

KENTUCKY LOTTERY CORPORATION

FINANCIAL STATEMENTS

OCTOBER 2017

MONTH 4 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

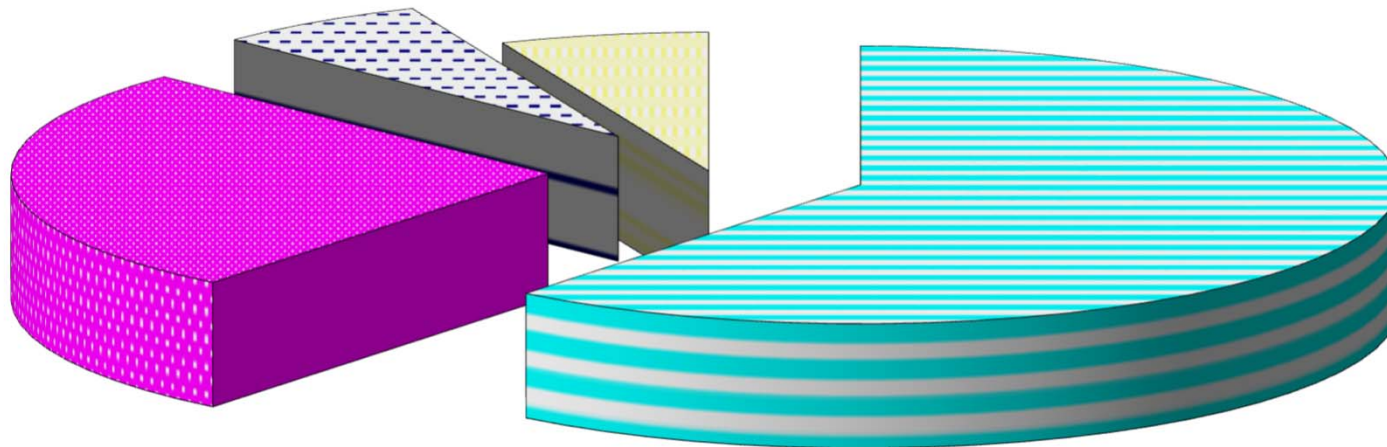
OPERATING EXPENSES

PROPERTY AND EQUIPMENT

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
INCEPTION-TO-DATE SALES AS OF OCTOBER 31, 2017  
\$18.725 BILLION**

**\$1.202  
BILLION PAID FOR  
MARKETING & OPERATING  
EXP - 6.4%**

**\$1.176 BILLION PAID TO RETAILERS - 6.3%**



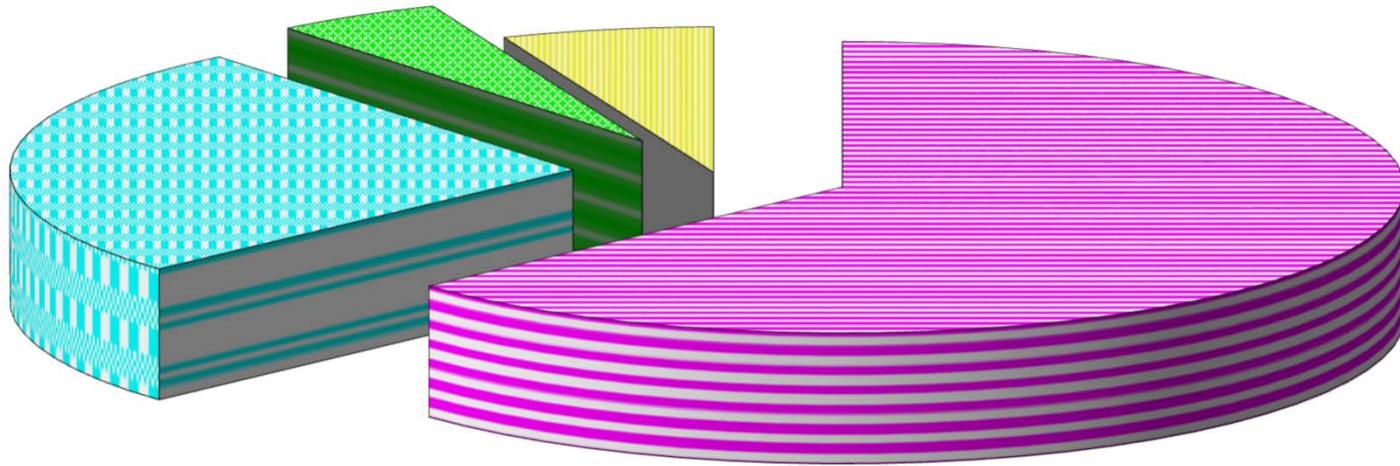
**\$4.980 BILLION  
EARNED FOR THE  
STATE OF KENTUCKY  
- 26.6%**

**\$11.367 BILLION PAID  
TO WINNERS - 60.7%**

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
YEAR-TO-DATE SALES AS OF OCTOBER 31, 2017  
\$333.0 MILLION**

