

**STATE OF NEW JERSEY,  
DEPARTMENT OF TREASURY,  
DIVISION OF STATE LOTTERY**

Financial Statements  
and Supplementary Information

June 30, 2013

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

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# STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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## INTRODUCTION

The following discussion and analysis provides an analytical overview of the financial position and activities of the State of New Jersey, Department of Treasury, Division of State Lottery, (the "Division of State Lottery") for the years ended June 30, 2013 and 2012. This statement was prepared by management and should be read in conjunction with the financial statements and notes hereto, which follow this section.

The Division of State Lottery was established in 1970 pursuant to the "State Lottery Law," N.J.S.A. 5:9-1 et seq. The Division of State Lottery operates within the Department of Treasury of the State of New Jersey. The New Jersey Lottery Commission is a seven-member board, appointed by the Governor, authorized and empowered to promulgate rules and regulations in the operation of the Lottery. The "State Lottery Law" also mandates that a minimum of 30% of gross revenues from ticket sales be allocated for contributions to state aid for education and state institutions (N.J.S.A. 5:9-7a (11)).

As of June 30, 2013, the Division of State Lottery licenses over 6,500 retailers throughout the State of New Jersey to act as retailers in the sale of New Jersey Lottery tickets. Lottery retailers receive compensation in the form of commissions on each ticket sold or validated. The Division of State Lottery also contracts with various vendors in the production, distribution and management of lottery products.

- GTECH Corporation is contracted to provide ticket sales through the online terminal network and the warehousing and distribution of instant tickets and promotional materials. GTECH is also responsible to provide communications between the sales terminals and the GTECH data centers.
- Pollard Bank Note, Scientific Games and GTECH Printing are contracted to print and support instant game products.

The Division of State Lottery offers various products for sale with prize awards ranging from \$1.00 to annuity prizes well in excess of \$100 million. The various products sold are:

- Instant Games
- Pick 3 (Including Pick 3 Instant Match)
- Pick 4 (Including Pick 4 Instant Match)
- Jersey Cash 5 (including Jersey Cash 5 Instant Match)
- Pick 6 Lotto
- Mega Millions
- Powerball

## FINANCIAL HIGHLIGHTS

The Division of State Lottery's financial position at June 30, 2013 and 2012, consisted of total assets of \$589 million and \$603 million, respectively, and total liabilities of \$580 million and \$591 million, respectively. A substantial portion of the asset and liability amounts relates to the Division of State Lottery's annuity investment in prize awards. The total amounts invested and due to Division of State Lottery winners as future installment payments at June 30, 2013 and 2012, were \$333 million and \$400 million, respectively. Net position decreased from \$12 million in fiscal year 2012 to \$9 million in fiscal year 2013.

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**FINANCIAL STATEMENTS**

The Division of State Lottery's financial statements include statement of net position as of June 30, 2013 and 2012, statement of revenues, expenses and changes in net position for the years ended June 30, 2013 and 2012, and statement of cash flows for the years ended June 30, 2013 and 2012. The financial statements are prepared in accordance with the accounting principles established by the Governmental Accounting Standards Board.

**Statement of Net Position**

The statements of net position present the Division of State Lottery's financial position as of the last day of the fiscal year. The Division of State Lottery's assets, liabilities and net position are summarized (in millions) as follows:

	June 30,		
	2013	2012	2011
Current Assets	\$ 334	\$ 297	\$ 304
Deposit Fund Contracts	255	306	336
Total Assets	<u>589</u>	<u>603</u>	<u>640</u>
Current Liabilities	324	284	293
Non-Current Liabilities	256	307	336
Total Liabilities	<u>580</u>	<u>591</u>	<u>629</u>
Restricted Net Position	2	5	7
Unrestricted Net Position	7	7	4
Total Net Position	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 11</u>

Current assets consist of cash and investments in the State of New Jersey Cash Management Fund (the "NJCMF"), accounts receivable, current year annuity investments and deferred expenses. The investment in the NJCMF totaled \$238 million and \$175 million at June 30, 2013 and 2012, respectively.

The Division of State Lottery funds long-term installment prizes with insurance company annuities and United States Treasury securities. The total value of these investments was \$333 million and \$400 million as of June 30, 2013 and 2012, respectively. The Division of State Lottery has annuity investments with ten (10) insurance companies. The total market value of the United States Treasury securities was \$43 million and \$59 million at June 30, 2013 and 2012, respectively. The annuities due beyond fiscal year 2014 total \$255 million and represents the non-current assets reported on the Division of State Lottery's statement of net position.

Current liabilities consist of obligation for unpaid prize awards, accounts payable and accrued expenses and outstanding contributions due to the State of New Jersey's General Fund. The total unpaid prizes due and payable totaled \$99 million and \$66 million as of June 30, 2013 and 2012, respectively. Also, \$78 million was due to annuity winners as of June 30, 2013.

Non-current liabilities represent annuity prize awards due beyond 2014 and also include the total due for unused vacation and sick leave (compensated absences).

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**FINANCIAL STATEMENTS (CONTINUED)**

**Statement of Net Position (Continued)**

Net position represents the excess of the Division of State Lottery's assets over its liabilities and are summarized as follows (in millions):

	June 30,		
	2013	2012	2011
Restricted (Unclaimed Prize Reserves)	\$ 2	\$ 5	\$ 7
Unrestricted	7	7	4
Total Net Position	<u>\$ 9</u>	<u>\$ 12</u>	<u>\$ 11</u>

Expired prizes, or unclaimed prize reserves, are restricted to fund either future prizes or state contributions.

**Statement of Revenues, Expenses and Changes in Net Position**

The results of the Division of State Lottery's operations are presented in the statement of revenues, expenses and changes in net position, which is summarized (in millions) as follows:

	Years Ended June 30,		
	2013	2012	2011
Operating revenues			
Ticket sales	\$ 2,821	\$ 2,759	\$ 2,637
Forfeited prizes	39	38	38
Miscellaneous income	1	1	2
Total operating revenue	<u>2,861</u>	<u>2,798</u>	<u>2,677</u>
Operating expenses			
Prize expenses	1,670	1,618	1,544
Bad debt expense			1
Administration expense	35	37	22
Retailer commissions	158	154	147
Vendor fees	36	37	33
Office of Information Technology/Networking fees	1	1	(1)
Drawing broadcast fees			1
Total operating expenses	<u>1,899</u>	<u>1,846</u>	<u>1,747</u>
Operating income	962	952	930
Non-Operating Revenue (expenses)	120	(1)	
Income before transfers out	1,082	951	930
Operating transfers - state contributions	1,085	950	930
(Decrease) increase in net position	<u>\$ (3)</u>	<u>\$ 1</u>	<u>\$ -</u>

The Division of State Lottery awarded over \$1.670 billion in prize awards in fiscal year 2013 and over \$1.618 billion in fiscal year 2012. Almost 107 million winning tickets were validated and paid in fiscal year 2013 and over 112 million were validated and paid in fiscal year 2012.

