

TEXAS LOTTERY COMMISSION

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR MEGA MILLIONS MEMBER LOTTERIES**

MARCH 31, 2014



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Texas Lottery Commission and
Mega Millions Member Lotteries

We have performed the procedures enumerated below, which were agreed to by the Texas Lottery Commission (the "Commission") and the Mega Millions Member Lotteries (collectively, the specified parties), solely to assist you with respect to procedures surrounding Powerball's accounting and reporting by the Commission. The Commission's management is responsible for the Commission's accounting records. This agreed upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- a. Obtain from the Texas Lottery Commission the "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2013 – March 31, 2014 and attach those as Exhibits I and II, respectively. Prove the mathematical accuracy of the schedules and note any exceptions.

Finding – We obtained the "Draw Activity" and the "Fixed Prize Analysis" for the period April 1, 2013 to March 31, 2014 and have attached those as Exhibits I and II, respectively. We footed the schedules without exception.

- b. Randomly select five (5) draw dates from the period April 1, 2013 – March 31, 2014.

Finding – We randomly selected the following dates: June 26, 2013, August 17, 2013, December 7, 2013, January 1, 2014, and January 22, 2014.

- c. For each draw date selected in step "b" above, compare the total amount of sales as shown on the daily sales report produced by the Texas Lottery Commission's gaming system and the total amount of sales shown on the related daily sales report produced by Internal Control System ("ICS"), with the balance listed in the "sales" column for the respective draw date on the "Draw Activity" report attached as Exhibit I and ensure they are in agreement.

Finding – We agreed the total amount of sales as shown on the daily sales report produced by the Commission's gaming system and the total amount of sales shown on the related daily sales report produced by ICS with the balance listed in the "sales" column for the draw dates selected in step "b" on the "Draw Activity" report attached as Exhibit I without exception.

- d. Calculate the total dollar amount of the fixed prizes for the draw dates selected in step "b" above, based on the total number of winners from the Texas Lottery Commission's gaming system for each prize level and the prize structure of the Powerball fixed prizes (as defined in the official game rules). Compare the calculated expense with the amount listed in the "Actual Fixed Prizes" column for the respective draw date on the "Draw Activity" report attached as Exhibit I and ensure they are in agreement.

Finding – We calculated the total dollar amount of the fixed prizes for the draw dates selected in step "b" above without exception. We agreed the calculated expense to the amount listed in the "Actual Fixed Prizes" column for the respective draw date on the "Draw Activity Report" attached at Exhibit I without exception.

- e. For each draw date selected in step "b" above, compare the amount of sales, actual fixed prizes, and share of fixed prizes shown on the "Draw Activity" report attached as Exhibit I to the amounts shown on the applicable Powerball Prize Settlement Reports and ensure they are in agreement.

Finding – We agreed the amount of sales, actual fixed prizes, and share of fixed prizes shown on the "Draw Activity" report attached as Exhibit I for each draw date selected in step "b" to the amounts shown on the applicable Powerball Prize Settlement Reports without exception.

- f. For the period identified, randomly select two months and obtain the "Expired Prize Settlement Report" distributed by the Virginia Lottery. For the two months selected, obtain from the Texas Lottery Commission Internal Control System the actual fixed prizes awarded, and the prizes unclaimed. Compare the ICS data back to the data reported from the Virginia Lottery for each draw of the subject months to ensure they are in agreement.

Finding – We randomly selected the June 2012 and July 2012 Expired Prize Settlement ("EPS") reports prepared by the Virginia Lottery on July 9, 2013 and August 8, 2013 and agreed the Commission's ICS data to the data reported from the Virginia Lottery with the following exceptions:

- Unclaimed prizes for the June 2, 2012 draw date were reported as \$30,197 and \$30,189 by the ICS and EPS reports, respectively.
- Unclaimed prizes for the July 4, 2012 draw date were reported as \$12,413 and \$12,385 by the ICS and EPS reports, respectively. No other exceptions were noted.

Commission's response – Management agrees. However, it is important to note that the amount of expired prizes reported to the Virginia Lottery is correct and the differences is due to the internal processes that do not affect the ICS purging of prizes.

- g. Compare the amounts shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the "Draw Activity" report attached as Exhibit I to the applicable amounts shown on the "Fixed Prize Analysis" report attached as Exhibit II and ensure they are in agreement.

Finding – We agreed the amounts shown as the total of the actual fixed prizes and the total of the share of fixed prizes on the "Draw Activity" report attached as Exhibit I to the applicable amounts shown on the "Fixed Prize Analysis" report attached as Exhibit II without exception.

- h. For the amount (if any) listed in the "Cash Options Amount" column of the "Draw Activity" report attached as Exhibit I, obtain and compare the amount to the Texas Lottery Commission's cash disbursement subsidiary records which summarize the funds disbursed to the prize winner.

