

COUNTY/CITY LOTTERY COMPLIANCE PROCEDURES REPORT

CITY OF LA VISTA, NEBRASKA

10/01/20 THROUGH 09/30/21

**This document is an official public record of the State of Nebraska,
issued by the City of La Vista.**

DATE OF ISSUANCE December 27, 2021

**Cindy Miserez, Finance Director
City of La Vista, Nebraska**

Independent Accountant's Report

Honorable Mayor and Members of the City Council
City of La Vista, Nebraska

We have performed the procedures as specified in the attached report on the keno activities sponsored by the City of La Vista, Nebraska for the year ended September 30, 2021. La Vista, Nebraska and EHPV Lottery Services, LLC's management are responsible for the keno activities sponsored by La Vista, Nebraska for the year ended September 30, 2021.

La Vista, Nebraska has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Nebraska Department of Revenue – Charitable Gaming Division's annual procedures over keno activity. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are attached.

We were engaged by La Vista, Nebraska to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the keno activities sponsored by La Vista, Nebraska for the year ended September 30, 2021. 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.

We are required to be independent of La Vista, Nebraska and EHPV Lottery Services, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information of La Vista, Nebraska's management, EHPV Lottery Services, LLC and the Nebraska Department of Revenue – Charitable Gaming Division and is not intended to be and should not be used by anyone other than those specified parties.



Omaha, Nebraska
December 27, 2021

COMPLIANCE PROCEDURES AND FINDINGS

- 1. * COMPLIANCE REQUIREMENT (MANUAL BALL DRAW METHOD):** An unannounced observation of the keno activity shall be made at least annually for all Sponsors who utilize a manual ball draw method for selection of winning numbers during the conduct of a keno lottery.

PROCEDURES:

An unannounced observation was made on November 23rd, 2021.

EXCEPTIONS/COMMENTS:

None

- 2. * COMPLIANCE REQUIREMENT (MANUAL BALL DRAW METHOD):** During the unannounced visit, observe five keno games and verify that the keno operator has a minimum of three lottery workers involved during the drawing of the twenty keno numbers when a manual ball draw method of winning numbers selection is used. Three lottery workers must be involved on every game using a manual ball draw method system without exception.

PROCEDURES:

An unannounced observation of the winning number selection process was performed. During the unannounced observation, a minimum of three individuals were involved during the drawing of the twenty keno numbers. In addition, we observed the following:

- The number of the game being drawn was recorded on a blank keno draw ticket.
- One lottery worker called the ball numbers as they enter the rabbit ears.
- A different lottery worker enters the numbers on the draw ticket on which the number of the game is recorded.
- The keno manager verified the numbers drawn by visually comparing the ball numbers in the rabbit ears to the numbers entered into the keno system prior to computing the game.
- The method of winning number selection used at the time of the unannounced observation agreed with the designated method on file with the Department.

EXCEPTIONS/COMMENTS:

None

- 3. COMPLIANCE REQUIREMENT (AUTOMATED BALL DRAW METHOD):** Verify that keno management personnel have performed on a next day basis a review of all no read and duplicate number occurrences. Sponsors must also verify that keno management personnel of the Lottery Operator or Sales Outlet Location have performed on a next day basis a review of the game draw for a minimum of 10 percent of the games run for the previous day. A written log of such reviews must be maintained by the Lottery Operator or Sales Outlet Location where the automated ball draw equipment is in use.

EXCEPTIONS/COMMENTS:

This step is not applicable because the City of La Vista uses a manual ball draw method instead of an automated ball draw method.

4. * COMPLIANCE REQUIREMENT (MANUAL AND AUTOMATED BALL DRAW METHODS):

View the video tape or digital recording for a minimum of five games for each month (from at least two different weeks within each month) to determine that the following items are in compliance with the regulations:

- a. The video tape or digital recording must have a clear image to show the empty rabbit ears or wheel, date and time, and full rabbit ears or wheel. The video tape or digital recording must also show the game number or the time and date which will relate to the game number.
- b. The winning numbers drawn per the video tape or digital recording must agree to the draw ticket prepared by a lottery worker, in the case of a manual ball draw, and the winning numbers recorded on the transaction log. Verify that all discrepancies were reported to the Nebraska Department of Revenue, Charitable Gaming Division, by the Lottery Operator, Sales Outlet Location, or Sponsor. Report all discrepancies not previously reported directly to the Nebraska Department of Revenue, Charitable Gaming Division. Compare the time of the video tape or digital recording to the transaction log; also examine any procedures which would allow the Lottery Operator or Sales Outlet Location the opportunity to affect the outcome of the keno game.
- c. The video tapes or digital recordings must be retained and may not be reused until the Sponsor has performed the compliance procedures on the tapes/recordings and has released the tapes/recordings.

