

# State of Maine



Department of Administrative and Financial Services

Bureau of Alcoholic Beverages and Lottery Operations

Financial Statements  
Fiscal Year Ending June 30, 2017



PAUL R. LePAGE  
GOVERNOR

STATE OF MAINE  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES  
**DIVISION OF FINANCIAL AND PERSONNEL SERVICES**  
74 STATE HOUSE STATION, AUGUSTA, MAINE 04333

ALEC PORTEOUS  
COMMISSIONER

October 31, 2017

Gregory R. Mineo, Director  
Timothy R. Poulin, Deputy Director  
Bureau of Alcoholic Beverages and Lottery Operations  
8 State House Station  
Augusta, Maine 04333-0008

Dear Mr. Mineo and Mr. Poulin,

Submitted herein is the annual report for the Bureau of Alcoholic Beverages and Lottery Operations for the fiscal year ending June 30, 2017. This report presents the financial position of lottery and spirits operations. The report does not reflect sales or operating expenses of the lottery retail agents.

If you have any suggestions or comments about these schedules please contact us at your earliest convenience. If there are other schedules that you wish to be included in our next annual report, please let us know so that we may work together on the design of the report.

Sincerely,

---

Kendra L. Coates  
Director  
General Government Service Center



The Bureau is proud of its commitment to providing the citizens of Maine with fun and exciting entertainment through the responsible sale of lottery games.

The Bureau is committed to generating important revenue for the citizens of Maine in a fiscally and socially responsible manner. We are proud to take a leadership role in promoting responsible gaming in Maine and across the nation. In addition to promoting responsible play on lottery games, sales materials and our website, the Bureau partners with the Maine CDC, Maine's Gambling Control Board, the National Council on Problem Gambling, and the National Association of State and Provincial Lottery's Responsible Gaming Committee to promote responsible gaming and provide resources to those in need.

As part of its fiscal responsibility, since 1974, the Maine Lottery has generated over \$5.5 billion in sales revenues, over \$3.3 billion in prizes to players and over \$379 million in commissions and bonuses to our network of lottery retail agents. Over \$1.36 billion has been transferred to the State's General Fund to support programs and services all across Maine. In FY17 for the third consecutive year, the Maine Lottery achieved a record transfer to the General Fund. In addition, the Maine Lottery achieved near records in total sales, commissions to lottery retail agents and prizes paid to players.

The Bureau is pleased that the Maine Lottery business has a positive impact for our citizens and supports our local economy in a responsible manner.

[www.maineLOTTERY.com](http://www.maineLOTTERY.com)



Maine Spirits is a partnership between the Bureau and its vendor, Pine State Spirits, a subsidiary of Pine State Trading Co. created as a result of a competitive bidding process in FY14. Prior to this new contractual fee for services partnership, Maine created a 10 year lease arrangement with Maine Beverage Company. During the 10 year lease arrangement, the State realized approximately \$189 million in profit for the General Fund. This amount included \$125 million in up-front money paid in FY03 and FY04 and profit sharing when the spirits business generated profits over a guaranteed amount to Maine Beverage Company.

For the third consecutive year in FY17, Maine's spirits business achieved record sales which delivered an operating profit of \$47.7 million. Spirits sales grew 5.07% on top of growth of 4.19% in FY16.

The Bureau through its partnerships with suppliers, suppliers' representatives and our agency liquor store network, continues to responsibly grow the business. Maine consumers receive more value in their spirits purchases than ever before due to the Bureau's progressive pricing model.

In addition to its fiscal obligation, the Bureau has a social commitment to the citizens of Maine to promote the sale of spirits in a responsible manner.

In FY16 and FY17, the Bureau in partnership with Pine State Spirits and a grant from the National Alcoholic Beverage Control Association (NABCA) continues to create unique social responsibility messaging programs.

The Bureau is confident that the Maine spirits business has a positive impact and supports our local economy while satisfying the Bureau's legislation in an orderly and responsible path to market.

[www.MaineSpirits.com](http://www.MaineSpirits.com)

## Table of Contents

### Consolidated Statements

<u>Historical Sales compared to Transfers</u>	<u>1</u>
---	----------

### Lottery Operations Statements

<u>Comparative Balance Sheet</u>	<u>2</u>
<u>Comparative Statements of Income and Expense</u>	<u>3</u>
<u>Comparative Heritage Game Income Statement</u>	<u>4</u>
<u>Comparative Maine Operating Expense Schedule</u>	<u>5</u>
<u>Comparative Cost of Goods Sold Schedule</u>	<u>6</u>
<u>Draw Games</u>	<u>7</u>
<u>Instant Ticket Games</u>	<u>8</u>
<u>Comparative Sales Analysis Graph</u>	<u>9 - 10</u>
<u>Gross Profit Comparison Graph</u>	<u>11 - 12</u>

<u>Lottery Operations Footnotes</u>	<u>13 - 14</u>
-------------------------------------	----------------

### Liquor Operations Statements

<u>Comparative Balance Sheet</u>	<u>15</u>
<u>Comparative Statements of Income and Expense</u>	<u>16</u>

<u>Liquor Operations Footnotes</u>	<u>17</u>
------------------------------------	-----------

Department of Administrative and Financial Services  
Bureau of Alcoholic Beverages and Lottery Operations  
**Historical Gross Sales as Compared to Total Transfers**

**For Fiscal Years 2003 - 2017**

<b>Fiscal Year</b>	<b>Liquor Sales</b>	<b>Lottery Sales</b>	<b>Heritage Sales</b>	<b>Total Sales</b>
2017	\$ 178,914,574	\$ 264,405,447	\$ 1,542,308	\$ 444,862,329
2016	\$ 165,366,535	\$ 270,047,651	\$ 2,291,833	\$ 437,706,019
2015	\$ 156,136,691	\$ 250,671,431	\$ 2,400,612	\$ 408,585,278
2014	\$ 143,966,700	\$ 227,935,315	\$ 2,021,379	\$ 373,923,394
2013	\$ 138,357,900	\$ 225,640,604	\$ 2,083,042	\$ 366,081,546
2012	\$ 132,497,500	\$ 226,387,260	\$ 1,966,301	\$ 357,899,879
2011	\$ 126,149,900	\$ 214,100,761	\$ 2,325,493	\$ 342,576,154
2010	\$ 122,610,900	\$ 214,746,496	\$ 2,286,077	\$ 339,643,473
2009	\$ 119,050,100	\$ 208,026,397	\$ 2,643,774	\$ 329,720,271
2008	\$ 114,169,100	\$ 225,500,155	\$ 3,018,616	\$ 342,687,871
2007	\$ 109,502,600	\$ 227,184,778	\$ 2,839,097	\$ 339,526,475
2006	\$ 104,114,000	\$ 226,231,509	\$ 3,472,515	\$ 333,818,024
2005	\$ 97,042,500	\$ 206,168,485	\$ 3,130,645	\$ 306,341,630
2004	\$ 89,054,685	\$ 182,645,792	\$ 3,228,538	\$ 274,929,015
2003	\$ 85,395,495	\$ 161,689,836	\$ 2,943,273	\$ 250,028,605

