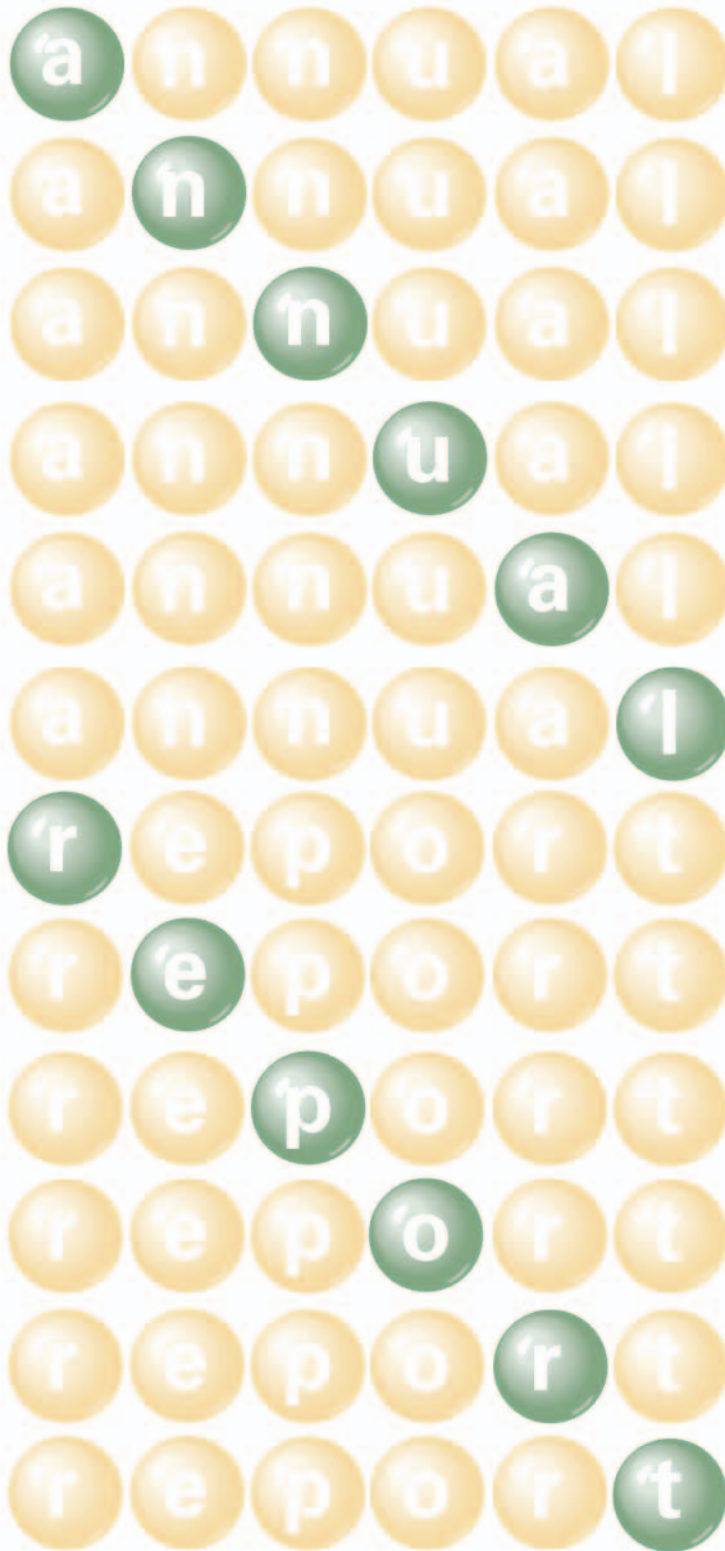
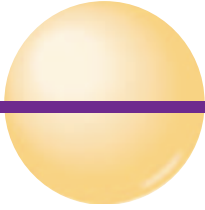


# 2005



and resource guide



**annual report**  
**july 1, 2004 through june 30, 2005**  
**resource guide**

Throughout its history, the Nebraska Lottery has focused on innovation as a means of delivering quality products and service to players and retailers alike.

During Fiscal Year 2004-2005, a number of innovations contributed significantly to the bottom line of the Nebraska Lottery as a public business.

From a new on-line network to new game offerings and promotions, efforts to maximize value to all Nebraska Lottery customers have continued to bear fruit.

This Annual Report and Resource guide chronicles key elements of the work of the Nebraska Lottery on behalf of its retailers, players and general public.

Mary Jane Egr Edson, State Tax Commissioner

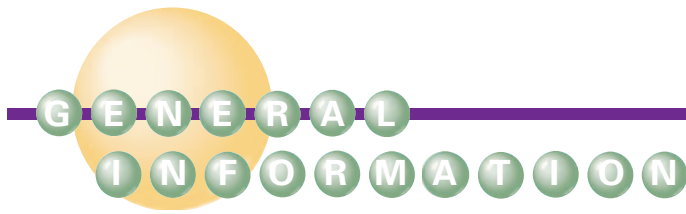
James M. Haynes, Acting Lottery Director

*A Division of the Nebraska Department of Revenue*



## table of contents

summary of activities of the division	
general information .....	1
lotto developments .....	3
scratch developments .....	7
relationships and research .....	11
retailers .....	12
beneficiaries .....	14
winners .....	16
independent auditors' report .....	19
statement of net assets .....	21
statement of revenue, expenses and changes in net assets .....	22
statement of cash flows .....	23
notes to financial statements .....	24



The Nebraska Lottery sells \$1, \$2, \$3, \$5 and \$10 Scratch tickets, with prizes ranging from a free \$1 ticket up to \$250,000. As many as 30 various Scratch games are developed and offered during the course of a year.

The Nebraska Lottery sells Lotto (on-line) games such as Powerball®, 2by2®, Nebraska Pick 3™ and Nebraska Pick 5®. Nebraska Pick 5 and Nebraska Pick 3 are offered exclusively in Nebraska. The other two games are operated on behalf of member lotteries by the Multi-State Lottery Association. Lotto drawings are held six nights a week, with the exception of Powerball drawings which are held twice a week. Although the prize for a single play of any game is \$1, the prizes range from a free ticket up to a multi-million-dollar jackpot.

Nebraska Lottery Scratch game products and related equipment are provided by GTECH Corporation, which employs more than 20 people across Nebraska. Tickets and equipment are distributed from the Nebraska Lottery warehouse in Lincoln. Since July 1, 2004, Nebraska Lottery Lotto products and equipment have been provided by IntralotUSA, with a Nebraska staff of more than 40 people across the state. The Intralot Nebraska facilities serve as the company's showcase operation in North America.

There are 20 Nebraska Lottery headquarters employees, providing accounting, marketing, systems and general administration services from the Nebraska State Office Building in Lincoln.

The Nebraska Lottery contracts for advertising and security services with other Nebraska firms.

## **AGENCY SELECTION**

The Nebraska Lottery has retained Ayres Kahler Advertising as its advertising agency of record for another three years.

The announcement was made on May 25, capping a process that began in January with the issuance of a Request for Proposals for Advertising and Marketing Services.

Several weeks of preparation and review went into the two-phase selection process. First, interested agencies were asked to submit by February 4 a capabilities statement detailing their respective resources and experience. A committee of Nebraska Lottery employees examined those capability statements, and select agencies were invited to submit proposals for two detailed marketing projects.

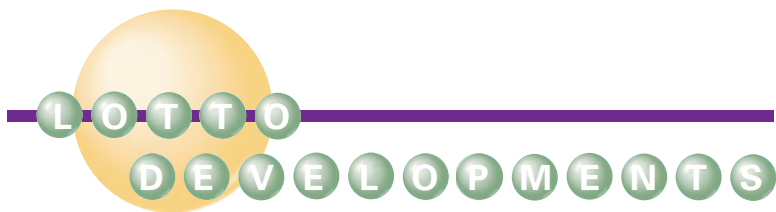
Phase II written submissions were due March 18, and agencies made oral presentations on their proposals during the week of March 21. This stage of the selection process was conducted by representatives of the Nebraska Lottery, supplemented by representatives of the Arizona and Delaware lotteries.

Submissions were scored according to four criteria: Overall Strategic approach, Media Plan considerations, Creative executions, and Promotional and Public Relations plans.

Agencies' proposed compensation for the contract was evaluated separately, after the review committee had made its assessment using the four scoring criteria.

Ayres Kahler has been the Nebraska Lottery's advertising agency of record since 1997. The new three-year contract commenced on July 1, 2005, and includes the option of three one-year extensions.

