

State of Maine



Department of Administrative and Financial Services

Bureau of Alcoholic Beverages and Lottery Operations

Financial Statements
Fiscal Year Ending June 30, 2018



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

ALEXANDER E. PORTEOUS
COMMISSIONER

September 17, 2018

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 ended June 30, 2018. 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. Please advise if there are other schedules you wish included in the next annual report.

Sincerely,

Janre Mullins
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 \$5.8 billion in sales revenues, over \$3.5 billion in prize money and over \$398 million in commissions and bonuses to our network of lottery retail agents. Over \$1.42 billion has been transferred to the State's General Fund to support programs and services across Maine. In FY18 for the fourth consecutive year, the Maine Lottery achieved a record transfer to the General Fund. In addition, the Maine Lottery achieved records in total sales, commissions to lottery retail agents and prize money. In FY18, the transfer to Maine's Outdoor Heritage Fund was over \$722,000; the largest transfer since 2009. Since the Heritage Fund's inception in 1996, the Lottery has transferred over \$20.6 million to provide funds to support the projects of the Fund.

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



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 fourth consecutive year in FY18, Maine's spirits business achieved record sales of \$178,965,000, a 6.13% growth rate, which delivered an operating profit of \$52.7 million. Operating profit grew over 10% compared to FY17. Spirits case sales grew 2.62% on top of growth of 5.07% in FY17.

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.

For the last 3 years, 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 in an orderly and responsible path to market while satisfying the Bureau's legislative mandate.

www.MaineSpirits.com

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

For Fiscal Years 2004 - 2018

Fiscal Year	Liquor Sales	Lottery Sales	Heritage Sales	Total Sales
2018	\$ 187,115,708	\$ 291,591,666	\$ 2,542,027	\$ 481,249,401
2017	\$ 178,914,574	\$ 264,405,447	\$ 1,542,308	\$ 444,862,329
2016	\$ 165,366,535	\$ 270,047,651	\$ 2,291,833	\$ 437,706,018
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

Fiscal Year	Liquor Transfer	Lottery Transfer	Heritage Transfer	Total Transferred
2018	\$ - *	\$ 62,307,123	\$ 722,863	\$ 63,029,985
2017	\$ 9,817,000 *	\$ 58,219,690	\$ 441,357	\$ 68,478,047
2016	\$ 9,639,000 *	\$ 56,972,851	\$ 603,833	\$ 67,215,684
2015	\$ 9,714,884 *	\$ 54,002,444	\$ 647,458	\$ 64,364,786
2014	\$ 12,298,432 **	\$ 51,845,477	\$ 574,142	\$ 64,718,051
2013	\$ 10,979,738 **	\$ 52,908,602	\$ 593,629	\$ 64,481,969
2012	\$ 10,254,968 **	\$ 53,785,567	\$ 530,622	\$ 64,571,157
2011	\$ 9,405,382 **	\$ 49,547,800	\$ 645,824	\$ 59,599,007
2010	\$ 8,823,077 **	\$ 52,201,531	\$ 669,789	\$ 61,694,397
2009	\$ 8,217,940 **	\$ 49,839,434	\$ 734,120	\$ 58,791,494
2008	\$ 7,513,763 **	\$ 49,491,086	\$ 811,844	\$ 57,816,693
2007	\$ 6,356,499 **	\$ 50,624,742	\$ 810,598	\$ 57,791,839
2006	\$ 4,443,800 **	\$ 50,879,647	\$ 908,065	\$ 56,231,512
2005	\$ 51,536,907 ***	\$ 49,328,103	\$ 800,309	\$ 101,665,319
2004	\$ 103,957,966 ***	\$ 41,752,637	\$ 774,917	\$ 146,485,520

*This amount is only the transfer back from the MMBB designated for the General Fund, which ended in FY2017.

**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.

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Balance Sheet
As of June 30,**

	2018	2017
Assets		
Current Assets		
Cash	\$ -	\$ -
Petty Cash - Imprest Fund	750,400	750,200
Accounts Receivable	31,793,629	29,061,512
Reserve for Doubtful Accounts	(148,018)	(130,443)
Prepaid Expense	307,598	227,510
Total Current Assets	\$ 32,703,608	\$ 29,908,779
Fixed Assets		
Equipment	\$ 44,202	\$ 44,202
Less: Reserve for Depreciation	(44,202)	(44,202)
Total Fixed Assets	\$ -	\$ (0)
Total Assets	\$ 32,703,608	\$ 29,908,779
Liabilities		
Accounts Payable	\$ 1,804,002	\$ 1,085,448
Accrued Payroll	(12,453) (1)	(10,033)
Accrued Subscriptions	137,640	130,223
Accrued Vacation Liability	109,200	104,687
Due to Other Funds	8,826,778 (2)	10,415,097
Total Liabilities	\$ 10,865,167	\$ 11,725,422
Reserves:		
MUSL Prize Reserve	\$ 2,939,717 (3)	\$ 2,292,988
Prize Reserve - Lucky for Life	1,180,868 (4)	1,538,006
Expired Reserve - Lucky for Life	124,819 (5)	102,928
Instant Ticket Prize Reserve	17,481,990 (6)	14,185,824
Vending Machine Voucher Liability	111,047 (7)	63,611
Total Reserves	\$ 21,838,441	\$ 18,183,357
Total Liabilities and Reserves	\$ 32,703,608	\$ 29,908,779