**\$16.0 MILLION PAID FOR  
MARKETING & OPERATING  
EXP - 4.8%**

**\$20.2 MILLION PAID TO RETAILERS - 6.1%**



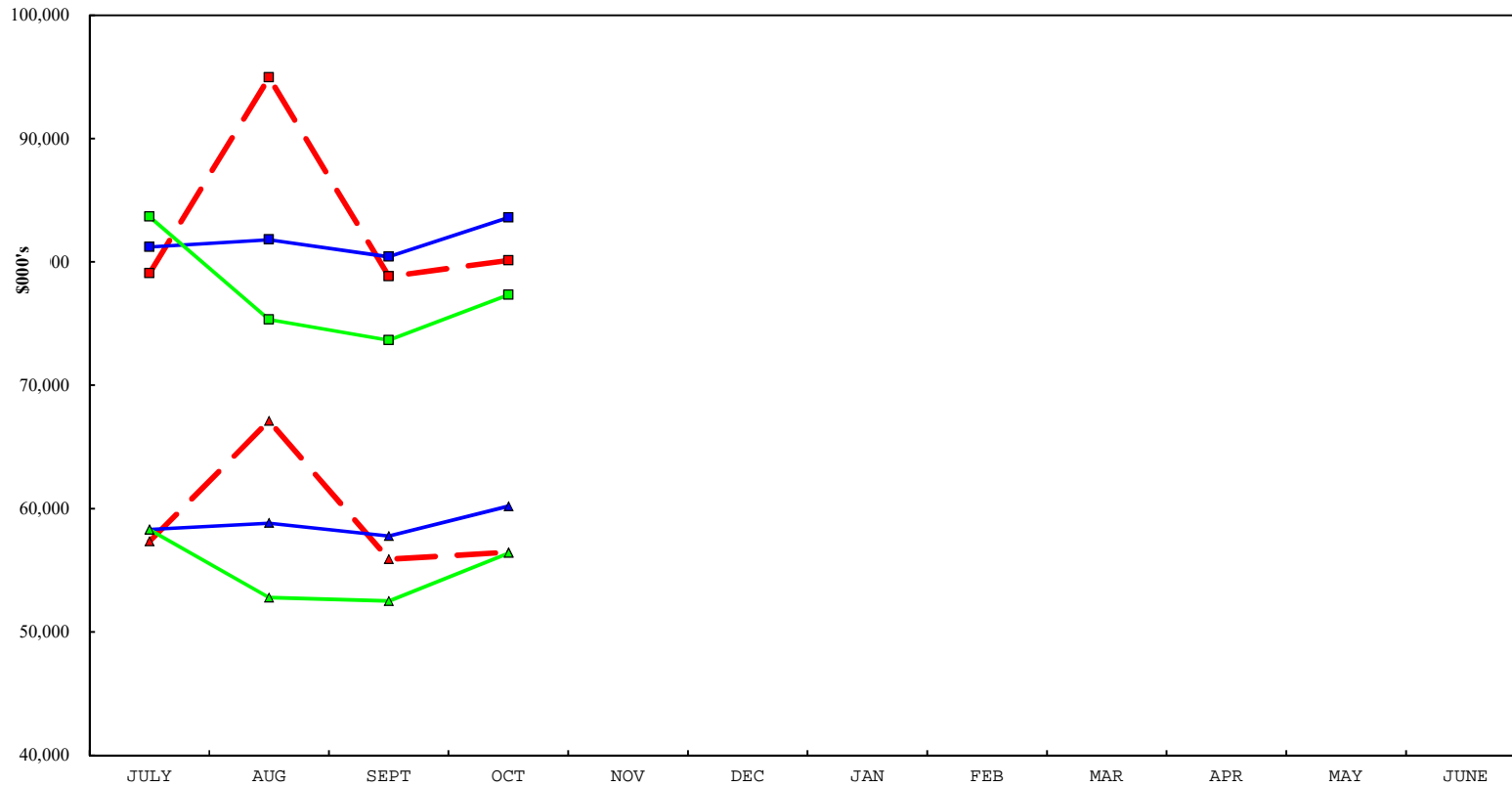
**\$86.7 MILLION  
EARNED FOR THE  
STATE OF  
KENTUCKY - 26.0%**

