NEW YORK LOTTERY

An Enterprise Fund of the State of New York

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended March 31, 2016 and 2015

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Prepared by

Financial Management Unit

Table of Contents

Introduction

Letter of Transmittal 1
Organization Chart 12
Certificate of Achievement 13

Financial Section

Independent Auditor's Report 14
Management's Discussion and Analysis 18
Financial Statements
Statements of Net Position 24
Statements of Revenue, Expenses, and Changes in Net Position 25
Statements of Cash Flows 26
Notes to Financial Statements 27
Required Supplementary Information 47

Statistical Section

Overview 48
Net Position: Most Recent 10 Fiscal Years 49
Changes in Net Position: Most Recent 10 Fiscal Years 49
Major Components of Lottery Revenue: Most Recent 10 Fiscal Years 50
Revenue from Lottery Game Sales: Most Recent 10 Fiscal Years 51
Operating Expenses and Allocations: Most Recent 10 Fiscal Years 51
Outstanding Debt: Most Recent 10 Fiscal Years 52
New York State Demographic Information: Last 10 Calendar Years Available 52
Employment by Industry: Most Recent 10 Years Available 53
Operating Information: Most Recent 10 Fiscal Years 54
Capital Assets: Most Recent 10 Fiscal Years 55

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Governor

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September 12, 2016

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, 2016. This report has been prepared by the Financial Management Unit of the New York State Gaming Commission. The New York State 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 NYS Gaming Commission's organizational chart which lists principal officials and their positions within the agency. The Financial Section contains the Lottery's financial statements, the notes to the statements, required supplementary information, and the independent auditor's report. It also includes Management's Discussion and Analysis that 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 revenue 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 percent 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 7,900 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 NYS Gaming Commission has overall responsibility for regulation and enforcement of all gaming activity in New York State including horse racing and pari-mutuel wagering, Class III Indian Gaming, the state lottery and video lottery terminals, and charitable gaming. The Division of the Lottery was given responsibility to administer all traditional lottery games as well as video lottery marketing. The NYS 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 both 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 now a total of six states participate in this game.

In 2014 the Lottery participated in Monopoly Millionaires' Club, a multi-state game that ran from October to December. This game was based on the popular Monopoly game theme. In addition to the chance to win prizes in weekly drawings, players had the chance to win a trip to Las Vegas and participate in a game show. In December 2014, game sales were suspended in all jurisdictions.

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 17,500. Current offerings include nine draw games, as well as the introduction of approximately 40 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 69 and one number from a pool of 26 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. **Close Enough** is an added feature that allows Numbers players to win additional prizes if their numbers are off by one digit from the winning numbers 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. **Close Enough** is an added feature that allows Win 4 players to win additional prizes if their Win 4 numbers are off by one digit from the winning numbers 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.

SCRATCH-OFF 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.

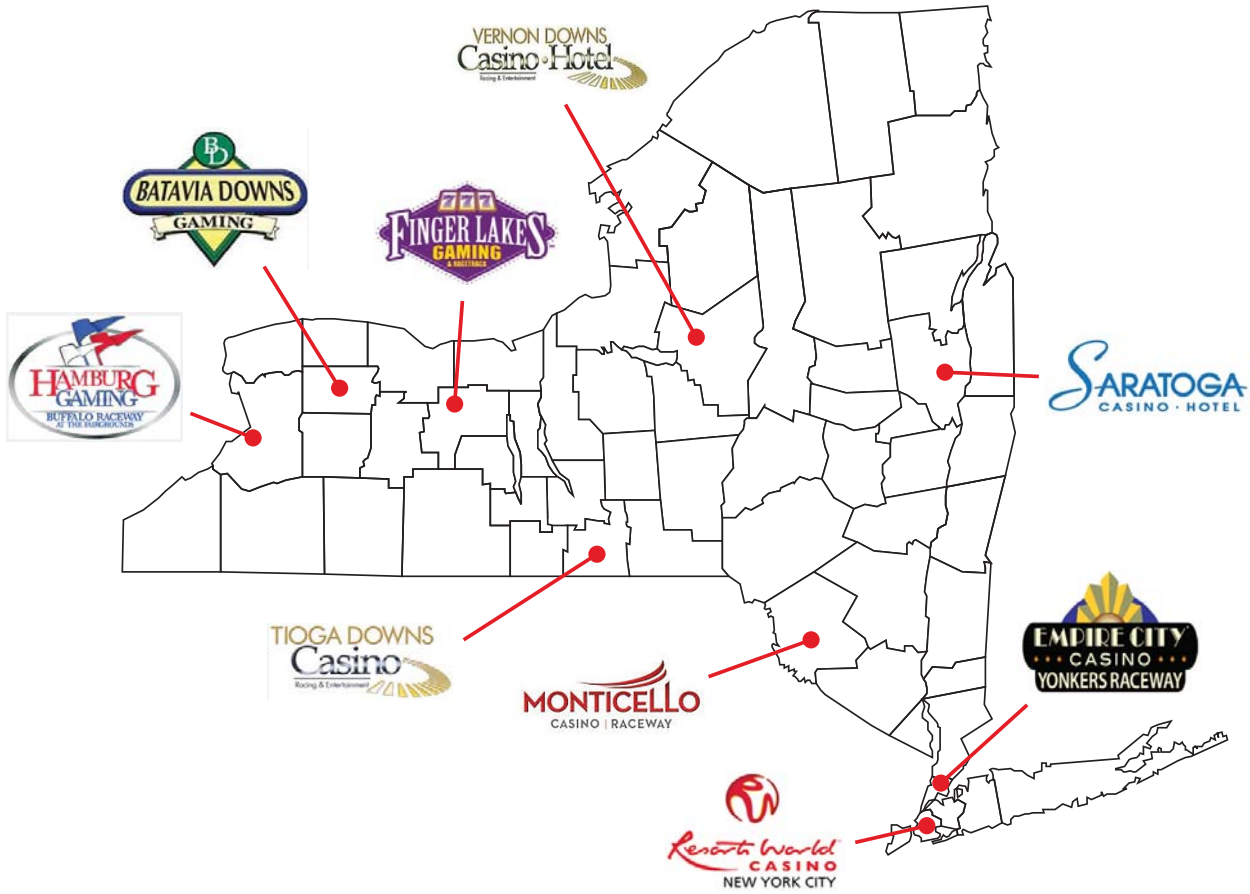
Video Lottery Gaming

On January 28, 2004, the New York Lottery commenced Video Lottery Gaming operations with the opening of Saratoga Gaming & Raceway (now Saratoga Casino Hotel) in Saratoga Springs. Since that date, the Lottery has opened eight additional video gaming facilities across the State. As of March 31, 2016, these nine facilities operate a statewide total of approximately 18,500 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 percent 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 Queens County. Owned by the State of New York and operated by Genting NY, LLC, Resorts World Casino opened on October 28, 2011, and operates approximately 5,500 video gaming machines.

Empire City Casino at Yonkers Raceway is located in the city of Yonkers. Owned and operated by Yonkers Racing Corp., Empire City Casino opened on October 11, 2006, and operates approximately 5,200 video gaming machines.

Saratoga Casino Hotel is located in the city of Saratoga Springs. Owned and operated by Saratoga Casino Holdings, LLC, Saratoga Casino Hotel opened on January 28, 2004, and operates 1,735 video gaming machines.

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

Finger Lakes Gaming & Racetrack is located in the town of 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 in the town of Hamburg. 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 the village of 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 the town of Nichols. Owned and operated by American Racing & Entertainment LLC, Tioga Downs Casino opened on July 4, 2006, and operates 795 video gaming machines.

Batavia Downs Gaming is located in the city of Batavia. Owned and operated by Western Regional Off-Track Betting Corporation, Batavia Downs Gaming opened on May 18, 2005, and operates 793 video gaming machines.

New York Economic Outlook

As of June 2016, New York's unemployment rate was 4.7%. This was down 0.5 percentage points from the 5.2% unemployment rate in June 2015. Approximately 452,000 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. (source: United States Bureau of Labor Statistics).

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ann Avg
2016	4.9%	4.8%	4.8%	4.9%	4.7%	4.7%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2015	5.7%	5.7%	5.6%	5.5%	5.4%	5.2%	5.1%	5.0%	5.0%	4.9%	4.9%	5.0%	5.3%
2014	6.9%	6.7%	6.6%	6.5%	6.4%	6.3%	6.2%	6.0%	6.0%	5.9%	5.8%	5.8%	6.3%
2013	8.0%	7.9%	7.8%	7.7%	7.6%	7.6%	7.6%	7.5%	7.4%	7.3%	7.1%	7.0%	7.5%
2012	8.6%	8.6%	8.6%	8.7%	8.7%	8.6%	8.5%	8.4%	8.3%	8.2%	8.1%	8.1%	8.5%

New York is currently below the national unemployment rate, which dropped by 0.6 percentage points from a year ago to 4.9% in June 2016. New York's unemployment rate has also declined from the previous year for each of the six months reported so far for 2016. 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.

