

KENTUCKY LOTTERY CORPORATION

FINANCIAL STATEMENTS

JUNE 2018

MONTH 12 OF FISCAL YEAR ENDING JUNE 30, 2018

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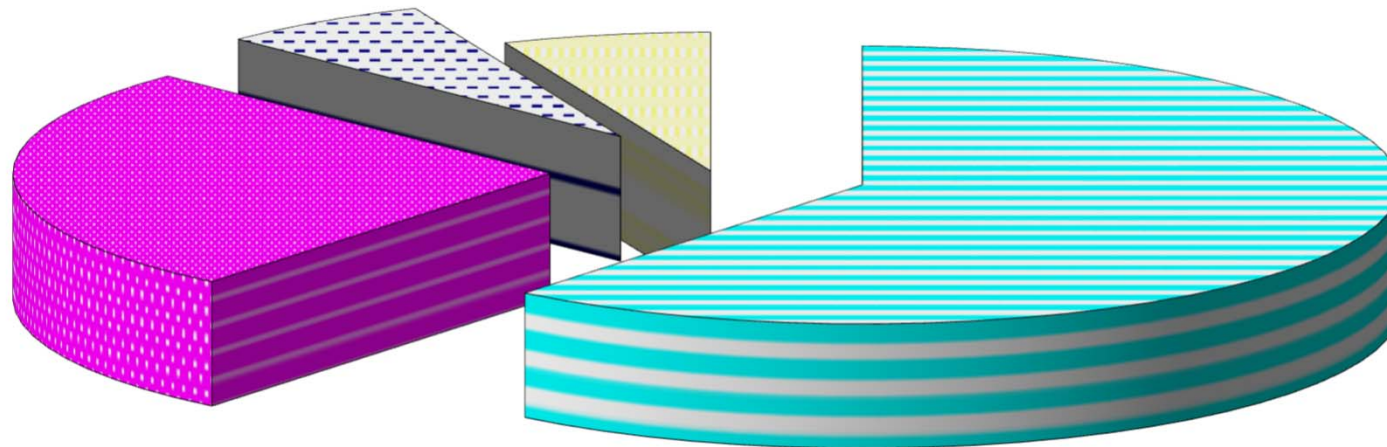
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**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
INCEPTION-TO-DATE SALES AS OF JUNE 30, 2018
\$19.427 BILLION**

**\$1.236
BILLION PAID FOR
MARKETING & OPERATING
EXP - 6.4%**

\$1.217 BILLION PAID TO RETAILERS - 6.3%



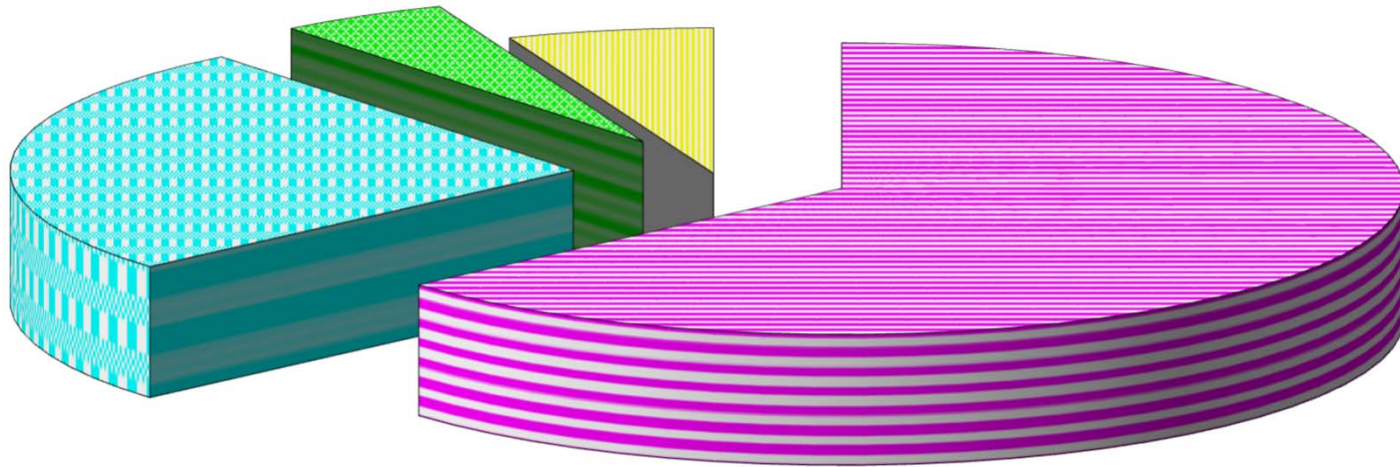
**\$5.160 BILLION
EARNED FOR THE
STATE OF KENTUCKY
- 26.6%**

**\$11.814 BILLION PAID
TO WINNERS - 60.7%**

**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
YEAR-TO-DATE SALES AS OF JUNE 30, 2018
\$1,035.2**

**\$50.3 MILLION PAID FOR
MARKETING & OPERATING
EXP - 4.9%**

\$61.1 MILLION PAID TO RETAILERS - 5.9%



**\$266.4 MILLION
EARNED FOR THE
STATE OF
KENTUCKY - 25.7%**

**\$657.4 MILLION PAID
TO WINNERS - 63.5%**

AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.

