



# NEW YORK LOTTERY

An Enterprise Fund of the State of New York

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended March 31, 2015 and 2014





## **NEW YORK LOTTERY**

An Enterprise Fund of the State of New York

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Years Ended March 31, 2015 and 2014

Prepared by

Financial Management Unit



## Table of Contents

### Introduction

Letter of Transmittal .....	1
Organizational Chart .....	12
Certificate of Achievement .....	13

### Financial Section

Independent Auditors' Report .....	14
Management's Discussion and Analysis .....	16
Basic Financial Statements	
Statements of Net Position .....	23
Statements of Revenue, Expenses, and Changes in Net Position .....	24
Statements of Cash Flows .....	25
Notes to Basic Financial Statements .....	26

### Statistical Section (unaudited)

Overview .....	40
Net Position: Most Recent 10 Fiscal Years .....	41
Changes in Net Position: Most Recent 10 Fiscal Years .....	41
Major Components of Lottery Revenue: Most Recent 10 Fiscal Years .....	42
Revenue from Lottery Game Sales: Most Recent 10 Fiscal Years .....	43
Operating Expenses and Allocations: Most Recent 10 Fiscal Years .....	43
Outstanding Debt: Most Recent 10 Fiscal Years .....	44
New York State Demographics .....	44
Employment by Industry: Most Recent 10 Years .....	45
Operating Information: Most Recent 10 Fiscal Years .....	46
Capital Assets: Most Recent 10 Fiscal Years .....	47



Andrew M. Cuomo  
Governor

Mark D. Gearan, *Chair*  
John A. Crotty  
Peter J. Moschetti, Jr.  
John J. Poklemba  
Barry C. Sample  
Todd R. Snyder  
Commissioners



**Gaming  
Commission**

Robert Williams  
Executive Director

Edmund C. Burns  
General Counsel

September 8, 2015

To readers of the New York State Gaming Commission's Comprehensive Annual Financial Report:

We are pleased to present the Comprehensive Annual Financial Report on the aid to education earning aspects (Traditional Lottery and Video Lottery) of the New York State Gaming Commission for the fiscal year ended March 31, 2015. This report has been prepared by the Financial Management Unit of the New York State Gaming Commission. The Gaming Commission is responsible for the accuracy and fairness of all information included in this report. To the best of our knowledge, the report presents fairly in all material respects the financial position of the enterprise portions of the New York State Gaming Commission (Lottery) and the results of its operations for the period covered.

For the purposes of this Comprehensive Annual Financial Report, the financial results, positions, and activities of the New York State Gaming Commission's Division of the Lottery and Division of Gaming's Video Gaming Department are referred to jointly as the Lottery. This combination is utilized since both operations are lottery based and statutorily provide aid to education in New York State. The placement of these two education supporting operations into different divisions of the New York State Gaming Commission was effective on February 1, 2013.

The report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section contains this transmittal letter, which provides an overview of the Lottery and its annual report, and the Gaming Commission's organizational chart which lists principal officials and their positions within the agency. The Financial Section contains the Lottery's basic financial statements, the notes to the statements, and the independent auditor's report. It also includes Management's Discussion and Analysis which is supplementary information to the statements and offers readers a general overview and analysis of the Lottery's financial position and activities for the years covered by the statements. The Statistical Section includes certain financial, economic, and demographic data for the New York Lottery over the last 10 years or as many years as are available.

The New York Lottery was established in 1967 as a result of a constitutional amendment. It is currently administered by the Division of the Lottery, as part of the New York State Gaming Commission. It is operated in accordance with provisions of the New York State Lottery for Education Law (Tax Law Article 34). The mission of the Lottery is to raise revenue for education in the State of New York through the administration of lottery games. The mission of the Video Gaming Department of the Gaming Division is to operate and administer the Video Lottery program games and central system to raise revenues for aid to education.

The Lottery is included within the financial reporting entity of the State of New York as an enterprise fund. This report represents only the financial position and activities of the Lottery and not the corresponding financial position and activities of the State of New York or other portions of the New York State Gaming Commission.



## History of the New York Lottery

In November 1966, a Constitutional Amendment was approved by 61% of New York voters to establish the New York Lottery. Subsequently, Article 1, Section 9 of the Constitution of the State of New York was adopted to allow lotteries operated by the State, with net proceeds to be applied to aid for education. New York was the second state, behind New Hampshire, to conduct Lottery sales. A lottery commission was established as a division of the Department of Taxation and Finance and the first lottery ticket was sold in New York in June 1967.

Administrative responsibilities for the Lottery were later transferred to the New York State Racing and Wagering Board. The Lottery was then reconstituted in 1976, and the Division of the Lottery was established as an independent division of the State Department of Taxation and Finance. Instant ticket sales resumed under this “new” Lottery in September 1976.

In November 1978, a popular European game called “Lotto” was introduced in New York with an initial jackpot of \$250,000. The new game steadily gained in popularity until a computerized or “online” system of play was introduced in September 1980 and the excitement of “Lottomania” began in New York. Also in September 1980 the Daily Numbers three-digit game began, followed by the Win 4 four-digit game in 1981. These staple games kicked off a period of unprecedented growth in New York Lottery sales.

In 1987, a Keno game called “Pick 10” was introduced. It was followed in January 1992 by the addition of Take Five – a pari-mutuel game with a smaller, but more winnable jackpot than Lotto. At the beginning of 1994, new instant game technology was integrated into online sales terminals statewide. These new features improved management of instant game tickets, accounting, security, and validation. For the first time, Lottery retailers were able to pay prizes regardless of the place of purchase, order tickets through a telemarketing system, and receive “hassle-free” automatic shipments of all new instant game launches. As a result, instant game sales increased from \$298 million in 1994 to over \$1 billion by 1997.

In 1995, legislation authorized the implementation of Quick Draw, a monitor game offering more play options and prizes than Pick 10. Quick Draw sales commenced in September 1995 and the game is now offered in 8,000 locations statewide in varied types of establishments.

Following the terrorist attacks on the World Trade Center in 2001, the State Legislature permitted New York’s entry into a multi-jurisdictional lottery game and authorized video lottery gaming at certain pari-mutuel racetracks. In May 2002, the New York Lottery and the Ohio Lottery joined the participants of The Big Game and formed the new Mega Millions multi-jurisdictional game.

Video lottery gaming was a major effort and it was January 2004 before the New York Lottery opened the doors of the first video lottery gaming facility in the State. Video lottery gaming terminals operate as electronic lottery games allowing multiple players to compete for prizes awarded as a result of random drawings. Results are secured within the centrally located monitoring and control system. Video gaming facilities are now operational at nine racetracks throughout the State.

In September 2009, the Lottery launched Sweet Million, a draw game featuring a one million dollar jackpot prize. The introduction of this game was a response to consistent requests from players for a game with multiple jackpot winners, not just a single winner of a big jackpot. Sweet Million offered players the best odds of winning a one million dollar prize. Sweet Million was retired in June 2014.

In 2009, the Mega Millions consortium began discussions with the Multi-State Lottery Association (MUSL), the administrators of the national Powerball game, to cross sell each other’s games. The member states of each consortium subsequently ratified an agreement that authorized the New York Lottery to join the multi-state Powerball game and sales commenced in January 2010. The addition of this second multi-state game allows the Lottery to offer New Yorkers the largest jackpot games in the nation four days per week.



On February 1, 2013, the Division of the Lottery was merged with the New York State Racing and Wagering Board into a single oversight entity called the New York State Gaming Commission. The Gaming Commission has overall responsibility for regulation and enforcement of all gaming activity in New York State including horse racing, charitable gaming, and Native American casinos. The Division of the Lottery was given responsibility to administer all traditional lottery games as well as video lottery marketing. The Gaming Commission's Division of Gaming operates and administers the Video Lottery gaming program.

In June 2014, the Lottery launched Cash4Life, the first draw game in New York that offers "for-life" prizes at the first and second prize levels. First prize is \$1,000 a day for life and second prize is \$1,000 a week for life. This multi-state game was launched with New Jersey, and Pennsylvania and Virginia joined in 2015.

## Traditional Lottery Games

The New York Lottery offers players the chance to participate in many various draw and instant games through a retailer network of approximately 18,000 retailers. Current offerings include nine draw games, as well as the introduction of approximately 38 new instant games each year. The wide variety of Lottery games offer different methods of play, ranges of jackpot prizes, and convenience aspects that make playing the games fun, easy, and exciting entertainment.



**MEGA MILLIONS** is a multi-jurisdictional game in which the New York Lottery participates with California, Georgia, Illinois, Massachusetts, Michigan, New Jersey, Ohio, Virginia, Washington, and the Multi-State Lottery Association (Powerball). Players choose five numbers from a pool of 75 and one number from a pool of 15 numbers. A player wins the jackpot by matching all six winning numbers drawn. Smaller prizes ranging from \$1 to \$1,000,000 can be won by matching one to five numbers. Players can select to receive the jackpot in annual installments or in one lump sum payment. Tickets cost one dollar and drawings are held twice per week, every Tuesday and Friday. Mega Millions is also available by subscription. A Megaplier feature gives players a chance to increase their non-jackpot prizes.



**POWERBALL** is a multi-jurisdictional game in which the New York Lottery participates with most other Mega Millions member states and the Multi-State Lottery Association member lotteries. Players choose five numbers from a pool of 59 and one number from a pool of 35 numbers. A player wins the jackpot by matching all six winning numbers drawn. Smaller prizes ranging from \$4 to \$1,000,000 can be won by matching one to five numbers. Players can select to receive the jackpot in annual installments or in one lump sum payment. Tickets cost two dollars and drawings are held twice per week, every Wednesday and Saturday. A Power Play multiplier feature gives players a chance to increase their non-jackpot prizes.



**LOTTO** is played by choosing six numbers from a pool of 59 and is still played for two games for one dollar. A player wins the jackpot by matching all six winning numbers drawn, but can also win other prizes by matching at least three winning numbers. Players can select to receive the jackpot in annual installments or in one lump sum payment. Drawings are held twice per week, every Wednesday and Saturday. Lotto is also available by subscription.



**CASH4LIFE** is played by choosing five numbers from a pool of 60 and one number from a pool of 4 numbers. A player can win one of two jackpot prizes - a jackpot of \$1,000 a day for life by matching all six winning numbers drawn or a jackpot of \$1,000 a week for life by matching the first five numbers drawn. A player can also win other prizes by matching at least two of the winning numbers. Players can select to receive the jackpot in annual installments or in one lump sum payment. Tickets cost two dollars and drawings are held twice per week, every Monday and Thursday. This game was launched in June 2014. Cash4Life is also available by subscription.



**NUMBERS** is played by choosing a three-digit number. A player wins prizes ranging from \$25 to \$500 by matching the winning numbers drawn. Wagers begin at fifty cents and drawings are held twice per day. Lucky Sum is an added feature that allows Numbers players to win additional prizes by matching the sum of the player's numbers to the sum of the winning numbers drawn for an extra one dollar wager. An Instant Win feature also allows players to win up to \$500 instantly for an additional one dollar wager by matching their numbers to a set of numbers randomly generated at the point of sale terminal.



**WIN 4** is played by choosing a four-digit number. A player wins prizes ranging from \$25 to \$5,000 by matching the winning numbers drawn. Wagers begin at fifty cents and drawings are held twice per day. Lucky Sum is an added feature that allows Win 4 players to win additional prizes by matching the sum of the player's numbers to the sum of the winning numbers drawn for an extra one dollar wager. An Instant Win feature also allows players to win up to \$500 instantly for an additional one dollar wager by matching their Win 4 numbers to a set of numbers randomly generated at the point of sale terminal.



**TAKE FIVE** is played by choosing five numbers from a pool of 39. A player wins the jackpot by matching all five winning numbers drawn, but can also win other prizes by matching at least two of the winning numbers. Tickets cost one dollar and drawings are held every night.



**PICK 10** is played by choosing 10 numbers from a pool of 80. A player wins the jackpot of \$500,000 if all 10 of their numbers are included among 20 winning numbers drawn by the Lottery. Wagers begin at one dollar. Other prizes can also be won by matching six, seven, eight, nine, or none of the winning numbers drawn. Drawings are held every night.



**QUICK DRAW** is played by choosing one to 10 numbers from a pool of 80. A player wins prizes ranging from \$1 to \$100,000 based on how many numbers they match to the 20 winning numbers drawn by the Lottery. Wagers begin at one dollar. An Extra multiplier feature gives players a chance to increase their prize. Drawings are held every four minutes on a daily basis except for the half-hour from 3:30 a.m. to 4:00 a.m.



**INSTANT GAMES** are played by scratching a covering from pre-printed tickets to reveal prizes. There are a large variety of games and price points available for sale at any given time.