Ayres Advertising was founded in Lincoln in 1946. Tracing its roots to 1935 as Louis Holland Advertising, Kahler & Company was so named in 1992. A 2002 merger formed Ayres Kahler, with offices in Lincoln and Omaha.



## INTRALOT ACTIVATION

After several months of planning, and a six-week statewide retailer training effort, Intralot took over operation of the Nebraska Lottery Lotto network on July 1, 2004. Lotto game terminals and related services are now provided by Intralot under a new seven-year contract.

The centerpiece of the new system is the Coronis terminal, featuring a touch screen for transaction selection, and state-of-the-art data processing. As many as 1,500 Nebraska Lottery retailers will be able to use the new equipment, linked by satellite to central processing facilities in Lincoln.



In addition to supplying Lotto terminals and related supplies, Intralot manages a statewide field staff of customer service technicians to maintain the Nebraska Lottery Lotto retailer network. Intralot operates the transaction processing system for Nebraska Lottery Lotto games, and maintains a customer service call center from offices located in Lincoln.

The successful conversion marked the completion of a process that began in August of 2003 when Intralot was named the successful bidder after a competitive process.

IntralotUSA of Duluth, Georgia is an operating unit of Intralot S.A., an affiliate of the Intracom Group, which is one of the largest telecommunications, electronics and information technology companies in Europe. Intralot is the fastest growing company in the gaming sector, and is the third largest supplier of gaming information systems and equipment services worldwide.

## SATELLITE OUTAGE

The Nebraska Lottery was just one of dozens of business and media customers worldwide affected by the November 28, 2004 failure of a major communications satellite, which happened to

lotto developments

serve the Lotto network.

Within four days, at least 97 percent of the Nebraska Lottery Lotto retailer network was back on-line, but other interests nationwide affected by the failure faced long delays.

In order to restore retailer communications, the technical service staff of Intralot worked around the clock. Supplemented by contract technicians from around the nation, crews worked more than 2,000 man-hours in an effort that required crews to visit every one of more than 950 Nebraska Lottery Lotto retailers, facing winter conditions including icy roofs, as they redirected satellite dishes and rerouted equipment.



Resulting from a rare satellite failure, the communication outage disrupted sales of Nebraska Lottery Lotto games, Powerball, Nebraska Pick 5 and 2by2.

The outage was made all the more dramatic by the Powerball jackpot of \$127 million for the December 1 drawing, and a jackpot Doubler promotion in effect for Nebraska Pick 5.

Players seeking Powerball tickets for the December 1 drawing had access at about 800 retailers statewide by that evening. The full network was operational for the Saturday Powerball drawing, with an estimated jackpot of \$145 million.

Originally scheduled to end on November 30, the Nebraska Pick 5 Doubler promotion was extended to December 4. The promotion gave players who won the Nebraska Pick 5 jackpot twice the advertised amount of the jackpot for the drawing in which they won. During November, the jackpot was won twice: November 11, \$158,000 doubled to \$316,000; and November 20, \$78,000 doubled to \$156,000.

Sales of Powerball, Nebraska Pick 5 and 2by2 tickets that were disrupted early in the week had rebounded significantly by the Wednesday night drawings. Total Lotto sales for that single Wednesday exceeded \$389,000, which was about 70 percent higher than average Wednesday sales for the previous two months. Analysis indicated that a combination of the fast recovery effort mounted by technicians, and players

deferring rather than canceling their Lotto purchases, helped to minimize potential losses to around \$150,000.

The failed satellite, IA-7, formerly known as Telstar 7, was launched in September of 1999. It hosted more than 50 transponders, one of which was leased by ViaSat the technology provider for Intralot, the Nebraska Lottery's Lotto equipment vendor.

The new satellite, Horizons 1, is owned by PanAmSat. It was launched in September of 2003, and has a life expectancy of 15 years. ViaSat leases space for the Nebraska Lottery on two of the new satellite's 24 transponders.



## NEBRASKA PICK 3

The Nebraska Lottery introduced a new Lotto game, developed in part as a result of direct player input.

Nebraska Pick 3 went on sale across the state at 6 a.m. on Sunday, May 22. The first Nebraska Pick 3 drawing was held on Monday, May 23.

Nebraska Pick 3 drawings are held six days a week, Monday through Saturday. Prizes in Nebraska Pick 3 range from \$1 to \$600. The odds of winning range from 1 in 4.12 to 1 in 1,000. In all, there are 9 ways to win.

Nebraska Pick 3 gives players the chance to not only select the numbers they wish to play, but also the opportunity to decide what type of play style and potential prizes to play for.

Players can first choose from four bet types; Straight, Box, Straight/Box or Combo. Each bet type costs \$1. The bet type selected determines the possible prizes by matching combinations of the winning numbers.

Players pick three numbers, each from a separate set of ten digits (0 through 9). The numbers can be unique such as 1, 2, 3 or identical such as 1, 1, 1.

A standard Nebraska Pick 3 play consisting of one set of three numbers and one bet type for a single drawing, costs \$1.



The three numbers selected are played against the winning numbers drawn, according to the following four bet types.

**Straight:**

Match all three numbers in the exact order drawn.

(one prize level)

--exact order match--\$600

**Box:**

Match all three numbers drawn in any order.

(two prize levels)

--6-way match--\$100

--3-way match--\$200

**Straight/Box:**

Match all the numbers drawn in either exact or any order.

(three prize levels)

--straight match--\$350

--six-way match--\$50

--3-way match--\$126

**Combo:**

Match 1, 2 or 3 numbers drawn in exact position within the order drawn:

(three prize levels)

--3 numbers in exact order--\$100

--2 numbers in exact position--\$8

--1 number in exact position--\$1

Games similar to Nebraska Pick 3 are offered by many other lotteries across the nation, including those in Iowa, Kansas and Missouri.

In August 2004, the Nebraska Lottery conducted a web-based survey to test various concepts for a new Lotto game. The survey was conducted through the Nebraska Lottery website, [www.nelottery.com](http://www.nelottery.com), and drew almost 1,000 responses.

The survey asked respondents' impressions of everything ranging from a game's matrix (how many numbers are drawn) to its prize structure, and from a game's play style to drawing frequency. Results were used to examine various game concepts, and led to the decision to introduce Nebraska Pick 3 as the fourth Lotto game offered by the Nebraska Lottery.

## \$10 SCRATCH GAMES

The Nebraska Lottery unveiled a new line of \$10 Scratch games in August when, \$250,000 Lucky Day made its debut at the Nebraska State Fair. The game went on sale statewide on September 3.

With an exciting variety of play styles, and 22 ways to win on each ticket, \$250,000 Lucky Day offered a top prize of \$250,000, the largest Scratch game prize that the Nebraska Lottery has ever offered.



The first of the game's two top prizes was



claimed in September by a Hordville woman who bought her ticket at the Central City Pump & Pantry.

Judy Hanquist won \$250,000 by revealing three horseshoes in a row on the fourth of six games offered on each \$250,000 Lucky Day ticket.

Hanquist regularly purchases Scratch and Lotto tickets, but told Nebraska Lottery officials that this was her first major prize. She noted that she was extremely excited when she realized that her ticket was a winner, and had to have the ticket verified multiple times.

As she claimed her prize at Nebraska Lottery headquarters, Hanquist said her plans for the \$250,000 prize were uncertain, but she added that paying bills was on the list.

The odds of winning the \$250,000 Lucky Day top prize were 1 in 240,000, and the overall odds of winning something were 1 in 2.62.



## THE FUN ZONE

With the approach of the holidays, the Nebraska Lottery introduced a group of seasonal Scratch games, one of which inaugurated a new game featured tied to the Nebraska Lottery website.

In addition to 10 chances to win on each \$2 ticket, Crazy Kringle Cash

featured The Fun Zone, which gives players the chance to win extra prizes through the Nebraska Lottery website.

By visiting nelottery.com, accessing The Fun Zone and entering the designated Fun Zone number, players who have joined the MVP Club can either win an instant prize or be entered in a monthly grand prize drawing. The Fun Zone prizes range from free tickets to cash or merchandise.

The Fun Zone does not affect the odds of winning a prize instantly in the game.

During the fiscal year, more than 50,000 Fun Zone entries were received.

## **WEBSITE**

The Nebraska Lottery website continues to grow in prominence as a resource for players and the general public.

During the course of the fiscal year, more than 1.5 million visits were recorded on the site.