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations**

**Comparative Statements of Income and Expense
For Fiscal Years ending: June 30,**

	FY 2018	% of Sales	FY 2017	% of Sales	% Change FY 2017 to FY 2018
SALES					
Instant Tickets					
\$1 Instant	\$ 9,641,803	3.28%	\$ 11,487,353	4.32%	(16.07%)
Heritage Fund	2,542,027	0.86%	1,542,308	0.58%	64.82%
\$2 Instant	29,089,222	9.89%	27,775,962	10.44%	4.73%
\$3 Instant	24,578,370	8.36%	27,221,316	10.24%	(9.71%)
\$5 Instant	67,000,650	22.78%	58,870,610	22.14%	13.81%
\$10 Instant	40,834,480	13.88%	38,750,950	14.57%	5.38%
\$20 Instant	21,618,240	7.35%	20,342,080	7.65%	6.27%
\$25 Instant	28,219,725	9.59%	22,029,775	8.28%	28.10%
Total Instant	\$ 223,524,517	75.99%	\$ 208,020,354	78.22%	7.45%
Draw Games					
Pick 3	\$ 5,731,155	1.95%	\$ 5,274,380	1.98%	8.66%
Pick 4	4,457,041	1.52%	4,290,629	1.61%	3.88%
Megabucks	12,391,506	4.21%	10,930,566	4.11%	13.37%
Powerball	24,372,974	8.29%	20,751,794	7.80%	17.45%
Hot Lotto	941,411	0.32%	1,760,187	0.66%	(46.52%)
Lucky for Life	3,780,748	1.29%	3,921,681	1.47%	(3.59%)
Lotto America 2018	1,305,975	0.44%	-	0.00%	N/A
Gimme 5	1,130,725	0.38%	1,195,105	0.45%	(5.39%)
Mega Millions	8,856,271	3.01%	6,042,526	2.27%	46.57%
World Poker Tour	1,567,673	0.53%	3,760,533	1.41%	(58.31%)
Total Draw	\$ 64,535,479	21.94%	\$ 57,927,401	21.78%	11.41%
Other					
\$1 Fast Play	\$ 779,765	0.27%	\$ -	0.00%	N/A
\$2 Fast Play	1,917,872	0.65%	-	0.00%	N/A
\$5 Fast Play	3,376,060	1.15%	-	0.00%	N/A
Total Other	\$ 6,073,697	2.06%	\$ -	0.00%	N/A
Total Ticket Sales	\$ 294,133,693	100.00%	\$ 265,947,755	100.00%	10.60%
OTHER INCOME					
Distribution Expenses paid by IF&W	\$ 63,551	0.02%	\$ 38,558	0.01%	64.82%
Expired Instant Prize Reserve	2,304,071	(8) 0.78%	2,034,659	0.69%	13.24%
Expired Instant Prize Reserve - Heritage	91,336	(8) 0.03%	57,311	0.02%	59.37%
Interest Income - Tri State	1,514,101	0.51%	1,783,576	0.61%	(15.11%)
Misc Income	93,926	0.03%	(12,558)	(0.00%)	(847.97%)
Total Other Income	\$ 4,066,985	1.38%	\$ 3,901,547	1.33%	4.24%
Total Receipts	\$ 298,200,678		\$ 269,849,301		10.51%
EXPENSES					
Cost of Goods Sold	\$ 222,305,390	75.58%	\$ 199,445,376	74.99%	11.46%
Maine Operating Expenses	3,850,564	1.31%	4,156,434	1.56%	(7.36%)
Tri-State Operating Expenses	3,648,423	(9) 1.24%	2,656,995	1.00%	37.31%
Heritage Game Expenses	1,910,500	0.65%	1,158,262	0.44%	64.95%
Contractor Incentive Plan	777,917	(10) 0.26%	1,145,772	0.43%	(32.11%)
RewardME Lottery Club	2,677,897	0.91%	2,625,415	0.99%	2.00%
Total Expenses	\$ 235,170,692	79.95%	\$ 211,188,254	79.41%	11.36%
Transfer to General Fund	\$ 62,307,123	21.18%	\$ 58,219,690	21.89%	7.02%
Transfer to Fish & Wildlife	722,863	0.25%	441,357	0.17%	63.78%
Total Transfer	\$ 63,029,986	21.43%	\$ 58,661,047	22.06%	7.45%
Changes from FY 2017 to FY 2018					
Sales					
	Dollars	Percent			
Instant	\$ 15,504,163	7.45%			
Draw	6,608,079	11.41%			
Other	6,073,697	N/A			
Total	\$ 28,185,939	10.60%			
Cost of Goods Sold	\$ 22,544,642	11.09%			
Maine Operating Expenses	\$ (305,870)	(7.36%)			

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

	FY 2018	FY 2017
SALES		
Game 280 - Moose Moolah	\$ -	\$ (2,931)
Game 308 - Maine-Ah Money	216,264	629,405
Game 346 - Stinkin' Rich	53,980	915,834
Game 347 - Big Bucks	1,306,140	-
Game 394 - Lucky Catch	965,643	-
Total Sales	\$ 2,542,027	(11) \$ 1,542,308
OTHER INCOME		
Expired Prize Reserve	\$ 91,336	\$ 57,311
Total Other Income	\$ 91,336	\$ 57,311
Total Income	\$ 2,633,363	\$ 1,599,619
EXPENSES		
Game 280 - Moose Moolah	\$ -	\$ (1,805)
Game 308 - Maine-Ah Money	132,051	384,315
Game 346 - Stinkin' Rich	32,950	559,025
Game 347 - Big Bucks	798,836	-
Game 394 - Lucky Catch	589,525	-
Vendor Fees	89,505	54,305
Agent Commission	203,362	123,385
Agent Bonus	720	480
Distribution Expenses	63,551	38,558
Total Expenses	\$ 1,910,500	\$ 1,158,262
Inland Fish & Wildlife Profit	\$ 722,863	\$ 441,357

Agent Commissions (currently 8%) are the difference between the retail-selling price of tickets and the agent's cost.

Agent Bonus reflects the 1% bonus given to agents who sell winning prizes of \$1,000 or more, excluding the Megabucks game.

Vendor Fees are the contractual payments made to Scientific Games for instant ticket games and draw games that utilize computer systems and technology. Fees are 4.75% of sales.

Distribution Expenses are the overhead costs incurred by Lottery for distribution of Heritage Game instant tickets. This includes mail, vending machine rental and personnel costs.