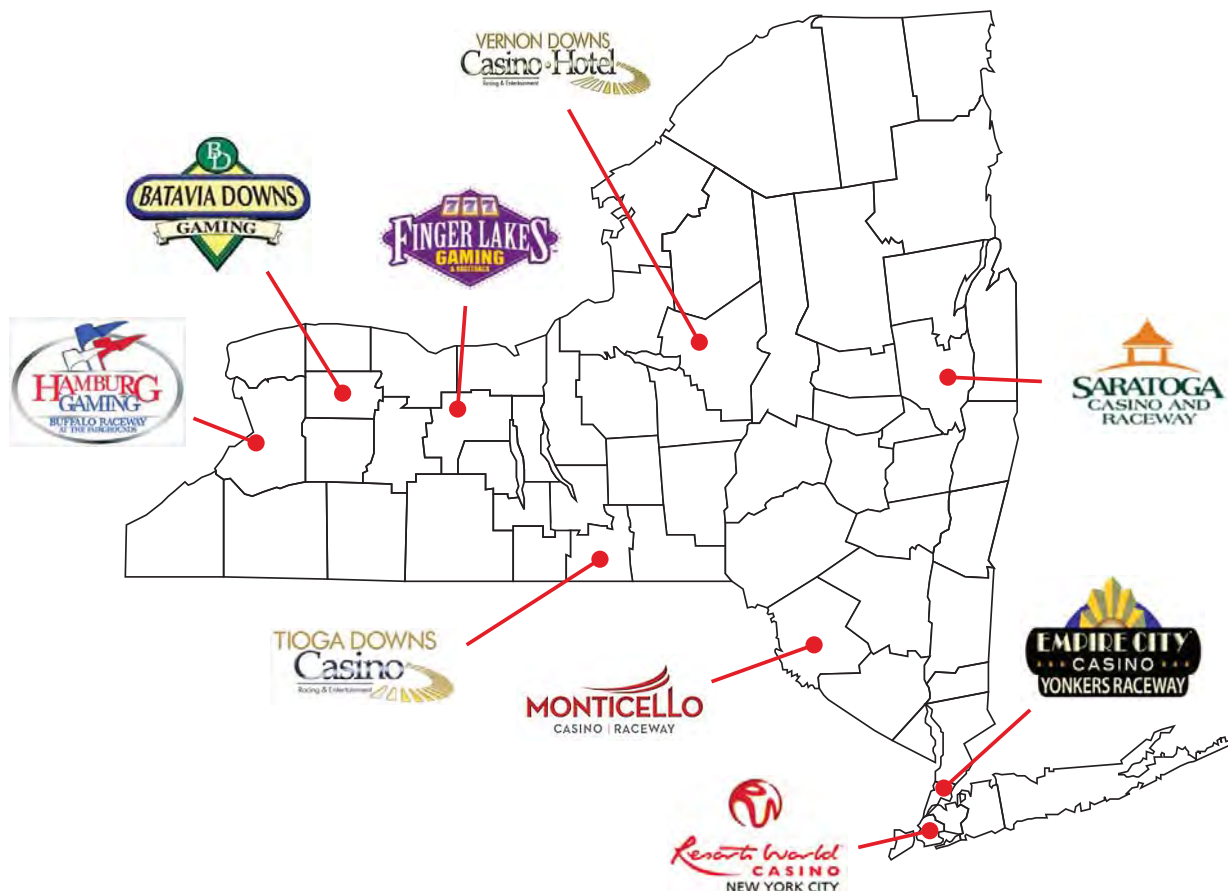
## Video Lottery Gaming

On January 28, 2004, the New York Lottery commenced Video Lottery Gaming operations with the opening of Saratoga Gaming & Raceway in Saratoga Springs. Since that date, the Lottery has opened eight additional video gaming facilities across the State. As of March 31, 2015, these nine facilities operate a statewide total of approximately 18,000 video lottery terminals.

Video Lottery Gaming was initially conducted 16 hours per day at each gaming facility, but legislation effective August 11, 2010 allowed an additional four hours per day. Most games utilize a central determinant system that draws winners from a centralized finite prize pool, similar to the administration of an instant scratch-off game. New York also offers electronic table games in six locations which use mechanical devices or computerized random number generators to determine results for groups of players. By statute, video lottery games must pay out a minimum of 90% in prizes.

As of February 1, 2013, the operation and administration of the State's Video Lottery Gaming program is administered by the Division of Gaming within the New York State Gaming Commission.

### New York State Video Gaming Facility Locations







**Resorts World Casino New York City** is located at Aqueduct Racetrack in Jamaica. Owned by the State of New York and operated by Genting NY, LLC, Resorts World Casino opened on October 28, 2011, and operates approximately 5,000 video gaming machines.



**Empire City Casino at Yonkers Raceway** is located in Yonkers. Owned and operated by Yonkers Racing Corp., Empire City Casino opened on October 11, 2006, and operates approximately 5,300 video gaming machines.



**Saratoga Casino & Raceway** is located in Saratoga Springs. Owned and operated by Saratoga Harness Racing Inc., Saratoga Casino & Raceway opened on January 28, 2004, and operates 1,780 video gaming machines.



**Monticello Casino & Raceway** is located in Monticello. Owned and operated by Empire Resorts, Monticello Casino & Raceway opened on June 30, 2004, and operates 1,110 video gaming machines.



**Finger Lakes Gaming & Racetrack** is located in Farmington. Owned and operated by Delaware North Inc., Finger Lakes Gaming & Racetrack opened on February 18, 2004, and operates 1,549 video gaming machines.



**Hamburg Gaming** is located on the Fairgrounds in Hamburg, near Buffalo. Owned by the Erie County Agricultural Society and operated by Delaware North Inc., Hamburg Gaming opened on March 17, 2004, and operates 940 video gaming machines.



**Vernon Downs Casino** is located in Vernon. Owned and operated by American Racing & Entertainment LLC, Vernon Downs Casino opened on October 26, 2006, and operates 767 video gaming machines.



**Tioga Downs Casino** is located in Nichols. Owned and operated by American Racing & Entertainment LLC, Tioga Downs Casino opened on July 4, 2006, and operates 802 video gaming machines.



**Batavia Downs Gaming** is located in Batavia. Owned and operated by Western Regional Off-Track Betting Corporation, Batavia Downs Gaming opened on May 18, 2005, and operates 788 video gaming machines.



## New York Economic Outlook

As of June 2015, New York's unemployment rate was 5.5%. This was down 0.8 percentage points from the 6.3% unemployment rate in June 2014. Approximately 539,000 are unemployed from a work force of approximately 9.7 million. The five year history of New York State unemployment rates are listed in the following table.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann Avg
<b>2015</b>	5.8%	5.8%	5.7%	5.7%	5.7%	5.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>2014</b>	6.8%	6.7%	6.6%	6.5%	6.4%	6.3%	6.1%	6.0%	6.0%	5.9%	5.8%	5.8%	6.2%
<b>2013</b>	8.0%	7.9%	7.8%	7.7%	7.6%	7.6%	7.5%	7.5%	7.4%	7.2%	7.1%	7.0%	7.5%
<b>2012</b>	8.6%	8.6%	8.6%	8.7%	8.7%	8.6%	8.5%	8.4%	8.3%	8.2%	8.1%	8.0%	8.4%
<b>2011</b>	8.3%	8.2%	8.1%	8.1%	8.1%	8.2%	8.2%	8.3%	8.4%	8.4%	8.5%	8.5%	8.3%

New York is currently above the national unemployment rate, which dropped by 0.8 percentage points from a year ago to 5.3% in June 2015. New York's unemployment rate has also declined from the previous year for each of the six months reported so far for 2015. All unemployment figures above were provided by the United States Bureau of Labor Statistics.

Improving unemployment rates will provide a favorable environment for Lottery sales in the coming year. As a mature lottery, the New York Lottery expects only incremental growth in most of the traditional lottery games. The main potential for higher growth is in jackpot-driven games like Mega Millions and Powerball, during intervals when jackpots roll to higher levels and drive higher sales. Two additional video lottery gaming facilities are expected to open at Off Track Betting locations on Long Island within the next 12-24 months.

As part of the Lottery's long-term financial planning, the Lottery routinely prepares sales and profit projections and assists the New York State Division of the Budget in preparing Traditional Lottery and Video Lottery revenue estimates to be used in the State's five-year financial plan.

## Accomplishments

- In the fiscal year ended March 31, 2015, New York Lottery revenues reached \$9.156 billion while net profit earned for aid to education reached \$3.111 billion. Compared to the previous year, instant game sales increased by \$83.0 million or 2.3%. Most of this growth was due to a mix of games that were more attractive to the player.
- In June 2014, the Lottery launched Cash4Life, the first draw game in New York that offers “for-life” prizes at the first and second prize levels. First prize is \$1,000 a day for life and second prize is \$1,000 a week for life. This multi-state game was launched with New Jersey, and Pennsylvania and Virginia joined in 2015.
- Pursuant to the November 2013 statewide referendum allowing commercial casino gaming in restricted zones within New York State, the Gaming Commission accepted sixteen applications for as many as four new casinos to be licensed in three regions of the state. The proposals were evaluated by a five member Gaming Facility Location Board, assisted by Gaming Commission staff and outside consultants. Three applicants were recommended for licensure: Montreign Resort Casino in Thompson, Rivers Casino & Resort in Schenectady, and Lago Resort & Casino in Tyre. Background reviews are being conducted and licenses are expected to be awarded by the end of 2015.
- Resorts World Casino New York City at Aqueduct Racetrack showed continued growth as annual revenues grew to \$816 million, a 3.0% increase over the prior year. Resorts World now houses approximately 900 electronic table games representing nearly 18% of its gaming floor.
- Fiscal year 2014-15 represents the first full year of increased free play allowance from 10% of net win to 15% of net win at video lottery gaming facilities. The larger allowance has allowed video gaming facilities to attract new and more frequent customer visits to their facilities.

## Future Projects

- In the first quarter of fiscal year 2015-16, the New York Lottery will add Cash4Life to its suite of draw games that are available for purchase by subscription. The game’s jackpot prizes are popular with players and groups, making it an attractive addition to the online offerings of Lotto and Mega Millions. Players will be able to purchase a Cash4Life subscription ranging from 10 to 104 consecutive draws.
- An additional play feature will be added to the Numbers and Win 4 games in the third quarter of fiscal year 2015-16. “Close Enough” will allow players to win additional prizes if one of their chosen numbers is only “1-off” from the winning numbers drawn. This new wager has been very popular with players in other Lottery jurisdictions.
- The Gaming Commission will complete background reviews for the three commercial casino applicants recommended by the Gaming Facility Location Board. The Commission expects to issue casino licenses to approved applicants by the end of 2015. This will allow construction to proceed on the casinos, which must be operational within 24 months of the issuance of a license.



- The Gaming Commission issued a second Request for Applications in New York's Southern Tier Region, where an applicant was not recommended for licensure in the first round. The Gaming Facility Location Board is expected to review and make a recommendation on new applications before the end of the calendar year to determine whether a fourth commercial casino license will be issued in the State.
- Suffolk County Regional Off-Track Betting Corporation continues to seek local approval for a video lottery gaming facility in Medford. No site has yet been selected for the video lottery gaming facility to be operated by Nassau County Regional Off-Track Betting Corporation. Both facilities are expected to house up to 1,000 video gaming machines.
- Legislation passed in the 2015-16 Executive Budget allows for the introduction of new electronic table games (ETGs) such as Blackjack and Three Card Poker at video lottery gaming facilities. The new ETGs will have the largest growth potential at Resorts World Casino (with a projected 400 new ETGs) and Empire City Casino (with a projected 100 new ETGs).
- In this coming year, the Statewide Financial System (SFS) will launch a new initiative to deliver significant new financial management functionality for New York State agencies. The SFS Enterprise Enhancement Phase 1 (EE1) project is scheduled for go-live in October 2015. This is the first of several steps in leveraging the power of SFS to align with best practices, improve financial transaction efficiency, retire legacy IT systems, and create an end-to-end financial system for procurement, travel, payments, accounting, project costing, assets, financial management, and reporting.

## Financial Information

### Internal Controls

The New York State Gaming Commission is required to maintain a system of internal controls to safeguard assets, prevent fraud and abuse, and ensure accurate financial information. To this end, the Commission has established an Internal Controls unit that reports directly to the Internal Control Officer. Standards for internal controls, as issued by the NYS Office of the State Comptroller, are posted to the Commission intranet for all employees to access. Also posted are the agency's Internal Control Guidelines, which provide executive support for the program and clear direction on staff responsibilities in carrying out the program. All managers conduct annual internal control reviews within their units. During these reviews, risk is assessed and controls are documented, evaluated, and tested. The Commission annually certifies the effectiveness of its Internal Controls program to the NYS Division of Budget.

The Gaming Commission's Internal Audit Unit regularly reviews and evaluates all activities of the Lottery from an internal control perspective and issues reports to management recommending improvements to the system of internal controls as necessary.

Beyond these internal reviews, the Lottery's financial statements are audited on an annual basis by a certified public accounting firm. As a state agency, the Gaming Commission is also subject to periodic audits by the Office of the State Comptroller.

## Budgetary Controls

New York State law limits administrative expenditures on Lottery operations to 15% of traditional lottery game sales and 10% of Video Lottery Gaming net win. In addition, the legislature sets appropriation limits in the annual State budget which establish maximum amounts that can be spent on administrative costs other than sales-based agent commissions and vendor fees. Payment of expenditures is made through the Office of the State Comptroller which verifies compliance with budgetary appropriations. Historically, the New York Lottery has efficiently controlled spending well below its statutory limit, allowing for unused administration funds to be transferred to the education account as surplus. For the year ended March 31, 2015, administrative surplus amounted to \$464.8 million.

## Debt Administration

The Lottery's long-term liabilities consist primarily of installment payments due to winners of lottery jackpots. This debt is funded by United States government-backed securities and New York City municipal bonds whose interest payments and maturities are timed to correspond with payments due to prize winners. As of March 31, 2015, the accrued value of the Lottery's installment prizes payable was \$1.415 billion, with \$138.0 million payable within one year and \$1.277 billion classified as long-term.

## Financial Policy Changes

There were no financial policy changes during the year ended March 31, 2015.

## Independent Audit

The New York Lottery's annual financial statements are audited by a certified public accounting firm. The statements include pertinent footnotes and Management's Discussion and Analysis. The statements for the year ended March 31, 2015 were audited by KPMG LLP. The auditor's report and the financial statements are included in the Financial Section of this report.

## Social Responsibility

As a member of the World Lottery Association (WLA) since 2009, the New York Lottery has been a strong supporter of the WLA's Responsible Gaming Framework which outlines the actions a gaming operator must undertake to demonstrate its commitment to globally accepted Responsible Gaming best practices. The New York Lottery demonstrates its commitment to Responsible Gaming by making it an integral part of our daily operations in the best interest of our players, our beneficiary, and all New Yorkers. The New York Lottery's evolving Responsible Gaming Program is rooted in the following WLA principles:

- We take reasonable and balanced measures to meet our objectives while protecting vulnerable groups.
- We ensure our practices and procedures reflect a combination of government regulations, operator self-regulation, and individual responsibility.
- We develop our practices concerning Responsible Gaming-related issues on the fullest possible understanding of relevant information and analysis of documented research.