<b>Fiscal Year</b>	<b>Liquor Transfer</b>	<b>Lottery Transfer</b>	<b>Heritage Transfer</b>	<b>Total Transferred</b>	<b>% of Sales</b>
2017	\$ 9,817,000 *	\$ 58,219,690	\$ 441,357	\$ 68,478,047	15.39%
2016	\$ 9,639,000 *	\$ 56,972,851	\$ 603,833	\$ 67,215,684	15.36%
2015	\$ 9,714,884 *	\$ 54,002,444	\$ 647,458	\$ 64,364,786	15.75%
2014	\$ 12,298,432 **	\$ 51,845,477	\$ 574,142	\$ 64,718,051	17.31%
2013	\$ 10,979,738 **	\$ 52,908,602	\$ 593,629	\$ 64,481,969	17.61%
2012	\$ 10,254,968 **	\$ 53,785,567	\$ 530,622	\$ 64,571,157	18.04%
2011	\$ 9,405,382 **	\$ 49,547,800	\$ 645,824	\$ 59,599,007	17.40%
2010	\$ 8,823,077 **	\$ 52,201,531	\$ 669,789	\$ 61,694,397	18.16%
2009	\$ 8,217,940 **	\$ 49,839,434	\$ 734,120	\$ 58,791,494	17.83%
2008	\$ 7,513,763 **	\$ 49,491,086	\$ 811,844	\$ 57,816,693	16.87%
2007	\$ 6,356,499 **	\$ 50,624,742	\$ 810,598	\$ 57,791,839	17.02%
2006	\$ 4,443,800 **	\$ 50,879,647	\$ 908,065	\$ 56,231,512	16.84%
2005	\$ 51,536,907 ***	\$ 49,328,103	\$ 800,309	\$ 101,665,319	33.19%
2004	\$ 103,957,966 ***	\$ 41,752,637	\$ 774,917	\$ 146,485,520	53.28%
2003	\$ 27,749,668	\$ 39,442,111	\$ 811,296	\$ 68,003,076	27.20%

\*This amount is only the transfer back from the MMBB designated for the General Fund

\*\*These amounts include listing fees, premium tax and the profit sharing amount received from Maine Beverage Company; and the Liquor Sales, are calculated on a calendar year basis.

\*\*\*In May of 2004, the State signed a ten year lease with Maine Beverage Company for the warehousing and distribution of spirits subject to pricing regulation by the state. Maine Beverage paid the state \$75 million in FY '04 and \$50 million in FY '05 for this privilege.

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Lottery Operations**  
**Balance Sheet**  
*As of June 30,*

**ASSETS:**

	2017	2016
<b>Current Assets</b>		
Cash	\$ -	\$ -
Petty Cash - Imprest Fund	750,200	750,200
Accounts Receivable	29,061,512	26,735,590
Reserve for Doubtful Accounts	(130,443)	(180,981)
Prepaid Expense	227,510	105,940
<b>Total Current Assets</b>	<b>29,908,779</b>	<b>\$ 27,410,748</b>
<b>Fixed Assets</b>		
Equipment	\$ 44,202	\$ 44,202
Less: Reserve for Depreciation	(44,202)	(44,202)
<b>Total Fixed Assets</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL ASSETS</b>	<b>\$ 29,908,779</b>	<b>\$ 27,410,748</b>

**LIABILITIES:**

Accounts Payable	\$ 1,085,448	\$ 1,459,425
Accrued Payroll	(10,033) (1)	18,261
Accrued Subscriptions	130,223	121,022
Accrued Vacation Liability	104,687	102,123
Due to Other Funds	10,415,097 (2)	5,353,965
<b>TOTAL LIABILITIES</b>	<b>\$ 11,725,422</b>	<b>\$ 7,054,796</b>

**RESERVES:**

MUSL Prize Reserve	\$ 2,292,988 (3)	\$ 2,059,978
Lucky For Life Expired Prize Reserve	102,928 (4)	95,569
Lucky For Life Prize Reserve	1,538,006 (5)	1,551,072
Instant Ticket Prize Reserve	14,185,824 (6)	16,610,214
Vending Machine Liability	63,611 (7)	39,119
<b>TOTAL RESERVES</b>	<b>\$ 18,183,357</b>	<b>\$ 20,355,952</b>
<b>TOTAL LIABILITIES &amp; RESERVES</b>	<b>\$ 29,908,779</b>	<b>\$ 27,410,748</b>

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Lottery Operations**  
**Comparative Statements of Income and Expense**  
*For Fiscal Years ending June 30,*

<b>SALES</b>	<b>2017</b>	% of Sales	<b>2016</b>	% of Sales	% Change 2016 to 2017
<b>Instant Tickets</b>					
\$1 Instant	\$ 11,487,353	4.32%	\$ 13,296,715	4.88%	(13.61%)
Heritage Game	1,542,308	0.58%	2,291,833	0.84%	(32.70%)
\$2 Instant	27,775,962	10.44%	30,086,514	11.05%	(7.68%)
\$3 Instant	27,221,316	10.24%	30,534,906	11.21%	(10.85%)
\$5 Instant	58,870,610	22.14%	57,305,780	21.04%	2.73%
\$10 Instant	38,750,950	14.57%	34,969,310	12.84%	10.81%
\$20 Instant	20,342,080	7.65%	19,573,640	7.19%	3.93%
\$25 Instant	22,029,775	8.28%	22,436,850	8.24%	(1.81%)
<i>Total Instant</i>	<b>\$ 208,020,354</b>	78.22%	<b>\$ 210,495,548</b>	77.29%	(1.18%)
<b>Draw Games</b>					
Pick 3	\$ 5,274,380	1.98%	\$ 5,310,034	1.95%	(0.67%)
Pick 4	4,290,629	1.61%	4,257,730	1.56%	0.77%
Megabucks	10,930,566	4.11%	10,728,270	3.94%	1.89%
Powerball	20,751,794	7.80%	28,240,791	10.37%	(26.52%)
Gimme 5	1,195,105	0.45%	1,410,717	0.52%	(15.28%)
World Poker Tour	3,760,533	1.41%	-	0.00%	N/A
Lucky for Life	3,921,681	1.47%	4,357,430	1.60%	(10.00%)
Hot Lotto	1,760,187	0.66%	1,709,979	0.63%	2.94%
Mega Millions	6,042,526	2.27%	5,828,986	2.14%	3.66%
<i>Total Draw</i>	<b>\$ 57,927,401</b>	21.78%	<b>\$ 61,843,936</b>	22.71%	(6.33%)
<i>Total Ticket Sales</i>	<b>\$ 265,947,755</b>	100.00%	<b>\$ 272,339,484</b>	100.00%	
<b>OTHER INCOME</b>					
Distribution Expenses paid by IF&W	\$ 38,558	0.01%	\$ 57,296	0.02%	(32.70%)
Expired Instant Prize Reserve	2,034,659	<b>(8)</b> 0.77%	2,597,083	0.95%	(21.66%)
Expired Instant Prize Reserve - Heritage	57,311	<b>(8)</b> 0.02%	41,358	0.02%	38.57%
Misc Income	(12,558)	0.00%	676,497	0.25%	(101.86%)
<i>Total Other Income</i>	<b>\$ 2,117,970</b>	0.80%	<b>\$ 3,372,234</b>	1.24%	(37.19%)
<i>Total Receipts</i>	<b>\$ 268,065,725</b>		<b>\$ 275,711,717</b>		(2.77%)
<b>EXPENSES</b>					
Cost of Goods Sold	\$ 199,844,329	75.14%	\$ 205,719,784	75.54%	(2.86%)
Maine Operating Expenses	3,757,481	1.41%	3,553,936	1.30%	5.73%
Tri-State Operating Expenses	873,419	<b>(9)</b> 0.33%	2,625,737	0.96%	(66.74%)
Heritage Game Expenses	1,158,262	0.44%	1,729,358	0.64%	(33.02%)
World Poker Tour Expenses	-	0.00%	88,496	0.03%	(100.00%)
Contractor Incentive Plan	2,625,415	<b>(10)</b> 0.99%	2,844,383	1.04%	(7.70%)
RewardME Players Club	1,145,772	<b>(11)</b> 0.43%	1,573,339	0.58%	(27.18%)
<i>Total Expenses</i>	<b>\$ 209,404,678</b>	78.74%	<b>\$ 218,135,034</b>	80.10%	(4.00%)
Transfer to General Fund	\$ 58,219,690	21.89%	\$ 56,972,850	20.92%	2.19%
Transfer to Fish & Wildlife	441,357	0.17%	603,833	0.22%	(26.91%)
<i>Total Transfers</i>	<b>\$ 58,661,047</b>	22.06%	<b>\$ 57,576,684</b>	21.14%	1.88%
<b>Changes from FY 2016 to FY 2017</b>					
Sales:					
Instant	Dollars	%			
Draw	\$ (2,475,194)	(1.18%)			
	(3,916,536)	(6.33%)			
<b>Total</b>	<b>\$ (6,391,729)</b>	<b>(2.35%)</b>			
Cost of Goods Sold	\$ (5,875,455)	(2.86%)			
Maine Operating Expenses	\$ 203,545	5.73%			

