



Massachusetts State Lottery Commission

DEBORAH B. GOLDBERG
Treasurer and Receiver General

MICHAEL R. SWEENEY
Executive Director

October 19, 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 September 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

September, 2016

Comments / Observations

YTD amounts for September, 2016 (includes 7/1/16 – 10/1/16) have five (5) more days of activity * than the YTD amounts for September, 2015 (7/1/15 – 9/26/15).

	<u>Statement of Operations</u>	<u>Adjusted (-5 days) **</u>
• Instant Games sales	up 2.8% / \$23.9M	down 2.7% / \$22.9M
• Draw Games + KENO sales***	up 13.4% / \$47.2M	up 7.4% / \$25.8M
• Total Revenues	up 5.9% / \$71.2M	up 0.2% / \$2.8M
• Prize Payout %	72.3% <i>(compared to 75.2% at September, 2015)</i>	72.3%
• Prizes (Paid)	up 1.8% / \$15.9M	down 3.7% / \$33.6M
• Agent Commissions %	up 5.9% / \$3.5M	up 0.2% / \$0.1M
• Agent Bonuses	up 6.4% / \$0.6M	up 0.6% / \$0.1M
• Administrative Expenses	up 4.9% / \$0.7M	down 0.7% / \$0.1M
• Net Profit	up 23.6% / \$50.5M	up 16.9% / \$36.3M

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 September 2016, Fiscal Year 2017, the misalignment is five (+5) days.

** See attached “Adjusted” MSLC Statement of Operations dated September, 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
September, 2016
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18-Oct-16