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Maine Operating Expense Schedule
For Fiscal Years ending: June 30,**

	FY 2018	FY 2017	% Change FY 2017 to FY 2018
Lottery Administration			
Personal Services	\$ 1,657,542 (12)	\$ 1,666,547	(0.54%)
State Services	292,867	211,479	38.48%
Non-State Services	189	97	93.78%
Travel Expenses	3,435	4,661	(26.31%)
Rents	103,262	126,813	(18.57%)
Office Supplies	19,254	17,981	7.08%
Misc Administrative Expense	207,078	162,979	27.06%
Portion paid by IFW	(37,690)	(20,321)	85.47%
<i>Total Administrative</i>	\$ 2,245,937	\$ 2,170,237	3.49%
Lottery Operations			
General Operations	\$ 124,689	\$ 116,282	7.23%
Other Instant Expense	307,546	573,548	(46.38%)
Other Draw Expense	55,008	84,744	(35.09%)
Customer Service	32,500	35,980	(9.67%)
Portion paid by IFW	(8,578)	(7,519)	14.08%
<i>Total Operational</i>	\$ 511,165	\$ 803,035	(36.35%)
Advertising Charges			
Ad Agency Fees	\$ 294,841	\$ 294,841	(0.00%)
TV/Radio Production	10,910	81,240	(86.57%)
TV/Radio Media	644,123	700,607	(8.06%)
Promotional Material	66,304	21,743	204.95%
StaCap	31,016	56,891	(45.48%)
Portion paid by IFW	(17,283)	(10,717)	61.26%
<i>Total Advertising</i>	\$ 1,029,911	\$ 1,144,605	(10.02%)
Subtotal	\$ 3,787,013	\$ 4,117,876	(8.03%)
Plus: IF&W Reimbursement	63,551	38,558	64.82%
Total Maine Operating Expenses	\$ 3,850,564	\$ 4,156,434	(7.36%)
Total Sales Including Heritage	\$ 294,133,693	\$ 265,947,755	10.60%
Total Operating Expense as % of Sales	1.31%	1.56%	

Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Cost of Goods Sold Schedule (excluding Heritage)
For Fiscal Years ending: June 30,

	FY 2018	% of Sales	FY 2017	% of Sales	% Change FY 2017 to FY 2018
Prize Expense					
\$1 Instant	\$ 5,930,701	61.51%	\$ 7,043,150	61.31%	(15.79%)
\$2 Instant	19,221,499	66.08%	18,446,763	66.41%	4.20%
\$3 Instant	16,284,972	66.26%	18,047,103	66.30%	(9.76%)
\$5 Instant	46,548,357	69.47%	40,400,196	68.63%	15.22%
\$10 Instant	29,879,271	73.17%	28,075,434	72.45%	6.42%
\$20 Instant	16,144,079	74.68%	15,197,970	74.71%	6.23%
\$25 Instant	21,664,283	76.77%	14,894,371 (13)	67.61%	45.45%
Pick 3	2,864,445	49.98%	2,636,397	49.98%	8.65%
Pick 4	2,209,195	49.57%	2,147,535	50.05%	2.87%
Megabucks	6,075,080	49.03%	5,445,686	49.82%	11.56%
Powerball	12,169,104	49.93%	10,365,313	49.95%	17.40%
Hot Lotto	471,720	50.11%	878,175	49.89%	(46.28%)
Lucky for Life	2,247,027	59.43%	2,311,982	58.95%	(2.81%)
Lotto America 2018	651,679	49.90%	-	N/A	N/A
Gimme 5	599,319	53.00%	626,413	52.41%	(4.33%)
Mega Millions	4,605,483	52.00%	3,057,590	50.60%	50.62%
World Poker Tour	891,584	56.87%	2,192,180	58.29%	(59.33%)
\$1 Fast Play	473,282	60.70%	-	N/A	N/A
\$2 Fast Play	1,269,888	66.21%	-	N/A	N/A
\$5 Fast Play	2,334,570	69.15%	-	N/A	N/A
Total Prize Expense	\$ 192,535,536	66.03%	\$ 171,766,258	64.96%	12.09%
Vendor Fees					
\$1 Instant	\$ 340,049	3.53%	\$ 404,470	3.52%	(15.93%)
\$2 Instant	1,024,232	3.52%	977,992	3.52%	4.73%
\$3 Instant	865,404	3.52%	958,463	3.52%	(9.71%)
\$5 Instant	2,359,093	3.52%	2,072,834	3.52%	13.81%
\$10 Instant	1,437,782	3.52%	1,364,421	3.52%	5.38%
\$20 Instant	761,178	3.52%	716,245	3.52%	6.27%
\$25 Instant	993,617	3.52%	775,668	3.52%	28.10%
Pick 3	201,808	3.52%	185,725	3.52%	8.66%
Pick 4	156,944	3.52%	151,082	3.52%	3.88%
Megabucks	436,306	3.52%	384,871	3.52%	13.36%
Powerball	858,172	3.52%	730,671	3.52%	17.45%
Hot Lotto	33,147	3.52%	61,976	3.52%	(46.52%)
Lucky for Life	133,120	3.52%	138,082	3.52%	(3.59%)
Lotto America 2018	45,983	3.52%	-	N/A	N/A
Gimme 5	39,815	3.52%	42,081	3.52%	(5.38%)
Mega Millions	311,829	3.52%	212,757	3.52%	46.57%
World Poker Tour	55,198	3.52%	132,408	3.52%	(58.31%)
\$1 Fast Play	27,457	3.52%	-	N/A	N/A
\$2 Fast Play	67,534	3.52%	-	N/A	N/A
\$5 Fast Play	118,881	3.52%	-	N/A	N/A
Total Vendor Fees	\$ 10,267,551	3.52%	\$ 9,309,746	3.52%	10.29%
Agent Commissions and Bonuses					
\$1 Instant	\$ 677,939	7.03%	\$ 803,394	6.99%	(15.62%)
\$2 Instant	2,057,780	7.07%	1,961,497	7.06%	4.91%
\$3 Instant	1,734,863	7.06%	1,920,717	7.06%	(9.68%)
\$5 Instant	4,762,513	7.11%	4,191,446	7.12%	13.62%
\$10 Instant	2,898,624	7.10%	2,764,247	7.13%	4.86%
\$20 Instant	1,556,337	7.20%	1,471,956	7.24%	5.73%
\$25 Instant	2,001,631	7.09%	1,573,814	7.14%	27.18%
Pick 3	286,935	5.01%	264,173	5.01%	8.62%
Pick 4	234,443	5.26%	223,262	5.20%	5.01%
Megabucks	609,621	4.92%	537,091	4.91%	13.50%
Powerball	1,229,564	5.04%	1,069,590	5.15%	14.96%
Hot Lotto	46,946	4.99%	87,369	4.96%	(46.27%)
Lucky for Life	199,069	5.27%	201,575	5.14%	(1.24%)
Lotto America 2018	65,295	5.00%	-	N/A	N/A
Gimme 5	56,532	5.00%	59,749	5.00%	(5.38%)
Mega Millions	441,511	4.99%	310,379	5.14%	42.25%
World Poker Tour	79,502	5.07%	189,098	0.07%	(57.96%)
\$1 Fast Play	38,971	5.00%	-	0.00%	N/A
\$2 Fast Play	96,913	5.05%	-	0.00%	N/A
\$5 Fast Play	173,007	5.12%	-	0.00%	N/A
Total Commissions and Bonuses	\$ 19,247,995	6.60%	\$ 17,629,356	6.67%	9.18%
Other Expenses					
Royalty Fees	\$ 244,230	0.08%	\$ 693,652	0.24%	(64.79%)
Contractor Incentive Plan	777,917	0.27%	1,145,772	0.39%	
RewardME Lottery Club	2,677,897	0.92%	2,625,415	0.90%	
Postage	10,078	0.00%	10,215	0.00%	(1.34%)
Rental of Equipment	-	0.00%	36,149	0.01%	(100.00%)
Total Other Expenses	\$ 3,710,123	1.27%	\$ 4,511,203	1.55%	(17.76%)
Total Cost of Goods Sold	\$ 225,761,205	77.42%	\$ 203,216,563	76.86%	11.09%
Total Sales (excluding Heritage)	\$ 291,591,666		\$ 264,405,447		
Cost of Goods Sold as % of Sales (excluding Heritage)	77.42%		76.86%		

