Robert Hilderbrand and Scientific Games representative Martha Hernandez, presented checks to those Upward Bound programs in attendance at the Conference (the entire list of 20 recipients is included in the September 16 ALC minutes). Director Woosley said that the schools asked that he pass along to the vendors and the ALC Commissioners how grateful they were to receive the funds. Commissioner Pickard noted that the Upward Bound programs, being federally funded, had already been hit by the Sequester and that money will be put to good use, either in purchasing hardware or software for their programs.

Director Woosley reported that the Lottery had just celebrated its 4th anniversary. He noted that Sales to Date were over \$1.8 Billion, Prizes Paid to Date were over \$1.16 Billion, Retailer Commissions and Bonuses to Date were \$103.7 Million and Scholarships Awarded totaled over \$482 Million.

Reports from ALC Committees

Chairman Hammons recognized Commissioner Pickard to give his Personnel Committee report. Commissioner Pickard presented to the Commission the following motion:

On September 16 the ALC Personnel Committee met and unanimously approved a change to the evaluation period to have an end of May

deadline for the current fiscal year, with merit recommendations payable on the last payday of the current fiscal year.

The motion was seconded by Commissioner Scott. Before bringing the motion to a final vote, Chairman Hammons asked Commissioner Pickard to explain the rationale for changing the evaluation period. Commissioner Pickard responded that the ALC evaluation process currently runs a year behind the pay process, that is, employees are evaluated on performance from the previous fiscal year, and that as a consequence, the incentive was missing and training opportunities lost. Chairman Hammons called for the Commission to vote and the motion passed unanimously.

Chairman Hammons recognized Commissioner Scott to report on the Retail and Marketing Committee. Commissioner Scott reported that, in Commissioner Pierce's stead, he had distributed to committee members the record of the meeting held on September 16. Commissioner Scott said that the Retail and Marketing Committee would meet again at 9:30 on the day of the next full Commission meeting.

Chairman Hammons again recognized Commissioner Scott to report on the Vendor Committee meeting held this morning [October 16]. He reported that as a follow up to that meeting, Lottery staff was producing a time line in anticipation of the expiration of vendor contracts, and would receive that report at the next Vendor Committee meeting.

Meeting Date

The next commission meeting was set for 10:00 a.m. on Monday, December 2, 2013.

There being no further business, the meeting was adjourned.

**Arkansas Lottery Commission
Monthly Internal Audit Update
December 2, 2013**

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**Arkansas Lottery Commission
FY 2014 Internal Audit Plan
Status Report
December 2, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
1	Audit	Online Games & Gaming System Contract Compliance	Compliance with Contract for Online Games & Gaming System (Intralot).	Scheduled		150
7	Audit	Instant & Online Ticket Game Development	Controls and processes surrounding the development of instant and online ticket games.	Scheduled		100
8	Audit	Points for Prizes & Play It Again	Controls and procedures surrounding the Points for Prizes and Play It Again programs.	Scheduled		240
9	Audit	IT Gaming Operations	Overall control environment surrounding the IT Gaming functions and operations, including controls and procedures surrounding multi-state games.	Scheduled		160
13	Audit	In-State Draw Security & Controls	Controls and procedures that ALC draws are secure and reliable.	Scheduled		160
15	Audit	Instant Ticket Warehouse Operations	Controls and procedures surrounding the operation of the instant ticket warehouse, including procedures performed by ALC security and SGI personnel.	Complete	Status Update: Report issued on October 17, 2013. No observations or recommendations reported.	-
17	Audit	Security Investigations	Controls and procedures involving the investigation process, including allegations of theft, retailer non-compliance, and reported cases of fraud.	Scheduled		86
23	Audit	Claim Center Operations	Controls and procedures surrounding product sales, claim validations, and prize payments.	Complete	Status Update: Report issued on November 25, 2013. See Page 5 for additional information.	-
29	Audit	Payroll & Leave	Controls and procedures surrounding leave, including the authorization and approval of requested leave and related payments to employees, and the payroll function.	Scheduled		130
30	Audit	Federal & State Tax Withholding & Reporting	Controls and procedures surrounding federal and state tax withholding, reporting to appropriate taxing authorities, and remittance of amounts owed.	In Process	Status Update: Fieldwork began week of November 11, 2013.	150
38	Audit	IT General Controls	General IT/Computer-related controls that apply to all system components, processes, and data. ITGCs include logical and physical data center access, system development, change management, backup and recovery, and computer operation controls.	Scheduled		160
40A	Audit	Transparency Reporting & Compliance	Controls and procedures surrounding required reporting of information and compliance with requirements under Act 303 of 2011, that created the transparency.arkansas.gov website.	Scheduled		81
14F	Audit Follow-Up	Back Office System (BOS) Administration Follow-Up Procedures	Follow-up procedures regarding observations from FY 2013 audit.	Complete	Status Update: Report issued on November 1, 2013. See Page 6 for additional information.	-
36F	Audit Follow-Up	Accounting Close & Reporting Follow-Up Procedures	Follow-up procedures regarding observations from FY 2013 audit.	Complete	Status Update: Report issued on November 20, 2013. See Page 7 for additional information.	-