EARNINGS FOR THE STATE OF KENTUCKY HAVE BEEN DESIGNATED FOR COLLEGE AND TECHNICAL SCHOOL SCHOLARSHIPS AND GRANTS, HIGH SCHOOL DUAL CREDIT PROGRAMS AND LITERACY DEVELOPMENT.

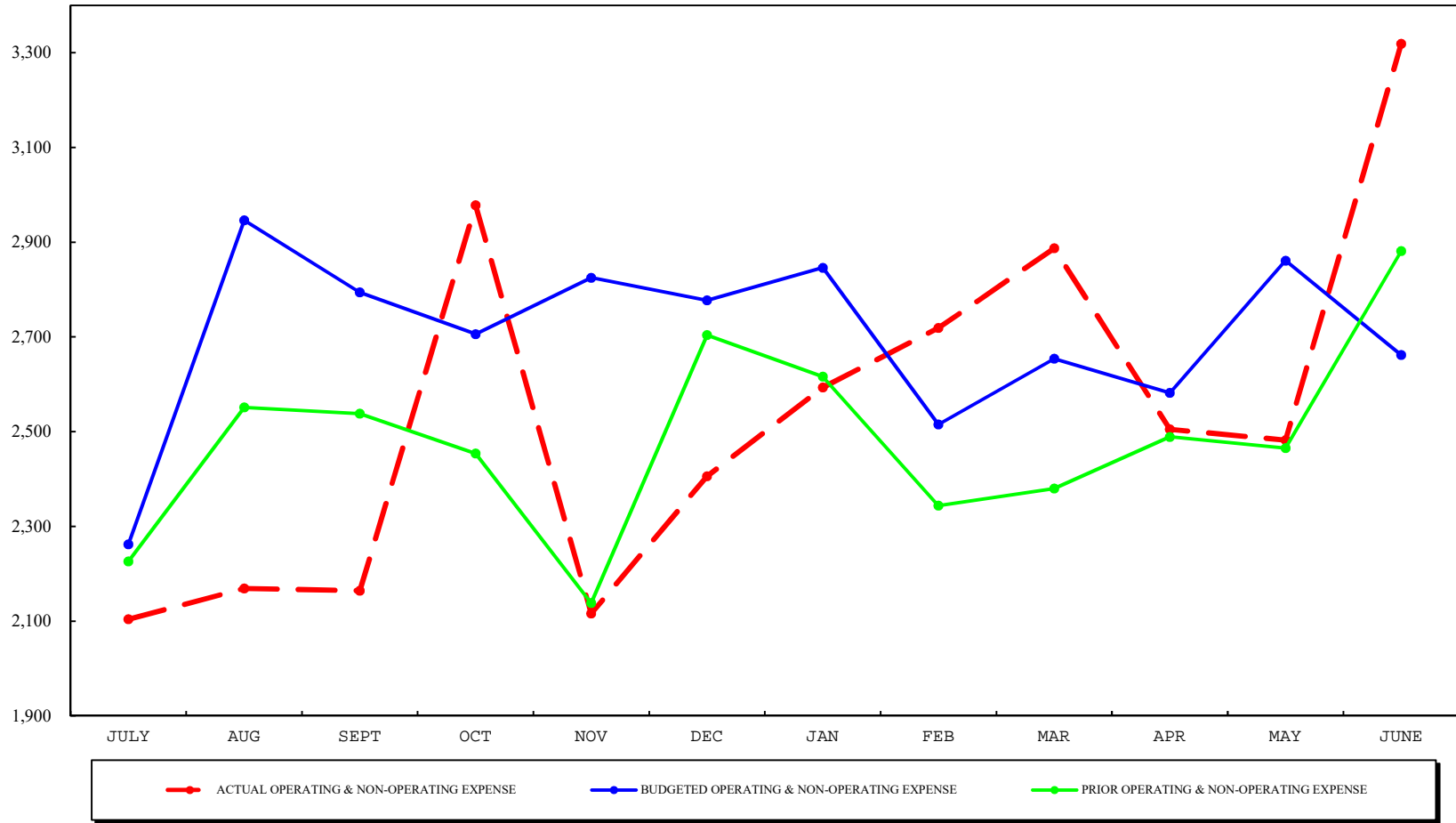
SALES AND DIRECT COSTS BY MONTH
AS OF JUNE 30, 2018



—■— ACTUAL SALES
 —▲— ACTUAL COST OF SALES
 —■— BUDGETED SALES
 —▲— BUDGETED COST OF SALES
 —■— PRIOR SALES
 —▲— PRIOR COST OF SALES

OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH

AS OF JUNE 30, 2018



KENTUCKY LOTTERY CORPORATION

FINANCIAL RESULTS

JUNE 2018

INCOME STATEMENT

Ticket sales for June 2018 were \$85.7 million which is \$736,000 or 0.9% less than the same month of the prior fiscal year. Sales for the year were \$1,042.5 million which is \$42.0 million or 4.2% more than in the prior fiscal year. Instant ticket sales were \$6,000 more than the same month of the prior fiscal year, and \$9.3 million or 1.5% more than the prior fiscal year. Draw game sales were \$1.1 million or 4.2% less than the same month of the prior year, and \$20.6 million or 6.5% more than prior fiscal year. Keno sales were \$152,000 or 2.4% more than the same month of the prior fiscal year, and \$7.1 million or 9.3% more than prior fiscal year. iLottery instant play sales were \$244,000 or 39.4% more than the same month of the prior year, and \$5.0 million or 95.6% more than prior fiscal year.

