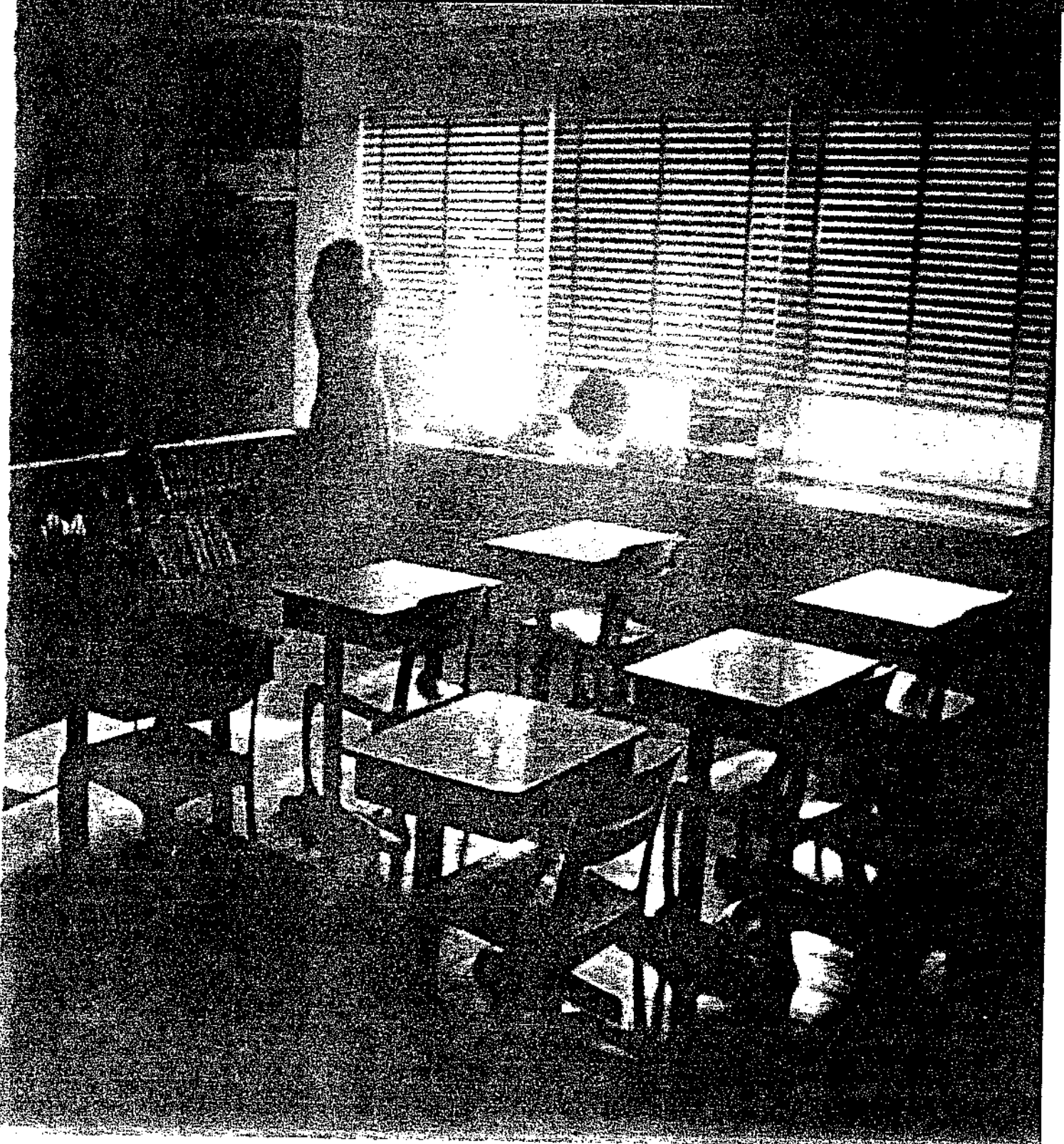


1995-96



# THE NEW YORK LOTTERY. AN ANNUAL REPORT.



# MESSAGES FROM GOVERNOR PATAKI AND LOTTERY DIRECTOR JEFF PERLEE



*Governor Pataki*

Welcome to the New York Lottery's 1995-96 Annual Report.

The Lottery is a unique agency in State government. On one hand, the Lottery's primary mission is to raise revenues to support education. On the other, the Lottery must regulate much of our State's legalized gambling industry. These dual roles are sometimes at odds and require a delicate balance to be

struck, a balance that the New York Lottery has achieved while becoming the most successful lottery in the nation.

