

KENTUCKY LOTTERY CORPORATION
FINANCIAL STATEMENTS
SEPTEMBER 2017
MONTH 3 OF FISCAL YEAR ENDING JUNE 30, 2018

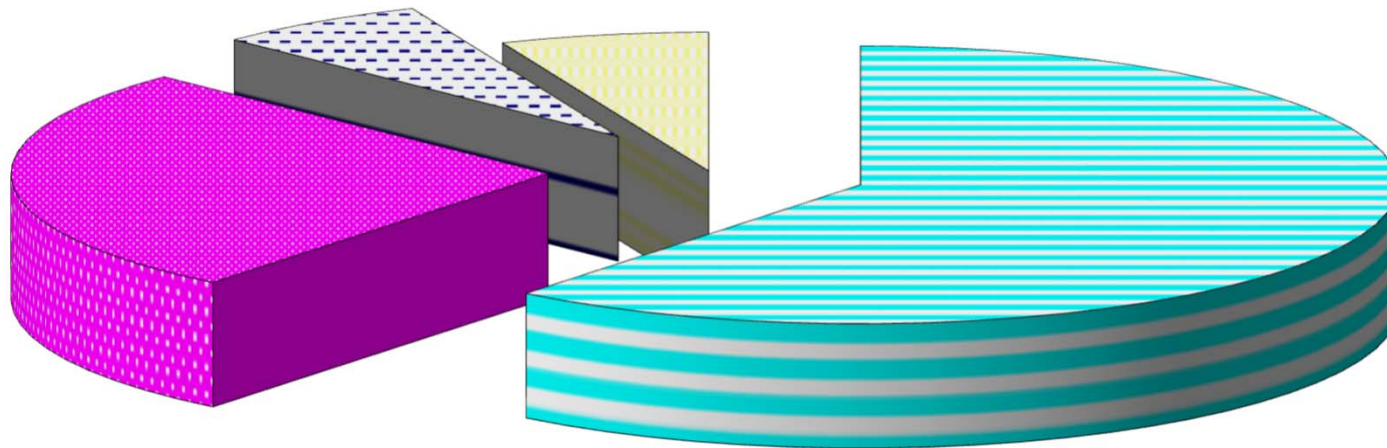
CONTENTS

CHART - "WHERE THE MONEY GOES" (INCEPTION-TO-DATE)
CHART - "WHERE THE MONEY GOES" (YEAR-TO-DATE)
CHART - SALES AND DIRECT COSTS BY MONTH
CHART – OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH
FINANCIAL RESULTS
BALANCE SHEETS
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR, BUDGET, AND PERCENTAGE
OF TOTAL SALES (MONTH AND YEAR-TO-DATE)
STATEMENTS OF RETAINED EARNINGS
STATEMENTS OF CASH FLOWS
PROFIT MARGIN REPORT – MONTH
PROFIT MARGIN REPORT - YEAR-TO-DATE
ADVERTISING AND PROMOTION EXPENSES
OPERATING EXPENSES
PROPERTY AND EQUIPMENT

**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
INCEPTION-TO-DATE SALES AS OF SEPTEMBER 30, 2017
\$18.645 BILLION**

**\$1.197
BILLION PAID FOR
MARKETING & OPERATING
EXP - 6.4%**

\$1.172 BILLION PAID TO RETAILERS - 6.3%



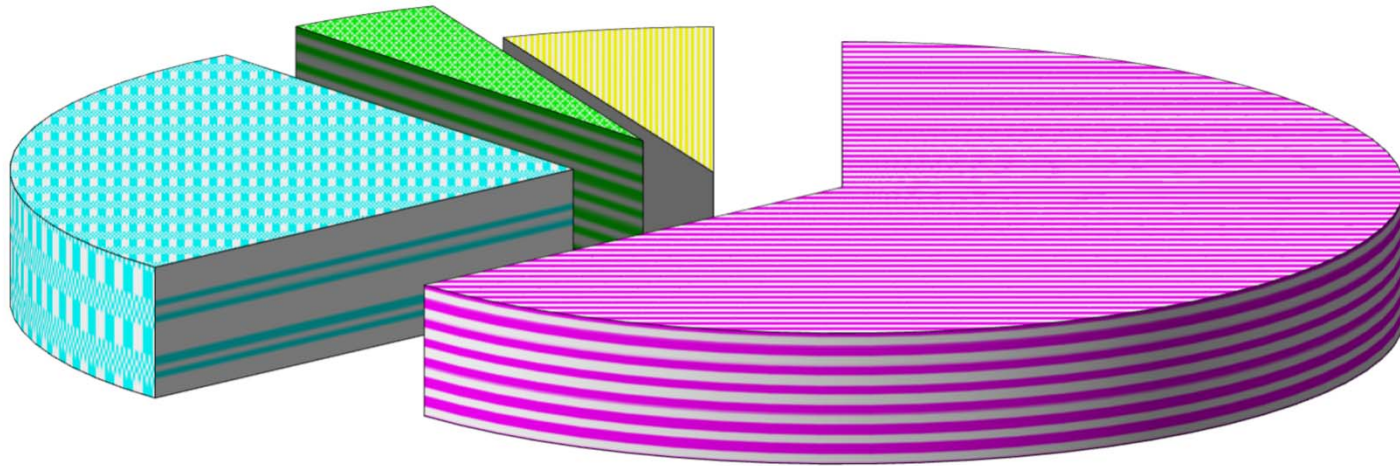
**\$4.960 BILLION
EARNED FOR THE
STATE OF KENTUCKY
- 26.6%**

