The call at the beginning of FY17 was simple – let’s “Bring Home A Billion.” We’re pleased to report the Kentucky Lottery did just that, closing out the year with $1,000,501,000 in sales. This marks the 19th year out of the past 24 that we've broken sales records.

Scratch-off ticket sales continued to be the best-selling product in the lottery’s portfolio, finishing the year with a record-breaking $603.8 million in sales. This is $6.5 million (1.1%) more than the previous year, and the first time in Kentucky Lottery Corporation history that this category has exceeded $600 million in annual sales.

Changes to our Keno product (see page 9) helped the game grow at a faster percentage rate than any other KLC product for the year. Sales of Keno were $75.8 million, a $9.9 million (15%) increase over the previous fiscal year.

Draw game sales closed the year down at $315.7 million, an $18 million (5.4%) decline from the previous year. The primary factor here was Powerball. Without anything even remotely close to the $1.6 billion Powerball jackpot seen in January 2016, Powerball sales dropped 23.6%. Despite the $22.3 million decline in sales for just this game, the fact that we broke not only our all-time sales record but also the billion-dollar threshold is remarkable.

The overall record sales in FY17 also led to record prizes paid to players of $628.8 million.

Our board of directors has approved an aggressive budget for FY18, with a sales goal of $1.03 billion. Through new ideas from our new president and CEO and hard work yet again from our staff, we’re up to the challenge – students in Kentucky are counting on us.

Sincerely,

Mark F. Sommer
Chair
Jan Buddeke
Vice Chair
Allison Ball
Treasurer
Ted Richardson
Director
Ray Anthony Barker Sr
Director
Lisa J. Haydon
Director
Cynthia Doyle Rogers
Director
Bill Schult
Director

KLC BOARD OF DIRECTORS (as of 6/30/17)

Mark F. Sommer Chair
Allison Ball Kentucky State Treasurer
Jan Buddeke Vice Chair
Ted Richardson Director
Ray Anthony Barker Sr Director
Lisa J. Haydon Director
Cynthia Doyle Rogers Director
Bill Schult Director

Dear Friends:

As Governor of Kentucky, I would like to congratulate the Kentucky Lottery Board of Directors, retailers, management and staff for yet another record-breaking year. In Fiscal Year 2017 that translates to $248.6 million in proceeds to the Commonwealth.

I strongly believe that a better-educated workforce in Kentucky – with our students trained in disciplines that employers actively seek – is key to our success.

I’ve kept my promise of making sure all Kentucky Lottery proceeds go to these endeavors. I’m proud to report we’ve even expanded the reach of these initiatives, providing funding for workforce development programs in high-demand fields and dual-credit high school courses allowing students to complete part of their freshman year of college before they ever set foot on campus.

This much-needed support is helping us to keep our students right here at home to attend college, with increasing confidence they’ll stay in Kentucky after graduation. If we keep our best and brightest young people here in the Commonwealth, this better-educated workforce will help grow our overall economy.

Research shows an exciting trend is developing. Our state’s Jeff Green Scholars – students with a 4.0 GPA and high college-placement exam scores – are staying in Kentucky to attend college in unprecedented numbers. In fact, while these students are highly sought after by some of our nation’s best colleges and universities, about three out of four are choosing to stay in the Commonwealth to attend college. Currently, there are 4,974 Jeff Green Scholars in Kentucky—the most ever!

By continuing to apply 100% of Lottery Funds to education, we can continue these trends and keep progressing toward making Kentucky’s workforce the envy of every other state in the nation. I am confident we will achieve this goal because... We are Kentucky!

Sincerely,

Matthew G. Bevin
Governor

KentuckyUnbridledSpirit.com

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OFFICE OF THE GOVERNOR

700 Capitol Avenue
Suite 300
Frankfort, KY 40601
(502) 564-2611
Fax: (502) 564-2417
fter coming within $2.7 million of the milestone in FY16, on the opening days of FY17 the mantra to KLC employees was made clear – let’s “Bring Home a Billion!”.

The push covered a wide variety of activities. Many were serious, such as brainstorming sessions and lunchtime seminars on topics including how to use social media to promote the lottery. Some were fun – like the creation of a motivational music video by the staff and Derby-themed employee horse races. Across the board though, the message of how important it was to make this milestone happen was strong – and employees took note.

“Other than the efforts to first start ticket sales in 1989, the efforts of our employees in this push to hit a billion dollars was the most unifying initiative the KLC has seen in our history,” said Chief Operating Officer Marty Gibbs. “We wanted to hit this landmark not only for the Commonwealth, but also for our new president and CEO to have his tenure start on a high point.”

In the end it was down to the wire, but the Kentucky Lottery broke the billion-dollar barrier for the first time in its 28-year history, becoming one of only 19 lotteries in the U.S. to surpass this mark.

Scratch-off ticket sales rose to their highest level in KLC history in FY17 - $603.8 million, beating the previous record of $597.3 million set in FY16 by $6.5 million (1.1%).

