



STATE OF ARKANSAS
**Department of Finance
and Administration**

EXHIBIT D
OFFICE OF THE ARKANSAS LOTTERY
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November 9, 2017

The Honorable Keith Ingram, Chair
The Honorable Chris Richey, Chair
Arkansas Legislative Council Lottery Oversight Subcommittee
One Capitol Mall, Room R-501
Little Rock, AR 72201

RE: A.C.A. § 23-115-302 Reports

Gentlemen:

Pursuant to A.C.A. § 23-115-302, the following information is enclosed:

1. The total amount of FY 2016 net proceeds from the Lottery;
2. The amount deposited into and disbursed from the Scholarship Shortfall Reserve Trust Account under § 23-115-802 in FY 2016; and
3. The office's projection for net proceeds from the state lottery for the current fiscal year.

Please call me if you have any questions or need additional information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bishop Woosley".

Bishop Woosley
Director

Enclosures

cc: The Honorable Asa Hutchinson, Governor
Mr. Larry Walther, Director, Arkansas Department of Finance and Administration

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Statement of Revenues, Expenses and Change in Net Position
For the Year Ended June 30, 2017
(Unaudited)**

Operating revenues:	
Instant ticket sales	\$ 368,454,561
Online ticket sales	80,686,467
Retailer application, fidelity, bond and service fees	769,959
Other revenue	<u>5,749</u>
 Total operating revenues	 <u>449,916,736</u>
 Operating expenses:	
Instant game prizes	263,190,873
Online game prizes	43,238,515
Retailer commissions	25,315,020
Gaming contract costs	19,090,227
Compensation and benefits	5,024,854
Marketing, advertising and promotions	5,861,130
General and administrative expenses	3,799,935
Services provided by Arkansas Department of Higher Education	441,317
Services provided by Arkansas Legislative Audit	139,760
Legal and professional services	1,864
Depreciation	<u>96,917</u>
 Total operating expenses	 <u>366,200,412</u>
 Operating income	 83,716,324
 Non-operating revenue:	
Interest income	<u>489,046</u>
 Income before transfers	 84,205,370
 Transfers to:	
Education Trust Account	<u>(85,157,060)</u>
 Change in net position	 (951,690)
 Total net position - beginning	 <u>12,772,236</u>
Total net position - ending	<u><u>\$ 11,820,546</u></u>

**Arkansas Department of Finance and Administration
Office of the Arkansas Lottery
Scholarship Shortfall Reserve Trust Account (Unaudited)
Fiscal Year Ended June 30, 2017**

	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>
Beginning Balance	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Deposits	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending Balance	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

Source - OAL general ledger and corresponding bank statements

Arkansas Lottery Commission
Budget Detail Schedules
For the Fiscal Year Ending June 30, 2018

	FY2016 Audited	% of Revenue	FY 2017 Budget	% of Revenue	FY 2018 Budget	% of Revenue	Explanation for Change in Budget Amounts
Operating Revenues:							
Instant Games	\$ 360,009,360	78.893%	\$ 383,380,000	82.729%	\$ 377,100,000	82.067%	Slight increase over estimated FY2017 sales
Online Games	95,974,649	21.032%	79,488,000	17.153%	82,000,000	17.845%	Online Games sales increase is due to revision of Mega Millions game.
Less: Promotions Discount	(384,607)	-0.084%	(230,000)	-0.054%	(500,000)	-0.109%	FY2018 promotional discount amount at FY2017 level.
Retailer application, fidelity and bonding fees	717,150	0.157%	788,000	0.170%	888,000	0.193%	Increase is due to anticipated revenues from retailer bonding fees
Non-Gaming Revenue	9,259	0.002%	12,000	0.003%	12,000	0.003%	Other miscellaneous revenues are consistent with estimated FY2017.
Total Operating Revenues	456,325,811	100.000%	463,418,000	100.000%	459,500,000	100.000%	
Operating Expenses:							
Instant Games Prizes	258,461,952	56.640%	275,471,000	59.443%	269,846,900	58.726%	Instant Games prizes are forecast to decrease in line with the decrease in sales.
Online Games Prizes	50,485,363	11.063%	42,229,000	9.113%	43,415,000	9.448%	Online Games prizes are forecast to increase in line with the increase in sales.
Retailer Commissions	25,704,177	5.633%	26,400,000	5.697%	25,905,900	5.638%	No significant change in the percentage paid to retailers
Gaming Contract Costs	19,384,187	4.248%	22,000,000	4.747%	20,567,100	4.476%	No significant change in the percentage paid to lottery systems and tickets vendors.
Staff Compensation & Benefits	5,232,605	1.147%	5,400,000	1.165%	5,550,000	1.208%	The compensation budget for FY 2018 includes adjustments related to Act 693. The OAL is at a minimum staffing level and additional staff increases may be needed to support revenue growth per the Camelot Global business plan.
Marketing, Advertising & Promotions	4,798,502	1.052%	6,000,000	1.295%	6,500,000	1.415%	Increased the FY2018 amount per the Camelot Global business plan.
General and Administrative Expenses	3,380,275	0.741%	4,420,000	0.954%	3,930,000	0.855%	Camelot Global fees are estimated at \$600,000 plus incentive fees of \$1,740,000. Additional costs for the FY2018 business plan include \$300,000 for retailer promotions and support.
Services Provided by Other Agencies:	540,355	0.118%	550,000	0.119%	570,000	0.124%	No significant change in services provided by other agencies.
Legal and Professional Services	2,793	0.001%	20,000	0.004%	6,000	0.001%	Estimated approximately the amount for FY2017
Capital Asset Depreciation	95,063	0.021%	120,000	0.026%	100,000	0.022%	Decrease reflects that most of the OAL's fixed assets exceed their estimated useful lives and are fully depreciated.
Total Operating Expenses	368,085,272	80.663%	382,610,000	82.563%	376,390,900	81.913%	
Operating Income	88,240,539	19.337%	80,808,000	17.437%	83,109,100	18.087%	
Non-Operating Revenue (Expense):							
Interest Income	232,275	0.051%	120,000	0.026%	500,000	0.109%	Reflects higher maintained monthly balances and anticipated increases in interest rates.
Other Non-Operating Income	1,875	0.000%	-	0.000%	-	0.000%	No non-operating income for FY2018 is anticipated.
Income before Transfers	\$ 88,474,689	19.388%	\$ 80,928,000	17.463%	\$ 83,609,100	18.196%	
Transfers To:							
ADHE Education Trust Account (Regular)	(79,839,898)	-17.496%	(75,468,000)	-16.283%	(77,600,000)	-16.888%	This is the amount of the expected transfer of monthly Net Proceeds to ADHE for FY2018
Unclaimed Prizes Reserve-transferred at June 30 by statute	(5,435,029)	-1.191%	(5,432,000)	-1.172%	(6,000,000)	-1.306%	This amount is for the unclaimed prizes accumulated during FY2018 which, by statute, will transfer as of the last day of the fiscal year.
Total Transfers to ADHE Education Trust Account	(85,274,927)	-18.687%	(80,900,000)	-17.457%	(83,600,000)	-18.194%	
Change in Net Assets	\$ 3,199,762	0.701%	\$ 28,000	0.006%	\$ 9,100	0.002%	