

The
right
numbers
for
New
Jersey



**NEW JERSEY
LOTTERY**

**Benefits Education
and Institutions**

New Jersey State Library



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\$ 693,107,137
GROSS SALES

\$ 344,605,078
PRIZES

\$ 294,975,421
CONTRIBUTIONS TO EDUCATION & INSTITUTIONS

In Fiscal 1983, the New Jersey Lottery enjoyed the greatest one-year increase in gross sales in its history. Sales of \$693.1 million were up approximately 34 percent—or about \$175.3 million—over Fiscal 1982. During the year, the Lottery also set new all-time highs in two other categories of special significance to its consumers: prizes hit a record \$344.6 million and the Lottery's contributions to the state for aid to education and institutions climbed to \$294.9 million.



Thomas H. Kean
Governor



Hazel Frank Gluck
Executive Director

New
Jersey
Lottery
Annual
Report
1983

Message from the Director

If two simple words, Thank You, ever were appropriate, Fiscal 1983 was the year.

It was a year—documented fully in this Annual Report—in which the Lottery shattered all previous records in sales, prizes and funds contributed to the state to ease the burden on taxpayers of funding educational and institutional services.

I thank the hard-working managers and staff of the Lottery, whose professionalism and dedication have earned a national reputation for sound business-like operation.

I thank the members of the New Jersey Lottery Commission and their new chairman, Donald B. Valk, who ably provide the policy direction that guides the Lottery.

I thank Governor Thomas H. Kean and his Administration, notably State Treasurer Kenneth Biederman, for their continuing support and cooperation as the Lottery blazes new trails in its role as an industry leader.

Most of all, I "Thank You, New Jersey," for you are the people whose confidence and patronage are the most essential elements in the phenomenal record of success the New Jersey Lottery has enjoyed. I pledge to make every effort to continue to be worthy of your confidence.

Hazel Frank Gluck

Hazel Frank Gluck
Executive Director

Introduction

The New Jersey Lottery's "Right Numbers for New Jersey" in Fiscal 1983 were \$693.1 million in gross sales, \$344.6 million in prizes and \$294.9 million in funds contributed to the state for aid to education and institutions. The figures shattered all previous annual records.

The Lottery's "Right Numbers for New Jersey"—since the first 50-cent Weekly ticket was sold in December 1970—are \$3.4 billion in sales, \$1.6 billion in winnings by its consumers and \$1.4 billion to the state to ease the burden on New Jersey taxpayers

in supporting education and those in our society who require institutional care.

The "Right Numbers for New Jersey" are the Lottery's three phenomenally popular numbers games, "Pick-It," "Pick-4" and "Pick-6 Lotto." Their dominant role in the Lottery's continuing surge in growth and success is demonstrated dramatically by the fact that, combined, they generated nearly 91 per cent of all Lottery sales in Fiscal 1983.

Two highlights of a year that produced many high points came when the Lottery went over the \$3 billion

Fiscal 1983 — More Records

(In Millions)

GROSS SALES

in Fiscal 1983 represented the greatest one-year increase in the history of the New Jersey Lottery. Sales of \$693.1 million were up approximately 34 per cent—or about \$175.3 million—over Fiscal 1982.



PRIZES

awarded by the Lottery in Fiscal 1983 hit \$344.6 million, a jump of 33.3 per cent, or \$86.2 million, over the previous year. The decision by Director Gluck in October to introduce an annuity top prize structure for "Pick-6 Lotto" generated the excitement of big multi-million-dollar jackpots and, more importantly, sent "Pick 6" sales skyrocketing. Of every dollar received in Fiscal 1983, the Lottery paid 49.7 cents in prizes to its consumers.



CONTRIBUTIONS TO THE STATE

toppled all projections and nearly hit the \$300 million mark in Fiscal 1983. The record amount of \$294.9 million turned over to the state for education and institutions was an increase of 33.9 per cent, or \$74.7 million, over Fiscal 1982. This excellent performance surpassed by nearly \$65 million the projection originally made by State House budget-drafters that the Lottery would contribute \$230 million to the state in Fiscal 1983.

milestone in cumulative gross sales last January and, only one month later, surpassed the \$1.5 billion cumulative mark in prize awards.

The results were accomplished by the new management team assembled by Executive Director Hazel Frank Gluck, who completed her first full year in Fiscal 1983, with policy direction set by the New Jersey Lottery Commission, led by its new Chairman, Donald B. Valk.

