

**AUDIT REPORT
OF THE
NEBRASKA LOTTERY**

JULY 1, 2009 THROUGH JUNE 30, 2010

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
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Issued on October 26, 2010

NEBRASKA LOTTERY

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NEBRASKA LOTTERY

BACKGROUND

The Legislature created the Lottery Division of the Nebraska Department of Revenue in 1991. Nebraska voters passed a constitutional amendment allowing the creation of a State lottery in November 1992, and the Legislature established the State lottery in 1993. As the 37th lottery in the nation, the Nebraska Lottery began scratch ticket sales on September 11, 1993. Sales of on-line products began on July 21, 1994.

The Nebraska Lottery is responsible for contracting for scratch ticket production, on-line equipment, advertising, security, and related services. In addition, the Nebraska Lottery recruits and screens Nebraska Lottery retailers, develops Nebraska Lottery products, and collects Nebraska Lottery revenues.

Currently, the Nebraska Lottery offers Powerball®, Nebraska Pick 5®, Nebraska Pick 3®, 2by2®, MyDaY®, Mega Millions®, and instant games.

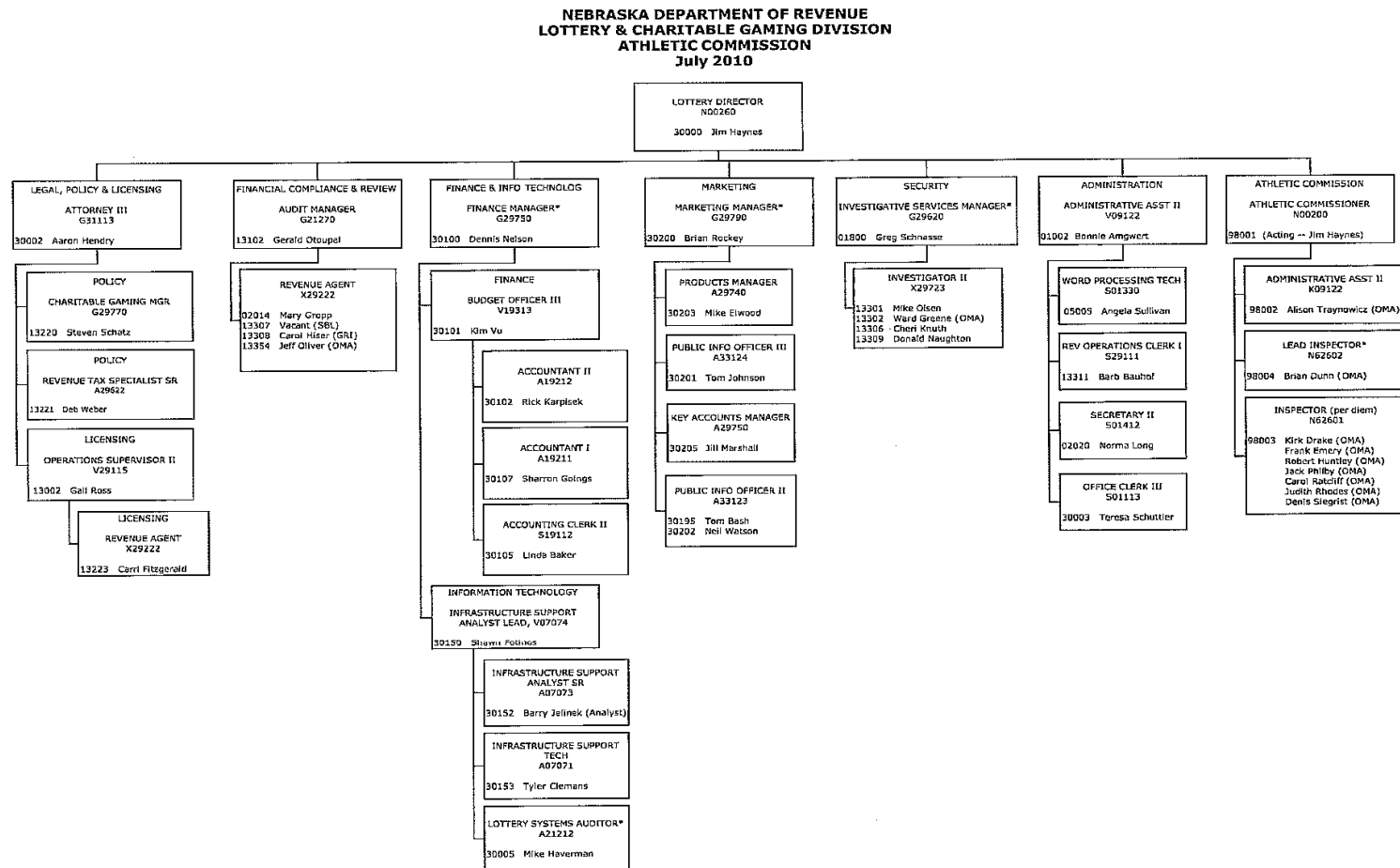
The Nebraska Constitution establishes the basic requirements for the transfer of lottery ticket sales to certain beneficiary funds. The portion designated for the education beneficiary can be amended by the Legislature. Neb. Rev. Stat. § 9-812 (Supp. 2009), as amended, identifies the specific requirements and they are as follows: Beginning October 1, 2003, a portion of the dollar amount of the lottery tickets, which have been sold on an annualized basis shall be transferred to the beneficiary funds. The dollar amount transferred shall equal the greater of (a) the dollar amount transferred to the funds in fiscal year 2002-2003 or (b) any amount which constitutes at least twenty-two percent and no more than twenty-five percent of the dollar amount of the lottery tickets sold on an annualized basis. Neb. Rev. Stat. § 9-812 (Supp. 2009) as amended, further requires the following: Of the money remaining after the payment of prizes and operating expenses; the first five hundred thousand dollars shall be transferred to the Compulsive Gamblers Assistance Fund. Of the money remaining after the payment of prizes, operating expenses, and transfer to the Compulsive Gamblers Assistance Fund; nineteen and three-fourths percent shall be transferred to the Education Innovation Fund, twenty-four and three-fourths percent shall be transferred to the Nebraska Scholarship Fund, forty-four and one-half percent shall be transferred to the Nebraska Environmental Trust Fund, ten percent shall be transferred to the State Fair Support and Improvement Cash Fund, and one percent shall be transferred to the Compulsive Gamblers Assistance Fund.

MISSION STATEMENT

The mission of the Nebraska Lottery is to generate proceeds for good causes as determined by the voters and the Legislature, while providing quality entertainment options to Nebraskans.

NEBRASKA LOTTERY

ORGANIZATIONAL CHART



All Positions located in Lincoln unless otherwise noted.
*Working Title

Updated 7/29/2010

NEBRASKA LOTTERY

EXIT CONFERENCE

An exit conference was held October 15, 2010, with the Nebraska Lottery to discuss the results of our examination. Those in attendance for the Nebraska Lottery were:

NAME	TITLE
Doug Ewald	Tax Commissioner
James M. Haynes	Lottery Director
Dennis Nelson	Finance Director
Aaron Hendry (via Teleconference)	Lottery Legal Counsel

NEBRASKA LOTTERY

SUMMARY OF COMMENTS

During our audit of the Nebraska Lottery, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. ***Expenses Paid by Vendors:*** Lottery vendors pay for meals, refreshments, and similar expenses for Lottery employees.
2. ***Service Contracts:*** Lottery did not competitively bid its contracts for auditing services for its Pick 5, Pick 3, and MyDaY games. Total amount paid to this contractor during fiscal year 2010 was \$102,334.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Nebraska Lottery to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. The responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

NEBRASKA LOTTERY

COMMENTS AND RECOMMENDATIONS

1. Expenses Paid by Vendors

Neb. Rev. Stat. § 9-816(2) (Reissue 2007) states “Neither the director, any employee of the [Lottery] division, nor any member of their immediate families shall ask for, offer to accept, or receive any gift, gratuity, or other thing of value which would inure to that person's benefit from (a) any entity contracting or seeking to contract with the state to supply equipment or materials for use by the division, (b) any applicant for a contract to act as a lottery game retailer to be awarded by the division, or (c) any lottery game retailer.”

Section 9-816(4)(a)(iv) excludes from the definition of “gift, gratuity, or other thing of value,” as used in the above statutory prohibition, “breakfast, luncheon, dinner, or other refreshment consisting of food and beverage provided for immediate consumption.” A comparable exception for food and beverages is found in the Nebraska Political Accountability and Disclosure Act at Neb. Rev. Stat. § 49-1423 (Reissue 2004).

Section 9-816(4)(a)(v) also excludes “[a]ny admission to a facility or event” from the definition of “gift, gratuity, or other thing of value,” as used in § 9-816(2).

The Department of Revenue’s own internal Policy No. 012 (October 6, 2009) permits Lottery employees to accept “food and beverage provided for immediate consumption” and “admission to facilities or events.” Both § 9-816(4)(a)(vii) and Policy No. 012 also allow Lottery employees to accept, respectively, anything of value “received in legitimate furtherance of the objectives of the State Lottery Act” or “that further[s] the objectives of the Nebraska Lottery.”

During our current and past audits of the Lottery, the Auditor of Public Accounts (APA) requested and received a list of employee expenses paid by Lottery vendors. This information was obtained directly from the Lottery’s three largest vendors, which are: GTECH, the Lottery’s vendor for scratch tickets; Intralot, the Lottery’s vendor for all online games, such as Powerball, Mega Millions, and Pick 5; and SKAR Advertising, the Lottery’s marketing and advertising vendor.

The table below summarizes the employee expense information received from the three Lottery vendors. It should be noted that the amounts in the table are not expenses that benefited only Lottery employees; rather, the amounts reflect expenses paid by the vendors for both Lottery and vendor employees.

Vendor:	FY 2007	FY 2008	FY 2009	FY 2010	Totals
GTECH	\$ 3,821	\$ 2,753	\$ 1,017	\$ 1,338	\$ 8,929
Intralot	2,831	4,591	3,710	1,530	12,662
SKAR	Note 1	Note 1	Note 1	231	231
Total by Year	\$ 6,652	\$ 7,344	\$ 4,727	\$ 3,099	\$ 21,822

Note 1: SKAR was not the advertising vendor for FY 2007, FY 2008 and FY 2009, so the information for those years is not applicable.

NEBRASKA LOTTERY

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Expenses Paid by Vendors (Concluded)

The APA has also included both **Exhibit A**, which provides the underlying detail for the summarized table above, and **Exhibit B**, which is a receipt for a meal paid for by a Lottery vendor.

Lottery's Response: The Auditor has indicated no violation of state law or policy. At the exit conference, the Auditor said, "There is nothing illegal about this practice. I wanted this included for public disclosure." The accepting of vendor provided meals is expressly allowed under state law, the State Lottery Act, and departmental policies. Meal reimbursement is routinely required as a vendor contractual obligation. Moreover, the employee expense information provided is inherently misleading; no dollar amount provided by any vendor was independently verified, and many figures include amounts spent on vendor employees and others. For example, the receipt provided by the Auditor for 1/25/2007 included a meal total of \$1,308, of which only about \$150 of the total meal cost was spent on Lottery employees. The Auditor has also taken the unprecedented step of including previously audited information from FY 2007, FY 2008, and FY 2009 in the audit review of FY 2010. Finally, no meal expenditure involved the use of state funds or resources.

APA Response: Conduct that may be legal is not necessarily appropriate. The senior officials at Lottery have an obligation to the public to ensure that Lottery contracts are awarded and negotiated through a fair and competitive process and that the winning contractors are monitored for performance. Excessive socializing between those who award government contracts and those who win them gives an appearance of impropriety. The APA has repeatedly expressed these concerns to Lottery officials and believes that despite the strong objections of Lottery, the matter should be publicly disclosed. The inclusion of prior year information is appropriate and not "unprecedented."

2. Service Contracts

Effective February 22, 2008, Title 370 NAC 302.01, Competitive Bidding, states that "[t]he purchase, lease, lease-purchase or contracting for goods expected to cost in the aggregate in excess of ten thousand dollars and services expected to cost in the aggregate in excess of twenty-five thousand dollars shall be obtained as a result of competitive bidding."

Good business practices require management to have contracts competitively bid so they receive the best price available.

Lottery has separate auditing service contracts for the Pick 3, Pick 5, and MyDaY games. These contracts are with the same contractor who performs similar services for each contract. The contractor provides Certified Public Accountants (CPAs) to observe computer and information reporting operations related to the Nebraska Lottery draws. The CPAs certify Lottery sales data and vendor sales data agree, as well as, certify the winning numbers were randomly drawn and the integrity of the Nebraska Lottery was maintained at all times.

NEBRASKA LOTTERY

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Service Contracts (Concluded)

Each contract is renewed every six months and is for approximately \$17,000. Since the cost of the service contract is less than \$25,000, Lottery does not solicit competitive bids from contractors. However, if the auditing services, which are similar for each game, were accumulated into a single contract, the contract would be required to be competitively bid in order to be in compliance with Lottery's policy. The total paid to the firm providing audit services for the Pick 3, Pick 5, and MyDaY games, during fiscal year 2010, was \$102,334.

The APA also noted in each of the service contracts it states "Under no circumstance may the amount of compensation to the auditor for the term of this contract exceed \$25,000. If compensation to the auditor exceeds \$25,000, this contract is automatically canceled without recourse to either party for any damages of any kind."

While these contracts are in compliance with their policies, Lottery is not competitively bidding the audit service contracts. This increases the risk Lottery may not be paying the lowest possible price for audit services.

We recommend the Nebraska Lottery competitively bid out the auditing of the Pick 3, Pick 5, and MyDaY games.

Lottery's Response: The Lottery did not write the audit services contracts to avoid the competitive bidding process. Each audit services contract was initiated when each new lotto game started. As noted by the APA, similar services were provided by the contractor for each game, but, separate management representation letters were signed for each game and separate independent auditor reports were required for each game. The Lottery did not violate any State statutes and was in compliance with internal policies. The Lottery does agree that competitive bidding may provide an opportunity for lower-costing services and will evaluate how future audit services contracts will be awarded.