The Division of State Lottery's vendors provided critical services to the Division of State Lottery, including the production, warehousing, distribution and accounting for all lottery tickets. The total compensation paid for the Division of State Lottery's vendors and network fees was \$36 million in fiscal year 2013 and \$37 million in fiscal year 2012.

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

**FINANCIAL STATEMENTS (CONTINUED)**

**Statement of Revenues, Expenses and Changes in Net Position (Continued)**

The Division of State Lottery's administrative expenses for the fiscal years 2013 and 2012 totaled \$35 million and \$37 million, respectively. These administrative expenses include salaries, advertising, auditing services, rent, security, data processing services, office supplies and attorney general fees.

The Division of State Lottery is required by State of New Jersey law to contribute at least 30% of gross revenues from ticket sales to the State of New Jersey, Department of Treasury for state aid for education and state institutions. As a result of various sales initiatives, game enhancements and efficient operations, the Division of State Lottery contributed \$965 million, 34% of gross sales, in fiscal year 2013 and \$950 million, 34% of gross sales, in fiscal year 2012. An additional \$120 million was contributed to the State for state aid to education and state institutions as a result of a contract award to Northstar New Jersey Lottery Group, LLC to provide sales and marketing services to the Division of State Lottery. As part of the contract terms Northstar New Jersey provided an "accelerated guarantee payment" in the amount of \$120 million (see Summary and Outlook below for more information).

**Statement of Cash Flows**

The statement of cash flows are summarized (in millions) as follows:

	Years Ended June 30.		
	2013	2012	2011
Cash flows provided by operating activities	\$ 1,022	\$ 978	\$ 921
Cash flows used in non-capital financing activities	(1,081)	(953)	(923)
Cash flows provided by (used in) investing activities	57	(23)	2
Net (decrease) increase in cash	<u>\$ (2)</u>	<u>\$ 2</u>	<u>\$ -</u>

**SUMMARY AND OUTLOOK**

On June 20, 2013, a competitively bid 15 year contract was awarded to Northstar New Jersey Lottery Group, LLC ("Northstar NJ") to provide sales and marketing services to the Division of State Lottery. As part of the contract terms Northstar NJ provided a \$120 million "accelerated guarantee payment" to the Division of State Lottery which is reflected in the FY 2013 financials as non-operating revenue. Bidders were required to provide net income targets for each year of the 15 year contract, plus a stub year for fiscal year 2014. Based on the net income targets, Northstar NJ can earn incentive payments when they meet or exceed their target or incur a penalty payment if their target is missed. Transition of marketing and sales functions began on June 20, 2013 and ended on September 30, 2013 (the Transition Period). During this time, most of the Division of State Lottery's marketing and sales force left State service and became Northstar NJ employees. Also, during this period, existing contracts for marketing, advertising and instant ticket printing services were assigned to Northstar NJ. The base services commencement date is October 1, 2013, this is the date that Northstar NJ will become responsible to meet their net income target for fiscal year 2014, which is the stub year. Northstar NJ's net income target for the stub year period will be prorated based on 9 months of

**STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

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**SUMMARY AND OUTLOOK (CONTINUED)**

services. Division of State Lottery management looks forward to this exciting partnership with Northstar. In the near future players and retailers can expect to see new promotions and incentive programs, expansion of the retailer base, new games and a myriad of other beneficial changes. With the assistance of Northstar NJ, the Division of State Lottery will continue to enhance its position as a major revenue source for the State of New Jersey. The revenue generated by the Division of State Lottery funds various educational and institutional programs throughout the State of New Jersey.

**CONTACTING THE DIVISION OF STATE LOTTERY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens with a general overview of the Division of State Lottery's finances. If you have any questions about this report or need additional financial information, contact the Division of State Lottery's Deputy Director of Finance at One Lawrence Park Complex, 1333 Brunswick Avenue, PO Box 041, Lawrenceville, New Jersey 08625-0041.

## INDEPENDENT AUDITORS' REPORT

State of New Jersey  
Department of the Treasury  
Division of State Lottery

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of the State of New Jersey, Department of Treasury, Division of State Lottery (the "Division of State Lottery") as of and for the years ended June 30, 2013 and 2012, and the related notes to financial statements, which collectively comprise the Division of State Lottery's basic financial statements as listed in the table of contents.

### 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Division of State Lottery's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Division of State Lottery as of June 30, 2013 and 2012, and the changes in its financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages one through five 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.

#### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplementary information such as the schedule of revenues, expenses and changes in net position budget and actual, schedule of instant game revenues and schedule of administrative expenses is presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information except for the portion marked "unaudited," has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the portion marked "unaudited," the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 1, 2013 and October 19, 2012, on our consideration of Division of State Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division of State Lottery's internal control over financial reporting and compliance.

*Mercadien, P.C.*

*Certified Public Accountants*

MERCADIEN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

November 1, 2013

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

State of New Jersey  
Department of the Treasury  
Division of State Lottery

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Division of State Lottery as of and for the years ended June 30, 2013 and 2012, and the related notes to financial statements, which collectively comprise the Division of State Lottery's basic financial statements, and have issued our report thereon dated November 1, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audits of the basic financial statements, we considered the Division of State Lottery's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division of State Lottery's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division of State Lottery's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Division of State Lottery's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Division of State Lottery's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mercadien, P.C.*  
*Certified Public Accountants*

