

NEW YORK STATE LOTTERY

Statements of Revenue and Revenue
Allocations for the Fiscal Years
Ended March 31, 1980 and 1979 and
Auditors' Opinion

AUDITORS' OPINION

The New York State Lottery:

We have examined the statements of revenue and revenue allocations of the New York State Lottery for the fiscal years ended March 31, 1980 and 1979. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the results of the Lottery's operations for the years ended March 31, 1980 and 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

November 5, 1980

NEW YORK STATE LOTTERY

STATEMENTS OF REVENUE AND REVENUE ALLOCATIONS
FOR THE FISCAL YEARS ENDED MARCH 31, 1980 AND 1979

	1980	1979
REVENUE:		
Lottery ticket sales (Notes 1 and 2):		
Instant Game Four.....	-	\$ 23,723,000
Instant Game Five.....	-	55,781,000
Instant Game Six.....	-	3,079,000
Instant Game Seven.....	-	51,979,000
Instant Game Eight.....	\$ 15,449,000	21,132,000
Instant Game Nine.....	47,369,000	-
Instant Game Ten.....	6,853,000	-
Instant Game Eleven.....	32,033,000	-
Instant Game Twelve.....	13,986,000	-
Instant Game Thirteen.....	2,544,000	-
Lotto/Keno Games.....	49,177,000	6,375,000
Olympic Game.....	12,799,000	15,111,000
Weekly Games.....	4,393,000	10,878,000
Interest Income (Note 1).....	3,190,000	2,565,000
Total.....	<u>187,793,000</u>	<u>190,623,000</u>
Less vendor and distributor commissions (Note 5).....	<u>13,872,000</u>	<u>15,952,000</u>
NET REVENUE FROM LOTTERY OPERATIONS.....	<u><u>\$173,921,000</u></u>	<u><u>\$174,671,000</u></u>
REVENUE ALLOCATIONS (Note 1):		
Lottery prizes paid (Note 4).....	\$ 73,768,000	\$ 71,641,000
Less prize payments for games closed in the prior year.....	<u>4,510,000</u>	<u>3,819,000</u>
Prize payments for current year games....	69,258,000	67,822,000
Provision for unclaimed and future prizes (Note 4).....	<u>5,356,000</u>	<u>6,609,000</u>
Revenue allocated to prizes.....	<u>74,614,000</u>	<u>74,431,000</u>
Administrative expenses (Note 5).....	17,380,000	14,967,000
Administrative expenses in excess of statutory provision for expenses (Note 5).....	<u>(3,635,000)</u>	<u>(719,000)</u>
Revenue allocated to administra- tive expenses.....	<u>13,745,000</u>	<u>14,248,000</u>
Revenue transferred to the New York State Treasury for Education (Note 3).....	83,218,000	85,422,000
Provision for accrued revenue allocated to education.....	<u>2,344,000</u>	<u>570,000</u>
Revenue allocated to education...	<u>85,562,000</u>	<u>85,992,000</u>
TOTAL REVENUE ALLOCATIONS.....	<u><u>\$173,921,000</u></u>	<u><u>\$174,671,000</u></u>

See Notes to Financial Statements.

NEW YORK STATE LOTTERY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The present New York State Lottery (the "Lottery") was established by Chapter 92 of the Laws of 1976 enacted by the New York State Legislature on March 31, 1976. The accounting policies of the Lottery conform to the accounting requirements of the State of New York. Such policies conform to generally accepted accounting principles with minor variations, namely, the noncapitalization of equipment and inventory, principally supplies which have no material effect on the accompanying financial statements.

The following are the Lottery's significant accounting policies:

Revenue Recognition

Revenue from completed games is reported based on the dollar value of lottery ticket sales. Ticket sales are determined based on the total number of tickets available for sale for each game less unsold tickets at the conclusion of each game. Lottery tickets disbursed by vendors as free ticket prizes are not reflected as lottery ticket sales.

Revenue from games in progress is reported based on the dollar value of the total number of tickets available for sale for each game less ticket inventories on hand and tickets issued on "consignment" (unpaid for) to vendors and distributors. The aggregate dollar value of tickets issued on consignment at March 31, 1980 and 1979 was approximately \$10,961,000 and \$14,141,000, respectively. Such consignments are made to provide the Lottery's vendors and distributors with an inventory of tickets available for sale.

The tickets issued on consignment represent approximately three weeks of anticipated vendor/distributor sales. Vendor and distributor consignment levels are periodically reviewed and adjusted based on the current volume of ticket sales made by each vendor/distributor.