I am proud of the Lottery's achievements, and I am even more excited about its future. The Lottery is now the primary sponsor of the Empire State Games, and a supporter of New York Wired for Education, an initiative to wire thousands of schools and libraries across the State to the Internet.

These initiatives and others like them make the Lottery a better institution of State government, and a better neighbor to all of us.

*George E. Pataki*



*Jeff Perlee*

In what is becoming a happy tradition, I am glad to report that the New York Lottery is again the most successful and efficient lottery in the nation. Last year New York led state lotteries with total sales of over \$3.6 billion. This achievement makes our lottery the fifth largest in the world, ranking only behind the national lotteries from such places as England and Japan. More important, the Lottery was able to earn nearly \$1.4 bil-

lion in profits for New York State Aid to Education, the most revenue ever generated by a lottery for this or any other worthy cause in any state. At a time when many have lost faith in the efficiency and effectiveness of government, I believe this record is one in which all New Yorkers can take pride.

The very fact that the Lottery is so large and successful, however, makes it imperative that we continually evaluate the role

the Lottery can, and should, play in the fabric of life in New York. Is the Lottery everything that New Yorkers had hoped for and expected when they first voted to approve the Lottery in 1966? Certainly the billions of dollars contributed to State Aid to Education, as well as the billions returned to communities and businesses in the form of prizes and agent commissions, represent the best that the Lottery has to offer and a true benefit to all New Yorkers, especially our children.

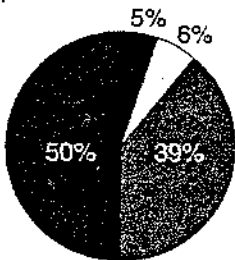
Every year, the New York Lottery consistently demonstrates its excellence by establishing new sales records to which all other lotteries aspire. Now, the Lottery has reaffirmed its commitment to living up to New Yorkers' original expectations—that the Lottery would be a responsive and responsible neighbor, and at the same time raise revenue for a good cause, State Aid to Education. This is the new standard for excellence at the New York Lottery, and given our past success, we have no doubt that New York will again set a new standard for the nation.

*Jeff Perlee*



# WHERE DOES THE MONEY GO?

The Lottery benefits New York's elementary and secondary public schools by contributing 100% of its profits to New York State Aid to Education. Last year, the Lottery's contribution totaled \$1.4 billion. No lottery in any state has ever contributed more to education or any other cause.

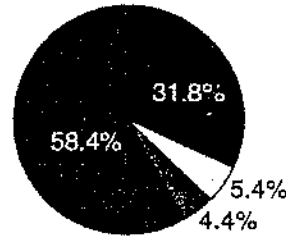


## Where Lottery Sales Go

- \$1.8 billion, paid to Winners in the form of prizes
- \$1.4 billion, paid to State Aid to Education
- \$216 million, paid to Retailers (commission)
- \$181.5 million, Administrative costs

Given the Lottery's tremendous success in raising funds for public schools, it is not surprising that many New Yorkers wonder why their property taxes keep going up, or why they must continue to pay property taxes at all. It is true that \$1.4 billion can go a long way. That is enough money to pay 10,000 teachers for a year, to heat every classroom for a year, to buy 20 million textbooks, and still have \$200 million left over for field trips, volleyballs, computers, nurses, chalk, diplomas and so on.

But the Lottery's contribution represents only 5% of the \$25 billion it takes to fully fund elementary and secondary public education in New York. (That's about twenty times our best year ever.) Education is expensive and the main funding source is and probably always will be local taxes. The best the Lottery can do is help ease this burden.



## Where Schools Get Their Money

- \$15,521,480,000—Local Property Taxes
- \$1,171,300,000—Federal Aid
- \$1,399,581,000—New York Lottery
- \$8,465,920,000—State Aid to Education

The Lottery's success over the years has caused our public officials to come to rely on the Lottery's contribution to State Aid to Education, and Lottery funds are made a part of the overall education budget. Unfortunately, that means that the Lottery contribution does not represent extra or supplemental funds for schools. If the Lottery has a particularly good year, it does not mean that schools get more money.

The Lottery's contribution does mean, however, that New Yorkers had to contribute \$1.4 billion less in income, sales and property taxes than they would have if the Lottery did not exist. If you are a New York taxpayer, that is \$225 in sales, income or property taxes that you did not have to pay, even if you never played the Lottery. We think that is a good deal for all New Yorkers.