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Lottery Operations**  
**Heritage Game Income Statement**  
*For Fiscal Years ending: June 30,*

	2017	2016
<b>SALES</b>		
Game 280 - Moose-Moolah	\$ (2,931)	\$ 109,924
Game 308 - Maine-Ah Money	629,405	1,464,441
Game 346 - Stinkin' Rich	915,834	717,468
<b>Total Sales</b>	<b>\$ 1,542,308</b>	<b>\$ 2,291,833</b>
 <b>OTHER INCOME</b>		
Expired Prize Reserve	\$ 57,311	\$ 41,358
<b>Total Income</b>	<b>\$ 1,599,619 (12)</b>	<b>\$ 2,333,191</b>
 <b>EXPENSES</b>		
Game 280 - Moose-Moolah	\$ (1,805)	\$ 67,636
Game 308 - Maine-Ah Money	384,315	901,777
Game 346 - Stinkin' Rich	559,025	438,086
Vendor Fees	54,305	80,616
Agent Commissions	123,385	183,347
Agent Bonuses	480	600
Distribution Expenses	38,558	57,296
<b>Total Expenses</b>	<b>\$ 1,158,262</b>	<b>\$ 1,729,358</b>
 <b>Outdoor Heritage Fund Profit</b>	 <b>\$ 441,357</b>	 <b>\$ 603,833</b>

**Bureau of Alcoholic Beverages and Lottery Operations**

**Lottery Operations**

**Maine Operating Expense Schedule**

*For Fiscal Years ending June 30,*

	2017		2016	% Change 2016 to 2017
<b>Lottery Administration</b>				
Personal Services	\$ 1,669,630	(13)	\$ 1,611,635	3.60%
State Services	208,454		203,924	2.22%
Non-State Services	160		3,470	(95.39%)
Travel Expenses	10,082		9,767	3.23%
Rents	120,615		128,190	(5.91%)
Office Supplies	18,515		18,792	(1.48%)
General Operations	57,084		33,476	70.52%
Portion paid by IFW	(21,391)		(32,393)	(33.96%)
<i>Total Administrative</i>	<b>\$ 2,063,150</b>		<b>\$ 1,976,862</b>	4.36%
<b>Lottery Operations</b>				
General Operations	\$ 116,895		\$ 111,863	4.50%
Other Instant Expense	301,529		312,099	(3.39%)
Other Draw Expense	159,693		109,041	46.45%
Customer Service	35,980		35,350	1.78%
Portion paid by IFW	(6,302)		(9,163)	(31.23%)
<i>Total Operational</i>	<b>\$ 607,795</b>		<b>\$ 559,191</b>	8.69%
<b>Advertising Charges</b>				
Ad Agency Fees	\$ 294,841		\$ 201,619	46.24%
TV/Radio Production	47,903		85,273	(43.82%)
TV/Radio Media	541,070		508,743	6.35%
Promotional Material	118,139		155,385	(23.97%)
StaCap	56,891		25,308	124.80%
Portion paid by IFW	(10,865)		(15,740)	(30.97%)
<i>Total Advertising</i>	<b>\$ 1,047,978</b>		<b>\$ 960,588</b>	9.10%
<i>Subtotal</i>	\$ 3,718,923		\$ 3,496,640	6.36%
Plus: IF&W reimbursement	38,558		57,296	(32.70%)
<b>Total Maine Operating Expenses</b>	<b>\$ 3,757,481</b>		<b>\$ 3,553,936</b>	5.73%
<b>Total Sales Including Heritage</b>	\$ 265,947,755		\$ 272,339,484	(2.35%)
<b>Total Operating Expense as % of Sales</b>	1.41%		1.30%	

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Lottery Operations**  
**Cost of Goods Sold Schedule (excluding Heritage)**  
*For Fiscal Years ending June 30,*