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

FY 2018

	Megabucks	Pick 3	Pick 4	Powerball	Hot Lotto	Lucky for Life	Lotto America 2018	Gimme 5	World Poker Tour	Mega Millions	Total Draw
Sales	\$ 12,391,506	\$ 5,731,155	\$ 4,457,041	\$ 24,372,974	\$ 941,411	\$ 3,780,748	\$ 1,305,975	\$ 1,130,725	\$ 1,567,673	\$ 8,856,271	\$ 64,535,479
Prize Expense	\$ 6,075,080	\$ 2,864,445	\$ 2,209,195	\$ 12,169,104	\$ 471,720	\$ 2,247,027	\$ 651,679	\$ 599,319	\$ 891,584	\$ 4,605,483	\$ 32,784,634
Vendor Fees	436,306	201,808	156,944	858,172	33,147	133,120	45,983	39,815	55,198	311,829	2,272,324
Agent Commission	609,621	286,935	234,443	1,229,564	46,946	199,069	65,295	56,532	79,502	441,511	3,249,418
Total COGS	\$ 7,121,007	\$ 3,353,188	\$ 2,600,581	\$ 14,256,840	\$ 551,813	\$ 2,579,216	\$ 762,957	\$ 695,667	\$ 1,026,284	\$ 5,358,823	\$ 38,306,376
Gross Profit on Sales	\$ 5,270,499	\$ 2,377,967	\$ 1,856,460	\$ 10,116,134	\$ 389,598	\$ 1,201,532	\$ 543,018	\$ 435,058	\$ 541,389	\$ 3,497,448	\$ 26,229,103
Gross Profit as a % of Sales	42.53%	41.49%	41.65%	41.51%	41.38%	31.78%	41.58%	38.48%	34.53%	39.49%	40.64%

FY 2017

	Megabucks	Pick 3	Pick 4	Powerball	Hot Lotto	Lucky for Life	Lotto America 2018	Gimme 5	World Poker Tour	Mega Millions	Total Draw
Sales	\$ 10,930,566	\$ 5,274,380	\$ 4,290,629	\$ 20,751,794	\$ 1,760,187	\$ 3,921,681	\$ -	\$ 1,195,105	\$ 3,760,533	\$ 6,042,526	\$ 57,927,401
Prize Expense	\$ 5,445,686	\$ 2,636,397	\$ 2,147,535	\$ 10,365,313	\$ 878,175	\$ 2,311,982	\$ -	\$ 626,413	\$ 2,192,180	\$ 3,057,590	\$ 29,661,271
Vendor Fees	384,871	185,725	151,082	730,671	61,976	138,082	-	42,081	132,408	212,757	2,039,654
Agent Commission	537,091	264,173	223,262	1,069,590	87,369	201,575	-	59,749	189,098	310,379	2,942,285
Total COGS	\$ 6,367,648	\$ 3,086,294	\$ 2,521,880	\$ 12,165,573	\$ 1,027,520	\$ 2,651,639	\$ -	\$ 728,243	\$ 2,513,686	\$ 3,580,727	\$ 34,643,210
Gross Profit on Sales	\$ 4,562,918	\$ 2,188,085	\$ 1,768,749	\$ 8,586,221	\$ 732,667	\$ 1,270,042	\$ -	\$ 466,862	\$ 1,246,847	\$ 2,461,799	\$ 23,284,191
Gross Profit as a % of Sales	41.74%	41.49%	41.22%	41.38%	41.62%	32.39%	N/A	39.06%	33.16%	40.74%	40.20%

Percentage Change FY 2017 to FY 2018

	Megabucks	Pick 3	Pick 4	Powerball	Hot Lotto	Lucky for Life	Lotto America 2018	Gimme 5	World Poker Tour	Mega Millions	Total Draw
Sales	13.37%	8.66%	3.88%	17.45%	(46.52%)	(3.59%)	N/A	(5.39%)	(58.31%)	46.57%	11.41%
COGS	11.83%	8.65%	3.12%	17.19%	(46.30%)	(2.73%)	N/A	(4.47%)	(59.17%)	49.66%	10.57%
Gross Profit	15.51%	8.68%	4.96%	17.82%	(46.82%)	(5.39%)	N/A	(6.81%)	(56.58%)	42.07%	12.65%