- We work with stakeholders to share information, develop research, and promote Responsible Gaming as broadly as possible, and encourage a better understanding of the social impact of gaming.
- We promote only legal and responsible gaming in all aspects of our activities, including the development, sale, and marketing of our products and activities, and make reasonable effort to ensure our agents do the same.
- We provide the public with information in an accurate and balanced manner to enable individuals to make informed choices

## Certificate of Achievement

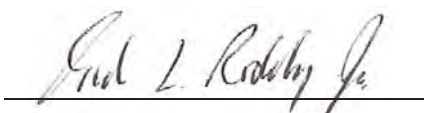
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New York Lottery for its comprehensive annual financial report for the fiscal year ended March 31, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the requirements of the Certificate of Achievement Program, and we are submitting it to the GFOA to determine its eligibility for another certificate.

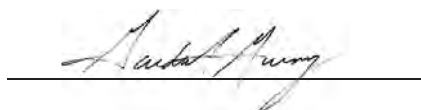
## Acknowledgements

This Comprehensive Annual Financial Report reflects our continued commitment to maintain the highest standards of public accountability and to maintain the public trust through accounting transparency. Preparation of this report could not have been accomplished without the efforts and dedication of the entire Financial Management Unit.

Respectfully submitted,



Frank L. Roddy, Jr.  
Director of Administration & Finance



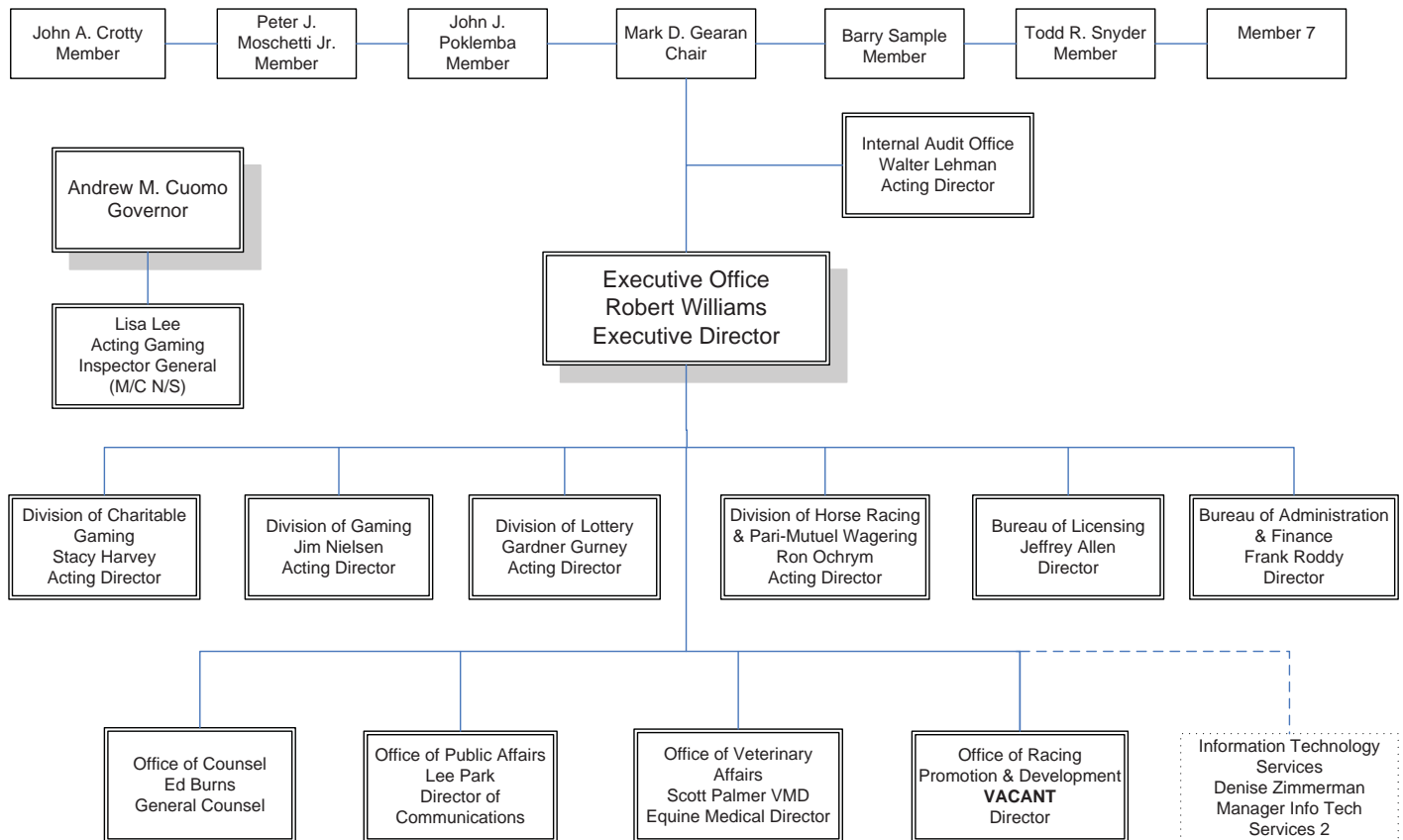
Gardner S. Gurney  
Acting Director  
Division of the Lottery



Robert Williams  
Executive Director

## New York State Gaming Commission Organization Chart

### New York State Gaming Commission



## Certificate of Achievement

---



Government Finance Officers Association

### Certificate of Achievement for Excellence in Financial Reporting

Presented to

**New York Lottery**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**March 31, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO



KPMG LLP  
515 Broadway  
Albany, NY 12207-2974

## Independent Auditors' Report

The New York State Gaming Commission:

### Report on the Financial Statements

We have audited the accompanying statements of net position of the New York State Lottery (the Lottery), an enterprise fund of the State of New York, as of March 31, 2015 and 2014, and the related statements of revenue, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the basic financial statements, which collectively comprise the Lottery's basic financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New York State Lottery as of March 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



***Emphasis of a Matter***

As described in note 1, the Lottery's financial statements present only the New York State Lottery enterprise fund of the State of New York and do not purport to, and do not, present fairly the financial position of the State of New York, as of March 31, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 16 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The Introduction and Statistical Section listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**KPMG LLP**

July 17, 2015  
Albany, New York



## NEW YORK STATE LOTTERY

### Management's Discussion and Analysis (Unaudited)

March 31, 2015 and 2014

The management of the New York State Lottery (New York Lottery or Lottery) offers readers the following general overview and analysis of the New York Lottery's financial position and activities for the fiscal years ending March 31, 2015 and 2014. We encourage readers to consider this information in conjunction with the detailed financial statements and explanatory notes that follow. The New York Lottery's basic financial statements for the fiscal years ending March 31, 2015 and 2014 have been prepared in accordance with U.S. generally accepted accounting principles.

#### Financial Highlights

- New York Lottery revenues totaled \$9.156 billion, while net proceeds earned for Lottery Aid to Education reached \$3.111 billion for fiscal year 2015.
- New York Lottery revenues in fiscal year 2015 were less than the revenues of 2014 by \$70.2 million or 0.8%. In fiscal year 2014, the annual revenue increase was \$292.2 million or 3.3%.
- Net proceeds earned for Lottery Aid to Education in fiscal year 2015 were less than the net proceeds of 2014 by \$62.4 million or 2.0%. Comparatively, the annual earnings for education in fiscal year 2014 were more than the net proceeds of 2013 by \$127.2 million or 4.2%.
- Prize expense decreased by \$11.0 million or 0.2% during fiscal year 2015. Prize expense increased by \$188.9 million or 4.5% during fiscal year 2014. Prize expense generally follows the changes occurring in sales of the corresponding games.
- Operating income decreased by \$36.8 million or 1.2% during fiscal year 2015. Operating income increased by \$46.4 million or 1.5% during fiscal year 2014.
- Nonoperating income increased by \$200.3 million during fiscal year 2015 after decreasing by \$143.5 million during fiscal year 2014. The changes in this category are generally the result of unrealized gains/losses on investments which can change by large amounts in either direction from year to year.
- Working Capital (current assets minus current liabilities) decreased by \$22.8 million in fiscal year 2015 after decreasing by \$23.1 million in fiscal year 2014.

#### Overview of Financial Statements

The New York Lottery presents its financial statements using the accrual basis of accounting, which is comparable to the method used by many private sector businesses. The accrual basis recognizes revenues when earned, not when received. Likewise, expenses are recognized when incurred, not when paid. The Lottery prepares the following three financial statements for fiscal years 2015 and 2014:

##### *Statements of Net Position*

The statement on page 10 provides information on the nature and amount of the Lottery's assets, liabilities and net position at the close of fiscal years 2015 and 2014. The relationship of assets to liabilities and resulting net position is one indicator of the financial condition of the Lottery and can also be a reflection of changes within the Lottery.

##### *Statements of Revenue, Expenses, and Changes in Net Position*

The statement on page 11 reflects the Lottery's operating and nonoperating revenues and expenses and the change in net position for the year.

(Continued)

**NEW YORK STATE LOTTERY****Management's Discussion and Analysis (Unaudited)**

March 31, 2015 and 2014

***Statements of Cash Flows***

The statement on page 12 is presented on the direct method of reporting and reflects cash flows from operating activities as well as capital and noncapital financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

The above mentioned financial statements, the notes to the financial statements and this management's discussion and analysis provide information about the Lottery's overall financial condition.

This management's discussion and analysis is meant to be an introduction to the financial statements and to assist readers in understanding the results of the operations and the financial condition of the New York Lottery. The notes to the financial statements are an integral part of the statements and include additional data and explanations which are to be used in concert with the financial statements.

The New York Lottery deposits its net proceeds into six accounts held in joint custody by the Commissioner of Taxation and Finance and the State Comptroller. These six accounts and the purpose of the funds are as follows:

- Lottery Education Account – Accumulates the required deposits for Aid to Education from revenues, not including video gaming revenues.
- Prize Pending Account – Consists of Lottery prizes that have not yet been paid from revenues, excluding video gaming revenues.
- Administration Account – Utilized to pay for the Lottery's administrative costs that are not related to or funded by video gaming revenues.
- Video Gaming Education Account – Accumulates the required deposits for Aid to Education from video gaming operations.
- Video Gaming Prize Pending Account – Consists of video gaming prizes awarded that have not yet been claimed.
- Video Gaming Administration Account – Utilized to pay the administrative costs of video gaming.

(Continued)



## NEW YORK STATE LOTTERY

### Management's Discussion and Analysis (Unaudited)

March 31, 2015 and 2014

#### Financial Analysis

##### *Summary of Net Position*

The comparative summary of net position represents the Lottery's financial position as of the fiscal years 2015, 2014, and 2013 (in millions):

	FY 2015	FY 2014	FY 2013	FY 2015 vs. FY 2014 Increase/(decrease)		FY 2014 vs. FY 2013 Increase/(decrease)	
				In \$	In %	In \$	In %
Capital assets	\$ —	—	—	—	—%	\$ —	—%
Other assets	2,637	2,544	2,589	93	3.7	(45)	(1.7)
Total assets	2,637	2,544	2,589	93	3.7	(45)	(1.7)
Current liabilities	967	935	811	32	3.4	124	15.3
Noncurrent liabilities	1,277	1,299	1,325	(22)	(1.7)	(26)	(2.0)
Total liabilities	2,244	2,234	2,136	10	0.4	98	4.6
Restricted net position	139	150	185	(11)	(7.3)	(35)	(18.9)
Unrestricted net position	254	160	268	94	58.8	(108)	(40.3)
Total net position	\$ 393	310	453	83	26.8	(143)	(31.6)

##### *Capital Assets*

Capital assets consist of equipment and leasehold improvements. During fiscal year 2015 and 2014, there were no significant changes in capital assets other than disposal of fully depreciated assets. Activity was primarily limited to yearly depreciation. Additional information about the Lottery's capital assets can be found in note 1i of the notes to the basic financial statements.

##### *Other Assets*

Other assets consist of cash and cash equivalents, accounts receivable, instant ticket inventory, and investments. During fiscal year 2015, other assets increased by \$93.6 million which represented an increase of 3.7% from the previous year. This increase was primarily a result of an increase in long-term investments. In fiscal year 2014, other assets decreased by \$45.3 million, which represented a decrease of 1.7% from the previous year.

##### *Current Liabilities*

Current liabilities consist of prizes awarded in the past year that remain unclaimed, amounts due to education, accrued expenses, accounts payable, the value of Lottery tickets purchased in advance of game drawings (unearned ticket sales), and the short-term portion of long-term prizes payable and amounts due to employees for unused vacation leave. In total, these accounts increased by \$31.7 million during fiscal year 2015. This change can be compared to the fiscal year ended March 31, 2014 when there was a \$123.9 million annual increase in total current liabilities.

##### *Noncurrent Liabilities*

Noncurrent liabilities consist of amounts due to be paid more than one year after the close of the fiscal year for installment prizes and unused employee vacation leave. During fiscal year 2015, noncurrent liabilities decreased by \$21.3 million, with the decrease occurring primarily in the category of long-term prizes payable. During fiscal

(Continued)

## NEW YORK STATE LOTTERY

### Management's Discussion and Analysis (Unaudited)

March 31, 2015 and 2014

year 2014, noncurrent liabilities decreased by \$26.4 million, with the decrease occurring primarily in the category of long-term prizes payable. Additional information about the Lottery's noncurrent liabilities can be found in note 5 of the notes to the basic financial statements.

#### *Net Position*

Restricted net position for future prizes consists of prize funds that are in excess of prizes actually claimed at the fiscal year-end, but which are necessary to ensure future prize payments. For example, prize funds from past sales are utilized to pay an accumulating or future New York Lotto, Powerball, Mega millions or Cash 4 Life jackpot or contribute toward a created but unclaimed instant ticket prize. These amounts are available by statute for this purpose.

Unrestricted net position listed on the statement of net position is largely the cumulative result of increased fair market value of the investments held by the Lottery to pay annuity prizes. Since the full maturity value of the investments is needed to pay the annuity prizes, the Lottery does not expect to realize any permanent gain on these investments.