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, 2016, the New York Lottery achieved record revenues of $9.691 billion while net profit earned for aid to education was also a record at $3.302 billion. This represents growth of 5.8 percent and 6.1 percent, respectively over the prior year. This was mainly attributable to continued growth in the video lottery gaming program, record-setting jackpot levels in multi-state draw games, and a mix of Lottery games that were more attractive to players. The Powerball jackpot reached a record-breaking level in January 2016 when three players split a jackpot prize of $1.586 billion.

- The New York Lottery achieved significant instant sales growth this fiscal year with a focus on bottom-line aid to education. Compared to the previous year, instant game sales increased by $152.0 million or 4.0 percent and education aid from instant game sales increased $23.7 million or 4.0 percent. Last year instant game sales increased by $83.0 million or 2.3 percent and education aid decreased by 0.4 percent due to higher prize payouts.

- In May 2015, the New York Lottery added 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 are able to purchase a Cash4Life subscription ranging from 10 to 104 consecutive draws.

- An additional play feature was added to the Numbers and Win 4 games in the third quarter of fiscal year 2015-16. "Close Enough" allows players to win additional prizes if one of their chosen numbers is only "one-off" from the winning numbers drawn.

- Resorts World Casino New York City at Aqueduct Racetrack showed continued growth as annual revenues grew to $846 million, a 3.7 percent increase over the prior year. Resorts World now houses approximately 1,300 electronic table game seats representing 24 percent of its gaming floor.

- In March 2016, the NYS Gaming Commission issued commercial casino licenses to the three applicants recommended by the Gaming Facility Location Board. This allowed construction to proceed on the casinos, which must be operational within 24 months of the issuance of a license. Licenses were awarded to Montreign Resort Casino in Thompson, Rivers Casino & Resort at Mohawk Harbor in Schenectady, and del Lago Resort & Casino in Tyre. The first casinos are expected to open in the first quarter of CY 2017 and will have a cannibalization impact on Lottery revenue at existing video lottery gaming facilities in those regions.

- The NYS 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 recommended Tioga Downs Casino for the fourth casino license. In August 2016, the NYS Gaming Commission awarded the fourth and final casino license to Tioga Downs Casino. Since Tioga Downs Casino is an existing video lottery gaming facility, they will convert from a video lottery gaming facility to a commercial casino with live table games.

- The Statewide Financial System (SFS) launched a new initiative to deliver significant new financial management functionality for New York State agencies. The SFS Enterprise Enhancement Phase 1 (EE1) project went 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.

Subsequent Accomplishments and Future Projects

- In April 2016, the New York Lottery launched Phase 1 of the new mobile application for Android and iOS devices. The new app delivers to players winning numbers, jackpot and game information in a playful design, and features a new personalization option that allows players to receive jackpot alerts and other custom notifications once they register

on the app. It also provides links to other New York Lottery apps, such as the new Players Club and game-related apps (e.g., NYLottery3D). In November 2016, Phase 2 of the mobile app will launch with added functionality, including a ticket scanning feature that will tell players whether or not they have a winning ticket.

- In July 2016, Saratoga Casino Hotel opened a 117 room hotel and a Morton's Steakhouse. These amenities are expected to provide incremental video lottery gaming revenue by making the Saratoga property a destination resort.

- In August 2016, the New York Lottery launched a Players Club program that provides a second chance to win on all non-winning scratch-off tickets and qualifying draw game tickets. Once registered, players can enter eligible tickets for a random number of entries into weekly drawings for cash, shopping points or prizes. Shopping points are redeemable for merchandise at the Club Store. The program will reward players, extend their play experience and enable the New York Lottery to communicate directly with players to ensure we are continuing to provide the fun and innovation they expect.

- The New York Lottery will offer Powerball sales by subscription in fiscal year 2016-17. Currently players can purchase a subscription for the Mega Millions, Lotto and Cash4Life games. With the addition of Powerball, all Lottery jackpot games will be available for purchase by subscription.

- The new New York Lottery website (nylottery.ny.gov) is scheduled to launch in November 2016. The architecture and design of the new site was created with all New Yorkers 18+ in mind. It is being built to meet the demands of existing players by providing the winning numbers, jackpots and game information they seek out on the current website – all in an exciting new mobile-friendly platform. It will also service new or casual players with its fun and entertaining content and how-to-play features. Links to the new Players Club and existing subscriptions sites will allow players to get the most out of their Lottery play. Developed with a new state-of-the-art Content Management System, the new website will provide the New York Lottery with maximum flexibility to keep the content fresh and current with the utmost efficiency.

- Suffolk County Regional Off-Track Betting Corporation continues to pursue a location in Islandia to house up to 1,000 video lottery gaming machines. In addition, recently passed legislation will allow Nassau County Regional Off-Track Betting Corporation to house up to 1,000 video lottery gaming machines at Resorts World Casino New York City. These facilities are expected to impact NY Lottery revenues in fiscal year 2017-18.

- Interactive Fantasy Sports received legislative approval in New York in fiscal year 2016-17. Fantasy sports companies are required to register with, and operate under regulations issued by the NYS Gaming Commission. Registered operators will pay a tax equivalent of 15 percent of their interactive fantasy sports gross revenue generated within the state. In addition, registered operators must pay an additional tax equal to one half of 1 percent, but not to exceed $50,000 annually. These taxes are expected to generate incremental revenue for the State Lottery Fund to benefit aid to education.

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 NYS Gaming 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 NYS Gaming 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 NYS Gaming Commission annually certifies the effectiveness of its Internal Controls program to the NYS Division of Budget.

The NYS 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 NYS 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 percent of traditional lottery game sales and 10 percent 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, 2016, administrative surplus amounted to $494.6 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, 2016, the accrued value of the Lottery's installment prizes payable was $1.357 billion, with $130.2 million payable within one year and $1.227 billion classified as long-term.

Financial Policy Changes

During the year ended March 31, 2016, the Lottery adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement revises existing standards for measuring and reporting pension liabilities. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the pension plan and addition to and deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the State and Local Employees' Retirement System (ERS).

Independent Audit

The New York Lottery's annual financial statements are audited by a certified public accounting firm. The statements include pertinent footnotes, required supplementary information and Management's Discussion and Analysis. The statements for the year ended March 31, 2016 were audited by Mitchell & Titus, LLP. The independent 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, 2015. 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 Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

