

NEW YORK STATE LOTTERY

Financial Statements for the  
Years Ended March 31, 1983 and 1982  
and Auditors' Opinion

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AUDITORS' OPINION

The New York State Lottery:

We have examined the statements of assets and liabilities of New York State Lottery as of March 31, 1983 and 1982 and the related statements of revenue and revenue allocations for the years then ended. 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 assets and liabilities of the Lottery at March 31, 1983 and 1982 and the revenue and revenue allocations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Deloitte Haskins + Sells*

June 23, 1983

NEW YORK STATE LOTTERY

STATEMENTS OF ASSETS AND LIABILITIES  
MARCH 31, 1983 AND 1982  
(In Thousands)

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	<u>NOTES</u>	<u>1983</u>	<u>1982</u>
ASSETS:			
Cash (including short-term cash investments)	1	\$38,407	\$25,328
Accounts receivable	6	<u>27,399</u>	<u>21,855</u>
TOTAL		<u>\$65,806</u>	<u>\$47,183</u>
LIABILITIES:			
Prizes:			
Allocation of accrued revenue		\$13,479	\$10,448
Unclaimed and future prizes		<u>24,592</u>	<u>16,507</u>
		<u>38,071</u>	<u>26,955</u>
Education:			
Allocation of accrued revenue		11,678	9,195
Amount to be transferred to New York State Treasury for Education		<u>11,777</u>	<u>7,994</u>
		<u>23,455</u>	<u>17,189</u>
Administration:			
Allocation of accrued revenue		1,514	1,082
Amount to be transferred to New York State Treasury General Fund		<u>675</u>	<u>977</u>
		<u>2,189</u>	<u>2,059</u>
Deferred revenue for unclaimed free tickets on open games and other payables		<u>2,091</u>	<u>980</u>
TOTAL		<u>\$65,806</u>	<u>\$47,183</u>

See notes to financial statements.

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NEW YORK STATE LOTTERY

STATEMENTS OF REVENUE AND REVENUE ALLOCATIONS  
FOR THE FISCAL YEARS ENDED MARCH 31, 1983 AND 1982  
(In Thousands)

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	<u>NOTES</u>	<u>1983</u>	<u>1982</u>
REVENUE:			
Ticket sales	1,3,6	\$644,967	\$424,885
Less:			
Vendor and distributor commissions	5,6	(40,930)	(28,003)
Contractors' fees	5,6	(25,519)	(16,893)
Net revenue from ticket sales		<u>578,518</u>	<u>379,989</u>
Interest income	1	<u>6,430</u>	<u>6,901</u>
NET REVENUE		<u>\$584,948</u>	<u>\$386,890</u>
REVENUE ALLOCATIONS:			
Prizes	1 3	\$284,552	\$191,045
Education	4	275,244	179,845
Administration	5	<u>25,152</u>	<u>16,000</u>
TOTAL REVENUE ALLOCATIONS		<u>\$584,948</u>	<u>\$386,890</u>

See notes to financial statements.

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## NEW YORK STATE LOTTERY

### NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED MARCH 31, 1983 AND 1982

#### 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 has no material effect on the accompanying financial statements.

The Lottery operates as an "Enterprise Fund" as defined in the Accounting, Financial Reporting and Budget Accountability Reform Act of 1981. An Enterprise Fund is used to account for governmental activities intended by law to be self-supporting or to be financed in whole or in part by user charges. All appropriated Lottery expenses are funded by the Lottery from revenue derived from the sale of Lottery tickets.

#### 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 claimed and 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 distributors and tickets issued on consignment (unpaid for) to vendors. The dollar value of tickets issued on consignment to vendors, which were not inventoried to determine accrued sales, at March 31, 1983 and 1982 was approximately \$10,847,000 and \$3,998,000, 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 the following:

- allocations of gross ticket revenue to New York State for education purposes be at least 35 percent for the Daily Numbers and Win-Four Games and 45 percent for all other games;

- . allocations of gross ticket revenue for the payment of lottery prizes not exceed 50 percent for the Daily Numbers and Win-Four Games and 40 percent 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 percent.