Ticket sales for the month of June were \$593,000 or 0.7% more than budget. Ticket sales for the fiscal year were \$9.4 million or 0.9% more than budget. Instant ticket sales were \$1.5 million, or 2.9% more than budget for the current month, and \$7.4 million or 1.2% less than budget for the fiscal year. Draw game sales were \$697,000 or 2.6% less than budget for the month, and \$16.7 million or 5.2% more than budget for the fiscal year. Keno sales for the month were \$312,000 or 4.5% less than budget, and \$1.2 million or 1.4% less than budget for the fiscal year. iLottery instant play sales were \$125,000 or 16.9% more than budget for the month, and \$1.3 million or 13.9% more than budget for the fiscal year.

Prize expenses for June 2018 were 64.7% of total sales, compared to 63.7% in the same month last year and 64.4% budgeted. Combined prize expense for the year was 63.5%, compared to 63.7% last fiscal year and 64.3% budgeted. Instant prize expense for the month was 69.7%, draw game prize expense was 53.9%, Keno prize expense was 64.8%, and iLottery instant play prize expense was 82.5%. Instant prize expense for the fiscal year was 69.1%, draw game prize expense was 52.5%, Keno prize expense was 64.9%, and iLottery instant play prize expense was 79.6%.

Operating costs were \$3.4 million for June, compared to \$2.7 million budgeted and \$2.9 million for the same month last year. These costs included advertising and promotions of \$1.2 million, salaries & benefits of \$1.7 million, contracted and professional services of \$262,000, depreciation expense of \$98,000, and other general and administrative costs of \$146,000. Operating costs for the year were \$30.9 million, compared to \$32.7 million budgeted and \$30.2 million prior fiscal year.

Income before transfer of dividends for the current month was \$20.2 million, compared to \$21.0 million for the same month in the prior year and \$20.8 million budgeted. Income before transfer of dividends for the fiscal year was \$266.4 million, compared to \$247.7 million in the prior year and \$252.5 million budgeted.

Dividends of \$38.6 million were transferred or accrued to the Commonwealth in June for a total of \$256.1 million for the fiscal year. Additional dividends of \$523,000 were accrued in June for transfer to the KEES Reserve for a total of \$10.3 million for the fiscal year. Transfers to the KEES Reserve will be made quarterly during the fiscal year. All dividends were 45.8% of sales for the month. All dividends were 25.7% of sales for the fiscal year compared to 25.2% of sales in the prior year and 24.6% budgeted.

BALANCE SHEET

Cash balance decreased to \$20.3 million, which included \$2.6 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$10.8 million. Accounts Receivable decreased to \$31.6 million. Total assets decreased to \$74.4 million.

KENTUCKY LOTTERY CORPORATION
BALANCE SHEETS
JUNE 30, 2018
(\$000's)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$17,682	\$28,491	\$20,149
CASH - RESTRICTED	2,600	2,650	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	31,628	34,765	24,692
OTHER	1,060	917	1,067
TOTAL CURRENT ASSETS	<u>54,829</u>	<u>68,682</u>	<u>50,367</u>
INVESTMENTS, LESS CURRENT PORTION	8,903	8,852	10,111
PROPERTY AND EQUIPMENT, NET	5,441	5,231	5,314
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	5,182	5,242	4,848
TOTAL ASSETS	<u>\$74,355</u>	<u>\$88,007</u>	<u>\$70,640</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$13,248	\$8,033	\$10,054
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	30,986	31,102	29,981
TOTAL CURRENT LIABILITIES	<u>44,234</u>	<u>39,135</u>	<u>40,035</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	11,866	11,697	13,061
UNFUNDED GRAND PRIZE LIABILITY	1,116	1,116	405
TOTAL LIABILITIES	<u>57,216</u>	<u>51,948</u>	<u>53,501</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	17,039	789,494	17,039
TOTAL EQUITY	<u>17,139</u>	<u>789,594</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$74,355</u>	<u>\$841,542</u>	<u>\$70,640</u>

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
JUNE 30, 2018
(\$000'S)