In addition to product information and stories about winners, nelottery.com offers visitors a chance to learn more about Nebraska Lottery beneficiaries, participate in polls and enter contests.

## **MVP CLUB**

A key element of nelottery.com is the MVP Club.



There are more than 22,000 members of the Nebraska Lottery MVP Club who receive special information on new games, contests and promotions, and have access to updates on research and surveys.

## **\$10 GAMES SECOND CHANCE**

In addition to the chance to win prizes instantly, the \$10 Scratch games offer the chance to enter a monthly second chance drawing for \$1,000. Each ticket is designed as a self-mailer postcard. Beyond submitting entries by mail, Nebraska Lottery MVP Club members can enter the \$10 Scratch game second chance contest online through the Nebraska Lottery website, www.nelottery.com, by submitting the serial number from the back of a non-winning \$10 Scratch game ticket.

## DESIGN 'EM CONTEST

During January, the Nebraska Lottery invited players to submit their design ideas for new \$1 Scratch games. More than 200 people submitted Design 'Em Contest entries by the January 31 deadline.

The field was evaluated and narrowed twice by two separate panels of Nebraska Lottery judges, until the top 20 entries were identified.

During March, visitors to the Nebraska Lottery website who had registered as MVP Club members, were invited to select the contest winners by voting for their favorite design in each of two groups.

This first group of 10 entries, submitted by the following individuals, was posted for voting during the week of March 7-13.

*Kathy Bate of Rushville, **Lemonade Stand***  
*Pat Mesenbrink of Omaha, **Ant Attack!***  
*Tara Hutchinson of Lincoln, **Catch A Fallin' Star***  
*Violet Wiese of Pleasanton, **Digg'in For Gold***  
*Lori Catlett of Grand Island, **Fun 4 One***  
*Steve Raglin of Omaha, **Galaxy Of Gold***  
*Vicki Swarthout of North Platte, **Go For The Green***  
*Doug Jackson of Lincoln, **Hit The Right Note***  
*Cassie Northup of Lincoln, **Hop Into Spring***  
*Nichole Thomas of Seward, **Hunting For Buck\$***

Voting on the second group of 10 entries, submitted by the following individuals, was scheduled the week of March 14-20.

*Julie Hornkohl of Ogallala, **I Scream For Ice Cream***  
*Bree Primrose of Norfolk, **Lucky Licks***  
*Pam Gilliam of Lincoln, **Money Magnet***  
*Andrea Dickey of Fremont, **Pocket Change***  
*Krista Ann Dickey of Spencer, **Purr-fect Payout***  
*Jeremy Peter of Kearney, **\$tar \$truck***  
*Karri Ann Osgood of North Platte, **Twinkle Twinkle Winning Star***  
*Channon Bode of Lincoln, **Win Money***  
*Carol Christiansen of Omaha, **You Are My Sunshine***  
*Jack Pepitone of Omaha, **Popcorn Popper***

Each of the finalists received 50 Nebraska Lottery Scratch tickets and a t-shirt.

The top three vote getters in each group each won \$500.

MVP Club members who voted for the entries that turned out to be the top three vote getters in a group also received a prize of 10 Nebraska Lottery Scratch tickets.

**The winners from Group 1 were:**



*1, Nichole Thomas of Seward,  
Hunting For Buck\$*



*2, Steve Raglin of Omaha,  
Galaxy Of Gold*

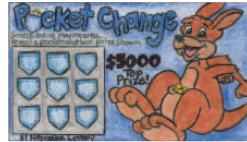


*3, Tara Hutchinson of Lincoln,  
Catch A Fallin' Star*

**The winners from Group 2 were:**



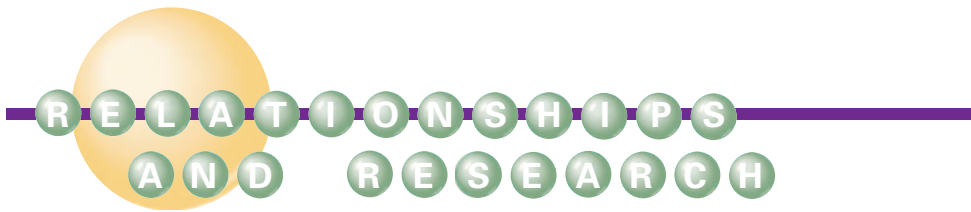
*1, Pam Gilliam of Lincoln,  
Money Magnet*



*2, Andrea Dickey of Fremont,  
Pocket Change*



*3, Bree Primrose of Norfolk,  
Lucky Licks*



The Nebraska Lottery operates a relationship marketing program through which more than 200,000 Nebraskans have registered their preferences regarding Nebraska Lottery Scratch and Lotto games. Throughout the year, those players receive mailings from the Nebraska Lottery concerning new games, contests and promotions, and winners and beneficiary fund projects. During the month of their birthday, registered players also receive birthday greetings and a coupon for a free ticket from the Nebraska Lottery.

In addition to the traditional forms of direct customer communication, the Nebraska Lottery operates an element of the relationship marketing program through the MVP Club, which has more than 22,000 active members who have registered their preferences through nelottery.com.

## DEMOGRAPHICS

Regular research is conducted regarding the practices and perceptions of Nebraska Lottery players. A telephone survey released in April of 2005 found that half of the eligible population (age 19 or older) has played a Nebraska Lottery game in the past year.

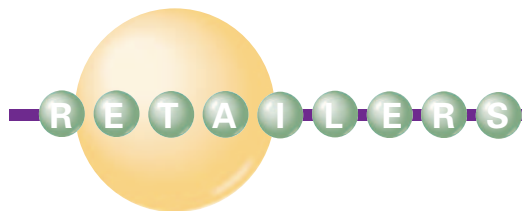
The median age of Nebraska Lottery Scratch ticket players is 40.8 years; the median household income is \$48,400 per year. The average Scratch game player spends \$3.03 every two weeks.

Powerball is the most widely recognized Nebraska Lottery Lotto game. When asked what motivates them to play, most Powerball players cite jackpot size. The majority (64 percent) of Powerball players find the game more interesting when the Jackpot is high (\$50 million or more). The average Nebraska Powerball player is 43.4 years old, with a median income of \$59,400 per year, and spends \$1.98 on the game every two weeks.

In addition to findings that half of the eligible population (age 19 or older) has played a Nebraska Lottery game in the past year, research has shown that 45 percent of players have given or received Nebraska Lottery tickets a gift.

Research has also found that the majority of players (80 percent) purchase tickets at gas stations or convenience stores.

The strong affinity that the eligible population has for the Nebraska Lottery is rooted in a history of broad public acceptance of lotteries.



The Nebraska Lottery sells Scratch tickets through a retailer network of approximately 1,250 locations statewide. Of those locations, more than 1,100 offer Lotto games such as Powerball, 2by2, Nebraska Pick 3, and Nebraska Pick 5. Nebraska Lottery retailers range from convenience stores to supermarkets and from service stations to cafes. Nebraska Lottery tickets may not be sold in establishments licensed for the consumption of alcohol on the premises. Players must be at least 19 in order to purchase and redeem Nebraska Lottery tickets.

Carrying Lottery tickets is viewed as a customer service by 50 percent of retailers responding to a Nebraska Lottery survey conducted in November of 2004. Another 48 percent of retailers said they believe Lottery tickets are both a customer service and a profit center for their stores. The majority of Nebraska Lottery retailers have said they are satisfied or very satisfied with the Nebraska Lottery.

Major developments in the Nebraska Lottery retailer network during the fiscal year included the addition of 60 Casey's General Stores to the system, which made Nebraska Lottery tickets available to a number of communities that did not have Lottery retailers previously, and the growth of the Lotto terminal network made possible under the new contract with Intralot. More than 1,100 locations are now able to offer Lotto games, compared with a maximum of 900 terminals under the previous contract.

Since before the first tickets went on sale more than a decade ago, the enthusiasm of retailers has had a direct bearing on the success of the Nebraska Lottery.

Through a combination of efficient merchandising, effective promotion and sound marketing, the Nebraska Lottery and its retailers work together to deliver a convenient, high-quality option to a diversity of busy consumers in all parts of the state.

Listed below are the top ten Nebraska Lottery sales leaders for Lotto and Scratch tickets for Fiscal Year 2004-2005.