Short-Term Cash Investments and Investment Income

Lottery sales receipts are allocated and deposited into investment fund accounts for prizes, education and administration. The New York State Department of Audit and Control invests these monies in various short-term securities. Interest income earned in each investment fund is used for the specific purpose and benefit of that fund.

Reclassification

For comparability, certain 1982 amounts have been reclassified to conform with changes in statement presentation adopted for 1983.

2. REVENUE OF LOTTERY GAMES

Revenue of the various lottery games conducted during the years ended March 31, 1983 and 1982 are as follows:

<u>Game</u>	<u>Started</u>	<u>Ended</u>	<u>.....Revenue.....</u>	
			<u>1983</u>	<u>1982</u>
			<u>(In Thousands)</u>	
Instant Game 11-15,				
16	9/17/79	12/15/80	\$ (3)	\$ (57)
Instant Game 15A	8/ 6/81	12/31/81	170	3,134
Instant Game 17	12/15/80	6/15/81	(1)	5,159
Instant Game 18	4/20/81	10/30/81	44	32,916
Instant Game 19	9/ 8/81	1/29/82	4	27,233
Instant Game 20	11/18/81	1/29/82	(3)	7,399
Instant Game 21	1/12/82	4/30/82	4,826	17,364
Instant Game 22	4/21/82	6/30/82	15,445	
Instant Game 23	6/15/82	9/30/82	21,187	
Instant Game 24	9/ 7/82	12/30/82	32,927	
Instant Game 25	1/11/83	(in progress)	12,528	
Total Instant				
Game Sales			87,124	93,148
Lotto/Keno Games	11/ 2/78	(in progress)	279,259	149,247
Daily Numbers and				
Win-Four Games	9/ 2/80	(in progress)	278,584	182,490
Total Lottery				
Ticket Sales			<u>\$644,967</u>	<u>\$424,885</u>

Negative revenue represents the adjustment for vendors and distributors returns to the Lottery of tickets previously recognized as sales.

3. PRIZES

Revenue allocated to prizes during the fiscal years ended March 31, 1983 and 1982 is as follows:

	<u>1983</u>	<u>1982</u>
	(In Thousands)	
Lottery prizes paid	\$273,436	\$175,473
Less prize payments for games closed in prior years	<u>26,955</u>	<u>11,383</u>
Prize payments for current year's games	<u>246,481</u>	<u>164,090</u>
Provision for prizes	<u>38,071</u>	<u>26,955</u>
Total revenue allocated to prizes	<u>\$284,552</u>	<u>\$191,045</u>

Prize payments for the current year's games 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.

4. EDUCATION

Revenue allocated to Education during the fiscal years ended March 31, 1983 and 1982 is as follows:

	<u>1983</u>	<u>1982</u>
	(In Thousands)	
Revenue transferred for Education	\$268,978	\$165,000
Amount under - transferred in prior year	<u>(17,189)</u>	<u>(2,344)</u>
Amount transferred for revenues reported during the year	251,789	162,656
Provision for Education	<u>23,455</u>	<u>17,189</u>
Total revenue allocated to Education	<u>\$275,244</u>	<u>\$179,845</u>

The revenue transferred for Education represents the appropriations passed by the Legislature for both years.

7. LITIGATION

The Lottery is involved in various legal proceedings stemming from its Lotto games under which claims for prizes and damages in various amounts are being sought. In the opinion of Lottery officials, the outcome of pending claims, actions and proceedings will not have a material adverse effect upon the financial position of the Lottery.

8. COMPOSITION OF REVENUE AND REVENUE ALLOCATIONS

The following table presents the composition of revenue and revenue allocations from September 8, 1976, the start of current lottery operations, to March 31, 1983:

