



Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Interim Executive Director

September 23, 2016

His Excellency Charlie Baker
Governor, Commonwealth of Massachusetts
State House
Boston, MA 02133

Dear Governor Baker:

In compliance with the provisions of Chapter 10 Section 24 of the Massachusetts General Laws, attached please find the Statement of Operations for the Massachusetts State Lottery Commission for the month of August 2016.

Please note that we have changed the format of the Statement of Operations and included a summary report to provide a more representative description and comparison of the current fiscal year results over the prior fiscal year.

Sincerely,

Michael R. Sweeney
Executive Director

cc: Deborah B. Goldberg
Treasurer and Receiver General



Supporting the 351 Cities and Towns of Massachusetts

Governor's Report MSLC Statement of Operations

August, 2016

Comments / Observations

YTD amounts for August, 2016 (includes 7/1/16 – 9/3/16) have five (5) more days of activity * than the YTD amounts for August, 2015 (7/1/15 – 8/29/15).

	<u>Statement of Operations</u>	<u>Adjusted (-5 days) **</u>
• Instant Games sales	up 5.4% / \$31.4M	down 2.7% / \$15.9M
• Draw Games + KENO sales***	up 20.2% / \$47.8M	up 11.0% / \$26.0M
• Total Revenues	up 9.7% / \$79.3M	up 1.2% / \$10.0M
• Prize Payout %	71.2% <i>(compared to 74.7% at August, 2015)</i>	71.2%
• Prizes (Paid)	up 4.4% / \$27.1M	down 3.6% / \$22.1M
• Agent Commissions %	up 9.7% / \$4.0M	up 1.2% / \$0.5M
• Agent Bonuses	up 13.2% / \$0.8M	up 4.5% / \$0.3M
• Administrative Expenses	up 2.0% / \$0.2M	down 5.9% / \$0.5M
• Net Profit	up 31.0% / \$47.2M	up 20.9% / \$31.8M

Red – Reduces profit vs. prior year

*

Black – Increases profit vs. prior year

* The Lottery operates on a weekly (not monthly) close schedule. There are 12 accounting periods in a fiscal year; eight (8) periods have 4 weeks and four (4) periods have five (5) weeks. Because the calendar changes each year, the accounting period for one year does not align with the comparable accounting period for the previous year. The amount of “misalignment” changes from year to year. For the month of August 2016, Fiscal Year 2017, the misalignment is five (+5) days.

** See attached “Adjusted” MSLC Statement of Operations dated August, 2016

*** Draw Games + KENO sales was previously referred to as Online Game Sales. The change was made to provide a better description of what the games sales actually represent. Draw Games + KENO refers to games that have a drawing to select winning numbers. The Draw Games include The Numbers Game, Mega Millions, Powerball, Mass Cash, Lucky for Life and Megabucks. KENO also includes Jackpot Poker and All or Nothing.

Massachusetts State Lottery Commission
Statement of Operations
Lottery and Arts Lottery Funds
August, 2016
(\$000's)