**\$210.1 MILLION PAID  
TO WINNERS - 63.1%**

**AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.**

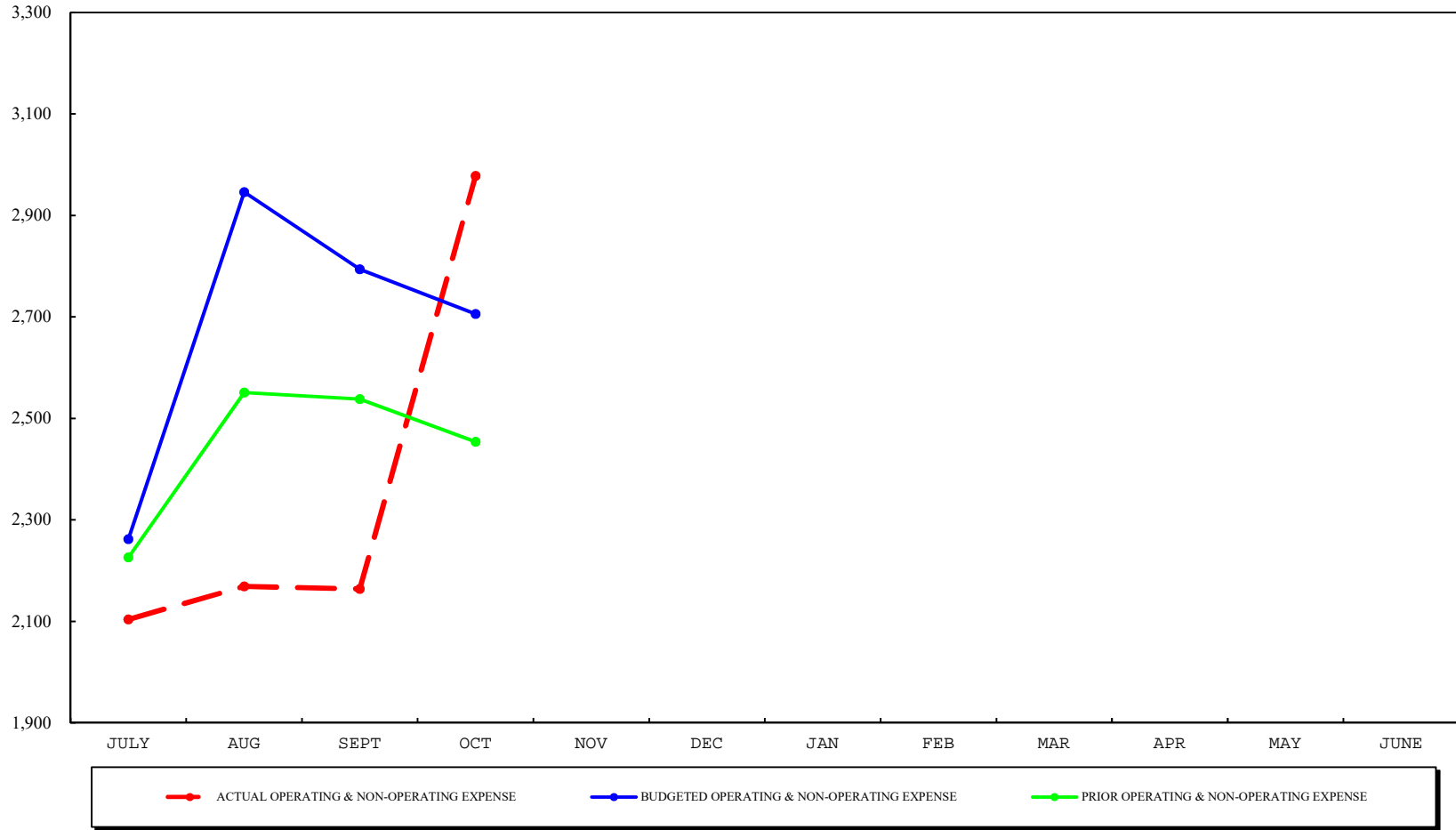
**THE EARNINGS FOR THE STATE OF KENTUCKY HAVE BEEN DESIGNATED BY THE LEGISLATURE TO BE USED FOR LITERACY DEVELOPMENT, MERIT BASED SCHOLARSHIPS, AND NEED BASED GRANTS.**

**SALES AND DIRECT COSTS BY MONTH**  
AS OF OCTOBER 31, 2017



—■— 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 OCTOBER 31, 2017



# **KENTUCKY LOTTERY CORPORATION**

## **FINANCIAL RESULTS**

### **OCTOBER 2017**

#### **INCOME STATEMENT**

Ticket sales for October 2017 were \$81.1 million which is \$2.6 million or 3.4% more than the same month of the prior fiscal year. Sales for the year were \$337.0 million which is \$22.7 million or 7.2% more than in the prior fiscal year. Instant ticket sales were \$1.4 million or 3.0% more than the same month of the prior fiscal year, and \$9.1 million or 4.9% more than the prior fiscal year. Draw game sales were \$134,000 or 0.6% more than the same month of the prior year, and \$8.7 million or 8.3% more than prior fiscal year. Keno sales were \$695,000 or 12.0% more than the same month of the prior fiscal year, and \$3.2 million or 14.3% more than prior fiscal year. iLottery instant play sales were \$359,000 or 110.5% more than the same month of the prior year, and \$1.7 million or 143.9% more than prior fiscal year.

Ticket sales for the month of October were \$3.3 million or 3.9% less than budget. Ticket sales for the fiscal year were \$6.2 million or 1.9% more than budget. Instant ticket sales were \$378,000, or 0.8% less than budget for the current month, and \$350,000 or 0.2% less than budget for the fiscal year. Draw game sales were \$2.3 million or 8.7% less than budget for the month, and \$8.5 million or 8.1% more than budget for the fiscal year. Keno sales for the month were \$528,000 or 7.5% less than budget, and \$1.9 million or 6.8% less than budget for the fiscal year. iLottery instant play sales were \$42,000 or 5.8% less than budget for the month, and \$10,000 or 0.4% more than budget for the fiscal year.

Prize expenses for October 2017 were 62.5% of total sales, compared to 64.9% in the same month last year and 64.1% budgeted. Combined prize expense for the year was 63.1%, compared to 62.9% last fiscal year and 64.0% budgeted. Instant prize expense for the month was 68.8%, draw game prize expense was 48.8%, Keno prize expense was 65.3%, and iLottery instant play prize expense was 79.2%. Instant prize expense for the fiscal year was 69.0%, draw game prize expense was 52.3%, Keno prize expense was 65.0%, and iLottery instant play prize expense was 81.7%.

Operating costs were \$3.0 million for October, compared to \$2.7 million budgeted and \$2.5 million for the same month last year. These costs included advertising and promotions of \$1.3 million, salaries & benefits of \$1.2 million, contracted and professional services of \$250,000, depreciation expense of \$101,000, and other general and administrative costs of \$167,000. Operating costs for the year were \$9.6 million, compared to \$10.8 million budgeted and \$9.9 million prior fiscal year.

Income before transfer of dividends for the current month was \$20.7 million, compared to \$18.5 million for the same month in the prior year and \$20.7 million budgeted. Income before transfer of dividends for the fiscal year was \$86.7 million, compared to \$80.2 million in the prior year and \$81.2 million budgeted.