**\$11.316 BILLION PAID
TO WINNERS - 60.7%**

**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
YEAR-TO-DATE SALES AS OF SEPTEMBER 30, 2017
\$252.9 MILLION**

**\$11.4 MILLION PAID FOR
MARKETING & OPERATING
EXP - 4.5%**

\$15.4 MILLION PAID TO RETAILERS - 6.1%



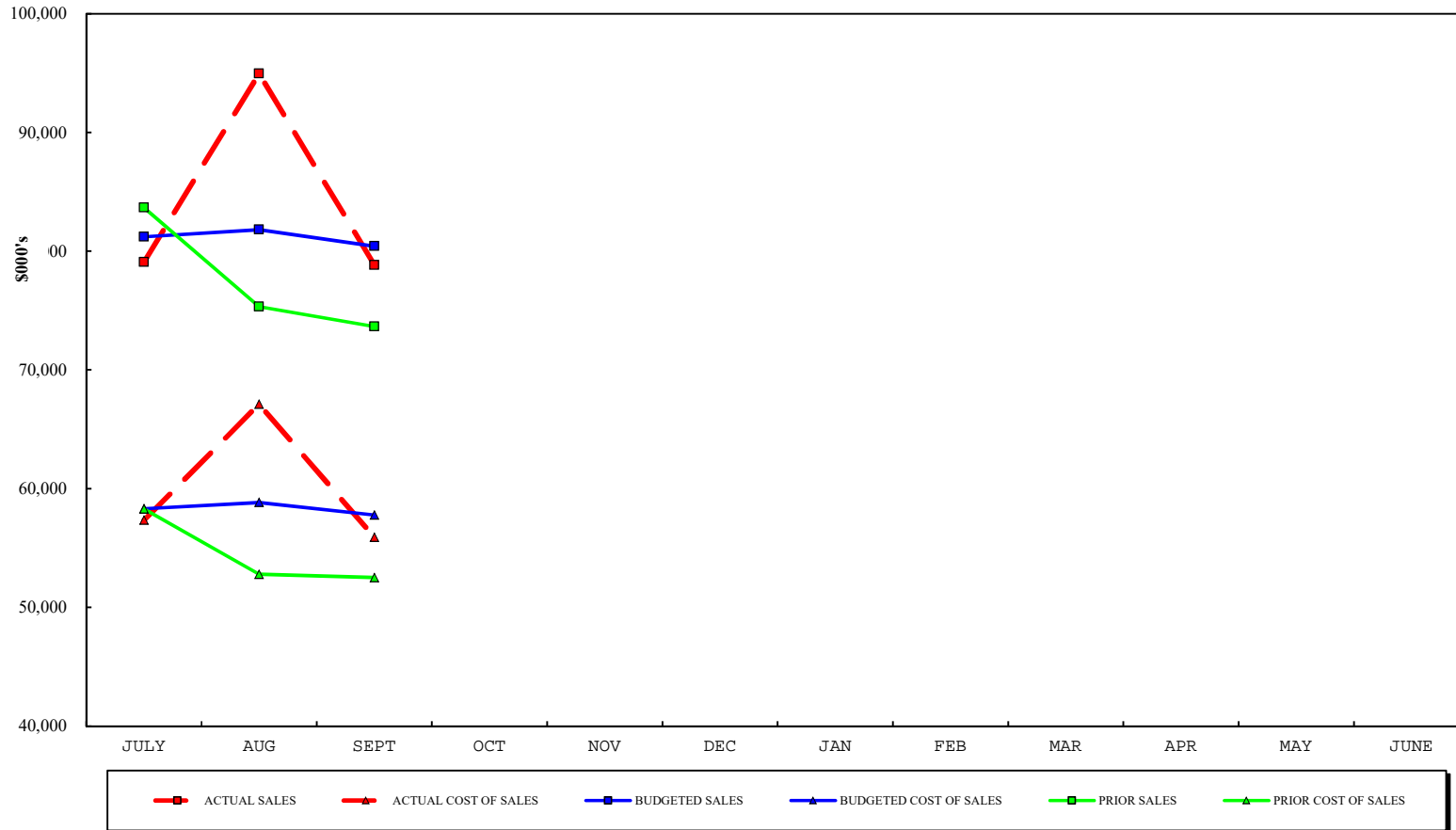
**\$66.1 MILLION
EARNED FOR THE
STATE OF
KENTUCKY - 26.1%**