One key factor for this increase was the Big Money Monday program. Replacing Game Day Thursday, Big Money Monday allowed for a single once-a-month new game launch schedule. This allowed games to better develop a player base and was well-received by both retailers and players.

Our retailer scorecard program continued to ensure ticket displays and point-of-sale materials were optimized. This placed an increased emphasis on using planograms at retailers across the state, helping create visual continuity at retail locations (which in turn helped grow sales). In FY17, retailers won prizes based on their scores.

The $5 instant price point saw the most physical tickets sold in the FY (more than 34.2 million), while the $25 price point saw the largest percentage increase (19%) from the previous fiscal year.

Gov. Matt Bevin appointed Tom Delacenserie as the new president and CEO of the KLC in May 2017. Delacenserie was confirmed by the lottery’s board of directors at a special meeting later that day.

Delacenserie came to Kentucky from the Florida Lottery, where he served as secretary and CEO. He assumed that role in 2015, but his work there dates to 2000 when he started as a district manager. In that time, Delacenserie rose through the ranks, first as director of sales and then as deputy-secretary of sales and marketing. Sales records were broken in nine of the 12 years he was in management at the Florida Lottery, and the organization realized annual sales of $6 billion a year at the time of his departure to Kentucky.

A Green Bay native and graduate of the University of Wisconsin, Delacenserie spent 28 years in consumer product sales before working in the lottery industry. He worked in sales for companies such as Heinz and Scholl and in sales management with Parfums de Coeur and Pfizer where he was national accounts manager.

Delacenserie is the fifth president and CEO of the Kentucky Lottery. He replaces Arch Gleason, who died last year after serving in the role for 23 of the Kentucky Lottery’s 28 years in existence.

Delacenserie becomes 5th president and CEO of the Kentucky Lottery

Scratch-off ticket sales rose to their highest level in KLC history in FY17 - $603.8 million, beating the previous record of $597.3 million set in FY16 by $6.5 million (1.1%).
BIG MONEY TICKET LEADS TO BIG WINNERS!

There were five $100,000 top prizes available in Big Money, and exceedingly swift ticket sales meant big winners showed up quickly. Frederick Nalley of Bardstown bought one of the tickets at Culver’s Country Kwik Mart. He revealed 10 of the 10X symbols, with the prize of $1,000 under each symbol, to win $100,000. “It still hasn’t sunk in,” Nalley said after his win, adding he was more anxious claiming the prize than when he actually found out he’d won. “I’m just an old country boy so I’m not going to run out and blow it,” Nalley told lottery officials. He does plan to visit his daughter who lives in Germany later this year.

Just a couple of weeks later, a cab driver in Carrollton also claimed a Big Money $100,000 winner. Allen Chadwell stopped off at Cowboys #118 on Highland Avenue while waiting to pick up his next customer. He’d won $10 on scratch-off tickets he’d previously purchased and used his winnings to buy the Big Money ticket. Going back to his car and discovering he’d won the game’s top prize, Chadwell promptly canceled his pickup and headed to Louisville with his wife and daughter to claim his prize. “I’m going to pay off every bill we owe,” Chadwell told lottery officials. “We’re going to be debt-free.”

BIG MONEY A BIG Success!

At the end of March, the KLC launched the innovative scratch-off game Big Money. The oversized ticket, 8 inches by 8 inches, was so much larger than regular tickets that new dispensers had to be added at retail. The $10 game had a top prize of $100,000, a larger-than-usual amount of $50 and $100 winners included, and proved to be a huge success with players.

The launch of the game was preceded by a TV ad campaign teasing the new product that aired during the NCAA basketball tournament. On the day the ticket launched, KLC staff started receiving reports of players waiting at retailers for UPS shipments of the tickets to arrive that day.

The quantity of tickets ordered was expected to last 210 days. By day three of Big Money sales, one-third of all tickets were sold – and in less than three weeks the first run of the tickets was sold out.

March 2017 scratch-off sales were $60.2 million, while the final week of the month (March 26 - April 1) brought $15.2 million. These are second only to April 1989 when lottery sales first began, when monthly scratch-off sales were $68.1 million and first-week sales were $27 million.

FY17 ANOTHER RECORD BREAKING YEAR

- RECORD SALES - $1,000,501,000
- RECORD SCRATCH-OFF TICKET SALES - 603,823,000
- RECORD PRIZES TO PLAYERS - $628,830,000
- RECORD PICK 3 SALES - $145,316,000
- RECORD PICK 4 SALES - $44,666,000
- RECORD KENO SALES - $75,751,000

EFFECTIVELY MANAGING OPERATING EXPENSES

Operating expenses for FY17 were $30.2 million, only 3% of sales. This is $2.3 million (7%) less than budgeted.
**Powerball:**

Powerball sales dropped significantly from the previous year. However, the previous year saw a world record-setting $1.6 billion jackpot, a feat which the game never came close to matching in FY17. Powerball sales for the year were $72.1 million, which is $22.3 million (23.6%) less than FY16. While Kentucky did not have a jackpot winner in FY17, there were two players who won the game’s $1 million second prize by matching the five white-ball winning numbers but not the Powerball. In addition, 40 lucky players matched four of the white-ball winning numbers and the Powerball to win the game’s $50,000 third prize.

