

NEW YORK STATE LOTTERY

Balance Sheet as of
March 31, 1981 and
Statements of Revenue and
Revenue Allocations for the
Fiscal Years Ended
March 31, 1981 and 1980
and Auditors' Opinion

AUDITORS' OPINION

The New York State Lottery:

We have examined the balance sheet of the New York State Lottery as of March 31, 1981 and the statements of revenue and revenue allocations of the New York State Lottery for the fiscal years ended March 31, 1981 and 1980. 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, such financial statements present fairly the financial position of the Lottery as of March 31, 1981 and the results of its operations for the years ended March 31, 1981 and 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

September 29, 1981

NEW YORK STATE LOTTERY

BALANCE SHEET, MARCH 31, 1981

	<u>NOTES</u>		
ASSETS:			
Cash			\$ 6,913,000
Accounts receivable:			
Accrued lottery ticket sales	6	\$9,739,000	
Other		<u>20,000</u>	<u>9,759,000</u>
TOTAL			<u>\$16,672,000</u>
LIABILITIES:			
Reserve for unclaimed and future prizes:			
Accrued allocation of revenue for open games		4,242,000	
Unclaimed and future prizes		<u>7,127,000</u>	\$11,369,000
Education:			
Accrued allocation of revenue for open games		4,036,000	
Amount over transferred in excess of allocation		<u>(1,692,000)</u>	2,344,000
Administration:			
Accrued allocation of revenue for open games		1,461,000	
Amount to be transferred to New York State Treasury General Fund		<u>1,449,000</u>	2,910,000
Vendor telephone fees payable			<u>49,000</u>
TOTAL			<u>\$16,672,000</u>

See notes to financial statements.

NEW YORK STATE LOTTERY

STATEMENTS OF REVENUE AND REVENUE ALLOCATIONS
FOR THE FISCAL YEARS ENDED MARCH 31, 1981 AND 1980

	<u>NOTES</u>	<u>1981</u>	<u>1980</u>
REVENUE:			
Lottery ticket sales:	1,2		
Instant Game Eight		-	\$ 15,449,000
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
Instant Game Fourteen		-	-
Instant Game Fifteen		-	-
Instant Game Sixteen	6	17,187,000	-
Instant Game Seventeen	6	22,254,000	-
Lotto/Keno Games	6	77,970,000	49,177,000
Daily Numbers Game	6	65,369,000	-
Olympic Game		-	12,799,000
Weekly Games		-	4,393,000
Interest income	1	3,451,000	3,190,000
Total		<u>239,697,000</u>	<u>187,793,000</u>
Less vendor and distributor commissions	5	<u>16,874,000</u>	<u>13,872,000</u>
NET REVENUE FROM LOTTERY OPERATIONS		<u>\$222,823,000</u>	<u>\$173,921,000</u>
REVENUE ALLOCATIONS:			
Lottery prizes paid:	1	\$ 97,903,000	\$ 73,768,000
Less prize payments for games closed in the prior year	4	<u>7,930,000</u>	<u>4,510,000</u>
Prize payments for current year Games		89,973,000	69,258,000
Provision for unclaimed and future prizes	4	11,369,000	5,356,000
Revenue allocated to prizes	5	<u>101,342,000</u>	<u>74,614,000</u>
Administrative expenses		20,998,000	17,380,000
Administrative expenses in excess			

NEW YORK STATE LOTTERY

STATEMENTS OF REVENUE AND REVENUE ALLOCATIONS
FOR THE FISCAL YEARS ENDED MARCH 31, 1981 AND 1980

	<u>NOTES</u>	<u>1981</u>	<u>1980</u>
REVENUE:			
Lottery ticket sales:	1,2		
Instant Game Eight		-	\$ 15,449,000
Instant Game Nine		-	47,369,000
Instant Game Ten		-	6,853,000
Instant Game Eleven		-	32,033,000
Instant Game Twelve		\$ 10,403,000	13,986,000
Instant Game Thirteen		28,763,000	2,544,000
Instant Game Fourteen		7,439,000	-
Instant Game Fifteen		6,861,000	-
Instant Game Sixteen		17,187,000	-
Instant Game Seventeen	6	22,254,000	-
Lotto/Keno Games	6	77,970,000	49,177,000
Daily Numbers Game	6	65,369,000	-
Olympic Game		-	12,799,000
Weekly Games		-	4,393,000
Interest income	1	3,451,000	3,190,000
Total		<u>239,697,000</u>	<u>187,793,000</u>
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REVENUE ALLOCATIONS:			
Lottery prizes paid:	1 4	\$ 97,903,000	\$ 73,768,000
Less prize payments for games closed in the prior year		<u>7,930,000</u>	<u>4,510,000</u>
Prize payments for current year games		89,973,000	69,258,000
Provision for unclaimed and future prizes	4	<u>11,369,000</u>	<u>5,356,000</u>
Revenue allocated to prizes		<u>101,342,000</u>	<u>74,614,000</u>
Administrative expenses	5	20,998,000	17,380,000
Administrative expenses in excess of statutory provision for expenses	5	<u>(1,985,000)</u>	<u>(3,635,000)</u>
Revenue allocated to administrative expenses		<u>19,013,000</u>	<u>13,745,000</u>
Revenue transferred to the New York State Treasury for Education	3	98,980,000	83,218,000
Plus amount over transferred in prior years (less \$548,000 under transfer)		<u>1,144,000</u>	<u>-</u>
Amounts transferred for revenues being reported in the current year		100,124,000	83,218,000
Provision for accrued revenue allocated to education - net		<u>2,344,000</u>	<u>2,344,000</u>
Revenue allocated to education		<u>102,468,000</u>	<u>85,562,000</u>
TOTAL REVENUE ALLOCATIONS		<u>\$222,823,000</u>	<u>\$173,921,000</u>

See notes to financial statements.

