



New Jersey State Library

Annual Report 1980

Message from the Director

The New Jersey Lottery is celebrating its 10th anniversary and it is a birthday party in which we all can share.

All the citizens in New Jersey have shared the benefits of the nearly \$750 million the Lottery contributed to State aid to education and institutions through the end of the last fiscal year.

The Lottery's consumers have shared in more than \$834 million in prizes that have been generated.

Everyone who has been on the Lottery team over the past decade—the State Lottery Commission and previous executive directors, the management and staff of the Lottery and the agents in the field—can share the pride that comes with success. Gross sales have totaled over \$1.7 billion.

On Election Day back in 1969, more than 80 per cent of the voters of New Jersey gave an overwhelming mandate for establishment of a State Lottery. We believe the Lottery has met that trust. And we dedicate ourselves anew to continue to be worthy of the confidence of the people of New Jersey.

Financial Summary

Gross Revenues	\$348,631,456
Prize Allocation	\$173,765,988
Funds Available for Contribution to Education and State Institutions for Fiscal Year Ended June 30, 1980	\$145,876,569

This report contains audited fiscal 1980 (July 1, 1979–June 30, 1980) figures and editorial content updated through November 15, 1980.

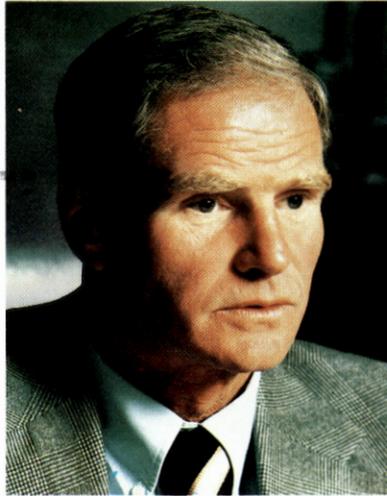
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Brendan Byrne
Governor

Gloria A. Decker
Executive Director



1980: Another Winning Year.

"Lottery Organization of the Year"
.....That high honor was awarded to the New Jersey State Lottery in Fiscal 1980. It set the stage as the Lottery moved into the exciting celebration of its 10th Birthday in the coming year.

The award by the prestigious Public Gaming Research Institute in Rockville, Maryland, brought national and international recognition to the New Jersey Lottery as an industry leader, innovator and trend-setter.

It was one of the highlights of another record-shattering year for the Lottery that saw gross sales soar over the \$300 million mark for the first time and new all-time highs set in prizes and revenue contributed to the State.

Leading the way was the phenomenal continuing growth of the Lottery's numbers games as "Pick-It" alone produced better than \$250 million in sales for the year.

Sales, Prizes, Contributions.

The outstanding performance of the Lottery resulted in these impressive statistics when the Fiscal Year ended on June 30, 1980:

Gross sales totaled \$348,631,456, an increase of \$50.8 million or 17 per cent over the previous year.

Prizes to the Lottery's consumers amounted to \$173,765,988, a jump of \$25.6 million or better than 17 per cent over last year.

The Lottery's contributions to the State for aid to education and institutions totaled \$145,876,569, representing a rise of \$23.8 million or nearly 20 per cent over the previous year.

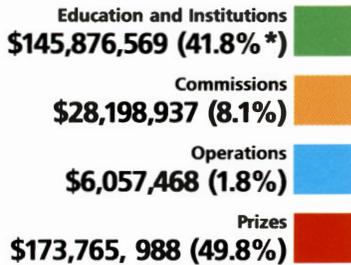
Those figures translated into a record that would warm the heart of the chief executive officer of any major corporation.

Of every dollar received in Fiscal 1980 by the Lottery, 49.8 cents went directly back to its consumers in prize payments. The State received 41.8 cents of every Lottery dollar, even though the law requires a minimum of only 30 cents.

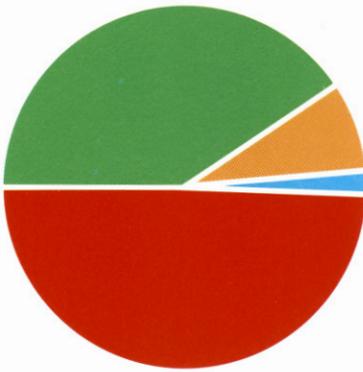
Thus, 91.6 cents out of every dollar collected by the Lottery went directly back to the consumer in prizes and to the State for education and institutions.

The Lottery ran this \$348 million business for the year with an expenditure of \$6,057,468 for operations, or only 1.8 cents of every Lottery dollar. The balance of 6.6 cents (after deducting 1.5 cents of other income) went for commission payments to Lottery agents and banks for handling and selling tickets and to contractors for the design and production of Lottery game tickets.

The "pie" figures are attributable to the 1980 Fiscal Year only.