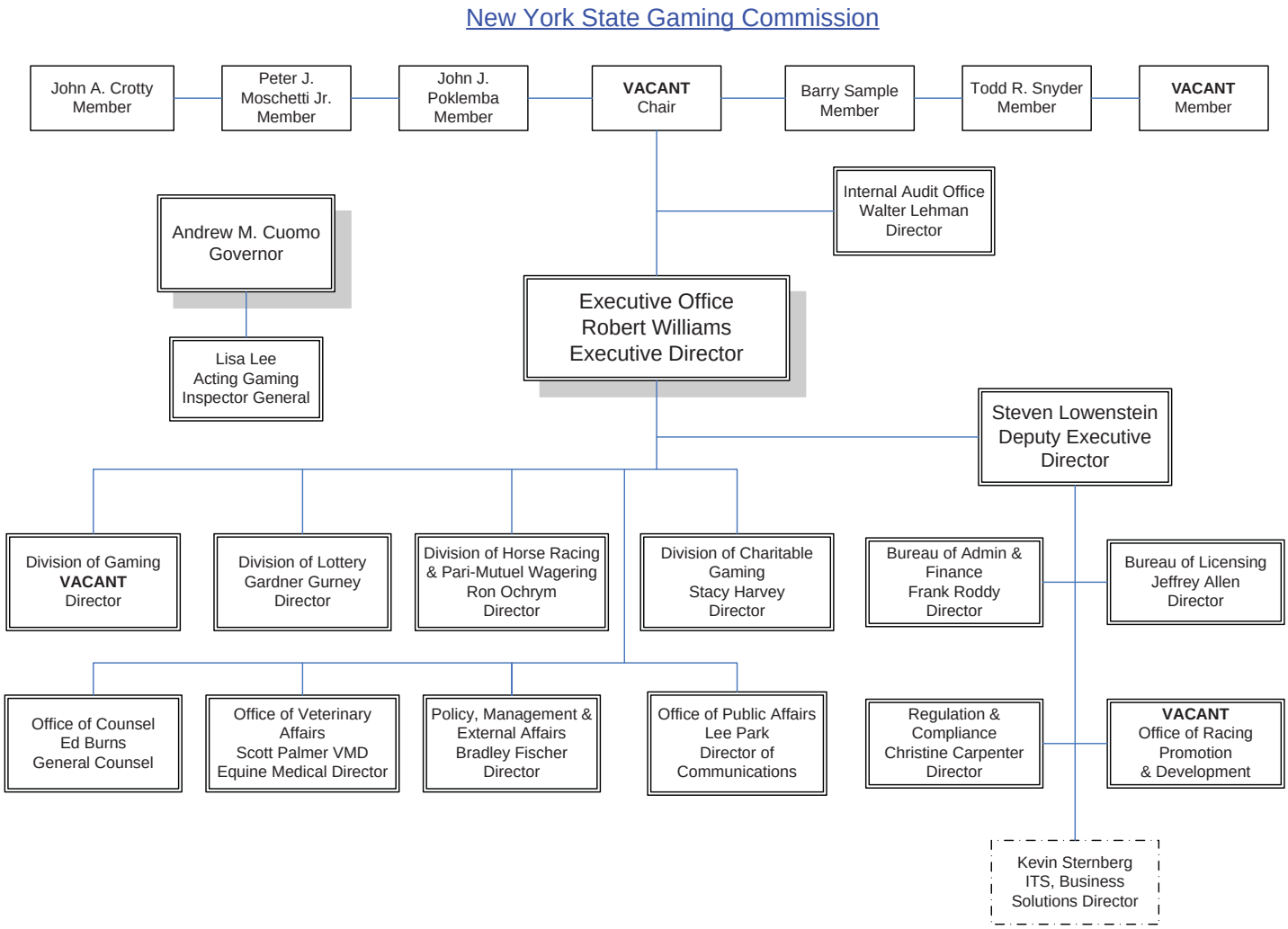
This Comprehensive Annual Financial Report reflects our continued commitment to maintain the highest standards of public accountability and to maintain the public trust through accounting transparency. Preparation of this report could not have been accomplished without the efforts and dedication of the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

Respectfully submitted,

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

Robert Williams
Executive Director

New York State Gaming Commission Organization Chart



May 2016

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, 2015

Executive Director/CEO

NEW YORK STATE LOTTERY

Financial Statements
Years Ended March 31, 2016 and 2015
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

MITCHELL TITUS

INDEPENDENT AUDITOR'S REPORT

The New York State Gaming Commission

Report on the Financial Statements

We have audited the accompanying statement of net position of the New York State Lottery (the Lottery), an enterprise fund of the State of New York, as of March 31, 2016, and the related statements of revenue, expenses, and change in net position and cash flows for the year then ended, and the related notes to the 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 accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

MITCHELL TITUS

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, 2016, and the change in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed 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, 2016, the change in its financial position, or, where applicable, its cash flows for the year 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.

As discussed in Note 7 to the financial statements, as of April 1, 2015, the Lottery adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Audit of Prior Year Financial Statements

The 2015 financial statements were audited by other auditors and their report thereon, dated July 17, 2015, contained an unmodified opinion on those financial statements in accordance with accounting principles generally accepted in the United States of America.

MITCHELL TITUS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the required schedules of the Lottery's proportionate share of the net pension liability and the Lottery's contributions on pages 18 through 23 and 47 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 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 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 introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section 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 those sections.

Mitchell & Titus, LLP

July 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 ended March 31, 2016 and 2015. 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 ended March 31, 2016 and 2015 have been prepared in accordance with accounting principles generally accepted in the United States of America.

FINANCIAL HIGHLIGHTS

- New York Lottery revenues totaled $9.691 billion, while net proceeds earned for Lottery Aid to Education reached $3.302 billion for fiscal year 2016.
- New York Lottery revenues in fiscal year 2016 were more than the revenues of 2015 by $534.2 million, or 5.8%. In fiscal year 2015, the annual revenue decreased by $70.2 million, or 0.8%.
- Net proceeds earned for Lottery Aid to Education in fiscal year 2016 were greater than the net proceeds of 2015 by $191.2 million, or 6.1%. Comparatively, the annual earnings for education in fiscal year 2015 were less than the net proceeds of 2014 by $62.4 million, or 2.0%.
- Prize expense increased by $232.8 million or 5.3% during fiscal year 2016. Prize expense decreased by $11.0 million, or 0.2%, during fiscal year 2015. Prize expense generally follows the changes occurring in sales of the corresponding games.
- Operating income increased by $218.8 million, or 7.1%, during fiscal year 2016. Operating income decreased by $36.8 million, or 1.2%, during fiscal year 2015.
- Nonoperating income decreased by $102.1 million during fiscal year 2016 after increasing by $200.3 million during fiscal year 2015. 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) increased by $38.1 million in fiscal year 2016 after decreasing by $22.8 million in fiscal year 2015.

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 2016 and 2015:

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF FINANCIAL STATEMENTS *(continued)*

Statements of Net Position **–** This statement provides information on the nature and amount of the Lottery's assets, deferred outflow of resources, liabilities and net position at the close of fiscal years 2016 and 2015. The relationship of assets and deferred outflow of resources 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 **–** This statement reflects the Lottery's operating and nonoperating revenues and expenses and the change in net position for the year.

Statements of Cash Flows **–** This statement 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.

Following the notes to the financial statements are pension schedules, presented as Required Supplementary Information, presented as required supplementary information, which provide details on the Lottery's net pension liability and contributions.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF FINANCIAL STATEMENTS *(continued)*

- Video Gaming Administration Account – Utilized to pay the administrative costs of video gaming.

FINANCIAL ANALYSIS

Summary of Net Position – The comparative summary of net position represents the Lottery's financial position as of the fiscal years 2016, 2015, and 2014 (in millions):

				FY 2016 vs. FY 2015		FY 2015 vs. FY 2014	
	FY 2016	FY 2015	FY 2014	Dollar change	Percent change	Dollar change	Percent change
Capital assets	$ -	$ -	$ -	$ -	- %	$ -	- %
Other assets	2,711	2,637	2,544	74	2.8	93	3.7
Total assets	2,711	2,637	2,544	74	2.8	93	3.7
Total deferred outflows of resources	-	-	-	-	-	-	-
Current liabilities	1,078	967	935	111	11.5	32	3.4
Noncurrent liabilities	1,231	1,277	1,299	(46)	(3.6)	(22)	(1.7)
Total liabilities	2,309	2,244	2,234	65	2.9	10	0.4
Restricted net position	157	139	150	18	12.9	(11)	(7.3)
Unrestricted net position	245	254	160	(9)	(3.5)	94	58.8
Total net position	$ 402	$ 393	$ 310	$ 9	2.3	$ 83	26.8

Capital Assets – Capital assets consist of equipment and leasehold improvements. During fiscal years 2016 and 2015, there were no changes in capital assets. Additional information about the Lottery's capital assets can be found in Note 1 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 2016, other assets increased by $73.9 million which represented an increase of 2.8% from the previous year. This increase was primarily a result of an increase in cash. In fiscal year 2015, other assets increased by $93.6 million, which represented an increase of 3.7% from the previous year.

Deferred Outflows of Resources – Deferred outflows of resources consists of deferred pension costs. During fiscal year 2016, this account has been added to the financial statements as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and has an ending balance of $442,000.

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 $111.7 million during fiscal year 2016. This change can be compared to the fiscal year ended March 31, 2015 when there was a $31.7 million annual increase in total current liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS *(continued)*

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 2016, noncurrent liabilities decreased by $45.9 million, with the decrease occurring primarily in the category of long-term prizes payable. During fiscal year 2015, noncurrent liabilities decreased by $21.3 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 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 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 2016, 2015 and 2014 (in millions).