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

FY 2018									
		\$1 Instant	\$2 Instant	\$3 Instant	\$5 Instant	\$10 Instant	\$20 Instant	\$25 Instant	Total Instant
Sales	\$	9,641,803	29,089,222	24,578,370	67,000,650	40,834,480	21,618,240	28,219,725	220,982,490
Prize Expense	\$	5,930,701	19,221,499	16,284,972	46,548,357	29,879,271	16,144,079	21,664,283	155,673,161
Vendor Fees		340,049	1,024,232	865,404	2,359,093	1,437,782	761,178	993,617	7,781,354
Agent Commission		677,939	2,057,780	1,734,863	4,762,513	2,898,624	1,556,337	2,001,631	15,689,686
Royalty Fees/StaCap		-	25,015	-	219,215	-	-	-	244,230
Postage/Rental of Equipment		440	1,327	1,121	3,055	1,862	986	1,287	10,078
Total COGS	\$	6,949,129	22,329,853	18,886,360	53,892,233	34,217,538	18,462,580	24,660,817	179,398,510
Gross Profit on Sales	\$	2,692,674	6,759,369	5,692,010	13,108,417	6,616,942	3,155,660	3,558,908	41,583,980
Gross Profit as a % of Sales		27.93%	23.24%	23.16%	19.56%	16.20%	14.60%	12.61%	18.82%

FY 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 Commission		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/StaCap		-	-	31,410	308,885	353,358	-	-	693,652
Postage/Rental of Equipment		2,579	6,237	6,112	13,219	8,701	4,568	4,947	46,364
Total COGS	\$	8,253,593	21,392,489	20,963,805	46,986,581	32,566,161	17,390,738	17,248,800	164,802,166
Gross Profit on Sales	\$	3,233,760	6,383,473	6,257,511	11,884,029	6,184,789	2,951,342	4,780,975	41,675,880
Gross Profit as a % of Sales		28.15%	22.98%	22.99%	20.19%	15.96%	14.51%	21.70%	20.18%

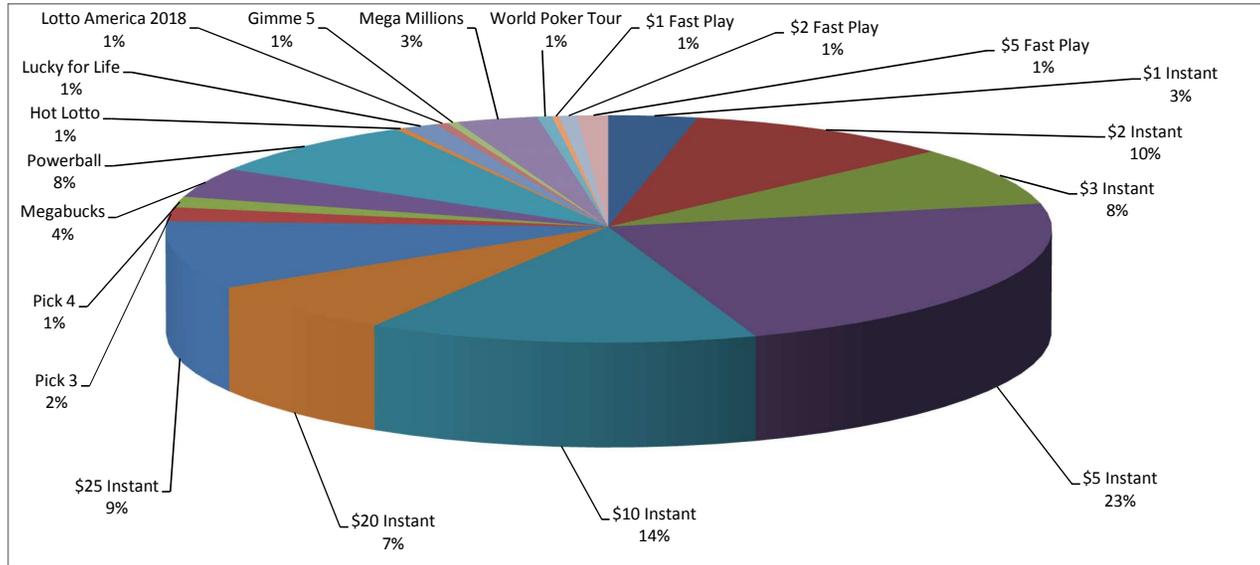
Percentage Change FY 2017 to FY 2018

		\$1 Instant	\$2 Instant	\$3 Instant	\$5 Instant	\$10 Instant	\$20 Instant	\$25 Instant	Total Instant
Sales		(16.07%)	4.73%	(9.71%)	13.81%	5.38%	6.27%	28.10%	7.02%
COGS		(15.80%)	4.38%	(9.91%)	14.70%	5.07%	6.16%	42.97%	8.86%
Gross Profit		(16.73%)	5.89%	(9.04%)	10.30%	6.99%	6.92%	(25.56%)	(0.22%)

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Cost of Goods Sold - Fast Play Games
For Fiscal Years ending: June 30,**

FY 2018				
	\$1 Fast Play	\$2 Fast Play	\$5 Fast Play	Total Fast Play
Sales	\$ 779,765	\$ 1,917,872	\$ 3,376,060	\$ 6,073,697
Prize Expense	\$ 473,282	\$ 1,269,888	\$ 2,334,570	\$ 4,077,740
Vendor Fees	27,457	67,534	118,881	213,873
Agent Commission	<u>38,971</u>	<u>96,913</u>	<u>173,007</u>	<u>308,891</u>
Total COGS	<u>\$ 539,711</u>	<u>\$ 1,434,336</u>	<u>\$ 2,626,458</u>	<u>\$ 4,600,504</u>
Gross Profit on Sales	<u>\$ 240,054</u>	<u>\$ 483,536</u>	<u>\$ 749,602</u>	<u>\$ 1,473,193</u>
Gross Profit as a % of Sales	30.79%	25.21%	22.20%	24.26%
FY 2017				
	\$1 Fast Play	\$2 Fast Play	\$5 Fast Play	Total Fast Play
Sales	\$ -	\$ -	\$ -	\$ -
Prize Expense	\$ -	\$ -	\$ -	\$ -
Vendor Fees	-	-	-	-
Agent Commission	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total COGS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Gross Profit on Sales	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Gross Profit as a % of Sales	N/A	N/A	N/A	N/A