Dividends of \$20.0 million were transferred to the Commonwealth in October for a total of \$75.0 million for the fiscal year. Additional dividends of \$879,000 were accrued in October for transfer to the KEES reserve for a total of \$3.1 million for the fiscal year. Transfer of the KEES funds will be made quarterly during the fiscal year. All dividends were 26.1% of sales for the month. All dividends were 23.4% of sales for the fiscal year compared to 25.1% of sales in the prior year and 23.8% budgeted.

#### **BALANCE SHEET**

Cash balance decreased to \$25.8 million, which included \$2.3 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$11.9 million. Accounts Receivable increased to \$26.8 million. Total assets decreased to \$75.0 million.

KENTUCKY LOTTERY CORPORATION  
BALANCE SHEETS  
OCTOBER 31, 2017  
(\$000's)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$23,485	\$28,647	\$20,149
CASH - RESTRICTED	2,288	2,288	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	26,834	23,289	24,692
OTHER	867	1,002	1,067
TOTAL CURRENT ASSETS	<u>55,333</u>	<u>57,085</u>	<u>50,367</u>
INVESTMENTS, LESS CURRENT PORTION	10,007	9,951	10,111
PROPERTY AND EQUIPMENT, NET	5,032	5,098	5,314
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	4,633	4,592	4,848
TOTAL ASSETS	<u>\$75,005</u>	<u>\$76,726</u>	<u>\$70,640</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$6,483	\$8,109	\$10,054
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	29,720	29,195	29,981
TOTAL CURRENT LIABILITIES	<u>36,203</u>	<u>37,304</u>	<u>40,035</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	12,598	13,015	13,061
UNFUNDED GRAND PRIZE LIABILITY	386	386	405
TOTAL LIABILITIES	<u>49,187</u>	<u>50,705</u>	<u>53,501</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	25,718	25,921	17,039
TOTAL EQUITY	<u>25,818</u>	<u>26,021</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$75,005</u>	<u>\$76,726</u>	<u>\$70,640</u>

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
OCTOBER 31, 2017  
(\$000'S)

MONTH OF OCTOBER:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
<b>SALES:</b>				
INSTANT TICKETS	\$49,651	\$48,207	\$1,444	3.0%
DRAW GAMES	24,270	24,136	\$134	0.6%
KENO	6,492	5,797	695	12.0%
ILOTTERY INSTANT PLAY	684	325	359	110.5%
TICKET SALES	81,097	78,465	2,632	3.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(971)	(1,127)	156	-13.8%
TOTAL TICKET SALES	80,126	77,338	2,788	3.6%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	33,471	32,731	(740)	-2.3%
DRAW GAMES	11,846	13,442	1,596	11.9%
KENO	4,241	3,793	(448)	-11.8%
ILOTTERY INSTANT PLAY	542	223	(319)	-143.0%
TOTAL PRIZES	50,100	50,189	89	0.2%
PAYMENTS TO RETAILERS	4,807	4,832	25	0.5%
DRAW GAMES VENDOR EXPENSE	808	769	(39)	-5.1%
INSTANT TICKET COSTS	757	614	(143)	-23.3%
TOTAL DIRECT COSTS	56,472	56,404	(68)	-0.1%
GROSS PROFIT	23,654	20,934	2,720	13.0%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	1,293	866	(427)	-49.3%
SALARIES, WAGES & BENEFITS	1,220	1,111	(109)	-9.8%
CONTRACTED & PROFESSIONAL SERVICES	250	207	(43)	-20.8%
DEPRECIATION	101	112	11	9.8%
OTHER GENERAL & ADMINISTRATIVE	167	187	20	10.7%
TOTAL OPERATING EXPENSES	3,031	2,483	(548)	-22.1%
OPERATING INCOME	20,623	18,451	2,172	11.8%
NON-OPERATING INCOME	53	29	24	82.8%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,676	\$18,480	\$2,196	11.9%



KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
YEAR-TO-DATE THROUGH OCTOBER 31, 2017  
(\$000'S)

FOUR MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
<b>SALES:</b>				
INSTANT TICKETS	\$194,876	\$185,737	\$9,139	4.9%
DRAW GAMES	113,404	104,736	\$8,668	8.3%
KENO	25,842	22,618	3,224	14.3%
ILOTTERY INSTANT PLAY	2,842	1,165	1,677	143.9%
TICKET SALES	336,964	314,256	22,708	7.2%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(3,974)	(4,256)	282	-6.6%
TOTAL TICKET SALES	332,990	310,000	22,990	7.4%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	131,750	124,009	(7,741)	-6.2%
DRAW GAMES	59,271	55,430	(3,841)	-6.9%
KENO	16,789	14,654	(2,135)	-14.6%
ILOTTERY INSTANT PLAY	2,322	866	(1,456)	-168.1%
TOTAL PRIZES	210,132	194,959	(15,173)	-7.8%
PAYMENTS TO RETAILERS	20,228	19,272	(956)	-5.0%
DRAW GAMES VENDOR EXPENSE	3,546	3,189	(357)	-11.2%
INSTANT TICKET COSTS	2,938	2,592	(346)	-13.3%
TOTAL DIRECT COSTS	236,844	220,012	(16,832)	-7.7%
GROSS PROFIT	96,146	89,988	6,158	6.8%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	2,752	3,252	500	15.4%
SALARIES, WAGES & BENEFITS	4,934	4,813	(121)	-2.5%
CONTRACTED & PROFESSIONAL SERVICES	822	685	(137)	-20.0%
DEPRECIATION	402	450	48	10.7%
OTHER GENERAL & ADMINISTRATIVE	651	673	22	3.3%
TOTAL OPERATING EXPENSES	9,561	9,873	312	3.2%
OPERATING INCOME	86,585	80,115	6,470	8.1%
NON-OPERATING INCOME	146	104	42	40.4%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$86,731	\$80,219	\$6,512	8.1%