Strong support from the top was provided by

Governor Thomas H. Kean and State Treasurer Kenneth Biederman. In announcing the Lottery's series of remarkable accomplishments in Fiscal 1983, Governor Kean declared:

"During these difficult financial times for government, the performance of the Lottery's management and staff headed by Executive Director Gluck was outstanding."

1982

\$517.8

1983

\$693.1

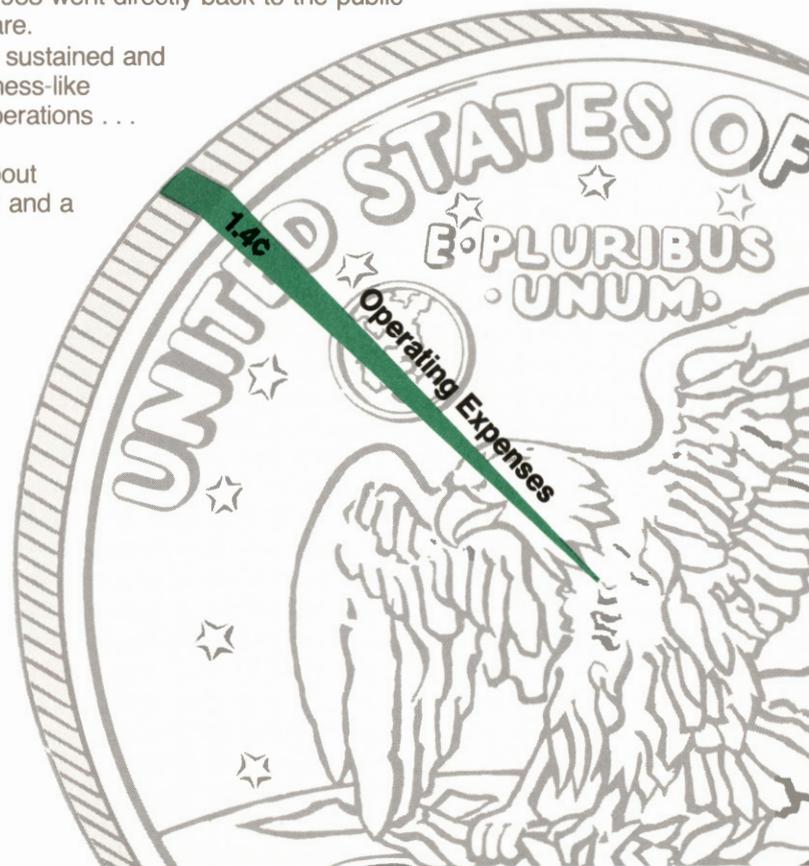
As has become its happy annual custom, the Lottery has far exceeded the requirement of state law that it contribute a minimum of 30 cents of every dollar it receives to the state. The Lottery's performance amounted to 42.6 cents of every dollar.

Thus, a total of 92.3 cents of every Lottery dollar in Fiscal 1983 went directly back to the public in prizes and to state funding for education and institutional care.

In shattering all previous records in Fiscal 1983, the Lottery sustained and strengthened its nationally respected reputation for tight, business-like administration. Only 1.4 cents of every dollar was spent for operations . . . and this included advertising and promotional expenses.

Governor Kean put it all into perspective when he talked about running a \$700 million business "with a tight operating budget and a cost-to-income ratio that would make any private business or public agency proud."

The Lottery's success was shared by the many small business people who make up the bulk of the Lottery's sales network of nearly 4,000 agents. The balance of the Lottery dollar in Fiscal 1983 went to agent commissions, to banks that handle tickets and Lottery funds, and to fees to private contractors who supply tickets and lease to the Lottery the highly sophisticated computerized sales system for numbers games. The Lottery pumped \$47.6 million into the economy in commissions and fees to them.



Leadership

Donald B. Valk, who holds the distinction of giving more continuous years of service to a state lottery than any other person in the nation, was elected chairman of the New Jersey Lottery Commission in April. James Cicalese was elected as vice chairman.

Mr. Valk is the only member of the original Lottery Commission in 1970 still serving. He has served under three Governors and has worked closely with six Lottery Executive Directors. During this time, he has contributed to and experienced with the Lottery a record of tremendous growth and pioneering innovation.

Mr. Valk, a resident of Madison, has been president since 1969 of Agric Machinery Corp. of Madison, which deals in equipment for the chemical and petrochemical industries.

Mr. Cicalese, a resident of Point Pleasant Beach, was appointed to the Lottery Commission in 1982 by Governor Kean. A well-known figure in Ocean County public affairs, he has served since 1978 as Director of the Ocean County Department of Insurance and Risk Management.