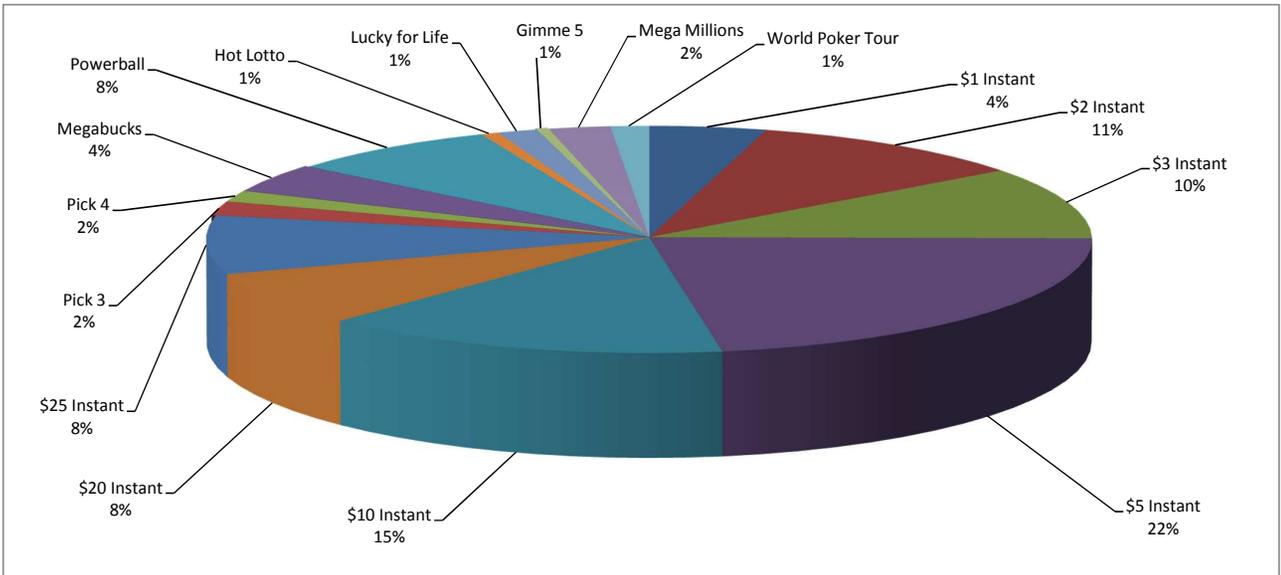
**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Comparative Sales Analysis
For FY 2018 and FY 2017**



FY 2018

\$1 Instant	\$ 9,641,803
\$2 Instant	29,089,222
\$3 Instant	24,578,370
\$5 Instant	67,000,650
\$10 Instant	40,834,480
\$20 Instant	21,618,240
\$25 Instant	28,219,725
Pick 3	5,731,155
Pick 4	4,457,041
Mega bucks	12,391,506
Powerball	24,372,974
Hot Lotto	941,411
Lucky for Life	3,780,748
Lotto America 2018	1,305,975
Gimme 5	1,130,725
Mega Millions	8,856,271
World Poker Tour	1,567,673
\$1 Fast Play	779,765
\$2 Fast Play	1,917,872
\$5 Fast Play	3,376,060
	<u>\$ 291,591,666</u>

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Comparative Sales Analysis**

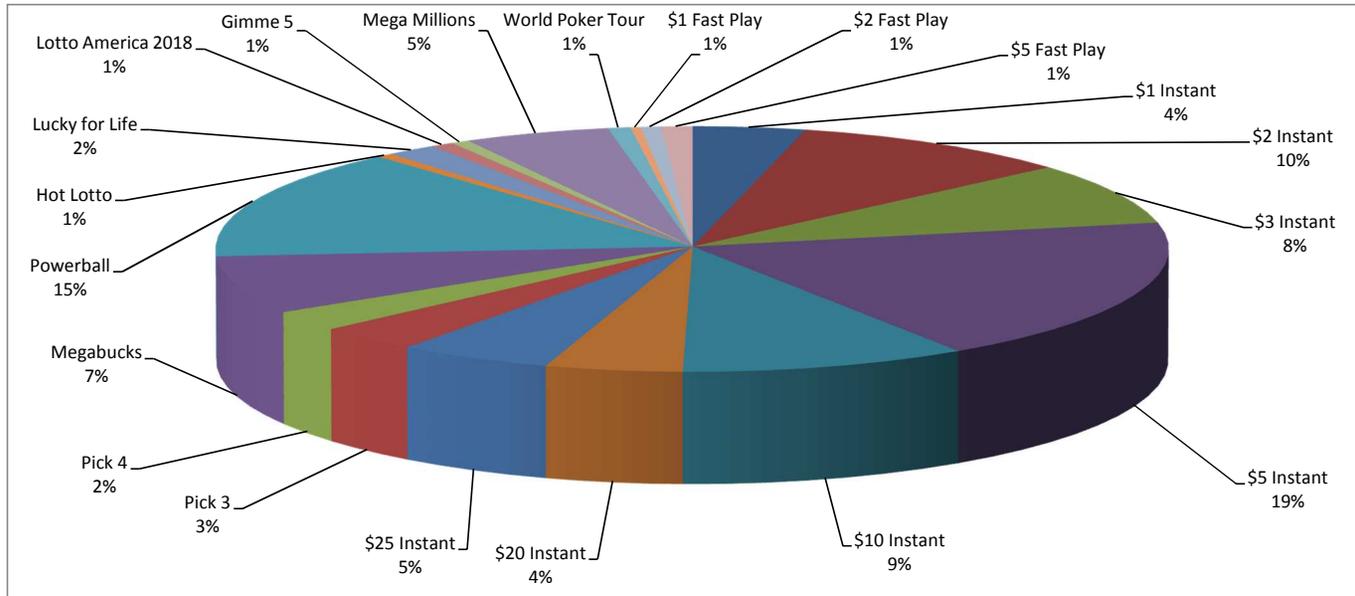


FY 2017

\$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
Hot Lotto	1,760,187
Lucky for Life	3,921,681
Lotto America 2018	-
Gimme 5	1,195,105
Mega Millions	6,042,526
World Poker Tour	3,760,533
\$1 Fast Play	-
\$2 Fast Play	-
\$5 Fast Play	-
Total	<u>\$ 264,405,447</u>