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO BUDGET  
OCTOBER 31, 2017  
(\$000'S)

MONTH OF OCTOBER:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
<b>SALES:</b>				
INSTANT TICKETS	\$49,651	\$50,029	(\$378)	-0.8%
DRAW GAMES	24,270	26,585	(2,315)	-8.7%
KENO	6,492	7,020	(528)	-7.5%
ILOTTERY INSTANT PLAY	684	726	(42)	-5.8%
TICKET SALES	81,097	84,360	(3,263)	-3.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(971)	(750)	(221)	29.5%
TOTAL TICKET SALES	80,126	83,610	(3,484)	-4.2%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	33,471	34,060	589	1.7%
DRAW GAMES	11,846	14,421	2,575	17.9%
KENO	4,241	4,577	336	7.3%
ILOTTERY INSTANT PLAY	542	545	3	0.6%
TOTAL PRIZES	50,100	53,603	3,503	6.5%
PAYMENTS TO RETAILERS	4,807	5,012	205	4.1%
DRAW GAMES VENDOR EXPENSE	808	871	63	7.2%
INSTANT TICKET COSTS	757	716	(41)	-5.7%
TOTAL DIRECT COSTS	56,472	60,202	3,730	6.2%
GROSS PROFIT	23,654	23,408	246	1.1%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	1,293	888	(405)	-45.6%
SALARIES, WAGES & BENEFITS	1,220	1,274	54	4.2%
CONTRACTED & PROFESSIONAL SERVICES	250	295	45	15.3%
DEPRECIATION	101	109	8	7.3%
OTHER GENERAL & ADMINISTRATIVE	167	165	(2)	-1.2%
TOTAL OPERATING EXPENSES	3,031	2,731	(300)	-11.0%
OPERATING INCOME	20,623	20,677	(54)	-0.3%
NON-OPERATING INCOME	53	25	28	112.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,676	\$20,702	(\$26)	-0.1%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - COMPARISON TO BUDGET  
 YEAR-TO-DATE THROUGH OCTOBER 31, 2017  
 (\$000'S)

FOUR MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
<b>SALES:</b>				
INSTANT TICKETS	\$194,876	\$195,226	(\$350)	-0.2%
DRAW GAMES	113,404	104,933	8,471	8.1%
KENO	25,842	27,734	(1,892)	-6.8%
ILOTTERY INSTANT PLAY	2,842	2,832	10	0.4%
TICKET SALES	336,964	330,725	6,239	1.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(3,974)	(3,654)	(320)	8.8%
TOTAL TICKET SALES	332,990	327,071	5,919	1.8%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	131,750	132,136	386	0.3%
DRAW GAMES	59,271	56,923	(2,348)	-4.1%
KENO	16,789	18,083	1,294	7.2%
ILOTTERY INSTANT PLAY	2,322	2,124	(198)	-9.3%
TOTAL PRIZES	210,132	209,266	(866)	-0.4%
PAYMENTS TO RETAILERS	20,228	19,643	(585)	-3.0%
DRAW GAMES VENDOR EXPENSE	3,546	3,432	(114)	-3.3%
INSTANT TICKET COSTS	2,938	2,805	(133)	-4.7%
TOTAL DIRECT COSTS	236,844	235,146	(1,698)	-0.7%
GROSS PROFIT	96,146	91,925	4,221	4.6%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	2,752	3,582	830	23.2%
SALARIES, WAGES & BENEFITS	4,934	5,016	82	1.6%
CONTRACTED & PROFESSIONAL SERVICES	822	1,034	212	20.5%
DEPRECIATION	402	415	13	3.1%
OTHER GENERAL & ADMINISTRATIVE	651	761	110	14.5%
TOTAL OPERATING EXPENSES	9,561	10,808	1,247	11.5%
OPERATING INCOME	86,585	81,117	5,468	6.7%
NON-OPERATING INCOME	146	100	46	46.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$86,731	\$81,217	\$5,514	6.8%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
 OCTOBER 31, 2017  
 (\$000'S)

MONTH OF OCTOBER:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	62.0%	62.3%	59.8%
DRAW GAMES	30.3%	31.2%	31.8%
KENO	8.1%	7.5%	8.4%
ILOTTERY INSTANT PLAY	0.9%	0.4%	0.9%
TICKET SALES	101.3%	101.4%	100.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-1.3%	-1.4%	-0.9%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	41.8%	42.3%	40.7%
DRAW GAMES	14.7%	17.4%	17.2%
KENO	5.3%	4.9%	5.5%
ILOTTERY INSTANT PLAY	0.7%	0.3%	0.7%
TOTAL PRIZES	62.5%	64.9%	64.1%
PAYMENTS TO RETAILERS	6.0%	6.2%	6.0%
DRAW GAME VENDOR EXPENSE	1.0%	1.0%	1.0%
INSTANT TICKET COSTS	1.0%	0.8%	0.9%
TOTAL DIRECT COSTS	70.5%	72.9%	72.0%
GROSS PROFIT	29.5%	27.1%	28.0%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	1.6%	1.1%	1.0%
SALARIES, WAGES & BENEFITS	1.5%	1.4%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.3%	0.4%
DEPRECIATION	0.1%	0.2%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	3.7%	3.2%	3.2%
OPERATING INCOME	25.8%	23.9%	24.8%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	25.8%	23.9%	24.8%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
 YEAR-TO-DATE THROUGH OCTOBER 31, 2017  
 (\$000'S)