	2017	% of Sales	2016	% of Sales	% Change 2016 to 2017
<b>Prize Expense</b>					
\$ 1 Instant	\$ 7,043,150	61.31%	\$ 8,191,922	61.61%	(14.02%)
\$ 2 Instant	18,446,763	66.41%	19,962,309	66.35%	(7.59%)
\$ 3 Instant	18,047,103	66.30%	20,365,427	66.70%	(11.38%)
\$ 5 Instant	40,400,196	68.63%	39,547,745	69.01%	2.16%
\$10 Instant	28,075,434	72.45%	25,648,376	73.35%	9.46%
\$20 Instant	15,197,970	74.71%	14,716,671	75.19%	3.27%
\$25 Instant	14,894,371	(14) 67.61%	17,049,076	75.99%	(12.64%)
Pick 3	2,636,397	49.98%	2,653,734	49.98%	(0.65%)
Pick 4	2,147,535	50.05%	2,086,721	49.01%	2.91%
Megabucks	5,445,686	49.82%	5,336,880	49.75%	2.04%
Powerball	10,365,313	49.95%	14,106,337	49.95%	(26.52%)
Gimme 5	626,413	52.41%	747,705	53.00%	(16.22%)
Lucky for Life	2,311,982	58.95%	2,614,470	60.00%	(11.57%)
Hot Lotto	878,175	49.89%	852,837	49.87%	2.97%
Mega Millions	3,057,590	50.60%	2,906,582	49.86%	5.20%
World Poker Tour	2,192,180	3.78%	-	0.00%	N/A
<b>Total Prize Expense</b>	<b>\$ 171,766,258</b>	<b>64.96%</b>	<b>\$ 176,786,790</b>	<b>65.47%</b>	<b>(2.84%)</b>
<b>Vendor Fees</b>					
\$ 1 Instant	\$ 404,470	3.52%	\$ 467,972	3.52%	(13.57%)
\$ 2 Instant	977,992	3.52%	1,058,927	3.52%	(7.64%)
\$ 3 Instant	958,463	3.52%	1,074,647	3.52%	(10.81%)
\$ 5 Instant	2,072,834	3.52%	2,016,865	3.52%	2.78%
\$10 Instant	1,364,421	3.52%	1,230,823	3.52%	10.85%
\$20 Instant	716,245	3.52%	688,938	3.52%	3.96%
\$25 Instant	775,668	3.52%	789,582	3.52%	(1.76%)
Pick 3	185,725	3.52%	186,888	3.52%	(0.62%)
Pick 4	151,082	3.52%	149,861	3.52%	0.82%
Megabucks	384,871	3.52%	377,568	3.52%	1.93%
Powerball	730,671	3.52%	994,089	3.52%	(26.50%)
Gimme 5	42,081	3.52%	49,648	3.52%	(15.24%)
Monopoly Millionaires Club	-	N/A	(2)	0.00%	N/A
Lucky for Life	138,082	3.52%	153,344	3.52%	(9.95%)
Hot Lotto	61,976	3.52%	60,178	3.52%	2.99%
Mega Millions	212,757	3.52%	205,134	3.52%	3.72%
World Poker Tour	132,408	3.52%	-	0.00%	N/A
<b>Total Vendor Fees</b>	<b>\$ 9,309,746</b>	<b>3.52%</b>	<b>\$ 9,504,461</b>	<b>3.52%</b>	<b>(2.05%)</b>
<b>Agent Commissions and Bonuses</b>					
\$ 1 Instant	\$ 803,394	6.99%	\$ 929,975	6.99%	(13.61%)
\$ 2 Instant	1,961,497	7.06%	2,121,986	7.05%	(7.56%)
\$ 3 Instant	1,920,717	7.06%	2,154,148	7.05%	(10.84%)
\$ 5 Instant	4,191,446	7.12%	4,090,915	7.14%	2.46%
\$10 Instant	2,764,247	7.13%	2,491,272	7.12%	10.96%
\$20 Instant	1,471,956	7.24%	1,408,715	7.20%	4.49%
\$25 Instant	1,573,814	7.14%	1,590,390	7.09%	(1.04%)
Pick 3	264,173	5.01%	266,058	5.01%	(0.71%)
Pick 4	223,262	5.20%	222,441	5.22%	0.37%
Megabucks	537,091	4.91%	526,911	4.91%	1.93%
Powerball	1,069,590	5.15%	1,403,578	4.97%	(23.80%)
Gimme 5	59,749	5.00%	70,531	5.00%	(15.29%)
Monopoly Millionaires Club	-	N/A	-	0.00%	N/A
Lucky for Life	201,575	5.14%	218,217	5.01%	(7.63%)
Hot Lotto	87,369	4.96%	101,303	5.92%	(13.75%)
Mega Millions	310,379	5.14%	314,710	5.40%	(1.38%)
World Poker Tour	189,098	5.03%	-	0.00%	N/A
<b>Total Agent Commissions &amp; Bonuses</b>	<b>\$ 17,629,356</b>	<b>6.67%</b>	<b>\$ 17,911,150</b>	<b>6.63%</b>	<b>(1.57%)</b>
<b>Other Expenses</b>					
Royalty Fees	\$ 693,652	0.26%	\$ 694,496	0.26%	(0.12%)
Other Ad agency expenses	-	0.00%	249,264	0.09%	(100.00%)
Postage	10,215	0.00%	14,213	0.01%	(28.13%)
Rental of equipment	435,102	0.16%	559,411	0.21%	(22.22%)
<b>Total Other Expenses</b>	<b>\$ 1,138,969</b>	<b>0.43%</b>	<b>\$ 1,517,383</b>	<b>0.56%</b>	<b>(24.94%)</b>
<b>Total Cost of Goods Sold</b>	<b>\$ 199,844,329</b>	<b>75.58%</b>	<b>\$ 205,719,784</b>	<b>76.18%</b>	<b>(2.86%)</b>
<b>Total Sales (excluding Heritage)</b>	<b>\$ 264,405,447</b>		<b>\$ 270,047,651</b>		<b>(2.09%)</b>
<b>Cost of Goods Sold as % of Sales (excluding Heritage)</b>	<b>75.58%</b>		<b>76.64%</b>		

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Lottery Operations**  
**Cost of Goods Sold - Draw Games**  
For Fiscal Years ending: June 30,

**2017**

	Megabucks	Pick 3	Pick 4	Powerball	Lucky for Life	Gimme 5	World Poker Tour	Hot Lotto	Mega Millions	Total Draw
Sales	\$ 10,930,566	\$ 5,274,380	\$ 4,290,629	\$ 20,751,794	\$ 3,921,681	\$ 1,195,105	\$ 3,760,533	\$ 1,760,187	\$ 6,042,526	\$ 57,927,401
Prize Expense	5,445,686	2,636,397	2,147,535	10,365,313	2,311,982	626,413	2,192,180	878,175	3,057,590	29,661,271
Vendor Fees	384,871	185,725	151,082	730,671	138,082	42,081	132,408	61,976	212,757	2,039,654
Agent Commissions	537,091	264,173	223,262	1,069,590	201,575	59,749	189,098	87,369	310,379	2,942,285
Other Ad agency expenses	-	-	-	-	-	-	-	-	-	-
<b>Total COGS</b>	<b>\$ 6,367,648</b>	<b>\$ 3,086,294</b>	<b>\$ 2,521,880</b>	<b>\$ 12,165,573</b>	<b>\$ 2,651,639</b>	<b>\$ 728,243</b>	<b>\$ 2,513,686</b>	<b>\$ 1,027,520</b>	<b>\$ 3,580,727</b>	<b>\$ 34,643,210</b>
Gross Profit on Sales	\$ 4,562,918	\$ 2,188,085	\$ 1,768,749	\$ 8,586,221	\$ 1,270,042	\$ 466,862	\$ 1,246,847	\$ 732,667	\$ 2,461,799	\$ 23,284,191
Gross Profit Percent	41.74%	41.49%	41.22%	41.38%	32.39%	39.06%	N/A	41.62%	40.74%	40.20%