#### *Summary of Revenue, Expenses, and Changes in Net Position*

The following summary compares the Lottery's revenues, expenses and changes in net position for the fiscal years 2015, 2014 and 2013 (in millions).

	FY 2015	FY 2014	FY 2013	FY 2015 vs. FY 2014 Increase/(decrease)		FY 2014 vs. FY 2013 Increase/(decrease)	
				In \$	In %	In \$	In %
Operating revenue:							
Lottery revenue, net	\$ 9,156	9,226	8,934	(70)	(0.8)%	\$ 292	3.3%
Operating expenses:							
Direct expenses	(5,938)	(5,958)	(5,708)	(20)	0.3	250	4.4
Indirect expenses	(120)	(133)	(138)	(13)	9.8	(5)	(3.6)
Total operating expenses	(6,058)	(6,091)	(5,846)	(33)	0.5	245	(4.2)
Operating income	3,098	3,135	3,088	(37)	(1.2)	47	1.5
Nonoperating income (expenses):							
Nonoperating income	158	(34)	108	192	564.7	(142)	(131.5)
Nonoperating expenses	(62)	(71)	(68)	(9)	12.7	3	(4.4)
Total nonoperating income (expenses)	96	(105)	40	201	191.4	(145)	(362.5)
Income before required allocation	3,194	3,030	3,128	164	5.4	(98)	(3.1)
Required allocation – contribution for aid to education	(3,111)	(3,173)	(3,046)	(62)	2.0	127	(4.2)
Change in net position	83	(143)	82	226	158.0	(225)	(274.4)
Net position beginning of year	310	453	371	(143)	(31.6)	82	22.1
Net position end of year	\$ 393	310	453	83	26.8	\$ (143)	(31.6)

(Continued)





# NEW YORK STATE LOTTERY

## Management's Discussion and Analysis (Unaudited)

March 31, 2015 and 2014

### Revenues

The New York Lottery exists for the sole purpose of raising revenue to help support Aid to Education. The Lottery achieves its mission through the sale of Lottery tickets at approximately 18,000 licensed retail locations across the state. The Lottery also achieves its mission through nine licensed video lottery gaming facilities located in Saratoga, Monticello, Farmington, Hamburg, Batavia, Tioga, Vernon, Yonkers, and New York City.

During fiscal year 2015, the Lottery achieved \$3.491 billion in draw sales, \$3.760 billion in instant sales, and \$1.905 billion in video lottery gaming net machine income for a total of \$9.156 billion, a decrease of \$70.2 million or 0.8% over the previous fiscal year. During fiscal year 2014, the Lottery achieved \$3.637 billion in draw sales, \$3.677 billion in instant sales, and \$1.912 billion in video lottery gaming net machine income for a total of \$9.226 billion, an increase of \$292.2 million or 3.3% over the previous fiscal year. The most significant growth was generated in instant sales during fiscal year 2015 while draw sales generated the most significant growth in fiscal year 2014.

The following compares the Lottery's revenues by game and the percentage of total revenues by game for the fiscal years 2015, 2014, and 2013 (in millions).

Game	FY 2015		FY 2014		FY 2013	
	Revenue	Percent of total revenues	Revenue	Percent of total revenues	Revenue	Percent of total revenues
Mega Millions	\$ 288	3.1%	\$ 400	4.3%	\$ 255	2.9%
Lotto	84	0.9	95	1.0	110	1.2
Take 5	239	2.6	256	2.8	266	3.0
Numbers	870	9.5	874	9.5	847	9.5
Win 4	852	9.3	831	9.0	794	8.9
Quick Draw	694	7.6	654	7.1	580	6.5
Pick 10	28	0.3	29	0.3	30	0.3
Sweet Million	6	0.1	33	0.4	35	0.4
Powerball	305	3.3	463	5.0	468	5.2
Other Multi-State Draw Games *	125	1.4	—	—	—	—
Promo game	—	—	2	—	—	—
Instant	3,760	41.1	3,677	39.9	3,724	41.7
Subtotal traditional lottery	7,251	79.2	7,314	79.3	7,109	79.6
Video Gaming, net **	1,905	20.8	1,912	20.7	1,825	20.4
Total revenues	\$ 9,156	100.0%	\$ 9,226	100.0%	\$ 8,934	100.0%

\* Other Multi-State Draw Games include Cash 4 Life and Monopoly Millionaires' Club.

\*\* Video gaming revenue represents net machine income after awarding prizes. Video gaming credits played and won were as follows:

	FY 2015	FY 2014	FY 2013
Credits played	\$ 33,971	32,348	28,672
Credits won	(32,066)	(30,436)	(26,847)
Net machine income	\$ 1,905	1,912	1,825

(Continued)



**NEW YORK STATE LOTTERY****Management's Discussion and Analysis (Unaudited)**

March 31, 2015 and 2014

***Direct Expenses***

Direct expenses consist of prize expense for traditional Lottery games, commissions to Lottery retailers and video lottery gaming facilities, fees to gaming contractors, expenses of providing instant tickets to players, and telecommunications. The largest expenditure in this category is prize expense which made up approximately 75% of direct expenses during each of the three years being discussed. Prizes decreased by \$11.0 million to \$4.397 billion in fiscal year 2015. At the same time, retailer commissions decreased by \$7.6 million to \$1.283 billion and gaming contractor fees remained flat.

Prizes increased by \$188.9 million to \$4.408 billion in fiscal year 2014. At the same time, retailer commissions increased by \$53.6 million to \$1.290 billion and gaming contractor fees increased by \$10.4 million to \$219.7 million.

***Other Operating Expenses***

Other operating expenses include marketing, state agency charges, personal services, fringe benefits and other administrative costs. These costs were \$120.6 million during fiscal year 2015 which was 9.8% lower than the prior year. Corresponding costs in fiscal year 2014 were \$133.4 million which was 3.6% lower than in fiscal year 2013.

***Nonoperating Revenues (Expenses)***

Nonoperating revenues and expenses consist of miscellaneous income plus the net growth or decline in the fair market value of investments used to fund long-term prizes. Investment income of \$148.9 million in 2015, \$(35.4) million in 2014 and \$107.7 million in 2013 consists of both the fair value adjustments of investments plus the normal growth of the value of Lottery investments as the securities move closer to maturity. The market-driven fair value adjustment, which is subject to considerable variance over time, is the primary factor in causing any large differences from year to year. Investment expense is a reflection of the Lottery expending the investment income to increase the valuation of the long-term prizes payable to winners. The annual fair value adjustment of investments flows to the unrestricted net position balance on the statement of net position.

***Income Before Required Allocation and Change in Net Position***

The revenues and expenses for fiscal year 2015 resulted in income before required allocation totaling \$3.194 billion. This amount consists of a required allocation for Aid to Education of \$3.111 billion that transfers out as a contribution for Aid to Education and an \$83.1 million increase in net position for the year. The \$83.1 million increase in net position is a combination of an \$11.2 million decrease in net position restricted for prizes and a \$94.3 million increase in unrestricted net position. The revenues and expenses for fiscal year 2014 resulted in income before required allocation totaling \$3.030 billion. This amount consists of a required allocation for Aid to Education of \$3.173 billion that transfers out as a contribution for Aid to Education and a \$142.9 million decrease in net position for the year. The \$142.9 million decrease in net position is a combination of a \$34.7 million decrease in net position restricted for prizes and a \$108.2 million decrease in unrestricted net position.

(Continued)

**NEW YORK STATE LOTTERY****Management's Discussion and Analysis (Unaudited)**

March 31, 2015 and 2014

***Summary and Outlook***

As a mature business entity, the New York Lottery generally anticipates only moderate but steady growth from year to year. An opportunity to move beyond normal growth occurred in October 2011 with the opening of a new video gaming facility in Queens, NY at the Aqueduct Racetrack. As a result, video lottery revenue grew from \$1.427 billion in 2012 to \$1.825 billion in 2013 to \$1.912 billion in 2014, then decreased to \$1.905 billion in 2015.

***Contacting New York Lottery's Financial Management***

This financial report is designed to provide the State of New York, the public, and other interested parties with an overview of the financial results of the New York State Lottery and an explanation of the Lottery's financial condition. If you have any questions about this report or require additional information, email [info@gaming.ny.gov](mailto:info@gaming.ny.gov) or write to The New York State Gaming Commission Communications Office, One Broadway Center, P.O. Box 7500, Schenectady, NY 12301-7500.





# NEW YORK STATE LOTTERY

## Statements of Net Position

March 31, 2015 and 2014

(In thousands)

	Assets	2015	2014
Current assets:			
Cash and cash equivalents	\$	490,819	515,992
Accounts receivable		526,292	479,000
Instant ticket inventory		10,704	9,141
Investments		112,255	126,915
Total current assets		1,140,070	1,131,048
Noncurrent assets:			
Long-term investments, net		1,497,026	1,412,495
Capital assets		—	—
Total noncurrent assets		1,497,026	1,412,495
Total assets	\$	2,637,096	2,543,543
	Liabilities		
Current liabilities:			
Prizes payable	\$	138,019	159,746
Unclaimed prizes		577,253	471,181
Due to education fund		213,309	251,558
Accounts payable and accrued liabilities		26,978	41,501
Unearned ticket sales		9,714	9,487
Compensated absences		1,464	1,487
Total current liabilities		966,737	934,960
Noncurrent liabilities:			
Compensated absences		120	314
Long-term prizes payable		1,277,256	1,298,381
Total noncurrent liabilities		1,277,376	1,298,695
Total liabilities	\$	2,244,113	2,233,655
	Net Position		
Restricted for future prizes	\$	138,995	150,194
Unrestricted		253,988	159,694
Total net position	\$	392,983	309,888

See accompanying notes to basic financial statements.



# NEW YORK STATE LOTTERY

## Statements of Revenue, Expenses, and Changes in Net Position

Years ended March 31, 2015 and 2014

(In thousands)

	2015	2014
Operating revenue:		
Lottery revenue, net	\$ 9,156,336	9,226,490
Operating expenses:		
Prize expense	(4,396,853)	(4,407,924)
Retailer commissions	(1,282,568)	(1,290,202)
Gaming contractor fees	(219,731)	(219,745)
Instant ticket direct expenses	(20,566)	(18,871)
Telecommunications	(17,827)	(21,357)
Total direct expenses	(5,937,545)	(5,958,099)
Marketing and advertising expense	(75,812)	(89,779)
Personal service and fringe benefits	(28,883)	(32,343)
Other administrative costs	(11,443)	(8,465)
State agency charges	(4,441)	(2,784)
Depreciation	—	(5)
Total indirect expenses	(120,579)	(133,376)
Total operating expenses	(6,058,124)	(6,091,475)
Operating income	3,098,212	3,135,015
Nonoperating revenue (expenses):		
Investment (loss) income	148,914	(35,364)
Other revenue, net	8,982	1,340
Investment expense	(62,443)	(70,893)
Total nonoperating revenue (expense)	95,453	(104,917)
Income before required allocation	3,193,665	3,030,098
Required allocation for aid to education	(3,110,570)	(3,172,958)
Change in net position	83,095	(142,860)
Net position beginning of year	309,888	452,748
Net position end of year	\$ 392,983	309,888

See accompanying notes to basic financial statements.





# NEW YORK STATE LOTTERY

## Statements of Cash Flows

Years ended March 31, 2015 and 2014

(In thousands)

	2015	2014
Operating activities:		
Cash received from net lottery revenue	\$ 9,137,343	9,220,869
Cash payments for prizes	(4,432,987)	(4,405,534)
Cash payments for commissions	(1,282,577)	(1,290,265)
Cash payments for contractor fees	(219,238)	(219,410)
Cash payments for telecommunications	(17,827)	(21,357)
Cash payments for instant ticket direct expenses	(22,052)	(19,020)
Cash payments for other operating expenses	(127,041)	(133,144)
Other cash receipts	8,982	1,340
Net cash provided by operating activities	3,044,603	3,133,479
Investing activities:		
Proceeds from investment maturities	127,118	135,965
Purchases of investments	(84,265)	(114,693)
Proceeds from investment sales	11,804	73,317
Interest on cash and cash equivalents and investments	24,386	24,868
Net cash provided by investing activities	79,043	119,457
Noncapital financing activities:		
Cash transfer to State for Aid to Education	(3,215,584)	(3,181,781)
Cash received from State General Fund for Lottery Aid Guarantee	66,765	—
Net cash used in noncapital financing activities	(3,148,819)	(3,181,781)
Net increase (decrease) in cash and cash equivalents	(25,173)	71,155
Cash and cash equivalents, beginning of year	515,992	444,837
Cash and cash equivalents, end of year	\$ 490,819	515,992
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,098,212	3,135,015
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other cash receipts	8,982	1,340
Depreciation	—	5
Change in operating assets and liabilities:		
Increase in accounts receivable, net	(47,292)	(37,561)
Increase in ticket inventory	(1,563)	(763)
Decrease in prizes payable	(105,295)	(107,321)
Increase in unclaimed prizes	106,072	126,066
Decrease in compensated absences	(217)	(94)
Increase (decrease) in accounts payable and accrued liabilities	(14,523)	15,657
Increase in unearned ticket sales	227	1,135
Net cash provided by operating activities	\$ 3,044,603	3,133,479
Noncash investing activities:		
Increase (decrease) in unrealized gains on investments	\$ 85,313	(108,230)
Amortization of investment discount	37,382	41,259

See accompanying notes to basic financial statements.



**NEW YORK STATE LOTTERY**

## Notes to Basic Financial Statements

March 31, 2015 and 2014

**(1) Summary of Significant Accounting Policies**

The New York State Lottery (Lottery) was established in 1967. In 1976, the Lottery was placed under the Division of the Lottery, an independent unit of the New York State Department of Taxation and Finance, which operates in accordance with the provisions of the New York State Lottery for Education Law (Tax Law Article 34). On February 1, 2013, the Division of Lottery was merged with the New York State Racing and Wagering Board into a single oversight entity called the New York State Gaming Commission, which was given responsibility to administer traditional and video lottery games as part of its overall responsibility for regulation and enforcement of gaming activity in New York. The purpose of the Lottery is to raise revenue for education in the State of New York (State) through the administration of lottery games.