MONTH OF JUNE:			VARIANCE	
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$52,338	\$52,332	\$6	0.0%
DRAW GAMES	25,872	27,010	(\$1,138)	-4.2%
KENO	6,590	6,438	152	2.4%
ILOTTERY INSTANT PLAY	863	619	244	39.4%
TICKET SALES	85,663	86,399	(736)	-0.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(67)	(964)	897	-93.0%
TOTAL TICKET SALES	85,596	85,435	161	0.2%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	36,457	35,270	(1,187)	-3.4%
DRAW GAMES	13,938	14,573	635	4.4%
KENO	4,270	4,106	(164)	-4.0%
ILOTTERY INSTANT PLAY	712	504	(208)	-41.3%
TOTAL PRIZES	55,377	54,453	(924)	-1.7%
PAYMENTS TO RETAILERS	4,839	5,383	544	10.1%
DRAW GAMES VENDOR EXPENSE	1,195	892	(303)	-34.0%
INSTANT TICKET COSTS	617	855	238	27.8%
TOTAL DIRECT COSTS	62,028	61,583	(445)	-0.7%
GROSS PROFIT	23,568	23,852	(284)	-1.2%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,174	929	(245)	-26.4%
SALARIES, WAGES & BENEFITS	1,679	1,552	(127)	-8.2%
CONTRACTED & PROFESSIONAL SERVICES	262	249	(13)	-5.2%
DEPRECIATION	98	107	9	8.4%
OTHER GENERAL & ADMINISTRATIVE	146	68	(78)	-114.7%
TOTAL OPERATING EXPENSES	3,359	2,905	(454)	-15.6%
OPERATING INCOME	20,209	20,947	(738)	-3.5%
NON-OPERATING INCOME	40	24	16	66.7%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,249	\$20,971	(\$722)	-3.4%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
YEAR-TO-DATE THROUGH JUNE 30, 2018
(\$000'S)

TWELVE MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$613,134	\$603,823	\$9,311	1.5%
DRAW GAMES	336,308	315,686	\$20,622	6.5%
KENO	82,818	75,750	7,068	9.3%
ILOTTERY INSTANT PLAY	<u>10,252</u>	<u>5,242</u>	<u>5,010</u>	95.6%
TICKET SALES	1,042,512	1,000,501	42,011	4.2%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	<u>(7,309)</u>	<u>(13,541)</u>	<u>6,232</u>	-46.0%
TOTAL TICKET SALES	<u>1,035,203</u>	<u>986,960</u>	<u>48,243</u>	4.9%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	418,862	405,888	(12,974)	-3.2%
DRAW GAMES	176,616	169,897	(6,719)	-4.0%
KENO	53,721	49,187	(4,534)	-9.2%
ILOTTERY INSTANT PLAY	<u>8,163</u>	<u>3,859</u>	<u>(4,304)</u>	-111.5%
TOTAL PRIZES	<u>657,362</u>	<u>628,831</u>	<u>(28,531)</u>	-4.5%
PAYMENTS TO RETAILERS	61,138	61,672	534	0.9%
DRAW GAMES VENDOR EXPENSE	11,370	10,094	(1,276)	-12.6%
INSTANT TICKET COSTS	<u>8,474</u>	<u>8,871</u>	<u>397</u>	4.5%
TOTAL DIRECT COSTS	<u>738,344</u>	<u>709,468</u>	<u>(28,876)</u>	-4.1%
GROSS PROFIT	296,859	277,492	19,367	7.0%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	10,268	10,074	(194)	-1.9%
SALARIES, WAGES & BENEFITS	15,318	14,831	(487)	-3.3%
CONTRACTED & PROFESSIONAL SERVICES	2,374	2,264	(110)	-4.9%
DEPRECIATION	1,186	1,312	126	9.6%
OTHER GENERAL & ADMINISTRATIVE	<u>1,769</u>	<u>1,672</u>	<u>(97)</u>	-5.8%
TOTAL OPERATING EXPENSES	<u>30,915</u>	<u>30,153</u>	<u>(762)</u>	-2.5%
OPERATING INCOME	<u>265,944</u>	<u>247,339</u>	<u>18,605</u>	7.5%
NON-OPERATING INCOME	<u>473</u>	<u>367</u>	<u>106</u>	28.9%
INCOME BEFORE TRANSFER OF DIVIDENDS	<u>\$266,417</u>	<u>\$247,706</u>	<u>\$18,711</u>	7.6%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO BUDGET
JUNE 30, 2018
(\$000'S)

MONTH OF JUNE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$52,338	\$50,861	\$1,477	2.9%
DRAW GAMES	25,872	26,569	(697)	-2.6%
KENO	6,590	6,902	(312)	-4.5%
ILOTTERY INSTANT PLAY	863	738	125	16.9%
TICKET SALES	85,663	85,070	593	0.7%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(67)	(254)	187	-73.6%
TOTAL TICKET SALES	85,596	84,816	780	0.9%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	36,457	35,143	(1,314)	-3.7%
DRAW GAMES	13,938	14,426	488	3.4%
KENO	4,270	4,500	230	5.1%
ILOTTERY INSTANT PLAY	712	553	(159)	-28.8%
TOTAL PRIZES	55,377	54,622	(755)	-1.4%
PAYMENTS TO RETAILERS	4,839	5,057	218	4.3%
DRAW GAMES VENDOR EXPENSE	1,195	1,005	(190)	-18.9%
INSTANT TICKET COSTS	617	690	73	10.6%
TOTAL DIRECT COSTS	62,028	61,374	(654)	-1.1%
GROSS PROFIT	23,568	23,442	126	0.5%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,174	863	(311)	-36.0%
SALARIES, WAGES & BENEFITS	1,679	1,283	(396)	-30.9%
CONTRACTED & PROFESSIONAL SERVICES	262	294	32	10.9%
DEPRECIATION	98	114	16	14.0%
OTHER GENERAL & ADMINISTRATIVE	146	133	(13)	-9.8%
TOTAL OPERATING EXPENSES	3,359	2,687	(672)	-25.0%
OPERATING INCOME	20,209	20,755	(546)	-2.6%
NON-OPERATING INCOME	40	25	15	60.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,249	\$20,780	(\$531)	-2.6%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF INCOME - COMPARISON TO BUDGET
 YEAR-TO-DATE THROUGH JUNE 30, 2018
 (\$000'S)