	September 2016	%	Year-to-Date FY2017	%	Period Close Sales Adj (-5 days)	Adjusted Year-to-Date FY2017	%	Year-to-Date FY2016	%	\$ Change	Adjusted \$ Change	% Change	Adjusted % Change
Revenues													
Instant Games	256,896	69.1%	871,266	68.5%	46,842	824,423	68.5%	847,325	70.6%	23,941	-22,902	2.8%	-2.7%
MegaMillions	3,854	1.0%	23,065	1.8%	1,240	21,825	1.8%	13,597	1.1%	9,468	8,228	69.6%	60.5%
Powertball	7,351	2.0%	32,894	2.6%	1,769	31,126	2.6%	20,622	1.7%	12,273	10,504	59.5%	50.9%
Numbers Game	24,550	6.6%	81,759	6.4%	4,396	77,364	6.4%	78,075	6.5%	3,684	-712	4.7%	-0.9%
Mass Cash	5,966	1.6%	20,017	1.6%	1,076	18,941	1.6%	18,587	1.5%	1,430	354	7.7%	1.9%
Keno	67,134	18.0%	219,119	17.2%	11,781	207,338	17.2%	207,482	17.3%	11,636	-144	5.6%	-0.1%
Jackpot Poker	0	0.0%	2	0.0%	0	2	0.0%	571	0.0%	-569	-569	-99.6%	-100.0%
All or Nothing	1,837	0.5%	9,463	0.7%	509	8,955	0.7%	0	0.0%	9,463	8,955	100.0%	100.0%
Lucky for Life	1,877	0.5%	6,322	0.5%	340	5,982	0.5%	6,609	0.6%	-287	-627	-4.3%	-9.5%
Charity Game Tickets	124	0.0%	421	0.0%	23	398	0.0%	427	0.0%	-6	-29	-1.4%	-6.7%
Beano Tax (2/5)	48	0.0%	138	0.0%	7	130	0.0%	151	0.0%	-13	-21	-8.8%	-13.7%
Pull Tabs	53	0.0%	176	0.0%	9	167	0.0%	157	0.0%	19	10	12.2%	6.2%
License Fees	8	0.0%	24	0.0%	1	23	0.0%	30	0.0%	-5	-7	-18.2%	-22.6%
Bond Fees and Fines	168	0.0%	552	0.0%	30	523	0.0%	544	0.0%	8	-21	1.6%	-3.9%
Service Fees	436	0.1%	1,447	0.1%	78	1,370	0.1%	1,370	0.1%	77	-1	5.6%	-0.1%
Megabucks	1,684	0.5%	5,542	0.4%	298	5,244	0.4%	5,436	0.5%	107	-191	2.0%	-3.5%
Miscellaneous Income	0	0.0%	6	0.0%	0	6	0.0%	7	0.0%	-1	-1	-12.4%	-17.1%
Interest	0	0.0%	0	0.0%	0	0	0.0%	0	0.0%	0	0	0.0%	0.0%
Subtotal Revenues	371,986	100.0%	1,272,215	100.0%	68,399	1,203,816	100.0%	1,200,990	100.0%	71,225	2,826	5.9%	0.2%
Subtotal Prizes	274,357	73.8%	919,332	72.3%	49,426	869,906	72.3%	903,461	75.2%	15,871	-33,556	1.8%	-3.7%
Operating Expenses	18,489	5.0%	63,379	5.0%	3,407	59,972	5.0%	59,861	5.0%	3,518	111	5.9%	0.2%
Commissions	2,816	0.8%	9,865	0.8%	530	9,335	0.8%	9,275	0.8%	590	60	6.4%	0.6%
Bonuses	21,305	5.7%	73,245	5.8%	3,938	69,307	5.8%	69,136	5.8%	4,108	170	5.9%	0.2%
Subtotal Operating Expenses	21,305	5.7%	73,245	5.8%	3,938	69,307	5.8%	69,136	5.8%	4,108	170	5.9%	0.2%
Operating Revenue	76,324	20.5%	279,638	22.0%	15,034	264,604	22.0%	228,392	19.0%	51,246	36,211	22.4%	15.9%
Administrative Expenses	2,476	0.7%	6,899	0.5%	371	6,528	0.5%	7,046	0.6%	-147	-518	-2.1%	-7.4%
Salaries	72	0.0%	135	0.0%	7	128	0.0%	101	0.0%	34	27	33.5%	26.3%
Advertising	13	0.0%	46	0.0%	2	43	0.0%	54	0.0%	-8	-11	-15.0%	-19.5%
Equip Rental	2,027	0.5%	3,864	0.3%	208	3,657	0.3%	2,416	0.2%	1,448	1,241	59.9%	51.3%
Admin/Facilities	303	0.1%	818	0.1%	44	774	0.1%	824	0.1%	-6	-50	-0.7%	-6.1%
Facilities Rental	650	0.2%	1,126	0.1%	61	1,065	0.1%	1,080	0.1%	46	-15	4.2%	-1.4%
Telephone	3	0.0%	6	0.0%	0	6	0.0%	3	0.0%	3	2	90.0%	79.8%
Travel	107	0.0%	214	0.0%	11	202	0.0%	230	0.0%	-17	-28	-7.3%	-12.3%
Employee Benefits	38	0.0%	110	0.0%	6	104	0.0%	311	0.0%	-201	-207	-64.7%	-66.6%
Off/Other Equipment	127	0.0%	133	0.0%	7	126	0.0%	559	0.0%	-426	-433	-76.2%	-77.5%
Postage & Freight	132	0.0%	648	0.1%	35	613	0.1%	463	0.0%	186	151	40.1%	32.6%
Maintenance	677	0.2%	706	0.1%	38	668	0.1%	923	0.1%	-216	-254	-23.4%	-27.6%
Professional Services	1	0.0%	13	0.0%	1	12	0.0%	0	0.0%	12	12	6908.6%	6531.7%
Other	0	0.0%	-1	0.0%	0	-1	0.0%	0	0.0%	-1	-1	468.4%	437.9%
Vehicles	41	0.0%	110	0.0%	6	104	0.0%	112	0.0%	-2	-8	-2.0%	-7.2%
Building Improvements	0	0.0%	0	0.0%	0	0	0.0%	7	0.0%	-7	-7	100.0%	100.0%
Prior Year Adjustment	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%
Subtotal Admin. Expenses	6,667	1.8%	14,826	1.2%	797	14,029	1.2%	14,130	1.2%	697	-101	4.9%	-0.7%
Net Profit	69,657	18.7%	264,811	20.8%	14,237	250,574	20.8%	214,262	17.8%	50,549	36,312	23.6%	16.9%
Before Distributions													

Notes to Financial Statements:

1 Year to date amounts have been adjusted for price accruals.
2 Year to date amounts for FY 2017 (7/1/16-10/1/16) include an additional five (5) days of activity over FY2016 (7/1/15-9/26/15). For comparative purposes, five (5) fewer days of revenue in FY17 would total approximately \$68.4 million, decreasing revenues to \$1.204 billion, resulting in a \$2.8 million or 0.2% change over FY16. Five (5) fewer days of revenue would decrease net profit by approximately \$14.2 million to \$250.6 million, resulting in a \$36.3 million or 16.9% change over FY16.