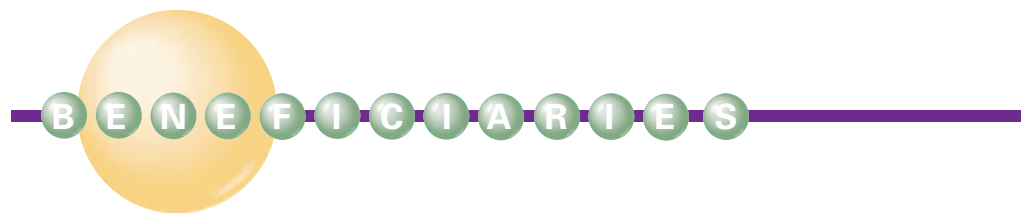
### **Lotto**

- 1. Stars 66, 11901 Pacific, Omaha*
- 2. No Frills #3, 1510 Harlan Drive, Bellevue*
- 3. Hy-Vee #1467, 10808 Fort Street, Omaha*
- 4. Bakers #307, 8010 South 84th Street, La Vista*
- 5. Skagway Discount Store, 620 West State Street, Grand Island*
- 6. Bakers #314, 4240 South 50th Street, Omaha*
- 7. Usave Mart, 202 West Webster Street, Morrill*
- 8. Hy-Vee #1470, 7910 Cass, Omaha*
- 9. Hy-Vee #1469, 8809 West Center Street, Omaha*
- 10. Bakers #303, 3010 South 84th Street, Omaha*

## **Scratch**

- 1. Skagway Discount Store, 620 West State Street, Grand Island*
- 2. Gas N Snaks, 541 Jackson Avenue, Seward*
- 3. Corner Stop, 220 23rd Street, Columbus*
- 4. Northside BP, 1020 North Jeffers, North Platte*
- 5. Pump & Pantry #16, 109 Lincoln Avenue, York*
- 6. Fast Mart, 3222 23rd Street, Columbus*
- 7. Kwik Stop #05, 702 East Fourth Street, North Platte*
- 8. Coffin's Corner, 519 North Eddy Street, Grand Island*
- 9. Cuzzin's Corner, 1118 8th Street, Columbus*
- 10. C-Mart, 1845 Grove Avenue, Crete*





## PASSAGE OF AMENDMENT 4

Amendment 4 passed by Nebraska voters in November of 2004 established the following distribution formula for Nebraska Lottery proceeds: Nebraska Environmental Trust Fund (44.5 percent), Education as determined by the Legislature (44.5 percent) (currently equal shares to the Education Innovation Fund and the Nebraska Scholarship Fund), Nebraska State Fair (10 percent), and the Compulsive Gamblers Assistance Fund (1 percent, plus the first \$500,000 in fund proceeds each fiscal year).

## TRANSFERS

During the course of the fiscal year, the Nebraska Lottery transferred more than \$22.1 million to its beneficiary funds.

The following quarterly beneficiary fund transfers were made during the fiscal year.

### 9/2004--\$5.1 million

Compulsive Gamblers Assistance Fund--\$545,990  
Education Innovation Fund--\$1,138,251  
Nebraska Scholarship Fund--\$1,138,251  
Nebraska Environmental Trust Fund--\$2,276,502

### 12/2004--\$5.4 million

Compulsive Gamblers Assistance Fund--\$54,077  
Education Innovation Fund--\$1,338,413  
Nebraska Scholarship Fund--\$1,338,413  
Nebraska Environmental Trust Fund--\$2,676,827

### 3/2005--\$5.3 million

Compulsive Gamblers Assistance Fund--\$53,476  
Education Innovation Fund--\$1,189,839  
Nebraska Scholarship Fund--\$1,189,839  
Nebraska Environmental Trust Fund--\$2,379,678  
Nebraska State Fair--\$534,759

**6/2005--\$6.3 million**

Compulsive Gamblers Assistance Fund--\$63,413

Education Innovation Fund--\$1,434,180

Nebraska Scholarship Fund--\$1,434,180

Nebraska Environmental Trust Fund--\$2,868,361

Nebraska State Fair--\$541,029

**NEBRASKA SCHOLARSHIP ACT**

Nebraska Lottery proceeds are being used in many ways to help people and projects across our state, supporting efforts focused on areas such as education, the environment, compulsive gamblers assistance, and just recently, the Nebraska State Fair.

And among these efforts is the Nebraska Scholarship Fund, which currently receives 22.25 percent of all Nebraska Lottery proceeds.

With the help of the Nebraska Lottery, the Nebraska Scholarship Act was able to award Nebraska State Grants to 13,031 students during the 2003-04 Academic Year. The Fund uses a blend of funding from the United States Department of Education's LEAP/SLEAP program (12 percent), the State of Nebraska General Fund (65.5 percent), and Nebraska Lottery proceeds (22.5 percent).

The 2003-2004 Academic Year grant awards were divided evenly between dependent (traditional) and independent (non-traditional) students, with the average grant being worth \$671.

These grants helped more than 13,000 students at 42 institutions of higher education across the state. These institutions included: all the state's 14 public 4-year and 2-year institutions, 12 private for profit institutions, and 16 private independent colleges.

Schools select students as potential recipients, and the Coordinating Commission for Post-Secondary Education approves the students and distributes funds to the institutions. Grants are made based on financial need, and students are not guaranteed to receive the grant every year they are enrolled.

The maximum grant that could be awarded during the 2003-2004 Academic Year was \$1,032, which was the equivalent of 25 percent of tuition and mandatory fees for a full-time Nebraska resident undergraduate student at the University of Nebraska Lincoln (UNL). For grants made to students for Academic Years 2004-2005 and 2005-2006, the Legislature has set the maximum possible grant at 50 percent of fees and tuition at UNL.

Major prize winners, claimed at Nebraska Lottery Claim Centers.

July 2004

**Las Vegas Boulevard - \$1,000**  
 Lucas Lade, Tecumseh  
 Doyle McCartney, Lincoln  
**Twister - \$10,000**  
 Kim Hall, Montague, CA  
**\$35,000 Bingo - \$1,000**  
 Joe Crosier, Beatrice  
 Renate Langan, Cedar Rapids  
**Blackjack - \$10,000**  
 Kim Kujath, North Platte  
**Bonus Crossword - \$35,000**  
 Eric Svik, Lincoln  
**Bonus Crossword - \$1,000**  
 Gayley Vermeer, Omaha  
 Jennifer Morales, Lincoln  
**Big Bags of Cash - \$3,000**  
 Brenda Trumbley, Lincoln  
**Monopoly - \$10,000**  
 Kory Arnold, Cedar Rapids  
**Truck\$ & Buck\$ - \$1,000**  
 Laura Percifield, Omaha  
**2by2® - \$20,000**  
 Ronald Eggeling, Omaha  
 Donald Ross, Hay Springs  
 Genene Minnick, Lincoln  
 Richard Schenkelberg, Omaha  
 Ricky Hill, Arcadia  
 John Payton, Lincoln  
 Stanley Stearns, Papillion  
 Jacqueline Lacy, Omaha  
**Powerball® - \$5,000**  
 Gary Kuehn, Lincoln  
**Powerball® - \$500**  
 James Dolsky, Lincoln  
**Nebraska Pick 5® - \$122,000**  
 Deb McGrath, Allen  
**Nebraska Pick 5® - \$450**  
 Anne Hocutt, Zebulon, NC  
 Ronald Wegner, Wymore  
 Myrtle Knight, Omaha  
 Howard Knapp, Hershey  
 Sheri Lampe, Lincoln  
 Larry Wilson, Paxton

August 2004

**Powerball® - \$100,000**  
 Thomas Mailander, Omaha  
 Shawna Bauer, Culbertson  
 Mary Howard, Omaha  
**Powerball® - \$5,000**  
 Christopher Wilhelm, Omaha  
 William Langford, Hastings  
 Christopher Conrad, Lincoln  
 Larry Fredricksen, Council Bluffs, IA  
 Ruth Pezley, Juniata  
**Powerball® - \$640**  
 David Tripp, Omaha  
**Powerball® - \$500**  
 Richard Thorson, Lincoln  
**Truck\$ & Buck\$ - \$1,000**  
 John Mahler, Albany, OR  
**2by2® - \$20,000**  
 Betty Heckman, Wilber  
 Herbert Bass, Omaha  
 Jennifer Solis, Omaha  
 Brandon Sandoz, Scottsbluff  
 Karen Nability-Olson, Grand Island  
**2by2® - \$454**  
 Gonzalo Mendoza, Lincoln  
**\$35,000 Bingo - \$1,000**  
 Chad Polzin, Omaha  
**Go Nebraska - \$4,000**  
 Anna Sanchez, Cozad