# HOW MUCH DOES YOUR COUNTY GET?

## NEW YORK LOTTERY 1995/1996 COUNTY DISTRIBUTION

COUNTY	DISTRIBUTION 1995-96	COUNTY	DISTRIBUTION 1995-96
Albany	\$ 16,327,221.96	Oneida	\$ 29,310,070.81
Allegany	7,863,924.09	Onondaga	51,243,825.46
Broome	23,289,647.86	Ontario	11,466,563.22
Cattaraugus	14,822,512.27	Orange	33,437,335.47
Cayuga	10,085,039.48	Orleans	7,072,992.76
Chautauqua	20,327,923.47	Oswego	17,094,891.31
Chemung	11,922,359.20	Otsego	7,026,513.82
Chenango	8,611,270.81	Putnam	4,544,443.79
Clinton	11,061,928.04	Rensselaer	15,253,439.75
Columbia	4,369,759.19	Rockland	9,783,291.70
Cortland	6,578,497.62	Saratoga	20,736,843.65
Delaware	5,112,336.57	Schenectady	12,205,367.52
Dutchess	17,215,462.84	Schoharie	3,947,806.94
Erie	90,663,373.75	Schuyler	2,140,305.01
Essex	1,959,627.60	Seneca	3,910,872.28
Franklin	6,859,473.85	St. Lawrence	16,362,607.45
Fulton	7,744,735.40	Steuben	15,620,630.99
Genesee	8,661,233.40	Suffolk	101,442,837.00
Greene	3,252,518.96	Sullivan	4,938,552.23
Hamilton	11,730.00	Tioga	8,404,274.94
Herkimer	9,660,423.89	Tompkins	7,600,364.70
Jefferson	15,179,337.66	Ulster	12,120,789.71
Lewis	4,413,198.59	Warren	5,595,509.12
Livingston	7,923,489.79	Washington	8,098,749.79
Madison	9,354,852.73	Wayne	13,936,940.74
Monroe	68,708,132.09	Westchester	22,634,903.70
Montgomery	6,550,087.02	Wyoming	5,033,590.59
Nassau	48,239,818.55	Yates	1,756,327.31
Niagara	26,194,426.17		
New York City	515,594,312.10	TOTAL	\$1,441,279,296.71
(includes Bronx, Queens, Kings, New York and Richmond counties)			



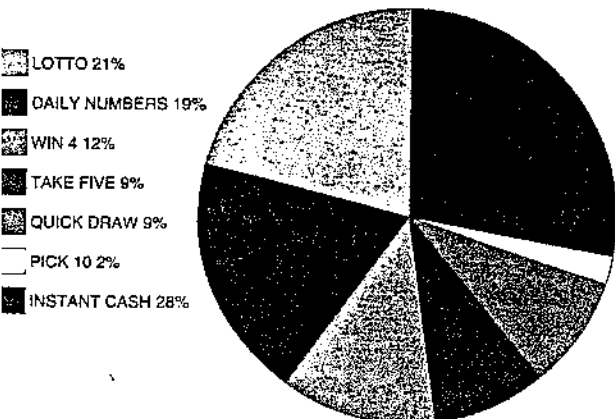
## WHAT KIND OF GAMES DOES THE LOTTERY OFFER?

The Lottery offers a wide variety of games, featuring several styles of play, prize levels and drawing frequencies.

Several Lottery games, including Lotto, Take Five and the Instant Cash Game line of products, generally feature long odds and wide participation, and appeal to a very broad customer base. These products are advertised on radio and television in order to generate product awareness, as well as launch new games into the product mix. The Lottery's role with regard to these games is to market and promote them, and it is through these games that the bulk of the revenue the Lottery generates for State Aid to Education is derived. These games fall under the supervision of the Lottery's Sales and Marketing Bureau.

Other Lottery products, including the Daily Numbers, Win 4 and Quick Draw games, feature shorter odds, more limited participation and more frequent drawings. The Lottery views its role with regard to these games as regulator, not primarily as promoter, and thus allocates no portion of its media budget to promoting these games. These games generate less revenue to support State Aid to Education than do the Lottery's wider-participation games, and fall under the supervision and control of the Lottery's Regulation and Compliance Bureau.