**Mega Millions:**

Mega Millions sales also dipped in FY17. They closed the year at $29.1 million, dropping $2.2 million (7%) from FY16. Much the same as in Powerball, the lack of a significant and sustained jackpot run during the year hurt sales of this product.

**Pick 3 and Pick 4:**

Pick 3, which continues to be the most widely played KLC draw game, saw an increase in sales from the previous year. Sales for the game ended FY17 at $145.3 million, a 4.1% increase. Pick 4 sales also rose, closing the year up 4.7% to $44.7 million. Both games set new sales records in FY17.

**Kentucky Cash Ball / Cash Ball 225:**

Launched in 2001, Kentucky Cash Ball was rebranded as Cash Ball 225 in January 2017. The new name reflected enhancements made in the game, and helped celebrate the Commonwealth’s 225th anniversary. The revamped $1 daily game offered a top prize of $225,000 along with seven other prizes. Other changes to the game included better lower-tier prizes (including a free ticket option), adding a Sunday drawing and a simplification from the previous game by eliminating the 50-cent half-share ticket and the bonus Kicker feature.

Now drawn every evening, the game functions much like the popular Powerball and Mega Millions games. Two draw machines are used, and players try to match four numbers drawn from 35 in the first draw machine and the one Cash Ball number from 25 in the second draw machine.

The game refresh was successful, as the game saw sales rise to $10.4 million. That’s a $662,000 (6.8%) increase over FY16.

After the changes, there were four players who won the game’s top prize of $225,000. Prior to the changes, four players won the game’s $200,000 top prize on a $1 wager and two won the $100,000 top prize for a 50-cent wager.

**Lucky For Life:**

Lucky For Life finished FY17 with $7.8 million in sales. That’s a $1.2 million (13.1%) drop from the previous fiscal year.

The game drawing is like that of Powerball, in which players must match five numbers drawn from 48 in the game’s first machine and one number drawn from 18 in the Lucky Ball machine. The $2 game is sold in 23 states and the District of Columbia and has one of the most innovative prizes ever offered by the Kentucky Lottery. The top prize is $1,000 a day – EVERY day – for life. The game offers a second prize of $25,000 a year for life, as well as eight other cash prize levels.

Kentucky had its first Lucky For Life grand prize winner of $1,000 a day for life in FY17. Two other Kentucky Lottery players won the game’s second prize of $25,000 a year for life, and 23 players won the game’s $5,000 prize.

**Keno:**

Sales of Keno were $75.8 million, a $9.9 million (15%) increase over the previous fiscal year. This is the largest percentage increase of any Kentucky Lottery product in FY17, and is a record number for the game.

The increase was due to several changes made to the game, including shortening the time between drawings from five to four minutes and the inclusion of a new multiplier feature. The multiplier allowed players to win up to 10 times their base prize amount for an additional $1 per $1 wager.

Launched in November 2013, Keno is played similarly to a lottery-style game where players try to match numbers drawn every four minutes. Twenty numbers between one and 80 are drawn. Players choose how many numbers (or “spots”), up to 10, they wish to try to match per draw and can win cash prizes depending on the number of spots they play and match. Prizes for a $1 wager range from $2 for matching one number in the one-spot game to $100,000 for matching 10 numbers in the 10-spot game.

**5 Card Cash:**

Instead of the numbers players usually get on a ticket for one of the draw games like Pick 3 or Powerball, the 5 Card Cash ticket contains five card symbols. Rather than trying to match numbers, players try to match card symbols to win. They can win instantly at the time of purchase if their card symbols match a winning hand from the prize structure, or can win by matching card symbols from a nightly drawing.

Sales of the game ended the year at $6.3 million. This was $785,000 less (or 11%) than sales of the game in FY16. There was one winner of the game’s top prize of $100,000.

Tanya Herrera, 18, lives in Campbellsville and was visiting her father in Somerset in February when she bought a Powerball ticket. Hearing a $1 million winning ticket had been sold at Speedway #9628 where she bought hers, she quickly checked her numbers online. Thinking she may have won and admitting “I really didn’t know what to do,” she went to the store to see if they could help. “I scanned it myself and when I saw $1 million pop up on the machine, I thought it was broken.” Herrera says she’ll use some of her winnings to pay college tuition and was considering attending Western Kentucky University.
Completing the first full fiscal year for the platform, iLottery sales in FY17 totaled $6.6 million, including draw games. The launch of the mobile app for the platform in November saw more than 48,000 downloads, and enabled players to not only play games from a mobile device but find retailers, check winning numbers and see if physical tickets were winners.

There were 27 Instant Play games launched on the site, and traditional lottery games available via the iLottery platform were Powerball, Mega Millions, Cash Ball 225 and Lucky For Life.

$50,000 INSTANT PLAY Winner

Cathy, of Hazard, won $50,000 with Instant Play! Cathy said she couldn’t believe that with one click of the mouse, she won $50,000! It was around 4:00 a.m. on September 27th when Cathy purchased a $5 Mega Crossword play at kylottery.com on Instant Play. “I ran upstairs and shook my husband to wake up. I just couldn’t believe it,” Cathy said about her win.