				FY 2016 vs. FY 2015		FY 2015 vs. FY 2014	
	FY 2016	FY 2015	FY 2014	Dollar change	Percent change	Dollar change	Percent change
Operating revenue							
Lottery revenue, net	$ 9,691	$ 9,156	$ 9,226	$ 535	5.8 %	$ (70)	(0.8)%
Operating expenses							
Direct expenses	(6,245)	(5,938)	(5,958)	307	(5.2)	(20)	0.3
Indirect expenses	(129)	(120)	(133)	9	(7.5)	(13)	9.8
Total operating expenses	(6,374)	(6,058)	(6,091)	316	(5.2)	(33)	0.5
Operating income	3,317	3,098	3,135	219	7.1	(37)	(1.2)
Nonoperating income (expenses)							
Nonoperating income	51	158	(34)	(107)	(67.7)	192	564.7
Nonoperating expenses	(58)	(62)	(71)	(4)	6.5	(9)	12.7
Total nonoperating income (expenses)	(7)	96	(105)	(103)	(107.3)	201	191.4
Income before required allocation	3,310	3,194	3,030	116	3.6	164	5.4
Required allocation – contribution for aid to education	(3,301)	(3,111)	(3,173)	190	(6.1)	(62)	2.0
Change in net position	9	83	(143)	(74)	(89.2)	226	158.0
Net position beginning of year	393	310	453	83	26.8	(143)	(31.6)
Net position end of year	$ 402	$ 393	$ 310	$ 9	2.3	$ 83	26.8

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 17,500 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS *(continued)*

During fiscal year 2016, the Lottery achieved $3.792 billion in draw sales, $3.912 billion in instant sales, and $1.987 billion in video lottery gaming net machine income for a total of $9.691 billion, an increase of $534.2 million, or 5.8%, over the previous fiscal year. 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. The most significant growth was generated in draw sales during fiscal year 2016, while instant sales generated the most significant growth in fiscal year 2015.

The following compares the Lottery's revenues by game and the percentage of total revenues by game for the fiscal years 2016, 2015, and 2014 (in millions).

	FY 2016		FY 2015		FY 2014	
Game	Revenue	Percent of total revenues	Revenue	Percent of total revenues	Revenue	Percent of total revenues
Mega Millions	$ 255	2.6%	$ 288	3.1%	$ 400	4.3%
Lotto	97	1.0	84	0.9	95	1.0
Take 5	241	2.5	239	2.6	256	2.8
Numbers	903	9.3	870	9.5	874	9.5
Win 4	911	9.4	852	9.3	831	9.0
Quick Draw	787	8.1	694	7.6	654	7.1
Pick 10	30	0.3	28	0.3	29	0.3
Sweet Million	-	-	6	0.1	33	0.4
Powerball	460	4.8	305	3.3	463	5.0
Other Multi-State Draw Games *	108	1.1	125	1.4	-	-
Promo game	-	-	-	-	2	-
Instant	3,912	40.4	3,760	41.1	3,677	39.9
Subtotal traditional lottery	7,704	79.5	7,251	79.2	7,314	79.3
Video gaming, net **	1,987	20.5	1,905	20.8	1,912	20.7
Total revenues	$ 9,691	100.0%	$ 9,156	100.0%	$ 9,226	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 2016	FY 2015	FY 2014
Credits played	$ 37,266	$ 33,971	$ 32,348
Credits won	(35,279)	(32,066)	(30,436)
Net machine income	$ 1,987	$ 1,905	$ 1,912

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 increased by $232.8 million to $4.629 billion in fiscal year 2016. At the same time, retailer commissions increased by $63.9 million to $1.347 billion and gaming contractor fees increased by $7.4 million to $227.1 million.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS *(continued)*

Other Operating Expenses – Other operating expenses include marketing, state agency charges, personal services, fringe benefits and other administrative costs. These costs were $128.8 million during fiscal year 2016, which was 6.8% higher than the prior year. Corresponding costs in fiscal year 2015 were $120.6 million, which was 9.8% lower than in fiscal year 2014.

Nonoperating Revenues (Expenses) – Nonoperating revenues and expenses consist of miscellaneous income plus the net growth or decline in the fair value of investments used to fund long-term prizes. Investment income of $49.5 million in 2016, $148.9 million in 2015 and $(35.4) million in 2014 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 (shown here as income) 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 2016 resulted in income before required allocation totaling $3.310 billion. This amount consists of a required allocation for Aid to Education of $3.302 billion that transfers out as a contribution for Aid to Education and an $8.5 million increase in net position for the year. The $8.5 million increase in net position is a combination of an $18.0 million increase in net position restricted for prizes and a $9.5 million decrease in unrestricted 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.

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 would not be expected unless there were an addition of new games or an expansion in gaming facilities.

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 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, 2016 and 2015
(In thousands)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 724,407	$ 490,819
Accounts receivable	455,443	526,292
Instant ticket inventory	10,273	10,704
Investments	99,667	112,255
Total current assets	1,289,790	1,140,070
Noncurrent assets		
Long-term investments, net	1,421,189	1,497,026
Total noncurrent assets	1,421,189	1,497,026
Total assets	2,710,979	2,637,096
Deferred outflows of resources	442	-
Total assets and deferred outflows of resources	2,711,421	2,637,096
LIABILITIES		
Current liabilities		
Prizes payable	130,207	138,019
Unclaimed prizes	582,709	577,253
Due to education	346,081	213,309
Accounts payable and accrued liabilities	8,422	26,978
Unearned ticket sales	9,813	9,714
Compensated absences	1,157	1,464
Total current liabilities	1,078,389	966,737
Noncurrent liabilities		
Compensated absences	134	120
Pension contribution payable	2,667	-
Net pension liability	1,883	-
Long-term prizes payable	1,226,840	1,277,256
Total noncurrent liabilities	1,231,524	1,277,376
Total liabilities	2,309,913	2,244,113
NET POSITION		
Restricted for future prizes	156,955	138,995
Unrestricted	244,553	253,988
Total net position	$ 401,508	$ 392,983

See accompanying notes to basic financial statements.

NEW YORK STATE LOTTERY
Statements of Revenue, Expenses, and Changes in Net Position
Years Ended March 31, 2016 and 2015
(In thousands)

	2016	2015
OPERATING REVENUE		
Lottery revenue, net	$ 9,690,511	$ 9,156,336
Operating expenses		
Prize expense	(4,629,657)	(4,396,853)
Retailer commissions	(1,346,488)	(1,282,568)
Gaming contractor fees	(227,116)	(219,731)
Instant ticket direct expenses	(22,970)	(20,566)
Telecommunications	(18,492)	(17,827)
Total direct expenses	(6,244,723)	(5,937,545)
Marketing and advertising expense	(85,620)	(75,812)
Personal service and fringe benefits	(32,177)	(28,883)
Other administrative costs	(5,273)	(11,443)
State agency charges	(5,725)	(4,441)
Total indirect expenses	(128,795)	(120,579)
Total operating expenses	(6,373,518)	(6,058,124)
Operating income	3,316,993	3,098,212
NONOPERATING REVENUE (EXPENSES)		
Investment income	49,542	148,914
Other revenue, net	2,102	8,982
Investment expense, net	(58,332)	(62,443)
Total nonoperating (expenses) revenue	(6,688)	95,453
Income before required allocation	3,310,305	3,193,665
Required allocation for aid to education	(3,301,780)	(3,110,570)
Change in net position	8,525	83,095
Net position, beginning of year	392,983	309,888
Net position, end of year	$ 401,508	$ 392,983

See accompanying notes to basic financial statements.

NEW YORK STATE LOTTERY
Statements of Cash Flows
Years Ended March 31, 2016 and 2015
(In thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from net lottery revenue	$ 9,729,563	$ 9,137,343
Cash payments for prizes	(4,712,200)	(4,432,987)
Cash payments for commissions	(1,346,460)	(1,282,577)
Cash payments for contractor fees	(229,139)	(219,238)
Cash payments for telecommunications	(18,492)	(17,827)
Cash payments for instant ticket direct expenses	(22,491)	(22,052)
Cash payments for other operating expenses	(138,254)	(127,041)
Other cash receipts	2,102	8,982
Net cash provided by operating activities	3,264,629	3,044,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment maturities	112,477	127,118
Purchases of investments	-	(84,265)
Proceeds from investment sales	-	11,804
Interest on cash and cash equivalents and investments	25,490	24,386
Net cash provided by investing activities	137,967	79,043
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash transfer to State for Aid to Education	(3,169,008)	(3,215,584)
Cash received from State General Fund for Lottery Aid Guarantee	-	66,765
Net cash used in noncapital financing activities	(3,169,008)	(3,148,819)
Net increase (decrease) in cash and cash equivalents	233,588	(25,173)
Cash and cash equivalents, beginning of year	490,819	515,992
Cash and cash equivalents, end of year	$ 724,407	$ 490,819
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 3,316,993	$ 3,098,212
Adjustments to reconcile operating income to net cash provided by operating activities		
Other cash receipts	2,102	8,982
Change in operating assets, deferred outflows and liabilities		
(Increase) decrease in accounts receivable, net	70,849	(47,292)
(Increase) decrease in ticket inventory	431	(1,563)
Decrease in prizes payable	(116,561)	(105,295)
Increase in unclaimed prizes	5,456	106,072
Decrease in compensated absences	(292)	(217)
Increase in deferred outflows	(442)	-
Increase in net pension liability	1,883	-
Increase in pension contribution payable	2,667	-
Decrease in accounts payable and accrued liabilities	(18,556)	(14,523)
Increase in unearned ticket sales	99	227
Net cash provided by operating activities	$ 3,264,629	$ 3,044,603
Noncash investing activities		
Decrease (increase) in unrealized gains on investments	$ (10,664)	$ 85,313
Amortization of investment discount	34,716	37,382

See accompanying notes to basic financial statements.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 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 represent 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:

<u>Revenue Recognition</u>

(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.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition *(continued)*

(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.