*Excludes the Outdoor Heritage Game and Promotional Sales

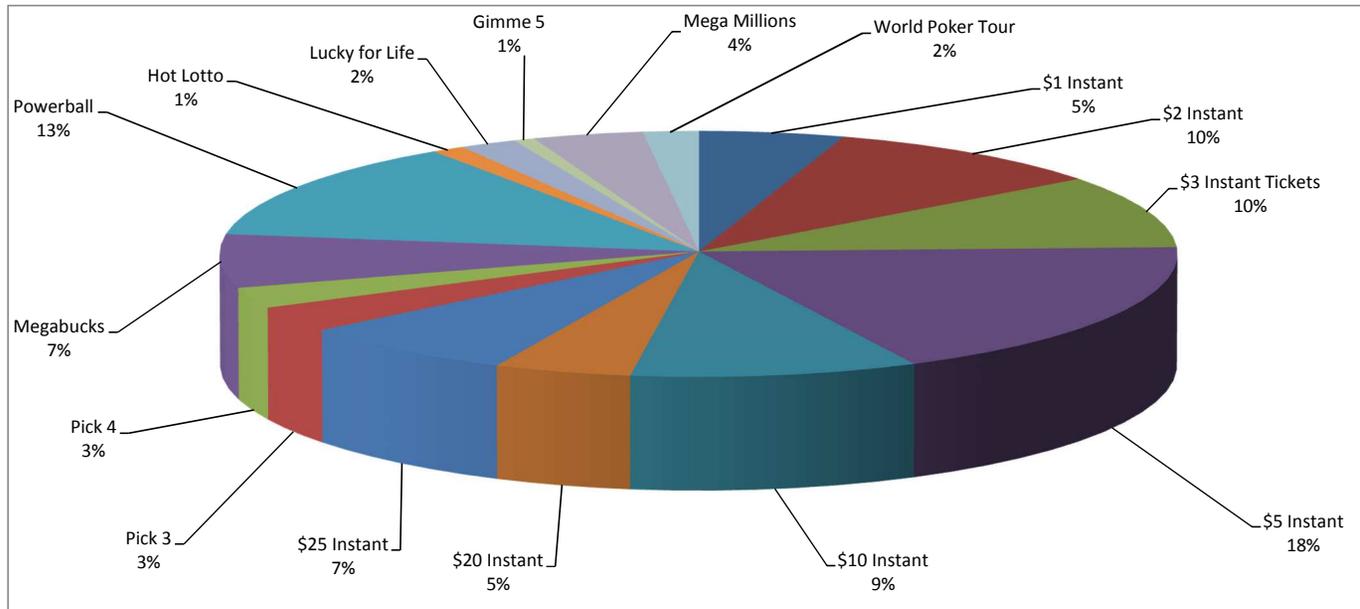
**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Gross Profit Comparison
For FY 2018 and FY 2017**



FY 2018

\$1 Instant	\$ 2,692,674
\$2 Instant	6,759,369
\$3 Instant	5,692,010
\$5 Instant	13,108,417
\$10 Instant	6,616,942
\$20 Instant	3,155,660
\$25 Instant	3,558,908
Pick 3	2,377,967
Pick 4	1,856,460
Megabucks	5,270,499
Powerball	10,116,134
Hot Lotto	389,598
Lucky for Life	1,201,532
Lotto America 2018	543,018
Gimme 5	435,058
Mega Millions	3,497,448
World Poker Tour	541,389
\$1 Fast Play	240,054
\$2 Fast Play	483,536
\$5 Fast Play	749,602
	<u>\$ 69,286,276</u>

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Lottery Operations
Gross Profit Comparison**



FY 2017

\$1 Instant	\$ 3,233,760
\$2 Instant	6,383,473
\$3 Instant	6,257,511
\$5 Instant	11,884,029
\$10 Instant	6,184,789
\$20 Instant	2,951,342
\$25 Instant	4,780,975
Pick 3	2,188,085
Pick 4	1,768,749
Megabucks	4,562,918
Powerball	8,586,221
Hot Lotto	732,667
Lucky for Life	1,270,042
Lotto America 2018	-
Gimme 5	466,862
Mega Millions	2,461,799
World Poker Tour	1,246,847
\$1 Fast Play	-
\$2 Fast Play	-
\$5 Fast Play	-

\$ 64,960,071

*Excludes the Outdoor Heritage Game and Promotional Sales

Lottery Operations Notes

Balance Sheet:

- (1) Accrued Payroll is necessary to accurately reflect total salary expense for Fiscal Year 2018 and represents ten days for June 2018. The correct amount is \$65,710; which is the liability that should be reflected on the balance sheet. Due to insufficient allotment, the correct amount was not recorded for FY18. This reduced the accrual in the amount of \$12,453.18; which carried and will be corrected in the September 2018 financials.
- (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 sold but not yet redeemed.
- (4) Lucky for Life Prize Reserve represents the potential liability of prize winning Lucky for Life tickets sold but not yet redeemed.
- (5) Lucky for Life Expired Prize Reserve represents liability of prize winning Lucky for Life tickets sold but not yet redeemed and will be awarded as other prizes.
- (6) The Instant Ticket Prize Reserve represents the potential liability of prize winning instant tickets sold but not yet redeemed.
- (7) The Vending Machine Voucher 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 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 2018 due to more consistent annual sales over the three year benchmark used to calculate the bonus.

Heritage Game Income Statement:

(11) 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:

(12) Included in Personal Services for June 2018 is a ten day payroll accrual. The accrual is necessary to help more accurately reflect total salary expense for Fiscal Year 2018.