Cathy told lottery officials that she loves playing online. She said that she particularly likes the $5 Mega Crossword game because of how it looks. Prior to winning the $50,000, she had won $75 on the same game. “I considered calling it quits thinking I’d probably not win again so soon. Then I thought, why not, one more time. I’m sure glad I did,” Cathy said.

Jerry Chappell of Worthville, a tobacco and beef cattle farmer, was having breakfast on a September morning at his usual spot. His son called and told him he needed to finish up and head to Smoker Friendly in Owenton, where he buys his lottery tickets.

Chappell’s son had received a call from the store workers informing him that they’d seen his dad on surveillance video purchasing what they believed to be a winning Lucky For Life ticket. The store found out from lottery officials earlier that morning they’d sold a second prize ticket from the Sept. 15 drawing.

“I’m taking it all in,” Chappell said after finding out he’d won $25,000 a year for life, with a minimum payout of 20 years. The 74-year-old chose to take the cash option of $390,000.

Chappell, a lifelong farmer, told lottery officials he’s relieved by his big win. “I’ve been in debt all of my life so it’ll be nice to not be for a change,” he said.

CARROLL COUNTY FARMER “HARVESTS” $25,000 A YEAR FOR LIFE
The KLC awarded $628.8 million in cash prizes in FY17, up $8.3 million (1.3%) from the previous year. That's more than 63 cents for every dollar spent by players. Since inception, Kentucky Lottery players have won over $11 billion in prizes!

Here are just a few of the players who shared in the riches last year!
Lottery dividends started being transferred away from the Commonwealth’s General Fund on a gradual basis in Fiscal Year 1999. Through FY17, the $2,951,741,363 in proceeds have gone to fund need-based and merit-based grants and scholarships, along with a reserve fund for the programs.

All told, 675,562 students across the Commonwealth have received a lottery-funded college scholarship or grant since FY99. The awards are distributed by the Kentucky Higher Education Assistance Authority (KHEAA).

Lottery revenue funds the need-based College Access Program (CAP) and Kentucky Tuition Grants (KTG), along with the popular Kentucky Educational Excellence Scholarship (KEES) program.

“We are so grateful for the Kentucky Lottery’s continued support of three of the most successful financial aid programs in the nation,” said Dr. Carl Rollins, KHEAA’s Executive Director. “These programs provide students throughout the Commonwealth the opportunity to earn the education, skills, and training they need to be successful in life and move Kentucky forward.”

In fact, 95 cents of every non-loan student aid dollar awarded by the Commonwealth comes straight from the sales of lottery tickets. And the results are tangible — according to KHEAA, data from the KEES program indicates more of Kentucky’s best and brightest students are staying in Kentucky to attend college. This in turn will potentially help create a better-educated workforce, which will help grow the level of economic prosperity for our entire state.

All unclaimed Kentucky Lottery prize money goes into the KEES Reserve Fund to help maintain the financial stability of the program. Around $9 million annually is projected to go into this fund, and it has received approximately $137 million since this practice started in FY03.

The first $3 million in Kentucky Lottery proceeds each year goes to the University of Kentucky’s “Read To Achieve” program and the Collaborative Center for Literacy Development, with a total of $51 million going to these programs since FY00.

92% of all high school students in Kentucky earned KEES funds – provided by the KY Lottery – last year.
hen the KEES, CAP and KTG programs were established, one of the primary goals was to encourage Kentucky’s highest achieving students to stay in the Commonwealth to pursue their degrees. This in turn would potentially help create a better-educated workforce, which would then help grow the level of economic prosperity for our entire state.

Data from the Kentucky Higher Education Assistance Authority shows this is happening. There’s a special designation our state’s best and brightest students can achieve by being named a Jeff Green Scholar. This means a student has a 4.0 GPA along with high college-placement exam scores. These are the students every university wants to attract, and they are highly recruited by some of the nation’s best colleges.

Kentucky has designated 4,974 students as Jeff Green scholars who graduated from high school in the last 4 years (Classes of 2013, 2014, 2015, and 2016). From that number, nearly two-thirds – 74.6% – were enrolled in Kentucky colleges and universities, progressing toward their undergraduate degrees in FY17. Additionally, the average annual attrition rate for Jeff Green Scholars is only 2.8%.

"I AM BLESSED TO GRADUATE DEBT FREE BECAUSE OF THE KENTUCKY LOTTERY. I WILL BE ABLE TO PURSUE MY DREAM OF ATTENDING PHYSICIAN’S ASSISTANT SCHOOL AFTER COLLEGE BECAUSE OF THE SCHOLARSHIP MONEY I HAVE RECEIVED IN COLLEGE FROM KENTUCKY LOTTERY PLAYERS!"

NAME: Kaley Burnette
SCHOOL: Kentucky Wesleyan College
YEAR IN SCHOOL: Senior
HOMETOWN: Bowling Green, KY
MAJOR: Business Administration with marketing emphasis
FUNDS RECEIVED: KEES, KTG
INTERESTS: Soccer, mission work and I love sports!

