



# Comparative Statements

Statements Of Revenues, Expenditures And Changes  
In Fund Balance

	Comparative 198 Months *Ended June 30, 1987	12 Months Ended June 30, 1988	12 Months Ended June 30, 1989	Comparative 222 Months Ended June 30, 1989	%
Gross Sales	\$7,233,857,873	\$1,174,330,047	\$1,247,025,349	\$9,655,213,259	100.00%
LESS:					
Commission Agts. & Banks	399,341,790	63,194,583	67,708,114	530,244,487	5.49%
Game Contractor Fees	132,548,525	19,010,621	20,124,954	171,684,110	1.78%
Courier Collection Fee	3,891,854	894,732	925,101	5,711,687	0.06%
	535,782,169	83,099,936	88,758,179	707,640,284	7.33%
Net Revenue	6,698,075,704	1,091,230,111	1,158,267,170	8,947,572,985	92.67%
LESS:					
Prize Expense	3,582,810,134	584,927,259	622,287,935	4,790,025,328	49.61%
Operating Expenses	140,368,391	20,519,357	21,059,346	181,947,094	1.88%
Start up Costs	686,137	—	—	686,137	0.01%
Prov Doubtful Accts	200,000	—	—	200,000	0.00%
	3,724,064,662	605,446,616	643,347,281	4,972,858,559	51.50%
Net Operating Revenue	2,974,011,042	485,783,495	514,919,889	3,974,714,426	41.17%
Other Income:					
Interest Income	28,904,386	2,640,726	3,259,254	34,804,366	0.36%
Miscellaneous Income	1,110,545	197,465	348,510	1,656,520	0.02%
Forfeited Prizes	80,677,649	13,611,487	13,722,181	108,011,317	1.12%
	110,692,580	16,449,678	17,329,945	144,472,203	1.50%
Total Available For Aid To Education, State Institutions, And Change In Fund Balance	3,084,703,622	502,233,173	532,249,834	4,119,186,629	42.67%
Contribution For Aid To Education & State Institutions	3,082,937,841	500,990,224	531,315,983	4,115,244,048	42.62%
Net Increase In Fund Balance	1,765,781	1,242,949	933,851	3,942,581	0.05%
Fund Balance, Beginning Of Period	0	1,765,781	3,008,730	0	0.00%
Fund Balance, End Of Period	\$1,765,781	\$3,008,730	\$3,942,581	\$3,942,581	0.05%

See Accompanying Notes To Financial Statements

\*Figures Not Covered By Independent  
Auditors Report

# Balance Sheet

June 30, 1989  
With Comparative Total Memorandum Figures for 1988

	Lottery Special Revenue Fund	Lottery Agency Fund	Lottery Administrative Fund	Total (memorandum only)	
				1989	1988
<b>ASSETS</b>					
Cash	\$ 1,490,372	—	196,577	1,686,949	654,712
Accounts Receivable, Net	9,677,835	—	—	9,677,835	19,832,444
Interfund Receivable	—		1,066,290	1,066,290	2,633,452
<b>Investments:</b>					
Deposit Fund Contracts	—	408,810,853	—	408,810,853	342,101,583
State Of New Jersey					
Cash Management Fund	60,364,669	—	—	60,364,669	44,408,533
Deferred Expenses	1,848,747	—	—	1,848,747	1,967,320
<b>Total Assets</b>	<b>\$73,381,623</b>	<b>408,810,853</b>	<b>1,262,867</b>	<b>483,455,343</b>	<b>411,598,044</b>

## LIABILITIES AND FUND BALANCE

### Liabilities:

Accounts Payable					
And Accrued Liabilities	\$ 1,554,980	—	820,570	2,375,550	4,252,846
Obligation For Unpaid Prize Awards	30,944,086	—	—	30,944,086	25,611,209
Due To State Of New Jersey - Education	36,315,983	—	—	36,315,983	33,990,224
Interfund Payable - Administration	1,066,290	—	—	1,066,290	2,633,452
Installment Prize Obligations	—	408,810,853	—	408,810,853	342,101,583
<b>Total Liabilities</b>	<b>\$69,881,339</b>	<b>408,810,853</b>	<b>820,570</b>	<b>479,512,762</b>	<b>408,589,314</b>