TWELVE MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$613,134	\$620,500	(\$7,366)	-1.2%
DRAW GAMES	336,308	319,600	16,708	5.2%
KENO	82,818	84,000	(1,182)	-1.4%
ILOTTERY INSTANT PLAY	10,252	9,000	1,252	13.9%
TICKET SALES	1,042,512	1,033,100	9,412	0.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(7,309)	(7,624)	315	-4.1%
TOTAL TICKET SALES	1,035,203	1,025,476	9,727	0.9%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	418,862	424,325	5,463	1.3%
DRAW GAMES	176,616	173,512	(3,104)	-1.8%
KENO	53,721	54,772	1,051	1.9%
ILOTTERY INSTANT PLAY	8,163	6,750	(1,413)	-20.9%
TOTAL PRIZES	657,362	659,359	1,997	0.3%
PAYMENTS TO RETAILERS	61,138	61,420	282	0.5%
DRAW GAMES VENDOR EXPENSE	11,370	11,020	(350)	-3.2%
INSTANT TICKET COSTS	8,474	8,705	231	2.7%
TOTAL DIRECT COSTS	738,344	740,504	2,160	0.3%
GROSS PROFIT	296,859	284,972	11,887	4.2%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	10,268	10,715	447	4.2%
SALARIES, WAGES & BENEFITS	15,318	15,400	82	0.5%
CONTRACTED & PROFESSIONAL SERVICES	2,374	3,358	984	29.3%
DEPRECIATION	1,186	1,321	135	10.2%
OTHER GENERAL & ADMINISTRATIVE	1,769	1,936	167	8.6%
TOTAL OPERATING EXPENSES	30,915	32,730	1,815	5.5%
OPERATING INCOME	265,944	252,242	13,702	5.4%
NON-OPERATING INCOME	473	300	173	57.7%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$266,417	\$252,542	\$13,875	5.5%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
JUNE 30, 2018
(\$000'S)

MONTH OF JUNE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	61.1%	61.3%	60.0%
DRAW GAMES	30.2%	31.6%	31.3%
KENO	7.7%	7.5%	8.1%
ILOTTERY INSTANT PLAY	1.0%	0.7%	0.9%
TICKET SALES	100.0%	101.1%	100.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	0.0%	-1.1%	-0.3%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	42.6%	41.2%	41.4%
DRAW GAMES	16.3%	17.1%	17.0%
KENO	5.0%	4.8%	5.3%
ILOTTERY INSTANT PLAY	0.8%	0.6%	0.7%
TOTAL PRIZES	64.7%	63.7%	64.4%
PAYMENTS TO RETAILERS	5.7%	6.3%	6.0%
DRAW GAME VENDOR EXPENSE	1.4%	1.1%	1.2%
INSTANT TICKET COSTS	0.7%	1.0%	0.8%
TOTAL DIRECT COSTS	72.5%	72.1%	72.4%
GROSS PROFIT	27.5%	27.9%	27.6%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	1.3%	1.1%	1.0%
SALARIES, WAGES & BENEFITS	2.0%	1.7%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.3%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.1%	0.2%	0.2%
TOTAL OPERATING EXPENSES	3.8%	3.4%	3.1%
OPERATING INCOME	23.7%	24.5%	24.5%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	23.7%	24.5%	24.5%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
 YEAR-TO-DATE THROUGH JUNE 30, 2018
 (\$000'S)

TWELVE MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	59.2%	61.2%	60.5%
DRAW GAMES	32.5%	32.0%	31.2%
KENO	8.0%	7.7%	8.2%
ILOTTERY INSTANT PLAY	1.0%	0.5%	0.9%
TICKET SALES	100.7%	101.4%	100.8%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-0.7%	-1.4%	-0.8%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	40.5%	41.1%	41.4%
DRAW GAMES	17.0%	17.2%	16.9%
KENO	5.2%	5.0%	5.3%
ILOTTERY INSTANT PLAY	0.8%	0.4%	0.7%
TOTAL PRIZES	63.5%	63.7%	64.3%
PAYMENTS TO RETAILERS	5.9%	6.3%	6.0%
DRAW GAME VENDOR EXPENSE	1.1%	1.0%	1.1%
INSTANT TICKET COSTS	0.8%	0.9%	0.8%
TOTAL DIRECT COSTS	71.3%	71.9%	72.2%
GROSS PROFIT	28.7%	28.1%	27.8%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	1.0%	1.0%	1.0%
SALARIES, WAGES & BENEFITS	1.5%	1.5%	1.6%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	3.0%	3.0%	3.2%
OPERATING INCOME	25.7%	25.1%	24.6%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	25.7%	25.1%	24.6%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF RETAINED EARNINGS
JUNE 30, 2018
(\$000'S)