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NEBRASKA LOTTERY

INDEPENDENT AUDITORS' REPORT

State Tax Commissioner
Nebraska Department of Revenue, Lottery Division

We have audited the accompanying financial statements of the business-type activities of the Nebraska Lottery, as of and for the year ended June 30, 2010, which collectively comprise the Nebraska Lottery's basic financial statements, which include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are the responsibility of the Nebraska Lottery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Nebraska Lottery, a division of the Nebraska Department of Revenue, are intended to present the financial position and changes in financial position of only that portion of the business-type activities of the State that is attributable to the transactions of the Nebraska Lottery. They do not purport to, and do not, present fairly the financial position of the business-type activities of the State of Nebraska as of June 30, 2010, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nebraska Lottery, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2010, on our consideration of the Nebraska Lottery's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nebraska Lottery's basic financial statements. The statistical information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statistical information schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Signed Original on File

October 21, 2010

Don Dunlap, CPA
Assistant Deputy Auditor

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nebraska Lottery financial report presents a narrative overview and analysis of the financial activities of the Nebraska Lottery for the fiscal year ended June 30, 2010. Please read it in conjunction with the Nebraska Lottery's financial statements and related notes. The financial statements, notes, and this discussion are the responsibility of Nebraska Lottery's management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Nebraska Legislature established the Nebraska Lottery (Lottery) on February 24, 1993. The Lottery is to provide instant win games and on-line random number selection games. The Lottery began selling instant (scratch) tickets on September 11, 1993, and began selling on-line (lotto) tickets on July 21, 1994. The Lottery is a division of the Nebraska Department of Revenue and as such, the financial summaries presented here and the related comments are for the Lottery's activities only and do not include the Department of Revenue's activities or statements.

The Lottery accounts for its financial transactions as an enterprise fund. Enterprise funds are used to account for governmental operations that are financed and operated in a manner similar to private business. The Lottery uses the accrual basis of accounting. In the annual report issued by the Lottery, we include three financial reports.

- 1) Statement of Net Assets
This report will show the assets, liabilities, and net assets ("equity") of the Lottery as of June 30, 2010. This report is basically the balance sheet for a private business.
- 2) Statement of Revenues, Expenses, and Changes in Net Assets
This report will show the revenue, expenses, transfers to other funds, and changes in net assets for the Lottery for the fiscal year. This report would be similar to an income statement or a profit-loss statement for a private business.
- 3) Statement of Cash Flows
This report is an analysis of the sources of cash flows into the Lottery and out of the Lottery for the fiscal year.

DISCUSSION OF NET ASSETS

While reviewing the Summary of Net Assets, it must be compared to the prior year's Net Assets to see the changes in the various classifications (see Table A below). The largest asset decrease was in the Accounts Receivable. The balance decreased by about \$1.8 million. The major component of this decrease was due to last year's accounts payable with the Multi-state Lottery Association (MUSL). The MUSL accounts payable ended in a negative position at June 30, 2009, of about \$600,000 which caused the Lottery to reclassify it as an accounts receivable. As noted last year, this negative position was caused by a \$1.0 million Powerball prize (won in June 2009) for which the money had not yet been transferred to the Lottery. During July 2009, the money was transferred and that put the accounts payable back to its expected position. There were other material items affecting Accounts Receivable as well. 1) Intralot, the lotto vendor,

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

owed the Lottery about \$250,000 last year from a marketing reimbursement that was in the process of being paid. This amount was paid in this fiscal year and there was no outstanding balance for Intralot this year. 2) The accounts receivable from lotto sales was about \$500,000 less and scratch sales about \$300,000 less. This occurred as we had only four days in accounts receivable at this fiscal year end as opposed to 10 days for last year end. 3) The MUSL on-going accounts receivable was \$100,000 less as some of the unreserved balance was used to pay a Mega Millions prize deficit and to pay for the normal budget costs of being a member of MUSL.

The other asset classification that had a material change was Cash and Cash Equivalents. There was an increase of more than \$800,000. This increase is related to the MUSL transfer of funds in July 2009 (to pay the June 2009 \$1.0 million Powerball winner).

The largest liability change was the Prize Payable classification. There was a decrease of about \$1.3 million which again was related to the June 2009 large Powerball winner. The \$1.0 million prize was still in the liability account as of last year end.

The other liability classification that had a material change was Accounts Payable. There was an increase of about \$500,000. About \$320,000 was from expenses that would normally be recognized in July 2010 but were reclassified back to June 2010. This reclassification created an additional amount in Accounts Payable.

Table A
Summary of Net Assets

	FY 2010	FY 2009	Change
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 7,349,896	\$ 6,487,100	\$ 862,796
Accounts Receivable	4,389,159	6,164,811	(1,775,652)
Prepaid Prizes and Costs	423,796	356,298	67,498
TOTAL CURRENT ASSETS	<u>12,162,851</u>	<u>13,008,209</u>	<u>(845,358)</u>
NONCURRENT ASSETS			
Reserves on Deposit	1,889,960	1,895,995	(6,035)
Furniture, Fixtures, Equipment (Net)	21,066	34,968	(13,902)
TOTAL NONCURRENT ASSETS	<u>1,911,026</u>	<u>1,930,963</u>	<u>(19,937)</u>
TOTAL ASSETS	<u>\$ 14,073,877</u>	<u>\$ 14,939,172</u>	<u>\$ (865,295)</u>
CURRENT LIABILITIES			
Accounts Payable	\$ 2,044,395	\$ 1,508,717	\$ 535,678
Compensated Absences and Accrued Payroll Payable	57,020	105,517	(48,497)
Prize Payable	4,886,918	6,236,908	(1,349,990)
Other Accrued Liabilities	191,278	222,615	(31,337)
TOTAL CURRENT LIABILITIES	<u>7,179,611</u>	<u>8,073,757</u>	<u>(894,146)</u>

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	FY 2010	FY 2009	Change
NONCURRENT LIABILITIES			
Compensated Absences Payable	229,165	229,035	130
TOTAL NONCURRENT LIABILITIES	229,165	229,035	130
TOTAL LIABILITIES	<u>\$ 7,408,776</u>	<u>\$ 8,302,792</u>	<u>\$ (894,016)</u>
NET ASSETS			
Invested in Capital Assets	\$ 21,066	\$ 34,968	\$ (13,902)
Restricted for Future Prizes	1,889,960	1,895,995	(6,035)
Unrestricted Assets	4,754,075	4,705,417	48,658
TOTAL NET ASSETS	<u>\$ 6,665,101</u>	<u>\$ 6,636,380</u>	<u>\$ 28,721</u>

DISCUSSION OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

During this year, the Nebraska Lottery again experienced higher sales. Overall, revenues increased by more than \$7.3 million. (See Table B below.) On the lotto side, some of this increase, \$2.4 million, was due to the introduction of Mega Millions. This new lotto game is similar to Powerball. During this fiscal year, MUSL began to allow non-MUSL states to sell Powerball which then allowed Nebraska access to begin selling Mega Millions (sales started late in March 2010). Nebraska activity in this game is processed by MUSL. Another reason for the increase was the sales from the Nebraska-only game, Pick 5, which went up by \$1.6 million. During the year, there were several jackpot runs that went longer than expected. This increased the amount of the jackpots which generated player excitement and sales. Powerball sales were also up about \$1.0 million. On the scratch side, sales increased by about \$2.2 million most of which was from the \$5 price point. No one specific scratch ticket game can be identified as the reason for the increase, though, the Lottery did do a \$5 scratch ticket game featuring Larry the Cable Guy which did sell very well.

On the expense side, the Prize Expense went up more than \$3.1 million. This increase is due to the higher sales. The Contractual Services Expense (payments to our scratch ticket vendor and our lotto ticket vendor) and the Retailer Commissions increased during the year leading to a combined increase of about \$800,000. Again, these are due to the increased sales that we experienced. Marketing Expense went up about \$300,000 as we recognized some charges that would usually be July 2010 expenses but were reclassified back to June 2010.

The Transfers to Other Funds increased by about \$1.8 million. With record sales and profits, the Lottery was able to transfer record amounts to the beneficiary funds as well.

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Table B
Statement of Revenues, Expenses and Changes in Net Assets

	FY 2010	FY 2009	Change
REVENUES			
Sales	\$ 134,284,050	\$126,801,727	\$ 7,482,323
Sales Returns	(3,703,899)	(3,550,795)	(153,104)
OPERATING REVENUE	<u>130,580,151</u>	<u>123,250,932</u>	<u>7,329,219</u>
Interest Income	364,440	532,551	(168,111)
Multi-State Lottery Assoc. Income	32,998	177,832	(144,834)
NON-OPERATING REVENUE	<u>397,438</u>	<u>710,383</u>	<u>(312,945)</u>
TOTAL REVENUES	<u><u>\$ 130,977,589</u></u>	<u><u>\$123,961,315</u></u>	<u><u>\$ 7,016,274</u></u>
EXPENSES			
Prize Expense	\$ 75,034,151	\$ 71,860,963	\$ 3,173,188
Retailer Commissions	8,110,082	7,673,738	436,344
Contractual Services Expense	9,213,557	8,840,094	373,463
Marketing Expense	4,765,251	4,454,810	310,441
Lottery Operating Expense	<u>1,825,553</u>	<u>1,846,409</u>	<u>(20,856)</u>
TOTAL EXPENSES	<u><u>\$ 98,948,594</u></u>	<u><u>\$ 94,676,014</u></u>	<u><u>\$ 4,272,580</u></u>
NET INCOME BEFORE TRANSFERS	\$ 32,028,995	\$ 29,285,301	\$ 2,743,694
TRANSFERS TO OTHER FUNDS	<u>32,000,274</u>	<u>30,245,118</u>	<u>1,755,156</u>
CHANGE IN NET ASSETS	<u><u>\$ 28,721</u></u>	<u><u>\$ (959,817)</u></u>	<u><u>\$ 988,538</u></u>

OTHER ITEMS OF NOTE

The increased sales noted this fiscal year may not be sustainable. The unpredictability of the Powerball, Mega Millions, and Pick 5 jackpots along with external forces that affect player purchases (fuel prices, economic situations, international tensions, other entertainment options, etc.) could have a drastic effect on future sales and future transfers to the beneficiary trust funds.

For this fiscal year, only a little more than three months of Mega Millions sales were included in the financial statements. Using weekly average estimates, Mega Millions sales will be greater for the next fiscal year.

NEBRASKA LOTTERY

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CONTACTING LOTTERY MANAGEMENT

This financial report is required as part of Governmental Accounting Standards Board (GASB) Statement 34 and is prepared to provide the readers such as the Legislature, the public, and other interested parties with an overview of the financial results of the Nebraska Lottery's activities. If you have any questions about this report, please contact the Nebraska Lottery at PO Box 98901, Lincoln, NE 68509-8901.

NEBRASKA LOTTERY
STATEMENT OF NET ASSETS
As of June 30, 2010

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 7,349,896
Accounts Receivable, Net of Allowance (Note 4)	4,389,159
Prepaid Prizes	134,554
Prepaid Contract Costs - Instant	289,242
TOTAL CURRENT ASSETS	<u>12,162,851</u>

NONCURRENT ASSETS:

Reserves on Deposit (Note 6)	1,889,960
Capital Assets:	
Furniture, Fixtures, and Equipment (Note 5)	331,817
Less: Accumulated Depreciation	310,751
Total Capital Assets, Net	<u>21,066</u>
TOTAL NONCURRENT ASSETS	<u>1,911,026</u>

TOTAL ASSETS	<u><u>\$ 14,073,877</u></u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts Payable	\$ 439,112
Vendors Payable	1,605,283
Compensated Absences Payable (Note 7)	17,249
Accrued Payroll Payable	39,771
Withheld Taxes on Prizes Paid	27,402
Prize Payable	4,886,918
Due to Other Funds	59,961
Other Accrued Liabilities	103,915
TOTAL CURRENT LIABILITIES	<u>7,179,611</u>

NONCURRENT LIABILITIES:

Compensated Absences Payable (Note 7)	<u>229,165</u>
TOTAL NONCURRENT LIABILITIES	<u>229,165</u>

TOTAL LIABILITIES	<u>7,408,776</u>
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NET ASSETS

Invested in Capital Assets	21,066
Restricted for Future Prizes (Note 6)	1,889,960
Unrestricted (Note 10)	4,754,075
TOTAL NET ASSETS	<u>6,665,101</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 14,073,877</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NEBRASKA LOTTERY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING REVENUE:

Sales	\$ 134,284,050
Less: Sales Returns	3,703,899
TOTAL OPERATING REVENUE	<u>130,580,151</u>

OPERATING EXPENSES:

Prize Expense	75,034,151
Retailer Commissions	8,110,082
Contractual Services Expense	9,213,557
Marketing	4,765,251
Lottery Operating	1,825,553
TOTAL OPERATING EXPENSES	<u>98,948,594</u>

OPERATING INCOME	<u>31,631,557</u>
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NONOPERATING REVENUE:

Interest Income	364,440
Multi-State Lottery Association Income	32,998
TOTAL NONOPERATING REVENUE	<u>397,438</u>

INCOME BEFORE OPERATING TRANSFERS	32,028,995
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TRANSFERS TO OTHER FUNDS (Note 9)	<u>(32,000,274)</u>
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CHANGE IN NET ASSETS	28,721
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TOTAL NET ASSETS, BEGINNING OF YEAR	<u>6,636,380</u>
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TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 6,665,101</u></u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

NEBRASKA LOTTERY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Ticket Sales	\$ 131,315,546
Prizes Paid to Winners	(75,418,456)
Commissions Paid to Retailers	(8,104,385)
Paid to Contractors for Goods and Services	(13,532,827)
Paid to Employees	(1,412,901)
Other Operating Expenses	(477,252)
Powerball® Grand Prize Winner Receipts from MUSL	5,030,000
Payments to Powerball® Grand Prize Winners	(5,030,000)
Net Cash Provided by Operating Activities	<u>32,369,725</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Paid to Education Innovation Fund	(6,221,304)
Paid to Nebraska Scholarship Fund	(7,796,316)
Paid to State Fair Improvement Fund	(3,150,031)
Paid to Environmental Trust Fund	(14,017,622)
Paid to Compulsive Gamblers Assistance Fund	(815,002)
Net Cash Used in NonCapital Financing Activities	<u>(32,000,275)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Cash	364,440
Multi-State Lottery Association Income	128,906
Net Cash Provided by Investing Activities	<u>493,346</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	862,796
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,487,100</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 7,349,896</u></u>
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(Continued)

NEBRASKA LOTTERY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating Income	<u>\$ 31,631,557</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	13,901
Changes in Assets (Increase) Decrease in:	
Reserves on Deposit	6,035
Prepaid Prizes	(43,136)
Accounts Receivable (Net)	1,679,745
Prepaid Contract Costs - Instant	(24,362)
Changes in Liabilities Increase (Decrease) in:	
Other Accrued Liabilities	(51,113)
Accounts Payable and Due to Other Funds	386,027
Prizes Payable	(1,349,990)
Compensated Absences and Accrued Payroll Payable	(48,367)
Withheld Taxes on Prizes Paid	(17,741)
Vendors Payable	<u>187,169</u>
Total Adjustments	<u>738,168</u>
Net Cash Provided by Operating Activities	<u><u>\$ 32,369,725</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

(Concluded)

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2010

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Nebraska Lottery have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. As the Nebraska Lottery is a business-type activity, the financial statements presented are the financial statements required by Governmental Accounting Standards Board (GASB) Statement Number 34 for an enterprise fund. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements have been prepared primarily from data maintained by the Nebraska Lottery on computer systems provided by the instant and on-line game vendors and from accounts maintained by the State Accounting Administrator of the Department of Administrative Services.