NEW YORK STATE LOTTERY

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MARCH 31, 1981 AND 1980

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 instant 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 instant 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 at the lottery and with distributors, and all tickets issued on consignment (unpaid for) to vendors. The dollar value of tickets issued on consignment, which were not inventoried to determine accrued sales at March 31, 1981 and 1980 was approximately \$4,570,000 and \$10,961,000, respectively. Such consignments are made to provide an inventory of tickets available for sale.

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 education purposes be at least 35% for the Daily Numbers Game and 45% for all other games;
- allocations of gross ticket revenue for the payment of lottery prizes not exceed 50% for the Daily Numbers Game and 40% for all other games; and
- allocations of gross ticket revenue from all games for the payment of lottery operating expenses (including vendor and distributor commissions) not exceed 15%.

Lottery instant game 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. Fifty-five percent of such revenues, determined on a statistical basis, is reallocated to administration to offset the additional costs incurred by the Lottery in offering free ticket prizes. The remaining forty-five percent of such revenues is allocated to New York State, for education purposes.

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 used 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, 1981 and 1980 is as follows:

<u>Game</u>	<u>Started</u>	<u>Ended</u>
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	5/30/80
Instant Game Thirteen	4/ 1/80	9/26/80
Instant Game Fourteen	6/ 2/80	9/26/80
Instant Game Fifteen	6/23/80	9/26/80
Instant Game Sixteen	9/ 6/80	12/15/80
Instant Game Seventeen	12/15/80	(in progress)
Lotto/Keno Games	11/ 2/78	(in progress)
Daily Numbers Game	9/ 2/80	(in progress)
Olympic Game	7/14/78	3/31/80
Daily/Weekly Games	11/19/79	6/ 6/80
50¢ Weekly Game	4/30/79	11/15/79

3. TRANSFERS TO NEW YORK STATE FOR EDUCATION

During the fiscal years ended March 31, 1981 and 1980, approximately \$100,503,000 and \$85,317,000 of lottery revenues (including \$1,523,000 and \$2,099,000 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 \$460,505,000 as of March 31, 1981 (including \$5,468,000 of unclaimed prize money and \$2,210,000 representing interest earned subsequent to April 1, 1978 on monies of the State's previous lottery). In addition, transfers of \$2,560,000 (not included in

the above amounts) accumulated from the State's previous Lottery were made to the State Treasury during the Lottery's first year of operation.

4. LOTTERY PRIZES PAID

For the fiscal years ended March 31, 1981 and 1980, low-tier lottery prizes of \$2, \$5 and \$10 (Instant lotteries), \$20 (Olympic), \$10 (Weekly lottery) and under \$600 (Daily Numbers, Lotto and Keno) paid by lottery ticket vendors amounted to approximately \$69,887,000 and \$45,314,000 and high- and low-tier prizes paid directly by the Lottery amounted to \$28,016,000 and \$28,454,000, 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.

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	<u>7.00</u>
	<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. Administrative 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, 1981 and 1980, respectively, the last dates for such payments to apply to each fiscal year ended March 31, 1981 and 1980, respectively.

For the fiscal years ended March 31, 1981 and 1980, actual administrative expenses paid by the General Fund, from funds appropriated in the First Instance, exceeded lottery revenue allocated for the payment of such expenses by \$1,985,000 and \$3,635,000, respectively. Reimbursement to the General Fund for such excesses was settled as part of the annual close-out of the State's fiscal year, when all First Instance Appropriation excesses or deficiencies are offset.

Administration expenses incurred by the Lottery included the cost of developing and printing lottery tickets, advertising, salary costs, additional vendor and bank or distributor commissions for the distribution of free ticket prizes, and other operating costs.

6. ACCRUED LOTTERY TICKET SALES

Accrued Lottery ticket sales for the years ended March 31, 1981 and 1980 were as follows:

	<u>1981</u>	<u>1980</u>
Instant Games (1981 - Game Seventeen)	\$3,733,000	-
Lotto/Keno Games	2,539,000	\$3,234,000
Daily Numbers Game	3,467,000	-
Olympic Game	<u>-</u>	<u>1,271,000</u>
	<u>\$9,739,000</u>	<u>\$4,505,000</u>

Prior to April 1, 1980, all instant game tickets issued on consignment were considered to be unsold. Commencing with fiscal year 1981, the Lottery began accruing sales revenue from such consignments based on the difference between total consigned tickets issued to its distributors and the total of unsold tickets remaining in the distributors' inventories as of March 31, 1981.