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$35,959	\$17,039	\$21,922	\$17,904
INCOME BEFORE TRANSFER	20,249	266,417	20,971	247,706
DIVIDENDS - GENERAL FUND & EDUCATION	(38,646)	(256,146)	(25,000)	(238,000)
DIVIDENDS - KEES RESERVE	(523)	(10,271)	(854)	(10,571)
RETAINED EARNINGS- END OF PERIOD	<u>\$17,039</u>	<u>\$17,039</u>	<u>\$17,039</u>	<u>\$17,039</u>

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF CASH FLOWS
 YEAR-TO-DATE THROUGH JUNE 30, 2018
 (\$000'S)

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$20,209	\$265,944
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	98	1,186
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	0	99
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	3,137	(7,035)
OTHER ASSETS	(143)	7
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	5,215	3,194
ESTIMATED PRIZE LIABILITY	53	521
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,569	263,916
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	0	1,859
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(51)	(651)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	60	(334)
INTEREST INCOME	25	248
SECURITY LENDING FEES	0	10
NET CASH PROVIDED BY INVESTING ACTIVITIES	34	1,132
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(39,169)	(266,417)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	15	215
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(39,154)	(266,202)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(308)	(1,313)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	0	0
PROCEEDS FROM ISSUANCE OF LONG-TERM DEBT	0	0
REPAYMENTS OF LONG-TERM DEBT	0	0
INTEREST EXPENSE	0	0
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(308)	(1,313)
NET INCREASE (DECREASE) IN CASH	(10,859)	(2,467)
CASH, BEGINNING OF PERIOD	31,141	22,749
CASH, END OF PERIOD	\$20,282	\$20,282

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 MONTH ENDING JUNE 30, 2018
 (\$000'S)

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	52,271	4,181	905	3,665	12,585	3,227	513	6,317	563	0	0	84,227
ILOTTERY	<u>0</u>	<u>81</u>	<u>42</u>	<u>0</u>	<u>0</u>	<u>79</u>	<u>0</u>	<u>273</u>	<u>31</u>	<u>863</u>	<u>0</u>	<u>1,369</u>
TOTAL SALES	<u>52,271</u>	<u>4,262</u>	<u>947</u>	<u>3,665</u>	<u>12,585</u>	<u>3,306</u>	<u>513</u>	<u>6,590</u>	<u>594</u>	<u>863</u>	<u>0</u>	<u>85,596</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	36,638	2,255	325	1,648	7,517	1,632	315	4,124	434	0	0	54,888
ILOTTERY	<u>0</u>	<u>43</u>	<u>14</u>	<u>0</u>	<u>0</u>	<u>40</u>	<u>0</u>	<u>180</u>	<u>23</u>	<u>712</u>	<u>0</u>	<u>1,012</u>
TOTAL PRIZES WON	<u>36,638</u>	<u>2,298</u>	<u>339</u>	<u>1,648</u>	<u>7,517</u>	<u>1,672</u>	<u>315</u>	<u>4,304</u>	<u>457</u>	<u>712</u>	<u>0</u>	<u>55,900</u>
UNCLAIMED PRIZE CREDIT	(181)	(113)	(10)	(43)	(78)	(46)	(5)	(34)	(13)	0	0	(523)
PAYMENTS TO RETAILERS	3,092	213	52	204	703	164	35	324	30	1	21	4,839
ONLINE VENDOR EXPENSE	229	72	17	57	194	56	10	130	10	47	373	1,195
TICKET COSTS	<u>617</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>617</u>
TOTAL DIRECT COSTS	<u>40,395</u>	<u>2,470</u>	<u>398</u>	<u>1,866</u>	<u>8,336</u>	<u>1,846</u>	<u>355</u>	<u>4,724</u>	<u>484</u>	<u>760</u>	<u>394</u>	<u>62,028</u>
GROSS PROFIT	<u>11,876</u>	<u>1,792</u>	<u>549</u>	<u>1,799</u>	<u>4,249</u>	<u>1,460</u>	<u>158</u>	<u>1,866</u>	<u>110</u>	<u>103</u>	<u>(394)</u>	<u>23,568</u>

(% OF SALES)

PROFIT MARGIN

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
TOTAL SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
DIRECT COSTS:												
TOTAL PRIZES WON	70.1%	53.9%	35.8%	45.0%	59.7%	50.6%	61.4%	65.3%	76.9%	82.5%	0.0%	65.3%
UNCLAIMED PRIZE CREDIT	-0.4%	-2.7%	-1.1%	-1.2%	-0.6%	-1.4%	-1.0%	-0.5%	-2.2%	0.0%	0.0%	-0.6%
PAYMENTS TO RETAILERS	5.9%	5.0%	5.5%	5.6%	5.6%	5.0%	6.8%	4.9%	5.1%	0.1%	0.0%	5.7%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.8%	1.6%	1.5%	1.7%	1.9%	2.0%	1.7%	5.4%	0.0%	1.4%
TICKET COSTS	<u>1.2%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.7%</u>
TOTAL DIRECT COSTS	<u>77.2%</u>	<u>57.9%</u>	<u>42.0%</u>	<u>51.0%</u>	<u>66.2%</u>	<u>55.9%</u>	<u>69.1%</u>	<u>71.7%</u>	<u>81.5%</u>	<u>88.0%</u>	<u>0.0%</u>	<u>72.5%</u>
GROSS PROFIT	<u>22.8%</u>	<u>42.1%</u>	<u>58.0%</u>	<u>49.0%</u>	<u>33.8%</u>	<u>44.1%</u>	<u>30.9%</u>	<u>28.3%</u>	<u>18.5%</u>	<u>12.0%</u>	<u>0.0%</u>	<u>27.5%</u>