B. Reporting Entity

The Nebraska Lottery was established on February 24, 1993, by the Nebraska Legislature as a division of the Nebraska Department of Revenue established under and governed by the laws of the State of Nebraska. As such, the Nebraska Lottery is exempt from State and Federal income taxes. The financial statements include all funds of the Nebraska Lottery. The Nebraska Lottery is to provide an instant win and a random number selection on-line lottery. The net proceeds as outlined in Neb. Rev. Stat. § 9-812 (Supp. 2009) are to be transferred to the Education Innovation Fund, the Nebraska Scholarship Fund (2010 Neb. Laws LB 956 changed the Nebraska Scholarship Fund to the Nebraska Opportunity Grant Fund as of July 1, 2010), the Nebraska Environmental Trust Fund, and the Compulsive Gamblers Assistance Fund. As of January 1, 2005, Neb. Const. art. III, Section 24, Amendment 4, required an additional transfer to the State Fair Support and Improvement Cash Fund, a fund of the State Fair Board. The financial statements include only the Nebraska Lottery and are not intended to present the financial position of the Nebraska Department of Revenue or the results of operations and changes in fund balances of the Department as a whole. The Nebraska Department of Revenue is part of the primary government for the State of Nebraska's reporting entity.

The Nebraska Lottery has also considered all potential component units for which it is financially accountable, and other organizations which are fiscally dependent on the Nebraska Lottery, or the significance of their relationship with the Nebraska Lottery is such that exclusion would be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (Continued)

voting majority of an organization's governing body, and (1) the ability of the Nebraska Lottery to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Nebraska Lottery.

These financial statements present the Nebraska Lottery. No component units were identified.

C. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Nebraska Lottery financial statements were reported using the economic resources measurement focus and the accrual basis of accounting. With the economic resources measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Fund equity (i.e., net total assets) is segregated into restricted and unrestricted net assets. The Nebraska Lottery's operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Revenues generated from the sale of lottery tickets are reported as operating revenues. Transactions which are capital financing, non-capital financing, or investing related are reported as non-operating revenues. All expenses related to operating the Nebraska Lottery are reported as operating expenses. All other expenses are reported as non-operating expenses.

Instant ticket revenue is recognized when tickets are sold to the retailer and on-line revenue is recognized after the drawing is completed for the respective wagers. A 5% or 6% retailer commission and prize expense are recognized at the same time. Revenues from the sale of on-line tickets for future drawings and the related agent commission and prize expense are deferred until the drawings are held.

Prize expense is recognized in the same period ticket revenue is recognized based on the predetermined prize structure for each game. Because the instant prize winning tickets are randomly distributed throughout the tickets and because some winning tickets will be

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)

lost, destroyed, or unredeemed for other reasons, there will be differences between amounts accrued and the amounts actually paid. These differences, denoted as unclaimed prizes, are recognized as a reduction of prize expense 181 days after the close of each instant game and 181 days after each draw for on-line games as prizes unclaimed for 180 days expire. Total unclaimed prizes for the fiscal year ended June 30, 2010, were \$1,795,676.

In September 1993, GASB issued Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." This Statement is effective for financial statement periods beginning after December 15, 1993. As permitted by the Statement, the Nebraska Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless GASB specifically adopts such FASB statements or interpretations.

The activities of the Nebraska Lottery are accounted for as an enterprise fund. Enterprise funds are used to account for governmental operations that are financed and operated in a manner similar to private business enterprises and where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net assets is appropriate.

D. Cash and Cash Equivalents

In addition to bank accounts and petty cash, this classification includes all short-term investments such as certificates of deposit, repurchase agreements, and U.S. treasury bills. These short-term investments may have original maturities (remaining time to maturity at acquisition) greater than three months however cash is available and is considered cash and cash equivalents for reporting purposes. These investments are stated at cost, which at June 30, 2010, approximates market. Banks pledge collateral, as required by law, to guarantee State funds held in time and demand deposits.

Cash and Cash equivalents are under the control of the State Treasurer or other administrative bodies as determined by law. Investments of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. Interest earned on these investments is allocated to funds based on their percentage of the investment pool. Additional information on the deposits and investments portfolio including investment policies, risks, and types of investments can be found in the State of Nebraska's Comprehensive Annual Financial Report (CAFR).

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The State's biennial budget cycle ends on June 30 of the odd-numbered years. By September 15, prior to a biennium, the Nebraska Lottery and all other State agencies must submit their budget requests for the biennium beginning the following July 1. The requests are submitted on forms that show estimated funding requirements by programs, sub-programs, and activities. The Executive Branch reviews the requests, establishes priorities, and balances the budget within the estimated resources available during the upcoming biennium.

The Governor's budget bill is submitted to the Legislature in January. The Legislature considers revisions to the bill and presents the appropriations bill to the Governor for signature. The Governor may: a) approve the appropriations bill in its entirety, b) veto the bill, or c) line item veto certain sections of the bill. Any vetoed bill or line item can be overridden by a three-fifths vote of the Legislature.

The approved appropriations will generally set spending limits for a particular program within the agency. Within the agency or program, the Legislature may provide funding from one to five budgetary fund types. Thus, the control is by fund type, within a program, within an agency. Appropriations are usually made for each year of the biennium, with unexpended balances being reappropriated at the end of the first year of the biennium. For most appropriations, balances lapse at the end of the biennium.

All State budgetary expenditures for the enterprise fund type are made pursuant to the appropriations, which may be amended by the Legislature, upon approval by the Governor. State agencies may reallocate the appropriations between major objects of expenditure accounts, except that the Legislature's approval is required to exceed the personal service limitations contained in the appropriations bill. Increases in total appropriations must also be approved by the Legislature as a deficit appropriations bill. Revenues are not budgeted.

F. Receivables

Receivables are reported net of estimated allowances for uncollectible amounts which is estimated based upon past collection experience and current economic conditions.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets include equipment which is valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Generally, equipment which has a cost in excess of \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or extend the asset life is not capitalized.

Equipment is depreciated using the straight line method over the estimated useful lives of three to seven years.

H. Compensated Absences

All permanent employees working for the Nebraska Lottery earn sick and annual leave and are allowed to accumulate compensatory leave rather than being paid overtime. Temporary and intermittent employees are not eligible for paid leave. The liability has been calculated using the vesting method, in which leave amounts, for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

Nebraska Lottery employees accrue vested annual leave at a variable rate based on years of service. Generally, accrued annual leave cannot exceed 35 days at the end of a calendar year. Employees accrue sick leave at a variable rate based on years of service. In general, accrued sick leave cannot exceed 180 days. There is no maximum limit on the accumulation of sick leave days for employees under certain labor contracts. Sick leave is not vested except upon death or upon reaching the retirement eligibility age of 55, or at a younger age if the employee meets all criteria necessary to retire under the primary retirement plan covering his/her State employment, at which time the State is liable for 25 percent of the employee's accumulated sick leave. Employees under certain labor contracts can only be paid a maximum of 60 days.

The Nebraska Lottery financial statements recognize the expense and accrued liability when vacation and compensatory leave is earned or when sick leave is expected to be paid as termination payments.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. **Summary of Significant Accounting Policies** (Concluded)

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal-year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. **Contingencies and Commitments**

Risk Management. The Nebraska Lottery is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Nebraska Lottery, as part of the primary government for the State, participates in the State's risk management program. DAS is responsible for maintaining the insurance and self-insurance programs for the State. The State generally self-insures for general liability, employee health care, employee indemnification, and Workers' compensation. The State has chosen to purchase insurance for:

- A. Motor vehicle liability, which is insured for the first \$5 million of exposure per accident with a self-insured retention of \$300,000 per accident, except for accidents involving vehicular pursuit which have a \$1,000,000 self-insured retention per accident. Insurance is also purchased for physical damage and uninsured and underinsured motorists with various limits and deductibles. State agencies have the option to purchase coverage for physical damage to vehicles.
- B. Life insurance for eligible employees.
- C. Crime coverage, with a limit of \$31 million for each loss, and a \$25,000 self-insured retention per incident subject to specific conditions, limits, and exclusions.
- D. Real and personal property on a blanket basis for losses up to \$250,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$5,000,000 for 120 days or until the value of the property is reported to the insurance company. The perils of flood, earthquake, and acts of terrorism have various coverage, sub-limits, and self insurance. State agencies have the option to purchase building contents and inland marine coverage.

Details of the various insurance coverages are available from DAS - Risk Management Division.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. **Contingencies and Commitments** (Concluded)

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Insurance Trust Funds through a combination of employee and State contributions. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each agency based on total agency payroll and past experience. Tort claims, theft of, damage to, or destruction of assets, errors or omissions, and natural disasters would be funded through the State General Fund or by individual agency assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the Nebraska Lottery's financial statements.

Litigation. The potential amount of liability involved in litigation pending against the Nebraska Lottery, if any, could not be determined at this time. However, it is the Nebraska Lottery's opinion that final settlement of those matters should not have an adverse effect on the Nebraska Lottery's ability to administer current programs. Any judgment against the Nebraska Lottery would have to be processed through the State Claims Board and be approved by the Legislature.

3. **State Employees Retirement Plan (Plan)**

The single-employer plan became effective by statute on January 1, 1964. The plan consists of a defined contribution option and a cash balance benefit. The cash balance benefit is a type of defined benefit plan. Each member employed and participating in the retirement system prior to January 1, 2003, elected to either continue participation in the defined contribution option or begin participation in the cash balance benefit. The defined contribution option is closed to new entrants. All new members of the Plan on and after January 1, 2003, become members of the cash balance benefit. The benefits and funding policy of the Plan is established and can only be amended by the Nebraska Legislature.

All permanent full-time employees are required to begin participation in the retirement system upon employment. All permanent part-time employees, who have attained the age of twenty years, may exercise the option to begin participation in the retirement system.

Contribution. Per statute, each member contributes 4.8% of his or her monthly compensation. The Nebraska Lottery matches the member's contribution at a rate of 156%. The employee's and employer's contributions are kept in separate accounts.

The employee's account is fully vested. The employer's account is fully vested after a total of three years of participation in the system, including credit for participation in another Nebraska governmental plan prior to actual contribution to the Plan.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3. **State Employees Retirement Plan (Plan)** (Concluded)

Defined Contribution Option. Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the sum of the employee and employer account. Members have several forms of payment available, including withdrawals, deferrals, annuities, or a combination of these.

Cash Balance Benefit. Upon attainment of age 55, regardless of service, the retirement allowance shall be equal to the accumulated employee and employer cash balance accounts, including interest credits, annuitized for payment in the normal form. The normal form of payment is single life annuity with five year certain, payable monthly. Members will have the option to convert their member cash balance account to a monthly annuity with built in cost-of-living adjustments of 2.5% annually. Also available are additional forms of payment allowed under the Plan which are actuarially equivalent to the normal form, including the option of lump-sum or partial lump-sum.

For the fiscal year ended June 30, 2010, employees contributed \$50,707 and the Nebraska Lottery contributed \$79,103. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

The State of Nebraska Comprehensive Annual Financial Report (CAFR) also includes pension related disclosures. The CAFR report is available from the Nebraska Department of Administrative Services – Accounting Division or on the Nebraska Auditor of Public Accounts website at www.auditors.state.ne.us.

4. **Receivables**

Retailers comprised principally of grocery stores, convenience stores, and off sale liquor stores serve as the primary distribution channel for lottery sales to the general public. No one retailer accounts for a significant amount of the Nebraska Lottery's sales or accounts receivable. Retailers must pay for instant lottery tickets 45 days after activation or when the pack is 70% validated whichever comes first. Retailers pay for on-line tickets each Wednesday for balances due through the previous Saturday. The retailers accounts receivable is net of allowance for uncollectible in the amount of \$42,227.

Accounts Receivable	
Retailers (net)	\$ 4,134,722
Other	254,437
Total	<u>\$ 4,389,159</u>

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Total Capital Assets	\$ 359,947	\$ -	\$ 28,130	\$ 331,817
Total Accumulated Depreciation	324,979	13,902	28,130	310,751
Total Capital Assets, Net	<u>\$ 34,968</u>	<u>\$ (13,902)</u>	<u>\$ -</u>	<u>\$ 21,066</u>

6. On-Line Lotto Games

During the fiscal year ended June 30, 2010, the Nebraska Lottery offered a variety of on-line games as described in the following table.