These financial statements present only the Lottery and do not present the financial position of the State nor changes in the State's financial position and cash flows. However, the Lottery is included in the State of New York's basic financial statements as an enterprise fund.

The Lottery applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and prepares its financial statements under the economic resources measurement focus, whereby all inflows, outflows and balances affecting net position are reported, and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The primary operating revenue of the Lottery is ticket sales from games. Nonoperating income consists mostly of investment income and unrealized gains on investments. Operating expenses consist of direct expenses for prizes, commissions to Lottery retailers, fees to gaming contractors, expenses for providing instant tickets to players, and telecommunications. Other operating expenses that are indirect to the results of each game include marketing, state agency charges, personal services, and fringe benefits. Nonoperating expense includes the amortization of the discount on long-term prizes payable.

The more significant accounting policies of the Lottery are described below:

**(a) Revenue Recognition****(i) Draw Games**

Revenue from ticket sales for Lotto, Sweet million, Quick Draw, Take 5, Pick 10, Mega millions, Powerball, Cash 4 Life, Monopoly millionaires' Club, Numbers and Win-4 games, and promotional games (draw games) is recognized when the related drawing takes place. Receipts from subscription sales and other ticket sales for future drawings are recorded as unearned revenue and will not be recognized as revenue until the related drawings take place.

**(ii) Instant Games**

Revenue from Instant Games is recognized based on the dollar value of the total number of tickets available for sale. Tickets are available for sale upon being activated on the Lottery Validation System at the retailer locations.

**(iii) Video Gaming**

Revenue from video lottery gaming is recognized based on net machine income, which is defined as amounts played less prizes won.

(Continued)



## NEW YORK STATE LOTTERY

### Notes to Basic Financial Statements

March 31, 2015 and 2014

#### (b) *Prize Expense*

The Lottery recognizes prize expense for draw games equivalent to the actual prize liability incurred for each drawing. Prize expense for instant games is recognized when instant books are activated by retailers and is based on the percentage of sales allocated to prizes for each game. Video lottery revenue is reported net of prizes, so prize expense is not recognized on these games. Prize expense is adjusted accordingly for any prizes unclaimed within the time period allowed by law.

#### (c) *Commissions and Fees*

Retailers selling draw and instant game tickets receive a commission of 6% based on the total tickets sold. Video gaming facilities receive a varying percent of incremental annual net machine income according to provisions of Section 1612 of the Tax Law. The particular percent applied to a range of net machine income can vary depending on the facility's number of video gaming machines, geographical area of the state, population level, or proximity to Native American gaming facilities. The draw game contractor and the video gaming central processing contractor receive fees equal to a contractual percentage of the sales generated through the network maintained by the respective contractor. The instant game contractor is paid a fee equal to a contractual percentage of instant sales. Video lottery terminal contractors receive a fee equal to a contractual percentage of revenue, adjusted for the units of service provided. All other gaming contractors are paid fees based on the units of service provided (see note 13).

#### (d) *Accounts Receivable*

Accounts receivable primarily represents amounts due from retailers through a Lottery gaming contractor and amounts due from video lottery gaming facilities, net of commissions and fees, as well as amounts due from agents for Instant Game tickets which have been activated, but not yet settled. Instant ticket settlements occur within 45 days after a book of tickets is activated. Video lottery gaming receivables are received two business days after each sales day and draw games are collected within four business days after the close of each sales week.

#### (e) *Allocation of Revenue from Ticket Sales*

The allocation of ticket sales is made in accordance with the provisions of the New York State Lottery for Education Law which requires:

- Allocations of ticket sales revenue to New York for educational purposes are to be at least 20% for the New York State Lottery Instant Games, 30% for multi-state games such as Mega millions, Powerball, Cash 4 Life and Monopoly millionaires' Club, 35% for Take 5, Numbers, Win-4, and Pick 10, 45% for Lotto, Sweet million, and promotional games, and 25% for Quick Draw. In addition, the Lottery has statutory authority to issue up to five Instant Games per year with at least 10% for educational purposes. For video lottery, the required allocation to education is a varying percent of each facility's annual incremental net machine income, depending on factors such as the facility's number of video gaming machines, geographical area of the state, population level, and proximity to Native American gaming facilities.
- Allocations of ticket sales revenue for the payment of lottery prizes are not to exceed 65% for the New York State Lottery Instant Games, 55% for multi-state games such as Mega millions,

(Continued)



**NEW YORK STATE LOTTERY**

## Notes to Basic Financial Statements

March 31, 2015 and 2014

Powerball, Cash 4 Life and Monopoly millionaires' Club, 50% for Take 5, Numbers, Win-4, and Pick 10, 40% for Lotto, Sweet million, and promotional games, and 60% for Quick Draw. In addition, the Lottery has statutory authority to issue up to five Instant Games per year with up to 75% allocated to prizes. Video lottery is required to pay prizes that average no less than 90% of gross sales.

- Allocations of ticket sales revenue from all traditional games for the payment of Lottery administrative expenses (including agent commissions and contractor fees) are not to exceed 15%. For video lottery, 10% of net revenue (the total revenue wagered after payout for prizes) is allocated for Lottery Administration. Unlike traditional games, the video lottery administrative allocation does not include commissions and fees which are described separately in note 1c. Any excess of the maximum allocation over actual administrative expenses is allocated to education. Such allocations amounted to approximately \$464,791,000 and \$455,696,000 for fiscal years 2015 and 2014, respectively. Administrative expenses incurred by the Lottery represent telecommunications, advertising, salary and other operating costs.

**(f) Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Lottery considers cash equivalents to be amounts held with banks and amounts held under the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State of New York through the Short-Term Investment Pool, which is used for the temporary investment of funds not required for immediate payments.

**(g) Investments**

Investments, consisting of U.S. Government-backed obligations (zero coupon bonds and stripped Government securities) and New York City Transitional Finance Authority municipal bonds, are carried at fair value. Investment income represents amortization of bond discount, interest on bonds and deposits, and the change in fair value of investments.

**(h) Inventory**

Instant game tickets are purchased from printing vendors. Tickets not activated for sale are held in inventory and are valued at cost by game. Tickets are charged to instant ticket direct expense under the first-in, first-out (FIFO) accounting method when activated for sale by the lottery retailers. At the conclusion of an instant game, unused inventory is charged to instant ticket direct expense.

(Continued)

# NEW YORK STATE LOTTERY

## Notes to Basic Financial Statements

March 31, 2015 and 2014

### (i) Capital Assets

Capital assets consist of equipment and leasehold improvements which are carried at historical cost. Equipment is capitalized when it has cost in excess of \$40,000 and a useful life of two years or more. Leasehold improvements are capitalized when they have a cost of \$100,000 or more. Depreciation of equipment is computed using the straight-line method over five years, the estimated useful lives of the assets. Leasehold improvements and equipment acquired under capital leases are amortized using the straight-line method over ten and five years, respectively, which is the lesser of their useful lives or the term of the leases. Changes in capital assets and related accumulated depreciation are shown below, by major class of asset, for the years ended March 31, 2015 and 2014 (in thousands).

	2013	Additions	Deletions	2014	Additions	Deletions	2015
Leasehold improvements:							
Cost	\$ 4,526	—	—	4,526	—	—	4,526
Accumulated depreciation	(4,526)	—	—	(4,526)	—	—	(4,526)
Net value	—	—	—	—	—	—	—
Equipment:							
Cost	2,022	—	(111)	1,911	—	—	1,911
Accumulated depreciation	(2,017)	(5)	111	(1,911)	—	—	(1,911)
Net value	5	(5)	—	—	—	—	—
Total	\$ 5	(5)	—	—	—	—	—

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is reflected in other revenues, net in the period of disposal.

### (j) Prizes Payable

Lotto, Powerball, Mega millions and Cash 4 Life jackpot players have the option of selecting a lump sum payment or a long-term annuity payment. Some instant games also have jackpot prizes that are long-term annuity payments. Prizes payable represents the liability for those prizes which are payable in annual installments. Such prize payments are funded by the Lottery's investments. The amortization of the long-term annuity payment discount is recorded as investment expense in these financial statements. Any excess of investment maturities over related annuity prize payments are recorded in restricted net position and made available for future prizes.

### (k) Unclaimed Prizes

Unclaimed prizes at March 31, 2015 and 2014 were \$577,253,000 and \$471,181,000, respectively. Prizes unclaimed for one year after the drawing date (lapsed) are forfeited by the ticket holder. Total prizes lapsed amounted to approximately \$64,647,000 and \$67,543,000 for fiscal years 2015 and 2014, respectively. These forfeited prizes are netted against prize expense in the Statements of Revenue, Expense, and Changes in Net Position.

Under State Tax Law Section 1614, the Lottery retains forfeited prizes for supplemental prizes in subsequent lottery games. During the fiscal years 2015 and 2014, these supplemental prizes were used

(Continued)



**NEW YORK STATE LOTTERY**

## Notes to Basic Financial Statements

March 31, 2015 and 2014

for Mega millions, Powerball, Cash 4 Life, Lotto, Quick Draw, Sweet million, Take 5, Monopoly millionaires' Club, Numbers, Win 4, and various Instant Games.

**(l) Restricted Net Position**

Restricted net position for prizes includes forfeited prizes and other prize assets that are restricted under State Tax Law Sections 1612 and 1614 for the purpose of meeting future prize expense.

**(m) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. Actual results could differ from those estimates.

**(2) Cash and Cash Equivalents**

Lottery deposits of cash and cash equivalents are made in accordance with State Finance Law Sections 92c and 98a and State Tax Law Sections 1611 and 1612. Lottery sales receipts are allocated and deposited in separate fund accounts for prizes, education, and administration under the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State of New York. Per Section 98a of the State Finance Law, the accounts for prizes and administration earn interest through participation in a short-term investment pool administered by the Office of the State Comptroller of the State of New York. The prize account interest is used for future lottery prizes. The carrying amount of the joint custody accounts included in cash and cash equivalents were \$460,129,000 and \$504,781,000 at March 31, 2015 and 2014, respectively.

The Lottery also maintains sole custody accounts which are used for daily cash management purposes. The Lottery manages the investment of its cash balances to minimize its uninvested funds. At March 31, 2015 and 2014, the amount of sole custody accounts included in cash and cash equivalents related to the sole custody accounts were \$30,690,000 and \$11,211,000, respectively.

The Lottery's deposits are collateralized under a program administered by the Office of the State Comptroller of the State of New York. To manage custodial credit risk, the State requires that its depository banks pledge collateral based on available bank balances. All securities pledged as collateral are held by the State's fiscal agent in the name of the State. The Lottery's deposits with financial institutions were fully collateralized at fiscal year-end. The Lottery manages custodial credit risk by using several financial institutions and by minimizing balances in the sole custody accounts.

**(3) Investments**

The Lottery is authorized by the Office of the State Comptroller per State statute to invest prize funds which will provide for the payment of prizes payable (see note 4). The Lottery invests these funds in U.S. Government-backed obligations, New York City Transitional Finance Authority municipal bonds, and Agency for International Development Bonds that are guaranteed by the full faith and credit of the United States. The fair value of these investments at March 31, 2015 and 2014 was \$1,609,281,000 and \$1,539,410,000, respectively. During fiscal years 2015 and 2014, approximately \$37,382,000 and \$41,259,000, respectively, of amortized discount was included in investment income.

(Continued)



# NEW YORK STATE LOTTERY

## Notes to Basic Financial Statements

March 31, 2015 and 2014

The amortized costs of these investments consisted of the following at March 31 (in thousands):

		2015	2014
Maturity value	\$	1,748,794	1,769,887
Unamortized discount		(369,846)	(375,496)
Total at amortized cost		1,378,948	1,394,391
Less investments, maturing within one year, at amortized cost		110,175	123,974
Long-term investments, at amortized cost	\$	1,268,773	1,270,417

Maturities of the investments in each of the five fiscal years following March 31, 2015, and five year incremental totals thereafter, are as follows (in thousands):

	Maturities	Interest due	Total
2016	\$ 112,478	23,622	136,100
2017	99,565	23,622	123,187
2018	100,336	23,063	123,399
2019	100,206	22,432	122,638
2020	104,806	21,738	126,544
2021–2025	474,666	94,957	569,623
2026–2030	259,072	72,164	331,236
2031–2035	125,423	60,684	186,107
2036–2040	237,661	36,718	274,379
2041–2045	134,581	380	134,961
	\$ 1,748,794	379,380	2,128,174

Credit risk is the risk that an issuer will not fulfill its obligations. The Lottery's policy is to follow State law which limits the investments that the Lottery can make and generally limit the Lottery's exposure to credit risk. The Lottery has generally limited its investments to obligations backed by the full faith of the U.S. government. Beginning in 2011, the Lottery held similarly rated New York City Transitional Finance Authority municipal bonds. The credit ratings of the Lottery's investments as published by Moody and Standard & Poors are included on the next page for those investments where credit ratings were available.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Lottery's policy for managing this risk is generally to hold investment securities to maturity, at which time the fair value of the investment is equal to its stated maturity value.

(Continued)



# NEW YORK STATE LOTTERY

## Notes to Basic Financial Statements

March 31, 2015 and 2014

As of March 31, 2015 and 2014, the Lottery had the following investments and maturities (amounts in thousands):

Investment type	2015 Fair value	Moody Credit rating	S&P Credit rating	2015		
				Investment maturities		
				Less than five years	5 years to 10 years	More than 10 years
U.S. Treasury Strips	\$ 670,230	Aaa	N/A	235,562	165,857	268,811
New York City Transitional Finance Authority Bonds	538,036	Aa1	AAA	66,974	115,913	355,149
Agency for International Development Bonds	401,015	Aaa	AA+	208,340	155,992	36,683
Total	\$ 1,609,281			510,876	437,762	660,643

Investment type	2014 Fair value	Moody Credit rating	S&P Credit rating	2014		
				Investment maturities		
				Less than five years	5 years to 10 years	More than 10 years
U.S. Treasury Strips	\$ 595,898	Aaa	N/A	\$ 225,284	148,651	221,963
New York City Transitional Finance Authority Bonds	501,712	Aa1	AAA	47,437	106,527	347,748
Agency for International Development Bonds	441,800	Aaa	AA+	243,721	159,725	38,354
Total	\$ 1,539,410			\$ 516,442	414,903	608,065

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to perform on a transaction, the Lottery will not be able to recover the value of investment securities that are in the possession of an outside party. In order to manage this risk, all of the Lottery's investments are insured or registered securities held by the Lottery or its agent in the Lottery's name.