"THE ASSISTANCE I RECEIVED FROM THE KENTUCKY LOTTERY PROCEEDS WAS VERY HELPFUL IN MAKING MY UNDERGRADUATE STUDIES AT A PRIVATE SCHOOL MORE AFFORDABLE. WITH PLANS TO GO TO GRADUATE SCHOOL, IT WAS IMPORTANT THAT I MINIMIZE MY DEBT AS MUCH AS POSSIBLE AND THESE AWARDS HELPED ME DO THAT."

NAME: Sierrah Miley
SCHOOL: University of Kentucky
YEAR IN SCHOOL: Sophomore
HOMETOWN: Frankfort, KY
MAJOR: Kinesiology- exercise science, pre-physician’s assistant
FUNDS RECEIVED: CAP grant, KEES money
INTERESTS: I enjoy traveling, and working as a tobacco-free ambassador at the University of Kentucky

NAME: Kaley Burnette
SCHOOL: Kentucky Wesleyan College
YEAR IN SCHOOL: Senior
HOMETOWN: Bowling Green, KY
MAJOR: Business Administration with marketing emphasis
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NAME: Sierra Newton
SCHOOL: Northern Kentucky University
YEAR IN SCHOOL: Sophomore
HOMETOWN: Frankfort
MAJOR: Double Majoring in Journalism and Electronic Media & Broadcasting
FUNDS RECEIVED: CAP Grant, KEES
INTERESTS: Basketball, music, dog lover

“THE KENTUCKY LOTTERY HAS HELPED ME PAY FOR HOUSING AND OTHER FEES, MAKING THE DREAM OF GETTING OUT OF COLLEGE DEBT FREE OR AS CLOSE TO DEBT FREE AS POSSIBLE A REALITY.”

NAME: Nick Curran
HOMETOWN: Louisville, Kentucky
WHAT SCHOOL YOU GRADUATED FROM: Western Kentucky University
MAJOR: Broadcast Journalism (News track)
LOTTERY-FUNDED GRANT/SCHOLARSHIP RECEIVED: KEES
DID THIS ALLOW YOU TO FOCUS ON YOUR STUDIES AND/OR NOT HAVE TO HAVE A FULL OR PART-TIME JOB WHILE GOING TO SCHOOL TO PAY FOR COLLEGE? Yes, the money definitely helped with taking the financial pressure off. I got pretty good grades in high school (Trinity High School in Louisville), so I got a decent amount of KEES money. I was able to work in my desired field while at school even if it meant not making a lot of money. Without the help of the KEES money, I’m not sure I would’ve been able to do that.
WHAT ARE YOU DOING NOW? I am the lead radio broadcaster for the Louisville Bats baseball team, and also work in season ticket and group sales. I broadcast all the games, home and away. I also provide customer service to season ticket and group accounts while working on renewing them as well.

KENTUCKY’S GRADUATES
Staying in the Commonwealth

For 18 years, Kentucky Lottery-funded scholarships and grants have helped students go to college. One out of every five Kentuckians have received these funds, and many of these former students have stayed in the Commonwealth after graduation – which was one of the key reasons these programs were established. Here are just a few of their stories.
NAME: Jon Hughes
HOMETOWN: Fairfield, Kentucky
WHAT SCHOOL YOU GRADUATED FROM: Nelson County High School and the University of Louisville
MAJOR: BS in Sociology; MA in Education Administration and Ph.D. candidate in Educational Leadership, Evaluation and Organizational Development.
LOTTERY-FUNDED GRANT/SCHOLARSHIP RECEIVED: KEES and CAP
DID THOSE ALLOW YOU TO FOCUS ON YOUR STUDIES AND/OR NOT HAVE TO HAVE A FULL OR PART-TIME JOB WHILE GOING TO SCHOOL TO PAY FOR COLLEGE? Receiving lottery-funded grant dollars allowed me the opportunity to be fully invested in my college experience, without the additional worries of working a part time job or incurring an excessive amount of loan debt. If I hadn’t had the opportunity to experience college like this, I’m confident that I wouldn’t have found my passion for academia - and would not be currently pursuing my Ph.D.
WHAT ARE YOU DOING NOW? I am currently the Assistant Director of the JB Speed School of Engineering at the University of Louisville and a full time doctorate candidate at the University of Louisville pursuing my degree in Educational Leadership, Evaluation and Organizational Development.
IS IT IN YOUR FIELD OF STUDY? Yes. My professional career has been a wonderful extension of the degrees that I earned in my collegiate career. Some of my research has focused on the management of educational organizations and educational policy that has impacted my life much like the KEES and CAP program.
Promotions

Payments to retailers in FY17 were $61.7 million, falling $902,000 (or 1.4%) short of last year’s record-breaking $62.6 million. The average KLC retailer sold $317,418 in tickets and earned $19,575. This is also a slight decline, but the drop is due to a 6.5% expansion in our retail base – the number of active retailers at the end of FY17 was 3,152 compared to 2,960 in FY16.