**\$160.0 MILLION PAID
TO WINNERS - 63.3%**

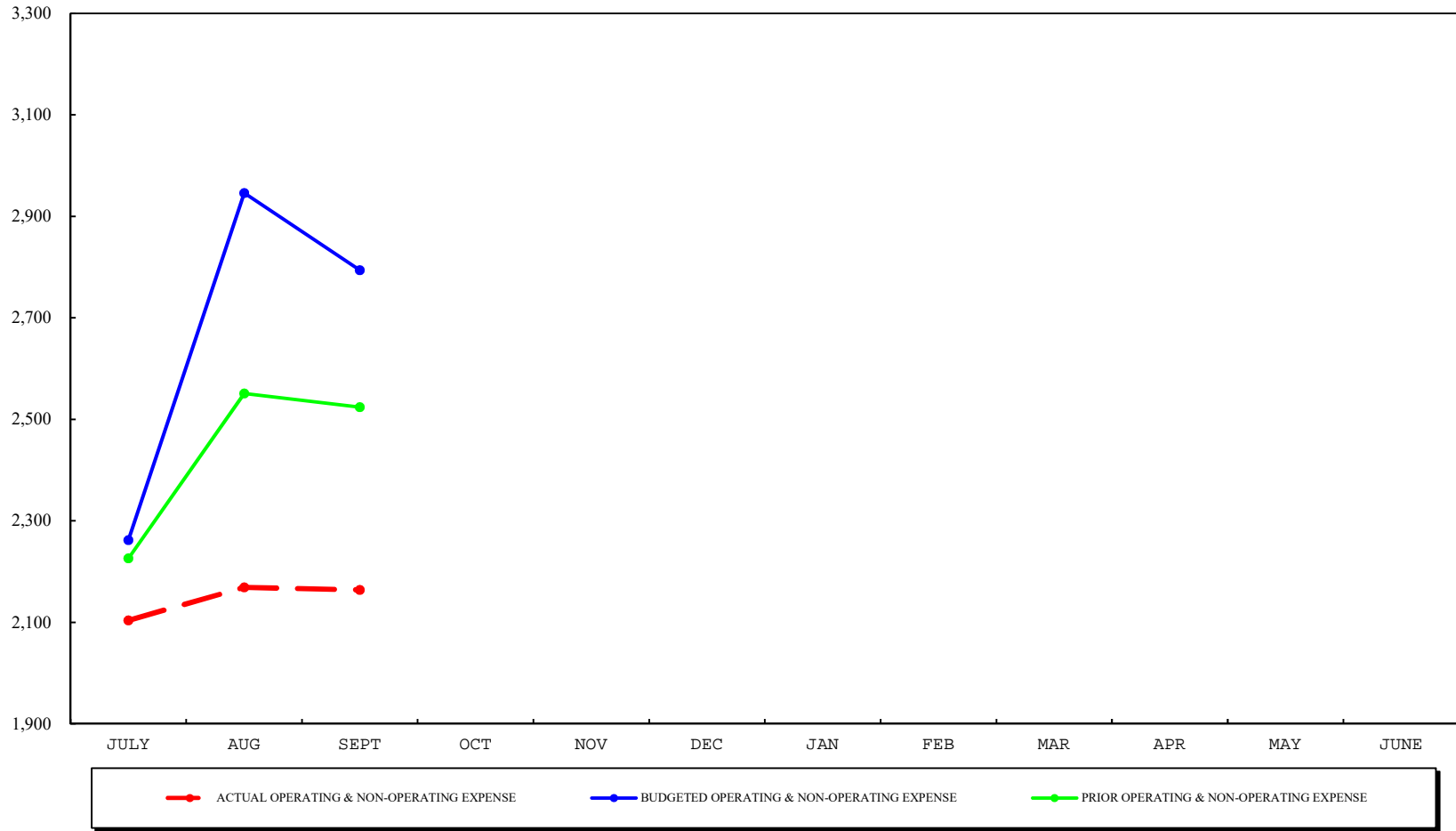
AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.

THE EARNINGS FOR THE STATE OF KENTUCKY HAVE BEEN DESIGNATED BY THE LEGISLATURE TO BE USED FOR LITERACY DEVELOPMENT, MERIT BASED SCHOLARSHIPS, AND NEED BASED GRANTS.

SALES AND DIRECT COSTS BY MONTH
AS OF SEPTEMBER 30, 2017



OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH
AS OF SEPTEMBER 30, 2017



KENTUCKY LOTTERY CORPORATION

FINANCIAL RESULTS

SEPTEMBER, 2017

INCOME STATEMENT

Ticket sales for September, 2017 were \$79.8 million which is \$5.1 million or 6.9% more than the same month of the prior fiscal year. Sales for the year were \$255.9 million which is \$20.1 million or 8.5% more than in the prior fiscal year. Instant ticket sales were \$4.0 million or 9.1% more than the same month of the prior fiscal year, and \$7.7 million or 5.6% more than the prior fiscal year. Draw game sales were \$133,000 or 0.5% less than the same month of the prior year, and \$8.5 million or 10.6% more than prior fiscal year. Keno sales were \$827,000 or 14.8% more than the same month of the prior fiscal year, and \$2.5 million or 15.0% more than prior fiscal year. iLottery instant play sales were \$415,000 or 148.2% more than the same month of the prior year, and \$1.3 million or 156.9% more than prior fiscal year.

Ticket sales for the month of September were \$1.5 million or 1.9% less than budget. Ticket sales for the fiscal year were \$9.5 million or 3.9% more than budget. Instant ticket sales were \$591,000, or 1.2% more than budget for the current month, and \$28,000 more than budget for the fiscal year. Draw game sales were \$1.6 million or 6.3% less than budget for the month, and \$10.8 million or 13.8% more than budget for the fiscal year. Keno sales for the month were \$499,000 or 7.2% less than budget, and \$1.4 million or 6.6% less than budget for the fiscal year. iLottery instant play sales were \$1,000 or 0.1% less than budget for the month, and \$52,000 or 2.5% more than budget for the fiscal year.

Prize expenses for September, 2017 were 62.7% of total sales, compared to 63.2% in the same month last year and 63.9% budgeted. Combined prize expense for the year was 63.3%, compared to 62.2% last fiscal year and 63.9% budgeted. Instant prize expense for the month was 68.1%, draw game prize expense was 51.1%, Keno prize expense was 65.8%, and iLottery instant play prize expense was 69.1%. Instant prize expense for the fiscal year was 69.1%, draw game prize expense was 53.2%, Keno prize expense was 64.8%, and iLottery instant play prize expense was 82.5%.