**2016**

	Megabucks	Pick 3	Pick 4	Powerball	Lucky for Life	Gimme 5	Monopoly	Hot Lotto	Mega Millions	Total Draw
Sales	\$ 10,728,270	\$ 5,310,034	\$ 4,257,730	\$ 28,240,791	\$ 4,357,430	\$ 1,410,717	\$ -	\$ 1,709,979	\$ 5,828,986	\$ 61,843,936
Prize Expense	5,336,880	2,653,734	2,086,721	14,106,337	2,614,470	747,705	-	852,837	2,906,582	31,305,265
Vendor Fees	377,568	186,888	149,861	994,089	153,344	49,648	(2)	60,178	205,134	2,176,708
Agent Commissions	526,911	266,058	222,441	1,403,578	218,217	70,531	-	101,303	314,710	3,123,750
Other Ad agency expenses	43,241	21,402	17,161	113,825	17,563	5,686	-	6,892	23,494	249,264
<b>Total COGS</b>	<b>\$ 6,284,599</b>	<b>\$ 3,128,082</b>	<b>\$ 2,476,183</b>	<b>\$ 16,617,830</b>	<b>\$ 3,003,593</b>	<b>\$ 873,570</b>	<b>\$ (2)</b>	<b>\$ 1,021,210</b>	<b>\$ 3,449,920</b>	<b>\$ 36,854,987</b>
Gross Profit on Sales	\$ 4,443,671	\$ 2,181,951	\$ 1,781,546	\$ 11,622,961	\$ 1,353,837	\$ 537,147	\$ 2	\$ 688,769	\$ 2,379,066	\$ 24,988,949
Gross Profit Percent	41.42%	41.09%	41.84%	41.16%	31.07%	38.08%	N/A	40.28%	40.81%	40.41%

**Percentage Change FY 2016 to FY 2017**

	Megabucks	Pick 3	Pick 4	Powerball	Lucky for Life	Gimme 5	World Poker Tour	Hot Lotto	Mega Millions	Total Draw
Sales	1.89%	(0.67%)	0.77%	(26.52%)	(10.00%)	(15.28%)	N/A	2.94%	3.66%	(6.33%)
COGS	1.32%	(1.34%)	1.85%	(26.79%)	(11.72%)	(16.64%)	N/A	0.62%	3.79%	(6.00%)
Gross Profit	2.68%	0.28%	(0.72%)	(26.13%)	(6.19%)	(13.08%)	N/A	6.37%	3.48%	(6.82%)

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Lottery Operations**  
**Cost of Goods Sold - Instant Tickets (excluding Heritage)**  
For Fiscal Years ending: June 30,

**2017**

	\$1 Instant	\$2 Instant	\$3 Instant	\$5 Instant	\$10 Instant	\$20 Instant	\$25 Instant	Total Instant
Sales	\$ 11,487,353	\$ 27,775,962	\$ 27,221,316	\$ 58,870,610	\$ 38,750,950	\$ 20,342,080	\$ 22,029,775	\$ 206,478,046
Prize Expense	7,043,150	18,446,763	18,047,103	40,400,196	28,075,434	15,197,970	14,894,371	142,104,987
Vendor Fees	404,470	977,992	958,463	2,072,834	1,364,421	716,245	775,668	7,270,092
Agent Commissions	803,394	1,961,497	1,920,717	4,191,446	2,764,247	1,471,956	1,573,814	14,687,071
Royalty Fees/Sta Cap	-	-	31,410	308,885	353,358	-	-	693,652
Postage / Rental of Eq.	24,775	59,905	58,709	126,968	83,575	43,872	47,512	445,317
<b>Total COGS</b>	<b>\$ 8,275,788</b>	<b>\$ 21,446,157</b>	<b>\$ 21,016,401</b>	<b>\$ 47,100,329</b>	<b>\$ 32,641,035</b>	<b>\$ 17,430,043</b>	<b>\$ 17,291,366</b>	<b>\$ 165,201,119</b>
Gross Profit on Sales	\$ 3,211,565	\$ 6,329,805	\$ 6,204,915	\$ 11,770,281	\$ 6,109,915	\$ 2,912,037	\$ 4,738,409	\$ 41,276,927
Gross Profit Percent	27.96%	22.79%	22.79%	19.99%	15.77%	14.32%	21.51%	19.99%