### Fund Balance:

Reserved For Encumbrances	—	—	442,297	442,297	375,331
Reserved For Prize Awards	3,250,284	—	—	3,250,284	2,383,399
Reserved For Bond Insurance	250,000	—	—	250,000	250,000
<b>Total Fund Balance</b>	<b>3,500,284</b>	<b>—</b>	<b>442,297</b>	<b>3,942,581</b>	<b>3,008,730</b>
<b>Total Liabilities And Fund Balance</b>	<b>\$73,381,623</b>	<b>408,810,853</b>	<b>1,262,867</b>	<b>483,455,343</b>	<b>411,598,044</b>

See Accompanying Notes To Financial Statements

# Notes to Financial Statements

# Independent Auditors' Report

New Jersey State Lottery Commission  
June 30, 1989 and 1988

**(I) Organization and Accounting Practices**  
**Authorizing legislation:**

The New Jersey State Lottery Commission (the Commission) was established in 1970 pursuant to the "State Lottery Law," N.J.S.A. 5:9-1, et seq. The Commission is within the Department of Treasury of the State of New Jersey. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the price or prices of tickets and the number and size of prizes on winning tickets, the licensing of agents and the apportionment of ticket revenues.

**Basis of accounting:**

The Commission prepares its financial statements using the modified accrual basis of accounting for a special revenue fund. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, if measurable. The following is a summary of the more significant accounting practices:

1. Allocation of revenue - The State Lottery Law requires at least 30% of gross revenues from ticket sales to be paid to the State Treasury for aid to education and state institutions. Pursuant to this law, the Commission has also designated all unallocated revenues for aid to education and state institutions. The Commission has designated that a minimum of 45% of gross revenues be reserved for prize awards, including agent bonuses. A prize award liability is established when the winning ticket number is selected for the respective lottery game based on eligible winning tickets sold. The liability is funded from the respective prize reserve accounts.
  2. Unclaimed prizes - New Jersey Law requires that prizes not claimed within one year from the date of the drawing are forfeited and designated for aid to education and state institutions. For the years ending June 30, 1989 and 1988, unclaimed prizes aggregating \$13,722,181 and \$13,611,488, respectively, were forfeited.
  3. Revenue recognition - Revenues from the sale of lottery tickets are recognized as follows:
    - a) Pick-Three, Pick-Four, Five Card Lotto and Pick-Six Lotto games, on the drawing date.
    - b) Instant games, on a daily basis. Sales adjustments are recorded based upon final reconciliations prepared after the termination of a lottery instant game.
  4. Installment prize obligation - The Commission records the present value of fixed or determinable installments at amounts required to purchase annuities, at specified rates, which will yield a series of annuity payments equal to the future benefits payments. The present value of the lifetime portion of the deferred payments is recorded at the original purchase price of the annuity contract and is adjusted for interest appreciation.
  5. Equipment and inventory - The Commission follows the State of New Jersey's policy of not capitalizing equipment and inventory because such items are deemed immaterial. Items of this nature are recognized as an expense during the period in which they are acquired.
  6. Vacation and sick leave - Accumulated unpaid vacation, sick pay, and other employee benefits are not accrued. In the event of retirement or termination, an employee is reimbursed for accumulated sick leave equal to one-half of the unused days, not to exceed \$15,000, and the employee is reimbursed for accumulated vacation pay not to exceed one year's vacation. Accumulated vacation and accumulated sick leave is estimated to be immaterial.
  7. Investments in the state cash management fund are recorded at cost which approximate market value.
  8. Total (memorandum only) - Total "memorandum only" columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for by the Commission
- (2) Contribution to the General Fund of the State of New Jersey:  
The Lottery Commission's contribution to the state for aid to education and state institutions aggregated \$531,315,983 and \$500,990,224 for the years ended June 30, 1989 and 1988, respectively.
- (3) Accounts Receivable, Net:  
Accounts receivable consist mainly of amounts due from sales agents and are recorded net of allowance for uncollectible amounts aggregating \$200,000 at June 30, 1989 and 1988.
- (4) Investments:  
Deposit fund contracts are purchased by the Commission to fund liabilities under installment prize obligations. At June 30, 1989, \$408,810,853 has been deposited to fund the projected amounts of prize liabilities which amount to approximately \$824,362,181. Installment prize obligations are due for periods ranging from ten years to the lifetime of the recipient.