**Arkansas Lottery Commission
FY 2014 Internal Audit Plan
Status Report
December 2, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
43	Consulting Project	Facilitation/Review of Risk Assessment required by DFA (Biennially)	Risk Assessment required by DFA.	Scheduled		25
45	Consulting Project	Financial Statements & CAFR Review (Annually)	Review of financial statements and related notes, management discussion and analysis, and other aspects of the CAFR.	In Process	Status Update: Work ongoing as CAFR is in final production and review stages.	18
46	Consulting Project	Instant Ticket Vendor Security Review (Annually)	Coordinated security review of instant ticket vendor (Scientific Games) with outside firm.	Scheduled		24
47	Audit	Instant Ticket Reconstructions (Annually)	Controls and procedures surrounding instant ticket reconstruction requests.	Planning	Status Update: Early planning work has started, and audit entrance conference was held on November 26, 2013.	88

Total Estimated Hours to Complete FY 2014 Plan

1,572

Notes

¹Project Number based on number of all projects within the project universe. See Page 8 for complete, numbered project universe.

²Definition of Project Status: Open - Project has not yet been scheduled; Scheduled - Project has been scheduled and is included in the Internal Audit master schedule. Project timing subject to change based on a number of factors including business need, internal audit resources, etc.; Planning Stage - Project planning beyond scheduling has begun. Actual fieldwork may be several weeks away and finalization of all phases of the project may be several months away; In Progress - Fieldwork is underway. Project completion and finalization may still be several weeks away; Complete - Project is complete for the fiscal year unless otherwise noted (i.e. partially complete, substantially complete).

³Estimated hours to complete based on current knowledge of expected scope and complexity of the project. Actual hours needed to complete a project are subject to change based on the overall complexity of the project (including the nature and volume of any audit findings), the timing of the project, the availability of Internal Audit resources, and the discretion of the Internal Auditor and/or Audit Committee.

**Arkansas Lottery Commission
 FY 2013 Internal Audit Plan
 Status Report
 December 2, 2013**

Project Number ¹	Project Category	Project	Description	Status ²	Comments	Estimated Remaining Hours ³
36A	Audit	Financial Accounting & CAFR	Controls and procedures surrounding production of the external financial statements, related notes to the statements, and other items/schedules included in the CAFR.	In Process	Status Update: Work ongoing as CAFR is in final production and review stages.	40

Total Estimated Hours to Complete FY 2013 Plan

40

Notes

¹Project Number based on number of all projects within the project universe. See Page 8 for complete, numbered project universe.

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**Arkansas Lottery Commission
Claim Center Operations Audit
FY 2014
December 2, 2013**

General Information

- The audit centered on controls, procedures, and processes relative to the operations of the ALC's four Claim Centers, located throughout the State.
- Fieldwork included review of documentation and information generated throughout fiscal year 2013 and through November 2013 (fiscal year 2014).

Observation

- Need for improved maintenance procedures relative to the Ineligible Players List maintained to ensure that only eligible players claim a prize at the ALC's Claim Centers.
 - The Ineligible Players List is retained within the ALC's Back Office System (BOS), so as to ensure that a claim for an ineligible player is not inadvertently processed by Claim Center personnel.
 - After retirement of an ALC employee, information was missing or inaccurate relative to the three most recently-appointed commissioners because no updates were sought or made in order to keep the Ineligible Players List current.
 - An update submitted by an ALC employee to reflect a potential player that was formerly ineligible as eligible was not made to the list.
 - IA verified that the names of the commissioners inadvertently left off the list were not also present in the check register of claims made at ALC Claim Centers.
 - IA recommended that the Human Resources Division be designated as having sole responsibility to gather and compile any updates to the Ineligible Players List for both commissioners and employees, submit those updates to the Security Division to be reflected in BOS, and then confirm the requested updates have been made within BOS by reviewing the updated list.
 - Management has responded stating that the HR Division has been designated as responsible for keeping the ineligible players list updated for both employees and Commissioners going forward, information has been requested from the three most recently-appointed Commissioners to update the list, that HR will verify requested changes are made after they are processed going forward, and that Commissioners will be included in the quarterly update procedures handled by HR in the future.
 - Additional follow-up is necessary in order to consider the observation cleared.