20-Sep-16

	August, 2016		Year-to-Date FY2017		Period Close Sales Adj. (\$ days)		Adjusted Year-to-Date FY2017		Year-to-Date FY2016		\$ Change		Adjusted \$ Change		% Change		Adjusted % Change		
		%		%		%		%		%		%		%		%		%	
Revenues																			
Instant Games	328,169	69.8%	614,370	68.2%	47,259	68.2%	567,110	68.2%	582,965	71.0%	31,405	-15,854	5.4%	-2.7%					
MegaMillions	4,692	1.0%	19,211	2.1%	1,478	2.1%	17,734	2.1%	9,411	1.1%	9,800	8,322	104.1%	88.4%					
Powerball	7,417	1.6%	25,544	2.8%	1,965	2.8%	23,579	2.8%	10,481	1.3%	15,063	13,098	143.7%	125.0%					
Numbers Game	30,897	6.6%	57,209	6.4%	4,401	6.4%	52,808	6.4%	53,342	6.2%	3,867	-534	7.2%	-1.0%					
Mass Cash	7,616	1.6%	14,052	1.6%	1,081	1.6%	12,971	1.6%	12,716	1.5%	1,336	235	10.5%	2.0%					
Keno	81,521	17.3%	151,984	16.9%	11,691	16.9%	140,293	16.9%	141,608	17.2%	10,376	-1,315	7.5%	-0.9%					
Jacksot Poker	2	0.0%	2	0.0%	0	0.0%	2	0.0%	392	0.0%	-390	-390	-99.4%	-99.5%					
All or Nothing	4,310	0.9%	7,625	0.8%	587	0.8%	7,039	0.8%	0	0.0%	7,626	7,039	100.0%	100.0%					
Lucky for Life	2,435	0.5%	4,444	0.5%	342	0.5%	4,103	0.5%	4,541	0.6%	-96	-438	-2.1%	-9.7%					
Charity Game Tickets	139	0.0%	297	0.0%	23	0.0%	274	0.0%	302	0.0%	-5	-28	-1.7%	-9.3%					
Beano Tax (2/5)	48	0.0%	89	0.0%	7	0.0%	82	0.0%	103	0.0%	-14	-21	-13.3%	-20.0%					
Pull Tabs	65	0.0%	124	0.0%	10	0.0%	114	0.0%	105	0.0%	18	9	8.3%	-4.3%					
License Fees	10	0.0%	16	0.0%	1	0.0%	15	0.0%	16	0.0%	1	-1	3.6%	-4.3%					
Bond Fees and Fines	202	0.0%	384	0.0%	30	0.0%	354	0.0%	371	0.0%	13	-17	3.4%	-4.6%					
Service Fees	546	0.1%	1,012	0.1%	78	0.1%	934	0.1%	933	0.1%	78	0	8.4%	0.1%					
Megabucks	2,131	0.5%	3,859	0.4%	297	0.4%	3,562	0.4%	3,647	0.4%	211	-85	5.8%	-2.3%					
Miscellaneous Income	6	0.0%	6	0.0%	0	0.0%	5	0.0%	7	0.0%	-1	-1	-13.5%	-20.1%					
Interest	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0	0.0%	0.0%					
Subtotal Revenues	470,207	100.0%	900,228	100.0%	69,248	100.0%	830,980	100.0%	820,941	100.0%	79,287	10,039	9.7%	1.2%					
Subtotal Prizes	330,739	70.3%	640,577	71.2%	49,275	71.2%	591,301	71.2%	613,428	74.7%	27,148	-22,127	4.4%	-3.6%					
Operating Expenses																			
Commissions	23,433	5.0%	44,891	5.0%	3,453	5.0%	41,438	5.0%	40,931	5.0%	3,959	506	9.7%	1.2%					
Bonuses	3,706	0.8%	7,049	0.8%	542	0.8%	6,507	0.8%	6,228	0.8%	821	279	13.2%	4.5%					
Subtotal Operating Expenses	27,139	5.8%	51,940	5.8%	3,995	5.8%	47,944	5.8%	47,159	5.7%	4,781	786	10.1%	1.7%					
Operating Revenue	112,328	23.9%	207,712	23.1%	15,978	23.1%	191,734	23.1%	160,354	19.5%	47,358	31,380	29.5%	19.6%					
Administrative Expenses																			
Salaries	2,463	0.5%	4,425	0.5%	340	0.5%	4,083	0.5%	4,609	0.6%	-186	-526	-4.0%	-11.4%					
Advertising	75	0.0%	63	0.0%	5	0.0%	58	0.0%	28	0.0%	35	31	126.8%	109.3%					
Equip. Rental	18	0.0%	32	0.0%	2	0.0%	30	0.0%	36	0.0%	-4	-6	-10.5%	-17.3%					
Admin./Facilities	991	0.2%	1,837	0.2%	141	0.2%	1,696	0.2%	637	0.1%	1,200	1,059	188.3%	166.1%					
Facilities Rental	279	0.1%	515	0.1%	40	0.1%	475	0.1%	519	0.1%	-5	-44	-0.9%	-8.6%					
Telephone	462	0.1%	476	0.1%	37	0.1%	439	0.1%	1,027	0.1%	-551	-587	-53.6%	-57.2%					
Travel	2	0.0%	3	0.0%	0	0.0%	3	0.0%	2	0.0%	1	1	88.8%	74.3%					
Employee Benefits	74	0.0%	107	0.0%	8	0.0%	99	0.0%	161	0.0%	-54	-63	-33.7%	-38.8%					
Off/Other Equipment	76	0.0%	72	0.0%	6	0.0%	66	0.0%	7	0.0%	65	60	988.5%	904.8%					
Postage & Freight	6	0.0%	6	0.0%	0	0.0%	6	0.0%	40	0.0%	-34	-35	-84.3%	-85.5%					
Maintenance	135	0.0%	516	0.1%	40	0.1%	476	0.1%	292	0.0%	224	185	76.9%	63.3%					
Professional Services	26	0.0%	30	0.0%	2	0.0%	27	0.0%	578	0.1%	-548	-551	-94.8%	-95.2%					
Other	6	0.0%	12	0.0%	1	0.0%	11	0.0%	0	0.0%	12	11	1265.5%	11675.3%					
Vehicles	0	0.0%	-1	0.0%	0	0.0%	-1	0.0%	0	0.0%	-1	-1	468.4%	424.7%					
Building Improvements	69	0.0%	69	0.0%	5	0.0%	64	0.0%	66	0.0%	3	-2	4.6%	-3.4%					
Prior Year Adjustment	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0	0.0%	0.0%					
Estimated Fringe Benefit Alloc.	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0	0.0%	0.0%					
Subtotal Admin. Expenses	4,681	1.0%	8,160	0.9%	628	0.9%	7,532	0.9%	8,002	1.0%	158	-470	2.0%	-5.9%					
Net Profit:																			
Before Distributions	107,647	22.9%	199,552	22.2%	15,350	22.2%	184,202	22.2%	159,353	18.6%	47,200	31,849	31.0%	20.9%					

Notes to Financial Statement:

1 Year to date amounts have been adjusted for prize accruals.

2 Year to date amounts for FY2017 (7/1/16-6/30/16) include an additional five (5) days of activity over FY2016 (7/1/15-6/29/15). For comparative purposes, the (3) fewer days of revenue in FY17 would total approximately \$0 million, decreasing revenues to \$0 million, resulting in a \$0 million or 0% change over FY16. Five (5) fewer days of revenue would decrease net profit by approximately \$0 million to \$0 million, resulting in a \$0 million or 0% change over FY16.