The Lottery Commission also was strengthened during the past year when the Legislature passed and Governor Kean signed a law that made State Treasurer Kenneth Biederman an ex-officio member of the Commission. The Division of State Lottery is part of the Department of Treasury.

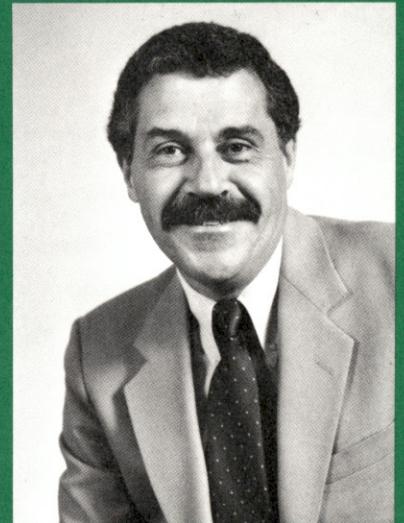
Mr. Biederman was nominated as Treasurer by Governor Kean on January 13, 1982, and was confirmed by the State Senate on February 1. At the time of his appointment, he had been executive vice president of City Federal Savings & Loan Association headquartered in Hillsborough. He is a resident of Pennington.

Jerome Seiden, a resident of West Orange, has been an active member of the Lottery Commission since February, 1976. Philip Gelber of Metuchen has served on the Lottery Commission since August, 1981.

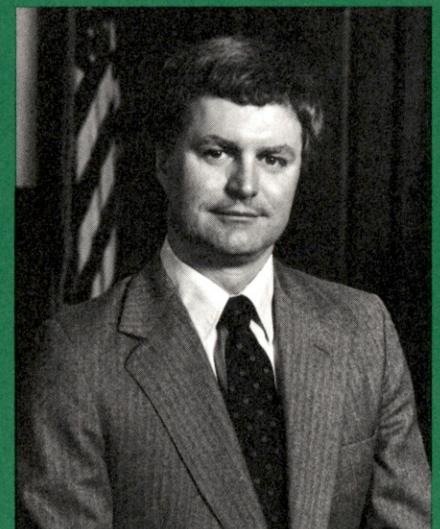
Commissioners



Donald B. Valk
Chairman

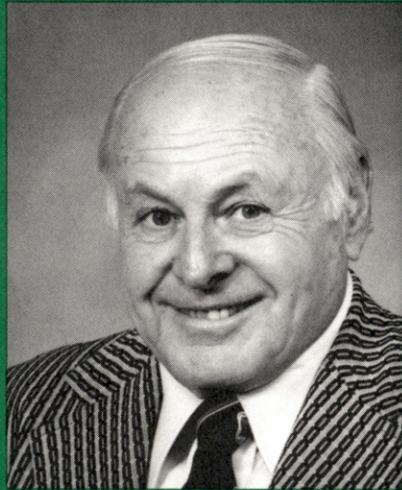


James Cicalese
Vice-Chairman

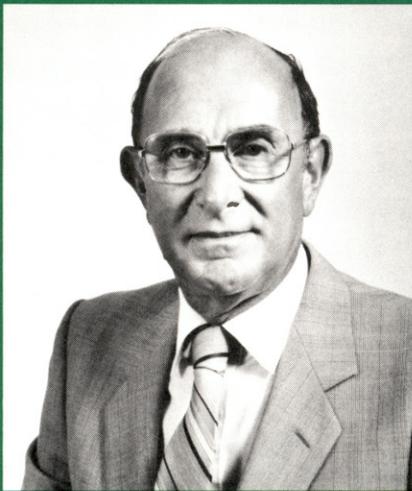


Kenneth R. Biederman
Commissioner/State Treasurer

Deputy Directors



Jerome Seiden
Commissioner



Philip Gelber
Commissioner



Joseph A. Mulé
Administration



Anthony J. Battista
Operations



Judith Shaw Berry
Marketing & Sales



John J. Majarwitz
Security & Audit



Barbara W. Steele
Planning & Research

The structure of the Lottery's top management team directly reflects the business-like philosophy that guides the Lottery's operations. While the Lottery's sales and number of game offerings have grown dramatically, the Lottery operates with the same total of five Deputy Directors with which it began back in 1970. This emphasis on economy has not been at the expense of efficiency, as the New Jersey Lottery has achieved a national reputation for the soundness of its operations.

The Right Numbers



May 22, 1975, is assured of a special place in Lottery history as the day that revolutionized the lottery industry throughout the nation. On that date, the trailblazing New Jersey Lottery introduced the first legal state lottery numbers game—the three-digit “Pick-It” daily game.

