

Independent Accountant's Report on Applying Agreed-Upon Procedures

The Honorable Mayor
and City Council
City of La Vista
Keno Fund
La Vista, Nebraska

We have performed the procedures enumerated below, as required by Revenue Ruling 35-10-3 published by the Nebraska Department of Revenue, Charitable Gaming Division, which were agreed to by the City of La Vista, on the compliance of the City of La Vista with the County and City Lottery Act and County and City Lottery Regulations for the year ended September 30, 2020. The management of the City of La Vista is responsible for its compliance with these regulations. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

1. On December 26, 2019, and February 28, June 30, and September 30, 2020, we made unannounced observations of the keno activity which utilizes a manual ball draw method for selecting winning numbers.
2. During each unannounced visit, we observed five keno games and determined the keno operator had a minimum of three individuals involved during the operation of the keno ball draw system. In addition, we observed the following:
 - The number of the game being drawn is recorded on a blank keno draw ticket.
 - One lottery worker called the ball numbers as they entered the rabbit ears.
 - A different lottery worker entered the numbers on a draw ticket.
 - The numbers drawn were verified, by keno personnel, by comparing the rabbit ears to the draw ticket and to the computer terminal prior to computing the game.
 - The operator is utilizing the designated selection method.
3. We confirmed the operator does not utilize an automated ball draw method.

4. We viewed the videotapes for 5 games per month (from at least two different weeks each month), for a total of 60 games, and observed that the tapes have a clear image of the empty rabbit ears, date and time, and full rabbit ears and compared the time and balls drawn on the video tape to those on the hard copy transaction logs. All games viewed contained the correct time and date as compared to the transaction logs. Additionally, we observed that all digital recordings were retained for 3 months or until the required reviews were performed, whichever comes later.
5. We verified the accuracy of monthly game summary information provided by the Lottery Operator by tracing the gross proceeds and prize payouts from the keno system's transaction log to the monthly summary information.
6. We determined the gross proceeds of the keno lottery less prizes paid in cash are deposited into a separate bank account of the Lottery Operator. We traced 26 deposits per the daily cash summary and the transaction log to the keno operations bank account to determine the proper amount has been deposited within a commercially reasonable time frame (five business days). We noted the following discrepancies:

System Date	Amount to Deposit	Deposit Date	Amount of Deposit	Over/(Short)
2/15/2020	\$16,650.54	2/18/2020	\$16,650.44	\$(0.10)
3/13/2020	19,909.62	3/16/2020	19,909.64	0.02
5/8/2020	20,678.49	5/12/2020	20,678.50	0.01
6/9/2020	17,794.75	6/8/2020	17,794.76	0.01

System Date	Deposit Date	# of Days
7/22/2020	7/30/2020	8 (6 Business Days)

7. We examined records of cash overage or shortage in excess of \$25 per keno writer per shift, per day and found that none of them were unresolved.
8. We agreed the computer-generated prize pay tables for all types of wagers to the published prize pay tables. We verified the Lottery Operator has a procedure to maintain a log of all updates and changes to the prize pay tables and the active prize pay tables on the keno system agreed with the published prize pay tables.
9. We verified that funds for prize payments are deposited into insured accounts maintained at a financial institution.
10. We ensured that all lottery records are maintained as prescribed in Schedule 59 - County/City Lottery Records approved by the Records Management Division of the Secretary of State's office and Regulation 35-622.
11. The Nebraska County/City Lottery Report, Form 35K, for the annual period corresponding to the Sponsor's fiscal year of October 1, 2019 through September 30, 2020, is attached.
12. We examined all (up to 23) winning tickets of \$1,500 or more for each quarter during the 2019-2020 fiscal year to ensure that payments were made in accordance with the regulations.

We regraded and examined the tickets for proper documentation, authorization, verification, and conditioning. We determined that winning tickets had the required approval for compliance with the regulations. We examined the Lottery Operator's and Sponsor's procedures to ensure that the procedures complied with the regulations.

13. We examined 23 winning tickets and associated payout tickets for each quarter during the 2019-2020 fiscal year to determine if each ticket was supported by the customer's outside ticket and payments were made in compliance with the regulations. We regraded and examined the tickets for proper documentation, authorization, verification, and conditioning. We determined that winning tickets had Lottery Operator and Sponsor approval for compliance with the regulations. In addition, we verified there were no manual prize payouts (payouts not recorded by the computerized keno system). We also examined the Lottery Operator's procedures to ensure that the procedures complied with the regulations.
14. We examined all (up to 23) voided entries from the hard copy transaction log, for each quarter during the 2019-2020 fiscal year, for retention of the proper information and the accuracy of the voided ticket.
15. We traced all (up to 23) tickets for each quarter during the 2019-2020 fiscal year to the hard copy transaction logs to ensure that the required information is retained. We verified that the Lottery Operator has a procedure to transfer this information to the Sponsor for storage at a site other than the keno site. We observed the Sponsor's policy for retention of records.
16. We verified the accuracy of the hard copy transaction log for one shift each quarter by footing the gross amount wagered and payouts, and comparing this information to the total gross handle and payouts recorded for the shift by the computer.
17. We compared historical unclaimed wins to the unclaimed wins for each quarter during the 2019-2020 fiscal year to determine the unclaimed wins as a percentage of the gross handle for consistency from quarter to quarter. We determined a threshold of 10 basis points to be consistent noting no changes greater than 10 basis points.
18. We verified through verbal communication that the Lottery Operator has a procedure to maintain maintenance logs, key logs, and access code logs.
19. We examined quarterly filings made by the Sponsor to verify that all progressive keno games have been approved by the Department of Revenue, Charitable Gaming Division. We also examined bank statements provided by the Sponsor to verify that the amount of the current progressive jackpot is available for payment.
20. We determined that no prizes were paid overtime or by an annuity. We examined the financial security provided for prize payments to verify that the funds are properly ensured or guaranteed in compliance with the regulations.
21. We examined the Lottery Operator's procedure to record the keno writer fills by the computer, or that a manual record is maintained when the computer is not capable of recording the transaction.
22. We examined the Lottery Operator's procedure for prohibiting a keno writer or Lottery Operator from accepting credit wagers on keno bets. We questioned the keno writers and Lottery Operator directly about accepting any keno bets on credit.