FOUR MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	58.5%	59.9%	59.7%
DRAW GAMES	34.1%	33.8%	32.1%
KENO	7.8%	7.3%	8.5%
ILOTTERY INSTANT PLAY	0.9%	0.4%	0.9%
TICKET SALES	101.3%	101.4%	101.2%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-1.3%	-1.4%	-1.2%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	39.6%	40.0%	40.4%
DRAW GAMES	17.8%	17.9%	17.5%
KENO	5.0%	4.7%	5.5%
ILOTTERY INSTANT PLAY	0.7%	0.3%	0.6%
TOTAL PRIZES	63.1%	62.9%	64.0%
PAYMENTS TO RETAILERS	6.1%	6.2%	6.0%
DRAW GAME VENDOR EXPENSE	1.0%	1.0%	1.0%
INSTANT TICKET COSTS	0.9%	0.9%	0.9%
TOTAL DIRECT COSTS	71.1%	71.0%	71.9%
GROSS PROFIT	28.9%	29.0%	28.1%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.8%	1.0%	1.2%
SALARIES, WAGES & BENEFITS	1.5%	1.6%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	2.9%	3.1%	3.3%
OPERATING INCOME	26.0%	25.9%	24.8%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	26.0%	25.9%	24.8%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF RETAINED EARNINGS  
 OCTOBER 31, 2017  
 (\$000'S)

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$25,921	\$17,039	\$21,840	\$17,904
INCOME BEFORE TRANSFER	20,676	86,731	18,480	80,219
DIVIDENDS - GENERAL FUND & EDUCATION	(20,000)	(75,000)	(19,500)	(74,000)
DIVIDENDS - KEES RESERVE	(879)	(3,052)	(619)	(3,922)
RETAINED EARNINGS- END OF PERIOD	<u>\$25,718</u>	<u>\$25,718</u>	<u>\$20,201</u>	<u>\$20,201</u>

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF CASH FLOWS  
 YEAR-TO-DATE THROUGH OCTOBER 31, 2017  
 (\$000'S)

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$20,623	\$86,585
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	101	402
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	1	16
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	(3,546)	(2,158)
OTHER ASSETS	135	200
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	(1,626)	(3,571)
ESTIMATED PRIZE LIABILITY	108	(743)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>15,796</b>	<b>80,731</b>
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	0	315
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(56)	(211)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	(41)	215
INTEREST INCOME	16	63
SECURITY LENDING FEES	2	5
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(79)</b>	<b>387</b>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(20,879)	(78,052)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	28	50
<b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>	<b>(20,851)</b>	<b>(78,002)</b>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(35)	(120)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	7	28
PROCEEDS FROM ISSUANCE OF LONG-TERM DEBT	0	0
REPAYMENTS OF LONG-TERM DEBT	0	0
INTEREST EXPENSE	0	0
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(28)</b>	<b>(92)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(5,162)</b>	<b>3,024</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>30,935</b>	<b>22,749</b>
<b>CASH, END OF PERIOD</b>	<b>\$25,773</b>	<b>\$25,773</b>

KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 MONTH ENDING OCTOBER 31, 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>
<b>SALES:</b>												
SALES AT RETAIL	48,680	4,603	926	3,534	12,060	1,832	480	6,492	647	0	0	79,254
ILOTTERY	<u>0</u>	<u>81</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>35</u>	<u>0</u>	<u>0</u>	<u>32</u>	<u>684</u>	<u>0</u>	<u>872</u>
<b>TOTAL SALES</b>	<b><u>48,680</u></b>	<b><u>4,684</u></b>	<b><u>966</u></b>	<b><u>3,534</u></b>	<b><u>12,060</u></b>	<b><u>1,867</u></b>	<b><u>480</u></b>	<b><u>6,492</u></b>	<b><u>679</u></b>	<b><u>684</u></b>	<b><u>0</u></b>	<b><u>80,126</u></b>
<b>DIRECT COSTS:</b>												
<b>PRIZES WON:</b>												
PRIZES AT RETAIL	34,055	2,173	550	1,340	6,416	927	275	4,283	333	0	0	50,352
ILOTTERY	<u>0</u>	<u>38</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>18</u>	<u>0</u>	<u>0</u>	<u>17</u>	<u>542</u>	<u>0</u>	<u>627</u>
<b>TOTAL PRIZES WON</b>	<b><u>34,055</u></b>	<b><u>2,211</u></b>	<b><u>562</u></b>	<b><u>1,340</u></b>	<b><u>6,416</u></b>	<b><u>945</u></b>	<b><u>275</u></b>	<b><u>4,283</u></b>	<b><u>350</u></b>	<b><u>542</u></b>	<b><u>0</u></b>	<b><u>50,979</u></b>
UNCLAIMED PRIZE CREDIT	(584)	(61)	(14)	(39)	(81)	(38)	(6)	(42)	(14)	0	0	(879)
PAYMENTS TO RETAILERS	3,117	237	55	190	665	94	32	366	35	1	15	4,807
ONLINE VENDOR EXPENSE	215	78	18	54	186	31	9	115	12	32	58	808
TICKET COSTS	<u>757</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>757</u>
<b>TOTAL DIRECT COSTS</b>	<b><u>37,560</u></b>	<b><u>2,465</u></b>	<b><u>621</u></b>	<b><u>1,545</u></b>	<b><u>7,186</u></b>	<b><u>1,032</u></b>	<b><u>310</u></b>	<b><u>4,722</u></b>	<b><u>383</u></b>	<b><u>575</u></b>	<b><u>73</u></b>	<b><u>56,472</u></b>
<b>GROSS PROFIT</b>	<b><u>11,120</u></b>	<b><u>2,219</u></b>	<b><u>345</u></b>	<b><u>1,989</u></b>	<b><u>4,874</u></b>	<b><u>835</u></b>	<b><u>170</u></b>	<b><u>1,770</u></b>	<b><u>296</u></b>	<b><u>109</u></b>	<b><u>(73)</u></b>	<b><u>23,654</u></b>