Despite many question marks and a goodly share of skeptics, the New Jersey Lottery put “Pick-It” on sale with a grand total of only 335 computer-linked machines to cover the entire state. After a hesitant start, the numbers game began to spark more and more public interest and acceptance.

During its first full year, Fiscal 1976, “Pick-It” produced \$53.2 million in gross sales, with a sales network that grew at year-end to 491 machines. In the next year, Fiscal 1977, sales nearly doubled to \$97.4 million, even though the number of vending machines increased only moderately to 733.

It was “Pick-It” which moved the New Jersey Lottery into the live television age in January 1977 when televised evening drawings of “Pick-It’s” three winning numbers began over the New Jersey Public Television Network.

“Pick-It” was on its way to a spectacular record of sustained annual leaps in sales. In Fiscal 1983, “Pick-It” generated \$391.2 million in sales, an increase of approximately \$40 million in one year. The sales network grew to 2,781 machines, providing coverage to every geographic part of New Jersey.

The true perspective of “Pick-It’s” skyrocketing growth is seen in the fact that, at year-end Fiscal 1983, it was averaging \$1.2 million in sales EVERY DAY.

Over its lifetime, “Pick-It” has accounted for a phenomenal \$1.8 billion in gross sales—or better than half of gross sales for the Lottery in its entire history. More importantly for the people of New Jersey, “Pick-It” has paid out nearly \$900 million in prizes and has contributed \$537 million to aid state education and institutions.



The success of “Pick-It” triggered a decision by the New Jersey Lottery on June 9, 1977 to introduce a weekly four-digit numbers game, “Pick-4,” which offered players the potential for bigger prize payoffs.

In its first full year, Fiscal 1978, “Pick-4” had a respectable performance in the marketplace with \$22.2 million in sales.

As the game’s popularity continues to grow steadily, the Lottery has increased the number of drawings each week. The initial expansion was to three weekly drawings - Monday, Wednesday and Friday.

Last May 16, Director Gluck, with the approval of the Lottery Commission, made “Pick-4” a daily game, with a Monday-through-Saturday drawing schedule. The change gives players the daily option of the traditional “Pick-It” three-digit game or the potential of bigger payoffs provided by “Pick-4.” To make the game even more attractive, the Lottery in May also expanded opportunities for combination (box) betting on “Pick-4.”

Again, the test of public approval of “Pick-4” has come in the marketplace, and the consumers have given a rousing affirmative answer.

In Fiscal 1983, “Pick-4” sales reached \$98.6 million, a \$35 million lead, or 55 per cent, over the previous year. In the space of only five years, “Pick-4” annual sales have nearly quintupled and were hitting about a half million dollars daily at year-end.

Over its lifetime, “Pick-4” has rewarded its patrons with a total of \$165 million in prizes.



The rising star of the New Jersey Lottery’s galaxy of numbers games is “Pick-6 Lotto,” the weekly game, which was born on May 9, 1980—five years after New Jersey launched the numbers games era of state lotteries.

In Fiscal 1983, “Pick-6” enjoyed a tremendous increase as gross sales shot up to \$140 million. This represented an unprecedented one-year leap of nearly \$100 million over the \$44.5 million in sales of Fiscal 1982.

The spark was the action taken by Director Gluck and the Lottery Commission on October 7, 1982, to switch the “Pick-6” top prize system from cash payouts to an annuity system. The twin effects—which the Lottery consumer has approved with enthusiasm in the marketplace—were to increase top prizes substantially to a minimum of well over a million dollars a week as a starting point and to ease the tax impact on winners through annual installment payments.

Where “Pick-6” had been generating about a million dollars in sales per week



\$98.



\$140 million
up 215%

1983

**Numbers Games
Gross Sales
1975-1983**

before the change, the game tripled its volume to an average of over \$3 million in sales each week by the end of Fiscal 1983. . .and the figure was going up and up as a new year began.

Less than two months after the new "Pick-6" prize system was instituted, a new Lottery word, "Lottomania," was born.

**23
BILLION**

PICK-IT
\$391.2 million
up 11%

PICK 4
6 billion
up 55%

\$351.9 million

\$63.6 million

\$44.5 million

New Jersey State Library

1982

The national, and even worldwide, spotlight focused on the New Jersey Lottery when the "Pick-6" drawing of December 2, 1982, featured the largest top prize ever offered by any lottery anywhere—a total of \$11.1 million. Four winners shared that bonanza with prizes of nearly \$2.8 million each, payable over 20 years. They received their first checks from Governor Kean at a special State House news conference jammed with newspaper, television and radio reporters. The excitement and overwhelming media coverage of that drawing produced record "Pick-6" sales of \$7.6 million for the week and \$3.4 million for one day on the Thursday of the drawing.