### SALES BREAKDOWN FOR THE FISCAL YEAR ENDED 3/31/96



### NEW YORK LOTTO

Lotto is the multimillion-dollar jackpot game where players select six numbers from a field of one through 54. To win the jackpot, players must match all six randomly drawn numbers. Prizes are also awarded for matching five numbers, four numbers and three numbers plus the supplementary number. Lotto drawings are held twice weekly, on Wednesday and Saturday. New for 1996 is the redesigned Lotto prize structure which allows the jackpot to roll-up faster and more frequently, reaching the \$10 million level after just the first jackpot roll-up. In addition, the redesigned Lotto game now offers players an option to receive their winnings in one lump sum rather than in the form of an annual installment. This initiative has been tremendously popular with Lotto players with 60% opting to take the lump sum.

### TAKE FIVE

Take Five is a lotto-type pari-mutuel game introduced to complement Lotto. Players choose five numbers from a field of one through 39. Cash prizes are awarded for matching five, four and three numbers, and a bonus "Free Play" ticket for matching just two numbers. With overall odds of 1 in 8.77, Take Five creates hundreds of thousands of winners for each drawing. Take Five drawings are held on Tuesday and Friday.



Quick Draw offers players a new game every five minutes for a chance to win up to \$100,000. Players pick up to 10 numbers from a field of 80, trying to match 20 numbers broadcast on a television monitor and randomly drawn by the Lottery.

### NUMBERS

Players who enjoy the excitement of Lottery games on a daily basis play one of the two numbers-type games. New York Numbers, in which a three-digit number is drawn, awards prizes ranging from \$25 to \$500.

## WIN 4

Win 4, in which a four-digit number is drawn, awards prizes from \$100 to \$5,000. Both New York Numbers and Win 4 drawings are televised consecutively each evening.

## PICK 10

Another daily game, Pick 10, offers a top prize of a half-million dollars in cash. Players choose 10 numbers from a field of one through 80. The Lottery draws 20 numbers nightly. Winners receive prizes for matching ten, nine, eight, seven, six, even zero of the numbers drawn.



New Yorkers who want instant results play Instant Cash Games. Players rub off a latex coating on the tickets to see if they have won prizes which range from \$1 to millions, depending on the game. During the 1995-96 fiscal year, players had a choice of 17 different Instant Cash Games to choose from, 13 of them brand-new games introduced during the year. At any given time, up to 16 games different in play style, look and prize structure could be purchased at 11,700 licensed retail Lottery outlets throughout the State



"Win For Life" offers players the chance to learn at the moment they scratch off the covering of the ticket if they are winners of a top prize of \$1,000 a week for life with a guarantee of receiving at least \$1 million.



Bingo is an extended play Instant Cash Game that simulates traditional bingo by matching "caller card" numbers to those on four "player cards." Winners on this \$2 ticket can receive prizes up to \$10,000.

© 1996 New York Lottery. You must be 18 or older to play Lottery games.



## PLEASE PLAY RESPONSIBLY

New Yorkers all over the state enjoy the Lottery. Last year, 75% of adult New Yorkers played our games at one time or another. And the vast majority played responsibly. Nevertheless, lottery games are still a form of gambling, and can be abused.

While we have been sensitive to this in the past, the Lottery recognizes the need to make a more concerted effort and take a more active role to effectively address the problem. The Lottery now offers the number of a toll-free help line for problem gamblers on the back of every Lottery play slip (800-437-1611). The Lottery is also working with the New York State Office of Mental Health to secure funding for problem gambling treatment centers

and programs. We also have game restrictions and safeguards no other state has, as well as one of the lowest prize payouts of any lottery in the nation. All of these measures help reduce the incidence of problem gambling.

At the Lottery we believe that nobody benefits when something good is abused, not the Lottery, not the players, and certainly not the people of New York. We encourage players to keep things in perspective. The Lottery is no substitute for hard work and education; it is not a retirement plan; it is not an insurance policy and not a good investment. The Lottery is just a game for a good cause. And when New Yorkers play in moderation, we all win.



# LOTTERY WINNERS

## 200 MILLION WINNERS

Players from all over the State are Lottery winners. Last year more than \$1.57 billion was won by holders of 200 million winning tickets.

The Lottery added 49 new winners to the "Millionaires Club," bringing the total number of millionaires created in the 29 years of the Lottery to 1,147.

Seventeen of 1995-96's millionaires earned their club membership by winning the top prize in the Instant Cash Game Win For Life, which pays \$1,000 a week for life and guarantees at least \$1 million.