Game Name	Operated by	Nebraska's Share of Prize Reserves
Powerball®	MUSL	\$ 1,771,879
Nebraska Pick 5®	Nebraska Lottery	N/A
Nebraska Pick 3®	Nebraska Lottery	N/A
MyDaY®	Nebraska Lottery	N/A
Mega Millions®	MUSL	(9,601)
2by2®	MUSL	127,682
		<u>\$ 1,889,960</u>

The Nebraska Lottery is a member of the Multi-State Lottery Association (MUSL) which operates games on behalf of participating state lotteries. Each MUSL member sells on-line game tickets through its agents and makes weekly payments to MUSL in an amount equal to each game's prize structure, less amounts retained for prizes paid directly to the winners by each member lottery. MUSL maintains prize reserve funds on each game to serve as a contingency reserve to protect from unforeseen prize liabilities. The money in these reserve funds is to be used at the discretion of the MUSL Board of Directors. The prize reserve funds are refundable to MUSL members if MUSL disbands or if a member leaves MUSL. Members leaving MUSL must wait one year before receiving their remaining share of the prize reserve funds.

The Powerball® and Mega Millions® grand prizes can be paid either as annual installments or a lump sum cash payment, depending on the selection of the winner when claiming the prize. If the winner selects annual installments, MUSL purchases bonds which are held in trust to fund the future installments. Maturities are staggered in order to provide adequate cash flow for each installment. MUSL is responsible for paying amounts owed to the grand prize winners. The assets and related liabilities are reflected in MUSL's financial statements and, therefore, are not reflected in the Nebraska Lottery's financial statements.

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. Noncurrent Liabilities

Changes in noncurrent liabilities for the year ended June 30, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Compensated Absences	\$ 246,274	\$ 17,379	\$ 17,239	\$ 246,414	\$ 17,249

8. Lease Commitments

The minimum annual lease payments for operating leases as of June 30, 2010, are as follows:

Year	Amount
2011	\$ 49,753
2012	49,754
2013	51,137
2014	52,060
2015	53,013
2016-2017	109,009
Total	\$ 364,726

Total operating lease payments for the year ended June 30, 2010, were \$49,753.

9. Significant Compliance Requirements

The Nebraska Constitution establishes the basic requirements for the transfer of lottery ticket sales to certain beneficiary funds. The portion designated for the education beneficiary can be amended by the Legislature. Neb. Rev. Stat. § 9-812 (Supp. 2009), as amended, identifies the specific requirement and they are as follows: Beginning October 1, 2003, a portion of the dollar amount of the lottery tickets, which have been sold on an annualized basis, shall be transferred to the beneficiary funds. The dollar amount transferred shall equal the greater of (a) the dollar amount transferred to the funds in fiscal year 2002-2003 or (b) any amount which constitutes at least twenty-two percent and no more than twenty-five percent of the dollar amount of the lottery tickets sold on an annualized basis. To the extent that funds are available, the Tax Commissioner and Lottery Director may authorize a transfer exceeding twenty-five percent. Neb. Rev. Stat. § 9-812 (Supp. 2009), as amended, further requires the following: Of the money remaining after the payment of prizes and operating expenses; the first five hundred thousand dollars shall be transferred to the Compulsive Gamblers Assistance Fund. Of

NEBRASKA LOTTERY

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. **Significant Compliance Requirements** (Concluded)

the money remaining after the payment of prizes, operating expenses, and transfer to the Compulsive Gamblers Assistance Fund; nineteen and three-fourths percent shall be transferred to the Education Innovation Fund, twenty-four and three-fourths percent shall be transferred to the Nebraska Scholarship Fund (2010 Neb. Laws LB 956 changed the Nebraska Scholarship Fund to the Nebraska Opportunity Grant Fund as of July 1, 2010), forty-four and one-half percent shall be transferred to the Nebraska Environmental Trust Fund, ten percent shall be transferred to the State Fair Support and Improvement Cash Fund, and one percent shall be transferred to the Compulsive Gamblers Assistance Fund.

As required under its enabling legislation, transfers of \$32,000,274 were made to other funds during the fiscal year.

The Nebraska Lottery develops game structures to comply with the minimum prize provision of its enabling legislation, which requires a minimum of forty percent must be paid in prizes. Prizes are redeemable for 180 days after game end or applicable on-line drawing.

The Nebraska Lottery compares the social security number of each winner that has a per wager prize in excess of \$500 against a list of social security numbers having an outstanding State tax liability or delinquent child support payments. Any delinquent payments are withheld from winnings and forwarded to the appropriate State agency. During the fiscal year the Nebraska Lottery collected \$16,459 in delinquent State taxes and \$6,746 in delinquent child support payments.

Operating Transfers In/Out will not balance and Due To/From Other Funds will not balance, within the Nebraska Lottery's financial statements, as the Nebraska Lottery only represents part of the State's primary government.

10. **Net Assets**

The Nebraska Lottery's unrestricted net assets represent funds not legally restricted for any specific purpose. The funds, however, may only be used to fund additional prize pay-outs, transfers to the beneficiary funds or additional operating expenses of the Nebraska Lottery. It is management's intention to use the unrestricted net assets to fund additional prize pay-outs, retailer incentives, and other game enhancements.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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NEBRASKA LOTTERY
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

State Tax Commissioner
Nebraska Department of Revenue, Lottery Division

We have audited the financial statements of the Nebraska Lottery as of and for the year ended June 30, 2010, and have issued our report thereon dated October 21, 2010. The report was modified to emphasize the financial statements present only the funds of the Nebraska Lottery. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska Lottery's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nebraska Lottery's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nebraska Lottery's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Lottery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional items that we reported to management of the Nebraska Lottery in the Comments Section of this report as Comment Number 1 (Expenses Paid by Vendors) and Comment Number 2 (Service Contracts).

The Nebraska Lottery's written response to the findings identified in our audit are described in the Comments Section of the report. We did not examine the Nebraska Lottery's response and accordingly, we express no opinion on it.

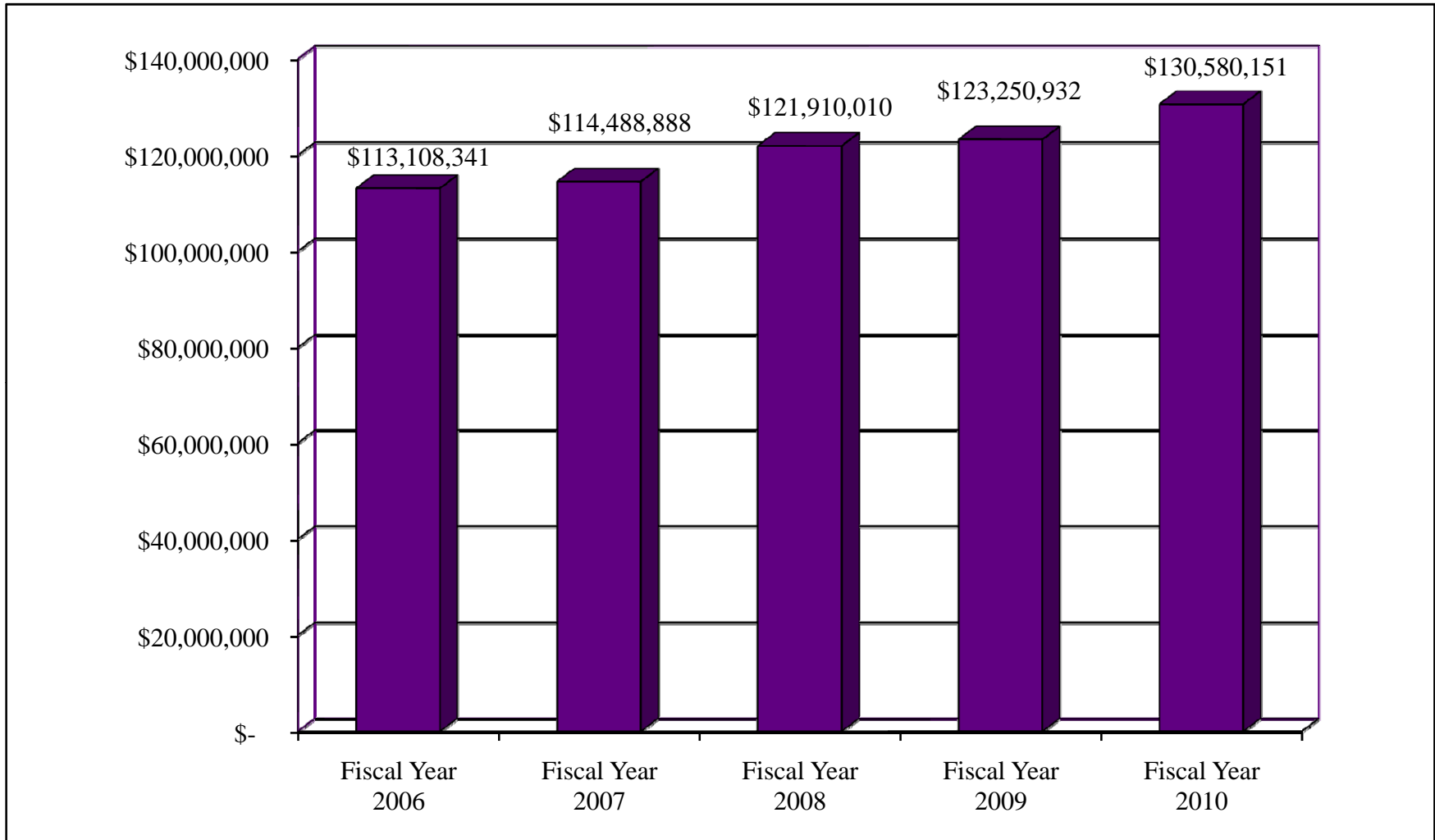
This report is intended solely for the information and use of management, others within the Nebraska Lottery, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

October 21, 2010

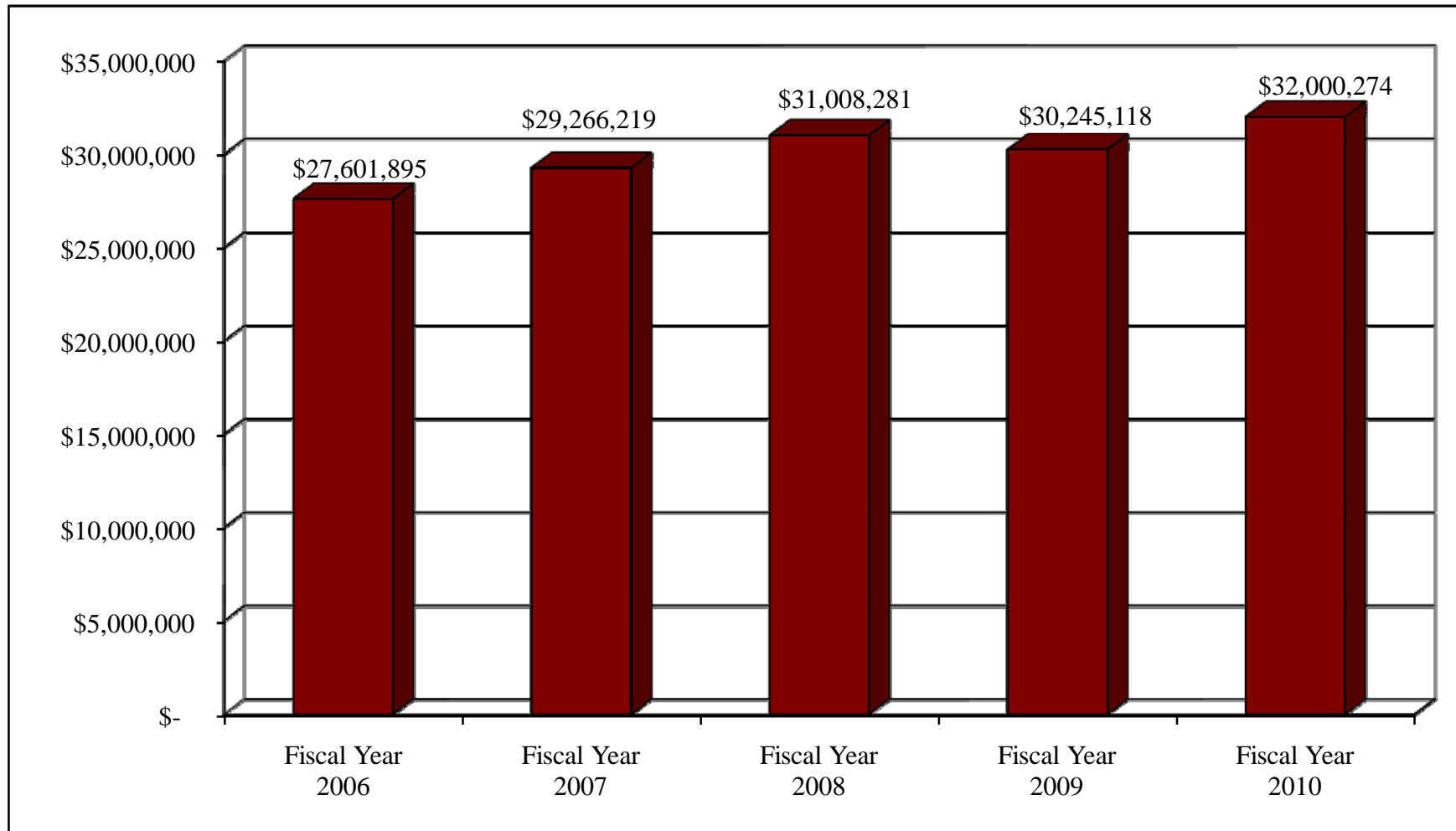
Don Dunlap, CPA
Assistant Deputy Auditor

NEBRASKA LOTTERY
LOTTERY TICKET SALES
For the Fiscal Years 2006 through 2010



Note: These sales are shown on an accrual basis.