**Web - Lotto Survey - \$1,000**  
 Dyana Anderson, Lincoln  
**Sports Car Cash II - \$1,000, E-10**  
 Pat Fouraker, Tecumseh  
**Nebraska Pick 5® - \$222,000**  
 Cheri Shriner, Columbus  
**Nebraska Pick 5® - \$450**  
 Mark Giebelhaus, Lincoln  
 Starlit Mosley, Roca  
 Jeanne Vliet, Lincoln  
 Ralph Parrish, Lincoln  
**Truck\$ & Buck\$ - Truck**  
 Kent Johnson, Mead  
**Sports Car Cash II - Corvette**  
 Kelly Johnson, Polk  
**Scratch Keno - \$1,000**  
 Jane Medbery, Grand Island

September 2004

**Powerball® - \$5,000**  
 Tyler Godby, Indianola, IA  
 Jeffrey Rogers, Broken Bow  
 Calvert Brown, Omaha  
 Don Freeman, York  
 Scott Hill, Valley  
**Nebraska Pick 5® - Jackpot**  
 Dennis Neighbors, \$50,000,  
 Grand Island  
 Kenneth Jensen, \$58,000,  
 Bennington  
 Lee Vaughn, \$58,000,  
 Bertrand  
**2by2® - \$20,000**  
 Alan Hingst, Lincoln  
 Jim Weber, Bellevue  
 Jerry Sempeck, Omaha  
**Lucky 7's - \$1,000**  
 John Rowland, North Platte  
**Nebraska Pick 5® - \$450**  
 Elsie Steinman, Lincoln  
 Timothy Lessig, Grand Island  
 Kenneth Halford, Woodbury, MN  
 Charles Olson, Malcolm  
 Adrian Mackins, Omaha  
 Bernard Perryman, Omaha  
**Hot 7's - \$2,777**  
 Donna McCoy, Omaha  
**Las Vegas Boulevard - \$50,000**  
 Michael Carroll, Plattsmouth  
**Merry Maui - Trip**  
 Garneta Butrick, Falls City  
**\$250,000 Lucky Day - Second Chance**  
**Drawing-\$1,000**  
 Kathy Rink, Lincoln  
**Diamond Mine - \$1,000**  
 Wilbert Schultz, Wood River  
**\$250,000 Lucky Day - \$1,000**  
 Tanya Wurm, Minatare  
**Sports Car Cash II - E-10 - \$1,000**  
 Desarae Hewitt, North Platte  
**\$35,000 Bingo - \$1,000**  
 Roni Thorne, Nebraska City  
**Quick 7's - \$7,000**  
 Debra Huntington, Madrid  
**Bonus Crossword - \$1,000**  
 Viola Hawkins, Bellevue  
 Derek Martin, Omaha  
**\$250,000 Lucky Day - \$250,000**  
 Judy Hanquist, Hordville

October 2004

**2by2® - \$20,000**  
 James Boyda, Omaha

Henry Myers, Lincoln  
 Larry Covault, Lincoln  
**Nebraska Pick 5® - Jackpot**  
 Tim Kallenbach, Bellwood - \$122,000  
 Richard Olechnowicz, Omaha - \$70,000  
**Powerball® - \$5,000**  
 James Hertel, Elkhorn  
 Sancho Israel, Omaha  
 Steven Racine, Columbus  
**Diamond Mine - \$1,000**  
 Ronald Beck, Grand Island  
**Powerball® - \$500**  
 Carolyn Nelson, Clay Center  
**Powerball® - \$300,000**  
 Donna Kastanek, Crete  
**\$250,000 Lucky Day - \$1,000**  
 Harold Miller, Gorin, MO  
**Monte Carlo - \$1,000**  
 Kelly Fife, North Platte  
 Richard Wyant, North Platte  
 Nan Silva, Grand Island  
**\$35,000 Bingo - \$1,000**  
 Mark Ruffin, Omaha  
**Nebraska Pick 5® - \$450**  
 David Ohlman, Gibbon  
 David Essman, North Platte  
**GO Nebraska! - \$4,000**  
 Michelle Billington, Grand Island  
**Diamond Mine - \$35,000**  
 Fredricks Johnson, Omaha  
**Moolah Money - \$3,000**  
 Brenda Maxwell, Lincoln  
**Sports Car Cash II - Corvette**  
 Deborah Machovec, Wahoo  
**Quick 7's - \$7,000**  
 Jose Gomez-Ramos, Kearney

November 2004

**\$250,000 Lucky Day - \$1,000**  
 Donald Leach, Danbury  
**Powerball® - \$5,000**  
 Francisco Olguin, Omaha  
 Michael Tracy, Wilsonville  
 Angela Green, Lincoln  
**Well, Did I Win? - \$3,000**  
 Bobbi Nisley, Bellevue  
**\$10 Scratch Games**  
**Monthly Giveaway**  
 Helmut Reiss, Raymond – \$1,000  
 James Coady, McCook – **30 Lucky Day**  
**Tickets**  
**Nebraska Pick 5® - \$450**  
 Dorothy Dennhardt, Grand Island  
 Larry Ross, Papillion  
 Myrtle Knight, Omaha  
 Brian Gange, Lincoln  
 Patricia Long, Union  
 Richard Mitchell, Omaha  
**\$35,000 Bingo - \$1,000**  
 Sylvia Carruth, Grand Island  
**Powerball® - \$550**  
 Bernardiro Moreo, Lincoln  
**Scratch Keno - \$35,000**  
 Chad Fuller, Walthill  
**Nebraska Pick 5® - Double Jackpot**  
 Robert Thompson, Hamburg, IA - \$316,000  
 Jayson Wiedeman, Denham Springs, LA - \$156,000  
**2by2® - \$20,000**  
 Mary Briza, Columbus  
 Samuel Hash, Bellevue

Kathy Kuhlmann, Hastings  
**Powerball® - \$100,000**  
Christopher Moore, Lincoln  
**Bonus Crossword - \$1,000**  
Michael Schwartz, Genoa

## December 2004

**Powerball® - \$20,012**  
Adam Lesko, Las Vegas, NV  
**Powerball® - \$5,000**  
Lois Gall, Columbus  
Lisa Tally, Lincoln  
Daniel Tiensvold, Alliance  
Natalie Olson, Omaha  
Juan Olmedo, Omaha

**Powerball® - \$580**  
Nelsen Smith, North Platte  
**\$35,000 Bingo - \$35,000**  
Minnie Newbill, Bellevue  
**Nebraska Pick 5® - Jackpot**  
Ralph Dolen, Wynot - \$130,000  
**Nebraska Pick 5® - \$450**

Jean O'Meara, Lincoln  
Richard Kirby, Bellevue  
Mark Colling, Lincoln  
Michael Bellew, North Platte  
Jacy Todd, Central City  
**Holiday Dough - \$2,000**  
Jenny Korte, Hastings  
**Winter Cash - \$50,000**  
Jerry Sundeen, Hooper  
**2by2® - \$20,000**

Teresa Erickson, Atlanta  
Gaffer Erdem, Omaha  
**Lucky Slots - \$1,000**  
Sarah Price, Lincoln  
**Diamond Mine - \$35,000**  
Jean McCowan, Omaha  
**Sports Car Cash II - \$1,000**  
**E-10 Unleaded**

Kevin Bright, Columbus  
**The Name Game**  
**Crossword - \$1,000**  
Randy Marvin, Omaha  
**Crazy Kringle Cash - \$10,000**  
Patrick Hoyt, Pender  
**Monte Carlo - \$50,000**

Linda Thagard, Superior  
**Bonus Crossword - \$35,000**  
Gwen Adams, Plattsmouth  
**\$250,000 Lucky Day Second Chance**  
**Drawing - \$1,000**  
Glen Tharmish, St. Edward  
**\$250,000 Lucky Day Second Chance**  
**Drawing - 300 tickets**  
Shawn Baggett, North Platte  
**Quick 7's - \$7,000**  
Sarah Patocka, Columbus  
**The Name Game**  
**Crossword - \$35,000**  
Elizabeth Lydiatt, Kearney  
**Lucky 7's - \$70,000**  
Nis Mommsen, Blair