Revenue Allocation

The allocation of lottery revenues (exclusive of interest income) has been made in accordance with the provisions of the New York State Lottery for Education Law which requires that:

- allocations of gross ticket revenue to New York State for educational purposes be at least 45%;

- allocations of gross ticket revenue for the payment of lottery prizes not exceed 40%; and
- allocations of gross ticket revenue for the payment of lottery operating expenses (including vendor and distributor commissions) not exceed 15%.

Lottery tickets which entitle the purchaser to a free ticket prize and which ultimately are unclaimed by the purchaser, produce revenue which does not have an associated prize liability. Such revenues, determined on a statistical basis, are reallocated to administration to offset the additional costs incurred by the Lottery in offering free ticket prizes.

Interest Income

The interest income earned on lottery receipts deposited by the Lottery in the education fund and operating expense fund accrues to the specific purpose of each fund.

The interest income earned on lottery receipts deposited in the lottery prize payment accounts or invested in short term securities is available for the payment of additional lottery prizes.

2. STATUS OF LOTTERY GAMES

The status of the various lottery games conducted during the fiscal years ended March 31, 1980 and 1979 is as follows:

<u>Game</u>	<u>Started</u>	<u>Ended</u>
Instant Game Four	1/31/78	5/ 8/78
Instant Game Five	5/ 9/78	9/11/78
Instant Game Six	8/22/78	12/18/78
Instant Game Seven	9/12/78	3/15/79
Instant Game Eight	1/ 2/79	9/28/79
Instant Game Nine	4/16/79	10/26/79
Instant Game Ten	8/13/79	10/ 7/79
Instant Game Eleven	9/17/79	3/31/80
Instant Game Twelve	1/ 3/80	(in progress)
Instant Game Thirteen	4/ 1/80	(in progress)
Lotto/Keno Games	11/ 2/78	(in progress)
Olympic Game	7/14/78	3/31/80
Weekly and Subscription Games	5/20/77	9/12/78
Daily/Weekly Games	4/30/79	11/15/79
50¢ Weekly Game	11/19/79	(in progress)

3. TRANSFERS TO NEW YORK STATE FOR EDUCATION

During the fiscal years ended March 31, 1980 and 1979, approximately \$85,317,000 and \$90,322,000 of lottery revenues (including \$2,099,000 and \$4,900,000 of unclaimed prize money, respectively) were transferred to the State Treasury. Monthly transfers are made based on estimated lottery sales. Transfers of lottery revenue allocated to education made to the State Treasury since

September 1976, the start of current lottery operations, amounted to \$359,958,000 as of March 31, 1980 (including \$8,699,000 of unclaimed prize money).

4. LOTTERY PRIZES PAID

For the fiscal years ended March 31, 1980 and 1979, low-tier lottery prizes of \$2, \$5 and \$10 (Instant lotteries), \$20 (Olympic) and \$10 (Weekly lottery) paid by lottery ticket vendors amounted to approximately \$45,314,000 and \$46,283,000 and high- and low-tier prizes paid directly by the Lottery amounted to \$28,454,000 and \$25,358,000, respectively. These amounts include prizes awarded during periodic special drawings to disburse previously unexpended prize funds accumulated from lower than anticipated grand prize annuity costs and other unallocated Jackpot Prize monies and interest income earned on lottery prize fund deposits.

The lottery prizes paid amounts shown on the Statements of Revenue and Revenue Allocation and the amounts discussed in the preceding paragraph include amounts paid which relate to games ended in the preceding year.

The provisions for unclaimed and future prizes for the fiscal years ended March 31, 1980 and 1979 represent amounts provided for the payment of unclaimed prizes for closed games which have not been settled and future prizes for open games at March 31, 1980 and 1979, respectively.

5. OPERATING EXPENSES

The Lottery's total provision for operating expenses as a percentage of revenue from lottery ticket sales is made up of the following components:

Ticket vendor commissions.....	6.00%
Distributor commissions.....	2.00
Administration expense.....	7.00
	<u>15.00%</u>

All appropriated Lottery expenses are paid by the New York State Treasury ("General Fund") from "First Instance Appropriations" made to the Lottery. Such expenditures are reimbursed to the State by the Lottery from revenue derived from the sale of lottery tickets. Administration expenses reflected in the accompanying statements represent the total of all paid expenses reported to the Lottery by the Department of Audit and Control through September 15, 1980 and 1979, the last dates for such payments to apply to the fiscal years ended March 31, 1980 and 1979, respectively.