**MERCADIEN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS**

November 1, 2013

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
STATEMENT OF NET POSITION

	June 30,	
	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash	\$ 434,249	\$ 2,650,488
Accounts receivable, net of allowance for doubtful accounts of \$2,395,000 and \$2,527,000 in 2013 and 2012, respectively	5,179,496	11,526,442
Deferred expenses	12,823,215	13,912,288
Investments		
Deposit fund contracts	77,833,504	94,163,004
State of New Jersey Cash Management Fund	238,214,847	175,019,302
Total Current Assets	<u>334,485,311</u>	<u>297,271,524</u>
Non-Current Assets		
Investments - deposit fund contracts	<u>254,787,828</u>	<u>305,775,771</u>
Total Non-Current Assets	<u>254,787,828</u>	<u>305,775,771</u>
Total Assets	<u>\$ 589,273,138</u>	<u>\$ 603,047,295</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 46,603,451	\$ 27,132,172
Obligation for unpaid prize awards	99,041,473	65,771,237
Installment prize awards	77,833,504	94,163,004
Due to State of New Jersey - education and state institutions	<u>101,009,581</u>	<u>97,082,268</u>
Total Current Liabilities	<u>324,488,009</u>	<u>284,148,681</u>
Non-Current Liabilities		
Compensated absences	984,403	1,039,552
Installment prize awards	<u>254,787,828</u>	<u>305,775,771</u>
Total Non-Current Liabilities	<u>255,772,231</u>	<u>306,815,323</u>
Total Liabilities	<u>580,260,240</u>	<u>590,964,004</u>
<b>NET POSITION</b>		
Restricted for prize awards or contributions for aid to education and state institutions	2,139,036	5,209,429
Unrestricted	<u>6,873,862</u>	<u>6,873,862</u>
Total Net Position	<u>\$ 9,012,898</u>	<u>\$ 12,083,291</u>

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Years ended June 30.	
	2013	2012
Operating Revenues		
Ticket Sales		
Pick 3	\$ 434,042,304	\$ 431,483,145
Pick 4	266,142,981	261,758,786
Jersey Cash 5	144,392,456	142,219,274
Pick 6 Lotto	65,323,206	84,161,564
Mega Millions	136,832,941	238,194,873
Powerball	300,381,206	183,892,771
Instant games	1,474,285,065	1,417,664,313
Sales discounts		(474,941)
Total Ticket Sales	2,821,400,159	2,758,899,785
Other Revenues		
Forfeited prizes	38,677,399	37,781,380
Miscellaneous	881,235	957,690
Total Operating Revenues	2,860,958,793	2,797,638,855
Operating Expenses		
Prize expenses	1,670,394,764	1,617,771,751
Amortization expense	99,159	59,577
Administrative expenses	34,683,062	36,595,216
Retailer commissions	157,880,945	153,657,527
Online vendor fees	17,398,700	20,273,146
Instant vendor fees	18,140,608	16,739,981
Multi-state fees	14,751	33,773
Office of information technology fees	494,254	494,254
Drawing broadcast fees	126,906	30,702
Total Operating Expenses	1,899,233,149	1,845,655,927
Operating Income	961,725,644	951,982,928
Non-Operating Revenue (Expenses)		
Interest	213,544	204,726
Accelerated guarantee payment	120,000,000	
Loss on sale of publicly traded stock		(885,793)
Income before Transfers Out	1,081,939,188	951,301,861
Transfers Out - contributions for state aid to education and state institutions	1,085,009,581	950,082,268
Change in net position	(3,070,393)	1,219,593
Net position, beginning of year	12,083,291	10,863,698
Net position, end of year	\$ 9,012,898	\$ 12,083,291

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

STATEMENT OF CASH FLOWS

	Years ended June 30,	
	2013	2012
Cash Flows from Operating Activities		
Sales to customers, net	\$ 1,399,110,374	\$ 1,385,166,786
Payments for prize awards	(332,958,165)	(345,773,535)
Payments for vendor commissions and fees	(35,953,906)	(38,716,380)
Payments to suppliers	(23,552,491)	(30,471,541)
Other payments	(36,652)	(42,480)
Cash flows from annuity operations		
Annuity receipts	77,794,504	93,826,004
Purchases of annuities	(7,744,300)	(19,141,639)
Payments of annuity prizes	(54,811,336)	(67,198,921)
Net Cash Provided by Operating Activities	<u>1,021,848,028</u>	<u>977,648,294</u>
Cash Flows used in Non-Capital Financing Activities		
Contributions for aid to education and state institutions	<u>(1,081,082,267)</u>	<u>(953,000,111)</u>
Cash Flows from Investment Activities		
Cash Management Fund proceeds	1,278,268,000	1,215,541,000
Cash Management Fund purchases	(1,341,250,000)	(1,238,140,000)
Accelerated Guarantee Payment	120,000,000	
Net Cash Provided by (Used in) Investing Activities	<u>57,018,000</u>	<u>(22,599,000)</u>
Net (decrease) increase in cash	(2,216,239)	2,049,183
Cash, beginning of year	<u>2,650,488</u>	<u>601,305</u>
Cash, end of year	<u>\$ 434,249</u>	<u>\$ 2,650,488</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 961,725,644	\$ 951,982,928
Changes in assets and liabilities		
Accounts receivable	6,346,946	16,570,009
Investments - deposit fund contracts and publicly traded stock	67,317,443	48,111,827
Other assets	1,089,073	(3,904,348)
Accounts payable and accrued expenses	19,471,278	13,400,996
Obligation for unpaid prize awards	(34,047,207)	(48,528,151)
Compensated absences	(55,149)	15,033
Net Cash Provided by Operating Activities	<u>\$ 1,021,848,028</u>	<u>\$ 977,648,294</u>

See accompanying notes to financial statements.

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The State of New Jersey, Department of Treasury, Division of State Lottery (the "Division of State Lottery") and the State Lottery Commission (the "Commission") were concurrently established in 1970, pursuant to the "State Lottery Law" (N.J.S.A. 5:9-1 et seq.). The Division of State Lottery operates within the Department of the Treasury of the State of New Jersey. The Commission consists of the State Treasurer and six public members and is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the price or prices of tickets, the number and size of prizes on winning tickets, the licensing of retailers, and the apportionment of ticket revenues. The Division of State Lottery's financial statements are presented as those of an enterprise fund and include the operations for which the Division of State Lottery is financially accountable and exercises oversight responsibility.

**Basis of Accounting**

The Division of State Lottery prepares its financial statements using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

In its accounting and financial reporting, the Division follows the pronouncements of the Governmental Accounting Standards Board ("GASB") and other entities that promulgate accounting principles. Per GASB Statement 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, priority is established as to which source of accounting principles to utilize in determining proper accounting treatment. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable, and cleared by GASB; AICPA Practice Bulletins, if applicable, and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Division of State Lottery has elected to follow GASB pronouncements exclusively after that date.