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.

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).

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Accounts Receivable

Accounts receivable primarily represent 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.

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, Powerball, Cash 4 Life and Monopoly Millionaires' Club, 50% for Take 5, Numbers, Win-4, and Pick 10, 40% for Lotto and Sweet Million 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 (see previously within Commissions and Fees). Any excess of the maximum allocation over actual administrative expenses is allocated to education. Such allocations amounted to approximately $497,419,000 and $464,791,000 for fiscal years 2016 and 2015, respectively. Administrative expenses incurred by the Lottery represent telecommunications, advertising, salary and other operating costs.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 accretion of bond discount, interest on bonds and deposits, and the change in fair value of investments.

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.

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, 2016 and 2015 (in thousands).

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets *(continued)*

	2014	Additions	Deletions	2015	Additions	Deletions	2016
Leasehold improvements							
Cost	$ 4,526	$ -	$ -	$ 4,526	$ -	$ -	$ 4,526
Accumulated depreciation	(4,526)	-	-	(4,526)	-	-	(4,526)
Net value	-	-	-	-	-	-	-
Equipment							
Cost	1,911	-	-	1,911	-	-	1,911
Accumulated depreciation	(1,911)	-	-	(1,911)	-	-	(1,911)
Net value	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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.

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.

Unclaimed Prizes

Unclaimed prizes at March 31, 2016 and 2015 were $582,709,000 and $577,253,000, respectively. Prizes unclaimed for one year after the drawing date (lapsed) are forfeited by the ticket holder. Total prizes lapsed amounted to approximately $103,815,000 and $64,647,000 for fiscal years 2016 and 2015, 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 2016 and 2015, these supplemental prizes were used for Mega Millions, Powerball, Cash 4 Life, Lotto, Quick Draw, Take 5, Monopoly Millionaires' Club, Numbers, Win 4, and various Instant Games.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Adoption of New Accounting Pronouncements

During the year ended March 31, 2016, the Lottery adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* This Statement revises existing standards for measuring and reporting pension liabilities. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the pension plan and addition to and deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the State and Local Employees' Retirement System (ERS).

NOTE 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 $706,141,000 and $460,129,000 at March 31, 2016 and 2015, 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, 2016 and 2015, the amount of sole custody accounts included in cash and cash equivalents were $18,266,000 and $30,690,000, respectively.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 2 CASH AND CASH EQUIVALENTS *(continued)*

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.

NOTE 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, which are guaranteed by the full faith and credit of the United States. The fair value of these investments at March 31, 2016 and 2015 was $1,520,856,000 and $1,609,281,000, respectively. During fiscal years 2016 and 2015, approximately $34,716,000 and $37,382,000, respectively, of amortized discount was included in investment income.

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

	2016	2015
Maturity value	$ 1,636,317	$ 1,748,794
Unamortized discount	(335,130)	(369,846)
Total at amortized cost	1,301,187	1,378,948
Less: Investments, maturing within one year, at amortized cost	98,148	110,175
Long-term investments, at amortized cost	$ 1,203,039	$ 1,268,773

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 3 INVESTMENTS *(continued)*

Maturities of the investments in each of the five fiscal years following March 31, 2016, and five year incremental totals thereafter, are as follows (in thousands):

	Maturities	Interest due	Total
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	104,325	20,901	125,226
2022–2026	429,859	89,886	519,745
2027–2031	233,872	69,258	303,130
2032–2036	123,144	58,988	182,132
2037–2041	275,992	25,870	301,862
2042–2046	64,212	-	64,212
	$ 1,636,317	$ 355,758	$ 1,992,075

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 limits 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's and Standard & Poor's are included below 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.

As of March 31, 2016 and 2015, the Lottery had the following investments and maturities (amounts in thousands):

				2016 Investment maturities		
Investment type	2016 Fair value	Moody's credit rating	S&P credit rating	Less than five years	5 years to 10 years	More than 10 years
U.S. Treasury Strips	$ 653,057	N/A	N/A	$ 247,762	$ 153,997	$ 251,298
New York City Transitional Finance Authority Bonds	534,809	Aa1	AAA	87,618	119,409	327,782
Agency for International Development Bonds	332,990	N/A	N/A	169,107	131,354	32,529
Total	$ 1,520,856			$ 504,487	$ 404,760	$ 611,609

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 3 INVESTMENTS *(continued)*

Investment type	2015 Fair value	Moody's 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	N/A	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	N/A	N/A	208,340	155,992	36,683
Total	$ 1,609,281			$ 510,876	$ 437,762	$ 660,643

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. 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.

NOTE 4 PRIZES PAYABLE

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

	2016	2015
Total obligation	$ 2,062,053	$ 2,169,576
Unamortized discount	(705,006)	(754,301)
Total carrying amount	1,357,047	1,415,275
Less: Prizes payable within one year	130,207	138,019
Long-term prizes payable	$ 1,226,840	$ 1,277,256

The amortized discount on the prizes payable is based on interest rates ranging from 0.07% to 7.78% and reflects 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 $58,332,000 and $62,443,000 for fiscal years 2016 and 2015, respectively.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 4 PRIZES PAYABLE *(continued)*

The aggregate amount of prizes payable due in each of the five fiscal years following March 31, 2016, and the five year incremental totals thereafter, is as follows (in thousands):

2017	$ 124,726
2018	124,124
2019	124,773
2020	125,313
2021	125,603
2022–2026	527,989
2027–2031	321,732
2032–2036	174,302
2037–2041	118,847
2042–2046	101,422
2047–2051	75,943
2052–2056	53,379
Thereafter	63,900
	$ 2,062,053

NOTE 5 LONG-TERM LIABILITIES

The Lottery's long-term liabilities as of March 31, 2016 and 2015 are comprised of the following (in thousands):

	Balance at March 31, 2015	Additions	Deductions	Balance at March 31, 2016	Current portion
Compensated absences (Note 11)	$ 1,584	$ 1,127	$ (1,420)	$ 1,291	$ 1,157
Pension contribution payable (Note 7)	-	2,667	-	2,667	362
Net pension liability (Note 7)	-	1,883	-	1,883	-
Prizes payable (Note 4)	1,415,275	74,441	(132,669)	1,357,047	130,207

	Balance at March 31, 2014	Additions	Deductions	Balance at March 31, 2015	Current portion
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

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 6 AID TO EDUCATION

The required allocation and contribution transferred out for aid to education during the fiscal years ended March 31, 2016 and 2015 are as follows (in thousands):

	2016	2015
Cash transferred to education	$ 3,169,008	$ 3,215,584
Amount received from the State General Fund for Lottery aid guarantee	-	(66,765)
Net cash transferred to education	3,169,008	3,148,819
Prior-year payable	(213,309)	(251,558)
Current-year payable	346,081	213,309
Required allocation to education	$ 3,301,780	$ 3,110,570

NOTE 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.

For purposes of determining net pension liability and other pension-related amounts, information about the fiduciary net position of ERS and additions to and deductions from the ERS fiduciary net position has been determined on the same basis reported by the System. The System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001, or at www.osc.state.ny.us/pension/cafr.htm.

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.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 7 PENSION BENEFITS *(continued)*

The Lottery paid to the Office of the State Comptroller of the State of New York $2,921,000 for 2016, $3,213,000 for 2015, and $3,132,000 for 2014, 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 16.73%, 17.52%, and 15.59% of covered payroll for each of the years, respectively.

Net Pension Liabilities and Other Pension-Related Amounts

At March 31, 2016, the Lottery recognized a net pension liability of $1,883,161 for its proportionate share of the ERS net pension liability.

The State's proportionate share of the collective net pension liability reported at March 31, 2016, was measured as of March 31, 2015, and was determined using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The State's proportion of the ERS net pension liability measured at March 31, 2015, was 35% for ERS, which was consistent with the proportions allocated to the State at March 31, 2014. The State's proportion related to the plan was determined consistently with the manner in which contributions to the pension plan are determined. The State's total projected long-term contribution effort to ERS was compared to the total projected long-term contribution effort from all employers to ERS in order to determine the State's proportion of the plan's net pension liability.