*Percentage includes interest earned on investments and forfeitures.



The Numbers Games.

On May 22, "Pick-It" celebrated its fifth birthday as the nation's first legal Lottery numbers game. The astounding popularity the daily numbers game has generated in this relatively short period of time is a story in itself.

In Fiscal 1980, for example, "Pick-It" sales climbed to \$251,112,930—or 72 per cent of the Lottery's entire sales for the year. Just before the end of the year, on June 13, "Pick-It" generated sales of \$1 million for a single day!

Meanwhile, "Pick-It's" younger partner, the twice-weekly four-digit numbers game, "Pick-4," also sustained its impressive record of steady growth. The game expanded from one to two drawings a week last October. For the year, "Pick-4" sales totaled \$54,177,252 or 15.5 per cent of Lottery sales.

Together in Fiscal 1980, "Pick-It" and "Pick-4" accounted for better than \$305 million or 87.5 per cent of all the Lottery's sales.

Another new numbers game, the weekly "Pick-6 Lotto," joined the action in mid-May. In its first 1½ months before the Fiscal Year concluded, it contributed \$2,392,456 to the Lottery's gross revenues.

By the end of the Fiscal year, the Lottery's computerized sales network for numbers games had expanded to approximately 2,000 and was expected to increase to 2,300 in calendar 1980.

Other 1980 Games.

Other major revenue generators for the Fiscal Year were the now-concluded "Lottery Derby" instant game, which produced \$16,711,846 in sales for the year, and the "New Weekly" game. Before it was terminated last February, the "New Weekly" accounted for \$12,823,847 in sales.

During the year, the Lottery maintained its reputation for aggressive efforts to meet consumer desires and changing trends in the marketplace.

In another successful marriage with the Meadowlands sports complex showplace, the Lottery offered a special game, the "Meadowlands Sports Lottery," last October. The game concluded with a Grand Prize Drawing tied to a special harness race at The Meadowlands Racetrack on January 24. It decided big-money Lottery prizes topped by a cash award of \$100,000 to the first-place winner. The "Meadowlands Sports Lottery" produced sales of \$2,424,583.

To revitalize its weekly games, the Lottery last February introduced "Lottery Bingo," an entirely new type of weekly game based on the very popular Bingo format. In five months before the Fiscal Year concluded, it had \$9,097,746 in sales.

As it prepared for its big 10th Birthday Party, the New Jersey Lottery—the nation's "Lottery Organization of the Year"—looked forward with confidence to the challenges ahead.

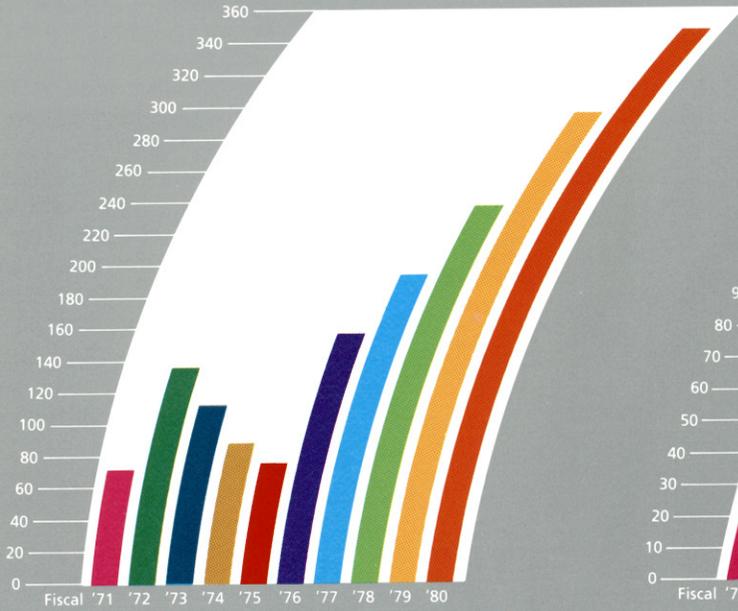


Members of the New Jersey State Lottery Commission

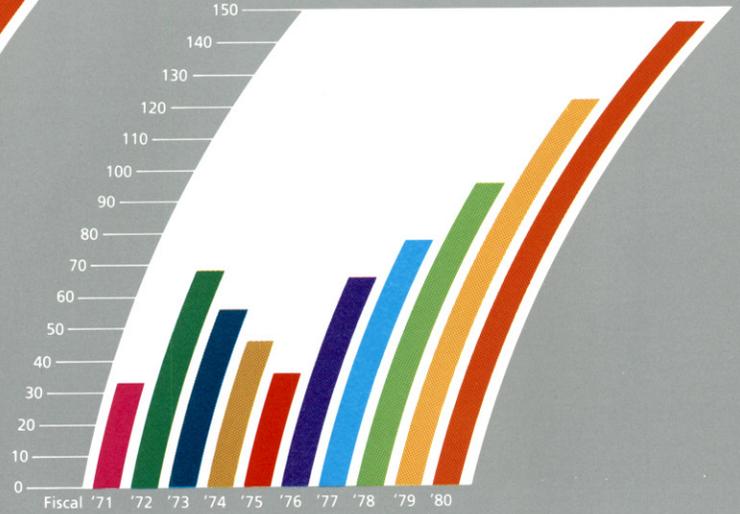
(standing) Reese Palley of Atlantic City, Chairman; Jerome Seiden of West Orange; (seated—from left) Donald B. Valk of Madison; James J. Flynn, Jr., of Perth Amboy, Vice Chairman; John L. Keaveney of Shrewsbury.