### (4) Prizes Payable

Prizes payable consisted of the following at March 31 (in thousands):

	2015	2014
Total obligation	\$ 2,169,576	2,229,061
Unamortized discount	(754,301)	(770,934)
Total carrying amount	1,415,275	1,458,127
Less prizes payable within one year	138,019	159,746
Long-term prizes payable	\$ 1,277,256	1,298,381

(Continued)



**NEW YORK STATE LOTTERY**

## Notes to Basic Financial Statements

March 31, 2015 and 2014

The amortized discount on the prizes payable is based on interest rates which range from 0.07% to 8.49% and reflect the interest rates earned by the investments held to fund the related liabilities. The amortization of discount is recorded as investment expense in the Statements of Revenues, Expenses, and Changes in Net Position and amounted to \$62,443,000 and \$70,893,000 for fiscal years 2015 and 2014, respectively.

The aggregate amount of prizes payable due in each of the five fiscal years following March 31, 2015, and the five year incremental totals thereafter, is as follows (in thousands):

2016	\$	138,019
2017		122,226
2018		122,916
2019		123,565
2020		124,105
2021–2025		558,366
2026–2030		356,895
2031–2035		195,177
2036–2040		120,578
2041–2045		102,155
2046–2050		78,434
2051–2055		54,444
Thereafter		72,696
	\$	<u>2,169,576</u>

**(5) Long-Term Liabilities**

The Lottery's long-term liabilities as of March 31, 2015 and 2014 are comprised of the following (in thousands):

	<b>Balance at March 31, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at March 31, 2015</b>	<b>Current portion</b>
Compensated absences (note 11)	\$ 1,801	1,448	(1,665)	1,584	1,464
Prizes payable (note 4)	1,458,127	108,034	(150,886)	1,415,275	138,019

	<b>Balance at March 31, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at March 31, 2014</b>	<b>Current portion</b>
Compensated absences (note 11)	\$ 1,895	1,470	(1,564)	1,801	1,487
Prizes payable (note 4)	1,494,555	123,927	(160,355)	1,458,127	159,746

(Continued)

**NEW YORK STATE LOTTERY**

## Notes to Basic Financial Statements

March 31, 2015 and 2014

**(6) Aid to Education**

The required allocation and contribution transferred out for aid to education during the fiscal years ended March 31, 2015 and 2014 are as follows (in thousands):

	<u>2015</u>	<u>2014</u>
Cash transferred to education	\$ 3,215,584	3,181,781
Amount received from the State General Fund for Lottery aid guarantee	<u>(66,765)</u>	<u>—</u>
Net cash transferred to education	3,148,819	3,181,781
Prior year payable	(251,558)	(260,381)
Current year payable	<u>213,309</u>	<u>251,558</u>
Required allocation to education	<u>\$ 3,110,570</u>	<u>3,172,958</u>

**(7) Pension Benefits**

Substantially all employees of the Lottery are members of the State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (GLIP). The two programs are part of the State and Local Retirement System (System) which is a cost-sharing, multiple employer public employee retirement system. The Comptroller of the State of New York is sole trustee and administrative head of the System. The System issues a publicly available financial report that includes financial statements and required supplementary information which may be obtained by writing to New York State and Local Employees' Retirement Systems, 110 State Street, Albany, New York 12244.

The System provides retirement benefits as well as death and disability benefits. Retirement benefits are established by the New York State Retirement and Social Security Law. Vesting, retirement benefits, and contributory requirements depend upon the point in time at which an employee last joined the System. Most members of the System who joined before July 27, 1976 are enrolled in a noncontributory plan; the Lottery contributes the entire amount determined to be payable to the System. Personnel who joined the System on or after July 27, 1976 are required by law to contribute some percent of their gross salary for a specified number of years of employment; the Lottery withholds and contributes the balance payable to the System for these employees.

The Lottery paid to the Office of the State Comptroller of the State of New York \$3,213,000 for 2015, \$3,132,000 for 2014, \$2,649,000 for 2013, to cover required employer contributions for retirement benefits and equaled 100% of the required contribution in each of the respective years. These payments made represent 17.52%, 15.59%, and 13.14% of covered payroll for each of the years, respectively.

(Continued)





# NEW YORK STATE LOTTERY

## Notes to Basic Financial Statements

March 31, 2015 and 2014

### (8) Operating Income

Composition of operating income for fiscal 2015 and 2014 by type of lottery game is as follows (in thousands):

		2015				
		Expenses				
	Revenue	Prizes**	Commissions	Fees	Instant Direct Expense	Net
Mega Millions	\$ 287,809	(130,844)	(16,942)	(3,003)	—	137,020
Lotto	83,960	(22,644)	(4,578)	(1,047)	—	55,691
Take 5	239,022	(117,605)	(14,341)	(2,145)	—	104,931
Pick 10	27,983	(12,192)	(1,679)	(251)	—	13,861
Numbers	870,505	(419,064)	(52,230)	(8,029)	—	391,182
Win 4	852,017	(430,108)	(51,121)	(7,863)	—	362,925
Sweet Million	6,305	(3,727)	(378)	(57)	—	2,143
Powerball	304,540	(146,098)	(18,273)	(2,941)	—	137,228
Other Multi-State Draw Games**	124,989	(87,661)	(7,499)	(1,122)	—	28,707
Instant	3,760,139	(2,572,353)	(226,024)	(41,341)	(20,566)	899,855
Quick Draw	693,758	(454,677)	(41,626)	(7,883)	—	189,572
Total traditional lottery	7,251,027	(4,396,973)	(434,691)	(75,682)	(20,566)	2,323,115
Video gaming	1,905,309 *	120	(847,877)	(144,049)	—	913,503
	\$ 9,156,336	(4,396,853)	(1,282,568)	(219,731)	(20,566)	3,236,618
Telecommunications						(17,827)
Other operating expenses						(120,579)
Total operating income						\$ 3,098,212

\* Video gaming revenue represents net machine income after awarding prizes. Video gaming credits played and won were as follows:

Credits played	\$ 33,970,899
Credits won	(32,065,590)
Net machine inc.	<u>\$ 1,905,309</u>

\*\* Prizes unclaimed after one year are forfeited and are netted against prizes.

\*\*\* Other Multi-State Draw Games include Cash 4 Life and Monopoly Millionaires' Club.

(Continued)





# NEW YORK STATE LOTTERY

## Notes to Basic Financial Statements

March 31, 2015 and 2014

2014						
Expenses						
	Revenue	Prizes**	Commissions	Fees	Instant direct expense	Net
Mega Millions	\$ 400,480	(203,464)	(23,720)	(4,113)	—	169,183
Lotto	94,563	(57,075)	(5,185)	(1,160)	—	31,143
Take 5	256,071	(127,364)	(15,364)	(2,309)	—	111,034
Pick 10	29,393	(15,140)	(1,764)	(265)	—	12,224
Numbers	873,845	(444,830)	(52,431)	(8,131)	—	368,453
Win 4	831,156	(401,267)	(49,869)	(7,746)	—	372,274
Sweet Million	32,565	(10,751)	(1,954)	(294)	—	19,566
Powerball	462,974	(214,803)	(27,778)	(4,484)	—	215,909
Promo Game	1,832	(768)	(110)	(16)	—	938
Instants	3,677,133	(2,511,112)	(221,886)	(41,064)	(18,871)	884,200
Quick Draw	654,158	(422,691)	(39,250)	(7,634)	—	184,583
Total traditional lottery	7,314,170	(4,409,265)	(439,311)	(77,216)	(18,871)	2,369,507
Video gaming	1,912,320 *	1,341	(850,891)	(142,529)	—	920,241
	\$ 9,226,490	(4,407,924)	(1,290,202)	(219,745)	(18,871)	3,289,748
Telecommunications						(21,357)
Other operating expenses						(133,376)
Total operating income						\$ 3,135,015

\* Video gaming revenue represents net machine income after awarding prizes. Video gaming credits played and won were as follows:

Credits played	\$ 32,348,056
Credits won	<u>(30,435,736)</u>
Net machine income	<u>\$ 1,912,320</u>

\*\* Prizes unclaimed after one year are forfeited and are netted against prizes.

### (9) Deferred Compensation

The State offers its employees, including Lottery employees, a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan are placed in trust for the participants and their beneficiaries.

### (10) Postretirement Benefits

As a New York State (State) agency, the Lottery participates in the New York State Health Insurance Program (NYSHIP), which is administered by the State as an agent multiple employer defined benefit plan. Under the plan, the State provides certain healthcare for eligible retired employees and their dependents. In order to qualify, retirees must meet certain age requirements and minimum service periods that vary based on the time they last entered benefits-eligible service. Retirees generally contribute a percent of the cost of

(Continued)

## NEW YORK STATE LOTTERY

### Notes to Basic Financial Statements

March 31, 2015 and 2014

single and dependent coverage for health insurance benefits. The percent varies based on when the employee retired. The percent also varies based on salary grade for those retiring on or after January 1, 2012. The State covers 100% of the cost of single coverage for employees retired prior to January 1, 1983 who are enrolled in the Empire Plan or another plan of equal or lower cost. NYSHIP does not issue a stand-alone financial report and NYSHIP's agent activities are included within the financial statements of the State.

During the fiscal years ended March 31, 2015 and 2014 NYSHIP provided health insurance coverage through the Empire Plan, an indemnity health insurance plan with managed care components; various Health Maintenance Organizations (HMOs); and through the Student Employee Health Plan (SEHP). Generally, these include hospital, medical, mental health and substance abuse benefits, and prescription drug benefits.

The Lottery's policy regarding retiree healthcare benefits is to pay the amounts billed through the State's fringe benefit rate on a pay-as-you-go basis. The Lottery has no obligation beyond the payment of the State's fringe benefit rate for retiree healthcare benefits. The State's policy is that the State is responsible for recording the annual required contribution and the actuarial accrued liability under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the Lottery's retiree health care benefits in the State's governmental-wide financial statements.

At March 31, 2015 and 2014, the Lottery had between 191 and 170 retired and/or spouses of retired employees receiving these benefits with an annual pay-as-you-go cost of approximately \$1,810,000 and \$1,622,000, respectively. Employee costs were approximately \$382,000 and \$278,000 as of March 31, 2015 and 2014, respectively.

#### (11) Employees' Compensated Absences

Under the terms of the Lottery's personnel policies and its union agreements, vacation pay benefits may be paid upon termination up to a maximum of 225 hours. The Lottery recognizes employees' compensated absence benefits when earned. The liability for employees' compensated absences was approximately \$1,584,000 and \$1,801,000 as of March 31, 2015 and 2014, respectively, and is recorded as a liability in the statements of net position.

#### (12) Leases

The Lottery has entered into operating leases for equipment and building space. Rental expense was approximately \$2,554,000 and \$2,458,000 in 2015 and 2014, respectively.

(Continued)



**NEW YORK STATE LOTTERY**

## Notes to Basic Financial Statements

March 31, 2015 and 2014

Future minimum lease payments under all noncancelable leases having initial or remaining terms in excess of one year as of March 31, 2015 are as follows (in thousands):

	<b>Operating leases</b>
2016	\$ 1,993
2017	1,235
2018	1,233
2019	1,019
2020	213
2021 and thereafter	583
Total minimum payments required	<u>\$ 6,276</u>

**(13) Commitments and Contingencies****(a) Contractual Arrangements**

The Lottery maintains a gaming network of approximately 18,000 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through approximately 5,000 self-service terminals. GTECH Corporation (GTECH) is responsible for operating all traditional Lottery games, including maintenance of terminals and related communication services, under a contract expiring on August 5, 2017.

Instant Game sales are also supported by services provided under additional contracts:

- (1) Under a contract that expires August 14, 2018, Scientific Games International is the primary supplier of Instant Game tickets.
- (2) Under a contract expiring August 23, 2018, Pollard Banknote Limited is an alternate supplier of Instant Game tickets.
- (3) Under a contract that expires on August 21, 2018, GTECH Printing Corporation is an alternate supplier of Instant Game tickets.

Video lottery games are offered on approximately 18,000 video gaming machines spread over nine video lottery gaming facilities. MGAM Systems, Inc. provides a central processing system for the operation of video lottery games under a contract expiring on December 31, 2017. Video lottery gaming machines are provided under contracts expiring December 31, 2017 with three different companies (Bally Gaming Inc., International Game Technology, and Spielo International USA, Inc.). These contracts are paid based on a contractual percentage of revenue, adjusted for units of service provided.

(Continued)





**NEW YORK STATE LOTTERY**

Notes to Basic Financial Statements

March 31, 2015 and 2014

**(b) *Litigation***

The Lottery has been named as a defendant in several lawsuits. While the ultimate outcome of these lawsuits cannot be predicted at this time, it is the opinion of management and in-house counsel that the disposition of any litigation in which the Lottery is involved will not have a material adverse effect on the financial position of the Lottery.



## Statistical Section Overview (unaudited)

This part of the New York Lottery's Comprehensive Annual Financial Report presents detailed statistical data to provide context for understanding the information covered in the preceding sections of the report. The data is intended to give greater insight into the following five general categories of information.

### Financial trends

These schedules allow the reader to compare and contrast the Lottery's activities and results over time.

### Revenue capacity

These schedules allow the reader to compare the various games that are the source of the Lottery's revenue.

### Debt capacity

This schedule shows Lottery debt and the capacity to pay for it.

### Demographic and economic information

These schedules should allow the reader to see the demographic and economic environment in which the Lottery operates.

### Operating information

These schedules attempt to show the reader the relationship between the revenue earned by the Lottery and the resources required to produce it.