Lotto Jackpot Winners included:

Aaron and Arlene Shatzer of Stony Brook, Suffolk County, who won \$14 million on November 29, 1995. By lucky accident, Mrs. Shatzer, who normally plays the same six numbers including the number "13," picked the number "12" after she had misplaced her glasses. That mistake is one she will never forget, and one she certainly will never take back. The Shatzers will receive \$666,670 each year for 20 years. Mr. Shatzer is a dentist and Mrs. Shatzer manages the family practice.



Julia and Henry Urnaitis of Tivoli, Dutchess County, won a \$10 million jackpot on June 10, 1995, the largest Lotto jackpot ever won by playing Lotto by subscription. The Urnaitises own a small family nursery.

Gladys Becker, a Brooklyn mother of three, claimed a \$2.8 million share of the August 9, 1995, \$14 million jackpot. She got her numbers from a Chinese fortune cookie.

Kathleen Chapman of Rushville, Yates County, and Paula Coffey of Seneca Falls, Seneca County, friends who met when they worked together, shared a \$4 million jackpot on December 23, 1995. Ms. Chapman and Ms. Coffey chose their numbers using birthdays.

In January 1996, Jeffrey Henderson became the 27th Win For Life winner of \$1,000 a week for the rest of his life. Mr. Henderson is a lineman for Nynex and lives in Hudson Falls, Washington County. Mr. Henderson is the fourth Win For Life winner from the Adirondack region.



Others hail from Brasher Falls, St. Lawrence County; Malone, Franklin County; and Ellenberg, Clinton County. Mr. Henderson said his winnings will come in handy when it is time to pay college tuition for his two children. Mr. Henderson "validated" his ticket by kissing the head of the clerk behind the counter of the store that sold him his winning ticket.

Nicole Greenwood, a Syracuse University student, won a \$5 million jackpot on March 20, 1995. Ms. Greenwood planned to take a trip across the United States and then resume her studies.



In July 1995, Sanjay Patel and his wife, Manisha, shared a Win For Life prize of \$1,000 a week for the rest of their lives. Mrs. Patel purchased the winning ticket in

Staten Island, Richmond County, as a birthday gift for her husband.

Mark Karcher of Kenmore, Erie County, and his wife, Patricia, shared the 17th Win For Life prize. They were the third winners of Win For Life from Western New York. Mr. Karcher is a computer analyst, and the Karchers have two young children.

Jami Armstrong of Yonkers, Westchester County, won \$10,000 playing Bingo, one of the Lottery's most popular Instant Cash Games. Ms. Armstrong collected her prize in January 1996 and was featured in a New York Lottery television advertisement which began airing the following summer. In the advertisements, Ms. Armstrong describes the things she purchased with her winnings including a toaster, a blender, new shocks and brakes for her car and several pairs of shoes. The Bingo advertisement featuring Ms. Armstrong is one of the Lottery's most popular ads.

Paul McGrail of Albany, Albany County, won \$131,578 in the December 26, 1995, Take Five drawing.

Tamela Taylor of Webster, Monroe County, won \$25,518 in February 1995 playing Take Five. Ms. Taylor chose her numbers using the Quick Pick option, and learned she was a winner while watching the drawing on TV.

Marvin and Vivian Hoag of Hartford, Washington County, won \$100,000 in the \$100,000 Instant Cash Game in June 1995.





## WHAT'S NEW AT THE NEW YORK LOTTERY?

### ADVERTISING

The New York Lottery's most public face is its radio and television advertising. In fact, to many New Yorkers the Lottery IS its advertising, whether it is the Bradfords, the Brooklyn family who resides in a palatial mansion, or Mrs. Hazlewood, the jackpot winner who bought her own talk show. But the Bradfords and Mrs. Hazlewood are played by actors, and theirs is a world of fantasy, not reality. If its advertising is the Lottery's most public face, then it is in its advertising that the Lottery has an obligation to be the most responsible.

The Lottery has made a new commitment to responsibility in advertising, and to presenting a more balanced perspective of the Lottery and its games. The Lottery's new advertising reflects a renewed focus on the Lottery's primary mission, raising revenue for education, and the primary beneficiaries of all of the Lottery's efforts, our children in primary and secondary public schools. In addition, Lottery games are presented as just that: games. They are not a substitute for hard work, education or financial planning. These messages are all accompanied by a more realistic presentation of the odds of winning.