	9/8/76 to <u>3/31/82</u>	4/1/82 to <u>3/31/83</u>	9/8/76 to <u>3/31/83</u>
	(In Thousands)		
Revenue:			
Instant games sales	\$ 802,310	\$ 87,124	\$ 889,434
Lotto/Keno games sales	282,769	279,259	562,028
Daily Numbers/Win-Four games sales	247,859	278,584	526,443
Other games sales	93,168	-	93,168
Lottery ticket sales	<u>1,426,106</u>	<u>644,967</u>	<u>2,071,073</u>
Interest income	18,025	6,430	24,455
Old lottery interest (1976-77)	<u>2,560</u>	<u>-</u>	<u>2,560</u>
Total revenue	<u>\$1,446,691</u>	<u>\$651,397</u>	<u>\$2,098,088</u>
Revenue Allocated to Prizes:			
Instant games (40%)	\$ 320,924	\$ 34,849	\$ 355,773
Lotto/Keno games (40%)	113,108	111,704	224,812
Daily Numbers/Win-Four games (50%)	123,929	139,292	263,221
Other games (40%)	37,267	-	37,267
Allocation of lottery ticket sales	<u>595,228</u>	<u>285,845</u>	<u>881,073</u>
Interest income	4,946	2,394	7,340
Unclaimed prizes	(5,361)	(3,687)	(9,048)
Unclaimed free tickets at 40%	(1,828)	-	(1,828)
Total revenue allocated to prizes	<u>592,985</u>	<u>284,552</u>	<u>877,537</u>
Lottery prizes paid	<u>(566,030)</u>	<u>(273,436)</u>	<u>(839,466)</u>
Balance	26,955	11,116	38,071
Current year accrual (included above)	(10,448)	(13,479)	(13,479)
Prior year accrual	<u>-</u>	<u>10,448</u>	<u>-</u>
Prizes to be paid	<u>\$ 16,507</u>	<u>\$ 8,085</u>	<u>\$ 24,592</u>

	9/8/76 to <u>3/31/82</u>	4/1/82 to <u>3/31/83</u>	9/8/76 to <u>3/31/83</u>
Revenue Allocated to Education:			
Instant games (45%)	\$ 361,040	\$ 39,205	\$ 400,245
Lotto/Keno games (45%)	127,246	125,667	252,913
Daily Numbers/Win-Four games (35%)	86,750	97,504	184,254
Other games (45%)	41,926	-	41,926
Allocation of lottery ticket sales	<u>616,962</u>	<u>262,376</u>	<u>879,338</u>
Interest income	11,274	3,257	14,531
Old lottery interest (1976-77)	2,560	-	2,560
Unclaimed prizes	5,361	3,687	9,048
Administrative surplus	<u>9,097</u>	<u>5,924</u>	<u>15,021</u>
Total revenue allocated to education	645,254	275,244	920,498
Revenue transferred for Education	<u>(628,065)</u>	<u>(268,978)</u>	<u>(897,043)</u>
Balance	17,189	6,266	23,455
Current year accrual (included above)	(9,195)	(11,678)	(11,678)
Prior year accrual	<u>-</u>	<u>9,195</u>	<u>-</u>
Amount to be transferred to New York State Treasury for Education			
	<u>\$ 7,994</u>	<u>\$ 3,783</u>	<u>\$ 11,777</u>
Revenue Allocated to Administration:			
Instant games (15%)	\$ 120,346	\$ 13,069	\$ 133,415
Lotto/Keno games (15%)	42,415	41,889	84,304
Daily Numbers/Win-Four games (15%)	37,180	41,787	78,967
Other games (15%)	13,975	-	13,975
Allocation of lottery ticket sales	<u>213,916</u>	<u>96,745</u>	<u>310,661</u>
Interest income	1,805	779	2,584
Unclaimed free tickets at 40%	1,828	-	1,828
Administrative surplus	<u>(9,097)</u>	<u>(5,924)</u>	<u>(15,021)</u>
Total revenue allocated to administration	208,452	91,600	300,052
Vendor and distributor commissions and contractors fees	<u>(130,395)</u>	<u>(66,448)</u>	<u>(196,843)</u>
Net revenue allocated to administration	78,057	25,152	103,209
Amount transferred for administrative expenses	<u>(75,998)</u>	<u>(25,022)</u>	<u>(101,020)</u>
Balance	2,059	130	2,189
Current year accrual (included above)	(1,082)	(1,514)	(1,514)
Prior year accrual	<u>-</u>	<u>1,082</u>	<u>-</u>
Amount to be transferred to New York State Treasury General Fund			
	<u>\$ 977</u>	<u>\$ (302)</u>	<u>\$ 675</u>