(% 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%
<b>DIRECT COSTS:</b>												
TOTAL PRIZES WON	70.0%	47.2%	58.2%	37.9%	53.2%	50.6%	57.3%	66.0%	51.5%	79.2%	0.0%	63.6%
UNCLAIMED PRIZE CREDIT	-1.2%	-1.3%	-1.4%	-1.1%	-0.7%	-2.0%	-1.3%	-0.7%	-2.1%	0.0%	0.0%	-1.1%
PAYMENTS TO RETAILERS	6.4%	5.1%	5.7%	5.4%	5.5%	5.0%	6.7%	5.6%	5.2%	0.1%	0.0%	6.0%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.7%	1.9%	1.8%	1.8%	4.7%	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>
<b>TOTAL DIRECT COSTS</b>	<b><u>77.2%</u></b>	<b><u>52.6%</u></b>	<b><u>64.4%</u></b>	<b><u>43.7%</u></b>	<b><u>59.5%</u></b>	<b><u>55.3%</u></b>	<b><u>64.6%</u></b>	<b><u>72.7%</u></b>	<b><u>56.4%</u></b>	<b><u>84.0%</u></b>	<b><u>0.0%</u></b>	<b><u>70.5%</u></b>
<b>GROSS PROFIT</b>	<b><u>22.8%</u></b>	<b><u>47.4%</u></b>	<b><u>35.6%</u></b>	<b><u>56.3%</u></b>	<b><u>40.5%</u></b>	<b><u>44.7%</u></b>	<b><u>35.4%</u></b>	<b><u>27.3%</u></b>	<b><u>43.6%</u></b>	<b><u>16.0%</u></b>	<b><u>0.0%</u></b>	<b><u>29.5%</u></b>



KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 YEAR TO DATE AS OF OCTOBER 31, 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>LEL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	190,902	30,009	3,658	14,286	48,854	11,082	1,993	25,842	2,523	0	0	329,149
ILOTTERY	<u>0</u>	<u>492</u>	<u>167</u>	<u>0</u>	<u>0</u>	<u>207</u>	<u>0</u>	<u>0</u>	<u>133</u>	<u>2,842</u>	<u>0</u>	<u>3,841</u>
TOTAL SALES	<u>190,902</u>	<u>30,501</u>	<u>3,825</u>	<u>14,286</u>	<u>48,854</u>	<u>11,289</u>	<u>1,993</u>	<u>25,842</u>	<u>2,656</u>	<u>2,842</u>	<u>0</u>	<u>332,990</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	133,543	15,270	2,218	5,407	28,565	5,556	1,146	16,938	1,721	0	0	210,364
ILOTTERY	<u>0</u>	<u>250</u>	<u>53</u>	<u>0</u>	<u>0</u>	<u>104</u>	<u>0</u>	<u>0</u>	<u>91</u>	<u>2,322</u>	<u>0</u>	<u>2,820</u>
TOTAL PRIZES WON	<u>133,543</u>	<u>15,520</u>	<u>2,271</u>	<u>5,407</u>	<u>28,565</u>	<u>5,660</u>	<u>1,146</u>	<u>16,938</u>	<u>1,812</u>	<u>2,322</u>	<u>0</u>	<u>213,184</u>
UNCLAIMED PRIZE CREDIT	(1,793)	(341)	(53)	(164)	(321)	(148)	(25)	(149)	(58)	0	0	(3,052)
PAYMENTS TO RETAILERS	12,531	1,535	210	767	2,725	569	151	1,433	281	1	25	20,228
ONLINE VENDOR EXPENSE	856	504	71	220	752	189	38	459	48	135	274	3,546
TICKET COSTS	<u>2,938</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>2,938</u>
TOTAL DIRECT COSTS	<u>148,075</u>	<u>17,218</u>	<u>2,499</u>	<u>6,230</u>	<u>31,721</u>	<u>6,270</u>	<u>1,310</u>	<u>18,681</u>	<u>2,083</u>	<u>2,458</u>	<u>299</u>	<u>236,844</u>
GROSS PROFIT	<u>42,827</u>	<u>13,283</u>	<u>1,326</u>	<u>8,056</u>	<u>17,133</u>	<u>5,019</u>	<u>683</u>	<u>7,161</u>	<u>573</u>	<u>384</u>	<u>(299)</u>	<u>96,146</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>LEL</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%	50.9%	59.4%	37.8%	58.5%	50.1%	57.5%	65.5%	68.2%	81.7%	0.0%	64.0%
UNCLAIMED PRIZE CREDIT	-1.0%	-1.1%	-1.4%	-1.1%	-0.7%	-1.3%	-1.3%	-0.5%	-2.2%	0.0%	0.0%	-0.9%
PAYMENTS TO RETAILERS	6.6%	5.0%	5.5%	5.4%	5.6%	5.0%	7.6%	5.5%	10.6%	0.0%	0.0%	6.1%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.7%	1.9%	1.8%	1.8%	4.8%	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>77.5%</u>	<u>56.5%</u>	<u>65.4%</u>	<u>43.6%</u>	<u>64.9%</u>	<u>55.5%</u>	<u>65.7%</u>	<u>72.3%</u>	<u>78.4%</u>	<u>86.5%</u>	<u>0.0%</u>	<u>71.1%</u>
GROSS PROFIT	<u>22.5%</u>	<u>43.5%</u>	<u>34.6%</u>	<u>56.4%</u>	<u>35.1%</u>	<u>44.5%</u>	<u>34.3%</u>	<u>27.7%</u>	<u>21.6%</u>	<u>13.5%</u>	<u>0.0%</u>	<u>28.9%</u>