23. We examined 23 entries on the hard copy transaction log for five days each quarter (from at least three different weeks within each quarter) to determine that the keno games are not run at intervals of less than five minutes.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the County and City Lottery Act and County and City Lottery Regulations. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Omaha, Nebraska
December 22, 2020

Name of County/City/Village (Sponsor) City of La Vista	Nebraska ID Number 35— 5211823
Name of Lottery Operator EHPV Lottery Services LLC	Lottery Operator's Email Address cfroien@ehpv.com
Method of Accounting <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other	

Part A — Income, Expenses/Disbursements, Profit and Interest

Income:

1 Gross proceeds.....	1	16,233,476.47
2 Prizes paid.....	2	12,723,250.26
3 Net proceeds (line 1 minus line 2).....	3	3,510,226.21
4 Overage or (Shortage)	4	0.00
5 Adjusted net proceeds.....	5	3,510,226.21

Expenses/Disbursements:

6 Lottery operator commissions.....	6	2,107,876.00
7 State lottery taxes	7	324,670.00
8 License fees	8	100.00
9 Audit and legal fees.....	9	23,724.00
10 Other expenses/disbursements (attach itemized list)	10	0.00
11 Total expenses/disbursements (total of lines 6 through 10).....	11	2,456,370.00

Net Profit:

12 Total available for distribution (line 5 minus line 11)	12	1,053,856.21
13 Total interest earned (total of line 3, page 2).....	13	28,953.39
14 Total available for community betterment (line 12 plus line 13).....	14	1,082,809.60

Part B — Miscellaneous Information

15 Amount owed to the sponsor at the end of the period	15	125,320.07
16 Amount owed to the lottery operator at the end of the period	16	6,288.13

Under penalties of law, I declare that as a governing official of the county/city/village of _____
I have examined this report, including accompanying schedules and statements, and to the best of my knowledge and belief, it
is complete, true and accurate.

This report will be/was made available to the residents of the county/city/village of _____ on
_____.
Date _____.

**sign
here** ►

Signature of Preparer

Date

Daytime Phone Number

Print Name of Preparer

Address

City/State

Zip Code

Email Address

Signature of Governing Official

Title

Daytime Phone Number

Print Name of Governing Official

Address

City/State

Zip Code

Email Address

This report and statements are due within 90 days of the end of the reporting period.

Mail to: Nebraska Department of Revenue, Charitable Gaming Division, PO Box 94855, Lincoln, NE 68509-4855.

Nebraska Schedule I — Bank Account Information

Attach this page to Form 35K (page 1).

FORM 35K
Schedule I
Page 2

Name of County/City/Village (Sponsor) on Form 35K

Nebraska ID Number

35—

- Enter information from bank statements for each account maintained for revenues and disbursements from county/city lottery (keno).
- Attach additional sheets if necessary.

Bank account name	Keno Operations Bank Account	Prize Reserve Bank Account	Progressive Jackpot Account	Big Wins Bank Account	Community Betterment Account	Other Bank Account
Bank account number (last four digits)	Ending in 1487		00-967-629		00N617-911	

Account Activity for The Period Covered by This Report

1 Balance at fiscal year or short period beginning date <u>October 1, 2019</u>	1	230,390.35		72,332.68		3,536,317.64		
2 Deposits	2	5,575,598.18		1,281.09		2,073,172.40		
3 Interest earned	3	0.00		115.73		28,837.66		
4 Subtotal (total of lines 1 through 3)	4	5,805,988.53		73,729.50		5,638,327.70		
5 Disbursements (checks and withdrawals)	5	5,541,756.01		0.00		1,725,812.89		
6 Balance at fiscal year or short period ending date <u>September 30, 2020</u> (line 4 minus line 5) ..	6	264,232.52		73,729.50		3,912,514.81		
7 Amount of lottery (keno) cash on hand or outstanding deposits as of the start of fiscal year or the short period starting	7					33,123.60		
8 Amount of lottery (keno) cash on hand or outstanding deposits as of the end of fiscal year or the short period ending	8					20,066.07		
9 Prizes paid by check and withdrawals for keno cash (i.e., fills) during the reporting period	9					2,021,962.37		
10 Deposits into the keno operations account other than daily keno receipts (i.e., transfers from prize reserve, operator, community betterment or any other accounts, etc.) Attach itemized schedule	10					354.56		
11 Other disbursements from the keno operations account (Attach itemized schedule)	11					361.80		
12 Total community betterment expenditures paid from the community betterment bank/fund	12					697,296.00		

Use the space below to highlight these expenditures:

Community Events: \$162,697 Strategic Plan: \$17,000 General Fund Transfer: \$65,843 QSF Transfer: \$50,000 Bond Projects Fund Transfer: \$401,756