**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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**State of New Jersey Cash Management Fund**

Investments in the State of New Jersey Cash Management Fund are valued at cost, which approximates fair value.



STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable is comprised primarily of amounts due from retailers. The allowance for uncollectible accounts is funded by a \$100 per year license renewal fee paid by the Division's retailers. Operating expense is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

**Installment Prize Awards and Prize Expenses**

Installment prize awards are recorded based upon the present value of an annuity at terms to yield a series of future payments needed to meet the obligations of the Division of State Lottery for prize disbursements. The Division of State Lottery purchases annuity contracts from insurance companies and U.S. government securities to fund its liability for installment prize awards. An annuity contract represents an obligation by an insurance company to provide a fixed series of payments over a specified period. Annuity contracts are subject to credit risk. The Division of State Lottery seeks to control its exposure to such credit risk by purchasing annuity contracts only from insurance companies that meet certain minimum standards. Such standards include having minimum acceptable ratings from at least two of three private rating companies. The revised minimum acceptable ratings are as follows: Must have ratings equal to or better than from at least two of the three listed credit rating companies. Standard & Poor's "AA-", A.M. Best "A" and Moody's "Aa3." Additionally, the insurance company must meet the following financial capability requirements: 1. Combined capital and surplus of at least \$1 billion; 2. Admitted assets of at least \$10 billion and 3. Risk based capital ratio of at least 300%. According to the Division of State Lottery's calculation, only one company does not meet the criteria, that of Sun Life Assurance; as of June 30, 2013, Sun Life Assurance had annuity contracts totaling approximately \$27,421,531. However, due to the long-term nature of these contracts, the credit quality of the issuer is subject to change. Amounts recorded as prize expense reflect the cost of annuity contracts and U.S. government securities necessary to satisfy stated prize awards plus any single payment awards. These annuities are presented on the statements of net assets as deposit fund contracts, carried at contract value which approximates fair value.

**Equipment**

The Division follows the state's threshold for capitalizing equipment as follows: machinery and equipment over \$20,000 and motor vehicles over \$30,000. Purchases that do not meet the threshold for capitalization are recognized as expenses in the statements of revenues, expenses and changes in net assets in the period during which they are acquired and are included in administrative expenses. As of June 30, 2013 and 2012, leasehold improvements included in deferred expenses were \$594,968. For the years ended June 30, 2013 and 2012, amortization expense was \$99,159 and \$59,577, respectively.

**Net Position**

**Restricted**

Amounts restricted for prize awards or contributions for aid to education and state institutions consist of prizes that are not claimed within one year from the date of the drawing for machine games and within one year from the date of game's closing for instant games.

**Unrestricted**

The unrestricted net position represents resources available for current operating expenses in compliance with legal and budgetary restrictions.

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
NOTES TO FINANCIAL STATEMENTS

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**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

Revenues from the sale of lottery tickets are recognized as follows:

- "Pick-3," "Pick-4," "Jersey Cash 5," "Pick-6 Lotto," "Mega Millions," "Powerball" and various raffle games on the drawing date.
- Instant games are recognized daily, based upon the settlement of instant game inventory packs by selling retailers. Sales adjustments are recorded based upon final reconciliations prepared after the termination of a lottery instant game.
- Sales discounts are recorded for the sales value of tickets provided to retailers at no cost to be used for promotional purposes.

**Forfeited Prizes**

The State Lottery Law requires that prizes not claimed within one year from the date of the drawing for machine games and within one year from the date of the game's closing for instant games be forfeited. Effective November 21, 1991, the Commission authorized that 70% of forfeited prizes are to be maintained restricted for prize awards and are available to augment future prize awards or, at the discretion of the executive director, to augment the Division of State Lottery's contribution for state aid for education and state institutions. The remaining 30% goes directly to contributions to aid education and institutions to be consistent with the 30% minimum contribution requirement of the State Lottery Law. Forfeited prizes are recognized as "Other Revenues" during the period forfeited. For the years ended June 30, 2013 and 2012, forfeited prizes were \$38,677,399 and \$37,781,380, respectively.

**Contributions and Prize Awards**

The State Lottery Law requires no less than 30% of total revenues accruing from ticket sales to be paid to the State Treasury for state aid for education and state institutions. Contributions for the years ended June 30, 2013 and 2012, aggregated \$1,085,009,581 and \$950,082,268, respectively, of which \$101,009,581 and \$97,082,268 was due to the State Treasury at June 30, 2013 and 2012, respectively. This includes a \$120 million Accelerated Guarantee Payment received from Northstar New Jersey Lottery Group, LLC ("Northstar NJ") which was transferred to the State of New Jersey in June 2013.

For machine games, the Division of State Lottery has designated that a minimum of 45% of gross revenues be allocated for prize awards, including retailer bonuses. Prize expense is recorded when the winning ticket number is selected for the respective lottery game based on eligible winning tickets sold. For instant games, the percentage of gross revenues to be allocated for prize awards varies by game.

**Commissions and Fees**

Retailers receive a commission of 5% based on the total tickets sold and a commission of 1.25% of terminal validations. The online game contractor receives a fee equal to a contractual percentage of the revenue generated through the respective network maintained by the contractor. All other gaming contractors are paid fees based on the units of service provided.

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
 NOTES TO FINANCIAL STATEMENTS

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Vacation and Sick Leave**

The Division records vacation and sick time incurred during the period in "administrative expenses" in the accompanying statements of revenues, expenses and changes in net assets. Payments for accumulated sick leave balances are made to retiring employees upon regular retirement from the State of New Jersey's General Fund. Such payment is based on 50% of the employee's sick leave accumulation at the pay rate in effect at the time of retirement, up to a maximum of \$15,000. Employees separating from service prior to retirement are not entitled to payments for accumulated sick leave.

**Advertising**

The Division of State Lottery uses advertising to promote the sale of lottery tickets. The costs of advertising are expensed as incurred. Advertising expense included in administrative expense amounted to \$20,736,101 and \$23,534,711 for the years ended June 30, 2013 and 2012, respectively.

**B. CASH AND INVESTMENTS**

The Division of State Lottery adopted GASB Statement No. 40, "Deposits and Investment Risk Disclosures," which requires uncollateralized deposits exposed to custodial credit risk to be disclosed. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits that are in possession of an outside party. The following is a summary of the Division's cash deposits by financial institution and the amount exposed to custodial credit risk at June 30, 2013 and 2012. The Division's deposits with Wells Fargo are insured by the Federal Deposit Insurance Corporation up to \$250,000.