"Pick-6" gave New Jersey many more thrills in Fiscal 1983. It presented the Lottery with the 100th Millionaire in its history on April 28, 1983, when Mary Rettagliata, a 63-year-old widow from Hasbrouck Heights, won \$1.4 million, payable over 20 years.

Only two weeks earlier, on April 14, "Pick-6" provided the biggest single prize in New Jersey Lottery history when Erwin J. Ernst of Whiting took the entire top prize of nearly \$4.9 million, payable in installments.

The impact "Pick-6" is having on the membership rolls of one of the most exclusive clubs in the world—Lottery Millionaires—is demonstrated by these statistics from Fiscal 1983. During the year, the Lottery created a total of 27 new Millionaires; "Pick-6" produced 23 of them. Fiscal 1983 ended on a high note when Joseph B. Nitti of Toms River won the \$2.8 million "Pick-6" top prize on the final day of the year, June 30, thus becoming the Lottery's 106th Millionaire.

True to New Jersey's tradition of never resting on the status quo, Director Gluck and the Lottery Commission introduced more changes in "Pick-6" just before Fiscal 1983 ended. On May 12, the percentage of the prize pool was increased for those players who just miss the top prize by picking five of the numbers drawn. On the average, the change will add about \$100 to those prizes.

To boost the popular Bonus Drawing feature of "Pick-6," the Lottery on May 12 also doubled the top prize for Bonus Drawings from \$100,000 to \$200,000 in cash. Other substantially higher new Bonus prizes introduced were one second prize of \$50,000, one third prize of \$25,000, one fourth prize of \$10,000 and fifth through tenth prizes of \$2,500 each. Under the old prize structure, there had been one second prize of \$10,000 and \$1,000 awards for third through tenth prizes. Other finalists continue to receive consolation prizes of \$250 each.



100TH MILLIONAIRE 4/28/83: Mary Rettagliata (r) of Hasbrouck Heights, with Governor Thomas H. Kean and Director Hazel Gluck (l).



WINNERS OF \$11.1 MILLION 12/2/82: Pick-6 Drawing numbers, 3, 5, 12, 17, 18, 25. (l to r) Governor Thomas H. Kean, Solomon Bryant Jr., Nicholas and Olga Roccasanto, George and Amelia Rowbotham, Pasquale and Maria Desimone.



LARGEST SINGLE Pick-6 WINNERS, \$4,893,930, 4/14/83: Erwin (r) and Jean Ernst (l) of Whiting and Governor Thomas H. Kean, with Ernsts' son Robert looking on.

While the individual performances of the Lottery's three numbers games are most impressive when viewed individually, it is the cumulative impact of "Pick-It," "Pick-4" and "Pick-6" Lotto on the Lottery that is staggering.

As of the end of Fiscal 1983, the three numbers games had generated a combined total of more than \$2.3 billion in gross sales. Even though the first numbers game, "Pick-It," was not introduced until the Lottery was nearly five years old, the three games have accounted for some two-thirds of the Lottery's \$3.4 billion in gross sales over its entire history.

Of special significance to every citizen of New Jersey, the three numbers games have contributed more than \$980 million to the state to ease the burden on taxpayers of funding the state's educational and institutional needs. This represents more than half of the cumulative total of \$1.4 billion produced by the Lottery during its history for the state.

The three games in spectacular fashion have established themselves as the "Right Numbers for New Jersey."

New Jersey Lottery

Analysis of Machine Sales

| Fiscal Year | '75 | '76 | '77 | '78 | '79 | '80 | '81 | '82 | '83 | Total |
|---------------------------|-------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| "Pick-It" Started 5/22/75 | \$3,902,976 | 53,228,351 | 97,451,808 | 145,633,849 | 202,417,120 | 251,112,930 | 293,186,180 | 351,851,247 | 391,199,862 | \$1,789,984,323 |
| "Pick 4" Started 6/9/77 | | | \$903,017 | 22,287,620 | 34,239,834 | 54,177,252 | 56,743,241 | 63,616,474 | 98,685,011 | \$330,652,449 |
| "Pick 6" Started 5/9/80 | | | | | | 2,392,456 | 23,078,027 | 44,528,973 | 140,059,509 | \$210,058,965 |
| Totals | \$3,902,976 | 53,228,351 | 98,354,825 | 167,921,469 | 236,656,954 | 307,682,638 | 373,007,448 | 459,996,694 | 629,944,382 | \$2,330,695,737 |
| Terminals | 335 | 491 | 733 | 978 | 1,556 | 1,947 | 2,222 | 2,428 | 2,781 | |