NEBRASKA LOTTERY
TOTAL OPERATING TRANSFERS TO BENEFICIARY FUNDS
For the Fiscal Years 2006 through 2010



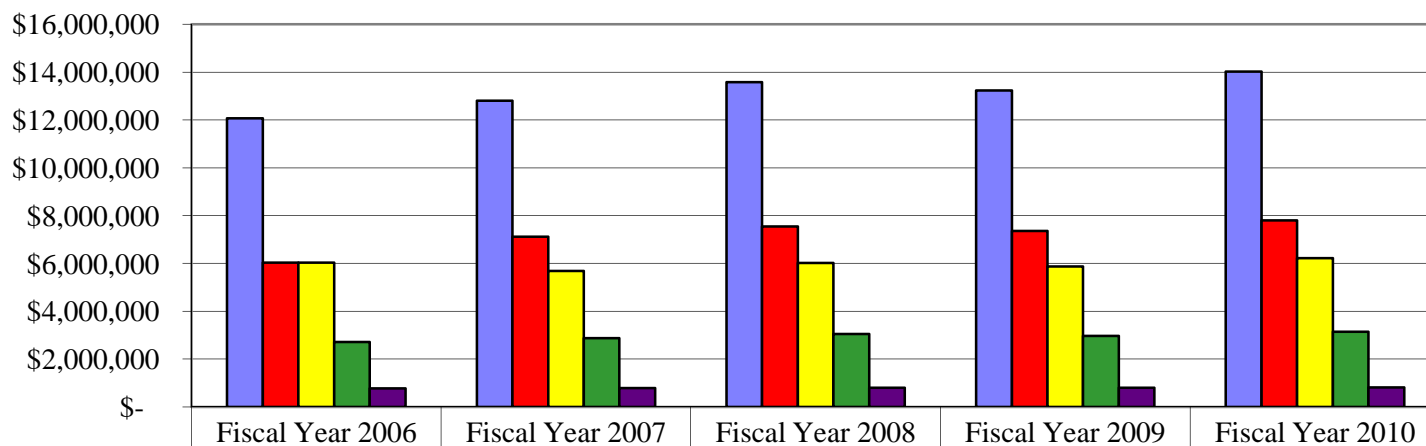
Note: The Total Operating Transfers include transfers to the Environmental Trust Fund, the Education Innovation Fund, the Nebraska Scholarship Fund, the Compulsive Gamblers Assistance Fund, and the State Fair Support and Improvement Cash Fund. These transfers are shown on a cash basis.

**NEBRASKA LOTTERY
SCHEDULE OF CUMULATIVE OPERATING TRANSFERS
TO BENEFICIARY FUNDS**

<u>State Fiscal Year</u>	<u>Transfer Amount</u>
1994	\$ 10,931,811
1995	19,308,170
1996	20,486,304
1997	23,363,387
1998	18,740,463
1999	17,581,026
2000	17,887,538
2001	16,596,397
2002	18,235,952
2003	20,098,664
2004	20,807,945
2005	27,195,478
2006	27,601,895
2007	29,266,219
2008	31,008,281
2009	30,245,118
2010	32,000,274
Total Cumulative Transfers	<u><u>\$ 381,354,922</u></u>

Note: Total Cumulative Transfers includes transfers to the Solid Waste Landfill Closure Fund (final allocation made in July 1997), the Environmental Trust Fund, the Education Innovation Fund, the Nebraska Scholarship Fund (beginning October 1, 2003), the Compulsive Gamblers Assistance Fund, and the State Fair Support and Improvement Cash Fund (beginning January 1, 2005). These transfers are shown on a cash basis except for an adjustment of \$2,342,407 increasing the Fiscal Year 2000 transfer amount and decreasing the Fiscal Year 2001 transfer amount to better reflect the transfer in the year it relates to. The 2005 transfer amount includes a \$5,000,000 transfer from the State Lottery Operation Trust Fund to the General Fund in July 2004, as required by 2004 Neb. Laws LB 1091 § 1.

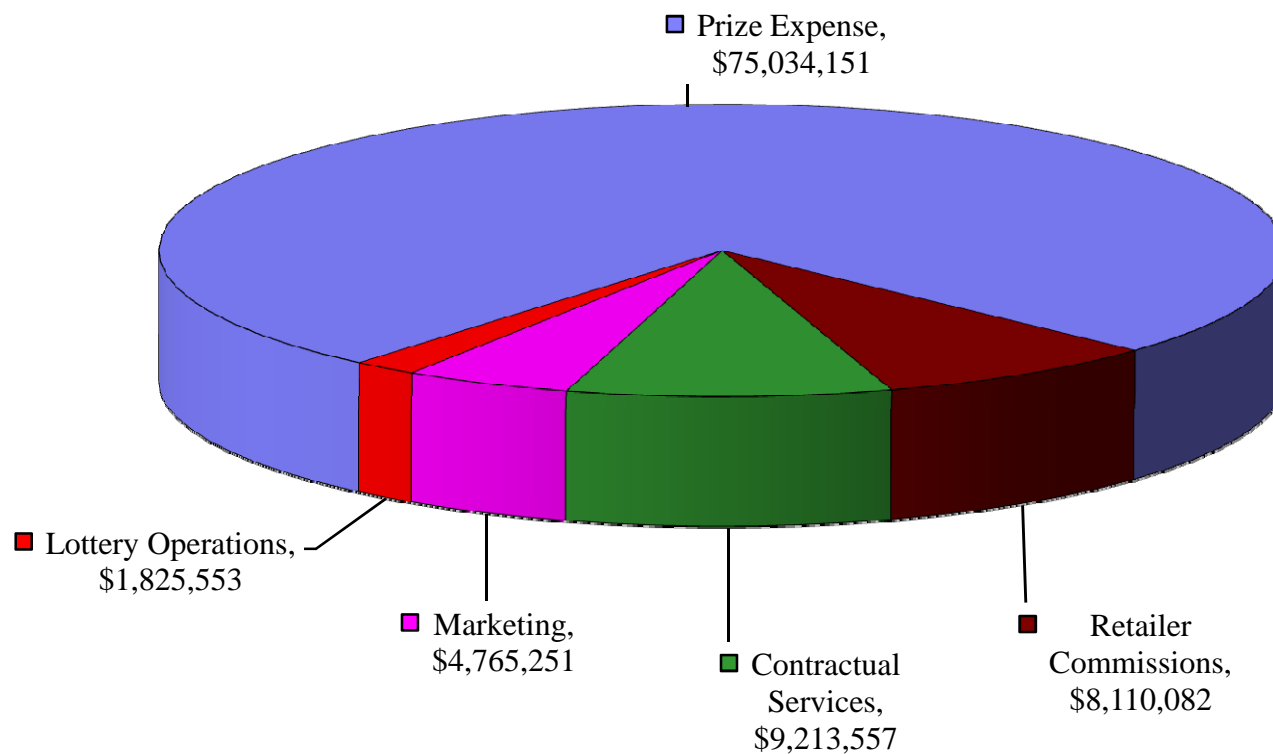
NEBRASKA LOTTERY
OPERATING TRANSFERS BY BENEFICIARY FUNDS
For the Fiscal Years 2006 through 2010



■ Environmental Trust Fund	\$12,060,343	\$12,800,967	\$13,576,184	\$13,236,576	\$14,017,622
■ Nebraska Scholarship Fund	\$6,030,172	\$7,119,639	\$7,550,801	\$7,361,918	\$7,796,316
■ Education Innovation Fund	\$6,030,172	\$5,681,329	\$6,025,386	\$5,874,663	\$6,221,304
■ State Fair Support and Improvement Cash Fund	\$2,710,190	\$2,876,621	\$3,050,828	\$2,974,509	\$3,150,031
■ Compulsive Gamblers Assistance Fund	\$771,018	\$787,663	\$805,082	\$797,451	\$815,002

Note: The Nebraska Constitution establishes the basic requirements for the transfer of lottery ticket sales to certain beneficiary funds. The portion designated for the education beneficiary can be amended by the Legislature. Neb. Rev. Stat. § 9-812 (Supp. 2009) as amended identifies the specific requirements and they are as follows: Beginning October 1, 2003, a portion of the dollar amount of the lottery tickets, which have been sold on an annualized basis shall be transferred to the beneficiary funds. The dollar amount transferred shall equal the greater of (a) the dollar amount transferred to the funds in fiscal year 2002-2003 or (b) any amount which constitutes at least twenty-two percent and no more than twenty-five percent of the dollar amount of the lottery tickets sold on an annualized basis. To the extent that funds are available, the Tax Commissioner and Lottery Director may authorize a transfer exceeding twenty-five percent. Neb. Rev. Stat. § 9-812 (Supp. 2009) as amended further requires the following: Of the money remaining after the payment of prizes and operating expenses; the first five hundred thousand dollars shall be transferred to the Compulsive Gamblers Assistance Fund. Of the money remaining after the payment of prizes, operating expenses, and transfer to the Compulsive Gamblers Assistance Fund; nineteen and three-fourths percent shall be transferred to the Education Innovation Fund, twenty-four and three-fourths percent shall be transferred to the Nebraska Scholarship Fund (2010 Neb. Laws LB 956 changed the Nebraska Scholarship Fund to the Nebraska Opportunity Grant Fund as of July 1, 2010), forty-four and one-half percent shall be transferred to the Nebraska Environmental Trust Fund, ten percent shall be transferred to the State Fair Support and Improvement Cash Fund, and one percent shall be transferred to the Compulsive Gamblers Assistance Fund. Please note that changes were made for the fiscal year 2007 distributions and these percentages did not apply to every fiscal year listed above.

**NEBRASKA LOTTERY
OPERATING EXPENSES**
For the Fiscal Year Ended June 30, 2010



Total Operating Expenses \$98,948,594

Breakdown of Expenses

Prize Expense:

Instant Prize Expense	\$ 44,556,996
On-Line Prize Expense	\$ 32,272,831
Unclaimed Prizes	\$ (1,795,676)
Total	\$ 75,034,151

Retailer Commissions:

Instant Commissions	\$ 4,502,385
On-line Commissions	\$ 3,390,827
Misc. Retailer Expense	\$ 216,870
Total	\$ 8,110,082

Contractual Services:

Gtech	\$ 5,795,336
Intralot	\$ 2,859,251
Other Contractors	\$ 558,970
Total	\$ 9,213,557

Marketing Expense:

Advertising Expense	\$ 4,016,042
Promotions Expense	\$ 749,209
Total	\$ 4,765,251

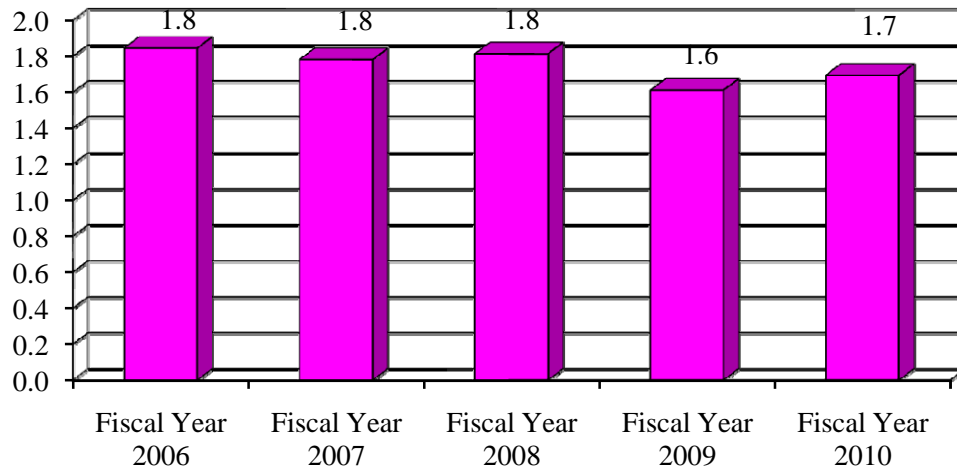
Lottery Operations:

Payroll Expense	\$ 1,372,554
Other Operating Expense	\$ 452,999
Total	\$ 1,825,553

NEBRASKA LOTTERY

CURRENT RATIO

For the Fiscal Years 2006 through 2010

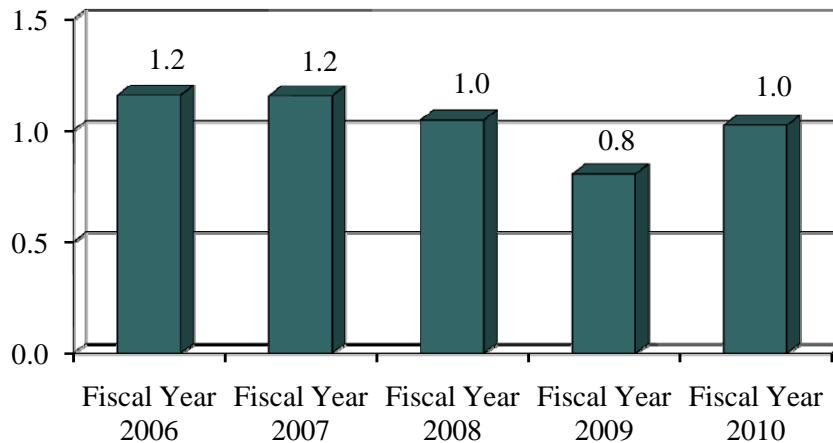


	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Current Assets	\$ 12,846,966	\$ 13,954,763	\$ 13,375,412	\$ 13,008,209	\$ 12,162,851
Current Liabilities	\$ 6,964,567	\$ 7,836,434	\$ 7,375,604	\$ 8,073,757	\$ 7,179,611

Note: The Current Ratio is an assessment of the Nebraska Lottery's current assets in excess of current liabilities.