KENTUCKY LOTTERY CORPORATION  
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING OCTOBER 31, 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	160	8	0	0	0	7	0	0	0	0	238	413
RADIO	55	0	0	0	0	0	0	58	0	0	0	113
PRINT	0	0	0	0	0	0	0	0	0	0	1	1
BILLBOARD	7	32	0	0	0	30	0	0	0	0	0	69
ONLINE	16	11	0	0	0	11	5	0	0	69	18	130
OTHER (TRANSIT, ETC.)	<u>3</u>	<u>3</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12</u>
TOTAL MEDIA	241	54	0	1	1	52	5	58	0	69	257	738
PRODUCTION	224	20	0	0	0	26	0	0	0	5	31	306
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	23	23
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	0	0
PREMIUMS	0	0	0	0	0	0	0	0	0	0	24	24
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	43	43
OTHER (SIGNAGE, ETC.)	<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>7</u>	<u>152</u>	<u>159</u>
TOTAL	<u>465</u>	<u>74</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>78</u>	<u>5</u>	<u>58</u>	<u>0</u>	<u>81</u>	<u>530</u>	<u>1,293</u>

YEAR-TO-DATE AS OF OCTOBER 31, 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	202	20	0	1	2	19	0	3	0	0	287	534
RADIO	56	0	0	0	0	0	0	58	0	0	22	136
PRINT	0	0	0	0	0	0	0	0	0	0	1	1
BILLBOARD	97	129	0	0	0	122	0	0	0	0	0	348
ONLINE	16	34	0	0	0	33	5	0	0	172	49	309
OTHER (TRANSIT, ETC.)	<u>9</u>	<u>16</u>	<u>0</u>	<u>3</u>	<u>4</u>	<u>16</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48</u>
TOTAL MEDIA	380	199	0	4	6	190	5	61	0	172	359	1,376
PRODUCTION	242	22	0	0	0	28	4	0	0	23	277	596
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	311	311
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	54	54
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	129	129
OTHER (SIGNAGE, ETC.)	<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>7</u>	<u>206</u>	<u>213</u>
TOTAL	<u>622</u>	<u>221</u>	<u>0</u>	<u>4</u>	<u>6</u>	<u>218</u>	<u>9</u>	<u>61</u>	<u>0</u>	<u>202</u>	<u>1,409</u>	<u>2,752</u>

KENTUCKY LOTTERY CORPORATION  
 OPERATING EXPENSES  
 OCTOBER 31, 2017  
 (\$000'S)

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$1,293	\$2,752
 <u>SALARIES, WAGES &amp; BENEFITS:</u>		
SALARIES AND WAGES	961	3,837
BENEFITS AND TAXES	259	1,097
	1,220	4,934
 <u>CONTRACTED &amp; PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	0	8
CONSULTANT SERVICES	86	136
SECURITY SERVICES	19	63
REPAIRS AND MAINTENANCE	25	59
CUSTODIAL SERVICES	2	21
PUBLIC INFORMATION SERVICES	6	24
DIRECTOR EXPENSES	4	16
COMPUTER SOFTWARE COST/MAINT.	57	264
COMPUTER HARDWARE COST/MAINT.	3	41
LEGAL SERVICES	5	15
AUDIT EXPENSES	21	89
OTHER	22	86
	250	822
 <u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	101	402
 <u>OTHER GENERAL &amp; ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	27	53
OFFICE SUPPLIES & SERVICES	11	45
TRAVEL AND RELATED EXPENSES	41	196
RENT, UTILITIES AND INSURANCE	83	337
A/R COLLECTIONS ALLOWANCE	1	15
OTHER	4	5
	167	651
 TOTAL OPERATING EXPENSES	 \$3,031	 \$9,561
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	16	63
OTHER INCOME/(LOSS)	37	83
	37	83
 TOTAL NON-OPERATING INCOME	 \$53	 \$146

KENTUCKY LOTTERY CORPORATION  
PROPERTY AND EQUIPMENT  
OCTOBER 31, 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>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	7,926	7,924	7,925
LAND	423	423	423
TRANSPORTATION	1,244	1,315	1,254
FURNITURE, FIXTURES & EQUIPMENT	1,980	1,982	1,982
DATA PROCESSING EQUIPMENT & SOFTWARE	13,517	16,870	16,845
INCOMPLETE FIXED ASSETS			0
TELEPHONE & COMMUNICATIONS EQUIPMENT	379	379	379
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	26,074	29,498	29,413
ACCUMULATED DEPRECIATION	<u>(21,042)</u>	<u>(24,400)</u>	<u>(24,099)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,032</u>	<u>\$5,098</u>	<u>\$5,314</u>