### INTERNAL RESTRUCTURING

The Lottery's internal organization has been restructured in order to more efficiently pursue the Lottery's mission of raising revenue to support State Aid to Education, while at the same time more effectively overseeing and regulating the largest form of legal gambling in New York. Under the Director of the Lottery, there are now three bureaus: Sales and Marketing, Regulation and Compliance, and Administration and Operations.

The Sales and Marketing Bureau is responsible for the design, development, promotion and sale of the Lottery's most popular products: Lotto, Take Five and the Instant Cash Game family of products. These games feature long odds and wide participation, and represent the bulk of Lottery sales. Instant Cash Game products are being designed continually and are introduced periodically throughout the year, usually accompanied by a product-launch advertising campaign. Lotto receives high-jackpot advertising support, featuring Ralph, the familiar Lotto jackpot announcer. The Sales and Marketing Bureau includes all of the Lottery's regional sales and customer service offices and sales staff, as well as the Advertising, Product Development, Promotions and Corporate/Community Relations staffs.

The Regulation and Compliance Bureau is responsible for the supervision and regulation of the Lottery's Daily Numbers, Win 4, Pick 10 and Quick Draw games. These games feature short odds and more limited participation, and are offered more frequently than the Lottery's other games. It is the responsibility of the Regulation and Compliance Bureau to operate these games on a daily basis with integrity and efficiency, but not to promote the games. Consequently, these games receive no media support. The Regulation and Compliance Bureau also includes the Lottery's agent licensing and compliance officers, the Security Director, Drawings Administration Officer and Legal Counsel.

The Administration and Operations Bureau is responsible for the day-to-day operation and support of the Lottery including management and audit of game contractors. Support services include: audit and management of the on-line wagering system; financial accounting for sales and revenue; purchasing; contract management; management of the Lottery's investment portfolio; human resources; telecommunications for the agent network; data processing; the internal audit program; prize payments and subscription programs.

The restructured Lottery is a truer reflection of the balance that every state lottery must achieve between the marketing of lottery products in order to raise revenue, and operating and regulating a complex network of sales agents, private vendors and contractors and public servants, all without the slightest possibility of corruption or undue influence. The new organizational structure is an explicit acknowledgement of the Lottery's sometimes contradictory role as both promoter and regulator of legalized gambling. Under the new structure, the Lottery promotes only the most benign forms of Lottery games, games which comprise essentially a statewide raffle for a good cause, State Aid to Education. In this way the restructured Lottery promotes the welfare of the people of New York in two ways: by raising revenue for a good cause, and by regulating the conduct of Lottery games.

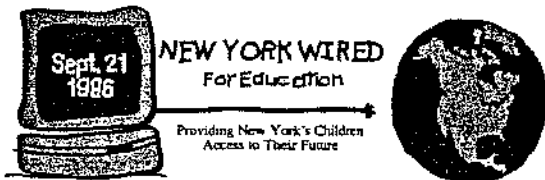
### COMMUNITY INVOLVEMENT

The Lottery is involved in the life of every community in New York through its network of licensed Lottery sales agents. Now, as part of its new marketing structure, the Lottery has

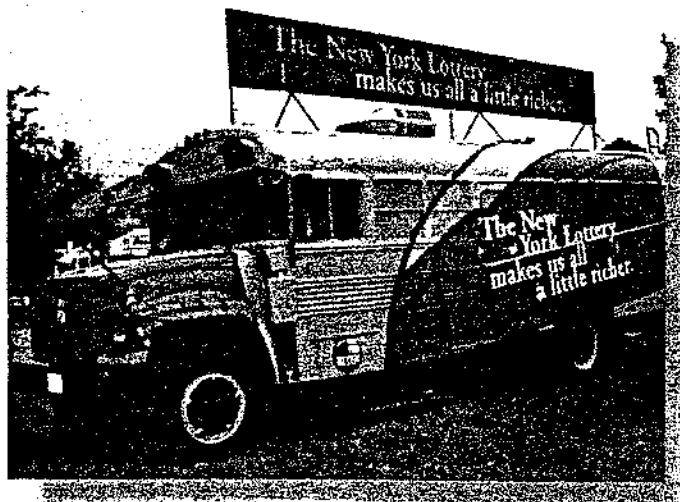




increased its sponsorship of various community and civic programs across New York. For example, the Lottery is now the prime sponsor of two unique statewide programs, the Empire State Games, the beloved, Olympic-style competition for New York's best athletes, and New York Wired for Education, an initiative designed to wire every public school and library to the Internet.