The KLC’s Facebook page was the site of some great giveaways in FY17. The first-ever social media promotion was conducted in December (with the giveaway of great ugly Christmas t-shirts), and continued throughout the year with basketball-themed giveaways, props from lottery TV commercials awarded, a state parks experience giveaway and promotions highlighting the Willy Wonka instant ticket. All told, 20 Facebook promotions garnered 28,655 entries.

There were 13 statewide second-chance promotions conducted by the KLC during FY17. Players could enter by going to the KLC’s website and submitting information from non-winning scratch-off or draw game tickets.

POPULAR PROMOTIONS INCLUDED:
- A draw game promotion featuring non-winning $6 Powerball tickets that players entered for a chance to win a trip to Nashville, Tennessee and attend the iHeartRadio Country Music Festival.
- A scratch-off promotion where players entered to win a Chevrolet Corvette Stingray with non-winning $10 Corvette Cash scratch-off tickets.
- A holiday scratch-off promotion where players entered to win a $2,000 Genesis Diamond gift card with non-winning $5 National Lampoon’s Christmas Vacation scratch-off tickets.
- A Willy Wonka Golden Ticket scratch-off promotion where players entered to win a trip to Las Vegas and a chance to win a billion dollars with non-winning $5 Willy Wonka Golden Ticket scratch-offs.
- A draw game promotion where players entered non-winning $4 Lucky For Life tickets for a chance to win the “Luck of the Irish” and visit Ireland for eight days and seven nights.

The KLC received numerous requests in FY17 from charitable organizations throughout the state in need of support. More than 60 entities were supported through items such as ticket coupons to be given away as door prizes, prize packages made up of lottery-related items to be raffled off at silent auctions, or golf items to be included in giveaways at scrambles. Feedback from organizations has always been very positive, with many of them saying the lottery donation is one of the most popular items of their event.

There were 13 statewide second-chance promotions conducted by the KLC during FY17. Players could enter by going to the KLC’s website and submitting information from non-winning scratch-off or draw game tickets.

More than $3 million was given away in FY17 through the Ultimate Second Chance promotion. This program is designed to award a top prize for a scratch-off ticket from a drawing in which only non-winning tickets are eligible. There were 56 drawings conducted during the fiscal year, with the largest prize awarded of $400,000.

In conjunction with the Kentucky Derby Festival, the Kentucky Lottery once again crowned one of our players as “The Festival Fanatic.” This year’s winner was Mary Hager of Brandenburg, and she won by submitting a non-winning $5 Cash Ball 225 ticket. Mary kicked off her two weeks of events by serving as the Thundernator for Thunder Over Louisville, pushing the start button for the largest annual fireworks show in North America. She also enjoyed events such as riding on the Belle of Louisville during the Great Steamboat Race, attending concerts at the Chow Wagon and riding in the Pegasus Parade.

Edward Goetz of Crittenden was the grand prize winner in the Corvette Cash Promotion. He won a 2018 Chevrolet Corvette Stingray which he could completely customize. Goetz picked up his car in a special ceremony where it was driven off the floor of the National Corvette Museum in Bowling Green.

The KLC’s Winner Wagon participated in 10 festivals across the Commonwealth, as well as the Kentucky State Fair, reaching more than 1 million people. The Winner Wagon also received graphic and paint updates.

The KLC’s Facebook page was the site of some great giveaways in FY17. The first-ever social media promotion was conducted in December (with the giveaway of great ugly Christmas t-shirts), and continued throughout the year with basketball-themed giveaways, props from lottery TV commercials awarded, a state parks experience giveaway and promotions highlighting the Willy Wonka instant ticket. All told, 20 Facebook promotions garnered 28,655 entries.
THE RIGHT WAY TO RUN A BUSINESS-CORPORATE SOCIAL Responsibility

KENTUCKY COUNCIL ON PROBLEM GAMBLING:
The Kentucky Lottery is a founding member of the Kentucky Council on Problem Gambling (KYCPG). The council was formed in 1995 to educate the community about problem and compulsive gambling, offer training to counselors interested in treating gambling disorders and offer financial assistance for treatment to those wanting help.

1-800-GAMBLER:
Managed in conjunction with the KYCPG, the 1-800-GAMBLER hotline is staffed 24/7 by professionals trained in problem and compulsive gambling issues. Anyone with any sort of gambling problem can call the number for information, guidance and referrals to treatment programs and Gamblers Anonymous. In FY17, a new service through which players can get help via text message or online chat was launched.

PLAY RESPONSIBLY BILLBOARDS:
The Kentucky Lottery continued the “Play Responsibly” billboard campaign in FY17. Billboards across the Commonwealth shared the message along with the 1-800-GAMBLER phone number. In total, nearly 150 billboards landed more than 20 million impressions. The campaign is slated to be continued in FY18.