Operating costs were \$2.2 million for September, compared to \$2.8 million budgeted and \$2.6 million for the same month last year. These costs included advertising and promotions of \$578,000, salaries & benefits of \$1.2 million, contracted and professional services of \$175,000, depreciation expense of \$99,000, and other general and administrative costs of \$121,000. Operating costs for the year were \$6.6 million, compared to \$8.1 million budgeted and \$7.4 million prior fiscal year.

Income before transfer of dividends for the current month was \$20.8 million, compared to \$18.6 million for the same month in the prior year and \$19.8 million budgeted. Income before transfer of dividends for the fiscal year was \$66.1 million, compared to \$61.7 million in the prior year and \$60.5 million budgeted.

Dividends of \$19.0 million were transferred to the Commonwealth in September for a total of \$55.0 million for the fiscal year. Additional dividends of \$1.2 million were accrued in September for transfer to the KEES reserve for a total of \$2.2 million for the fiscal year. Transfer of the KEES funds will be made quarterly during the fiscal year. All dividends were 25.6% of sales for the month. All dividends were 22.6% of sales for the fiscal year compared to 24.8% of sales in the prior year and 23.5% budgeted.

BALANCE SHEET

Cash balance decreased to \$30.9 million, which included \$2.3 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$11.8 million. Accounts Receivable increased to \$23.3 million. Total assets decreased to \$76.7 million.

KENTUCKY LOTTERY CORPORATION
BALANCE SHEETS
SEPTEMBER 30, 2017
(\$000's)

	<u>CURRENT</u> <u>MONTH END</u>	<u>PRIOR</u> <u>MONTH END</u>	<u>PRIOR FISCAL</u> <u>YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$28,647	\$30,086	\$20,149
CASH - RESTRICTED	2,288	2,709	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	23,289	21,793	24,692
OTHER	1,002	1,124	1,067
TOTAL CURRENT ASSETS	<u>57,085</u>	<u>57,571</u>	<u>50,367</u>
INVESTMENTS, LESS CURRENT PORTION	9,951	9,913	10,111
PROPERTY AND EQUIPMENT, NET	5,098	5,177	5,314
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	4,592	4,848	4,848
TOTAL ASSETS	<u>\$76,726</u>	<u>\$77,509</u>	<u>\$70,640</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$8,109	\$8,523	\$10,054
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	29,195	30,222	29,981
TOTAL CURRENT LIABILITIES	<u>37,304</u>	<u>38,745</u>	<u>40,035</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	13,015	12,925	13,061
UNFUNDED GRAND PRIZE LIABILITY	386	385	405
TOTAL LIABILITIES	<u>50,705</u>	<u>52,055</u>	<u>53,501</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	25,921	25,354	17,039
TOTAL EQUITY	<u>26,021</u>	<u>25,454</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$76,726</u>	<u>\$77,509</u>	<u>\$70,640</u>

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
SEPTEMBER 30, 2017
(\$000'S)

MONTH OF SEPTEMBER:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$48,581	\$44,545	\$4,036	9.1%
DRAW GAMES	24,161	24,294	(\$133)	-0.5%
KENO	6,405	5,578	827	14.8%
ILOTTERY INSTANT PLAY	695	280	415	148.2%
TICKET SALES	79,842	74,697	5,145	6.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(1,021)	(1,036)	15	-1.4%
TOTAL TICKET SALES	78,821	73,661	5,160	7.0%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	32,384	28,800	(3,584)	-12.4%
DRAW GAMES	12,336	13,878	1,542	11.1%
KENO	4,213	3,652	(561)	-15.4%
ILOTTERY INSTANT PLAY	480	242	(238)	-98.3%
TOTAL PRIZES	49,413	46,572	(2,841)	-6.1%
PAYMENTS TO RETAILERS	4,917	4,570	(347)	-7.6%
DRAW GAMES VENDOR EXPENSE	825	765	(60)	-7.8%
INSTANT TICKET COSTS	752	610	(142)	-23.3%
TOTAL DIRECT COSTS	55,907	52,517	(3,390)	-6.5%
GROSS PROFIT	22,914	21,144	1,770	8.4%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	578	973	395	40.6%
SALARIES, WAGES & BENEFITS	1,240	1,167	(73)	-6.3%
CONTRACTED & PROFESSIONAL SERVICES	175	165	(10)	-6.1%
DEPRECIATION	99	112	13	11.6%
OTHER GENERAL & ADMINISTRATIVE	121	140	19	13.6%
TOTAL OPERATING EXPENSES	2,213	2,557	344	13.5%
OPERATING INCOME	20,701	18,587	2,114	11.4%
NON-OPERATING INCOME	49	19	30	157.9%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,750	\$18,606	\$2,144	11.5%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
YEAR-TO-DATE THROUGH SEPTEMBER 30, 2017
(\$000'S)