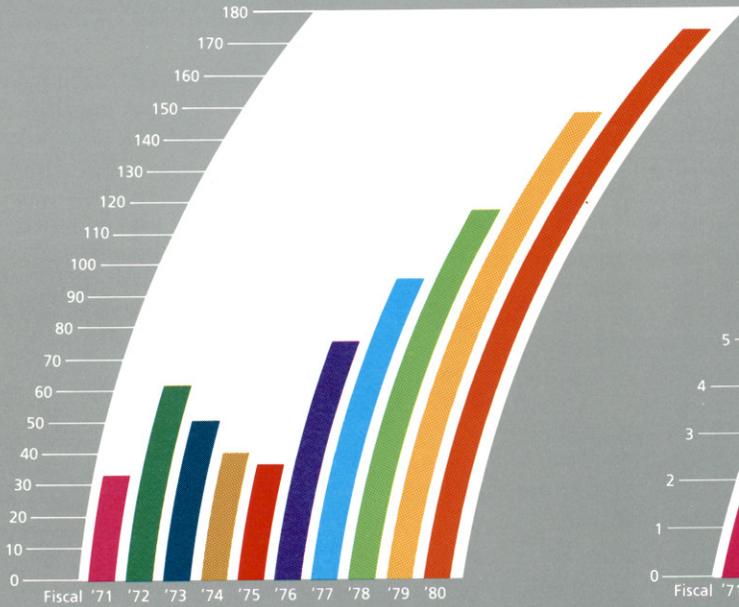
Gross Revenues



Allocated to Education and Institutions

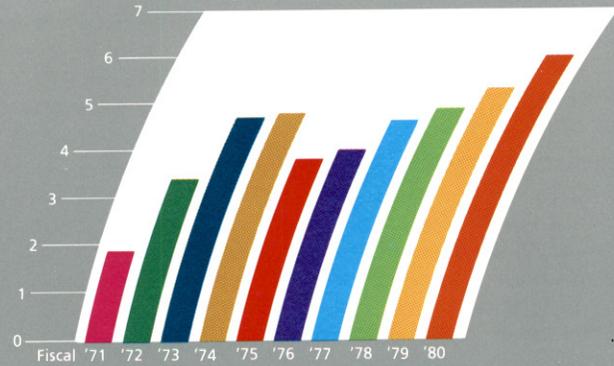


Allocated to Prizes



All figures in millions.

Operating Expenses



10 YEARS A REMARKABLE



In one of the most overwhelming public mandates in New Jersey's history, the voters on November 11, 1969, approved a referendum on whether to establish a State Lottery. A total of nearly 1.6 million voters, or 81.5 per cent of those who went to the polls, voted for a Lottery.

The Legislature passed a law establishing the New Jersey State Lottery and it was signed on February 16, 1970, by then Governor William T. Cahill. It required that a minimum of 30 per cent of all Lottery revenues go to the State for education and institutions.

The first New Jersey Lottery Commission was sworn into office on April 2, 1970, and Ralph F. Batch

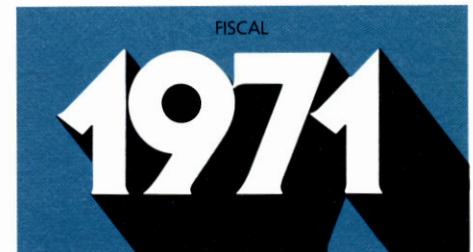
was appointed as the first Executive Director. Dr. Thomas E. Maggio was elected as the commission's first chairman.

The New Jersey Lottery was officially born on December 16, 1970, when the first 50-cent Weekly Lottery tickets went on sale. This began a dynamic decade which has seen the Lottery earn a national reputation for success, integrity, sound business-like operation, innovation and pioneering in the Lottery industry.

As the Lottery observes its 10th Birthday, this is the overall record of accomplishment it celebrates:

- Gross sales of \$1,726,199,148 and rapidly approaching the \$2 Billion plateau.
- Prizes totaling \$834,141,689, accounting for 48.4 per cent of all dollars collected by the Lottery.
- Contributions to the State for aid to education and institutions totaling \$749,809,615. This amounts to 43.4 per cent of all Lottery revenues—well above the 30 per cent required by law.