CHOICES - THERE’S ALWAYS A RIGHT ONE:
A decade ago, the KLC launched “Choices – There’s Always a Right One.” The in-school exercise remains a valuable responsible gambling and addictive behavior awareness package targeting primarily middle school youth in Kentucky’s public-school system. In the last year, more than 50 Choices curriculum packets were distributed, adding to the more than 200 previously in circulation. According to the 2016 Kentucky Incentives for Prevention survey of 120,000 Kentucky public school students, since Choices was introduced in 2006, the lifetime gambling frequency for high school seniors has decreased from 49.4 percent to 30.1 percent.

PLAY RESPONSIBLY RETAILER ELEMENTS:

● “Play Responsibly. Remember, it’s just a game.” This message, including the 1-800-GAMBLER hotline number, is placed on ticket vending machines, ticket dispensers, all point-of-sale materials, game brochures, game cards, television advertising, print advertising, and outdoor and transit advertising. “Play Responsibly” appears on instant scratch-off and draw games tickets and play slips. The message is also used in all 30-second radio spot advertising, and the logo is used on 30-second TV advertising.

● The KLC’s website contains “Play Responsibly” information accessed directly from the home page. It also contains links to the National Council on Problem Gambling site and the 1-800-GAMBLER site.

● Brochures with the Gamblers Anonymous questions and the 1-800-GAMBLER hotline number are placed in all retailer play centers. Stickers with the hotline number are placed in various point-of-sale locations in lottery retailers.

● Retailers are required annually to sign a form acknowledging they have been informed of the KLC’s “Play Responsibly” program, that materials with the 1-800-GAMBLER hotline number are permanently located in their store, and that they are aware of the KLC’s policy regarding the prohibition of play by anyone under the age of 18.

KY LOTTERY ACHIEVES HIGHEST CERTIFICATIONS FOR U.S. RESPONSIBLE GAMBLING
In FY17, the Kentucky Lottery became the only North American lottery to hold re-certification at Level 3 of the World Lottery Association’s Responsible Gambling Certification Program.

RESPONSIBLE GAMING EDUCATION WEEK AND PROBLEM GAMBLING AWARENESS MONTH:
These events raise community awareness of issues related to problem and compulsive gambling, as well as emphasize that there is help available for those suffering from this addiction. A KLC staff member has been involved with the planning and execution of the Responsible Gaming Education Week campaign for the 13 years it has existed.

KYLOTTERY.COM
KLC RECOGNIZED
23RD STRAIGHT YEAR
FOR FINANCIAL EXCELLENCE

For 23 consecutive years, the KLC has achieved the highest form of recognition in governmental accounting and financial reporting. The KLC once again earned in FY16 the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada. The award recognizes organizations that demonstrate a spirit of full disclosure and clearly communicate their financial story. The KLC was the second lottery in North America to receive this award, and only one other U.S. lottery has received this designation more often than the KLC.

FINANCIAL STATEMENTS

Kentucky Lottery Corporation

STATEMENTS OF NET POSITION
June 30, 2017 and 2016
(dollars in thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$20,149</td>
<td>$10,387</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>2,600</td>
<td>2,600</td>
</tr>
<tr>
<td>Investments at fair value, current portion</td>
<td>2,159</td>
<td>1,969</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>24,692</td>
<td>36,354</td>
</tr>
<tr>
<td>Prepaid PowerPay License, current portion</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>Total current assets</td>
<td>50,505</td>
<td>52,079</td>
</tr>
<tr>
<td>Noncurrent Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments at fair value, less current portion</td>
<td>11,681</td>
<td>14,084</td>
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<tr>
<td>Prepaid PowerPay License, less current portion</td>
<td>112</td>
<td>180</td>
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<tr>
<td>Capital assets, net</td>
<td>5,314</td>
<td>5,711</td>
</tr>
<tr>
<td>Deposits with Multi-State Lottery Association</td>
<td>4,848</td>
<td>4,734</td>
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<tr>
<td>Total noncurrent assets</td>
<td>21,955</td>
<td>24,709</td>
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<tr>
<td>Total assets</td>
<td>72,460</td>
<td>76,788</td>
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<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable, accrued expenses, and compensated absences, current portion</td>
<td>6,332</td>
<td>8,485</td>
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<tr>
<td>Due to the Commonwealth of Kentucky</td>
<td>2,565</td>
<td>5,578</td>
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<tr>
<td>Estimated prize liability, current portion</td>
<td>29,964</td>
<td>36,124</td>
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<tr>
<td>Total current liabilities</td>
<td>38,841</td>
<td>45,391</td>
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<tr>
<td>Noncurrent Liabilities</td>
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<td></td>
</tr>
<tr>
<td>Accrued compensated absences, less current portion</td>
<td>1,167</td>
<td>1,035</td>
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<tr>
<td>Total noncurrent liabilities</td>
<td>13,439</td>
<td>15,034</td>
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<td>Total liabilities</td>
<td>53,617</td>
<td>59,495</td>
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<tr>
<td>NET POSITION</td>
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<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>5,314</td>
<td>5,711</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>13,695</td>
<td>15,121</td>
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<tr>
<td>Net position</td>
<td>$19,009</td>
<td>$20,832</td>
</tr>
</tbody>
</table>

KLC CARES FOR THE Community

Kentucky Lottery employees pride themselves on caring for their community and helping those in need. In FY17, employees have continued to reach out to others by supporting various charitable and community-based organizations.