THREE MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$145,225	\$137,530	\$7,695	5.6%
DRAW GAMES	89,134	80,600	\$8,534	10.6%
KENO	19,350	16,821	2,529	15.0%
ILOTTERY INSTANT PLAY	2,158	840	1,318	156.9%
TICKET SALES	255,867	235,791	20,076	8.5%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(3,003)	(3,129)	126	-4.0%
TOTAL TICKET SALES	252,864	232,662	20,202	8.7%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	98,279	91,278	(7,001)	-7.7%
DRAW GAMES	47,425	41,988	(5,437)	-12.9%
KENO	12,548	10,861	(1,687)	-15.5%
ILOTTERY INSTANT PLAY	1,780	643	(1,137)	-176.8%
TOTAL PRIZES	160,032	144,770	(15,262)	-10.5%
PAYMENTS TO RETAILERS	15,421	14,440	(981)	-6.8%
DRAW GAMES VENDOR EXPENSE	2,738	2,420	(318)	-13.1%
INSTANT TICKET COSTS	2,181	1,978	(203)	-10.3%
TOTAL DIRECT COSTS	180,372	163,608	(16,764)	-10.2%
GROSS PROFIT	72,492	69,054	3,438	5.0%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,459	2,386	927	38.9%
SALARIES, WAGES & BENEFITS	3,714	3,702	(12)	-0.3%
CONTRACTED & PROFESSIONAL SERVICES	572	478	(94)	-19.7%
DEPRECIATION	301	338	37	10.9%
OTHER GENERAL & ADMINISTRATIVE	484	486	2	0.4%
TOTAL OPERATING EXPENSES	6,530	7,390	860	11.6%
OPERATING INCOME	65,962	61,664	4,298	7.0%
NON-OPERATING INCOME	93	75	18	24.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$66,055	\$61,739	\$4,316	7.0%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO BUDGET
SEPTEMBER 30, 2017
(\$000'S)

MONTH OF SEPTEMBER:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$48,581	\$47,990	\$591	1.2%
DRAW GAMES	24,161	25,792	(1,631)	-6.3%
KENO	6,405	6,904	(499)	-7.2%
ILOTTERY INSTANT PLAY	695	696	(1)	-0.1%
TICKET SALES	79,842	81,382	(1,540)	-1.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(1,021)	(960)	(61)	6.4%
TOTAL TICKET SALES	78,821	80,422	(1,601)	-2.0%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	32,384	32,411	27	0.1%
DRAW GAMES	12,336	13,978	1,642	11.7%
KENO	4,213	4,502	289	6.4%
ILOTTERY INSTANT PLAY	480	522	42	8.0%
TOTAL PRIZES	49,413	51,413	2,000	3.9%
PAYMENTS TO RETAILERS	4,917	4,833	(84)	-1.7%
DRAW GAMES VENDOR EXPENSE	825	847	22	2.6%
INSTANT TICKET COSTS	752	692	(60)	-8.7%
TOTAL DIRECT COSTS	55,907	57,785	1,878	3.2%
GROSS PROFIT	22,914	22,637	277	1.2%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	578	1,085	507	46.7%
SALARIES, WAGES & BENEFITS	1,240	1,230	(10)	-0.8%
CONTRACTED & PROFESSIONAL SERVICES	175	253	78	30.8%
DEPRECIATION	99	102	3	2.9%
OTHER GENERAL & ADMINISTRATIVE	121	149	28	18.8%
TOTAL OPERATING EXPENSES	2,213	2,819	606	21.5%
OPERATING INCOME	20,701	19,818	883	4.5%
NON-OPERATING INCOME	49	25	24	96.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,750	\$19,843	\$907	4.6%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO BUDGET
YEAR-TO-DATE THROUGH SEPTEMBER 30, 2017
(\$000'S)

THREE MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$145,225	\$145,197	\$28	0.0%
DRAW GAMES	89,134	78,348	10,786	13.8%
KENO	19,350	20,714	(1,364)	-6.6%
ILOTTERY INSTANT PLAY	2,158	2,106	52	2.5%
TICKET SALES	255,867	246,365	9,502	3.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(3,003)	(2,904)	(99)	3.4%
TOTAL TICKET SALES	252,864	243,461	9,403	3.9%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	98,279	98,076	(203)	-0.2%
DRAW GAMES	47,425	42,502	(4,923)	-11.6%
KENO	12,548	13,506	958	7.1%
ILOTTERY INSTANT PLAY	1,780	1,579	(201)	-12.7%
TOTAL PRIZES	160,032	155,663	(4,369)	-2.8%
PAYMENTS TO RETAILERS	15,421	14,631	(790)	-5.4%
DRAW GAMES VENDOR EXPENSE	2,738	2,561	(177)	-6.9%
INSTANT TICKET COSTS	2,181	2,089	(92)	-4.4%
TOTAL DIRECT COSTS	180,372	174,944	(5,428)	-3.1%
GROSS PROFIT	72,492	68,517	3,975	5.8%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,459	2,694	1,235	45.8%
SALARIES, WAGES & BENEFITS	3,714	3,742	28	0.7%
CONTRACTED & PROFESSIONAL SERVICES	572	739	167	22.6%
DEPRECIATION	301	306	5	1.6%
OTHER GENERAL & ADMINISTRATIVE	484	596	112	18.8%
TOTAL OPERATING EXPENSES	6,530	8,077	1,547	19.2%
OPERATING INCOME	65,962	60,440	5,522	9.1%
NON-OPERATING INCOME	93	75	18	24.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$66,055	\$60,515	\$5,540	9.2%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
 SEPTEMBER 30, 2017
 (\$000'S)