Instant Games

Although overshadowed by the extraordinary success of the numbers games, the Lottery's series of colorful and imaginative instant games provided a substantial source of revenue. In Fiscal 1983, instant games produced sales of \$63.1 million, or 9.1 per cent of gross revenues. This was an increase of \$6.3 million over the previous year.

The Lottery continued to seek to stimulate consumer interest in the marketplace through short-duration, different-theme games.

Fiscal 1983's first instant game was "Cash for Life," which went on sale September 1 and featured a Grand Prize of \$1,000-a-week for life. It succeeded the "Baseball" instant game.

A colorful special holiday instant game, "Chimney Sweeps," went on sale as an overlay game on November 3. It offered instant cash prizes ranging from \$5 to \$100,000 to help lucky winners with their holiday shopping.

On November 24, the Lottery introduced the "Treasure Island" instant game, highlighted by a special new feature. In addition to the full range of instant cash prizes and a \$1 million Grand Prize, "Treasure Island" offered a chance for non-winners to compete in twelve Bonus Drawings to win vacation trips to Hawaii.

The "Double Dynamite" instant game followed on March 9. Again, it had something new and special—lucky dynamite sticks printed on tickets that instantly doubled the size of instant cash prizes.

Near the end of Fiscal 1983, an innovative instant game went before the public on May 25 as the Lottery's special effort to assist the state in promoting its tourism attractions. It was the "New Jersey and You" instant game. In addition to instant prizes as high as \$100,000 and a \$250,000 Grand Prize, the game featured bonus prizes of trips to New Jersey's recreational, entertainment and sports attractions. This made Fiscal 1983 the first year in which the Lottery offered its patrons two overlay games.

And just two weeks before the end of the Fiscal Year, the Lottery on June 15 introduced another instant game based on the ever-popular sports theme: "Grand Slam," the Lottery's colorful salute to a new baseball season.



"CASH FOR LIFE" Grand Prize Drawing Winner 2/2/83: Willie A. Ford of Newark, \$1,000-a-week for life.



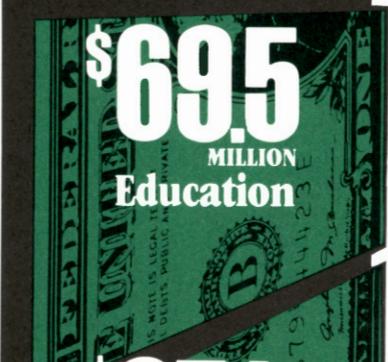
Everybody Is A Winner

From the mentally retarded to disabled veterans . . . from local school systems to county colleges struggling to meet rising costs . . . the services financed by the Lottery's record contribution of \$295 million to the state in Fiscal 1983 had a strong impact on the quality of life in New Jersey.

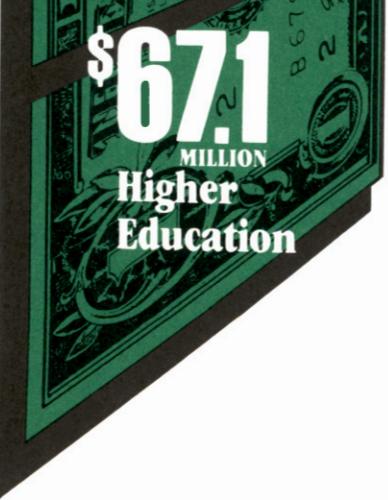
This impact is spelled out dramatically in the detailed accounting to the public of where the Lottery money goes that has been issued every year. By law, the state is mandated to use Lottery monies only for education and state institutions.



\$158.3
MILLION
State
Institutions



\$69.5
MILLION
Education



\$67.1
MILLION
Higher
Education



Key examples of how substantial portions of the Fiscal 1983 Lottery funds were allocated are:

- Schools for the mentally retarded and state psychiatric hospitals each received allocations of \$35 million, and correctional institutions received \$84.3 million,
- County colleges were aided by \$50 million and independent colleges and universities were assisted by \$10.9 million,
- Local school building aid and debt service received a total of \$48 million in Lottery funds and \$15 million went to non-public school aid,
- The state's homes for disabled veterans benefitted from \$4 million in Lottery monies and the Marie H. Katzenbach School for the Deaf received \$3.5 million.