Peat Marwick Main & Co.  
Certified Public Accountants  
Princeton Pike Corporate Center  
P.O. Box 7468  
Princeton, New Jersey 08540

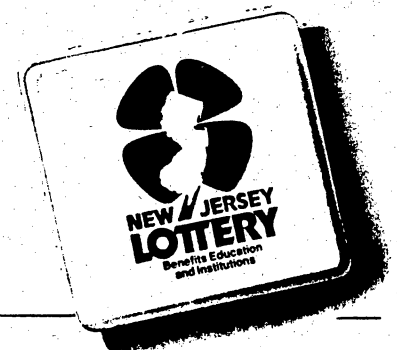
The Commissioners  
New Jersey State Lottery Commission:

We have audited the balance sheet of the New Jersey State Lottery Commission as of June 30, 1989 and the related expenditures statement of revenues, expenditures, and changes in fund balance for the twelve months ended June 30, 1989 and 1988. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, financial position of the New Jersey State Lottery Commission as of June 30, 1989 and the results of its operations and changes in fund balance for the twelve months ended June 30, 1989 and 1988 in conformity with generally accepted accounting principles.

September 8, 1989



# "WHERE THE MONEY GOES"



State of New Jersey  
Programs Supported by State Lottery Resources  
For the Year Ended June 30, 1989

Programs:	Amounts:
<b>DEPARTMENT OF CORRECTIONS</b>	
Institutional Control And Supervision:	
Adult Institutions	\$ 59,107,844
Youth And Juvenile Institutions	22,030,484
Institutional Care And Treatment:	
Adult Institutions	27,202,963
Youth And Juvenile Institutions	10,945,743
Maintenance Of Physical Plant	12,140,387
<b>DEPARTMENT OF EDUCATION</b>	
Academy For Advancement	
Of Teaching & Management	72,000
Aid For Asbestos	3,829,000
County Special Services Districts	21,782,000
Governor's Scholars Program	4,414,000
Governor's School	383,000
Marie Katzenbach School For	
The Deaf	7,389,000
New Jersey School Of The Arts	144,000
Non-Public Asbestos Aid	657,000
Non-Public School Aid	31,216,000
Projects For Handicapped Infants	12,688,000
Programs For The Gifted And Talented	154,000
Project Coed	2,633,000
Public School Safety	2,496,000
Second Administration Of The HSPT	524,000
School Nutrition	5,126,000
Statewide Testing Program	528,000
Teacher Recognition Program	5,068,000
Teen Arts Program	122,000
Urban Initiative:	
Operation School Renewal	163,000
Urban Initiative:	
Broad Based Component	1,672,000
Urban Initiative: Broad Based Support	288,000

Programs:	Amounts:
<b>DEPARTMENT OF HIGHER EDUCATION</b>	
Aid To County Colleges	
For Operational Costs	89,566,000
Aid To Independent Colleges	
& Universities	24,245,000
Compulsive Gambling	75,000
College Outcomes Evaluation Program	850,000
Dental School Aid	4,261,000
Excellence Initiatives	46,832,000
Garden State Scholarship	3,520,000
Governor's School	140,000
Humanities Programs	2,224,000
Learning Disabled Program	750,000
Optometric Education	324,000
Schools Of Professional Nursing	971,000
Small Business & Entrepreneurship	
At Rutgers	65,000
Supplementary Education	
Program Grants	7,986,000
Technology Programs	4,693,000
Veterinary Medicine Education	1,408,000
Women's Studies Chair At	
Douglas College	75,000
<b>DEPARTMENT OF HUMAN SERVICES</b>	
Operation Of State	
Psychiatric Hospitals:	
Patient Care And Health Services	58,452,568
Operation Of Centers	
For Developmentally Disabled:	
Residential Care And Habilitation	43,897,496
<b>DEPARTMENT OF MILITARY &amp; VETERANS AFFAIRS</b>	
Domiciliary And Treatment	
Services For Disabled Soldiers	8,205,498
<b>Total</b>	<b>\$531,315,983</b>

## Resources:

Revenues Collected July 1, 1988  
To June 30, 1989

\$531,315,983