Arkansas Lottery Commission
Back Office System (BOS) Administration Follow-Up Audit Procedures
FY 2014
December 2, 2013

General Information

- Follow-Up Procedures centered on Management's implementation of controls, procedures, and / or processes to address the observations noted in the initial audit of the BOS Administration process.
- Fieldwork included review of reports and information generated through October 2013.
- Internal Audit (IA) concluded that Management has effectively addressed Observations #1 through #4 from the initial audit, and had additional observations relating to Observations #5 and #6 from the initial audit.

Follow-Up Procedures - Observations

- Users with access levels that appeared to be outside the level of access needed for completion of their assigned job duties or presented potential segregation of duties issues.
 - After initially testing a sample of users and their access levels, IA extended testing to all 80 current BOS users.
 - Upon discussing what was observed as part of the follow-up testing with the Security Division, changes to access were immediately made within BOS.
 - IA verified that all suggested access changes brought to the attention of the Security Division by IA were made.
 - IA has no further recommendations, since changes were immediately made and since the Security Division has implemented a process to better capture the access levels needed for new users or updates for existing users prior to access being granted.
 - Additional follow-up is advisable to affirm that process changes are working as designed.
- Lack of evidence of review of the monthly user access / outside user confirmation review by either the Director or Deputy Director of the Security Division, as was suggested in the initial audit.
 - While discussions with Management indicate that Management is reviewing the monthly user access / outside user confirmation process, no documentation exists to support this review.
 - IA affirmed the initial recommendation that Management formalize its review by sign-off on documentation already retained to evidence the user access / outside user confirmation review process taking place.
 - Management has indicated that steps have already been taken to formalize this review through signature on the packet of materials retained.
 - Additional follow-up is advisable to affirm that process changes are working as designed.

Arkansas Lottery Commission
Accounting Close & Reporting Follow-Up Audit Procedures
FY 2014
December 2, 2013

General Information

- Follow-Up Procedures centered on Management's implementation of controls, procedures, and / or processes to address the observations noted in the initial audit of the Accounting Close & Reporting process.
- Fieldwork included review of reports and information generated through October 2013.
- Internal Audit (IA) concluded that Management has effectively implemented a process to track the timing and completion / review responsibilities relative to account reconciliations, and had an additional observation as a result of the follow-up procedures.

Follow-Up Procedures - Observation

- A general ledger account reconciliation missing for two months of the current fiscal year for one account and no documentation to support the reconciliation process for another general ledger account.
 - IA recommended to Management that a process be adopted whereby the CFO performs a completeness cross-check to ensure all account reconciliations listed on the document now used to track timing, completion, and review of account reconciliations have been completed as documented.
 - Management has responded stating that the CFO would perform a cross-check on an unannounced sample of accounts to verify existence of reconciliations included on the monthly tracking document.
 - Additional follow-up is advisable to affirm that process changes are working as designed.

**Arkansas Lottery Commission
Internal Audit Project Universe for FY 2014 - 2016 Audit Plan**

Process Owner / Area	Audit History / Plan					
	FY	12	13	14	15	16
Legal - Block						
1 Online Games & Gaming System Contract Compliance			X			
2 Instant Ticket Lottery Game Services Contract Compliance	X					
3 Banking Contract Compliance				X		
4 Advertising Contract Compliance				X		
5 Record Retention				X		
6 Legal Compliance & Monitoring				X		
Gaming & Product Development - Smith						
7 Instant & Online Ticket Game Development			X			
8 Points for Prizes & Play It Again			X			
9 IT Gaming Operations			X		X	
10 IT Gaming Quality Assurance		X			X	
11 Instant Ticket Quality	X			X	X	
Security & Licensing - Huey						
12 Lottery Facilities Security & Controls				X		
13 In-State Draw Security & Controls			X			
14 Back Office System (BOS) Administration		X			X	
15 Instant Ticket Warehouse Operations			X		X	
16 Licensing & Retailer Compliance	X				X	
17 Security Investigations			X			
Human Resources - Basham						
18 Background Checks				X		
19 Human Resource Processes (Hiring, Benefits, Terminations, etc.)			X			
Commission & Legislative Affairs - TBD						
20 Public & Legislative Relations				X		
Sales - Stebbins						
21 Sales Force Reporting				X		
Marketing - Bunten						
22 Advertising & Marketing (excl Contract Compliance)				X		