Finding – We agreed the "Cash Options Amount" column of the "Draw Activity" report attached as Exhibit I to the Commission's cash disbursement subsidiary records for the funds disbursed to the prize winner on the May 29, 2013 draw date without exception.

- i. For each purchase (if any) of investments associated with the jackpot prizes:
 - 1. Review broker confirmations to verify that investments are funded in accordance with allowed investment vehicles per the multi-state rules, regulations or procedures.
 - 2. Obtain the bid sheets and supporting documentation and verify the investments were purchased through a competitive bidding process involving a minimum of three brokerage firms.
 - 3. Review the Texas Lottery Commission's cash disbursement subsidiary records and confirm that the payment to the broker, plus the cash held by the Lottery for the initial cash payment, equals the amount listed in the "Annuitized JP Amount" column.
 - 4. Obtain the Security Purchase report which lists the results of the security purchase and verify that the information reported to the group is accurate, including the annuity factor for the non-winning bidders.

Finding – We noted there were no purchases of investments associated with jackpot prizes; therefore, the procedure is not applicable and was not performed.

- j. Compare the total of the period transfers from the Texas Lottery Commission to the Virginia Lottery for settlement of the fixed prize liability as shown in the Texas Lottery Commission's cash disbursement subsidiary records to the amount listed in the "Qtrly/Yrly Settlements Transfers In (Out)" column on the "Fixed Prize Analysis" report attached as Exhibit II and ensure they are in agreement.

Finding – We agreed the total of the period transfers from the Commission to the Virginia Lottery for settlement of the fixed prize liability as shown in the Commission's cash disbursement subsidiary records to the amount listed in the "Qtrly/Yrly Settlements Transfers In (Out)" column on the "Fixed Prize Analysis" attached as Exhibit II without exception.

- k. Compare the balance listed as the Texas Lottery Commission's receivable as of March 31, 2014 for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Texas Lottery Commission's financial accounting records and to the Powerball Prize Settlement Report as of March 31, 2014 and ensure they are in agreement.

Finding – We agreed the balances listed as the Commission's receivable as of March 31, 2014 for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Commission's financial accounting records and the Powerball Prize Settlement Report as of March 31, 2014 without exception.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. 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 use of the specified parties and is not intended to be and should not be used by anyone other than those specified parties.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
August 22, 2014

MS400L
MS100PF1
FIN15/VLTPRD

POWER BALL
Texas Draw Activity
From 04/03/2013 To 03/31/2014

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	4/03/2013	1,267,900	156,104	388,249		
	4/06/2013	1,529,530	1,119,700	263,445		
	4/10/2013	1,377,120	94,610	100,265		
	4/13/2013	1,645,670	155,775	257,818		
	4/17/2013	1,507,802	128,665	370,609		
	4/20/2013	1,746,724	1,139,610	635,965		
	4/24/2013	1,885,040	142,657	149,840		
	4/27/2013	2,208,026	165,713	410,937		
	5/01/2013	2,287,550	193,343	296,780		
	5/04/2013	2,731,696	246,551	459,934		
	5/08/2013	3,304,122	272,229	487,887		
	5/11/2013	3,903,540	357,675	769,253		
	5/15/2013	9,284,272	762,837	2,203,492		
PB	5/18/2013	28,438,428	3,446,516	4,590,009		
	5/22/2013	1,417,570	101,120	490,889		
PB	5/25/2013	1,665,192	192,825	852,447		
TX	5/29/2013	1,305,554	1,090,046	228,343		24,906,600.00
	6/01/2013	1,596,962	120,565	265,679		
	6/05/2013	1,424,902	98,856	105,094		
	6/08/2013	1,769,772	156,607	163,414		
	6/12/2013	1,547,236	111,009	250,494		
	6/15/2013	1,865,698	138,281	132,630		
	6/19/2013	1,875,876	151,962	149,807		
PB	6/22/2013	2,206,884	168,578	449,209		
	6/26/2013	1,252,982	105,793	97,431		
	6/29/2013	1,492,812	106,497	111,159		
	7/03/2013	1,369,436	122,555	243,536		
	7/06/2013	1,537,234	132,623	127,736		
	7/10/2013	1,484,522	109,305	379,989		
	7/13/2013	1,818,030	148,267	419,159		
	7/17/2013	1,910,444	158,868	158,226		
	7/20/2013	2,379,324	183,910	457,548		
	7/24/2013	2,411,870	204,128	334,151		
	7/27/2013	3,095,110	245,646	379,617		
	7/31/2013	3,972,790	335,279	439,858		
	8/03/2013	6,156,030	1,496,797	1,233,182		
NJ/PB	8/07/2013	15,931,256	5,222,957	3,125,770		
	8/10/2013	1,595,172	157,325	147,903		
	8/14/2013	1,521,706	112,740	260,557		
	8/17/2013	1,827,400	143,034	148,936		
	8/21/2013	1,707,140	144,838	155,286		
	8/24/2013	2,067,368	1,170,421	739,503		
	8/28/2013	2,097,276	196,631	346,388		
	8/31/2013	2,563,580	1,212,058	474,268		
	9/04/2013	2,433,800	206,671	341,052		
	9/07/2013	3,269,736	307,478	646,723		
	9/11/2013	3,493,544	298,952	639,399		
	9/14/2013	4,799,344	387,349	957,047		
PB	9/18/2013	9,908,964	891,596	1,470,233		
	9/21/2013	1,554,010	142,978	413,098		
	9/25/2013	1,433,382	1,120,892	260,282		
	9/28/2013	1,649,024	141,698	141,539		