These sponsorships, and others like them, reaffirm the Lottery's commitment to education, and benefit students and their communities in ways that are creative, meaningful and lasting. The Lottery will continue its sponsorship of local fairs and festivals, and maintain its involvement with the diverse community activities across the State that have come to rely on the Lottery's support. This year, you'll see the Lottery's new promotional bus at seasonal fairs and events all over New York State. It will feature video and computer graphics presentations and hands-on demonstrations, all designed to better explain the Lottery's role in helping to fund public education, and answering the frequently asked question, "Just where does the money go?"



## LOTTO REDESIGN

One of the most successful new initiatives of the past year was the redesign of the popular Lotto game. Lotto sales growth had been declining gradually over the past few years, not just in New York, but throughout the country. This trend was largely attributed to a phenomena known as "jackpot fatigue," in which players become jaded to seemingly ordinary jackpots between \$3 million and \$8 million. Only when jackpots reached \$10 million did the occasional or infrequent Lotto player become interested in purchasing a Lotto ticket.

To address this problem, the Lottery redesigned the Lotto prize structure to allow the jackpot to "roll-up" faster and more frequently, reaching the \$10 million level after just the first jackpot roll-up. Faster roll-ups have resulted in more frequent high jackpots, which in turn have attracted the interest of occasional and infrequent Lotto players. As a result, Lotto sales were up 50% over the last five weeks of the 1995-96 fiscal year. This is a tremendous turnaround for a product that many in other states had all but given up on.

In addition, the redesigned Lotto game now offers players an option they had requested for years, the opportunity to receive their winnings in one lump sum, rather than in the form of an annual installment. The lump sum prize payment, which is not the same as the advertised jackpot amount but equal to the amount necessary to finance a 25-year series of installment payments equal to the advertised jackpot, is tremendously popular with Lotto players, with over 60% opting to take their winnings in one lump sum rather than an annuity.

The Lotto financial structure, which now pays out lump sum prizes and 25-year installment plans, has never been healthier, and Lotto sales have never been stronger.



## REVENUES AND EXPENSES

YEARS ENDED MARCH 31, 1996 AND 1995 (IN THOUSANDS)

	1996	1995
Ticket sales	\$3,610,638	\$3,028,585
Less:		
Prizes	(1,826,657)	(1,470,635)
Agent commissions	(216,638)	(181,725)
Contractor fees	(86,136)	(64,948)
Instant game ticket printing expense	(12,609)	(7,915)
Gross profit on ticket sales	<u>1,468,598</u>	<u>1,303,362</u>
General and administrative expenses	<u>(82,797)</u>	<u>(68,198)</u>
Income from operations	1,385,801	1,235,164
Nonoperating revenue (expenses):		
Interest income	134,980	121,877
Interest expense—amortization of discount on prizes payable	(127,578)	(117,314)
Other	6,378	4,090
Total nonoperating revenue	<u>13,780</u>	<u>8,653</u>
Income earned and required allocation to education, net	<u>1,399,581</u>	<u>1,243,817</u>
Components of income earned and required allocation to education, net		
New York State	1,399,581	1,243,815
New York City	-	2
	<u>\$1,399,581</u>	<u>\$1,243,817</u>

The New York Lottery's financial statements are audited by the firm KPMG Peat Marwick, LLP. If you would like a complete copy of the Lottery's official audited financial statements, please write to the address listed on the back of this report.



## ASSETS AND LIABILITIES

YEARS ENDED MARCH 31, 1996 AND 1995 (IN THOUSANDS)

<b>ASSETS</b>	<b>1996</b>	<b>1995</b>
Current assets:		
Cash and cash equivalents	\$137,134	\$157,657
Accounts receivable	115,813	103,422
Investments, at amortized cost	189,314	173,749
Instant game ticket inventory	5,674	4,565
Total current assets	<u>447,935</u>	<u>438,393</u>
Long-term investments, at amortized cost	1,433,240	1,320,572
Equipment and leasehold improvements, net of accumulated depreciation and amortization	<u>4,169</u>	<u>4,847</u>
Total assets	<u>\$1,885,344</u>	<u>\$1,763,812</u>
<b>LIABILITIES</b>		
Current liabilities:		
Prizes payable	\$189,661	\$173,231
Unclaimed and future prizes	154,064	110,128
Due to education	66,146	107,882
Due to administration	5,657	7,108
Deferred revenue	9,422	10,709
Other payables	9,493	18,053
Total current liabilities	<u>434,443</u>	<u>427,111</u>
Long-term prizes payable	1,450,901	1,336,701
Commitments and contingencies		
Total liabilities	<u>\$1,885,344</u>	<u>\$1,763,812</u>