QUICK RATIO

For the Fiscal Years 2006 through 2010



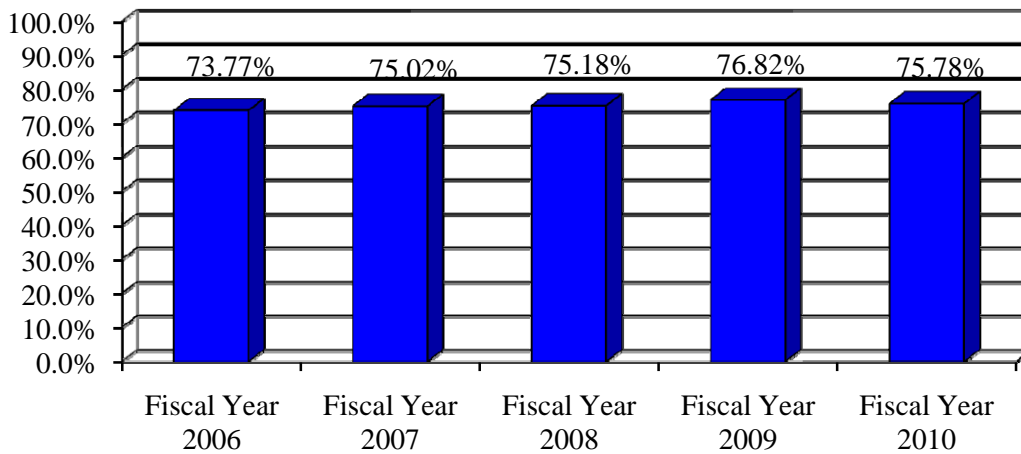
	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Cash & Cash Equivalents	\$ 8,067,339	\$ 9,059,287	\$ 7,719,092	\$ 6,487,100	\$ 7,349,896
Current Liabilities	\$ 6,964,567	\$ 7,836,434	\$ 7,375,604	\$ 8,073,757	\$ 7,179,611

Note: The Quick Ratio is an assessment of the Nebraska Lottery's cash in excess of current liabilities.

NEBRASKA LOTTERY

PERCENTAGE OF OPERATING EXPENSES TO REVENUES

For the Fiscal Year 2006 through 2010

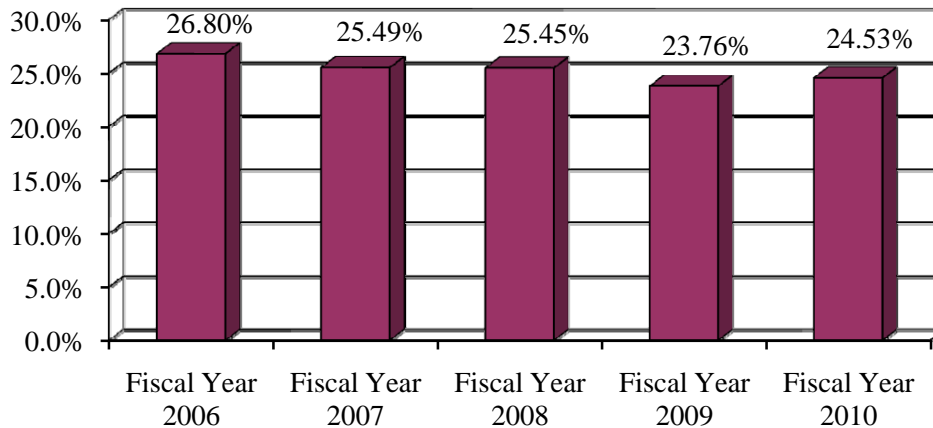


	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Total Operating Expense	\$ 83,440,839	\$ 85,894,440	\$ 91,652,951	\$ 94,676,014	\$ 98,948,594
Total Operating Revenue	\$ 113,108,341	\$ 114,488,888	\$ 121,910,010	\$ 123,250,932	\$ 130,580,151

Note: The graph represents the percentage of operating expenses to revenues.

NET INCOME BEFORE TRANSFERS COMPARED TO OPERATING REVENUE

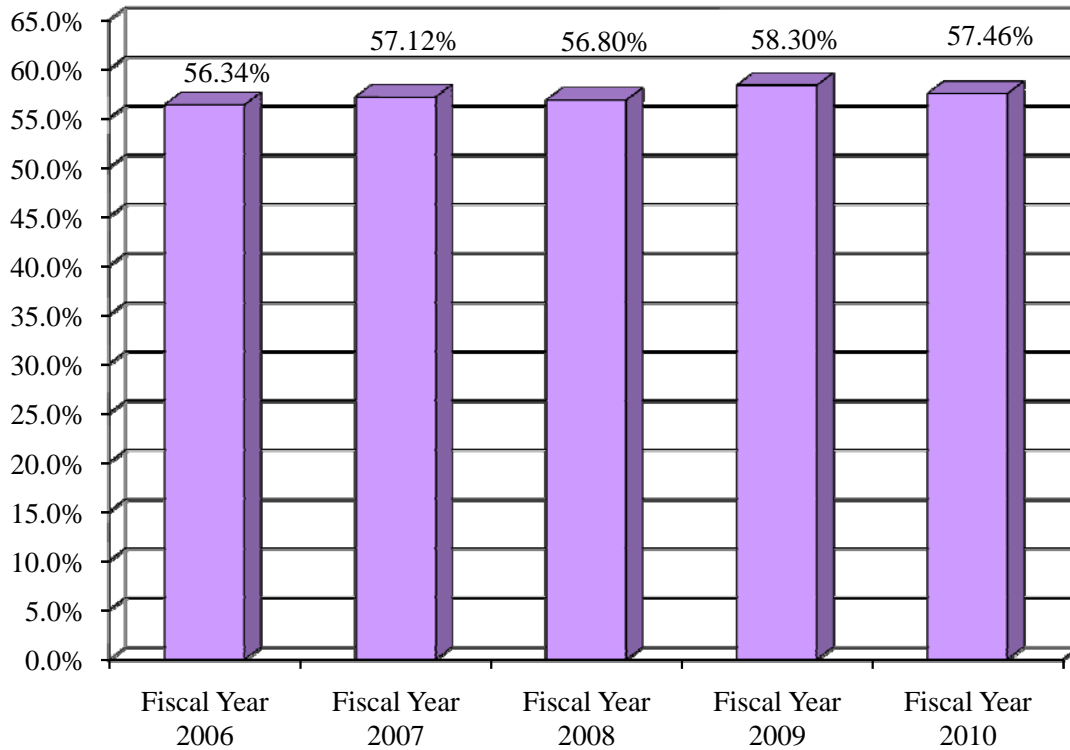
For the Fiscal Years 2006 through 2010



	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Net Income Before Transfers	\$ 30,314,855	\$ 29,186,214	\$ 31,031,649	\$ 29,285,301	\$ 32,028,995
Total Operating Revenue	\$ 113,108,341	\$ 114,488,888	\$ 121,910,010	\$ 123,250,932	\$ 130,580,151

Note: The graph represents the percentage of net income before operating transfers compared to total operating revenue.

NEBRASKA LOTTERY
PRIZE PERCENTAGE OF SALES PAID OUT
For the Fiscal Years 2006 through 2010



	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Prize Expense	\$ 63,722,319	\$ 65,397,832	\$ 69,239,065	\$ 71,860,963	\$ 75,034,151
Total Operating Revenue	\$ 113,108,341	\$ 114,488,888	\$ 121,910,010	\$ 123,250,932	\$ 130,580,151

Note: The graph represents the percentage of net sales paid out in prizes.

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
GTECH	7/24/2006	\$ 98.44	Dinner	Alliance, NE	Lottery: Jill Marshall, Brian Rockey, Sharron Goings GTECH: B. Melcher	Retailer Roundtable
GTECH	7/24/2006	\$ 19.56	Refreshments	Alliance, NE	Lottery: Jill Marshall, Brian Rockey GTECH: B. Melcher	Retailer Roundtable
GTECH	7/25/2006	\$ 29.75	Refreshments	Sidney, NE	Lottery: Jill Marshall, Brian Rockey GTECH: B. Melcher	Retailer Roundtable
GTECH	7/26/2006	\$ 35.95	Lunch	Scottsbluff, NE	Lottery: Jill Marshall, Brian Rockey GTECH: B. Melcher	Retailer Roundtable
GTECH	7/26/2006	\$ 47.04	Refreshments	McCook, NE	Lottery: Jill Marshall GTECH: B. Melcher, T. Pochop	Retailer Roundtable
GTECH	10/23/2006	\$ 176.16	Dinner	Kearney, NE	Lottery: Jill Marshall, Sharron Goings, Cheryl Knuth GTECH: B. Melcher, A. Pierson	Retailer Roundtable
GTECH	10/25/2006	\$ 135.31	Dinner	Columbus, NE	Lottery: Jill Marshall, Sharron Goings, Cheryl Knuth GTECH: B. Melcher, A. Pierson	Retailer Roundtable
GTECH	10/26/2006	\$ 67.33	Lunch	Norfolk, NE	Lottery: Jill Marshall, Sharron Goings, Cheryl Knuth GTECH: B. Melcher, A. Pierson	Retailer Roundtable
GTECH	1/18/2007	\$ 130.36	Refreshments	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Neil Watson, Dennis Nelson GTECH: B. Melcher	Legislative Dinner/Banquet
GTECH	1/24/2007	\$ 125.67	Refreshments	Providence, RI	Lottery: Jim Haynes, Mark Ludwig GTECH: A. Haley, M. Hansen, A. Valanciunas Intralot: W. Cunningham	Discuss 3 year Contract Extension & Pass Thru
GTECH	1/25/2007	\$ 101.72	Refreshments	Providence, RI	Lottery: Jim Haynes, Mark Ludwig GTECH: A. Haley, S. Gunn, J. Grey, A. Valanciunas Intralot: W. Cunningham	Discuss 3 year Contract Extension & Pass Thru
GTECH	1/25/2007	\$ 1,558.16 Note	Dinner	Providence, RI	Lottery: Jim Haynes, Mark Ludwig GTECH: A. Haley, A. Valanciunas, S. Gunn Intralot: W. Cunningham	Discuss 3 year Contract Extension & Pass Thru
GTECH	1/30/2007	\$ 174.33	Lunch		Lottery: Jim Haynes, Brian Rockey, Neil Watson, Dennis Nelson, Jill Marshall GTECH: B. Melcher	Trust Funds Awareness Luncheon
GTECH	2/15/2007	\$ 243.47	Lunch		Lottery: Jim Haynes, Dennis Nelson, Brian Rockey GTECH: A. Haley, A. Valanciunas, M. Hansen Intralot: W. Cunningham	Pass Thru Project Planning - Session
GTECH	2/16/2007	\$ 183.59	Coffee Break		Lottery: Jim Haynes, Dennis Nelson, Brian Rockey GTECH: A. Haley, A. Valanciunas, M. Hansen Intralot: W. Cunningham	Pass Thru Project Planning - Session
GTECH	4/23/2007	\$ 38.00	Refreshments	South Sioux City, NE	Lottery: Neil Watson GTECH: B. Melcher	OCC Tour

Note: This amount was reported to the APA from GTECH. The APA is aware the receipt shown on **Exhibit B** does not agree to this amount.

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
 For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
GTECH	5/16/2007	\$ 258.24	Dinner		Lottery: Brian Rockey, Jill Marshall, Angela Peterson Oberthur: G. McCaffery	2008 Business Plan Meeting
GTECH	5/25/2007	\$ 75.00	Refreshments		Lottery: Brian Rockey, Jill Marshall GTECH: B. Melcher	Compulsive Gamblers Assistance Golf Outing
GTECH	6/7/2007	\$ 299.37	Dinner		Lottery: Jim Haynes & Spouse GTECH: B. Melcher Intralot: W. Cunningham	Review Pass Thru Conversion Project
GTECH	6/17/2007	\$ 23.54	Lunch	Lincoln, NE	Lottery: Jim Haynes, Kathleen Hubertus, Shawn Fotinos GTECH: B. Melcher	Moving to the 501 Building Hardware

GTECH FY2007 Total \$ 3,820.99

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
GTECH	7/24/2007	\$ 293.18	Dinner		Lottery: Brian Rockey, Angela Petersen GTECH: W. Gaddy, B. Melcher, and A. Valanciunas	Scratch Ticket Printing by GTECH
GTECH	7/25/2007	\$ 110.00	Lunch		Lottery: Jim Haynes, Brian Rockey, Angela Petersen, Dennis Nelson, Mark Ludwig GTECH: W. Gaddy, B. Melcher, A. Pearson, J. Goff, and A. Valanciunas	\$20 Scratch Ticket Game Review
GTECH	7/26/2007	\$ 155.34	Dinner		Lottery: Jill Marshall, Brian Rocky, Tom Bash, Angela Peterson GTECH: B. Melcher	Marketing and Advertising Meeting
GTECH	8/23/2007	\$ 854.47	Saltdogs Game w/ food provided	Lincoln, NE	Doug Ewald (Tax Commissioner), Jim Haynes (Lottery Director), and 28 other Lottery, Revenue, and Vendor employees	Lottery/Revenue Team Building
GTECH	9/17/2007	\$ 180.52	Dinner	Valentine, NE	Lottery: Jill Marshall, Neil Watson, Cheryl Knuth, Sharron Goings GTECH: B. Melcher	Retailer roundtable
GTECH	9/17/2007	\$ 103.75	Refreshments	Valentine, NE	Lottery: Jill Marshall, Neil Watson, Cheryl Knuth, Sharron Goings GTECH: B. Melcher	Retailer roundtable
GTECH	9/18/2007	\$ 42.00	Refreshments	Alliance, NE	Lottery: Jill Marshall, Neil Watson, Cheryl Knuth, Sharron Goings GTECH: B. Melcher	Retailer roundtable
GTECH	9/19/2007	\$ 130.23	Dinner	Lexington, NE	Lottery: Jill Marshall, Neil Watson, Cheryl Knuth, Sharron Goings GTECH: B. Melcher	Retailer roundtable
GTECH	10/17/2007	\$ 112.61	Refreshments		Lottery: Jill Marshall, Brian Rocky, Angela Petersen GTECH: B. Melcher, A. Valanciunas Intralot: 6 employees	Focus Group Coffee Shop Research
GTECH	12/17/2007	\$ 126.98	Dinner		Lottery: Tom Johnson, and Susan Brannigan GTECH: B. Melcher	Lottery Event 2008 - Planning

