



**Financial Review
September 2016**



Monthly Operating Statement

OREGON STATE LOTTERY
Operating Statement - Total Lottery
for the Month Ended September 30, 2016

| | Fiscal Year 2017 | | | Fiscal Year 2016 | |
|----------------------------------|----------------------|----------------------|---------------------|----------------------|---------------------|
| | Actual | Budget | Variance | Actual | '16 - '17 Change |
| Total Revenue | \$ 988,238,644 | \$ 984,111,321 | \$ 4,127,323 | \$ 952,438,429 | \$ 35,800,215 |
| Less: Prize Expense | 903,424,840 | 900,814,973 | (2,609,868) | 873,970,951 | (29,453,889) |
| Net Revenue | \$ 84,813,804 | \$ 83,296,348 | \$ 1,517,455 | \$ 78,467,479 | \$ 6,346,326 |
| Direct Expenses | | | | | |
| Commissions | \$ 21,230,933 | \$ 21,295,402 | \$ 64,469 | \$ 20,038,421 | \$ (1,192,512) |
| Game Vendor Charges | 774,371 | 826,262 | 51,891 | 736,968 | (37,403) |
| Tickets | 235,101 | 244,658 | 9,557 | 232,810 | (2,291) |
| Advertising | 430,522 | 993,374 | 562,852 | 472,594 | 42,072 |
| Sales Support | 57,972 | 89,250 | 31,278 | 31,271 | (26,701) |
| Game Equip., Parts/Maint. | 116,292 | 845,623 | 729,331 | 535,599 | 419,307 |
| Depreciation | 2,143,196 | 2,948,263 | 805,068 | 1,512,831 | (630,365) |
| TOTAL | \$ 24,988,386 | \$ 27,242,832 | \$ 2,254,447 | \$ 23,560,494 | \$ (1,427,893) |
| Gross Profit | \$ 59,825,418 | \$ 56,053,516 | \$ 3,771,902 | \$ 54,906,985 | \$ 4,918,433 |
| Other Income, Gain/(Loss) | \$ 347,787 | \$ 134,000 | \$ 213,787 | \$ 157,914 | \$ 189,873 |
| Indirect Expenses | | | | | |
| Public Information | \$ 981,899 | \$ 589,071 | \$ (392,828) | \$ 349,873 | \$ (632,026) |
| Research | (237,603) | 132,847 | 370,450 | 15,000 | 252,603 |
| Personal Services | 4,008,315 | 4,316,337 | 308,022 | 3,909,189 | (99,126) |
| Services & Supplies | 1,266,072 | 2,179,493 | 913,421 | 1,819,023 | 552,951 |
| Depreciation | 224,302 | 329,900 | 105,597 | 232,274 | 7,972 |
| TOTAL | \$ 6,242,985 | \$ 7,547,648 | \$ 1,304,663 | \$ 6,325,359 | \$ 82,374 |
| Net Profit | \$ 53,930,220 | \$ 48,639,869 | \$ 5,290,352 | \$ 48,739,540 | \$ 5,190,680 |



Year to Date Operating Statement

OREGON STATE LOTTERY
Operating Statement - Total Lottery
Year to Date as of September 30, 2016