## January 2005

**Nebraska Pick 5® - \$122,000**  
Daniel Havlena, David City  
**2by2® - \$20,000**  
Quang Tran, Lincoln  
Deborah Reeh, Alliance  
**Sizzlin' Slots - \$10,000**  
James Drahota, Norfolk  
**Monte Carlo - \$1,000**  
Dorothy Thien, North Platte  
Franz Cowden, Eagle  
Phyllis Powers, Omaha  
**Happy Holidays Cash Giveaway**  
Nancy Johnson, Lincoln - **\$10,000**  
Willis Dawkins, Grand Island - **\$1,000**  
Paula Bishop, Omaha - **\$750**  
Marvin Leapaldt, Lincoln - **\$500**  
Thomas Shires, Lincoln - **\$250**  
**Diamond Mine - \$1,000**  
William Kocanda, Omaha  
**Powerball® - \$500**  
Mark Larson, Omaha  
Wesley Henry, Omaha

**Powerball® - \$5,000**  
Noel Nienhueier, Juniata  
James Parker, Omaha  
Edward Renken, Omaha  
**Powerball® - \$10.3 Million**  
Steven Herber, Omaha  
**\$10 Scratch Game**  
**Monthly Giveaway**  
Jeremiah Picard, Lincoln -  
**30 \$10 Scratch Tickets**  
Mike Tworek, Columbus - **\$1,000**  
Curtis Malmberg, Alda -  
**30 \$10 Scratch Tickets**  
Amber Brummels, Madison - **\$1,000**  
**The Price Is Right - \$50,000**  
Deborah Wilson, Gering  
**Powerball® - \$100,000**  
Roger Smith, York  
Marvin McCaffrey, Gering  
**Double Doubler - \$4,000**  
Cheryl Zumpfe, Seward  
**\$35,000 Bingo - \$1,000**  
Mohammed Nasser, Omaha  
Christopher Yarpe, Omaha  
Mary Ardery, Papillion  
**The Price Is Right - \$1,000**  
Carla Roberts, Cozad  
**The Name Game**  
**Crossword - \$1,000**  
Sandra Wolfe, Overton

## February 2005

**Holiday Dough - \$2,000**  
Leona Kluge, Wayne  
**Doubling Diamonds - \$10,000**  
Walter Forrest, Ravenna  
**Powerball® - \$500**  
Roger Campbell, Seward  
Robert Bridges, Bellevue  
**Powerball® - \$5,000**  
Drake Oltman, Lincoln  
Darold Ebsen, Plainview  
Amanda Meyer, Omaha  
Ervin Mathiesen, Kennard  
**Powerball® - \$100,000**  
Richard Vincent, Omaha  
**Quick 7's - \$7,000**  
Ronna Hulsebus, York  
**Nebraska Pick 5®**  
Gale Rath, Aurora - \$198,000  
Paul Kuskie, Ogallala - \$94,000  
Curt Comford, North Platte - \$450  
Dennis Browning, Omaha - \$450  
**Emerald Green 7's - \$1,777**  
Bill Bottolfson, Hastings  
**The Price Is Right - \$50,000**  
Rebekah Stroebel, Crete  
**Triple 7's - \$2,777**  
Carol Fuksa, Bellevue  
**\$250,000 Lucky Day - \$1,000**  
Wesley Divin, Omaha  
**Super Match 3 - \$4,000**  
Sadie Jackson, Omaha  
**The Price Is Right - Contest**  
**Trip & Cash**  
Jeff Albin, Alma  
**The Name Game**  
**Crossword - \$1,000**  
Marcy Stearns, Omaha

## March 2005

**2by2® - \$20,000**  
Richard Sullivan, Omaha  
Linda Thompson-Uecker, Gretna  
**Happy Cash - \$2,000**  
Jesse Robinson, Norfolk  
**Lucky Loot - \$5,000**  
Jessica Gildea, Norfolk  
**Lucky Slots - \$1,000**  
David Lindeken, Scottsbluff  
**Lucky Slots - \$35,000**  
Doreen Bumann, Bellevue  
Amanda Coddington, Omaha  
**Nebraska Pick 5® - \$62,000**  
Harold Brunckhorst, Osmond  
**Nebraska Pick 5® - \$900**  
Dorothy Thiem, North Platte  
**Powerball® - \$500**  
Steven Moore, Omaha - \$500

Daniel Behannon, Omaha - \$500  
Karen Kelly, Chapman - \$500  
Charles Brockmon, Bellevue - \$500  
Rodney Bear, Kearney - \$900  
**Powerball® - \$5,000**  
Marshall Fritz, Oakland, IA  
Brian Henry, Albion  
Robert Lamm, Norfolk  
Megan Pierce, Papillion  
**Powerball® - \$10,000**  
Steve Reeves, Gothenburg  
**Powerball® - \$100,000**  
Pettie Meeks, Omaha  
**Quick 7's - \$7,000**  
Darthula Bales, Fairbury  
**Sapphire Blue 7's - \$1,777**  
Debra Ollendick, Tilden  
**Sizzlin' 7's - \$77,777**  
Wayne Van Natter, Chadron  
**Struck by Luck - \$2,000**  
Ted Dowler, Alliance  
**The Name Game**  
**Crossword - \$1,000**  
Warren Fox, Omaha  
Ellen Von Seggern, Wisner  
**Well, did I WIN? - \$3,000**  
Kimberly George, Omaha  
**Nebraska Pick 5® - \$450**  
Jeff Bahr, Lincoln  
Neva Boyd, Grand Island  
Sandra Kroon, North Platte  
David McCoy, Lincoln  
Rebecca Nisley, Lincoln  
**Moolah Money - \$3,000**  
Vi Hartin, Omaha

## April 2005

**\$250,000 Lucky Day - \$250,000**  
Juan Torres, Geneva  
**\$35,000 Bingo - \$1,000**  
Charles Hall, Scottsbluff  
**2by2® - \$20,000**  
Sharon Hooker, Omaha  
**Crown Jewels - \$1,000**  
Eric Bargman, Crete  
**Monte Carlo - \$1,000**  
Curt Jensen, Blair  
**Nebraska Pick 5® - \$450**  
Brad Carlson, Hickman  
Patrick Doherty, North Platte  
Jean O'Meara, Lincoln  
Kim Schwaninger, Lincoln  
**Nebraska Pick 5® - \$39,333**  
Donna Mach, Lincoln  
Maribeth Schnase, Omaha  
Duane Larsen, Omaha  
**Nebraska Pick 5® - \$66,459**  
Rodney Bernth, Waverly  
**Nebraska Pick 5® - \$82,000**  
Joel Smith, Grand Island  
**Powerball® - \$500**  
Darrell Brown, Lincoln  
Jean Strobe, Lincoln  
**Powerball® - \$5,000**  
Donald Bettelyoun, Omaha  
Kyle Everhart, Omaha  
**Powerball® - \$100,000**  
Eric Brabec, Columbus  
William Wright, Omaha  
**Quick 7's - \$7,000**  
Robert Lee, Omaha  
**Sapphire Blue 7's - \$1,000**  
Paul Warner, Alliance  
**Sizzlin' 7's - \$777**  
Melvin Bomar, Bellwood

## May 2005

**Powerball® - \$5,000**  
Nathaniel Meadows, North Platte  
Susan Johnson, Omaha  
Leslie Gries, Omaha  
Thomas Tesmer, St. Paul  
Keith Eickwaun, Superior  
Jose Garcia, Omaha  
James Mumm, Omaha