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 YEAR TO DATE AS OF JUNE 30, 2018
 (\$000'S)

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	605,825	76,475	10,984	43,484	149,653	38,953	6,136	81,565	7,423	0	0	1,020,498
ILOTTERY	<u>0</u>	<u>1,390</u>	<u>536</u>	<u>0</u>	<u>0</u>	<u>863</u>	<u>0</u>	<u>1,253</u>	<u>411</u>	<u>10,252</u>	<u>0</u>	<u>14,705</u>
TOTAL SALES	<u>605,825</u>	<u>77,865</u>	<u>11,520</u>	<u>43,484</u>	<u>149,653</u>	<u>39,816</u>	<u>6,136</u>	<u>82,818</u>	<u>7,834</u>	<u>10,252</u>	<u>0</u>	<u>1,035,203</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	424,593	38,556	5,719	20,029	87,201	19,557	3,640	53,330	4,461	0	0	657,086
ILOTTERY	<u>0</u>	<u>700</u>	<u>176</u>	<u>0</u>	<u>0</u>	<u>433</u>	<u>0</u>	<u>828</u>	<u>247</u>	<u>8,163</u>	<u>0</u>	<u>10,547</u>
TOTAL PRIZES WON	<u>424,593</u>	<u>39,256</u>	<u>5,895</u>	<u>20,029</u>	<u>87,201</u>	<u>19,990</u>	<u>3,640</u>	<u>54,158</u>	<u>4,708</u>	<u>8,163</u>	<u>0</u>	<u>667,633</u>
UNCLAIMED PRIZE CREDIT	(5,731)	(1,491)	(350)	(465)	(956)	(487)	(69)	(437)	(285)	0	0	(10,271)
PAYMENTS TO RETAILERS	38,035	3,909	619	2,373	8,342	2,007	433	4,681	548	3	188	61,138
ONLINE VENDOR EXPENSE	2,686	1,296	215	671	2,304	673	117	1,513	142	510	1,243	11,370
TICKET COSTS	<u>8,474</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,474</u>
TOTAL DIRECT COSTS	<u>468,057</u>	<u>42,970</u>	<u>6,379</u>	<u>22,608</u>	<u>96,891</u>	<u>22,183</u>	<u>4,121</u>	<u>59,915</u>	<u>5,113</u>	<u>8,676</u>	<u>1,431</u>	<u>738,344</u>
GROSS PROFIT	<u>137,768</u>	<u>34,895</u>	<u>5,141</u>	<u>20,876</u>	<u>52,762</u>	<u>17,633</u>	<u>2,015</u>	<u>22,903</u>	<u>2,721</u>	<u>1,576</u>	<u>(1,431)</u>	<u>296,859</u>

(% OF SALES)

PROFIT MARGIN

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
TOTAL SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
DIRECT COSTS:												
TOTAL PRIZES WON	70.1%	50.4%	51.2%	46.1%	58.3%	50.2%	59.3%	65.4%	60.1%	79.6%	0.0%	64.5%
UNCLAIMED PRIZE CREDIT	-1.0%	-1.9%	-3.0%	-1.1%	-0.6%	-1.2%	-1.1%	-0.6%	-3.6%	0.0%	0.0%	-1.0%
PAYMENTS TO RETAILERS	6.3%	5.0%	5.4%	5.5%	5.6%	5.0%	7.1%	5.7%	7.0%	0.0%	0.0%	5.9%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.7%	1.9%	1.8%	1.8%	5.0%	0.0%	1.1%
TICKET COSTS	<u>1.4%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.8%</u>
TOTAL DIRECT COSTS	<u>77.2%</u>	<u>55.2%</u>	<u>55.5%</u>	<u>52.0%</u>	<u>64.8%</u>	<u>55.7%</u>	<u>67.2%</u>	<u>72.3%</u>	<u>65.3%</u>	<u>84.6%</u>	<u>0.0%</u>	<u>71.3%</u>
GROSS PROFIT	<u>22.8%</u>	<u>44.8%</u>	<u>44.5%</u>	<u>48.0%</u>	<u>35.2%</u>	<u>44.3%</u>	<u>32.8%</u>	<u>27.7%</u>	<u>34.7%</u>	<u>15.4%</u>	<u>0.0%</u>	<u>28.7%</u>

KENTUCKY LOTTERY CORPORATION
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING JUNE 30, 2018
(\$000'S)