The Office of the State Comptroller provided the Lottery with its proportionate share of the ERS collective liability. The Statewide proportionate share of the ERS collective net pension liability measured at March 31, 2015 allocated to the Lottery enterprise fund was 0.13%, which is consistent with the allocation of the ERS collective net pension liability measured as of March 31, 2014.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 7 PENSION BENEFITS *(continued)*

Actuarial Assumptions

The total pension liability for the March 31, 2015 measurement date was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation for ERS used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary scale	4.9%
Investment rate of return, including inflation	7.5% compounded annually, net of investment expenses
Cost-of-living adjustments	1.4% annually
Decrements	Developed from the Plan's 2010 experience study for period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for each plan as of April 1, 2014 are summarized below:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	38%	7.30%
International equity	13	8.55
Private equity	10	11.00
Real estate	8	8.25
Absolute return strategies	3	6.75
Opportunistic portfolio	3	8.60
Real estate	3	8.65
Bonds and mortgages	18	4.00
Cash	2	2.25
Inflation-indexed bonds	2	4.00
Total	100%	

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 7 PENSION BENEFITS *(continued)*

Discount Rate

The discount rate used to calculate the ERS total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Lottery's current period net pension liability using the current period discount rate assumption of 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5%) or 1 percentage-point higher (8.5%) than the current assumption (in thousands):

	1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
Lottery net pension liability (asset)	$ 12,552	$ 1,883	$ (7,124)

The Lottery recognized a net pension liability of $1,883,161 for its proportionate share of the ERS net pension liability. For the year ended March 31, 2016, the Lottery recognized pension expense of $1,704,279, related to ERS, and deferred outflows of resources related to ERS from the following sources:

	Lottery Deferred Outflows of Resources
Difference expected and actual experience	$ 60,282
Net difference between projected and actual investment earnings on pension plan investments	327,081
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,044
Contributions made subsequent to measurement date	-
Total	$ 442,407

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 7 PENSION BENEFITS *(continued)*

Discount Rate *(continued)*

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for Lottery will be recognized in pension expense in the amount of $111,000 each year over the next four fiscal years.

NOTE 8 OPERATING INCOME

Composition of operating income for fiscal 2016 and 2015 by type of lottery game is as follows (in thousands):

	2016					
		Expenses				
	Revenue	Prizes**	Commissions	Fees	Instant Direct Expense	Net
Mega Millions	$ 254,542	$ (127,291)	$ (14,937)	$ (2,495)	$ -	$ 109,819
Lotto	96,686	(38,311)	(5,363)	(1,118)	-	51,894
Take 5	241,181	(120,029)	(14,471)	(2,149)	-	104,532
Pick 10	29,631	(13,832)	(1,778)	(264)	-	13,757
Numbers	902,496	(441,794)	(54,150)	(8,043)	-	398,509
Win 4	911,433	(462,409)	(54,686)	(8,122)	-	386,216
Sweet Million	-	65	-	-	-	65
Powerball	460,045	(214,000)	(27,603)	(4,132)	-	214,310
Other Multi-State Draw Games***	107,640	(50,778)	(6,373)	(1,015)	-	49,474
Instants	3,912,254	(2,636,201)	(237,292)	(40,480)	(22,970)	975,311
Quick Draw	787,230	(523,491)	(47,234)	(7,879)	-	208,626
Total traditional lottery	7,703,138	(4,628,071)	(463,887)	(75,697)	(22,970)	2,512,513
Video gaming	1,987,373 *	(1,586)	(882,601)	(151,419)	-	951,767
	$ 9,690,511	$ (4,629,657)	$ (1,346,488)	$ (227,116)	$ (22,970)	3,464,280
Telecommunications						(18,492)
Other operating expenses						(128,795)
Total operating income						$ 3,316,993

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

Credits played	$ 37,265,964
Credits won	(35,278,591)
Net machine income	$ 1,987,373

** 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.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 8 OPERATING INCOME *(continued)*

	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 Games***	124,989	(87,661)	(7,499)	(1,122)	-	28,707
Instants	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 income	$ 1,905,309

** 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.

NOTE 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.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 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 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, 2016, and 2015, 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, 2016 and 2015, the Lottery had between 196 and 191 retired and/or spouses of retired employees receiving these benefits with an annual pay-as-you-go cost of approximately $2,015,000 and $1,810,000, respectively. Employee costs were approximately $433,000 and $382,000 as of March 31, 2016 and 2015.

NOTE 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 $1,291,000 and $1,584,000 as of March 31, 2016 and 2015, respectively, and is recorded as a liability in the statements of net position.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 12 LEASES

The Lottery has entered into operating leases for equipment and building space. Rental expense was approximately $2,570,000 and $2,554,000 in 2016 and 2015, respectively.

Future minimum lease payments under all noncancelable leases having initial or remaining terms in excess of one year as of March 31, 2016 are as follows (in thousands):

	Operating Leases
2017	$ 2,528
2018	2,422
2019	2,306
2020	1,402
2021	672
2022 and thereafter	855
Total minimum payments required	$ 10,185

NOTE 13 COMMITMENTS AND CONTINGENCIES

Contractual Arrangements

The Lottery maintains a gaming network of approximately 17,500 retailer locations where all traditional lottery games are sold. Instant Game tickets are also sold through approximately 4,500 self-service terminals. International Game Technology (IGT) (formerly GTECH Corporation) 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, IGT Global Solutions Corporation (formerly GTECH Printing Corporation) is an alternate supplier of Instant Game tickets.

NEW YORK STATE LOTTERY
Notes to Financial Statements
Years Ended March 31, 2016 and 2015

NOTE 13 COMMITMENTS AND CONTINGENCIES *(continued)*

Contractual Arrangements *(continued)*

Video lottery games are offered on approximately 18,400 video gaming machines spread over nine video lottery gaming facilities. Everi Games, Inc. (formerly 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.

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.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

NEW YORK STATE LOTTERY
Required Supplementary Information (Unaudited)
Years Ended March 31, 2016 and 2015

Schedule of the Lottery's Proportionate Share of the Net Pension Liabilities for New York State and Local Employees' Retirement System
March 31, 2016
(Amounts in thousands)

Lottery's proportion of the net pension liability		0.13%
Lottery's proportionate share of the net pension liability	$	1,883
Covered payroll		17,460
Lottery's proportionate share of the net pension liability as a percentage of covered payroll		10.78%
Plan's fiduciary net position as a percentage of the total pension liability		97.95%

The "Schedule of the Lottery's Proportionate Share of the Net Pension Liabilities for New York State and Local Employees' Retirement System" presented above is to illustrate the required 10-year trend of information. However, until we can compile a full 10-year trend of information, we are presenting the information for which information is available.

Schedule of the Lottery's Contributions for New York State and Local Employees' Retirement System
March 31, 2016
(Amounts in thousands)

Contractually determined contribution	$	2,921
Lottery's contributions in relation to the contractually determined contribution		2,921
Contribution excess/deficiency		-
Lottery's covered payroll		17,460
Lottery's contributions as a percentage of covered payroll		16.73%

The "Schedule of the Lottery's Contributions for New York State and Local Employees' Retirement System" presented above is to illustrate the required 10-year trend of information. However, until we can compile a full 10-year trend of information, we are presenting the information for which information is available.

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)

Net Position	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Investment in capital assets	$ (152)	$ (169)	$ (77)	$ 95	$ (90)	$ 43	$ 5	$ -	$ -	$ -
Restricted for future prizes	103,815	110,008	72,026	79,119	104,894	140,965	184,824	150,194	138,995	156,955
Unrestricted	86,215	163,495	205,623	89,633	105,786	230,290	267,919	159,694	253,988	244,553
Total	$ 189,878	$ 273,334	$ 277,572	$ 168,847	$ 210,590	$ 371,298	$ 452,748	$ 309,888	$ 392,983	$ 401,508