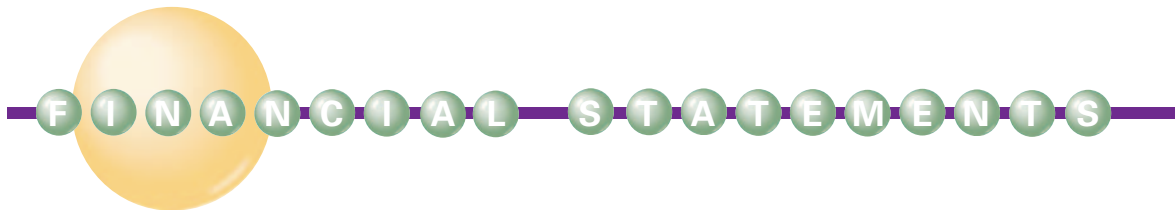
**14 Carat Cash - \$5,000**  
Trevor Dennison, Edina, MN  
**Nebraska Pick 5<sup>o</sup> - \$27,000**  
Harold Mueksch, Scribner  
Bob Addleman, Wichita, KS  
**Nebraska Pick 5<sup>o</sup> - \$78,000**  
Deb Leggett, Lincoln  
**Nebraska Pick 5<sup>o</sup> - \$74,000**  
Paul Stavropoulos, Alliance  
**Fun In The Sun - \$4,000**  
Jon Aguilar, Lincoln  
**\$250,000 Payday - \$1,000**  
Richard Rhodes, Lincoln  
**2by2 - \$20,000**  
Michael Anderson, Clay Center  
**Powerball<sup>o</sup> - \$100,000**  
Christopher Roberts, Ames, IA  
**Truck\$ & Buck\$ - \$1,000**  
Thomas Wunderlich, Columbus  
**\$35,000 Bingo - \$35,000**  
Mary Vollers, Wayne  
**Monte Carlo - \$50,000**  
Vickie Lee, Cozad  
**Sizzlin' 7's - \$777**  
Cheryl Wipperling, Norfolk  
**Nebraska Pick 5<sup>o</sup> - \$450**  
Ken Payne, Wilber  
**Doubling Diamonds - \$10,000**  
Don Hansen, Central City  
**Nebraska Pick 3<sup>TM</sup> - \$600**  
Karen Crofutt, Scottsbluff  
Thomas Tworek, Columbus  
Neal Kratochvil, Columbus  
Craig Mumma, Omaha  
Pam Sherwood, Lincoln  
Gregg Shonka, Lincoln  
Larry Gray, Crete  
Susie Tallmon, Scottsbluff  
Krista Anderson, Omaha  
Sterling Fears, Omaha  
Nels Nelson, Valparaiso

**Powerball<sup>o</sup> - \$10,000**  
Merlin Yoder, Grand Island  
**Crown Jewels - \$35,000**  
Cindy Thompson, Grand Island

## June 2005

**Nebraska Pick 3<sup>TM</sup> - \$700**  
William Nicholson, Hastings  
Melodie Stanford, Council Bluffs, IA  
Martha Galvin, Omaha  
**Nebraska Pick 3<sup>TM</sup> - \$600**  
Lindsey Tarsha, Lincoln  
Ileana Burns, Lincoln  
Leon Igo Jr., Lincoln  
Isaac Quarells, Lincoln  
Robert Swift, Omaha  
Stella Morfield, Omaha  
Marolyn Roza, Omaha  
Ralph Ganzel, Nebraska City  
Michael Berry, Papillion  
Blain Thompson, Johnson Lake  
Jeffrey Gartner, Lincoln  
Richard Moses, Imperial  
Shelby Foster, North Platte  
Carmen Clifton, Tecumseh  
Dale Harding, Omaha  
Kelsi Bednar, Beatrice  
Ron Schmidt, Lincoln  
James Boyer, Fairbury  
Michael Thomas, Omaha  
William Stiles, Omaha  
Ronald Maul, Hastings  
Henry Alan, Hastings  
Kathryn Taylor, North Platte  
Amos Reed, Omaha  
Vicky Hummel, Omaha  
Paul Klimantas, Omaha  
Mona Reed, Lincoln  
Beverly McCord, Omaha  
Joseph Novotny, Omaha  
Marvin Cribbs, Omaha  
Diane Franklin, Omaha  
Deseray Hatfield, Bellevue  
Michael Frankie, Morrill

David Harms, Lincoln  
John Crow, Jr., Omaha  
**Nebraska Pick 3<sup>TM</sup> - \$1,050**  
Joseph Cannon, Omaha  
Kenneth Robinson, Omaha  
**Nebraska Pick 3<sup>TM</sup> - \$950**  
Abdel Bazzi, Torrington, WY  
**Nebraska Pick 3<sup>TM</sup> - \$800**  
Marilyn Frey, Beatrice  
John Blankenship, Bellevue  
**\$35,000 Bingo - \$1,000**  
Dorothy Barnard, Omaha  
**Truck\$ & Buck\$ - Truck**  
Elizabeth Miller, Lincoln  
**Nebraska Pick 5<sup>o</sup> - \$450**  
Jay Nelson, Omaha  
William Roach, Gothenburg  
**Powerball - \$100,000**  
Larry Schuetz, Falls City  
Linda Meador, Elk Ridge, UT  
**2by2<sup>o</sup> - \$20,000**  
Cyndie Pepper, Omaha  
Jimmie Brannan, North Platte  
**Nebraska Pick 5<sup>o</sup> - \$154,000**  
Michael Tagart, Grand Island  
**The Name Game Crossword - \$35,000**  
Millard Smith, Frederick, CO  
**Super Hot 7's - \$777**  
Sandra Kerns, North Platte  
**Bonus Crossword - \$35,000**  
Vicki Petersen, Omaha  
**Powerball<sup>o</sup> - \$5,000**  
Ranae Othmer, Nehawka  
Arthur Paquin, Lexington  
Melanie Sutton, North Platte  
Duane Schippert, Omaha  
Billy Martin, Lincoln  
Robert Kummer, Omaha  
**Powerball<sup>o</sup> - \$25,000**  
Sandra Meyer, Giltner  
Rick Fogleman, Norfolk



STATE OF NEBRASKA  
AUDITOR OF PUBLIC ACCOUNTS



**Kate Witek**  
State Auditor  
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NEBRASKA LOTTERY

INDEPENDENT AUDITORS' REPORT

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Mary Jane Egr Edson  
State Tax Commissioner  
Nebraska Department of Revenue, Lottery Division  
Lincoln, Nebraska

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, 2005, 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, 2005, 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, 2005, 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 3, 2005, 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 grants. 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. *(This report is not included in the Nebraska Lottery's annual report but can be obtained from the Nebraska Lottery.)*

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 schedules and Management's Discussion and Analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. *(The Nebraska Lottery has not included the additional schedules and the Management's Discussion and Analysis (MD&A), as noted above, in this annual report. The MD&A is required supplementary information that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. The additional schedules and MD&A can be obtained from the Nebraska Lottery.)*



October 3, 2005

Assistant Deputy Auditor

June 30, 2005

**ASSETS:****CURRENT ASSETS**

Cash and Cash Equivalents		\$ 5,267,568
Accounts Receivable, Net of Allowance (Note 4)		3,726,933
Prepaid Prizes		153,191
Prepaid Contract Costs - Instant		253,656

<b>TOTAL CURRENT ASSETS</b>		<u>9,401,348</u>
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**NON CURRENT ASSETS**

Reserves on Deposit (Note 6)		1,743,914
Furniture, Fixtures, and Equipment (Note 5)	447,698	
Less: Accumulated Depreciation	<u>403,922</u>	
Capital Assets, Net		<u>43,776</u>

<b>TOTAL NON CURRENT ASSETS</b>		<u>1,787,690</u>
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<b>TOTAL ASSETS</b>		<u>\$11,189,038</u>
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**LIABILITIES:****CURRENT LIABILITIES**

Accounts Payable		\$ 357,704
Vendors Payable		869,405
Compensated Absences Payable		143,976
Accrued Payroll Payable		68,489
Withheld Taxes on Prizes Paid		28,052
Prizes Payable		4,685,494
Due to Other Funds		20,825
Other Accrued Liabilities		75,219

<b>TOTAL CURRENT LIABILITIES</b>		<u>\$6,249,164</u>
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**NET ASSETS**

Invested in Capital Assets	\$ 43,776
Restricted for Future Prizes	1,743,914
Unreserved (Note 8)	<u>3,152,184</u>

<b>TOTAL NET ASSETS</b>		<u>\$4,939,874</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.



statement of

REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS

For The Year Ended June 30, 2005

**OPERATING REVENUE:**

Sales	\$102,672,465
Less: Sales Returns	<u>2,014,294</u>

**TOTAL OPERATING REVENUE** 100,658,171

**OPERATING EXPENSES:**

Prize Expense	58,352,134
Retailer Commissions	6,433,299
Contractual Services Expense	6,511,219
Marketing	4,193,292
Lottery Operating	<u>1,637,777</u>

**TOTAL OPERATING EXPENSES** 77,127,721

**OPERATING INCOME** 23,530,450

**NON-OPERATING REVENUE:**

Interest Income	264,651
Multi-State Lottery Association Income	<u>65,414</u>

**TOTAL NON-OPERATING REVENUE** 330,065

**INCOME BEFORE OPERATING TRANSFERS** 23,860,515

**TRANSFERS TO OTHER FUNDS** (26,372,723)

**CHANGE IN NET ASSETS** (2,512,208)

**TOTAL NET ASSETS, BEGINNING OF YEAR** 7,452,082

**TOTAL NET ASSETS, END OF YEAR** \$4,939,874

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

statement of

**CASH FLOWS**

For The Year Ended June 30, 2005

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Ticket Sales	\$100,120,375	
Prizes Paid to Winners	(57,286,608)	
Commissions Paid to Retailers	(6,436,011)	
Paid to Contractors for Goods and Services	(10,769,988)	
Paid to Employees	(1,238,192)	
Other Operating Expenses	(368,731)	
Powerball® Grand Prize Winner Receipts from MUSL	10,692,888	
Payments to Powerball® Grand Prize Winners	(10,692,888)	
Reserves on Deposit	(31,875)	
Advances for Vendors	28,741	
Prepaid Prize Expense	85,608	
Net Cash Provided by Operating Activities		24,103,319