#### **EXECUTIVE STAFF**

**Director**

Jeff Perlee

**Deputy Director of Administration**

Henry L. Scott

**Director of Marketing and Sales**

Cornelia H. Lavery

**Director of Regulation &  
Compliance, General Counsel**

William J. Murray

**Director of Operations**

Daniel J. Codden

**Press Secretary**

Richard A. Grenell

**Special Assistant**

Stephen M. Dolan

#### **REGIONAL DIRECTORS**

Charles O'Donnell  
New York City

Andrew Arecco  
Long Island

Diane Scala  
Eastern New York

William Lonzak  
Central New York

Joanne Thompson  
Western New York

#### **REGIONAL OFFICES**

New York City  
90 Maiden Lane  
New York,  
New York 10038  
212-383-1300

Long Island  
463 Willis Avenue  
Williston Park,  
New York 11596  
516-747-7700

Eastern New York  
One Broadway Center  
Suite 700  
Schenectady,  
New York 12305  
518-388-5420

Central New York  
620 Erie Boulevard West  
Suite 112  
Syracuse,  
New York 13204-2442  
315-448-4300

Western New York  
295 Main Street  
Suite 120  
Buffalo,  
New York 14203  
716-847-3469

Questions or comments, please write to the Lottery's main office:

New York Lottery

One Broadway Center

PO Box 7500

Schenectady, NY 12301-7500

Call 518-388-3300

or visit us at <http://www.nylottery.org>

**The New York Lottery**  
**makes us all a little richer.**

# KPMG Peat Marwick LLP

74 North Pearl Street  
Albany, NY 12207

## Independent Auditors' Report on Other Financial Information

### New York State Lottery

We have audited and reported separately herein on the financial statements of the New York State Lottery as of and for the year ended March 31, 1996.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the New York State Lottery taken as a whole. The following combining schedule of assets and liabilities and combining schedule of revenue and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*KPMG Peat Marwick LLP*

May 31, 1996

## NEW YORK STATE LOTTERY

### Combining Schedule of Assets and Liabilities

March 31, 1996  
(In Thousands)

	<u>All Other Games</u>	<u>City Games</u>	<u>Eliminations</u>	<u>Combined Total</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 137,095	39	-	137,134
Accounts receivable	122,139	-	(6,326)	115,813
Investments, at amortized cost	189,314	-	-	189,314
Instant game ticket inventory	<u>5,674</u>	<u>-</u>	<u>-</u>	<u>5,674</u>
Total current assets	454,222	39	(6,326)	447,935
Long-term investments, at amortized cost	1,433,240	-	-	1,433,240
Equipment and leasehold improvements, net of accumulated depreciation and amortization	<u>4,169</u>	<u>-</u>	<u>-</u>	<u>4,169</u>
Total assets	<u>\$1,891,631</u>	<u>39</u>	<u>(6,326)</u>	<u>1,885,344</u>
<u>Liabilities</u>				
Current liabilities:				
Prizes payable	\$ 189,661	-	-	189,661
Unclaimed and future prizes	154,025	39	-	154,064
Due to education	72,530	(6,384)	-	66,146
Due to administration	5,657	-	-	5,657
Deferred revenue	9,422	-	-	9,422
Hold harmless payable	-	6,326	(6,326)	-
Other payables	<u>9,435</u>	<u>58</u>	<u>-</u>	<u>9,493</u>
Total current liabilities	440,730	39	(6,326)	434,443
Long-term prizes payable	<u>1,450,901</u>	<u>-</u>	<u>-</u>	<u>1,450,901</u>
Total liabilities	<u>\$ 1,891,631</u>	<u>39</u>	<u>(6,326)</u>	<u>1,885,344</u>

Note: The hold harmless payable represents the cumulative uncollected balance of the statutory shortfall in net revenue, as defined (see Note 1), based on the annual hold harmless calculation made on the last day of February. The shortfall for fiscal year 1996 was \$0. The remaining \$6,326,000 represents uncollected short fall of prior years. Under the City games legislation, the shortfall can only be recovered from future revenue of City games.