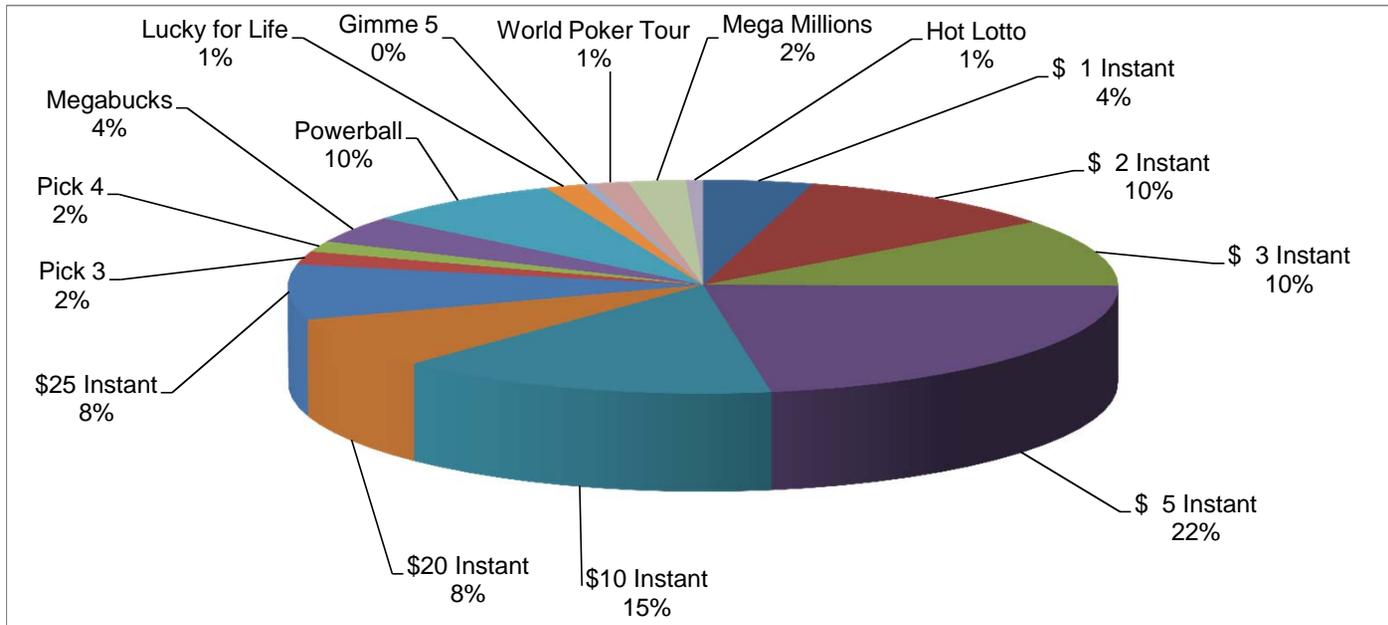
**2016**

	\$1 Instant	\$2 Instant	\$3 Instant	\$5 Instant	\$10 Instant	\$20 Instant	\$25 Instant	Total Instant
Sales	\$ 13,296,715	\$ 30,086,514	\$ 30,534,906	\$ 57,305,780	\$ 34,969,310	\$ 19,573,640	\$ 22,436,850	\$ 208,203,715
Prize Expense	8,191,922	19,962,309	20,365,427	39,547,745	25,648,376	14,716,671	17,049,076	145,481,525
Vendor Fees	467,972	1,058,927	1,074,647	2,016,865	1,230,823	688,938	789,582	7,327,754
Agent Commissions	929,975	2,121,986	2,154,148	4,090,915	2,491,272	1,408,715	1,590,390	14,787,400
Royalty Fees/Sta Cap	-	-	-	679,516	14,980	-	-	694,496
Postage / Rental of Eq.	36,634	82,892	84,127	157,884	96,344	53,927	61,816	573,623
<b>Total COGS</b>	<b>\$ 9,626,503</b>	<b>\$ 23,226,113</b>	<b>\$ 23,678,349</b>	<b>\$ 46,492,925</b>	<b>\$ 29,481,794</b>	<b>\$ 16,868,251</b>	<b>\$ 19,490,863</b>	<b>\$ 168,864,798</b>
Gross Profit on Sales	\$ 3,670,212	\$ 6,860,401	\$ 6,856,557	\$ 10,812,855	\$ 5,487,516	\$ 2,705,389	\$ 2,945,987	\$ 39,338,917
Gross Profit Percent	27.60%	22.80%	22.45%	18.87%	15.69%	13.82%	13.13%	18.89%

**Percentage Change FY 2016 to FY 2017**

	\$1 Instant	\$2 Instant	\$3 Instant	\$5 Instant	\$10 Instant	\$20 Instant	\$25 Instant	Total Instant
Sales	(13.61%)	(7.68%)	(10.85%)	2.73%	10.81%	3.93%	(1.81%)	(0.83%)
COGS	(14.03%)	(7.66%)	(11.24%)	1.31%	10.72%	3.33%	(11.28%)	(2.17%)
Gross Profit	(12.50%)	(7.73%)	(9.50%)	8.85%	11.34%	7.64%	60.84%	4.93%

**Bureau of Alcoholic Beverages and Lottery Operations  
 Lottery Operations  
 Comparative Sales Analysis  
 For Fiscal Years 2017-2016**



**2017**

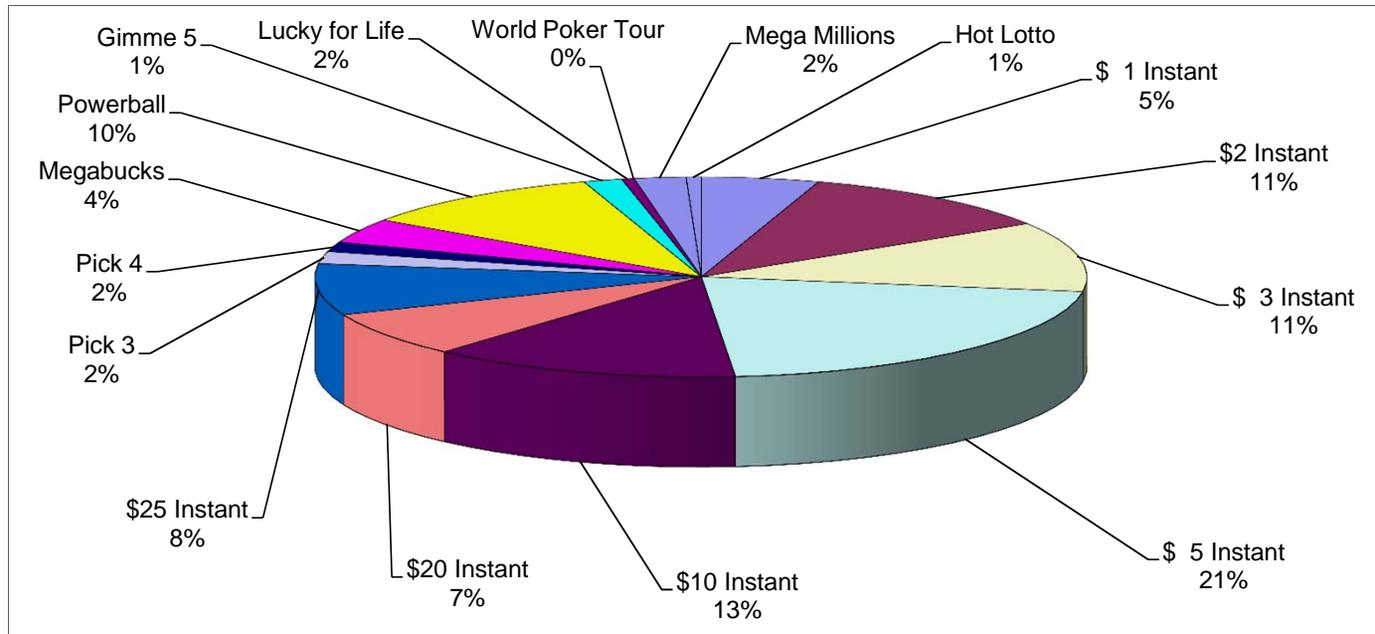
\$ 1 Instant	\$	11,487,353	**
\$ 2 Instant	\$	27,775,962	
\$ 3 Instant	\$	27,221,316	
\$ 5 Instant	\$	58,870,610	
\$10 Instant	\$	38,750,950	
\$20 Instant	\$	20,342,080	
\$25 Instant	\$	22,029,775	
Pick 3	\$	5,274,380	
Pick 4	\$	4,290,629	
Megabucks	\$	10,930,566	
Powerball	\$	20,751,794	
Lucky for Life	\$	3,921,681	
Gimme 5	\$	1,195,105	
World Poker Tour	\$	3,760,533	
Mega Millions	\$	6,042,526	
Hot Lotto	\$	1,760,187	
	<b>\$</b>	<b>264,405,447</b>	