MONTH OF SEPTEMBER:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	61.6%	60.5%	59.7%
DRAW GAMES	30.7%	33.0%	32.1%
KENO	8.1%	7.6%	8.6%
ILOTTERY INSTANT PLAY	0.9%	0.4%	0.9%
TICKET SALES	101.3%	101.5%	101.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-1.3%	-1.5%	-1.3%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	41.1%	39.1%	40.3%
DRAW GAMES	15.7%	18.8%	17.4%
KENO	5.3%	5.0%	5.6%
ILOTTERY INSTANT PLAY	0.6%	0.3%	0.6%
TOTAL PRIZES	62.7%	63.2%	63.9%
PAYMENTS TO RETAILERS	6.2%	6.2%	6.0%
DRAW GAME VENDOR EXPENSE	1.0%	1.0%	1.1%
INSTANT TICKET COSTS	1.0%	0.9%	0.9%
TOTAL DIRECT COSTS	70.9%	71.3%	71.9%
GROSS PROFIT	29.1%	28.7%	28.1%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.7%	1.3%	1.3%
SALARIES, WAGES & BENEFITS	1.6%	1.6%	1.5%
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	2.8%	3.4%	3.4%
OPERATING INCOME	26.3%	25.3%	24.7%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	26.3%	25.3%	24.7%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
 YEAR-TO-DATE THROUGH SEPTEMBER 30, 2017
 (\$000'S)

THREE MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	57.4%	59.1%	59.6%
DRAW GAMES	35.2%	34.6%	32.2%
KENO	7.7%	7.2%	8.5%
ILOTTERY INSTANT PLAY	0.9%	0.4%	0.9%
TICKET SALES	101.2%	101.3%	101.2%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-1.2%	-1.3%	-1.2%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	38.9%	39.2%	40.3%
DRAW GAMES	18.7%	18.0%	17.5%
KENO	5.0%	4.7%	5.5%
ILOTTERY INSTANT PLAY	0.7%	0.3%	0.6%
TOTAL PRIZES	63.3%	62.2%	63.9%
PAYMENTS TO RETAILERS	6.1%	6.2%	6.0%
DRAW GAME VENDOR EXPENSE	1.0%	1.0%	1.1%
INSTANT TICKET COSTS	0.9%	0.9%	0.9%
TOTAL DIRECT COSTS	71.3%	70.3%	71.9%
GROSS PROFIT	28.7%	29.7%	28.1%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.6%	1.0%	1.1%
SALARIES, WAGES & BENEFITS	1.5%	1.6%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.3%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	2.6%	3.2%	3.2%
OPERATING INCOME	26.1%	26.5%	24.9%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	26.1%	26.5%	24.9%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF RETAINED EARNINGS
 SEPTEMBER 30, 2017
 (\$000'S)

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$25,354	\$17,039	\$22,819	\$17,904
INCOME BEFORE TRANSFER	20,750	66,055	18,606	61,739
DIVIDENDS - GENERAL FUND & EDUCATION	(19,000)	(55,000)	(18,500)	(54,500)
DIVIDENDS - KEES RESERVE	(1,183)	(2,173)	(1,085)	(3,303)
RETAINED EARNINGS- END OF PERIOD	<u>\$25,921</u>	<u>\$25,921</u>	<u>\$21,840</u>	<u>\$21,840</u>

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF CASH FLOWS
 YEAR-TO-DATE THROUGH SEPTEMBER 30, 2017
 (\$000'S)

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$20,701	\$65,962
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	99	301
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	0	15
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	(1,496)	1,388
OTHER ASSETS	122	65
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	(414)	(1,945)
ESTIMATED PRIZE LIABILITY	(936)	(851)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,076	64,935
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	0	315
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(38)	(155)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	256	256
INTEREST INCOME	18	47
SECURITY LENDING FEES	1	3
NET CASH PROVIDED BY INVESTING ACTIVITIES	237	466
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(20,183)	(57,173)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	9	22
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(20,174)	(57,151)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(20)	(85)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	21	21
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	1	(64)
NET INCREASE (DECREASE) IN CASH	(1,860)	8,186
CASH, BEGINNING OF PERIOD	32,795	22,749
CASH, END OF PERIOD	\$30,935	\$30,935