	June 30,	
	2013	2012
Wells Fargo	\$ 434,249	\$ 2,650,488
New Jersey Cash Management Fund	238,214,847	175,019,302
Total	<u>\$238,649,096</u>	<u>\$177,669,790</u>

The New Jersey Cash Management Fund is a common trust fund administered by the Department of the Treasury, Division of Investments. Securities in the fund are insured, registered or held by the Division of Investment or its agents in the Division's name. Since the New Jersey Cash Management Fund is a pooled investment and the cash balance is guaranteed by the State of New Jersey, the Commission's investment in the New Jersey Cash Management Fund is not subject to custodial credit risk under GASB Statement No. 40.

*Fair Value Measurements*

The Division of State Lottery follows the Fair Value Measurements Topic of the FASB Accounting Standards Codification, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America.

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

NOTES TO FINANCIAL STATEMENTS

**B. CASH AND INVESTMENTS (CONTINUED)**

As defined in the Fair Value Measurements Topic of the FASB Accounting Standards Codification, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Division of State Lottery uses the stock market index approach. Based on this approach, the Division of State Lottery often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Division of State Lottery utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Division of State Lottery is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

*Fair Value on a Recurring Basis*

The table below presents the balances of investments - deposit fund contracts measured at fair value on the statement of net position as of June 30, 2013 and 2012 :

	June 30, 2013			
	Total	Level 1	Level 2	Level 3
Annuity Investment Deposit Fund Contracts - US				
Treasuries	\$43,409,922	\$43,409,922	\$ -	\$ -
Total	<u>\$43,409,922</u>	<u>\$43,409,922</u>	<u>\$ -</u>	<u>\$ -</u>
	June 30, 2012			
Annuity Investment Deposit Fund Contracts - US				
Treasuries	\$58,848,974	\$58,848,974	\$ -	\$ -
Total	<u>\$58,848,974</u>	<u>\$58,848,974</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

NOTES TO FINANCIAL STATEMENTS

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**C. FUTURE INSTALLMENT PRIZE AWARDS**

The Division of State Lottery purchases annuity, or deposit fund contracts, from insurance companies and U.S. government securities to fund its liability for future installment prize awards. Generally, annuity contracts fund Win for Life instant game annuity prizes, and U.S. government securities fund annuity prizes for Pick 6, Mega Millions and Powerball. An annuity contract represents an obligation by an insurance company to provide a fixed series of payments over a specified period.

U.S. government securities are carried at fair value as shown in Note B.

Annuity contracts are carried at their current contract values, which are based upon their original purchase prices adjusted for credited interest and amounts already received. Annuity contracts are subject to credit risk. The Division of State Lottery seeks to control its exposure to such credit risk by purchasing annuity contracts only from insurance companies that meet certain minimum standards. Such standards include having minimum acceptable ratings from at least two of three private rating companies. The revised minimum acceptable ratings are as follows: Must have ratings equal to or better than from at least two of the three listed credit rating companies. Standard & Poor's "AA-", A.M. Best "A" and Moody's "Aa3." Additionally, the insurance company must meet the following financial capability requirements: 1. Combined capital and surplus of at least \$1 billion; 2. Admitted assets of at least \$10 billion and 3. Risk based capital ratio of at least 300%. According to the Division of State Lottery's calculation, only one company does not meet the criteria, that of Sun Life Assurance; as of June 30, 2013, Sun Life Assurance had annuity contracts totaling approximately \$27,421,531. However, due to the long-term nature of these contracts, the credit quality of the issuer is subject to change. At June 30, 2013 and 2012, the Division of State Lottery held insurance company annuity contracts totaling \$332,621,332 and \$399,938,775, respectively, issued through ten insurance companies, which are due in installments ranging from twenty-five years to the lifetime of the recipient. The estimated fair value of annuity contracts approximates the carrying value reflected in the accompanying statements of net position at June 30, 2013 and 2012.

**Concentrations of Credit Risk**

"Concentration of Credit Risk" is the risk that relates to the amount of investment at any one entity. The disclosure requirement of this risk factor is limited to investments in excess of 5% of the total. Guaranteed annuity contracts, as stated above, are the only category subject to concentration of credit risk disclosure.

A significant portion (in excess of 5% of total) of the Division of State Lottery's investment in annuity contracts at such date is invested with each of the following five companies:

- Ohio National Life
- New York Life Insurance Co.
- Protective Life
- Metropolitan Life
- Sun Life Assurance

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

NOTES TO FINANCIAL STATEMENTS

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**D. LITIGATION**

The Division of State Lottery is a party to a number of lawsuits arising out of the conduct of its business. While the ultimate results of the lawsuits or other proceedings against the Division of State Lottery cannot be predicted with certainty, management of the Division of State Lottery does not expect that these matters will have a material adverse effect on the financial position or results of operations of the Division of State Lottery.

**E. COMMITMENTS**

**Contractual Arrangements**

The Division of State Lottery maintains a gaming network of over 6,500 retailer locations where all games are sold. GTECH Corporation is responsible for operating the network games and providing courier services under a contract which expires October 2, 2017.

On June 20, 2013, a competitively bid 15 year contract was awarded to Northstar New Jersey Lottery Group, LLC (Northstar NJ) to provide sales and marketing services to the Division of State Lottery. As part of the contract terms Northstar NJ provided a \$120 million "accelerated guarantee payment" to the Division of State Lottery which is reflected in the FY 2013 financials as non-operating revenue. The base services commencement date is October 1, 2013.

**Operating Leases**

The Division of State Lottery leases certain office facilities under non-cancelable operating lease agreements expiring through fiscal year 2024.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 784,475
2015	793,433
2016	793,433
2017	767,619
2018	638,550
2019 - 2023	3,271,583
2024	273,229
	<u>\$ 7,322,322</u>

Rent expense for office facilities and equipment for the years ended June 30, 2013 and 2012, was \$1,070,081 and \$1,058,125, respectively.

**F. GASB STATEMENT NUMBER 45 - ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POST-RETIREMENT BENEFITS OTHER THAN PENSION**

The Division of State Lottery is a member of the State of New Jersey's cost sharing multiple-employer plan for health and post-retirement medical benefits. Thus, the Division of State Lottery's portion of this liability and cost is included in the State of New Jersey's CAFR, as such, the Liability of Division of State Lottery's employees is covered under the State plan on an annual basis.