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
 For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
GTECH	1/17/2008	\$ 34.62	Refreshments	Lincoln, NE	Lottery: Jill Marshall, and Brian Rockey GTECH: B. Melcher	Legislative/Grocers Convention
GTECH	2/13/2008	\$ 38.68	Lunch		Lottery: Brian Rockey GTECH: A. Valanciunas, B. Melcher	GTECH Printing and Working Papers
GTECH	5/12/2008	\$ 571.05	Catered Lunch	Lincoln, NE	4 Lottery, 6 GTECH, 8 Intralot, 1 Axoim, 2 IQ = 21 total members	2009 Business Plan Meeting

GTECH FY2008 Total \$ 2,753.43

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
GTECH	2/19/2009	\$ 292.10	Dinner		Lottery: Jim Haynes GTECH: A. Valanciunas, B. Melcher	Post retailer advisory meeting
GTECH	3/24/2009	\$ 317.79	Dinner		Lottery: Jim Haynes, Brian Rockey, Tom Johnson GTECH: B. Melcher	Advertising Meeting
GTECH	4/6/2009	\$ 254.65	Dinner		Lottery: Jim Haynes GTECH: A. Valanciunas, B. Melcher	Changes in Game Styles
GTECH	4/24/2009	\$ 152.87	Lunch & Golf		Lottery: Brian Rockey, Mike Elwood GTECH: B. Melcher	Consumer Research Projects

GTECH FY2009 Total \$ 1,017.41

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
GTECH	7/22/2009	\$ 134.12	Lunch		Lottery: Jim Haynes, Aaron Hendry, Greg Schnasse GTECH: A. Valanciunas, K. Gederman, B. Melcher	Retailer Events Review
GTECH	8/18/2009	\$ 86.29	Refreshments		Lottery: Mike Elwood, Jill Marshall GTECH: W. Gaddy, B. Melcher	Advertising Meeting - Scratch Tickets
GTECH	9/10/2009	\$ 602.62	Dinner		Lottery: Jim Haynes, Brian Rockey, Aaron Hendry, Dennis Nelson GTECH: A. Valanciunas, T. Saragnese, A. Haley, B. Melcher	Discuss GTECH's Equipment & Services
GTECH	9/28/2009	\$ 30.07	Lunch		Lottery: Mike Elwood GTECH: B. Melcher, A. Koopman	Scratch Ticket Planning Meeting
GTECH	11/22/2009	\$ 99.98	Dinner		Lottery: Brian Rockey, Mike Elwood GTECH: B. Melcher	KS City Chiefs Ticket Lic. Evaluation

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
GTECH	1/5/2010	\$ 347.16	Dinner		Lottery: Aaron Hendry, Jim Haynes GTECH: A. Valanciunas, D. DeCosta, B. Melcher	NE Lottery - Rules & Regs
GTECH	1/16/2010	\$ 37.23	Lunch		Lottery: Mike Elwood, Brian Rockey GTECH: B. Melcher	KS City Chiefs Ticket Lic. Agreement

GTECH FY2010 Total \$ 1,337.47

Total Paid by GTECH \$ 8,929.30

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	7/18/2006	\$ 43.00	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr Intralot: W. Cunningham	
Intralot	7/20/2006	\$ 27.25	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr Intralot: W. Cunningham	
Intralot	7/26/2007	\$ 33.14	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr Intralot: W. Cunningham	Drinks
Intralot	7/27/2007	\$ 107.00	Refreshments	Lincoln, NE	Lottery: Mary Jane Egr Intralot: 3 employees	
Intralot	8/2/2006	\$ 21.28	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes (paid own bill) Intralot: W. Cunningham	Lunch
Intralot	8/17/2006	\$ 146.32	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr & husband Intralot: 2 employees	Wilderness Ridge Golf Club
Intralot	10/3/2006	\$ 45.21	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr Intralot: W. Cunningham	Golf Outing
Intralot	10/19/2006	\$ 16.37	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	10/23/2006	\$ 123.54	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr and 1 other Lottery employee Intralot: 3 employees	Dinner
Intralot	10/26/2006	\$ 18.78	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	10/30/2006	\$ 140.56	Food/Beverage/ Gift Certificates	Lincoln, NE	Various Lottery, GTECH, and Intralot Staff	Joint Halloween Luncheon w/ gifts, costumes - GTECH, Lottery, Intralot
Intralot	11/1/2006	\$ 29.11	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	11/14/2006	\$ 86.92	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr & Lottery Staff Intralot: W. Cunningham	Mary Jane's going away
Intralot	11/16/2006	\$ 77.50	Food/Beverage	Lincoln, NE	Lottery: Mary Jane Egr & Lottery Staff Intralot: W. Cunningham	Mary Jane's going away
Intralot	12/1/2006	\$ 29.81	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	12/8/2006	\$ 348.67	Food/Beverage	Lincoln, NE	Various Lottery, GTECH and Intralot Staff	Beneficiary Lunch split between Intralot & GTECH
Intralot	1/10/2007	\$ 32.72	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	1/12/2007	\$ 40.37	Refreshments	Lincoln, NE	Lottery: Mary Jane Egr, Mark Ludwig Intralot: 2 employees	

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
 For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	1/23/2007	\$ 157.01	Food/Beverage	Lincoln, NE	Various Lottery Staff	Lunch after Loyalty Club Meeting
Intralot	1/26/2007	\$ 21.46	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Mark Ludwig Intralot: W. Cunningham	
Intralot	1/31/2007	\$ 261.73	Food/Beverage	Duluth, GA	Lottery: Jim Haynes, Brian Rockey, Mark Ludwig Intralot: W. Cunningham	Dinner
Intralot	2/26/2007	\$ 100.16	Food/Beverage	Lincoln, NE	Lottery: Dennis Nelson, Sharron Goings Intralot: 5 employees	Lunch after Functional Spec. (Pass thru) Meeting
Intralot	3/12/2007	\$ 414.90	Food/Beverage	Lincoln, NE	9 State Senators, Lottery staff, Intralot staff	Lunch for Senator Vicky McDonald, 8 other senators, Lottery staff, Intralot staff during oversight/information committee meeting. Review how Intralot operates.
Intralot	3/21/2007	\$ 22.00	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	4/2/2007	\$ 56.75	Refreshments	Lincoln, NE	Lottery: Jim Haynes, Mark Ludwig Intralot: 2 employees	Drinks
Intralot	4/3/2007	\$ 44.11	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: 2 employees	Lunch
Intralot	4/5/2007	\$ 150.35	Food/Beverage	Lincoln, NE	Various Lottery Staff	Going away for Scott Dishong, Tyson Barr, Vendor Marketing Meeting
Intralot	4/18/2007	\$ 52.55	Food/Beverage	Lincoln, NE	Lottery: Greg Schansse Intralot: 3 employees	Lunch, Rick Rhebb, Tim Rutten, Will Cunningham
Intralot	4/26/2007	\$ 17.09	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	5/8/2007	\$ 33.55	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Tim Young Intralot: W. Cunningham	
Intralot	5/19/2007	\$ 26.26	Food/Beverage	Lincoln, NE	Lottery: Brian Rockey Intralot: W. Cunningham	Discuss Promotions
Intralot	6/4/2007	\$ 30.75	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Dinner
Intralot	6/7/2007	\$ 42.00	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: 3 employees	Drinks
Intralot	6/23/2007	\$ 32.50	Food/Beverage	Lincoln, NE	Lottery: Mark Ludwig Intralot: 4 employees	Lunch while working Power Up Bike Rally Lottery Event

Intralot FY2007 Total \$ 2,830.72

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	7/26/2007	\$ 115.90	Food/Beverage	Lincoln, NE	Lottery, Intralot, and GTECH Staff	Going away function, Lottery staff, Intralot staff, GTECH staff - Intralot paid for drinks/GTECH paid for food.
Intralot	7/27/2007	\$ 32.89	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	8/7/2007	\$ 8.55	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes (paid his own bill) Intralot: W. Cunningham	Lunch
Intralot	8/9/2007	\$ 7.99	Food/Beverage	Lincoln, NE	Lottery Staff	Breakfast doughnuts for Lottery Meeting
Intralot	8/15/2007	\$ 7.51	Beverage	Lincoln, NE	Lottery: Brian Rockey Intralot: 3 employees	Outing w/ Lottery Marketing Director
Intralot	8/17/2007	\$ 49.65	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	8/24/2007	\$ 73.22	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot : 2 employees	Dinner w/Tim Young
Intralot	9/8/2007	\$ 42.70	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Dinner
Intralot	9/22/2007	\$ 28.57	Food/Beverage	Lincoln, NE	Lottery: Brian Rockey Intralot: R. Rhee	Discuss observations and action items for our LSR ridealong
Intralot	9/26/2007	\$ 45.68	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Greg Schnasse Intralot : W. Cunningham MUSL: E. Minter	Lunch w/Ed Minter (MUSL)
Intralot	10/2/2007	\$ 437.34	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Bonnie Amgwert Intralot: 4 employees	NASPL Dinner
Intralot	10/2/2007	\$ 165.35	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Bonnie Amgwert Intralot: 4 employees	Drinks - NASPL
Intralot	10/3/2007	\$ 364.41	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Bonnie Amgwert Intralot: 4 employees	NASPL Dinner
Intralot	10/3/2007	\$ 38.44	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Bonnie Amgwert Intralot: 4 employees	Drinks - NASPL
Intralot	10/17/2007	\$ 51.41	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey Intralot: 2 employees	Lunch meeting re: Intralot involvement
Intralot	10/23/2007	\$ 333.47	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes & Spouse Intralot: 2 employees	Dinner w/ Tom Little
Intralot	10/24/2007	\$ 14.07	Food/Beverage	Lincoln, NE	Lottery employees, and 2 Intralot employees	Breakfast Doughnuts
Intralot	10/24/2007	\$ 302.68	Food/Beverage	Lincoln, NE	Doug Ewald (Tax Commissioner) Lottery: Jim Haynes & Spouse Intralot: T. Little, W. Cunningham	Dinner w/ Tom Little
Intralot	10/24/2007	\$ 39.24	Beverage	Lincoln, NE	Doug Ewald (Tax Commissioner) Lottery: Jim Haynes & Spouse Intralot: T. Little, W. Cunningham	Drinks w/ Tom Little
Intralot	10/24/2007	\$ 171.99	Green Fees	Lincoln, NE	Doug Ewald (Tax Commissioner) Lottery: Jim Haynes Intralot: T. Little, W. Cunningham	Fees Doug Ewald, Jim Haynes
Intralot	11/7/2007	\$ 33.90	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: 2 employees	Lunch w/ Tom Little
Intralot	11/26/2007	\$ 47.65	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Dinner
Intralot	12/3/2007	\$ 72.34	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: 2 employees	Dinner w/ Tom Little

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
 For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	12/6/2007	\$ 43.56	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes & Spouse Intralot: W. Cunningham	2 x 2 Discussion
Intralot	12/14/2007	\$ 126.99	Food/Beverage	Lincoln, NE	Lottery Ambassadors	Dinner w/ GTECH
Intralot	12/18/2007	\$ 34.72	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Dennis Nelson Intralot: 2 employees	2 x 2 Discussion
Intralot	12/21/2007	\$ 111.58	Food/Beverage	Lincoln, NE	All Lottery Employees	Holiday Gathering
Intralot	12/31/2007	\$ 32.59	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey Intralot: W. Cunningham	Lunch
Intralot	1/28/2008	\$ 185.17	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes & Spouse Intralot: W. Cunningham	Dinner
Intralot	2/9/2008	\$ 21.58	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	2/26/2008	\$ 16.20	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	2/29/2008	\$ 17.94	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes & Spouse Intralot: W. Cunningham	Lunch
Intralot	3/3/2008	\$ 22.69	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	3/11/2008	\$ 7.99	Food/Beverage	Lincoln, NE	Various Lottery and Intralot Staff	Lottery Meeting
Intralot	3/12/2008	\$ 33.88	Food/Beverage	Lincoln, NE	Lottery: Brian Rockey Intralot: 3 employees	Discuss Tyson's return to Intralot
Intralot	3/22/2008	\$ 23.31	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	3/26/2008	\$ 67.05	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey Intralot: 2 employees	Lunch
Intralot	4/10/2008	\$ 59.66	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Dennis Nelson Intralot: 2 employees	Lunch
Intralot	4/25/2008	\$ 33.91	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Tim Young Intralot: W. Cunningham	Lunch
Intralot	5/1/2008	\$ 59.36	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Aaron Hendry Intralot: 5 employees	Dinner w/ Legal Counsel
Intralot	5/1/2008	\$ 463.60	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Aaron Hendry Intralot: 5 employees	Dinner w/ Legal Counsel
Intralot	5/8/2008	\$ 49.27	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Tim Young Intralot: 2 employees	Dinner
Intralot	5/12/2008	\$ 184.94	Food/Beverage	Lincoln, NE	All Lottery staff, IQ staff, GTECH staff, and Intralot staff	Drinks & Food FY2009 Budget Planning
Intralot	5/13/2008	\$ 22.80	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	5/25/2008	\$ 96.54	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes & Spouse Intralot: W. Cunningham	Dinner