| | <i>Fiscal Year 2017</i> | | | <i>Fiscal Year 2016</i> | | '16 - '17 Change |
|---|-------------------------|-----------------------|----------------------|-------------------------|--|-----------------------|
| | Actual | Budget | Variance | Actual | | |
| Total Revenue | \$ 2,956,286,187 | \$ 2,957,000,614 | \$ (714,427) | \$ 2,853,482,929 | | \$ 102,803,258 |
| Less: Prize Expense | 2,701,568,715 | 2,704,482,575 | 2,913,860 | 2,620,130,853 | | (81,437,862) |
| Net Revenue | \$ 254,717,472 | \$ 252,518,039 | \$ 2,199,433 | \$ 233,352,076 | | \$ 21,365,396 |
| <u>Direct Expenses</u> | | | | | | |
| Commissions | \$ 64,105,140 | \$ 64,436,383 | \$ 331,243 | \$ 59,920,982 | | \$ (4,184,158) |
| Game Vendor Charges | 2,369,503 | 2,571,770 | 202,267 | 2,149,527 | | (219,976) |
| Tickets | 640,821 | 728,246 | 87,425 | 678,741 | | 37,920 |
| Advertising | 1,705,176 | 2,980,122 | 1,274,946 | 2,233,170 | | 527,994 |
| Sales Support | 150,229 | 267,750 | 117,521 | 145,519 | | (4,710) |
| Game Equip. Parts/Maint. | 271,669 | 2,536,869 | 2,265,200 | 766,193 | | 494,524 |
| Depreciation | 6,424,901 | 8,870,445 | 2,445,544 | 4,496,218 | | (1,928,683) |
| TOTAL | \$ 75,667,439 | \$ 82,391,584 | \$ 6,724,145 | \$ 70,390,350 | | \$ (5,277,089) |
| Gross Profit | \$ 179,050,033 | \$ 170,126,455 | \$ 8,923,578 | \$ 162,961,726 | | \$ 16,088,307 |
| <u>Other Income, Gain/(Loss)</u> | \$ 921,445 | \$ 402,000 | \$ 519,445 | \$ 495,751 | | \$ 425,694 |
| <u>Indirect Expenses</u> | | | | | | |
| Public Information | \$ 1,936,124 | \$ 1,767,213 | \$ (168,911) | \$ 1,434,794 | | \$ (501,330) |
| Research | (201,853) | 398,541 | 600,394 | 59,000 | | 260,853 |
| Personal Services | 11,800,238 | 12,949,011 | 1,148,773 | 11,672,110 | | (128,128) |
| Services & Supplies | 3,058,071 | 6,538,479 | 3,480,408 | 3,809,896 | | 751,825 |
| Depreciation | 718,054 | 1,046,614 | 328,561 | 681,217 | | (36,837) |
| TOTAL | \$ 17,310,633 | \$ 22,699,858 | \$ 5,389,225 | \$ 17,657,017 | | \$ 346,383 |
| Net Profit | \$ 162,660,844 | \$ 147,828,597 | \$ 14,832,248 | \$ 145,800,460 | | \$ 16,860,384 |



Services and Supplies Expenses

OREGON STATE LOTTERY

Supplemental Schedule of Services and Supplies Expenses
Showing Significant Unfavorable Variances
For the Month and Year to Date ending September 30, 2016

| | Current Month | | | Year-to-Date | | |
|--------------------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | Actual | Budget | Variance | Actual | Budget | Variance |
| Retailer Network Expenses | 666,624 | 629,784 | (36,840) | 1,967,554 | 1,889,352 | (78,202) |
| Intergovernmental Charges | 184,609 | 74,111 | (110,498) | 221,859 | 222,333 | 474 |
| Facilities Maintenance | 32,362 | 28,650 | (3,712) | 54,331 | 85,950 | 31,619 |
| TOTAL | 1,272,026 | 2,179,493 | 907,467 | 3,136,172 | 6,538,479 | 3,402,307 |
| Less Non Distributable Revenue | (5,954) | - | 5,954 | (78,101) | - | 78,101 |
| AMOUNT REPORTED | \$ 1,266,072 | \$ 2,179,493 | \$ 913,421 | \$ 3,058,071 | \$ 6,538,479 | \$ 3,480,408 |



Balance Sheet

OREGON STATE LOTTERY

Balance Sheet

September 30, 2016

ASSETS

Current Assets

| | |
|--|--------------------|
| Total Current Assets | \$ 452,850,470 |
| Total Non-Current Assets and Deferred Outflows | <u>246,526,124</u> |

TOTAL ASSETS AND DEFERRED OUTFLOWS \$ 699,376,594

LIABILITIES

| | |
|--|--------------------|
| Total Current Liabilities | \$ 227,545,165 |
| Total Non-Current Liabilities and Deferred Inflows | <u>165,431,242</u> |

TOTAL LIABILITIES AND DEFERRED INFLOWS \$ 392,976,407

EQUITY

Retained Earnings

| | |
|---|------------------------------|
| Fixed Asset Book Value | \$ 108,880,918 |
| Restricted Reserves, Inventory and Prepaids | 9,955,273 |
| Asset Purchases Committed by Commission | 98,447,400 |
| Capital Reserve for VLTM Program | 15,000,000 |
| Operating Working Capital | <u>74,116,596</u> |
| Total Retained Earnings | <u><u>\$ 306,400,187</u></u> |