# Bureau of Alcoholic Beverages and Lottery Operations

## Lottery Operations

### Comparative Sales Analysis

#### For Fiscal Years 2017-2016

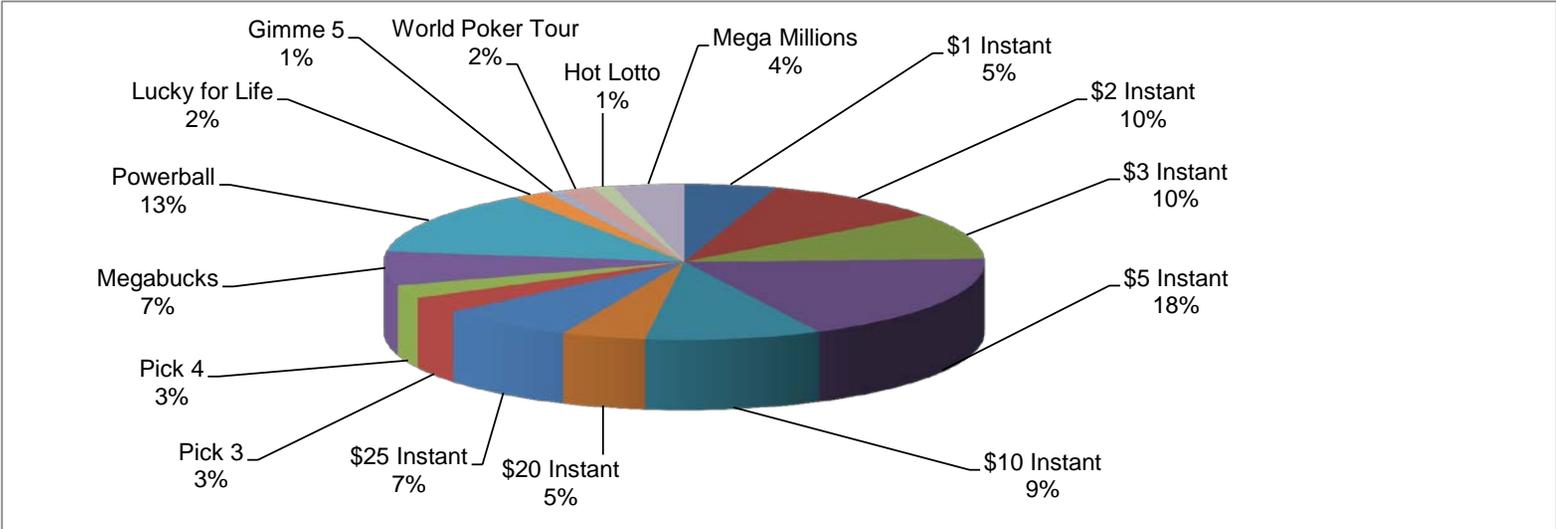


#### 2016

\$ 1 Instant	\$	13,296,715	**
\$ 2 Instant	\$	30,086,514	
\$ 3 Instant	\$	30,534,906	
\$ 5 Instant	\$	57,305,780	
\$10 Instant	\$	34,969,310	
\$20 Instant	\$	19,573,640	
\$25 Instant	\$	22,436,850	
Pick 3	\$	5,310,034	
Pick 4	\$	4,257,730	
Megabucks	\$	10,728,270	
Powerball	\$	28,240,791	
Lucky for Life	\$	4,357,430	
Gimme 5	\$	1,410,717	
World Poker Tour	\$	-	
Mega Millions	\$	5,828,986	
Hot Lotto	\$	1,709,979	
	<b>\$</b>	<b>270,047,651</b>	

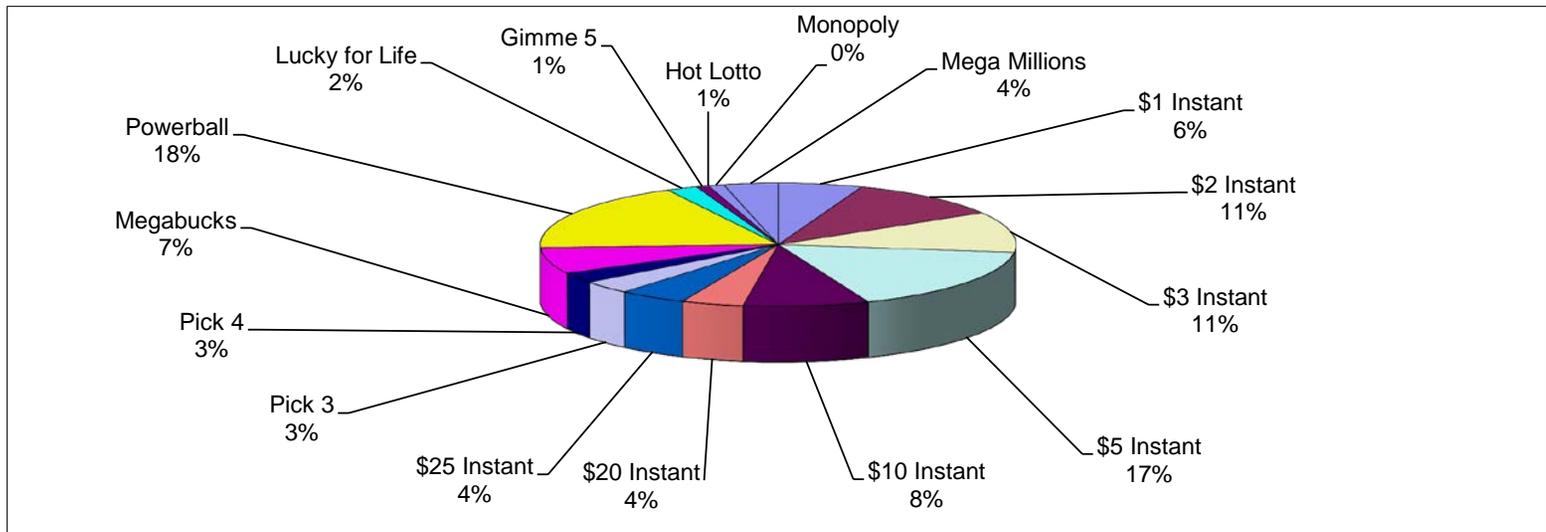
\*\* Excludes the Outdoor Heritage Game and Promotional Sales

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Lottery Operations**  
**Gross Profit Comparison**  
**For Fiscal Years 2017-2016**



<u>Game</u>	<u>2017</u> <u>Gross Profit</u>	<u>Percentage of GP</u>
\$1 Instant	\$ 3,211,565	4.97% **
\$2 Instant	\$ 6,329,805	9.80%
\$3 Instant	\$ 6,204,915	9.61%
\$5 Instant	\$ 11,770,281	18.23%
\$10 Instant	\$ 6,109,915	9.46%
\$20 Instant	\$ 2,912,037	4.51%
\$25 Instant	\$ 4,738,409	7.34%
Pick 3	\$ 2,188,085	3.39%
Pick 4	\$ 1,768,749	2.74%
Megabucks	\$ 4,562,918	7.07%
Powerball	\$ 8,586,221	13.30%
Lucky for Life	\$ 1,270,042	1.97%
Gimme 5	\$ 466,862	0.72%
World Poker Tour	\$ 1,246,847	1.93%
Hot Lotto	\$ 732,667	1.13%
Mega Millions	\$ 2,461,799	3.81%
	<b>\$ 64,561,118</b>	<b>100.00%</b>

**Bureau of Alcoholic Beverages and Lottery Operations  
 Lottery Operations  
 Gross Profit Comparison  
 For Fiscal Years 2017-2016**



<u>Game</u>	<u>2016 Gross Profit</u>	<u>Percentage of GP</u>
\$1 Instant	\$ 3,670,212	5.71% **
\$2 Instant	\$ 6,860,401	10.66%
\$3 Instant	\$ 6,856,557	10.66%
\$5 Instant	\$ 10,812,855	16.81%
\$10 Instant	\$ 5,487,516	8.53%
\$20 Instant	\$ 2,705,389	4.21%
\$25 Instant	\$ 2,945,987	4.58%
Pick 3	\$ 2,181,951	3.39%
Pick 4	\$ 1,781,546	2.77%
Megabucks	\$ 4,443,671	6.91%
Powerball	\$ 11,622,961	18.07%
Lucky for Life	\$ 1,353,837	2.10%
Gimme 5	\$ 537,147	0.84%
Monopoly	\$ 2	0.00%
Hot Lotto	\$ 688,769	1.07%
Mega Millions	\$ 2,379,066	3.70%
	<b>\$ 64,327,866</b>	<b>100.00%</b>