The overall breakdown for Fiscal 1983 was \$158.3 million to State Institutions, \$69.5 million to Education and \$67.1 million to Higher Education.

These millions of dollars, which did not have to be raised from New Jersey individual and corporate taxpayers, accounted for 42.5 cents of every dollar the Lottery received in sales, far surpassing the statutory minimum of 30 cents. The overwhelming remaining portion of each dollar, 49.7 cents, was returned to many thousands of happy winners in prizes.

This record of performance by the Lottery had translated by year-end Fiscal 1983 into a cumulative total of \$1.44 billion to the state for institutions and education. Higher education received \$447.1 million; elementary and secondary education, \$410.5 million; and institutions, \$583.3 million.

General State Operations

6/30/83

| | |
|--|----------------------|
| Department of Corrections: | |
| Operation of correction institutions | \$ 84,375,421 |
| Department of Education: | |
| Marie H. Katzenbach School for the Deaf..... | 3,500,000 |
| Project COED | 2,000,000 |
| Department of Higher Education: | |
| Veterinary medicine education | 1,000,000 |
| Aid to independent colleges and universities..... | 10,900,000 |
| Schools of professional nursing..... | 1,400,000 |
| Dental school aid | 3,500,000 |
| Optometric education | 300,000 |
| Department of Human Services: | |
| Operation of homes for disabled veterans..... | 4,000,000 |
| Operation of schools for the mentally retarded..... | 35,000,000 |
| Operation of state psychiatric hospitals | 35,000,000 |
| Sub-Total | \$180,975,421 |

State Aid

| | |
|--|---------------|
| Department of Education: | |
| School building aid debt service..... | \$ 18,000,000 |
| Building Aid (NJSA 18A:7A-1 et seq.) | 30,000,000 |
| Non-public school aid..... | 15,000,000 |
| Educational Improvement Centers | 1,000,000 |
| Department of Higher Education: | |
| Aid to county colleges..... | \$ 50,000,000 |

Sub-Total \$114,000,000

Grand Total \$294,975,421

Revenue \$294,975,421



Comparative Statements of Revenues and Allocations of Revenues

| | 126 Months Ended June 30, 1981 | 12 Months Ended June 30, 1982 | 12 Months Ended June 30, 1983 | Totals | Percent of Total Revenues |
|--|--------------------------------------|-------------------------------------|-------------------------------------|------------------------|---------------------------------|
| Revenues | | | | | |
| Gross Sales..... | \$2,143,231,747 | \$517,810,709 | \$693,103,137 | \$3,354,145,593 | 100.0 |
| Less: | | | | | |
| Commissions to Agents and Banks..... | 121,109,612 | 29,409,863 | 38,784,621 | 189,304,096 | 5.6 |
| Game Contractor Fees | 56,968,190 | 7,596,810 | 8,831,364 | 73,396,364 | 2.2 |
| | 178,077,802 | 37,006,673 | 47,615,985 | 262,700,460 | 7.8 |
| Net Revenues..... | 1,965,153,945 | 480,804,036 | 645,487,152 | 3,091,445,133 | 92.2 |
| Less: | | | | | |
| Prize Expense..... | 1,041,052,292 | 258,434,052 | 344,605,078 | 1,644,091,422 | 49.0 |
| Operating Expense..... | 50,095,520 | 7,449,437 | 9,798,845 | 67,343,802 | 2.0 |
| Start Up Costs..... | 686,137 | — | — | 686,137 | — |
| Provision for Doubtful Accts..... | 200,000 | — | — | 200,000 | — |
| | 1,092,033,949 | 265,883,489 | 354,403,923 | 1,712,321,361 | 51.0 |
| Net Operating Revenue..... | 873,119,996 | 214,920,547 | 291,083,229 | 1,379,123,772 | 41.2 |
| Add: | | | | | |
| Other Income: | | | | | |
| Interest Income..... | 16,612,919 | 2,032,659 | 1,538,706 | 20,184,284 | .6 |
| Miscellaneous Income..... | 334,893 | 52,700 | 40,297 | 427,890 | — |
| Forfeited Prizes..... | 37,230,823 | 3,361,762 | 4,282,388 | 44,874,973 | 1.3 |
| | 54,178,635 | 5,447,121 | 5,861,391 | 65,487,147 | 1.9 |
| Total Funds Available for Aid to Education, State Institutions and Reserve for Encumbrances | 927,298,631 | 220,367,668 | 296,944,620 | 1,444,610,919 | 43.1 |
| Allocation of Funds Available: | | | | | |
| Contribution for Aid to Education and State Institutions..... | 925,787,327 | 220,297,110 | 294,975,421 | 1,441,059,858 | 43.0 |
| Reserve for Encumbrances | 1,511,304 | 70,558 | 1,969,199 | 3,551,061 | .1 |
| Total Contribution to Education, State Institutions and Reserve for Encumbrances | \$927,298,631 | \$220,367,668 | \$296,944,620 | \$1,444,610,919 | 43.1 |