How that outstanding record was achieved is told in the year-by-year highlights of the Lottery's history.



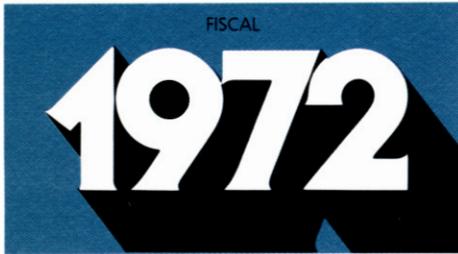
The New Jersey Lottery was the first to conduct weekly drawings with a 50-cent ticket and prizes based on a six-digit number. This concept was quickly adopted by seven other states, with only slight variations. The first Weekly Lottery drawing was held January 7, 1971, in the State Museum Auditorium, Trenton.

"The Weekly"

The first Millionaire Drawing held by any State Lottery took place on St. Patrick's Day, March 17, 1971, in Trenton's War Memorial Building. Edward Henry of Morristown became the first of 70 new Millionaires created by the Lottery during its opening decade.

IN REVIEW... SUCCESS STORY.

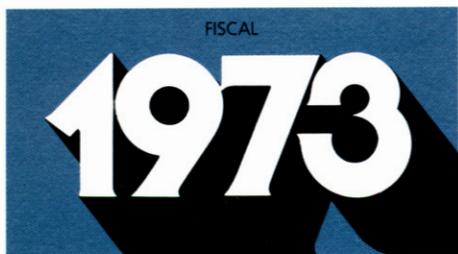
For the first six months of the Lottery included in this Fiscal Year, the Lottery had gross sales of \$72.7 million, paid \$32.7 million in prizes and contributed \$33.3 million to the State.



The Lottery continued to build and expand. A sales network of approximately 4,000 Lottery agents and 250 coin-actuated machines was put in place.

The first full year of Lottery operations resulted in gross sales of \$137,538,895—a mark which was not to be topped for four years. Lottery players won \$61.8 million in prizes and the State received \$69 million for education and institutions.

The Clover Club



The first Daily Lottery offered by any State went on sale on November 29, 1972.

"The Daily"

The Lottery Telephone Information Service was instituted as a joint service of the Lottery and New Jersey Bell Telephone Company to provide continuous recorded announcements of winning Lottery numbers. The Lottery's sales network of computer-linked machines doubled to 500.

Gross sales hit \$112.6 million, with \$50.7 million paid in prizes and \$56.6 million going to the State.



It was a year of learning and planning for dramatic future changes as the New Jersey Lottery, along with other states, suffered from the impact of recession.

In early 1974, Charles C. Carella succeeded Mr. Batch as executive director.

Both the Weekly and Daily Lotteries underwent facelifts to offer more attractive prize structures.

**JERSEY
SWEEPSTAKES**

The first special game, "Jersey Sweepstakes," was introduced, combining big Lottery prizes and a major horse race at Monmouth Park on October 26, 1974. The game sold \$2 million in tickets.

Gross sales for the year amounted to \$89.2 million, with \$40.2 million in prizes and \$46.3 million to the State.



This was a year of innovation and historic Lottery "firsts."

On May 22, 1975, just before the Fiscal Year ended, the New Jersey Lottery introduced the nation's first legal daily numbers game. It was an event which was to revolutionize the legal Lottery business.

PICK-IT

"Pick-It" went on sale at 350 computer-linked machines throughout the State.

One month later, the Lottery gave its customers New Jersey's first instant game, "7-11-21." It

7-11-21

quickly became one of the most successful instant lotteries of any state, grossing \$29 million in sales.

10 YEARS A REMARKABLE

It provided what was then the biggest prize in Lottery history—\$1,000 a week for life.

A new weekly game, "Jersey Jackpot," was introduced in November 1974. It featured simplicity of play, twice as many winners and a Jackpot prize of \$250,000.



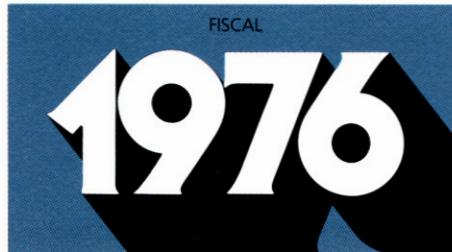
JERSEY JACKPOT

"Jersey Sweepstakes II," another successful combination of the Lottery and a horse race, was held April 26, 1975, at Garden State Park. It was the first time an entire Lottery event was televised statewide.

JERSEY SWEEPSTAKES II

Mr. Carella resigned to become Executive Secretary to the Governor in the spring of 1975 and was succeeded by Beatrice Tylutki as Acting Executive Director. Donald B. Valk was elected in November as chairman of the Lottery Commission.