Exhibit I

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POWER BALL
Texas Draw Activity
From 04/03/2013 To 03/31/2014

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	Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Annuitized JP Amount	Cash Options Amount
	10/02/2013	1,505,454	128,428	395,928		
	10/05/2013	1,754,066	171,100	171,873		
	10/09/2013	1,875,680	176,831	552,445		
	10/12/2013	2,187,036	170,576	299,839		
	10/16/2013	2,126,060	152,952	289,012		
	10/19/2013	2,480,756	204,585	331,119		
CA	10/23/2013	2,773,916	2,242,671	959,237		
	10/26/2013	1,537,198	122,919	536,599		
	10/30/2013	1,316,174	107,521	100,480		
	11/02/2013	1,585,254	146,111	418,820		
	11/06/2013	1,434,378	162,666	135,623		
	11/09/2013	1,675,886	149,493	267,050		
	11/13/2013	1,707,040	136,071	136,694		
NY	11/16/2013	2,062,088	172,277	446,579		
	11/20/2013	1,260,372	106,793	257,617		
	11/23/2013	1,415,066	116,116	248,436		
	11/27/2013	1,348,268	111,523	109,436		
	11/30/2013	1,476,034	119,514	112,231		
	12/04/2013	1,478,632	118,688	133,648		
MA/PB	12/07/2013	1,667,228	1,149,135	639,371		
	12/11/2013	1,956,506	174,830	608,885		
	12/14/2013	1,856,630	129,292	291,452		
	12/18/2013	1,730,860	131,207	136,337		
	12/21/2013	1,404,238	104,016	116,189		
PB	12/25/2013	1,289,826	89,987	99,510		
	12/28/2013	1,288,072	98,958	383,653		
	1/01/2014	1,212,850	97,165	97,727		
	1/04/2014	1,454,216	106,312	269,778		
	1/08/2014	1,345,734	105,781	251,870		
	1/11/2014	1,552,420	106,883	257,910		
	1/15/2014	1,510,172	145,067	429,329		
	1/18/2014	1,884,768	153,952	446,126		
	1/22/2014	1,766,790	179,825	332,203		
	1/25/2014	1,989,250	1,145,219	288,816		
	1/29/2014	2,145,080	161,528	619,822		
	2/01/2014	2,844,268	315,653	1,041,765		
	2/05/2014	2,899,230	220,751	388,848		
	2/08/2014	3,402,200	1,322,113	838,568		
	2/12/2014	3,321,262	257,414	503,862		
	2/15/2014	4,762,300	1,454,732	1,341,469		
CA	2/19/2014	11,392,866	1,899,406	1,778,946		
	2/22/2014	1,435,338	142,072	272,653		
	2/26/2014	1,300,584	117,817	110,794		
CA	3/01/2014					
	3/05/2014					
	3/08/2014					
	3/12/2014					
	3/15/2014					
	3/19/2014					
PB	3/22/2014					
	3/26/2014					
	3/29/2014					
* Totals *		256,938,398	40,545,070	46,570,614		

Exhibit II

MS400L
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POWER BALL
Fixed Prize Analysis
From 04/03/2013 To 03/31/2014

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	Receivable (Payable)	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Receivable (Payable)
California					
Georgia	213,258-	36,841,689	27,525,065	9,851,079	747,713-
Illinois	2,185,455	31,729,032	33,879,405	855,636	820,554-
Massachusetts	1,198,798-	22,392,291	22,211,159	1,515,130-	497,464
Maryland	1,054,579	23,740,968	21,173,905	3,223,501	398,141
Michigan	1,398,453-	27,296,807	26,624,774	28,698-	697,722-
New Jersey	565,905	47,304,754	48,553,592	1,516,834-	833,901
New York	2,347,789-	85,659,932	82,072,683	1,204,664	34,796
Ohio	1,827,968	21,150,284	24,556,592	976,662-	601,678-
POWER BALL					
Texas	903,138-	40,545,070	46,570,614	6,928,682-	
Virginia	1,023,728	21,628,585	22,649,858	1,396,794-	1,399,249
Washington State	596,199-	9,219,750	11,691,515	2,772,080-	295,884-
** Totals **		367,509,162	367,509,162		