Process Owner / Area	Audit History / Plan					
	FY	12	13	14	15	16
Treasury - Fetzer/Parrish						
23 Claim Center Operations	X		X			X
24 Cash Receipts					X	
25 Retailer Sweeps/Commissions/Accts Receivable & Adjustments	X					X
26 Cash Management				X		
Financial Control - Fetzer/Williams						
27 Fixed Assets					X	
28 Accounts Payable/Purchasing/Expenditures		X				X
29 Payroll & Leave			X			
30 Federal & State Tax Withholding & Reporting			X			
31 Unclaimed Prize Fund					X	
32 Education Trust Fund	X	X				
33 Travel Reimbursements	X	X				X
34 Revenue/Prize Payments/Reserves - Online Games	X					X
35 Revenue/Prize Payments - Instant Ticket Games	X					X
36 Accounting Close & Reporting			X			X
36A Financial Accounting & CAFR			X			X
37 Financial Planning/Budgeting		X				X
Information Technology - Fetzer/Gilmore/Smith						
38 IT General Controls			X			
39 Disaster Recovery/Business Continuity			X			X
40 IT Help Desk & Desktop Support					X	
40A Transparency Reporting & Compliance			X			X
Internal Operations - Fetzer/TBD						
41 Lottery Vehicles					X	
42 Building & Facility Maintenance					X	
Recurring Projects						
43 Facilitation/Review of Risk Assessment required by DFA (Biennially)	X		X			X
44 Gaming System SSAE 16 SOC1 Review (Annually)	X	X	X	X	X	X
45 Financial Statements & CAFR Review (Annually)	X	X	X	X	X	X
46 Instant Ticket Vendor Security Review (Annually)		X	X	X	X	X
47 Instant Ticket Reconstructions (Annually)			X	X	X	X

Arkansas



Scholarship Lottery

Report from the Director
December 2, 2013

Comparative Income Statements

October 2013 and 2012

GAAP Basis Income Statement	October 2013	October 2012	Favorable/ (Unfavorable)	Percentage Variance
Revenues				
Instant Tickets	\$ 26,541,683	\$ 28,682,567	\$ (2,140,884)	-7.5%
Online Tickets	6,684,173	5,181,764	1,502,409	29.0%
Retailer App/Fidelity	<u>45,542</u>	<u>41,542</u>	<u>4,000</u>	<u>9.6%</u>
TOTAL Revenues	<u>33,271,398</u>	<u>33,905,873</u>	<u>(634,475)</u>	<u>-1.9%</u>
Operating Expense				
Instant Prizes Net	19,329,937	19,841,828	511,891	2.6%
Online Prizes Net	3,532,738	2,582,476	(950,262)	-36.8%
Retailer Commissions	1,847,132	1,894,953	47,821	2.5%
Gaming Contract Costs	1,689,538	1,741,461	51,923	3.0%
Advertising	460,001	350,221	(109,780)	-31.3%
General and Admin.	661,384	643,081	(18,303)	-2.8%
Other Agency Services	<u>91,233</u>	<u>135,000</u>	<u>43,767</u>	<u>32.4%</u>
TOTAL Operating Expenses	<u>27,611,963</u>	<u>27,189,020</u>	<u>(422,943)</u>	<u>-1.6%</u>
Operating Income	5,659,435	6,716,853	(1,057,418)	-15.7%
Interest Income	<u>17,908</u>	<u>26,292</u>	<u>(8,384)</u>	<u>-31.9%</u>
Income Before Transfers	\$ <u>5,677,343</u>	\$ <u>6,743,145</u>	\$ <u>(1,065,802)</u>	<u>-15.8%</u>
Net Proceeds	\$ <u>6,773,937</u>	\$ <u>6,632,866</u>	\$ <u>141,071</u>	<u>2.08%</u>

Note – Net Proceeds does not include unclaimed prizes.