Gross sales for the year were \$76.8 million, with \$36.7 million in prizes and \$36.1 million to the State.



The most successful financial year in the Lottery's history touched off a series of one record-breaking year after another. Gross sales jumped to \$158.3 million, prizes to \$75.8 million and contributions to the State to \$66.1 million. All doubled the previous year's figures as the full impact of the numbers and instant games were felt for the first time.

Henry N. Luther III was appointed Executive Director in the fall.

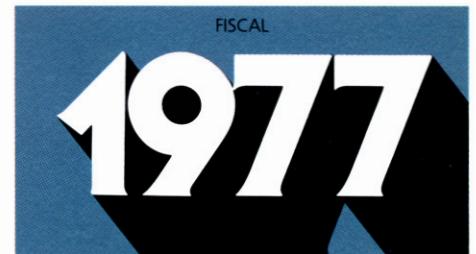
The number of "Pick-It" machines was expanded to 500. In its first full year, "Pick-It" generated sales of \$53.2 million and was so successful that the Lottery was able to terminate the old Daily Lottery game at the end of 1975.



The Lottery helped launch the Bicentennial celebration with the "1776" instant game, which smashed the record for the biggest Lottery prize with a payoff of \$1,776 a week for life.



"The Garden Stakes," was introduced in April 1976, combining a weekly Lottery game with 16 different ways to win up to \$50,000. The Grand Prize of \$1 million was decided by a thoroughbred race at Monmouth Park.



New records again—with gross sales of \$194 million, prizes of \$95.8 million and State contributions of \$78.1 million.

The Lottery moved into the television age when televised "Pick-It" evening drawings over New Jersey Public Television began in January.

Just before year-end, "Pick-4" was introduced on June 9 as a weekly four-digit numbers game



IN REVIEW... SUCCESS STORY.

offering the potential for bigger prize payoffs. The first drawing on June 16 produced a huge payoff of \$14,116.50 for a 50-cent bet.

The "Presidential" instant lottery game began in August 1976 and was geared to the Bicentennial Presidential Election Year. It sold more than \$30 million in tickets.

The N.J. Presidential INSTANT LOTTERY

The "Play Cards" instant game followed in March with a totally different concept. To sustain public interest, "Play Cards" provided three different card games during its lifetime. The game sold out with \$36 million in gross revenues.



"Touchdown," a special game with a football theme, began in December 1976 and culminated in a Super Bowl '77 Drawing with a \$1 million top prize. It had sales of \$4.7 million.

TOUCHDOWN!



Mr. Luther was succeeded in March as Executive Director by Gloria A. Decker, who had been Deputy Director for Planning and Research. Reese Palley was elected on June 1 as Lottery Commission Chairman.



The New Jersey Lottery became a Billionaire! The magic moment came in March 1978 when Governor Brendan Byrne announced that the \$1 Billion mark in gross sales had been passed just seven years and four months after the first ticket was sold.

The \$200 million mark in gross sales was broken for the year, with \$238.2 million in sales. In another first, the Lottery topped the \$100 million level in prizes with \$118.2 million. Contributions to the State rose to \$96 million. "Pick-It" went over the \$100 million plateau in sales for the year.

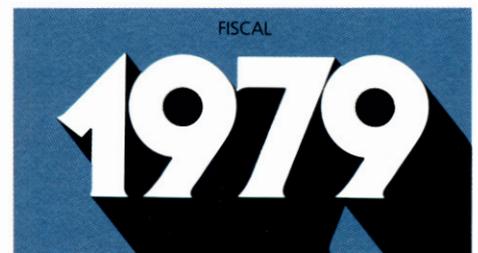
Lucky Horoscope

"Lucky Horoscope," based on the 12 signs of the Zodiac, set a sales record of \$39.7 million for an instant game.



The "New Weekly" game was born on September 7, 1978, to replace the "Jersey Jackpot." It responded to public requests for more smaller and medium prizes.

As the year ended, a new instant game, "Jersey Casino," was introduced in June to salute the arrival of casino gambling in Atlantic City.



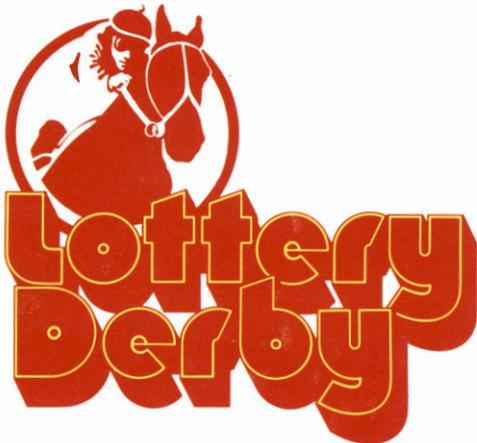
"Pick-It" wrote the biggest story in another year of new records when it went over \$202 million in sales, producing two-thirds of all Lottery gross revenues.