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 MONTH ENDING SEPTEMBER 30, 2017
 (\$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	47,560	4,549	908	3,472	11,898	2,054	493	6,405	601	0	0	77,940
ILOTTERY	<u>0</u>	<u>78</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>37</u>	<u>0</u>	<u>0</u>	<u>31</u>	<u>695</u>	<u>0</u>	<u>881</u>
TOTAL SALES	<u>47,560</u>	<u>4,627</u>	<u>948</u>	<u>3,472</u>	<u>11,898</u>	<u>2,091</u>	<u>493</u>	<u>6,405</u>	<u>632</u>	<u>695</u>	<u>0</u>	<u>78,821</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	33,253	2,591	550	1,173	6,280	1,093	280	4,252	564	0	0	50,036
ILOTTERY	<u>0</u>	<u>45</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>(6)</u>	<u>0</u>	<u>0</u>	<u>29</u>	<u>480</u>	<u>0</u>	<u>560</u>
TOTAL PRIZES WON	<u>33,253</u>	<u>2,636</u>	<u>562</u>	<u>1,173</u>	<u>6,280</u>	<u>1,087</u>	<u>280</u>	<u>4,252</u>	<u>593</u>	<u>480</u>	<u>0</u>	<u>50,596</u>
UNCLAIMED PRIZE CREDIT	(869)	(64)	(14)	(33)	(101)	(39)	(7)	(39)	(17)	0	0	(1,183)
PAYMENTS TO RETAILERS	3,154	233	50	186	659	105	49	363	105	0	13	4,917
ONLINE VENDOR EXPENSE	214	42	7	54	183	21	9	115	4	99	77	825
TICKET COSTS	<u>752</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>752</u>
TOTAL DIRECT COSTS	<u>36,504</u>	<u>2,847</u>	<u>605</u>	<u>1,380</u>	<u>7,021</u>	<u>1,174</u>	<u>331</u>	<u>4,691</u>	<u>685</u>	<u>579</u>	<u>90</u>	<u>55,907</u>
GROSS PROFIT	<u>11,056</u>	<u>1,780</u>	<u>343</u>	<u>2,092</u>	<u>4,877</u>	<u>917</u>	<u>162</u>	<u>1,714</u>	<u>(53)</u>	<u>116</u>	<u>(90)</u>	<u>22,914</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	69.9%	57.0%	59.3%	33.8%	52.8%	52.0%	56.8%	66.4%	93.8%	69.1%	0.0%	64.2%
UNCLAIMED PRIZE CREDIT	-1.8%	-1.4%	-1.5%	-1.0%	-0.8%	-1.9%	-1.4%	-0.6%	-2.7%	0.0%	0.0%	-1.5%
PAYMENTS TO RETAILERS	6.6%	5.0%	5.3%	5.4%	5.5%	5.0%	9.9%	5.7%	16.6%	0.0%	0.0%	6.2%
ONLINE VENDOR EXPENSE	0.4%	0.9%	0.7%	1.6%	1.5%	1.0%	1.8%	1.8%	0.6%	14.2%	0.0%	1.0%
TICKET COSTS	<u>1.6%</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>1.0%</u>
TOTAL DIRECT COSTS	<u>76.7%</u>	<u>61.5%</u>	<u>63.8%</u>	<u>39.8%</u>	<u>59.0%</u>	<u>56.1%</u>	<u>67.1%</u>	<u>73.3%</u>	<u>108.3%</u>	<u>83.3%</u>	<u>0.0%</u>	<u>70.9%</u>
GROSS PROFIT	<u>23.3%</u>	<u>38.5%</u>	<u>36.2%</u>	<u>60.2%</u>	<u>41.0%</u>	<u>43.9%</u>	<u>32.9%</u>	<u>26.7%</u>	<u>-8.3%</u>	<u>16.7%</u>	<u>0.0%</u>	<u>29.1%</u>

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 YEAR TO DATE AS OF SEPTEMBER 30, 2017
 (\$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	142,222	25,406	2,732	10,752	36,794	9,250	1,513	19,350	1,876	0	0	249,895
ILOTTERY	<u>0</u>	<u>411</u>	<u>127</u>	<u>0</u>	<u>0</u>	<u>172</u>	<u>0</u>	<u>0</u>	<u>101</u>	<u>2,158</u>	<u>0</u>	<u>2,969</u>
TOTAL SALES	<u>142,222</u>	<u>25,817</u>	<u>2,859</u>	<u>10,752</u>	<u>36,794</u>	<u>9,422</u>	<u>1,513</u>	<u>19,350</u>	<u>1,977</u>	<u>2,158</u>	<u>0</u>	<u>252,864</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	99,488	13,097	1,668	4,067	22,149	4,629	871	12,655	1,388	0	0	160,012
ILOTTERY	<u>0</u>	<u>212</u>	<u>41</u>	<u>0</u>	<u>0</u>	<u>86</u>	<u>0</u>	<u>0</u>	<u>74</u>	<u>1,780</u>	<u>0</u>	<u>2,193</u>
TOTAL PRIZES WON	<u>99,488</u>	<u>13,309</u>	<u>1,709</u>	<u>4,067</u>	<u>22,149</u>	<u>4,715</u>	<u>871</u>	<u>12,655</u>	<u>1,462</u>	<u>1,780</u>	<u>0</u>	<u>162,205</u>
UNCLAIMED PRIZE CREDIT	(1,209)	(280)	(39)	(125)	(240)	(110)	(19)	(107)	(44)	0	0	(2,173)
PAYMENTS TO RETAILERS	9,414	1,298	155	577	2,060	475	119	1,067	246	0	10	15,421
ONLINE VENDOR EXPENSE	641	391	43	166	566	143	29	344	29	169	217	2,738
TICKET COSTS	<u>2,181</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>2,181</u>
TOTAL DIRECT COSTS	<u>110,515</u>	<u>14,718</u>	<u>1,868</u>	<u>4,685</u>	<u>24,535</u>	<u>5,223</u>	<u>1,000</u>	<u>13,959</u>	<u>1,693</u>	<u>1,949</u>	<u>227</u>	<u>180,372</u>
GROSS PROFIT	<u>31,707</u>	<u>11,099</u>	<u>991</u>	<u>6,067</u>	<u>12,259</u>	<u>4,199</u>	<u>513</u>	<u>5,391</u>	<u>284</u>	<u>209</u>	<u>(227)</u>	<u>72,492</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	70.0%	51.6%	59.8%	37.8%	60.2%	50.0%	57.6%	65.4%	74.0%	82.5%	0.0%	64.1%
UNCLAIMED PRIZE CREDIT	-0.9%	-1.1%	-1.4%	-1.2%	-0.7%	-1.2%	-1.3%	-0.6%	-2.2%	0.0%	0.0%	-0.8%
PAYMENTS TO RETAILERS	6.6%	5.0%	5.4%	5.4%	5.6%	5.0%	7.9%	5.5%	12.4%	0.0%	0.0%	6.1%
ONLINE VENDOR EXPENSE	0.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.9%	1.8%	1.5%	7.8%	0.0%	1.0%
TICKET COSTS	<u>1.5%</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>0.9%</u>
TOTAL DIRECT COSTS	<u>77.7%</u>	<u>57.0%</u>	<u>65.3%</u>	<u>43.5%</u>	<u>66.6%</u>	<u>55.3%</u>	<u>66.1%</u>	<u>72.1%</u>	<u>85.7%</u>	<u>90.3%</u>	<u>0.0%</u>	<u>71.3%</u>
GROSS PROFIT	<u>22.3%</u>	<u>43.0%</u>	<u>34.7%</u>	<u>56.5%</u>	<u>33.4%</u>	<u>44.7%</u>	<u>33.9%</u>	<u>27.9%</u>	<u>14.3%</u>	<u>9.7%</u>	<u>0.0%</u>	<u>28.7%</u>