TYPE OF COST	INSTANT	POWERBALL	KY CASH BALL	PICK 4	PICK 3	MEGA MILLIONS	5 CARD CASH	KENO	LFL	iLottery Instant Play	NON-GAME SPECIFIC	TOTAL
MEDIA:												
TELEVISION	305	1	0	0	0	0	0	5	0	0	1	312
RADIO	235	0	0	0	0	1	0	(2)	0	0	16	250
PRINT	0	0	0	0	0	0	0	0	0	0	0	0
BILLBOARD	(7)	28	0	0	0	26	0	0	0	0	14	61
ONLINE	115	7	0	0	0	8	0	17	0	64	0	211
OTHER (TRANSIT, ETC.)	0	0	0	(1)	1	0	0	0	0	0	(3)	(3)
TOTAL MEDIA	648	36	0	(1)	1	35	0	20	0	64	28	831
PRODUCTION	0	0	0	1	2	0	0	0	0	3	31	37
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	62	62
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	49	49
PREMIUMS	0	0	0	0	0	0	0	19	0	0	52	71
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	104	104
OTHER (SIGNAGE, ETC.)	15	0	0	0	0	0	0	0	0	0	5	20
TOTAL	663	36	0	0	3	35	0	39	0	67	331	1,174

YEAR-TO-DATE AS OF JUNE 30, 2018
(\$000'S)

TYPE OF COST	INSTANT	POWERBALL	KY CASH BALL	PICK 4	PICK 3	MEGA MILLIONS	5 CARD CASH	KENO	LFL	iLottery Instant Play	NON-GAME SPECIFIC	TOTAL
MEDIA:												
TELEVISION	2,163	40	0	1	2	41	0	573	0	0	297	3,117
RADIO	912	3	0	0	0	3	0	301	0	0	84	1,303
PRINT	0	0	0	0	0	0	0	0	0	0	24	24
BILLBOARD	212	375	0	0	0	354	0	0	0	0	17	958
ONLINE	903	112	10	0	0	114	5	162	2	624	139	2,071
OTHER (TRANSIT, ETC.)	9	16	0	3	4	16	0	0	0	0	0	48
TOTAL MEDIA	4,199	546	10	4	6	528	5	1,036	2	624	561	7,521
PRODUCTION	365	31	0	1	2	43	4	94	0	29	406	975
COUPONS & PROMOTIONS	0	6	0	0	0	6	0	0	0	0	569	581
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	145	145
PREMIUMS	0	0	0	0	0	0	0	38	0	0	181	219
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	516	516
OTHER (SIGNAGE, ETC.)	15	0	0	0	0	0	0	0	0	69	227	311
TOTAL	4,579	583	10	5	8	577	9	1,168	2	722	2,605	10,268

KENTUCKY LOTTERY CORPORATION
 OPERATING EXPENSES
 JUNE 30, 2018
 (\$000'S)

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$1,174	\$10,268
 <u>SALARIES, WAGES & BENEFITS:</u>		
SALARIES AND WAGES	1,232	11,767
BENEFITS AND TAXES	447	3,551
	1,679	15,318
 <u>CONTRACTED & PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	3	47
CONSULTANT SERVICES	97	516
SECURITY SERVICES	11	170
REPAIRS AND MAINTENANCE	4	103
CUSTODIAL SERVICES	6	65
PUBLIC INFORMATION SERVICES	6	51
DIRECTOR EXPENSES	3	42
COMPUTER SOFTWARE COST/MAINT.	46	707
COMPUTER HARDWARE COST/MAINT.	3	57
LEGAL SERVICES	16	69
AUDIT EXPENSES	52	288
OTHER	15	259
	262	2,374
 <u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	98	1,186
 <u>OTHER GENERAL & ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	6	146
OFFICE SUPPLIES & SERVICES	19	137
TRAVEL AND RELATED EXPENSES	42	433
RENT, UTILITIES AND INSURANCE	72	928
A/R COLLECTIONS ALLOWANCE	0	99
OTHER	7	26
	146	1,769
 TOTAL OPERATING EXPENSES	 \$3,359	 \$30,915
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	25	248
OTHER INCOME/(LOSS)	15	225
	\$40	\$473
TOTAL NON-OPERATING INCOME	\$40	\$473

KENTUCKY LOTTERY CORPORATION
PROPERTY AND EQUIPMENT
JUNE 30, 2018
(\$000'S)

	<u>CURRENT</u> <u>MONTH END</u>	<u>PRIOR</u> <u>MONTH END</u>	<u>PRIOR FISCAL</u> <u>YEAR END</u>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	8,079	8,073	7,925
LAND	423	423	423
TRANSPORTATION	1,264	1,264	1,254
FURNITURE, FIXTURES & EQUIPMENT	1,138	1,253	1,982
DATA PROCESSING EQUIPMENT & SOFTWARE	4,379	4,070	16,845
INCOMPLETE FIXED ASSETS	572	464	0
TELEPHONE & COMMUNICATIONS EQUIPMENT	6	379	379
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	16,466	16,531	29,413
ACCUMULATED DEPRECIATION	<u>(11,025)</u>	<u>(11,300)</u>	<u>(24,099)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,441</u>	<u>\$5,231</u>	<u>\$5,314</u>