For the first time, the Lottery surpassed the \$100 million mark in its contributions to the State with \$122 million. This was generated by all-time high gross sales of \$297.9 million. Prizes of \$148.1 million set another record.

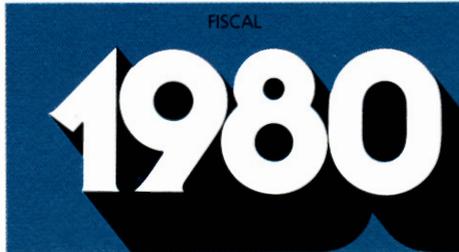
10 YEARS IN REVIEW.. A REMARKABLE SUCCESS STORY.

American Totalisator Company was the low bidder in the competition for the contract to operate and expand the Lottery's computerized sales network to 2,300 machines.

"Jersey Casino" ended in April 1979 with gross sales of \$29 million. It was succeeded in May by the Lottery's seventh instant game, "Lottery Derby," with a horse-racing motif.



The Lottery and the Meadowlands sports complex joined in "Holiday Sweepstakes," a special game with \$5 tickets. The climax was a special thoroughbred race at The Meadowlands on December 27 which determined Lottery prizes as high as \$100,000 before a crowd of 31,000.



The outstanding performance of the Lottery continued to make 1980 another record-shattering year. Gross sales totaled over \$348.6 million. Prizes of \$173.7 million and contributions of \$145.8 million to the State for aid to education and institutions established new records as well.

"Pick-It" continued to grow as New Jersey's favorite Lottery game and "Pick-4," expanding from one to two drawings a week, also maintained its steady growth.



In October, the Lottery joined again with the Meadowlands Sports Complex to offer a special game called "The Meadowlands Sports Lottery" which resulted in gross sales of \$2.4 million.



A new weekly game, "Lottery Bingo," was introduced in February and became an immediate

success, producing over \$9 million in revenues by the end of the Fiscal Year.

In mid-May, as the 1980 Fiscal Year drew to a close, a new numbers game called "Pick-6 Lotto" joined the action and in 45 days added almost \$2.4 million to gross revenues.



In the 9½ years beginning December, 1970 and ending June 30, 1980, the New Jersey State Lottery, through its dynamism and innovative leadership, became one of the most successful Lotteries in the nation.

As it concludes one decade, it looks forward to the next with optimism for future success.



10 Years of Growth

Revenues:	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Gross Sales	\$72,719,448	\$137,538,895	\$112,694,084	\$89,219,984	\$76,819,817	\$158,364,188	\$194,043,671	\$238,262,327	\$297,905,278	\$348,631,456
Less:										
Commissions to Agents & Banks ..	4,022,207	7,879,085	7,410,047	5,807,963	3,906,134	9,109,465	11,470,817	13,485,209	15,845,636	18,511,629
Game Contractor Fees	—	—	—	—	1,785,150	7,183,121	8,520,234	9,543,684	13,513,709	9,687,308
Net Revenue	\$68,697,241	\$129,659,810	\$105,284,037	\$83,412,021	\$71,128,533	\$142,071,602	\$174,052,620	\$215,233,434	\$268,545,933	\$320,432,519
Less:										
Prize Expenses	\$32,723,752	\$ 61,892,503	\$ 50,712,338	\$40,237,340	\$36,719,260	\$ 75,833,447	\$ 95,852,559	\$118,224,639	\$148,179,863	\$173,765,988
Operating Expense	1,925,286	3,405,475	4,735,340	4,856,703	3,779,005	4,047,946	4,599,656	4,930,765	5,294,558	6,057,468
Start-Up Costs	686,137	—	—	—	—	—	—	—	—	—
Provision for Doubtful Accounts ...	—	—	—	—	150,000	—	—	(100,000)	150,000	—
	\$35,335,175	\$ 65,297,978	\$ 55,447,678	\$45,094,043	\$40,648,265	\$ 79,881,393	\$100,452,215	\$123,055,404	\$153,624,421	\$179,823,456
Net Operating Revenue	\$33,362,066	\$ 64,361,832	\$ 49,836,359	\$38,317,978	\$30,480,268	\$ 62,190,209	\$ 73,600,405	\$ 92,178,030	\$114,921,512	\$140,609,063
Add:										
Other Income:										
Interest Income	—	\$ 2,625,865	\$ 1,906,614	\$ 2,569,429	\$ 1,578,042	\$ 899,449	\$ 882,708	1,120,234	1,994,249	1,748,181
Miscellaneous Income	—	25,000	79,812	(935)	5,005	86,771	4,051	21,098	15,317	1,844
Forfeited Prizes	—	1,985,340	4,866,280	5,507,919	4,069,848	2,941,893	3,667,579	2,721,289	5,111,530	3,517,481
	—	\$ 4,636,205	\$ 6,852,706	\$ 8,076,413	\$ 5,652,895	\$ 3,928,113	\$ 4,554,338	\$ 3,862,621	\$ 7,121,096	\$ 5,267,506
Total Contribution Available for Aid to Education and State Institutions ...	\$33,362,066	\$ 68,998,037	\$ 56,689,065	\$46,394,391	\$36,133,163	\$ 66,118,322	\$ 78,154,743	\$ 96,040,651	\$122,042,608	\$145,876,569
Total Contribution Allocated and Payable for Aid to Education and State Institutions:										
30% of Gross Sales	\$21,815,834	\$ 41,261,670	\$ 33,808,225	\$26,765,995	\$23,045,945	\$ 47,509,256	\$ 58,213,107	\$ 71,478,698	\$ 89,371,583	\$104,589,437
Contribution in Excess of Statutory Mandate	11,546,232	27,736,367	22,880,840	19,628,396	13,087,218	18,609,066	19,941,636	24,561,953	32,671,025	41,287,132
Total Contribution to Education and State Institutions	\$33,362,066	\$ 68,998,037	\$ 56,689,065	\$46,394,391	\$36,133,163	\$ 66,118,322	\$ 78,154,743	\$ 96,040,651	\$122,042,608	\$145,876,569