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating revenue										
Lottery games revenue	$ 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	$ 9,690,511
Operating expenses										
Prize expense	(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)	(4,629,657)
Retailer commissions	(595,348)	(708,514)	(839,312)	(875,430)	(881,923)	(1,036,958)	(1,236,613)	(1,290,202)	(1,282,568)	(1,346,488)
Gaming contractor fees	(100,554)	(120,887)	(126,479)	(133,587)	(143,254)	(173,704)	(209,321)	(219,745)	(219,731)	(227,116)
Instant ticket direct expenses	(28,095)	(28,160)	(32,755)	(28,575)	(26,145)	(25,194)	(21,771)	(18,871)	(20,566)	(22,970)
Telecommunications	(28,441)	(28,013)	(28,109)	(24,485)	(19,206)	(20,330)	(20,954)	(21,357)	(17,827)	(18,492)
Marketing and advertising expense	(83,813)	(81,756)	(80,947)	(86,414)	(92,141)	(85,825)	(89,995)	(89,779)	(75,812)	(85,620)
Personal service and fringe benefits	(27,023)	(28,606)	(31,227)	(30,663)	(31,324)	(31,020)	(30,244)	(32,343)	(28,883)	(32,177)
Other administrative costs	(13,279)	(12,189)	(11,678)	(11,362)	(11,049)	(9,620)	(16,295)	(8,465)	(11,443)	(5,273)
State Agency charges	(13,208)	(3,461)	(1,710)	(1,540)	(1,739)	(1,618)	(1,458)	(2,784)	(4,441)	(5,725)
Depreciation	(3,051)	(4,654)	(4,599)	(2,851)	(2,247)	(1,677)	(38)	(5)	-	-
Total operating expenses	(4,863,551)	(4,969,001)	(5,160,083)	(5,146,133)	(5,176,700)	(5,516,352)	(5,845,677)	(6,091,475)	(6,058,124)	(6,373,518)
Operating income	2,311,553	2,579,464	2,500,062	2,672,183	2,691,511	2,923,121	3,088,611	3,135,015	3,098,212	3,316,993
Nonoperating revenue (expenses)										
Investment income	102,316	175,035	123,909	(40,024)	90,928	196,965	107,719	(35,364)	148,914	49,542
Other revenues (expense), net	(566)	(40,104)	(271)	(298)	381,995	(230)	(279)	1,340	8,982	2,102
Investment expense, net	(80,206)	(74,804)	(75,512)	(74,205)	(73,537)	(71,160)	(68,827)	(70,893)	(62,443)	(58,332)
Total nonoperating revenue (expenses)	21,544	60,127	48,126	(114,527)	399,386	125,575	38,613	(104,917)	95,453	(6,688)
Income before required allocation	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	3,310,305
Required allocation for aid to education	(2,359,640)	(2,556,135)	(2,543,950)	(2,666,381)	(3,049,154)	(2,887,988)	(3,045,774)	(3,172,958)	(3,110,570)	(3,301,780)
Change in net position	$ (26,543)	$ 83,456	$ 4,238	$ (108,725)	$ 41,743	$ 160,708	$ 81,450	$ (142,860)	$ 83,095	$ 8,525

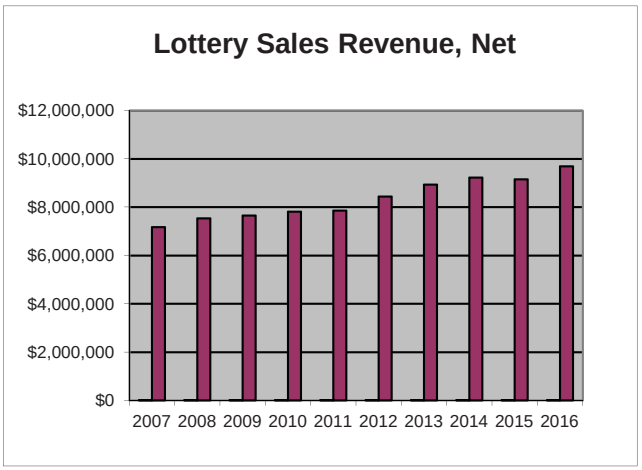
New York Lottery
Major Components of Lottery Revenue
Most Recent 10 Fiscal Years
(in thousands)

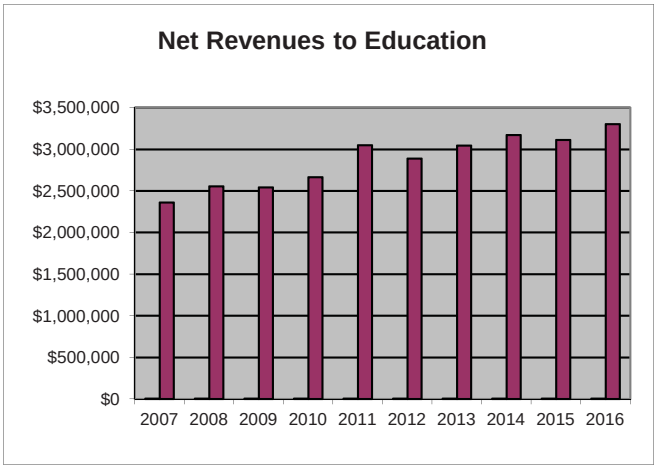
fiscal year	sales revenue
2007	$ 7,175,104
2008	$ 7,548,465
2009	$ 7,660,145
2010	$ 7,818,316
2011	$ 7,868,211
2012	$ 8,439,473
2013	$ 8,934,288
2014	$ 9,226,490
2015	$ 9,156,336
2016	$ 9,690,511

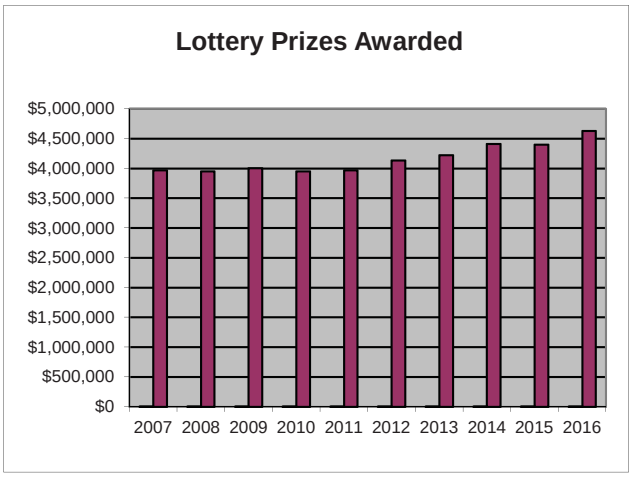
fiscal year	contribution to education
2007	$ 2,359,640
2008	$ 2,556,135
2009	$ 2,543,950
2010	$ 2,666,381
2011	$ 3,049,154
2012	$ 2,887,988
2013	$ 3,045,774
2014	$ 3,172,958
2015	$ 3,110,570
2016	$ 3,301,780

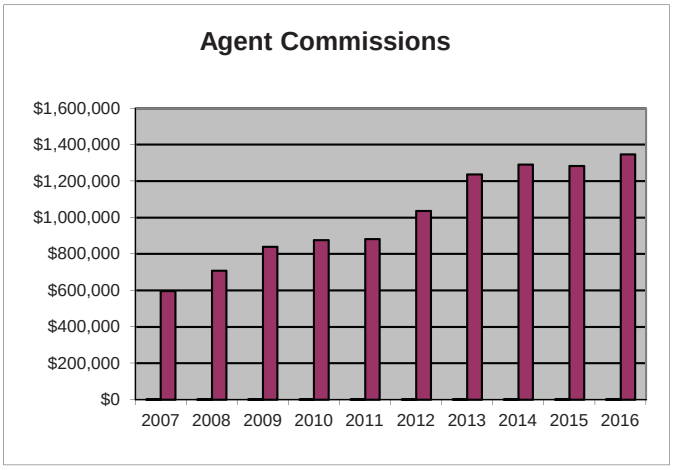
fiscal year	prizes
2007	$ 3,970,739
2008	$ 3,952,761
2009	$ 4,003,267
2010	$ 3,951,226
2011	$ 3,967,672
2012	$ 4,130,406
2013	$ 4,218,988
2014	$ 4,407,924
2015	$ 4,396,853
2016	$ 4,629,657

fiscal year	agent commissions
2007	$ 595,348
2008	$ 708,514
2009	$ 839,312
2010	$ 875,430
2011	$ 881,923
2012	$ 1,036,958
2013	$ 1,236,613
2014	$ 1,290,202
2015	$ 1,282,568
2016	$ 1,346,488









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

Games	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Draw Games:										
Lotto	$ 216,572	$ 208,400	$ 178,075	$ 178,239	$ 132,657	$ 122,272	$ 110,026	$ 94,563	$ 83,960	$ 96,686
Take Five	326,775	319,809	328,431	306,332	283,217	283,843	266,031	256,071	239,022	241,181
Pick 10	31,874	32,220	32,033	32,234	30,498	30,757	30,103	29,393	27,983	29,631
New York Numbers	854,791	856,539	850,331	845,401	854,430	880,536	847,203	873,845	870,505	902,496
Win-4	702,550	718,522	740,163	765,848	776,579	813,755	793,543	831,156	852,017	911,433
Quick Draw	444,978	444,256	424,422	411,898	424,192	502,039	579,929	654,158	693,758	787,230
Promotional Games*	102,026	17,797	8,388	0	0	0	0	1,832	0	0
Sweet Million	0	0	0	35,583	45,008	39,398	35,054	32,565	6,305	0
Powerball	0	0	0	36,320	202,628	296,576	468,404	462,974	304,540	460,045
Mega Millions	454,910	481,636	467,141	558,167	463,049	464,579	254,432	400,480	287,809	254,542
Other Multi- State Draw Games**	0	0	0	0	0	0	0	0	124,989	107,640
Total Draw Games	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	3,790,884
Video Lottery***	522,668	875,281	965,074	1,037,248	1,109,562	1,426,784	1,825,369	1,912,320	1,905,309	1,987,373
Instant Cash Games	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	3,912,254
Total Sales	$ 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	$ 9,690,511