KENTUCKY LOTTERY CORPORATION
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING SEPTEMBER 30, 2017
(\$000'S)

<u>TYPE OF COST</u>	<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>
MEDIA:												
TELEVISION	14	5	0	0	1	5	0	1	0	0	51	77
RADIO	1	0	0	0	0	0	0	0	0	0	22	23
PRINT	0	0	0	0	0	0	0	0	0	0	(1)	(1)
BILLBOARD	7	33	0	0	0	30	0	0	0	0	0	70
ONLINE	0	0	0	0	0	0	0	0	0	0	31	31
OTHER (TRANSIT, ETC.)	2	4	0	1	0	4	0	0	0	0	0	11
TOTAL MEDIA	24	42	0	1	1	39	0	1	0	0	103	211
PRODUCTION	15	0	0	0	0	0	0	0	0	0	82	97
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	197	197
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	7	7
PREMIUMS	0	0	0	0	0	0	0	0	0	0	23	23
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	43	43
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	<u>39</u>	<u>42</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>39</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>455</u>	<u>578</u>

YEAR-TO-DATE AS OF SEPTEMBER 30, 2017
(\$000'S)

<u>TYPE OF COST</u>	<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>
MEDIA:												
TELEVISION	42	12	0	1	2	12	0	3	0	0	49	121
RADIO	1	0	0	0	0	0	0	0	0	0	22	23
PRINT	0	0	0	0	0	0	0	0	0	0	0	0
BILLBOARD	90	97	0	0	0	92	0	0	0	0	0	279
ONLINE	0	23	0	0	0	22	0	0	0	103	31	179
OTHER (TRANSIT, ETC.)	6	13	0	2	3	12	0	0	0	0	0	36
TOTAL MEDIA	139	145	0	3	5	138	0	3	0	103	102	638
PRODUCTION	18	2	0	0	0	2	4	0	0	18	246	290
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	288	288
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	73	73
PREMIUMS	0	0	0	0	0	0	0	0	0	0	30	30
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	86	86
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	0	54	54
TOTAL	<u>157</u>	<u>147</u>	<u>0</u>	<u>3</u>	<u>5</u>	<u>140</u>	<u>4</u>	<u>3</u>	<u>0</u>	<u>121</u>	<u>879</u>	<u>1,459</u>

KENTUCKY LOTTERY CORPORATION
 OPERATING EXPENSES
 SEPTEMBER 30, 2017
 (\$000'S)

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$578	\$1,459
<u>SALARIES, WAGES & BENEFITS:</u>		
SALARIES AND WAGES	(432)	1,459
BENEFITS AND TAXES	1,672	2,255
	1,240	3,714
<u>CONTRACTED & PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	7	8
CONSULTANT SERVICES	16	50
SECURITY SERVICES	16	44
REPAIRS AND MAINTENANCE	8	34
CUSTODIAL SERVICES	8	19
PUBLIC INFORMATION SERVICES	5	18
DIRECTOR EXPENSES	4	12
COMPUTER SOFTWARE COST/MAINT.	61	207
COMPUTER HARDWARE COST/MAINT.	0	38
LEGAL SERVICES	3	10
AUDIT EXPENSES	23	68
OTHER	24	64
	175	572
<u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	99	301
<u>OTHER GENERAL & ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	6	26
OFFICE SUPPLIES & SERVICES	9	34
TRAVEL AND RELATED EXPENSES	31	155
RENT, UTILITIES AND INSURANCE	84	254
A/R COLLECTIONS ALLOWANCE	0	15
OTHER	(9)	0
	121	484
 TOTAL OPERATING EXPENSES	 \$2,213	 \$6,530
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	18	47
OTHER INCOME/(LOSS)	31	46
	69	93
TOTAL NON-OPERATING INCOME	\$49	\$93

KENTUCKY LOTTERY CORPORATION
PROPERTY AND EQUIPMENT
SEPTEMBER 30, 2017
(\$000'S)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	7,924	7,924	7,925
LAND	423	423	423
TRANSPORTATION	1,315	1,315	1,254
FURNITURE, FIXTURES & EQUIPMENT	1,982	1,982	1,982
DATA PROCESSING EQUIPMENT & SOFTWARE	16,870	16,850	16,845
INCOMPLETE FIXED ASSETS		0	0
TELEPHONE & COMMUNICATIONS EQUIPMENT	379	379	379
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	29,498	29,478	29,413
ACCUMULATED DEPRECIATION	<u>(24,400)</u>	<u>(24,301)</u>	<u>(24,099)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,098</u>	<u>\$5,177</u>	<u>\$5,314</u>