PROCEDURES:

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 the following:

- a. The digital recordings reviewed had a clear image to show the empty rabbit ears, date and time, and full rabbit ears. The video tape showed the game number and the time and date which related to the game number.
- b. The winning numbers drawn per the digital recordings reviewed agreed to the draw tickets prepared by a lottery worker, in the case of a manual ball draw, and the winning numbers recorded on the transaction log.
- c. There were no ball draw irregularities identified which were not previously reported to the Department.
- d. There were no digital recordings reused by the Lottery Operator prior to the performance of the Compliance Procedures.

EXCEPTIONS/COMMENTS:

None

5. *** COMPLIANCE REQUIREMENT:** Verify the accuracy of monthly game summary information provided by the Lottery Operator by tracing the gross proceeds and prize payouts from the keno systems transaction log to the monthly summary information.

PROCEDURES:

The gross proceeds and prize payouts from the monthly summary information provided by the Lottery Operator were compared to the totals recorded on the keno system transaction logs. The monthly summary information, for all 12 months, reconciled with the totals recorded on the keno system transaction logs.

EXCEPTIONS/COMMENTS:

None

6. *** COMPLIANCE REQUIREMENT:** Determine that the gross proceeds of the keno lottery, less prizes paid in cash, are deposited into a separate bank account of the Sponsor or Lottery Operator. Monthly trace the deposits per the daily cash summary and the transaction log to the keno operations bank account to determine that the proper amount has been deposited within a commercially reasonable time frame and report any discrepancies.

PROCEDURES:

The gross proceeds of the keno lottery, less prizes paid in cash were deposited into a separate bank account of the Lottery Operator. A sample of five daily deposits per month per location, were selected for testing of this requirement. The daily deposits per the daily cash summary and the transaction log were traced to the keno operations batch deposits in the bank account and the following discrepancies greater than \$5 are listed below. La Vista Keno began making batch deposits in July 2021. For the batch deposits testing, all deposits were selected.

EXCEPTIONS/COMMENTS:

Island	1/6/2021	\$10 - short
Island	5/5/2021	12 days to deposit
La Vista Keno	11/6/2020	\$20 – short; resolved on 11/12/2020 deposit
La Vista Keno	9/2/2021	\$85.12 – short

All other deposits tested were accurate and were made in a commercially reasonable time frame.

7. *** COMPLIANCE REQUIREMENT:** Examine any cash overage or shortage in excess of \$25 per keno writer per shift/day and report unexplained and unresolved discrepancies and irregularities.

PROCEDURES/FINDINGS:

We reviewed the monthly sales journals prepared by the Lottery Operator for each location, tracing deposits as stated in the compliance requirement above and noting the overages or shortages over \$25.

EXCEPTIONS/COMMENTS:

Cash shortage/overages are tracked by location each day. If there is a shortage for a month, that amount is deducted from the operator's commission. There were no overages or shortages during the period which were not previously reported and resolved.

8. * COMPLIANCE REQUIREMENT: The computer-generated prize pay table(s) for all types of wagers must agree with the published prize pay table(s). Verify that the Lottery Operator has a procedure to maintain a log of all updates and changes to the prize pay table(s) and that the active prize pay table(s) on the keno system agrees with the published prize pay table(s).

PROCEDURES:

The active prize pay tables on the keno system were examined on December 10, 2021 and agreed with the published prize pay tables. We reviewed the log of all updates and changes to the prize pay tables maintained by the Lottery Operator.

EXCEPTIONS/COMMENTS:

None

9. * COMPLIANCE REQUIREMENT: Examine the financial security provided for prize payments to verify that the funds are guaranteed and in compliance with the regulations.

PROCEDURES:

The financial security provided for prize payments was examined on December 10, 2021 and is in the form of an irrevocable letter of credit in the amount of \$500,000. The beneficiary of the letter of credit is the City of La Vista and the expiration date of the letter of credit is May 1, 2022. The value of the financial security is greater than the top prize offered. We reviewed the supporting documentation for the letter of credit, which agreed to the amount stated above.

EXCEPTIONS/COMMENTS:

None

10. * COMPLIANCE REQUIREMENT: Ensure 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.

EXCEPTIONS/COMMENTS:

Lottery records are maintained as prescribed in Schedule 59 - County/City Lottery Records. The electronic medium transaction logs are stored at the Scott Data Center, 6805 Pine Street, Omaha, NE. Outside tickets with pay tickets (net winnings of \$1,500 or more) are stored at the lottery operator's offices at 11248 John Galt Blvd, Omaha, NE or at Access, at 8951 South 126th Street, Omaha, NE. Void tickets are stored at 8100 Cass Street, Omaha, NE.

11. COMPLIANCE REQUIREMENT: Sponsor must file a Nebraska County/City Lottery Report, Form 35K, for the annual period corresponding to the Sponsor's fiscal year. The report must be filed with the Charitable Gaming Division within 90 days of the end of the Sponsor's fiscal year.

EXCEPTIONS/COMMENTS:

The Nebraska County/City Lottery Annual Report, Form 35K covering the period 10/01/20 through 09/30/21 has been filed.

* Compliance test performed by BerganKDV, LLC – See Independent Accountant's Report.