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

Paid to Education Innovation Fund	(5,100,683)	
Paid to Nebraska Scholarship Fund	(5,100,683)	
Paid to State Fair Support and Improvement Fund	(1,075,788)	
General Fund Transfer	(5,000,000)	
Paid to Environmental Trust Fund	(10,201,368)	
Paid to Compulsive Gamblers Assistance Fund	(716,956)	
Net Cash Used in Non-capital Financing Activities		(27,195,478)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Purchase of Property and Equipment		(29,733)
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**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest on Cash	264,651	
Multi-State Lottery Association Income	110,721	
Net Cash Provided by Investment Activities		375,372

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (2,746,520)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 8,014,088

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$5,267,568

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

Income From Operations		\$23,530,450
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:		
Reserves on Deposit	(31,875)	
Prepaid Prize Expense	85,608	
Advances for Vendors	28,740	
Depreciation	26,589	
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable (Net)	(592,025)	
Advance Sales	23,622	
Accounts Payable and Accrued Liabilities	(77,861)	
Prizes Payable	1,083,272	
Compensated Absences Payable	26,799	
Net Cash Provided by Operating Activities		<u>\$24,103,319</u>

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

# nebraska lottery

## notes to financial statements

For The Year Ended June 30, 2005

### 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 are in the format of fund financial statements as required by Governmental Accounting Standards Board (GASB) Statement Number 34. 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 games vendor 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, which is a State agency 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. Section 9-812 R.S.Supp., 2004, are to be transferred to the Education Innovation Fund, the Nebraska Scholarship Fund, the Nebraska Environmental Trust Fund, and the Compulsive Gamblers Assistance Fund. As of January 1, 2005, Constitutional 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 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. Basis of Accounting, Measurement Focus

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.

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.

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.

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 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 end 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, 2005 was \$1,657,055.

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**

Cash and cash equivalents represent the cash balance as reflected on the Nebraska Information System (NIS). Also included in the cash and cash equivalents amount is Petty Cash and Deposits with Vendors. Investment of all available cash is made by the State Investment Officer on a daily basis, based on total bank balances. Investment income is distributed based on the average daily book cash balance of funds designated for investment. Interest on funds held by the State Treasurer is periodically distributed to the participating agencies. These funds are considered to be cash and cash equivalents which are available for expenditures as needed. These funds are held in the State of Nebraska Operating Investment Pool (OIP), an internal investment pool. The investment policy of the OIP includes the objectives of:

- Safety – Investments will be undertaken in a manner that seeks to ensure preservation of capital on a total return basis.
- Liquidity – The OIP will remain sufficiently liquid to meet the daily cash flow needs of the State and other entities participating in the OIP.
- Return on Investment – The objective is to attain a competitive income rate of return given the risk constraints and cash flow characteristics of the portfolio.

The investment strategy is to minimize short-term investments while maintaining sufficient funds to provide for required cash outflows. The investments of the OIP at June 30, 2005 include Commercial Paper, U.S. Government Securities, Federal Agency Debt Instruments, Corporate Bonds, Money Market Funds, and Bank Deposits. Additional information on the OIP can be found in the State of Nebraska's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005.

## **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.

## **F. Allowance for Uncollectible Amounts**

Estimated allowances for uncollectible amounts are determined based upon past collection experience and current economic conditions.

## **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 three to seven years is capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or extend asset life is not capitalized.

## **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, 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 50 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.

## 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. The Nebraska Department of Administrative Services (DAS) Division of Risk Management is responsible for maintaining the insurance and self-insurance programs for the State with the exception of the health and life insurance programs which are maintained by the DAS Personnel Division. The State generally self-insures for general liability 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 medical payments, 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. Health care and life insurance for eligible employees.
- C. Crime coverage, with a limit of \$1 million for each loss, and a \$25,000 self-insured retention per incident.
- D. Real and personal property on a blanket basis for losses up to \$100,000,000, with a self-insured retention of \$200,000 per loss occurrence. Newly acquired properties are covered up to \$1,000,000 for 60 days or until the value of the property is reported to the insurance company. The perils of flood and earthquake are covered up to \$10,000,000. Acts of terrorism are covered up to \$2,500,000 aggregate per year. State agencies have the option to purchase building contents and inland marine coverage.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded in the Compensation Insurance Trust Fund 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. Prior to January 1, 2003, the plan consisted of a defined contribution plan that covered State employees. Effective January 1, 2003, a cash balance benefit was added to the State Employees Retirement Act. 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 benefit or begin participation in the cash balance benefit. The defined contribution benefit 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 who have 12 continuous months of service are required to begin participation in the retirement system. All permanent full-time or permanent part-time employees who have 12 months of service within a five-year period, and who have attained the age of 20, may exercise the option to begin participation in the retirement system.

**Contribution.** Each member contributes 4.33% of his or her monthly compensation until \$864 has been contributed and 4.8% of his or her monthly compensation for the remainder of the calendar year. 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 vested 100% after a total of three years of participation in the system, including the twelve-month eligibility period or credit for participation in another governmental plan prior to actual contribution to the Plan.

**Defined Contribution Benefit.** 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 a 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, 2005, employees contributed \$41,693 and the Nebraska Lottery contributed \$65,041. A separate plan report is issued and can be obtained from the Nebraska Public Employees Retirement System. This report contains full pension-related disclosures.

### 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% sold whichever comes first. Retailers pay for on-line tickets each Wednesday for balances due through the previous Saturday. The retailers account receivable is net of allowance for uncollectible in the amount of \$19,213.

<b>Accounts Receivable:</b>	
Retailers (net)	\$3,549,555
Other	<u>177,378</u>
Total	<u>\$3,726,933</u>

## 5. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Total Capital Assets	\$ 417,965	\$ 29,733	\$ -	\$ 447,698
Total Accumulated Depreciation	377,334	26,588	-	403,922
Total Capital Assets, Net	<u>\$ 40,631</u>	<u>\$ 3,145</u>	<u>\$ -</u>	<u>\$ 43,776</u>

## 6. On-Line Games

During the fiscal year ended June 30, 2005, 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	\$ 1,629,427
NEBRASKA PICK 5®	Nebraska Lottery	n/a
NEBRASKA PICK 3®	Nebraska Lottery	n/a
2by2®	MUSL	114,487
		<u>\$ 1,743,914</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 are 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® grand prize 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.

## 7. Significant Compliance Requirements

Neb. Rev. Stat. Section 9-812 R.S.Supp., 2004 requires until January 1, 2008 a portion of the dollar amount of the lottery tickets, which have been sold, on an annualized basis to be transferred to the beneficiary funds, except that the dollar amount transferred shall not be less than the dollar amount transferred to the funds in fiscal year 2003. 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. Thereafter, twenty-four 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-nine and one-half percent shall be transferred to the Nebraska Environmental Trust Fund, and one percent shall be transferred to the Compulsive Gamblers Assistance Fund.

Due to the passing of Constitutional Amendment 4, from January 1, 2005 and forward, 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. Thereafter, twenty-



two and one-fourth percent shall be transferred to the Education Innovation Fund, twenty-two and one-fourth percent shall be transferred to the Nebraska Scholarship Fund, forty-four and one-half percent shall be transferred to the 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.

The funds transferred to the Education Innovation Fund, for fiscal years 2004 and 2005, shall be allocated to the General Fund after operating expenses for the Excellence in Education Council are deducted.

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 \$3,918 in delinquent State taxes and \$5,815 in delinquent child support payments.

As required under its enabling legislation, transfers of \$22,195,478 were made to other funds during the fiscal year. In addition to the above transfers, a transfer of \$5,000,000 was made by the State Treasurer from the State Lottery Operation Trust Fund to the General Fund on July 15, 2004, as required by Neb. Rev. Stat. Section 9-812 R.S.Supp., 2004.

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.

## **8. 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.