

**North Carolina Education Lottery
Commission Meeting**

Meeting Minutes

December 3, 2008

Commissioners in Attendance: John R. McArthur, Chairman
Secretary Bryan E. Beatty
Norwood Clark Jr.
Max O. Cogburn
Robert A. Farris Jr.
Bridget-Anne Hampden
Edwin M. Speas Jr.
Pamela M. Whitaker

Not in Attendance: Dr. Edward B. Fort

Staff in Attendance: Tom Shaheen
Robin Diehl

The North Carolina Education Lottery Commission meeting was held on Wednesday, December 3, 2008, at 1:00 p.m. in the Dr. Charles Sanders Conference Room of the North Carolina Education Lottery located at 2100 Yonkers Road, Raleigh, NC.

I. Opening

- Chairman McArthur called the meeting to order and welcomed members of the Lottery Oversight Committee to the meeting. Dr. Myron Coulter, Oversight Committee Co-chairman, introduced attending members, spoke briefly and thanked the Commissioners for the opportunity to attend the meeting.
- Chairman McArthur presented the minutes of the August 14, 2008, North Carolina Education Lottery Commission meeting for approval. There being no changes, Commissioner Farris moved to approve the minutes. Commissioner Hampden seconded the motion. The motion carried.

II. Finance Committee Report

- Commissioner Hampden presented the October 2008 financials. In October, the North Carolina Education Lottery (NCEL) transferred \$99,874,424 to the North Carolina Education Fund. This transfer included the remaining net revenue for FY 2008 and the first quarter net revenue FY 2009.
- Robin Diehl, Deputy Executive Director, Finance and Administration, presented the audited financial statements for the year ending June 30, 2008. For FY 2008, net ticket sales surpassed \$1 billion, which represented a \$192.5 million increase over FY 2007. FY 2008 total revenues earned for the North Carolina Education Fund were \$348.3 million, which represented an increase of \$33.8 million over FY 2007.
- Ms. Diehl reported that for the third year, the Office of the State Auditor contracted with an outside CPA firm to conduct the fiscal year financial audit which resulted in an unqualified opinion, which is the highest opinion given in a financial audit. The audit may be viewed online at www.ncauditor.net.
- Commissioner Hampden presented a request for a Renewal of Lottery Drawing Show Production and Televising Service Agreement with WRAL-TV. The original three-year contract with WRAL-TV will expire on May 15, 2009 and allows for three one-year extensions at the option of

the lottery. WRAL requested the proposal be amended to give a three-year contract extension. Commissioner Farris moved to authorize the Executive Director to negotiate a three-year extension with WRAL-TV and to authorize negotiations up to the Executive Director's authority limit. Commissioner Whitaker seconded the motion. After further discussion, the motion carried with abstention by Commissioner Hampden.

III. Audit Committee Report

- Commissioner Farris reported Cherry Beckaert & Holland presented the Audit Report Executive Summary and rendered an unqualified opinion of the NCEL financial statements. Cherry Bekaert & Holland found the NCEL is in accordance with NC General Statutes and that the NCEL financial statements can be relied upon by third parties.
- Commissioner Farris reported that:
 - Internal Audit finalized four internal audits in the last quarter;
 - The 2009 Internal Audit Plan was approved by the Audit Committee;
 - Audit Charter and best practices require an annual review of the Internal Audit Committee Charter and the Internal Audit Charter. Internal Audit did not recommend any changes to the existing charters.
- Commissioner Farris reported the Audit Committee met in closed session and conducted the annual meeting with the Internal Auditor as required in the Audit Charter.

IV. Personnel Committee

- The Personnel Committee met as required and adopted the minutes of the August 14, 2008 Personnel Committee meeting.

V. Executive Director Report

- Tom Shaheen, Executive Director, provided an overview of the Key Performance Indicators through November 30, 2008.
- Mr. Shaheen presented information on Emerging Advertising Markets. Mr. Shaheen requested discussion, advice, and guidance from the Commission regarding translating product information for the Hispanic population in North Carolina. After discussion, the Commission requested that staff prepare a policy or criteria for the next Commission meeting that would ensure that this type of communication would be overcoming a language barrier, not targeted advertising.
- Mr. Shaheen reviewed plans for a four-digit online drawing game anticipated in FY 2010 or earlier. Mr. Shaheen requested the Commission give the lottery the authority to include the four-digit draw game in the games the lottery offers so the lottery can start working on development. Commissioner Hampden moved to allow the Executive Director to put in a four-digit game as soon as the lottery can. Commissioner Cogburn seconded the motion. After further discussion, the motion carried.

There being no further business, Commissioner Beatty moved to adjourn to closed session to discuss a confidential personnel matter pursuant to NCGS §143-318.11(a)(1) and NCGS §143-126-22.

Commissioner Hampden seconded the motion. The motion carried.