City of La Vista Keno 2021
Form 35K Attachment for Page 1, Line 16
Amount Owed to Lottery Operator at End of Period

<i>Month</i>	<i>Description</i>	<i>Balance Due</i>	<i>Paid</i>	<i>Amount Owed</i>
Beginning Balance				\$ 48,916
Oct-20		\$ 168,857	\$ (164,506)	53,267
Nov-20		146,033	(150,254)	49,046
Dec-20		165,192	(158,997)	55,242
Jan-21		176,865	(173,893)	58,214
Feb-21		154,272	(162,273)	50,213
Mar-21		200,517	(187,455)	63,275
Apr-21		153,726	(143,761)	73,240
May-21		219,442	(193,878)	98,805
Jun-21		170,391	(208,529)	60,666
Jul-21		170,551	(106,804)	124,414
Aug-21		131,550	(177,566)	78,398
Sep-21		175,989	(118,928)	135,460
Total Amount Owed to Operator		<u>\$ 2,033,385</u>	<u>\$ (1,946,841)</u>	<u>\$ 135,460</u>

City of La Vista Keno 2021
Form 35K Attachment for Page 2, Line 10
Other Deposits to Keno Operations Account

<i>Date</i>	<i>Description</i>	<i>Amount</i>
2/4/2021	<i>Miscellaneous deposit from operator</i>	\$ 1,000
6/29/2021	<i>Miscellaneous non-keno deposit</i>	\$ 5
8/2/2021	<i>NSF Fee reimbursed</i>	\$ 5
8/31/2021	<i>IRS Error reimbursed</i>	\$ 17
Total Other Deposits		<u>\$ 1,027</u>

City of La Vista Keno 2021
Form 35K Attachment for Page 2, Line 11
Other Disbursements to Keno Operations Account

<i>Date</i>	<i>Description</i>	<i>Amount</i>
2/4/2021	<i>Check for bank increase - Houston</i>	\$ 1,000
6/29/2021	<i>Check for reimbursement to test batch deposits</i>	\$ 5
8/13/2021	<i>Check cleared David Bohnenkamp</i>	\$ 17
8/13/2021	<i>NSF Fee</i>	\$ 5
Total Other Disbursements		<u>\$ 1,027</u>

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
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 16,599,062.92
2 Prizes paid.....	2 13,148,113.03
3 Net proceeds (line 1 minus line 2).....	3 3,450,949.89
4 Overage or (Shortage)	4 0.00
5 Adjusted net proceeds.....	5 3,450,949.89

Expenses/Disbursements:

6 Lottery operator commissions.....	6 2,033,385.22
7 State lottery taxes	7 331,972.00
8 License fees	8 0.00
9 Audit and legal fees.....	9 7,593.00
10 Other expenses/disbursements (attach itemized list)	10 0.00
11 Total expenses/disbursements (total of lines 6 through 10).....	11 2,372,950.22

Net Profit:

12 Total available for distribution (line 5 minus line 11)	12 1,077,999.67
13 Total interest earned (total of line 3, page 2).....	13 15,614.00
14 Total available for community betterment (line 12 plus line 13).....	14 1,093,613.67

Part B — Miscellaneous Information

15 Amount owed to the sponsor at the end of the period	15 65,794.00
16 Amount owed to the lottery operator at the end of the period	16 92,832.00

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—
<ul style="list-style-type: none"> 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		Ending in 7629		Ending in 7911	
Account Activity for The Period Covered by This Report						
1 Balance at fiscal year or short period beginning date <u>October 1, 2020</u>	1 264,232.52		73,729.50		3,912,514.81	
2 Deposits	2 5,682,044.39		101.45		1,484,416.37	
3 Interest earned	3 0.00		3.23		15,610.77	
4 Subtotal (total of lines 1 through 3)	4 5,946,276.91		73,834.18		5,412,541.95	
5 Disbursements (checks and withdrawals)	5 5,672,304.13		73,834.18		823,681.34	
6 Balance at fiscal year or short period ending date <u>September 30, 2021</u> (line 4 minus line 5)	6 273,972.78		0.00		4,588,860.61	
7 Amount of lottery (keno) cash on hand or outstanding deposits as of the start of fiscal year or the short period starting <u>October 1, 2020</u> (see instructions)	7 23,021.13					
8 Amount of lottery (keno) cash on hand or outstanding deposits as of the end of fiscal year or the short period ending <u>September 30, 2021</u> (see instructions)	8 33,788.40					
9 Prizes paid by check and withdrawals for keno cash (i.e., fills) during the reporting period	9 2,241,341.38					
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 1,027.00					
11 Other disbursements from the keno operations account (Attach itemized schedule)	11 1,027.00					
12 Total community betterment expenditures paid from the community betterment bank/fund	12 561,034.00					

Use the space below to highlight these expenditures:

Community Events: \$ 262,696	Strategic Plan: \$ 65,099	General Fund Transfer: \$ 152,574	QSF Transfer: \$ 50,000	Bond Projects Fund Transfer: \$ 30,000
Sewer Fund Transfer: \$ 665				