Comparative Statements of Revenues and Allocations of Revenues

	90 Months Ended June 30, 1978	12 Months Ended June 30, 1979	12 Months Ended June 30, 1980	Total	Percent of Total Revenues
Revenues:					
Gross Sales	\$1,079,662,414	\$297,905,278	\$348,631,456	\$1,726,199,148	100.0%
Less:					
Commissions to Agents and Banks	63,090,927	15,845,636	18,511,629	97,448,192	5.7%
Game Contractor Fees	27,032,189	13,513,709	9,687,308	50,233,206	2.9%
Net Revenue	\$ 989,539,298	\$268,545,933	\$320,432,519	\$1,578,517,750	91.4%
Less:					
Prize Expense	\$ 512,195,838	\$148,179,863	\$173,765,988	\$ 834,141,689	48.4%
Operating Expense	32,280,176	5,294,558	6,057,468	43,632,202	2.5%
Start-Up Costs	686,137	—	—	686,137	—
Provision for Doubtful Accounts .	50,000	150,000	—	200,000	—
	\$ 545,212,151	\$153,624,421	\$179,823,456	\$878,660,028	50.9%
Net Operating Revenue	\$ 444,327,147	\$114,921,512	\$140,609,063	\$ 699,857,722	40.5%
Add:					
Other Income:					
Interest Income	\$ 11,582,341	\$ 1,994,249	\$ 1,748,181	\$ 15,324,771	.9%
Miscellaneous Income	220,802	15,317	1,844	237,963	—
Forfeited Prizes	25,760,148	5,111,530	3,517,481	34,389,159	2.0%
	\$ 37,563,291	\$ 7,121,096	\$ 5,267,506	\$ 49,951,893	2.9%
Total Contribution Available for Aid to Education and State Institutions	\$ 481,890,438	\$122,042,608	\$145,876,569	\$ 749,809,615	43.4%
Total Contribution Allocated and Payable for Aid to Education and State Institutions:					
30% of Gross Sales	\$ 323,898,730	\$ 89,371,583	\$104,589,437	\$ 517,859,750	30.0%
Contribution in Excess of Statutory Mandate	157,991,708	32,671,025	41,287,132	231,949,865	13.4%
Total Contribution to Education and State Institutions	\$ 481,890,438	\$122,042,608	\$145,876,569	\$ 749,809,615	43.4%
		See Note to Statements of Revenues and Allocations of Revenues			

Details of new, additional and continued Education and Institution Costs to which State Lottery Resources are Applied in Fiscal Year 1979-80.

1980 contribution to Education & Institutions	\$145,876,569
Add: Accumulated surpluses from prior fiscal years	28,662,794
Total contributions to Education & Institutions	<u>\$174,539,363</u>

GENERAL STATE OPERATIONS

Department of Corrections	
Education Program	\$ 2,032,203
Operation of Correction Institutions	46,733,007
Department of Education	
Education Program—Garden State School District	297,477
Project COED	1,134,578
Department of Higher Education	
Aid to independent colleges and universities	6,447,104
Schools of professional nursing	617,367
Dental school aid	2,125,291
Department of Human Services	
Operation of schools for the mentally retarded	27,425,831
Operation of State psychiatric hospitals	15,015,239
Sub-total	<u>\$101,828,097</u>