## Lottery Operations Footnotes

### **Balance Sheet:**

- (1) Accrued Payroll is necessary to help more accurately reflect total salary expense for Fiscal Year 2017 and represents ten days for June 2017. The accrual reflects a debit to liabilities due to insufficient allotment available to process the final \$58,915.58 accrual.
- (2) Due to Other Funds reflects the amount of Lottery profit owed to the General Fund. This balance fluctuates depending on the timing of cash flow from the Lottery's accounts receivable bank sweeps through Treasury.
- (3) MUSL Prize Reserve represents the potential liability of prize winning Powerball, Hot Lotto and Mega Million tickets that have been sold but not yet redeemed.
- (4) Lucky for Life Expired Prize Reserve represents liability of prize winning Lucky for Life tickets that have been sold but not yet redeemed and will be awarded as other prizes.
- (5) Lucky for Life Prize Reserve represents the potential liability of prize winning Lucky for Life tickets that have been sold but not yet redeemed.
- (6) The Instant Ticket Prize Reserve represents the potential liability of prize winning instant tickets that have been sold but not yet redeemed.
- (7) The Vending Machine Liability represents the amount of unliquidated vouchers remaining from vending machine ticket purchases.

### **Year to Date Comparative Statements of Income and Expenses:**

- (8) Expired Instant Prize Reserve represents the income received from winning expired instant tickets that were never redeemed.
- (9) Tri-State Operating Expense is listed as a separate line item to accurately reflect the Cost of Goods Sold.
- (10) Contractor Incentive Plan reflects a substantial reduction in Fiscal Year 2017 due to more consistent annual sales over the three year benchmark used to calculate the bonus.
- (11) RewardME Players Club experienced a substantial increase in Fiscal Year 2017 due to it being the first full year. The program only existed for eight months in Fiscal Year 2016.

**Heritage Game Income Statement:**

(12) Heritage Game instant tickets are sold through the Maine State Lottery to generate revenues that directly benefit conservation projects through the following grant categories:

- Category 1 Fisheries and wildlife habitat conservation projects
- Category 2 Acquisition and management of public lands, parks, wildlife conservation areas and public access, and outdoor recreation sites and facilities
- Category 3 Endangered and threatened species conservation projects
- Category 4 Natural resources law enforcement

**Maine Operating Expense Schedule:**

(13) Included in Personal Services for June 2017 is a ten day payroll accrual. The accrual is necessary to help more accurately reflect total salary expense for Fiscal Year 2017.

**Maine Cost of Goods Sold Schedule (excluding Heritage)**

(14) The \$25 Instant game included a promotional event and grand prize drawing that was completed in Fiscal Year 2017, but was adjusted through the monthly prize reserve resulting in a lower prize expense for year-end.

**Bureau of Alcoholic Beverages and Lottery Operations  
Spirits Operations**

**Balance Sheet**

*As of June 30,*

**ASSETS:**

	2017	2016
<b>Current Assets</b>		
Cash	\$ 5,794,208	\$ 9,248,446
Cash with Fiduciary	40,751,485	33,870,218
Accounts Receivable	4,271,582	1,963,249
Total Current Assets	<b>\$ 50,817,275</b>	<b>\$ 45,081,914</b>
<b>TOTAL ASSETS</b>	<b>\$ 50,817,275</b>	<b>\$ 45,081,914</b>

**LIABILITIES:**

Accounts Payable	\$ 7,479,266 (15)	\$ 4,860,539
Compensated Absences	31,236	17,772
Due to Other Funds	160,920,000 (16)	185,777,102
Interest Matured Payable	334,375	(4,615,966)
Accrued payroll	8,438	8,376
<b>TOTAL LIABILITIES</b>	<b>\$ 168,773,315</b>	<b>\$ 186,047,823</b>

**RESERVES:**

Retained Earnings	\$ 26,740,870	\$ 25,642,521
Unappropriated Surplus	(144,696,910)	(166,608,431)
<b>TOTAL RESERVES</b>	<b>(117,956,040)</b>	<b>(140,965,910)</b>
<b>TOTAL LIABILITIES &amp; RESERVES</b>	<b>\$ 50,817,275</b>	<b>\$ 45,081,914</b>

**Bureau of Alcoholic Beverages and Lottery Operations**  
**Spirits Operations**  
**Comparative Statements of Income and Expense**  
*For Fiscal Years ending June 30,*

		2017	2016
<b>Sales</b>			
	Gross sales	\$ 178,914,574	\$ 165,366,535
	<i>Total Sales Revenue</i>	<b>\$ 178,914,574</b>	<b>\$ 165,366,535</b>
<b>Other Revenue</b>			
	Interest earned	\$ 115,389	\$ 62,959
	Misc income	(424)	-
	Prior year adjustment	(757,240)	939
	<i>Total Other Revenue</i>	<u>\$ (642,274)</u>	<u>\$ 63,898</u>
	<b>Total Revenue</b>	<b>\$ 178,272,300</b>	<b>\$ 165,430,433</b>
<b>Spirit Expenses</b>			
	Product cost	\$ 115,964,495	\$ 105,073,292
	Bottle deposit	1,504,868	1,427,650
	Warehousing & Distribution	8,539,350	7,573,230
	Trade Marketing	3,784,750	3,500,499
	Personnel	276,665	285,497
	Advertising	1,443,814	1,280,263
	Technology	2,506	2,458
	Misc operating expenses	99,381	10,583
	Stacap	165,094	64,011
	<i>Total Spirit Expenses</i>	<u>\$ 131,780,923</u>	<u>\$ 119,217,483</u>
<b>Other Expenses</b>			
	Bond bank quarterly fees	\$ 81,301	\$ 76,254
	Interest payments due on bonds	6,631,273	6,970,652
	<i>Total Other Expenses</i>	<u>\$ 6,712,574</u>	<u>\$ 7,046,907</u>
	<b>Total Expenses</b>	<b>\$ 138,493,497</b>	<b>\$ 126,264,390</b>
<b>General Fund Transfers</b>			
	Product listing fee transfer to General Fund	\$ 33,900	\$ 33,300
	Premium tax transfer to General Fund	2,665,194	2,505,668
	Transfer to General Fund from MMBB	9,817,000 (17)	9,639,000
	<i>Total GF Transfers</i>	<u>\$ 12,516,094</u>	<u>\$ 12,177,968</u>
<b>Profit</b>	<b>Total Profit</b>	<b>\$ 27,262,709</b>	<b>\$ 26,988,075</b>
<b>Other Transfers</b>			
	Transfer to MMBB	\$ 16,639,000	\$ 15,614,804
	<b>Total Other Transfers</b>	<u><b>\$ 16,639,000</b></u>	<u><b>\$ 15,614,804</b></u>

## Spirits Operations Footnotes

### **Balance Sheet:**

(15) Accounts Payable represents invoices that have been processed and for which payment is due, that will not be disbursed until July.

(16) Due to Other Funds reflects the amount outstanding for the Bonds with Maine Municipal Bond Bank.

### **Income Statement:**

(17) Amount transferred back from Maine Municipal Bond Bank to the General Fund.