## New York Lottery Net Position Most Recent 10 Fiscal Years (in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Position										
Investment in capital assets	\$ 8,635	\$ (152)	\$ (169)	\$ (77)	\$ 95	\$ (90)	\$ 43	\$ 5	\$ -	\$ -
Restricted for future prizes	130,129	103,815	110,008	72,026	79,119	104,894	140,965	184,824	150,194	138,995
Unrestricted	77,657	86,215	163,495	205,623	89,633	105,786	230,290	267,919	159,694	253,988
Total	<u>\$ 216,421</u>	<u>\$ 189,878</u>	<u>\$ 273,334</u>	<u>\$ 277,572</u>	<u>\$ 168,847</u>	<u>\$ 210,590</u>	<u>\$ 371,298</u>	<u>\$ 452,748</u>	<u>\$ 309,888</u>	<u>\$ 392,983</u>

## New York Lottery Changes in Net Position Most Recent 10 Fiscal Years (in thousands)

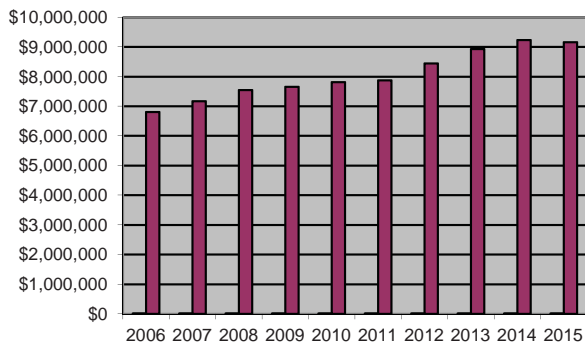
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenue										
Lottery games revenue	<u>\$ 6,802,842</u>	<u>\$ 7,175,104</u>	<u>\$ 7,548,465</u>	<u>\$ 7,660,145</u>	<u>\$ 7,818,316</u>	<u>\$ 7,868,211</u>	<u>\$ 8,439,473</u>	<u>\$ 8,934,288</u>	<u>\$ 9,226,490</u>	<u>\$ 9,156,336</u>
Operating expenses										
Prize expense	(3,853,270)	(3,970,739)	(3,952,761)	(4,003,267)	(3,951,226)	(3,967,672)	(4,130,406)	(4,218,988)	(4,407,924)	(4,396,853)
Retailer commissions	(511,059)	(595,348)	(708,514)	(839,312)	(875,430)	(881,923)	(1,036,958)	(1,236,613)	(1,290,202)	(1,282,568)
Gaming contractor fees	(88,028)	(100,554)	(120,887)	(126,479)	(133,587)	(143,254)	(173,704)	(209,321)	(219,745)	(219,731)
Instant ticket direct expenses	(32,091)	(28,095)	(28,160)	(32,755)	(28,575)	(26,145)	(25,194)	(21,771)	(18,871)	(20,566)
Telecommunications	(28,421)	(28,441)	(28,013)	(28,109)	(24,485)	(19,206)	(20,330)	(20,954)	(21,357)	(17,827)
Marketing and advertising expense	(74,686)	(83,813)	(81,756)	(80,947)	(86,414)	(92,141)	(85,825)	(89,995)	(89,779)	(75,812)
Personal service and fringe benefits	(25,481)	(27,023)	(28,606)	(31,227)	(30,663)	(31,324)	(31,020)	(30,244)	(32,343)	(28,883)
Other administrative costs	(11,015)	(13,279)	(12,189)	(11,678)	(11,362)	(11,049)	(9,620)	(16,295)	(8,465)	(11,443)
State Agency charges	(9,469)	(13,208)	(3,461)	(1,710)	(1,540)	(1,739)	(1,618)	(1,458)	(2,784)	(4,441)
Depreciation	(2,487)	(3,051)	(4,654)	(4,599)	(2,851)	(2,247)	(1,677)	(38)	(5)	-
Total operating expenses	<u>(4,636,007)</u>	<u>(4,863,551)</u>	<u>(4,969,001)</u>	<u>(5,160,083)</u>	<u>(5,146,133)</u>	<u>(5,176,700)</u>	<u>(5,516,352)</u>	<u>(5,845,677)</u>	<u>(6,091,475)</u>	<u>(6,058,124)</u>
Operating income	<u>2,166,835</u>	<u>2,311,553</u>	<u>2,579,464</u>	<u>2,500,062</u>	<u>2,672,183</u>	<u>2,691,511</u>	<u>2,923,121</u>	<u>3,088,611</u>	<u>3,135,015</u>	<u>3,098,212</u>
Nonoperating revenue (expenses)										
Investment income	47,179	102,316	175,035	123,909	(40,024)	90,928	196,965	107,719	(35,364)	148,914
Other revenues (expense), net	(143)	(566)	(40,104)	(271)	(298)	381,995	(230)	(279)	1,340	8,982
Investment expense, net	(84,492)	(80,206)	(74,804)	(75,512)	(74,205)	(73,537)	(71,160)	(68,827)	(70,893)	(62,443)
Total nonoperating revenue (expenses)	<u>(37,456)</u>	<u>21,544</u>	<u>60,127</u>	<u>48,126</u>	<u>(114,527)</u>	<u>399,386</u>	<u>125,575</u>	<u>38,613</u>	<u>(104,917)</u>	<u>95,453</u>
Income before required allocation	2,129,379	2,333,097	2,639,591	2,548,188	2,557,656	3,090,897	3,048,696	3,127,224	3,030,098	3,193,665
Required allocation for aid to education	<u>(2,202,619)</u>	<u>(2,359,640)</u>	<u>(2,556,135)</u>	<u>(2,543,950)</u>	<u>(2,666,381)</u>	<u>(3,049,154)</u>	<u>(2,887,988)</u>	<u>(3,045,774)</u>	<u>(3,172,958)</u>	<u>(3,110,570)</u>
Change in net position	<u>\$ (73,240)</u>	<u>\$ (26,543)</u>	<u>\$ 83,456</u>	<u>\$ 4,238</u>	<u>\$ (108,725)</u>	<u>\$ 41,743</u>	<u>\$ 160,708</u>	<u>\$ 81,450</u>	<u>\$ (142,860)</u>	<u>\$ 83,095</u>



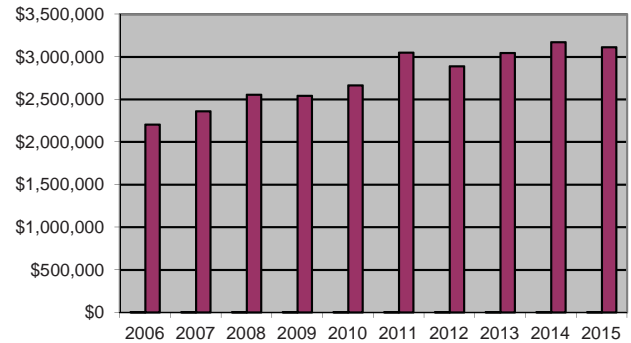
## New York Lottery Major Components of Lottery Revenue Most Recent 10 Fiscal Years (in thousands)

fiscal year	sales revenue	fiscal year	contribution to education	fiscal year	prizes	fiscal year	agent commissions
2006	\$ 6,802,842	2006	\$ 2,202,619	2006	\$ 3,853,270	2006	\$ 511,059
2007	\$ 7,175,104	2007	\$ 2,359,640	2007	\$ 3,970,739	2007	\$ 595,348
2008	\$ 7,548,465	2008	\$ 2,556,135	2008	\$ 3,952,761	2008	\$ 708,514
2009	\$ 7,660,145	2009	\$ 2,543,950	2009	\$ 4,003,267	2009	\$ 839,312
2010	\$ 7,818,316	2010	\$ 2,666,381	2010	\$ 3,951,226	2010	\$ 875,430
2011	\$ 7,868,211	2011	\$ 3,049,154	2011	\$ 3,967,672	2011	\$ 881,923
2012	\$ 8,439,473	2012	\$ 2,887,988	2012	\$ 4,130,406	2012	\$ 1,036,958
2013	\$ 8,934,288	2013	\$ 3,045,774	2013	\$ 4,218,988	2013	\$ 1,236,613
2014	\$ 9,226,490	2014	\$ 3,172,958	2014	\$ 4,407,924	2014	\$ 1,290,202
2015	\$ 9,156,336	2015	\$ 3,110,570	2015	\$ 4,396,853	2015	\$ 1,282,568

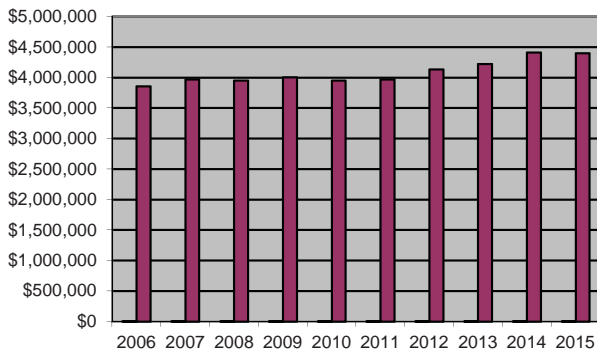
### Lottery Sales Revenue, Net



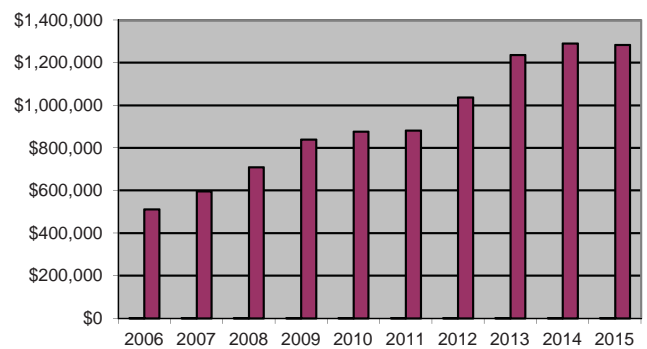
### Net Revenues to Education



### Lottery Prizes Awarded



### Agent Commissions





## New York Lottery Revenue from Lottery Game Sales Most Recent 10 Fiscal Years (in thousands)

Games	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Draw Games:										
Lotto	\$ 252,643	\$ 216,572	\$ 208,400	\$ 178,075	\$ 178,239	\$ 132,657	\$ 122,272	\$ 110,026	\$ 94,563	\$ 83,960
Take Five	335,533	326,775	319,809	328,431	306,332	283,217	283,843	266,031	256,071	239,022
Pick 10	32,527	31,874	32,220	32,033	32,234	30,498	30,757	30,103	29,393	27,983
New York Numbers	827,409	854,791	856,539	850,331	845,401	854,430	880,536	847,203	873,845	870,505
Win-4	662,574	702,550	718,522	740,163	765,848	776,579	813,755	793,543	831,156	852,017
Quick Draw	460,528	444,978	444,256	424,422	411,898	424,192	502,039	579,929	654,158	693,758
Promotional Games*	154,881	102,026	17,797	8,388	0	0	0	0	1,832	0
Sweet Million	0	0	0	0	35,583	45,008	39,398	35,054	32,565	6,305
Powerball	0	0	0	0	36,320	202,628	296,576	468,404	462,974	304,540
Mega Millions	563,151	454,910	481,636	467,141	558,167	463,049	464,579	254,432	400,480	287,809
Other Multi-State Draw Games**	0	0	0	0	0	0	0	0	0	124,989
Total Draw Games	<u>3,289,246</u>	<u>3,134,476</u>	<u>3,079,179</u>	<u>3,028,984</u>	<u>3,170,022</u>	<u>3,212,258</u>	<u>3,433,755</u>	<u>3,384,725</u>	<u>3,637,037</u>	<u>3,490,888</u>
Video Lottery***	315,701	522,668	875,281	965,074	1,037,248	1,109,562	1,426,784	1,825,369	1,912,320	1,905,309
Instant Cash Games	<u>3,197,895</u>	<u>3,517,960</u>	<u>3,594,005</u>	<u>3,666,087</u>	<u>3,611,046</u>	<u>3,546,391</u>	<u>3,578,934</u>	<u>3,724,194</u>	<u>3,677,133</u>	<u>3,760,139</u>
Total Sales	<u>\$ 6,802,842</u>	<u>\$ 7,175,104</u>	<u>\$ 7,548,465</u>	<u>\$ 7,660,145</u>	<u>\$ 7,818,316</u>	<u>\$ 7,868,211</u>	<u>\$ 8,439,473</u>	<u>\$ 8,934,288</u>	<u>\$ 9,226,490</u>	<u>\$ 9,156,336</u>

\*Promotional games are special games which are offered for only a limited period of time. The number of these games and their durations vary from year to year.

\*\*Other Multi-State Draw Games include Cash 4 Life and Monopoly Millionaires' Club.

\*\*\*Sales revenue for Video Lottery represents net machine income which is the amount left in the video gaming machines after players have taken their prizes.