Notes to Statements of Revenues and Allocation of Revenues

Note A—Significant Accounting Policies

Basis of Accounting: The New Jersey Lottery Commission (the Lottery Commission) prepares its financial statements using the modified accrual basis of accounting for a special revenue fund in accordance with Statement #1-Governmental Accounting, Auditing, and Financial Reporting Principles of the National Council on Government Accounting.

Revenue Recognition: Revenues from the sale of lottery tickets, bank and agent commissions, prize allocations and the prescribed contributions for aid to education and state institutions are recognized as follows:

1. For "Pick-It," "Pick-4" and "Pick-6 Lotto," on the drawing date,
2. For Instant games, on a weekly basis ending on Wednesday.

The Lottery Commission established the "Pick-It," "Pick-4" and "Pick-6 Lotto" games on May 22, 1975, June 9, 1977 and May 9, 1980, respectively. Sales from such games are handled exclusively by an independent contractor. The individual prizes for such lotteries are calculated by the contractor based on the number of winning tickets and the revenues generated by the drawing. Information is reported to the Lottery Commission on a daily basis and is summarized each week on Wednesday for recording by the Lottery Commission.

For instant games, the Lottery Commission records revenues and related commissions and allocations based on the total tickets which the agent has reported as sold during the weekly periods ending on Wednesday and, accordingly, revenues and related commissions and allocations are included in operations for the applicable period.

The following is a summary of the instant games which were in process during the period ended June 30, 1983:

| | Starting Date | Termination Date |
|--------------------|---------------|------------------|
| Baseball '82 | 5/26/82 | 8/31/82 |
| Cash for Life | 9/1/82 | 11/23/82 |
| Chimney Sweeps | 11/3/82 | 1/26/83 |
| Treasure Island | 11/24/82 | 3/8/83 |
| Double Dynamite | 3/9/83 | 6/14/83 |
| NJ and You Tourism | 5/25/83 | 9/14/83 |
| Grand Slam | 6/15/83 | 9/14/83 |

For instant games, certain tickets entitle the purchaser to one or two free tickets; gross revenues are recorded based on the amount realized by the Lottery and do not include the distribution of the free tickets.

Allocation of Revenues: As required by New Jersey law, at least 30% of gross revenues from ticket sales are required to be paid to the State Treasury for aid to education and state institutions.

Pursuant to this law, the Lottery Commission has also designated all unallocated revenues for aid to education and state institutions.

The Lottery Commission has designated that a minimum of 45% of gross revenues be reserved for prize awards, including agent bonuses.

Unclaimed Prizes: As required by New Jersey law, prizes not claimed within one year from the date of the drawing are forfeited and designated for aid to education and state institutions. The amount of \$4,282,388 which was forfeited in the twelve months ended June 30, 1983, represents unclaimed prizes for the period July 1, 1981, through June 30, 1982.

Note B—Reserve for Fund Balance

The amount of \$1,969,199 represents the net increase in the fund balance for the year ended June 30, 1983, and is comprised of the following:

| | |
|--|--------------------|
| Increase in reserve for encumbrances | \$ 754,573 |
| Increase in reserve for prize awards | 1,178,255 |
| Increase in reserve for bond insurance | 36,371 |
| | <u>\$1,969,199</u> |

Auditors Report

Ernst & Whinney

3131 Princeton Pike
Trenton, New Jersey 08648
609/896-3223

Ms. Hazel Frank Gluck
Executive Director
New Jersey Lottery Commission

We have examined the statements of revenues and allocation of revenues of the New Jersey Lottery Commission for the twelve months ended June 30, 1983 and 1982. 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 financial statements referred to above present fairly the results of operations of the New Jersey Lottery Commission for the twelve months ended June 30, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Trenton, New Jersey
September 20, 1983



**NEW JERSEY
LOTTERY**

Benefits Education
and Institutions

Thomas H. Kean
Governor

Donald B. Valk
Chairman

Hazel Frank Gluck
Executive Director