STATE AID

Department of Education	
School building aid debt service	\$ 11,219,955
Building Aid (NJSA 18A:7A-1 et seq.)	14,089,104
Non-public school aid	7,703,093
Educational Improvement Centers	1,792,396
Department of Higher Education	
Aid to county colleges	37,906,718
Sub-Total	<u>72,711,266</u>
Grand Total, Fiscal Year 1979-80	<u>\$174,539,363</u>

Note to Statements of Revenues and Allocation of Revenues Summary of Significant Accounting Policies

Recognition of Revenues and Operating Expenses:

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

1. For Weekly, Lottery Bingo, Pick-It, Pick-4 and Pick-6 lotteries, on the drawing date.
2. For Instant lotteries, on a weekly basis ending on Wednesday.

On May 22, 1975, the Lottery Commission established the Pick-It game, sales of which are handled exclusively by an independent contractor. The individual prizes for the Pick-It lottery are calculated by the contractor based on the number of winning tickets and the revenues generated by each 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.

On June 9, 1977, the Lottery Commission established the Pick-4 game. Revenues and related commissions and allocations for this game are recorded in the same manner as described in the preceding paragraph for the Pick-It game.

On May 9, 1980, the Lottery Commission established the Pick-6 "Lotto" game. Revenues and related commissions for this game are recorded in the same manner as described in the preceding paragraph for the Pick-It game.

On May 16, 1979, the Lottery Commission established the Lottery Derby Instant Lottery. 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 contractor compensation have been included in operations for the applicable periods. On July 16, 1980 the Lottery Derby Instant Lottery was terminated after being offered for a period of sixty-one weeks.

On October 10, 1979, the Lottery Commission established the Meadowlands Sports Lottery which was offered for a period of ten weeks. Revenues and related commissions and allocations for this game were recorded in the same manner as for the weekly lottery games.

On February 6, 1980, the Lottery Commission established the Lottery Bingo Game. Revenues and related commissions and allocations for this game are recorded in the same manner as for the weekly lottery games.

On September 24, 1980, the Lottery Commission established the "3-of-A-Kind" Instant Lottery. Revenues and related commissions for this game will be recorded in the same manner as described in the aforementioned paragraph for Lottery Derby Instant Lottery. This game will be offered for a period of approximately fourteen weeks.

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 distribution of such free tickets.

Clover Club and Pick-4 Club revenues that were applicable to future lotteries were deferred and recognized on the drawing date. On February 14, 1980, the Weekly Game which included the Clover Club was terminated. On September 28, 1979 the Pick-4 Club was terminated.

Sales adjustments are recorded based upon final reconciliations prepared after

the termination of a Lottery game.

The principal operating expenses (advertising, data processing, printing and telephone) are recorded based upon the projected annual cost adjusted for changes relating to the current year and are allocated to the current and succeeding months equally.

When it is determined that specific items, which have been encumbered and included in expenses for a prior year, have not in fact been expended, the obligations are cancelled and offset against current operating expenses.

Inventories and Equipment:

The Lottery Commission does not capitalize ticket inventories and equipment. These items are not material in amount and are recorded as expenses as described above.

Allocation of Revenues

As required by law, at least 30% of gross revenues from ticket sales and unallocated revenues are paid to the State Treasury for aid to education and State institutions.

The Lottery Commission has designated that a minimum of 45% of gross revenues be reserved for prizes and agent bonuses.

Undaimed Prizes:

As required by the New Jersey State Lottery Law, prize monies not claimed within one year from date of drawing are forfeited and designated for aid to education and State institutions. The amounts of \$3,517,481 and \$5,111,530 represent unclaimed prizes for the periods July 1, 1978 through June 30, 1979 and July 1, 1977 through June 30, 1978, respectively.

GRANET AND GRANET
CERTIFIED PUBLIC ACCOUNTANTS
1605 Vauxhall Road • Union, N.J. 07083

September 30, 1980

Mrs. Gloria A. Decker
Executive Director
New Jersey State Lottery Commission
West State and Willow Street
Trenton, New Jersey 08625

We have examined the accompanying statements of revenues and allocation of revenues of the New Jersey State Lottery Commission for the twelve months ended June 30, 1980 and 1979. Our examination was 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 accompanying statements of revenues and allocation of revenues of the New Jersey State Lottery Commission present fairly the results of operations for the twelve months ended June 30, 1980 and 1979, in conformity with generally accepted accounting principles applied on a consistent basis.

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GRANET AND GRANET

Members of the Lottery Team

(Standing, from left) Michael D. DeCicco, Deputy Director/Operations; Carl F. Russo, Deputy Director/Security & Audit; John Burke, Deputy Director/Planning & Research.
 (Seated, from left) William Mulcahy, Deputy Director/Marketing & Sales; Joseph A. Mulé, Deputy Director.