*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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Expenses										
Prizes	$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	$4,629,657
Retailer comm./Contractor fees	695,902	829,401	965,791	1,009,017	1,025,177	1,210,662	1,445,934	1,509,947	1,502,299	1,573,604
Instant Ticket Costs	28,095	28,160	32,755	28,575	26,145	25,194	21,771	18,871	20,566	22,970
Administration	168,815	158,679	158,270	157,315	157,706	150,090	158,984	154,733	138,406	147,287
Total Operating Expenses	$4,863,551	$4,969,001	$5,160,083	$5,146,133	$5,176,700	$5,516,352	$5,845,677	$6,091,475	$6,058,124	$6,373,518
Allocations to the State	$2,359,640	$2,556,135	$2,543,950	$2,666,381	$3,049,154	$2,887,988	$3,045,774	$3,172,958	$3,110,570	$3,301,780

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Outstanding debt										
Capital leases	16,005	11,426	6,895	3,872	1,810	-	-	-	-	-
Total outstanding debt	16,005	11,426	6,895	3,872	1,810	-	-	-	-	-
Resources available to pay outstanding debt										
Cash	$ 375,220	$ 105,361	$ 43,947	$ 153,220	$ 230,468	$ 386,230	$ 444,837	$ 515,992	$ 490,819	$ 724,407
Acounts receivable	481,329	472,367	480,213	417,233	598,435	469,732	441,486	479,000	526,292	455,443
Investments	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	1,520,856
Total resources available for debt	2,116,968	2,070,701	2,085,689	2,054,356	2,307,498	2,440,688	2,580,507	2,534,402	2,626,392	2,700,706
Ratio of debt to available resources	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%

New York State Demographic Information
Last 10 Calendar Years Available

Year	Population	Change From Prior Year	Personal Income Total (in millions)	Personal Income Per Capita	Change From Prior Year	Unemployment Rate
2005	19,255,000	0.19%	$ 805,717	$ 41,845	6.54%	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%
2014	19,746,000	0.48%	$ 1,110,345	$ 56,231	4.01%	6.4%

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Private employment										
Forestry, fishing, etc.	23,280	23,271	23,707	23,744	14,341	14,274	13,574	13,504	13,535	14,557
Mining	9,516	9,866	9,959	10,675	14,286	16,157	13,474	16,354	13,545	17,814
Utilities	40,623	40,651	40,506	40,119	40,355	41,026	39,746	38,853	37,718	38,609
Construction	467,615	483,981	508,530	527,531	533,932	481,531	460,003	457,019	465,546	488,369
Manufacturing	626,157	612,145	598,993	584,955	565,032	501,685	488,760	486,728	490,214	490,939
Wholesale trade	389,951	391,525	394,772	397,410	390,550	368,081	362,207	368,266	376,376	375,110
Retail trade	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	1,090,752
Transportation, warehouse	317,870	327,069	337,573	334,622	346,712	324,256	319,556	322,951	339,507	355,301
Information	305,139	310,275	312,293	302,404	301,954	292,108	288,921	293,900	303,600	302,092
Finance, insurance	696,548	711,845	733,599	731,480	789,048	785,910	813,265	840,182	886,294	874,068
Real estate, rental, leasing	407,062	436,758	466,261	470,170	565,276	523,673	525,680	560,100	525,324	516,912
Professional, technical	823,816	835,753	866,101	869,279	900,523	857,138	836,836	865,670	898,786	914,860
Management	125,968	130,060	135,334	137,157	139,224	139,298	145,749	144,407	146,467	151,898
Administrative, waste services	529,832	537,833	539,449	559,928	567,179	526,294	547,991	565,216	583,641	592,517
Education	376,935	388,285	401,273	405,562	412,051	414,554	426,934	439,928	441,063	444,844
Health care, social assistance	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	1,598,293
Arts, entertainment, recreation	283,129	287,510	295,198	299,829	320,716	316,950	313,381	322,386	336,168	348,315
Accommodation, food service	583,087	591,426	598,360	616,162	628,012	628,254	652,705	685,582	723,476	744,100
Other services	588,524	591,172	605,482	609,995	612,489	596,445	592,029	601,412	677,681	682,594
Total	9,056,795	9,208,323	9,399,820	9,478,570	9,708,898	9,352,706	9,410,362	9,625,140	9,925,486	10,041,944
Government employment										
Federal, civilian	130,490	128,925	127,015	127,046	127,037	127,052	132,803	121,187	118,511	116,234
Military	56,362	56,257	57,590	57,087	59,940	60,058	60,269	61,472	60,310	59,347
State	249,034	247,293	246,101	247,038	250,133	246,748	242,306	236,299	233,078	243,922
Local	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	1,039,093
Total	1,498,910	1,500,921	1,500,173	1,510,520	1,528,379	1,525,828	1,518,198	1,477,808	1,457,151	1,458,596
Total nonfarm employment	10,555,705	10,709,244	10,899,993	10,989,090	11,237,277	10,878,534	10,928,560	11,102,948	11,382,637	11,500,540
Total farm employment	54,827	54,243	52,102	50,784	51,724	51,219	50,628	51,584	51,609	54,849
Total employment	10,610,532	10,763,487	10,952,095	11,039,874	11,289,001	10,929,753	10,979,188	11,154,532	11,434,246	11,555,389

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Draw Games										
Sales	$ 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	$ 3,790,884
Prizes	$ 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	$ 1,991,870
Percent of sales	52%	50%	51%	50%	50%	50%	50%	52%	52%	53%
Retailer commissions	$ 187,066	$ 183,961	$ 180,685	$ 189,204	$ 191,876	$ 205,157	$ 202,253	$ 217,425	$ 208,667	$ 226,595
Percent of sales	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Contractor fees	$ 39,660	$ 39,378	$ 38,691	$ 39,224	$ 30,260	$ 33,392	$ 34,178	$ 36,152	$ 34,341	$ 35,217
Percent of sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Instant Games										
Sales	$ 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	$ 3,912,254
Prizes	$ 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	$ 2,636,201
Percent of sales	66%	67%	67%	66%	67%	67%	68%	68%	68%	67%
Retailer commissions	$ 211,370	$ 216,830	$ 219,974	$ 216,664	$ 212,781	$ 214,736	$ 223,449	$ 221,886	$ 226,024	$ 237,292
Percent of sales	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Contractor fees	$ 26,221	$ 26,809	$ 27,386	$ 27,505	$ 32,466	$ 35,231	$ 40,734	$ 41,064	$ 41,341	$ 40,480
Percent of sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Ticket and related costs	$ 28,095	$ 28,160	$ 32,755	$ 28,575	$ 26,145	$ 25,194	$ 21,771	$ 18,871	$ 20,566	$ 22,970
Percent of sales	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Video										
Sales (net machine income)	$ 522,668	$ 875,281	$ 965,074	$ 1,037,248	$ 1,109,562	$1,426,784	$ 1,825,369	$1,912,320	$ 1,905,309	$ 1,987,373
Facility commissions	$ 196,912	$ 307,723	$ 438,653	$ 469,562	$ 477,266	$ 617,065	$ 810,911	$ 850,891	$ 847,877	$ 882,601
Percent of sales	38%	35%	45%	45%	43%	43%	44%	44%	45%	44%
Contractor fees	$ 34,673	$ 54,700	$ 60,402	$ 66,858	$ 80,528	$ 105,081	$ 134,409	$ 142,529	$ 144,049	$ 151,419
Percent of sales	7%	6%	6%	6%	7%	7%	7%	7%	8%	8%
All Games										
Sales	$ 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	$ 9,690,511
Administrative costs	$ 168,815	$ 158,679	$ 158,270	$ 157,315	$ 157,706	$ 150,090	$ 158,984	$ 154,733	$ 138,406	$ 147,287
Percent of sales	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Number of Employees	334	342	359	351	333	331	311	313	305	255
Number of Retailers	16,000	16,100	16,500	16,700	16,553	16,806	17,000	17,500	18,000	17,500

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

	Leasehold improvements			Equipment		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
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	$ -
2016	$ 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.