Please refer to State website [www.state.nj.us](http://www.state.nj.us) for more information regarding the plan.

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

NOTES TO FINANCIAL STATEMENTS

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**G. PENSION PLAN**

The Division of State Lottery's employees participate in the Public Employees Retirement System of New Jersey ("PERS"), a cost sharing multiple-employer defined benefit plan. The Division of State Lottery's contribution is determined by State statute and is based upon an actuarial computation performed by the PERS.

The Division of State Lottery's total and covered payroll for the years ended June 30, 2013, 2012 and 2011 was, \$8,871,554, \$9,000,095 and \$8,707,752, respectively. The State of New Jersey's (the "State") contribution is based on the employer contribution rate developed by the system's actuary. The rate is then applied against the pension eligible salary for all State employees. The State does not keep track of contributions made to PERS for each separate state agency. For fiscal year ended June 30, 2013 and 2012, the contribution rate was 6.03% and 2.71%, respectively. For fiscal year ended June 30, 2011, the State did not make a pension contribution to the PERS.

The State of New Jersey, Division of Pension and Benefits, issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of New Jersey, Division of Pension and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at: [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**H. ROUNDING**

Some schedules in the financial statements may have dollar differences due to rounding adjustments.

## SUPPLEMENTARY INFORMATION



STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

Year ended June 30, 2013

	Budget (unaudited)	Actual	Variance (unfavorable) favorable
Operating Revenues			
Ticket Sales			
Pick 3	\$ 432,078,654	\$ 434,042,304	\$ 1,963,650
Pick 4	265,015,649	266,142,981	1,127,332
Jersey Cash 5	143,451,767	144,392,456	940,689
Pick 6 Lotto	76,186,446	65,323,206	(10,863,240)
Mega Millions	210,310,448	136,832,941	(73,477,507)
Powerball	229,693,469	300,381,206	70,687,737
Instant games	1,502,688,748	1,474,285,065	(28,403,683)
Sales discounts	(475,000)		475,000
Total Ticket Sales	2,858,950,181	2,821,400,159	(37,550,022)
Other Revenues			
Forfeited prizes	36,869,627	38,677,399	1,807,772
Miscellaneous	800,000	881,235	81,235
Total Operating Revenues	2,896,619,808	2,860,958,793	(35,661,015)
Operating Expenses			
Prize expenses	1,688,790,708	1,670,394,764	(18,395,944)
Amortization expense	60,000	99,159	39,159
Bad debt expense	600,000		(600,000)
Administration expenses	35,972,000	34,683,062	(1,288,938)
Retailer commissions	159,243,525	157,880,945	(1,362,580)
Online vendor fees	18,367,749	17,398,700	(969,049)
Instant vendor fees	18,032,265	18,140,608	108,343
Multi-state fees	50,000	14,751	(35,249)
Office of information technology fees	500,000	494,254	(5,746)
Drawing broadcast fees		126,906	126,906
Total Operating Expenses	1,921,616,247	1,899,233,149	(22,383,098)
Operating Income	975,003,561	961,725,644	(13,277,917)
Non-Operating Revenue			
Interest	200,000	213,544	13,544
Accelerated guaranteed payment	120,000,000	120,000,000	
Income before transfers out	1,095,203,561	1,081,939,188	(13,264,373)
Contributions for state aid to education and state institutions	1,095,000,000	1,085,009,581	(9,990,419)
Change in net position	203,561	(3,070,393)	(3,273,954)
Net position, beginning of year	12,083,291	12,083,291	
Net position, end of year	\$ 12,286,852	\$ 9,012,898	\$ (3,273,954)

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

SCHEDULE OF INSTANT GAME REVENUES

	Years Ended June 30,	
	2013	2012
\$100,000,000 SPECTACULAR	\$ 116,903,210	\$ 26,196,340
\$100,000,000 SPECTACULAR	65,828,120	
CROSSWORD	41,825,511	
CROSSWORD	41,522,010	
CROSSWORD	41,405,919	
BIG MONEY SPECTACULAR	35,938,624	
BIG MONEY SPECTACULAR	35,468,678	
BIG MONEY SPECTACULAR	35,084,702	
BIG MONEY SPECTACULAR	33,982,446	
DIAMOND SPECTACULAR	29,782,920	
CROSSWORD	28,960,233	
SUPER CROSSWORD	27,375,685	
DIAMOND SPECTACULAR	26,215,080	
BIG MONEY SPECTACULAR	25,351,298	9,374,446
10X CASH	24,850,630	
10X THE MONEY	24,790,000	
SUPER CROSSWORD	24,106,140	
SUPER CROSSWORD	23,705,265	
SUPER CROSSWORD	22,877,815	
SUPER CROSSWORD	21,922,125	
CHAMPIONSHIP POKER	21,867,760	
LUCKY TIMES 20	21,496,950	
CROSSWORD	20,647,665	21,178,563
CLASSIC BINGO	20,240,484	1,183,076
DOUBLE SIDED DOLLARS	19,768,035	
WINNER WISHES	18,279,830	
RED LINE BINGO	17,444,155	2,707,295
BINGO TIMES 10	17,333,250	
WIN FOR LIFE	16,501,800	
WIN FOR LIFE	16,043,805	2,564,799
POKER SHOWDOWN	15,611,180	
BIG MONEY SPECTACULAR	15,228,756	
CASINO CASH	15,139,115	
MASSIVE CASH	15,010,855	
SUPER TIC TAC TOE	14,854,464	
LUCKY HORSESHOE BINGO	14,764,353	
THE GOLDEN TICKET	14,273,815	
FANTASY BLACK JACK	14,268,635	
MONOPOLY MILLIONAIRE	12,941,890	
SUPER 7'S SLINGO	11,793,069	
\$50 FALL CLEANUP	11,570,462	
HOLIDAY LUCKY TIMES 10	11,314,084	
TRIPLING RED 7s	10,758,518	
LUCKY TIMES 20	10,440,925	

## STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

## SCHEDULE OF INSTANT GAME REVENUES (CONTINUED)

	Years Ended June 30,	
	2013	2012
JINGLE BELL BINGO	10,146,672	
SUPER CROSSWORD	9,927,435	14,313,930
HOLD'EM POKER	9,862,425	8,468,245
GOLD RUSH	9,265,848	
STRAWBERRY 7'S	8,924,516	1,994,956
RED HOT HEARTS	8,864,412	
QUARTER MILLION CROSSWORD	8,836,680	
LUCKY TIMES 10	8,799,118	4,310,864
\$50 SHADES OF GREEN	8,727,160	
BIRTHDAY WISHES	8,700,802	428,938
LOTERIA	8,506,509	10,013,967
DOUBLE DOLLARS	8,391,152	
BLACKJACK TRIPLER	8,330,285	6,861,590
\$1,000,000 LAS VEGAS GAME SHOW	8,203,280	
TIC TAC SNOW	7,980,248	
HOLIDAY CASH	7,844,780	
CLASSIC BINGO	7,808,058	
BULLSEYE BINGO	7,635,750	7,182,279
MONEY MANIA	7,498,920	
CASH COW	7,003,468	538,938
LUCKY LINES	6,911,688	
CASINO MULTIPLIER	6,734,370	
FROGGER	6,650,856	
PACK MAN CASH	6,392,644	658,404
GREAT BIG BINGO	6,070,335	15,078,200
STOCKING STUFFER	5,779,062	
STARRY NIGHT	5,567,132	2,311,594
MAD MONEY	5,555,732	
PLANTS V. ZOMBIES	5,537,856	
MASSIVE MONEY MATCH	5,526,205	14,543,815
ZODIAC MATCH	5,462,900	
HOLD'EM POKER	5,452,750	15,266,855
FOOTBALL BLITZ	5,312,104	
SPRING DOUBLER	5,127,388	
LUCKY DUCK DOUBLER	4,967,457	
CHAMPIONSHIP POKER	4,598,670	
MARTI - MONEY	4,435,122	1,229,982
SUPER 7 SLOTS	4,306,275	14,847,475
SKEE-BALL	4,173,732	3,645,591
DINER DOUBLER	4,084,794	1,248,616
\$100 HOMERS	4,060,464	3,141,334
TAKE ME OUT TO THE BALLGAME	3,728,408	
5X CASH	3,630,630	
DIAMOND SPECTACULAR	3,489,140	

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

SCHEDULE OF INSTANT GAME REVENUES (CONTINUED)

	Years Ended June 30,	
	2013	2012
GOLD MINE	3,439,930	7,491,288
\$50 BLOSSOM	3,205,430	7,095,456
HOLIDAY SPECTACULAR	3,129,665	17,508,335
SNAKE EYES	3,069,792	5,076,154
MOTHER'S DAY	3,038,997	
DRAGON'S FORTUNE	2,952,815	9,753,860
FATHER'S DAY	2,632,421	1,727,016
CASH FARMER	2,496,261	4,770,969
WHEEL OF FORTUNE	2,422,670	11,183,585
DOUBLE IT (C)	2,411,627	5,754,649
ACES	2,021,192	6,613,946
CASH SOUNDS	1,962,800	7,435,552
KISSES & CASH	1,849,482	5,885,028
BLACK CHERRY TRIPLER	1,789,947	7,321,476
RED, WHITE & MOOLA	1,704,334	
DUBBLE BUBBLE BINGO	1,683,012	
THE NEW ROYALS	1,640,680	10,372,795
\$1000 DOWNPOUR	1,618,140	7,531,005
TRIPLE WIN	1,570,390	6,293,290
\$300,000 DOUBLE DOWN	1,502,485	4,804,430
LUCKY 7S CASINO	1,419,455	8,483,460
SUPER 6'S	1,362,330	5,577,960
BETTY BOOP	1,347,326	5,447,662
FATHER'S DAY	1,324,989	
CLASSIC BINGO (D)	1,321,402	20,481,790
BIG MONEY SPECTACULAR	1,281,962	34,374,202
\$500 FALL FRENZY	1,277,928	9,277,064
COSMIC MATCH	1,232,984	5,136,400
Xs AND Os MOM	1,225,371	3,463,017
DOUBLE DIAMONDS	1,208,356	8,265,866
WIN FOR LIFE	1,142,625	
GOLD BAR BINGO	1,114,495	
10X CASH	1,069,610	23,937,390
LUCKY TWELVES	961,128	9,426,152
CROSSWORD	915,318	42,087,960
FREEZIN' \$50S	879,454	9,795,482
WIN FOR LIFE	872,265	17,390,844
SUPER CROSSWORD	806,425	22,966,035
SHAMROCK 7S	728,004	8,902,948
CASH RECEIVER	649,786	7,241,032
BEJEWELLED MONEY MULTIPLIER	613,695	7,385,778
HOLIDAY COUNTDOWN	584,499	11,327,385
BLACKJACK DOUBLER	529,624	9,308,128
CHAMPIONSHIP POKER, NEW ED.	509,285	20,220,010

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

SCHEDULE OF INSTANT GAME REVENUES (CONTINUED)

	Years Ended June 30,	
	2013	2012
MONEY MANIA	454,470	19,775,035
\$100,000,000 SPECTACULAR	454,200	140,810,230
BIRTHDAY WISHES	363,434	8,339,816
PLAY BALL	307,290	9,919,355
LUCKY 7'S DOUBLER	273,300	
POKER TOURNEY	257,605	18,201,000
MONOPOLY (2011)	227,355	4,032,651
TETRIS TRIPLER	213,105	5,994,450
\$500 CELEBRATION	155,752	3,367,638
POKER EXPRESS	127,630	9,331,970
LUCKY BINGO TRIPLER	115,428	16,088,490
DICE	112,930	2,023,948
ZOMBIE TRIPLER	83,905	5,070,238
CASH IN A FLASH	68,579	2,289,368
BIG MONEY SPECTACULAR	61,800	35,443,400
DOUBLE YOUR LUCK	58,545	7,620,781
HOLIDAY LUCKY TIMES 10	58,160	11,630,878
SUPER CROSSWORD	54,565	23,646,640
CROSSWORD	34,821	43,168,098
SUPER CROSSWORD	29,100	
MULTI-PRIZE BINGO	750	3,457,180
GREAT GOLDEN 7s	300	1,546,030
BLAZING 7s BINGO TRIPLER	300	1,070,406
\$100,000,000 SPECTACULAR	300	25,082,130
BIG MONEY SPECTACULAR	300	28,628,418
SUPER TIC TAC TOE	231	5,137,965
BLUEBERRY 7s	226	10,038,778
DOUBLE IT (B)		(2,024)
BUNDLE OF GREEN		(680)
BUCKS DELUXE		(900)
EXTRA SPIN SLINGO		(753)
THE WIZARD OF OZ		(900)
DEUCES WILD		21,885
CASINO ROYALE		(660)
\$100 SNOWFALL		(600)
BIRTHDAY WISHES (E)		300
SILVER BELL BINGO		(540)
CLASSIC BINGO (A)		(300)
SINATRA		(618)
LUCKY 7'S DOUBLER		(1,200)
MONEY MULTIPLIER		(1,360)
BINGO TIMES 10 (C)		300
HOT STREAK		(1,205)
BLACKOUT BINGO		(354)