Maine Cost of Goods Sold Schedule (excluding Heritage):

(13) The \$25 Instant game included a promotional event and grand prize drawing in Fiscal Year 2017 that was completed in Fiscal Year 2018, but was adjusted through the monthly prize reserve resulting in a lower prize expense for year-end.

**Department of Administrative and Financial Services
Bureau of Alcoholic Beverages and Lottery Operations
Spirits Operations
Balance Sheet
As of June 30,**

ASSETS:

	2018	2017
Current Assets		
Cash	\$ 10,021,998	\$ 5,794,208
Cash with Fiduciary	59,004,041	40,751,485
Accounts Receivable	2,435,675	4,271,582
Total Current Assets	<u>\$ 71,461,713</u>	<u>\$ 50,817,275</u>
TOTAL ASSETS	<u><u>\$ 71,461,713</u></u>	<u><u>\$ 50,817,275</u></u>

LIABILITIES:

Accounts Payable	\$ 6,592,621 (14)	\$ 7,479,266
Compensated Absences	35,115	31,236
Due to Other Funds	140,225,000 (15)	160,920,000
Vouchers Payable	-	-
Interest Matured Payable	2,921,375	334,375
Accrued payroll	- (16)	8,438
TOTAL LIABILITIES	<u>\$ 149,774,112</u>	<u>\$ 168,773,315</u>

RESERVES:

Retained Earnings	\$ 43,422,708	\$ 26,740,869
Unappropriated Surplus	(121,735,106)	(144,696,910)
TOTAL RESERVES	<u>\$ (78,312,398)</u>	<u>\$ (117,956,040)</u>
TOTAL LIABILITIES & RESERVES	<u><u>\$ 71,461,713</u></u>	<u><u>\$ 50,817,275</u></u>

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

	FY 2018	FY 2017	% of Sales	% Change FY 2017 to FY 2018	
Sales					
Spirit Sales	\$ 187,115,708 (17)	\$ 178,914,574	100.00%	4.58%	
<i>Total Spirit Sales</i>	\$ 187,115,708	\$ 178,914,574			
Other Revenue					
Interest earned	\$ 435,968	\$ 115,389	0.23%	277.82%	
Misc income	-	(424)	0.00%	(100.00%)	
Prior year adjustment	(158)	(757,240)	0.00%	(99.98%)	
<i>Total Other Revenue</i>	\$ 435,810	\$ (642,274)	0.23%	(167.85%)	
Total Revenue	\$ 187,551,519	\$ 178,272,300			
Spirit Expenses					
Product cost	\$ 119,721,862	\$ 115,964,495	63.98%	3.24%	
Bottle deposit	1,575,990	1,504,868	0.84%	4.73%	
Warehousing & Distribution	8,867,159	8,539,350	4.74%	3.84%	
Trade Marketing	3,942,903	3,784,750	2.11%	4.18%	
Personnel	237,511	276,665	0.13%	(14.15%)	
Advertising	1,082,361	1,443,814	0.58%	(25.03%)	
Technology	7,117	2,506	0.00%	183.99%	
Misc operating expenses	111,906	99,381	0.06%	12.60%	
Stacap	60,847	165,094	0.03%	(63.14%)	
<i>Total Spirit Expenses</i>	\$ 135,607,656	\$ 131,780,923	72.47%	2.90%	
Other Expenses					
Bond bank quarterly fees	\$ 81,930	\$ 81,301	0.04%	0.77%	
Interest payments due on bonds	6,145,424	6,631,273	3.28%	(7.33%)	
<i>Total Other Expenses</i>	\$ 6,227,355	\$ 6,712,574	3.33%	(7.23%)	
Total Expenses	\$ 141,835,010	\$ 138,493,497	75.80%	2.41%	
General Fund Transfers					
Product listing fee transfer to General Fund	\$ 48,600	\$ 33,900	0.03%	43.36%	
Premium tax transfer to General Fund	2,675,290	2,665,194	1.43%	0.38%	
Transfer to General Fund from MMBB	- (18)	9,817,000	0.00%	(100.00%)	
<i>Total GF Transfers</i>	\$ 2,723,890	\$ 12,516,094	1.46%	(78.24%)	
Profit	Total Profit	\$ 42,992,619	\$ 27,262,709	22.98%	57.70%
Other Transfers					
Transfer from MMBB	\$ 7,000,000 (19)	\$ 16,639,000	3.74%	(57.93%)	
Total Other Transfers	\$ 7,000,000	\$ 16,639,000	3.74%	(57.93%)	

Spirit Operations Notes

Balance Sheet:

- (14) Accounts Payable represents invoices that have been processed and for which payment is due, that will not be disbursed until July.
- (15) Due to Other Funds reflects the amount outstanding for the Bonds with Maine Municipal Bond Bank.
- (16) Accrued Payroll is necessary to help more accurately reflect total salary expense for Fiscal Year 2018 and represents ten days for June 2018. The accrual reflects a debit to liabilities due to insufficient allotment available to process the final \$10,813.64 accrual.

Income Statement:

- (17) Spirit Sales include the revenue from sales to agency stores, plus bottle deposit, bailment from suppliers for warehouse activity and suppliers' share of dollar discounts for monthly special pricing. The bottle deposit is subsequently booked as an expense in the Spirits Expenses section.
- (18) Amount transferred from the Maine Municipal Bond Bank to the General Fund. Per the Maine Municipal Bond Bank, Liquor Operation Revenue Bonds document, General Fund transfers ended after Fiscal Year 2017, when the final transfer of \$9,817,000 occurred.
- (19) This reflects the amount transferred back from Maine Municipal Bond Bank to the Safe Drinking Water Fund, the Clean Water Fund and the Maine Department of Transportation. For Fiscal Year 2018, amounts and details are:

Program	Amount	Notes
Safe Drinking Water	\$ 2,221,400	Transferred to Department of Health and Human Services in FY19
Clean Water	2,484,800	Transferred to Department of Environmental Protection in FY19
Highways & Bridges	<u>2,293,800</u>	Transferred to Department of Transportation in FY18
Total	<u>\$ 7,000,000</u>	