## New York Lottery Operating Expenses and Allocations to the State for Education Most Recent 10 Fiscal Years (in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Operating Expenses</b>										
Prizes	\$3,853,270	\$3,970,739	\$3,952,761	\$4,003,267	\$3,951,226	\$3,967,672	\$4,130,406	\$4,218,988	\$4,407,924	\$4,396,853
Retailer comm./Contractor fees	599,087	695,902	829,401	965,791	1,009,017	1,025,177	1,210,662	1,445,934	1,509,947	1,502,299
Instant Ticket Costs	32,091	28,095	28,160	32,755	28,575	26,145	25,194	21,771	18,871	20,566
Administration	<u>151,559</u>	<u>168,815</u>	<u>158,679</u>	<u>158,270</u>	<u>157,315</u>	<u>157,706</u>	<u>150,090</u>	<u>158,984</u>	<u>154,733</u>	<u>138,406</u>
Total Operating Expenses	<u>\$4,636,007</u>	<u>\$4,863,551</u>	<u>\$4,969,001</u>	<u>\$5,160,083</u>	<u>\$5,146,133</u>	<u>\$5,176,700</u>	<u>\$5,516,352</u>	<u>\$5,845,677</u>	<u>\$6,091,475</u>	<u>\$6,058,124</u>
 <b>Allocations to the State</b>										
	<u>\$2,202,619</u>	<u>\$2,359,640</u>	<u>\$2,556,135</u>	<u>\$2,543,950</u>	<u>\$2,666,381</u>	<u>\$3,049,154</u>	<u>\$2,887,988</u>	<u>\$3,045,774</u>	<u>\$3,172,958</u>	<u>\$3,110,570</u>



### New York Lottery Outstanding Debt Most Recent 10 Fiscal Years (in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Outstanding debt</b>										
Prizes payable	\$ 1,322,310	\$ 1,337,108	\$ 1,364,275	\$ 1,420,901	\$ 1,448,648	\$ 1,430,410	\$ 1,477,549	\$ 1,494,555	\$ 1,458,127	\$ 1,415,275
Unclaimed prizes	189,229	230,015	223,978	189,248	281,482	325,013	335,110	345,115	471,181	577,253
Due to education	388,920	303,436	175,735	175,714	139,385	168,697	227,586	260,381	251,558	213,309
Accounts payable/accrued liabilities	17,217	57,796	27,004	20,718	12,800	169,903	25,150	25,844	41,501	26,978
Deferred ticket sales	9,133	9,251	14,688	12,301	11,239	11,808	9,602	8,352	9,487	9,714
Compensated absences	4,840	1,451	1,507	1,588	1,846	1,829	2,427	1,895	1,801	1,584
Capital leases	7,710	16,005	11,426	6,895	3,872	1,810	-	-	-	-
Total outstanding debt	<u>1,939,359</u>	<u>1,955,062</u>	<u>1,818,613</u>	<u>1,827,365</u>	<u>1,899,272</u>	<u>2,109,470</u>	<u>2,077,424</u>	<u>2,136,142</u>	<u>2,233,655</u>	<u>2,244,113</u>
<b>Resources available to pay outstanding debt</b>										
Cash	\$ 331,317	\$ 375,220	\$ 105,361	\$ 43,947	\$ 153,220	\$ 230,468	\$ 386,230	\$ 444,837	\$ 515,992	\$ 490,819
Accounts receivable	451,198	481,329	472,367	480,213	417,233	598,435	469,732	441,486	479,000	526,292
Investments	1,355,015	1,260,419	1,492,973	1,561,529	1,483,903	1,478,595	1,584,726	1,694,184	1,539,410	1,609,281
Total resources available for debt	<u>2,137,530</u>	<u>2,116,968</u>	<u>2,070,701</u>	<u>2,085,689</u>	<u>2,054,356</u>	<u>2,307,498</u>	<u>2,440,688</u>	<u>2,580,507</u>	<u>2,534,402</u>	<u>2,626,392</u>
Ratio of debt to available resources	91%	92%	88%	88%	92%	91%	85%	83%	88%	85%

### New York State Demographic Information Last 10 Calendar Years Available

<u>Year</u>	<u>Population</u>	<u>Change From Prior Year</u>	<u>Personal Income Total (in millions)</u>	<u>Per Capita</u>	<u>Change From Prior Year</u>	<u>Unemployment Rate</u>
2004	19,227,000	0.19%	\$ 737,756	\$ 38,371	6.54%	5.5%
2005	19,255,000	0.15%	\$ 805,717	\$ 41,845	9.05%	4.8%
2006	19,306,000	0.26%	\$ 818,426	\$ 42,392	1.31%	4.4%
2007	19,298,000	-0.04%	\$ 914,432	\$ 47,385	11.78%	4.2%
2008	19,490,000	0.99%	\$ 937,010	\$ 48,076	1.46%	4.9%
2009	19,541,000	0.26%	\$ 917,610	\$ 46,958	-2.33%	8.1%
2010	19,378,000	-0.83%	\$ 946,054	\$ 48,821	3.97%	8.3%
2011	19,465,000	0.45%	\$ 983,868	\$ 50,545	3.53%	7.8%
2012	19,570,000	0.54%	\$ 1,019,514	\$ 52,095	3.07%	8.4%
2013	19,651,000	0.41%	\$ 1,062,391	\$ 54,063	3.78%	7.5%

Sources: Bureau of Economic Analysis  
U.S. Department of Commerce  
U.S. Census Bureau  
New York State Department of Labor,

Compiled by the Office of the State Comptroller of New York





## Employment by Industry

### Most Recent 10 Years Available

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Private employment</b>										
Forestry, fishing, etc.	22,684	23,280	23,271	23,707	23,744	14,341	14,274	13,574	13,504	13,535
Mining	10,022	9,516	9,866	9,959	10,675	14,286	16,157	13,474	16,354	13,545
Utilities	42,213	40,623	40,651	40,506	40,119	40,355	41,026	39,746	38,853	37,718
Construction	456,704	467,615	483,981	508,530	527,531	533,932	481,531	460,003	457,019	465,546
Manufacturing	642,125	626,157	612,145	598,993	584,955	565,032	501,685	488,760	486,728	490,214
Wholesale trade	384,490	389,951	391,525	394,772	397,410	390,550	368,081	362,207	368,266	376,376
Retail trade	1,025,356	1,039,785	1,058,146	1,065,731	1,073,776	1,066,636	1,017,181	1,037,002	1,049,816	1,080,494
Transportation, warehouse	309,902	317,870	327,069	337,573	334,622	346,712	324,256	319,556	322,951	339,507
Information	308,447	305,139	310,275	312,293	302,404	301,954	292,108	288,921	293,900	303,600
Finance, insurance	688,840	696,548	711,845	733,599	731,480	789,048	785,910	813,265	840,182	886,294
Real estate, rental, leasing	380,434	407,062	436,758	466,261	470,170	565,276	523,673	525,680	560,100	525,324
Professional, technical	794,919	823,816	835,753	866,101	869,279	900,523	857,138	836,836	865,670	898,786
Management	126,239	125,968	130,060	135,334	137,157	139,224	139,298	145,749	144,407	146,467
Administrative, waste services	513,021	529,832	537,833	539,449	559,928	567,179	526,294	547,991	565,216	583,641
Education	363,734	376,935	388,285	401,273	405,562	412,051	414,554	426,934	439,928	441,063
Health care, social assistance	1,400,504	1,421,958	1,440,752	1,466,699	1,483,772	1,500,582	1,507,891	1,532,549	1,552,866	1,586,051
Arts, entertainment, recreation	270,871	283,129	287,510	295,198	299,829	320,716	316,950	313,381	322,386	336,168
Accommodation, food service	572,337	583,087	591,426	598,360	616,162	628,012	628,254	652,705	685,582	723,476
Other services	584,642	588,524	591,172	605,482	609,995	612,489	596,445	592,029	601,412	677,681
<b>Total</b>	<b>8,897,484</b>	<b>9,056,795</b>	<b>9,208,323</b>	<b>9,399,820</b>	<b>9,478,570</b>	<b>9,708,898</b>	<b>9,352,706</b>	<b>9,410,362</b>	<b>9,625,140</b>	<b>9,925,486</b>
<b>Government employment</b>										
Federal, civilian	135,408	130,490	128,925	127,015	127,046	127,037	127,052	132,803	121,187	118,511
Military	57,140	56,362	56,257	57,590	57,087	59,940	60,058	60,269	61,472	60,310
State	250,308	249,034	247,293	246,101	247,038	250,133	246,748	242,306	236,299	233,078
Local	1,059,876	1,063,024	1,068,446	1,069,467	1,079,349	1,091,269	1,091,970	1,082,820	1,058,850	1,045,252
<b>Total</b>	<b>1,502,732</b>	<b>1,498,910</b>	<b>1,500,921</b>	<b>1,500,173</b>	<b>1,510,520</b>	<b>1,528,379</b>	<b>1,525,828</b>	<b>1,518,198</b>	<b>1,477,808</b>	<b>1,457,151</b>
<b>Total nonfarm employment</b>	<b>10,400,216</b>	<b>10,555,705</b>	<b>10,709,244</b>	<b>10,899,993</b>	<b>10,989,090</b>	<b>11,237,277</b>	<b>10,878,534</b>	<b>10,928,560</b>	<b>11,102,948</b>	<b>11,382,637</b>
<b>Total farm employment</b>	<b>59,641</b>	<b>54,827</b>	<b>54,243</b>	<b>52,102</b>	<b>50,784</b>	<b>51,724</b>	<b>51,219</b>	<b>50,628</b>	<b>51,584</b>	<b>51,609</b>
<b>Total employment</b>	<b>10,459,857</b>	<b>10,610,532</b>	<b>10,763,487</b>	<b>10,952,095</b>	<b>11,039,874</b>	<b>11,289,001</b>	<b>10,929,753</b>	<b>10,979,188</b>	<b>11,154,532</b>	<b>11,434,246</b>

Source: Regional Economic Information System, Bureau of Economic Analysis  
through the Office of the State Comptroller



## New York Lottery Operating Information Most Recent 10 Fiscal Years (in thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><u>Draw Games</u></b>										
Sales	\$ 3,289,246	\$ 3,134,476	\$ 3,079,179	\$ 3,028,984	\$ 3,170,022	\$ 3,212,258	\$ 3,433,755	\$ 3,384,725	\$ 3,637,037	\$ 3,490,888
Prizes	\$ 1,741,777	\$ 1,634,152	\$ 1,554,302	\$ 1,544,341	\$ 1,582,169	\$ 1,602,202	\$ 1,725,238	\$ 1,685,102	\$ 1,898,153	\$ 1,824,620
Percent of sales	53%	52%	50%	51%	50%	50%	50%	50%	52%	52%
Retailer commissions	\$ 196,857	\$ 187,066	\$ 183,961	\$ 180,685	\$ 189,204	\$ 191,876	\$ 205,157	\$ 202,253	\$ 217,425	\$ 208,667
Percent of sales	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Contractor fees	\$ 41,351	\$ 39,660	\$ 39,378	\$ 38,691	\$ 39,224	\$ 30,260	\$ 33,392	\$ 34,178	\$ 36,152	\$ 34,341
Percent of sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
<b><u>Instant Games</u></b>										
Sales	\$ 3,197,895	\$ 3,517,960	\$ 3,594,005	\$ 3,666,087	\$ 3,611,046	\$ 3,546,391	\$ 3,578,934	\$ 3,724,194	\$ 3,677,133	\$ 3,760,139
Prizes	\$ 2,111,635	\$ 2,336,626	\$ 2,398,636	\$ 2,459,439	\$ 2,369,845	\$ 2,365,847	\$ 2,405,555	\$ 2,534,890	\$ 2,511,112	\$ 2,572,353
Percent of sales	66%	66%	67%	67%	66%	67%	67%	68%	68%	68%
Retailer commissions	\$ 192,094	\$ 211,370	\$ 216,830	\$ 219,974	\$ 216,664	\$ 212,781	\$ 214,736	\$ 223,449	\$ 221,886	\$ 226,024
Percent of sales	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Contractor fees	\$ 23,848	\$ 26,221	\$ 26,809	\$ 27,386	\$ 27,505	\$ 32,466	\$ 35,231	\$ 40,734	\$ 41,064	\$ 41,341
Percent of sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Ticket and related costs	\$ 32,091	\$ 28,095	\$ 28,160	\$ 32,755	\$ 28,575	\$ 26,145	\$ 25,194	\$ 21,771	\$ 18,871	\$ 20,566
Percent of sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
<b><u>Video</u></b>										
Sales (net machine income)	\$ 315,701	\$ 522,668	\$ 875,281	\$ 965,074	\$ 1,037,248	\$ 1,109,562	\$ 1,426,784	\$ 1,825,369	\$ 1,912,320	\$ 1,905,309
Facility commissions	\$ 122,108	\$ 196,912	\$ 307,723	\$ 438,653	\$ 469,562	\$ 477,266	\$ 617,065	\$ 810,911	\$ 850,891	\$ 847,877
Percent of sales	39%	38%	35%	45%	45%	43%	43%	44%	44%	45%
Contractor fees	\$ 22,829	\$ 34,673	\$ 54,700	\$ 60,402	\$ 66,858	\$ 80,528	\$ 105,081	\$ 134,409	\$ 142,529	\$ 144,049
Percent of sales	7%	7%	6%	6%	6%	7%	7%	7%	7%	8%
<b><u>All Games</u></b>										
Sales	\$ 6,802,842	\$ 7,175,104	\$ 7,548,465	\$ 7,660,145	\$ 7,818,316	\$ 7,868,211	\$ 8,439,473	\$ 8,934,288	\$ 9,226,490	\$ 9,156,336
Administrative costs	\$ 151,559	\$ 168,815	\$ 158,679	\$ 158,270	\$ 157,315	\$ 157,706	\$ 150,090	\$ 158,984	\$ 154,733	\$ 138,406
Percent of sales	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
<b>Number of Employees</b>	333	334	342	359	351	333	331	311	313	305
<b>Number of Retailers</b>	16,000	16,000	16,100	16,500	16,700	16,553	16,806	17,000	17,500	18,000



**New York Lottery**  
**Capital Assets**  
**Most Recent 10 Fiscal Years**  
(in thousands)

	<u>Leasehold improvements</u>			<u>Equipment</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>
2006	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 14,963,000	\$ 6,896,000	\$ 8,067,000
2007	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 25,800,000	\$ 9,947,000	\$ 15,853,000
2008	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 25,858,000	\$ 14,601,000	\$ 11,257,000
2009	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 26,018,000	\$ 19,200,000	\$ 6,818,000
2010	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 26,018,000	\$ 22,051,000	\$ 3,967,000
2011	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 26,018,000	\$ 24,298,000	\$ 1,720,000
2012	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 26,018,000	\$ 25,975,000	\$ 43,000
2013	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 2,022,000	\$ 2,017,000	\$ 5,000
2014	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 1,911,000	\$ 1,911,000	\$ -
2015	\$ 4,526,000	\$ 4,526,000	\$ -	\$ 1,911,000	\$ 1,911,000	\$ -

Note: In 2013, ownership of video gaming surveillance equipment passed from the Lottery to the gaming facilities. The cost of the equipment was \$23,996,000 and it was fully depreciated.