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	6/6/2008	\$ 36.83	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot	6/8/2008	\$ 35.65	Food/Beverage	New Orleans, LA	Lottery: Jim Haynes & Spouse Intralot: W. Cunningham	Snacks
Intralot	6/8/2008	\$ 60.00	Cab Fare	New Orleans, LA	Lottery: Jim Haynes & Spouse Intralot: 3 employees	Cab from Airport
Intralot	6/9/2008	\$ 26.45	Food/Beverage	New Orleans, LA	Lottery: Becky Haynes (Wife of Jim) Intralot: 3 employees	Lunch during Charitable games event
Intralot	6/11/2008	\$ 160.32	Food/Beverage	New Orleans, LA	Lottery: Jim Haynes & Spouse Intralot: 2 employees	Dinner Charitable games event
Intralot	6/13/2008	\$ 36.00	Cab Fare	New Orleans, LA	Lottery: Jim Haynes & Spouse Intralot: W. Cunningham	Cab to Airport
Intralot	6/24/2008	\$ 35.26	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: W. Cunningham	Lunch
Intralot FY2008 Total		\$ 4,590.79				

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	7/16/2008	\$ 183.39	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: 2 employees	Dinner
Intralot	7/20/2008	\$ 604.41	Food/Beverage	Lincoln, NE		Saltdogs Promotion
Intralot	7/20/2008	\$ 44.58	Food/Beverage	Lincoln, NE		Drinks after Saltsdogs Promotion
Intralot	7/30/2008	\$ 60.43	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: 3 employees	Lunch
Intralot	7/30/2008	\$ 158.35	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes Intralot: 3 employees	Dinner
Intralot	8/21/2008	\$ 54.55	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Mike Elwood, Brain Rockey Intralot: W. Cunningham	Lunch
Intralot	9/15/2008	\$ 130.95	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Mike Elwood, Brain Rockey, Neil Watson Intralot: W. Cunningham	Retailer Appreciation Tour - Dinner
Intralot	9/24/2008	\$ 105.55	Food/Beverage	Philadelphia, PA	5 Lottery Employees, and 5 Intralot employees	NASPL Meeting
Intralot	1/28/2009	\$ 46.46	Food/Beverage	Lincoln, NE	Lottery: Matt Johnson Intralot: 3 employees	Lunch
Intralot	2/12/2009	\$ 29.94	Food/Beverage	Lincoln, NE	5 Lottery Employees, and 6 Intralot employees	Marketing Meeting
Intralot	2/27/2009	\$ 53.98	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Aaron Hendry Intralot: 2 employees	Lunch
Intralot	3/3/2009	\$ 64.84	Food/Beverage	Lincoln, NE	Lottery: Jill Marshall Intralot: 4 employees	Dinner to discuss Blast Panel Installations
Intralot	3/20/2009	\$ 292.77	Food/Beverage	Lincoln, NE	25 employees. Included staff from GTECH, Intralot, and Lottery	State Senator Tour of Intralot facility.
Intralot	3/23/2009	\$ 361.26	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Brian Rockey, Tom Johnson Intralot: 3 employees	Dinner for Advertising RFP Committee

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NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
 For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	4/2/2009	\$ 11.60	Food/Beverage	Lincoln, NE	Lottery: Marketing Staff	Doughnuts for Marketing Meeting
Intralot	4/11/2009	\$ 227.98	Food/Beverage	Lincoln, NE	Lottery: Jill Marshall, Brian Rockey, Neil Watson, Tom Johnson Intralot: 21 employees	Lunch for new advertising firm
Intralot	4/15/2009	\$ 59.49	Food/Beverage	Lincoln, NE	Lottery: Neil Watson, Jill Marshall, Brian Rockey, Mike Elwood Intralot T. Rutten	Lunch
Intralot	4/21/2009	\$ 263.49	Food/Beverage	North Platte, NE	Lottery: Cheryl Knuth, Mike Elwood, Neil Watson, Jill Marshall Intralot: 3 employees	Dinner during retailer roundtable tour
Intralot	4/22/2009	\$ 159.43	Food/Beverage	Cozad, NE	Lottery: Cheryl Knuth, Mike Elwood, Sharron Goings, Neil Watson Intralot; T. Barr	Dinner during retailer roundtable tour
Intralot	4/30/2009	\$ 59.25	Food/Beverage	Lincoln, NE	Lottery: Aaron Hendry Intralot: 2 employees	Dinner
Intralot	4/30/2009	\$ 146.28	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Aaron Hendry, Tim Young Intralot: 4 employees	Dinner
Intralot	4/30/2009	\$ 29.92	Food/Beverage	Lincoln, NE	Lottery: Marketing Staff	Snacks for Marketing meeting
Intralot	5/5/2009	\$ 45.95	Food/Beverage	Lincoln, NE	Lottery: Matt Johnson Intralot: T. Rutten	Dinner
Intralot	5/8/2009	\$ 16.80	Food/Beverage	Lincoln, NE	Lottery: Marketing Staff	Doughnuts for morning meeting
Intralot	5/11/2009	\$ 255.00	Food/Beverage	Lincoln, NE	Lottery: Jim Haynes, Jill Marshall, Neil Watson Intralot: 12 employees	Dinner for Business Planning Meeting
Intralot	5/14/2009	\$ 8.40	Food/Beverage	Lincoln, NE	Lottery: Marketing Staff	Snacks for marketing meeting
Intralot	6/11/2009	\$ 52.06	Food/Beverage	Lincoln, NE	Lottery: Brian Rockey, Jill Marshall Intralot: 2 employees	Lunch to discuss LSR incentives
Intralot	6/17/2009	\$ 138.46	Food/Beverage	Lincoln, NE	Lottery: Jill Marshall Intralot: 4 employees	Dinner for pilot program installations
Intralot	6/24/2009	\$ 28.25	Food/Beverage	Lincoln, NE	Lottery: Brian Rockey Intralot: T. Rutten	Lunch
Intralot	6/24/2009	\$ 15.91	Food/Beverage	Omaha, NE	Lottery: Jill Marshall Intralot: T. Barr	Lunch during client recruitment trip

Intralot FY2009 Total \$ 3,709.73

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	7/6/2009	\$ 37.75	Food/Beverage	Grand Island, NE	Lottery: Cheryl Knuth, Jill Marshall, Brian Rockey Intralot: 3 employees	Retailer rallies
Intralot	7/7/2009	\$ 241.53	Food/Beverage	Norfolk, NE	Lottery: Sharron Goings, Cheryl Knuth, Neil Watson, Jill Marshall, Brian Rockey Intralot: 5 employees Other: 4 individuals	Retailer rallies

(Continued)

NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
Intralot	7/7/2009	\$ 76.34	Food/Beverage	O'Neill, NE	Lottery: Sharron Goings, Cheryl Knuth, Neil Watson, Jill Marshall, Brian Rockey Intralot: 3 employees	2009 Truck Tour
Intralot	7/30/2009	\$ 42.39	Food/Beverage	Neb. City, NE	Lottery: Jill Marshall Intralot: 2 employees Other: 1 Individual	2009 Truck Tour
Intralot	8/12/2009	\$ 112.19	Food/Beverage	Lincoln, NE	Lottery: Shawn Fotinos, Matt Johnson Intralot: T. Rutten Other: 3 individuals	Dinner with MUSL
Intralot	8/13/2009	\$ 88.18	Food/Beverage	Lincoln, NE	All Lottery employees	Food for Dept of Revenue Saltdogs outing
Intralot	9/14/2009	\$ 42.25	Food/Beverage	Col. Springs, CO	Lottery: Jill Marshall, Mike Elwood Intralot: T. Barr Other: 1 individual	NASPL Meeting
Intralot	9/16/2009	\$ 113.25	Food/Beverage	Col. Springs, CO	Lottery: Jill Marshall Intralot: 2 employees Other: 6 individuals	NASPL Meeting
Intralot	9/30/2009	\$ 107.89	Food/Beverage	Omaha, NE	Lottery: Jill Marshall, Mike Elwood, Neil Watson, Sharron Goings Intralot: 5 employees	Retailer rallies
Intralot	10/8/2009	\$ 90.08	Food/Beverage	Okl. City, OK	Lottery: Dennis Nelson, Mike Elwood, Brian Rockey Intralot: T. Rutten	NASPL Meeting
Intralot	10/9/2009	\$ 116.55	Food/Beverage	Okl. City, OK	Lottery: Dennis Nelson, Mike Elwood, Brian Rockey Intralot: T. Rutten Other: 3 individuals	NASPL Meeting
Intralot	11/24/2009	\$ 79.56	Food/Beverage	Lincoln, NE	Lottery: Dennis Nelson, Brian Rockey Intralot: 2 employees Other: 2 individuals	Lunch to introduce Paul Ostendorf
Intralot	1/15/2010	\$ 54.15	Food/Beverage	Lincoln, NE	Lottery: Brian Rockey Intralot: T. Rutten Other: 2 individuals	Lunch to discuss Ohio trip
Intralot	2/11/2010	\$ 65.14	Food/Beverage	Lincoln, NE	Lottery: Brian Rockey Intralot: 3 employees	Lunch to discuss LSR Powerplay contest
Intralot	2/17/2010	\$ 73.29	Food/Beverage	Chicago, IL	Lottery: Jim Haynes, Jill Marshall, Dennis Nelson, Aaron Hendry, Brian Rockey	Trip to Intralot Ohio site / Lunch
Intralot	2/19/2010	\$ 25.85	Food/Beverage	Lincoln, NE	Lottery: Neil Watson Intralot: T. Rutten	Dinner w/ Lottery
Intralot	3/2/2010	\$ 21.01	Food/Beverage	Lincoln, NE	Lottery: Tom Johnson Intralot: T. Barr	
Intralot	3/16/2010	\$ 10.84	Food/Beverage	Omaha, NE	Lottery: Jill Marshall Intralot: T. Barr	
Intralot	3/17/2010	\$ 12.63	Food/Beverage	Omaha, NE	Lottery: Jill Marshall Intralot: T. Barr	
Intralot	3/19/2010	\$ 119.66	Food/Beverage	Lincoln, NE	Lottery: Neil Watson, Jill Marshall, Brian Rockey, Dennis Nelson Intralot: 5 employees Other: 5 individuals	

Intralot FY2010 Total \$ 1,530.53
Total Paid by Intralot \$ 12,661.77

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NEBRASKA LOTTERY
EXPENSES PAID BY VENDORS
For Fiscal Years 2007, 2008, 2009, and 2010

Vendor	Date of Expense	Amount paid by Vendor	Type of Expense	Location of Expense	Attendees	Purpose
SKAR	7/2/2009	\$ 20.88	Lunch		Lottery: Brian Rockey	Lunch
SKAR	7/22/2009	\$ 12.51	Lunch		Lottery: Tom Johnson	Lunch
SKAR	9/17/2009	\$ 11.00	Refreshments		Lottery: Tom Johnson	Wine for Tom Johnson for Retirement Party
SKAR	10/16/2009	\$ 8.57	Lunch		Lottery: Jill Marshall	Lunch
SKAR	11/19/2009	\$ 8.50	Refreshments		Lottery Staff	Meeting Refreshments
SKAR	11/19/2009	\$ 15.52	Refreshments		Lottery: Brian Rockey, Neil Watson	Drinks for Brian Rockey and Neil Watson
SKAR	11/24/2009	\$ 19.50	Lunch		Lottery: Brian Rockey, Mike Elwood	Lunch
SKAR	1/12/2010	\$ 12.83	Lunch		Lottery: Brian Rockey, Mike Elwood	Lunch
SKAR	2/8/2010	\$ 16.32	Refreshments		Lottery Staff	Meeting Refreshments
SKAR	2/23/2010	\$ 9.60	Lunch		Lottery: Brian Rockey	Lunch
SKAR	4/28/2010	\$ 20.00	Refreshments		Lottery Staff	Meeting Refreshments
SKAR	5/6/2010	\$ 20.54	Lunch		Lottery: Brian Rockey, Mike Elwood	Lunch
SKAR	5/27/2010	\$ 8.50	Refreshments		Lottery Staff	Meeting Refreshments
SKAR	6/4/2010	\$ 18.95	Lunch		Lottery: Brian Rockey	Lunch
SKAR	6/29/2010	\$ 28.07	Lunch		Lottery: Brian Rockey, Mike Elwood	Lunch
SKAR FY2010 Total		\$ 231.29				

(Concluded)

NEBRASKA LOTTERY
MEAL RECEIPT PAID BY VENODOR

Exhibit B

IBER.PRT

The Capital Grille-Providence
One Union Station
401-521-5600

Server: TOM N
Table 93
Guests: 6

01/25/2007
10:29 PM
#50013

Reprint #: 2



✓ Absolut	8.50	→	Vodka	\$ 8.50
✓ Lewis Cell Res (2 @150.00)	300.00	→	Wine	\$ 300.00
Mer Soleil Char	86.00	→	Wine	\$ 86.00
Shrimp Cocktail (2 @13.00)	26.00			
Lobster & Crab Cakes (2 @15.00)	30.00			
Pan Fried Calamari (2 @12.00)	24.00			
Capital Grl Field Greens (2 @8.00)	16.00			
Wedge w/ Bleu Cheese	8.00			
Caesar Salad	8.00			
Kona Sirloin (2 @36.00)	72.00			
✓ Viader MTG Mag	360.00	→	Wine	\$ 360.00
Coconut Pie	7.00			
Classic Creme Brulee	6.50			
Key Lime Pie	6.50			
Cheesecake w/ Strawberry	6.00			
Flourless Chocolate Cake	6.00			
Coffee	2.75			
✓ Viader 1/2 Mtg	92.00	→	Wine	\$ 92.00
Bass, Sea Dinner Special (3 @38.00)	114.00			
Filet Mignon 10oz	32.00			
Fresh Creamed Spinach	7.00			
Augratin Potatoes	9.00			
Lyonnaise Potatoes	7.00			
Fresh Asparagus	9.00			
Complete Subtotal	1243.25			
Sub Total	1243.25			
Comp	-32.00			
Disc Sub Total	1211.25			
Tax	84.79			
Liq Sec	0.09			
Wine Sec	8.38			
Food Sec	3.65			
Total	1308.16			
AMEX #XXXXXXXXXXXX2014	1308.16			
Tip	300.00			
Total	1608.16			
Auth:580993 Exp 0709				

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The items above in blue were added by the APA.