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

SCHEDULE OF INSTANT GAME REVENUES (CONTINUED)

	Years Ended June 30,	
	2013	2012
CASINO 7s		4,124,340
BLACKJACK BONUS		600
\$500 CELEBRATION		(346)
ELVIS		(2,372)
ZODIAC MATCH		(304)
MONEY, MONEY, MONEY		4,511,940
SUPER SUMMER DOUBLER		36,670
STAR SPANGLED 7S		(300)
TRIPLE PLAY		8,220
COLD HARD CASH		250,540
SUNNY \$50S		(1,286)
SUPER CROSSWORD (W)		(600)
BIG MONEY SPECTACULAR (AH)		(300)
SUPER CROSSWORD (X)		(1,200)
BIG MONEY SPECTACULAR (AI)		300
WIN FOR LIFE (A13)		19,248
CLASSIC BINGO (B)		31,164
BIRTHDAY WISHES (G)		311,298
WILD DEUCES		135,077
\$10,000 MONEY MATCH		25,444
POKER SHOWDOWN		64,545
LUCKY TIMES 20		74,240
BLACKJACK DOUBLER		182,894
SUPER CROSSWORD (Y)		(595)
BIG MONEY SPECTACULAR (AJ)		300
SUPER CROSSWORD (Z)		6,550
CROSSWORD (BA)		10,500
NY GIANTS		657,205
NY JETS		598,625
HOLIDAY SPECTACULAR		1,643,325
HOLIDAY LUCKY TIMES 10		20,748
JINGLE BELL BONUS		36,497
CROSSWORD (BB)		85,611
BIG MONEY SPECTACULAR (AL)		8,100
SUPER CROSSWORD (AA)		13,065
BIG MONEY SPECTACULAR (AM)		70,604
SUPER CROSSWORD (AB)		199,470
CROSSWORD (BC)		2,102,778
BIG MONEY SPECTACULAR (AN)		1,603,202
SUPER CROSSWORD (AD)		19,337,075
BIG MONEY SPECTACULAR (AP)		34,767,864
CLOVERS & CASH DOUBLER	(18)	2,330,068
MOTHER'S DAY	(66)	64,791
CROSSWORD (BD)	(69)	35,788,275

## STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY

## SCHEDULE OF INSTANT GAME REVENUES (CONTINUED)

	Years Ended June 30,	
	2013	2012
EXTREME RICHES	(100)	355,060
CHAMPIONSHIP POKER 6TH ED	(160)	1,079,205
FATHER'S DAY	(166)	80,221
BIG LEAGUE BASEBALL	(300)	186,645
WIN FOR LIFE (A14)	(300)	3,893,397
SURPRISE PACKAGE	(300)	622,568
WINTER \$50'S	(300)	129,906
EMERALD 7'S	(300)	234,472
LUCKY TIMES 10	(300)	4,132,164
SUPER CROSSWORD (AC)	(300)	2,513,400
BIG MONEY SPECTACULAR	(300)	35,811,642
SUPER CASH BLAST	(320)	3,668,780
LUCKY DUCK DOUBLER	(320)	1,019,524
MOTHER'S DAY	(321)	1,242,279
CLASSIC BINGO (C)	(324)	10,922,912
MATRI-MONEY (B)	(328)	1,163,686
EAGLES	(340)	504,590
FIREFLY \$50s	(340)	8,212,342
BIG MONEY BINGO	(360)	13,457,160
DOUBLE DOLLARS	(500)	2,066,968
CROSSWORD (BE)	(561)	43,262,388
HOLD'EM POKER	(600)	6,464,765
GOLD RUSH	(600)	5,422,832
SUPER CROSSWORD	(665)	24,579,900
WIN FOR LIFE (A14)	(678)	12,721,674
SUPER CROSSWORD	(840)	23,478,160
\$100 HARVEST	(846)	1,076,992
BINGO CONNECT	(895)	1,897,765
\$50 SMACKERS	(900)	1,480,536
FATHER'S DAY	(1,152)	2,508,439
WINNING STREAK	(1,275)	2,407,400
LUCKY LINES	(1,305)	8,664,462
RUBY RED SLINGO	(1,620)	5,616,147
MINUTE TO WIN IT	(1,650)	2,361,634
CASH CAB	(1,654)	5,613,354
TRIPLE DOLLARS	(1,836)	2,448,060
HAPPY HOLIDAYS	(2,079)	5,321,750
CLASSIC BLACK	(2,155)	6,924,370
CRUISE FOR CASH (ROYAL CARIBBEAN)	(2,320)	691,095
STAR SPANGLED DOUBLER	(3,418)	6,193,924
PRIOR YEAR GAME	(20,019)	(12,900)
	<u>\$ 1,474,285,065</u>	<u>\$ 1,417,664,313</u>

STATE OF NEW JERSEY, DEPARTMENT OF TREASURY, DIVISION OF STATE LOTTERY  
SCHEDULE OF ADMINISTRATIVE EXPENSES

	<u>Years ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Salaries	\$ 8,871,554	\$ 9,000,095
Printing and office supplies	76,910	109,101
Vehicular supplies	1,410	1,149
Household and clothing	1,377	103
Other supplies		183
Travel	224,560	222,648
Telephone	256,000	290,253
Postage	59,000	68,950
Data processing	825,873	763,846
Household and security	200,955	263,269
Professional services	2,187,300	1,098,816
Advertising	20,736,101	23,534,711
Maintenance - building and grounds	8,952	10,400
Maintenance - office equipment	14,760	13,163
Rent - building and grounds	1,070,081	1,058,125
Rent - central motor pool	110,823	97,774
Rent - other		3,740
Vehicular equipment	28,000	
Information processing equipment	1,479	244
Other equipment	<u>7,927</u>	<u>58,646</u>
Total Administrative Expenses	<u>\$34,683,062</u>	<u>\$36,595,216</u>