Comparative Income Statements

Actual Versus Budget October 2013

GAAP Basis Income Statement	October 2013 Actual	October 2013 Budget	Favorable/ <u>(Unfavorable)</u>	Percentage <u>Variance</u>
Revenues				
Instant tickets	\$ 26,541,683	\$ 30,958,333	\$ (4,416,650)	-14.3%
Online Tickets	6,684,173	7,247,887	(563,714)	-7.8%
Retailer App/Fidelity	<u>45,542</u>	<u>45,000</u>	<u>542</u>	<u>1.2%</u>
TOTAL Revenues	<u>33,271,398</u>	<u>38,251,220</u>	<u>(4,979,822)</u>	<u>-13.0%</u>
Operating Expense				
Instant Game Prizes	19,329,937	21,790,894	2,460,957	11.3%
Online Game Prizes	3,532,738	3,660,096	127,358	3.5%
Retailer Commissions	1,847,132	2,160,471	313,339	14.5%
Gaming Contract Cost	1,689,538	1,968,691	279,153	14.2%
Advertising	460,001	375,000	(85,001)	-22.7%
General and Admin.	661,384	689,329	27,945	4.1%
Other Agency Service	<u>91,233</u>	<u>129,167</u>	<u>37,934</u>	<u>29.4%</u>
TOTAL Operating Expenses	<u>27,611,963</u>	<u>30,773,648</u>	<u>3,161,685</u>	<u>10.3%</u>
Operating Income	5,659,435	7,477,572	(1,818,137)	-24.3%
Interest Income	<u>17,908</u>	<u>20,000</u>	<u>(2,092)</u>	<u>-10.5%</u>
Income before transfers	\$ <u>5,677,343</u>	\$ <u>7,497,572</u>	\$ <u>(1,820,229)</u>	<u>-24.3%</u>
Net Proceeds	\$ <u>6,773,937</u>	\$ <u>7,060,080</u>	\$ <u>(286,143)</u>	<u>-4.22%</u>

Note – Net Proceeds does not include unclaimed prizes.

Comparative Income Statements

YTD October 31, 2013 Compared to October 31, 2012

<u>Statement</u>	Actual <u>YTD 10/31/13</u>	Actual <u>YTD 10/31/12</u>	Favorable/ <u>(Unfavorable)</u>	Percentage <u>Variance</u>
Revenues				
Instant tickets	\$ 102,045,580	\$ 108,251,630	\$ (6,206,050)	-5.7%
Online Tickets	30,439,898	24,056,928	6,382,970	26.5%
Retailer app. fidelity	<u>193,585</u>	<u>193,261</u>	<u>324</u>	<u>0.2%</u>
TOTAL Revenues	<u>132,679,063</u>	<u>132,501,819</u>	<u>177,244</u>	<u>0.1%</u>
Operating Expense				
Instant Prizes Net	72,653,616	74,641,912	1,988,296	2.7%
Online Prizes Net	15,990,185	11,632,850	(4,357,335)	-37.5%
Retailer Commissions	7,383,315	7,385,285	1,970	0.0%
Gaming Contract Costs	6,510,400	6,645,019	134,619	2.0%
Advertising	1,309,585	1,201,567	(108,018)	-9.0%
General and Admin.	2,397,901	2,377,485	(20,416)	-0.9%
Other Agency Services	<u>364,932</u>	<u>540,000</u>	<u>175,068</u>	<u>32.4%</u>
TOTAL Operating Expenses	<u>106,609,934</u>	<u>104,424,118</u>	<u>(2,185,816)</u>	<u>-2.1%</u>
Operating Income	26,069,129	28,077,701	(2,008,572)	-7.2%
Interest Income	<u>97,039</u>	<u>114,364</u>	<u>(17,325)</u>	<u>-15.1%</u>
Income before transfers	\$ <u>26,166,168</u>	\$ <u>28,192,065</u>	\$ <u>(2,025,897)</u>	<u>-7.2%</u>
Net Proceeds	\$ <u>24,090,904</u>	\$ <u>25,163,610</u>	\$ <u>(1,072,706)</u>	<u>-4.3%</u>

Note – Net Proceeds does not include unclaimed prizes.

ADHE Transfer Analysis

<u>Month</u>	<u>2014 Transfers</u>	<u>2014 Unclaimed Prizes</u>	<u>2014 Budget</u>	<u>Over/Under Budget</u>	<u>Cumulative Balance</u>
July, 2013	\$4,891,372	\$747,115	\$5,621,039	\$17,448	\$17,448
August	6,401,829	87,431	6,959,900	-470,640	-453,192
September	6,023,766	618,079	7,279,088	-637,243	-1,090,435
October	6,773,937	94,334	7,497,572	-629,301	-1,719,736
November					
December					
January, 2014					
February					
March					
April					
May					
June					
Totals	<u>\$24,090,904</u>	<u>\$1,546,959</u>	<u>\$27,357,599</u>		