TOTAL LIABILITIES AND EQUITY \$699,376,594



Capital Outlay Status, Pg. 1 of 2

OREGON STATE LOTTERY
 Capital Outlay Status Report for FY 2017
 For the Three Months Ending Friday, September 30, 2016

| Project Description | Budget | Budget Adjustments | Total Spent | Unspent |
|--|------------------|-----------------------|----------------|------------------|
| Site Services | | | | |
| Rooftop HVAC System Replacement (FY16 Carryover) | | 505,000 | 483,524 | 21,476 |
| Warehouse Floor coating/painting | 25,000 | | - | 25,000 |
| Building Boiler System Replacement | 200,000 | | - | 200,000 |
| ADA Door Openers | 50,000 | | - | 50,000 |
| Bench Remodel Furniture | 18,000 | | - | 18,000 |
| Space Planning | 1,700,000 | | 11,829 | 1,688,171 |
| Overflow Parking Lot | 1,500,000 | | - | 1,500,000 |
| Site Services Total | 3,493,000 | 505,000 | 495,353 | 3,502,647 |
| Game Network | | | | |
| Intelligen SW License (Budgeted in Game Vendor Charges) | | | 15,629,459. | (15,629,459.) |
| Fleet Management | | | | |
| 25 New Vehicles | 747,000. | | - | 747,000. |
| Information Technology | | | | |
| IT Operations | | | | |
| F5 Big IQ (FY16 Carryover) | | 10,574 | 15,914 | (5,340) |
| Bend Additional Storage | 40,000 | | - | 40,000 |
| Syslog-ng Premium Edition Server | 48,000 | | - | 48,000 |
| CyberArk Encyption Key Manager | 35,000 | | - | 35,000 |
| Switches | 24,000 | | 9,470 | 14,530 |
| F5 Global Traffic Manager | 25,000 | | - | 25,000 |
| Lab Firewall | 25,000 | | - | 25,000 |
| Internal Load Balancer | 40,000 | | - | 40,000 |
| Wireless LAN Controller | 20,000 | | - | 20,000 |
| F5 Big IQ | 42,500 | | - | 42,500 |
| Bend Internal Firewall Core Switch | 12,000 | | 9,470 | 2,530 |
| Ironport replacement | 40,000 | | - | 40,000 |
| VCOPS Vcenter Operations Manager | 75,000 | | - | 75,000 |
| Netbackup Expansion | 60,000 | | 53,609 | 6,391 |
| Intelligen Testing Services | 1,300,000 | | - | 1,300,000 |
| Intelligen Pre-Production Environment | 925,100 | | 740,080 | 185,020 |
| GNI: Labor cost, Internally Generated SW (Budget in Contract Pmts) | | | 36,476 | (36,476) |
| IT Operations Total | 2,711,600 | 10,574 | 865,017 | 1,857,157 |
| Information Technology Total | 2,711,600 | 21,148 | 880,931 | 1,851,817 |



Capital Outlay Status, Pg. 2 of 2

OREGON STATE LOTTERY
Capital Outlay Status Report for FY 2017
For the Three Months Ending Friday, September 30, 2016

| Project Description | Budget | Budget Adjustments | Total Spent | Unspent |
|--|-------------------|--------------------|-------------------|-------------------|
| Security | | | | |
| Two additional Payment Centers | 180,000 | | - | 180,000 |
| Marketing | | | | |
| Traditional Product Manager | | | | |
| Interim Software Fixes for Procall | | | | |
| LED Jackpot Board Upgrade - The Dalles | | | 1,033 | (1,033) |
| LED Jackpot Board Upgrade - Roseburg | | | 1,033 | (1,033) |
| LED Jackpot Board Upgrade - Milton Freewater | | | 1,033 | (1,033) |
| LED Jackpot Board Upgrade - Coos Bay | | | 1,033 | (1,033) |
| LED Jackpot Board Upgrade - Ontario | | | 1,033 | (1,033) |
| LED Jackpot Board Upgrade - Umatilla/Hwy 730 | | | 1,033 | (1,033) |
| Traditional Product Manager Total | - | - | 6,195 | (6,195) |
| Video Product Manager | | | | |
| IGT E20 Conversion | 7,297,400 | | - | 7,297,400 |
| VLT Procurement 4 | 42,405,250 | | 7,404,474 | 35,000,776 |
| VLT Procurement 5 | 41,400,000 | | - | 41,400,000 |
| Video Product Manager total | 91,102,650 | - | 7,404,474 | 83,698,176 |
| Marketing Total | 91,102,650 | - | 7,410,669 | 83,691,981 |
| Grand Total | 97,487,250 | 526,148 | 24,416,412 | 73,596,986 |