Over the course of the year, employees personally raised funds for local schools, Big Brothers Big Sisters, Ronald McDonald House and March of Dimes, just to name a few. The KLC is a position in which we cannot directly give to charitable causes, however employees have embraced corporate fundraising campaigns for the Metro United Way and Fund for the Arts. In FY17, KLC employees raised nearly $40,000 for these two nonprofit organizations alone.

The KLC created a program in 2006 called KLCares. The program has existed ever since and still focuses on serving the community through group volunteerism. Each year around the holidays the employees reach out to needy families in the community. Thanks to the generosity of KLC employees and employees of vendor partner IGT, together they “adopted” six families, for a total of 19 children from an area school, providing them with toys and clothes at Christmas. Employees also collected clothes, shoes and toiletries for the KLC neighbors at the Healing Place, along with pet supplies that were donated to No Kill – Louisville, an organization that helps injured and ill animals.

For the Years Ended June 30, 2017 and 2016
(dollars in thousands)

<table>
<thead>
<tr>
<th>Operating revenues</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instant games</td>
<td>$603,823</td>
<td>$597,325</td>
</tr>
<tr>
<td>Draw games</td>
<td>391,436</td>
<td>399,573</td>
</tr>
<tr>
<td>Lottery instant play games</td>
<td>5,242</td>
<td>421</td>
</tr>
<tr>
<td>Less instant tickets provided as prizes</td>
<td>(13,541)</td>
<td>(13,473)</td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>986,790</td>
<td>993,398</td>
</tr>
<tr>
<td>Direct costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prize expense</td>
<td>405,888</td>
<td>398,852</td>
</tr>
<tr>
<td>Draw games</td>
<td>219,084</td>
<td>221,405</td>
</tr>
<tr>
<td>iLottery instant play games</td>
<td>3,869</td>
<td>3,313</td>
</tr>
<tr>
<td>Total prize expense</td>
<td>628,831</td>
<td>620,570</td>
</tr>
<tr>
<td>Payments to retailers</td>
<td>61,672</td>
<td>62,574</td>
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<tr>
<td>Draw vendor expense</td>
<td>10,094</td>
<td>9,728</td>
</tr>
<tr>
<td>Instant ticket costs</td>
<td>8,871</td>
<td>7,956</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>709,468</td>
<td>702,188</td>
</tr>
<tr>
<td>Operating revenues net of direct costs</td>
<td>277,492</td>
<td>281,208</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising and promotion</td>
<td>10,074</td>
<td>10,293</td>
</tr>
<tr>
<td>Salaries, wages, and benefits</td>
<td>14,831</td>
<td>14,485</td>
</tr>
<tr>
<td>Contracted and professional services</td>
<td>2,264</td>
<td>2,189</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,312</td>
<td>1,313</td>
</tr>
<tr>
<td>Other general and administrative</td>
<td>1,672</td>
<td>1,849</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>30,150</td>
<td>30,199</td>
</tr>
<tr>
<td>Operating income</td>
<td>247,343</td>
<td>250,999</td>
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<tr>
<td>Non-operating revenue (expense)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to the Commonwealth of Kentucky</td>
<td>(248,571)</td>
<td>(253,044)</td>
</tr>
<tr>
<td>Investment income (expense)</td>
<td>(128)</td>
<td>1,111</td>
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<tr>
<td>Interest expense</td>
<td>(736)</td>
<td>(1,029)</td>
</tr>
<tr>
<td>Other income</td>
<td>274</td>
<td>1</td>
</tr>
<tr>
<td>Total non-operating revenue (expense)</td>
<td>(245,502)</td>
<td>(252,961)</td>
</tr>
<tr>
<td>Change in net position</td>
<td>(1,823)</td>
<td>(26)</td>
</tr>
<tr>
<td>Net position at beginning of year</td>
<td>20,832</td>
<td>20,858</td>
</tr>
<tr>
<td>Net position at end of year</td>
<td>$19,009</td>
<td>$20,832</td>
</tr>
</tbody>
</table>

The Corporation has adopted GASB Statement 72, which requires investments to be measured at fair value and a decrease in income of approximately $954 in 2017 and a decrease in income of $35 in 2016, when compared to the historical cost method.

For the year ended June 30, 2017, the financial audit was performed by Harding, Shymanski & Company, P.S.C. A copy of the completed annual report can be downloaded at www.kylottery.com or obtained by writing: Kentucky Lottery Corporation, PR Dept., 1011 W Main Street, Louisville, KY 40202 or by calling (502) 560-1677.
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MARY HARVILLE
Senior Vice President, General Counsel & Corporate Secretary

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TH MORRIS
Vice President of Systems Development

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MAGGIE GARRISON
Vice President and Corporate Controller

PETE RAMSEY
Vice President of Sales

MICHELE SULLIVAN
Vice President of Human Resources

EDIE FRAKES
Vice President of Marketing