



Balance Sheets

JUNE 30, 1990

WITH COMPARATIVE TOTAL MEMORANDUM FIGURES FOR 1989

| | Lottery Special Revenue Fund | Lottery Agency Fund | Lottery Administrative Fund | Total (Memorandum Only) | |
|---|------------------------------------|---------------------------|-----------------------------------|----------------------------|----------------------|
| | | | | 1990 | 1989 |
| ASSETS | | | | | |
| Cash | \$343,348 | - | \$1,778,630 | \$2,121,978 | \$1,686,949 |
| Accounts Receivable, Net | 7,629,203 | - | - | 7,629,203 | 9,677,835 |
| Interfund Receivable - Administration | 150,622 | - | - | 150,622 | 1,066,290 |
| Investments: | | | | | |
| Annuity Contracts | - | 461,878,205 | - | 461,878,205 | 408,810,853 |
| State Of New Jersey | | | | | |
| Cash Management Fund | 57,909,155 | - | - | 57,909,155 | 60,364,669 |
| Prepaid and Deferred Expenses | 2,417,382 | - | - | 2,417,382 | 1,848,747 |
| Total Assets | \$68,449,710 | \$461,878,205 | \$1,778,630 | \$532,106,545 | \$483,455,343 |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities: | | | | | |
| Accounts Payable and Accrued | | | | | |
| Liabilities | \$1,842,512 | - | \$1,078,430 | \$2,920,942 | \$2,375,550 |
| Obligation for Unpaid Prize Awards | 27,573,183 | - | - | 27,573,183 | 30,944,086 |
| Due To State Of New Jersey | 36,034,793 | - | - | 36,034,793 | 36,315,983 |
| Interfund Payable - Administration | - | - | 150,622 | 150,622 | 1,066,290 |
| Installment Prize Obligations | - | 461,878,205 | - | 461,878,205 | 408,810,853 |
| Total Liabilities | 65,450,488 | 461,878,205 | 1,229,052 | 528,557,745 | 479,512,762 |
| Fund Balance: | | | | | |
| Reserved For Encumbrances | - | - | 549,578 | 549,578 | 442,297 |
| Reserved For Prize Awards | 2,749,222 | - | - | 2,749,222 | 3,250,284 |
| Reserved For Bond Insurance | 250,000 | - | - | 250,000 | 250,000 |
| Total Fund Balance | 2,999,222 | - | 549,578 | 3,548,800 | 3,942,581 |
| Total Liabilities And Fund Balance | \$68,449,710 | \$461,878,205 | \$1,778,630 | \$532,106,545 | \$483,455,343 |
| See Notes To Financial Statements | | | | | |



Combined Statement of Revenues, Expenditures, and Changes in Fund Balance

Comparative
Statements

| | COMPARATIVE 210 MONTHS * ENDED JUNE 30, 1988 | 12 MONTHS * ENDED JUNE 30, 1989 | 12 MONTHS ENDED JUNE 30, 1990 | COMPARATIVE 234 MONTHS * ENDED JUNE 30, 1990 | * % |
|---|---|---------------------------------------|-------------------------------------|---|---------|
| GROSS SALES | \$8,408,187,920 | \$1,247,025,349 | \$1,223,346,654 | \$10,878,559,923 | 100.00% |
| LESS: | | | | | |
| COMMISSION AGENTS & BANKS | 462,536,373 | 67,708,114 | 66,665,518 | 596,910,005 | 5.49% |
| GAME CONTRACTOR FEES | 151,559,146 | 20,124,964 | 20,205,708 | 191,889,818 | 1.76% |
| COURIER COLLECTION FEE | 4,786,586 | 925,101 | 1,024,884 | 6,736,571 | 0.06% |
| | 618,882,105 | 88,758,179 | 87,896,110 | 795,536,394 | 7.31% |
| NET REVENUE | 7,789,305,815 | 1,158,267,170 | 1,135,450,544 | 10,083,023,529 | 92.69% |
| LESS: | | | | | |
| PRIZE EXPENSE | 4,167,737,393 | 622,287,935 | 613,725,154 | 5,403,750,482 | 49.67% |
| OPERATING EXPENSES | 160,887,748 | 21,059,346 | 19,742,097 | 201,689,191 | 1.85% |
| START UP COSTS | 686,137 | - | - | 686,137 | 0.01% |
| PROV DOUBTFUL ACCTS | 200,000 | - | 40,453 | 240,453 | 0.00% |
| | 4,329,511,278 | 643,347,281 | 633,507,704 | 5,606,366,263 | 51.53% |
| NET OPERATING REVENUE | 3,459,794,537 | 514,919,889 | 501,942,840 | 4,476,657,266 | 41.16% |
| OTHER INCOME: | | | | | |
| INTEREST INCOME | 31,545,112 | 3,259,254 | 3,083,486 | 37,887,852 | 0.35% |
| MISCELLANEOUS INCOME | 1,308,010 | 348,510 | 227,737 | 1,884,257 | 0.02% |
| FORFEITED PRIZES | 94,289,136 | 13,722,181 | 18,386,949 | 126,398,266 | 1.16% |
| | 127,142,258 | 17,329,945 | 21,698,172 | 166,170,375 | 1.53% |
| TOTAL AVAILABLE FOR AID TO EDUCATION, STATE INSTITUTIONS AND CHANGE IN FUND BALANCE | 3,586,936,795 | 532,249,834 | 523,641,012 | 4,642,827,641 | 42.69% |
| CONTRIBUTION FOR AID TO EDUCATION AND STATE INSTITUTIONS | 3,583,928,065 | 531,315,983 | 524,034,793 | 4,639,278,841 | 42.65% |
| NET CHANGE IN FUND BALANCE | 3,008,730 | 933,851 | (393,781) | 3,548,800 | 0.04% |
| FUND BALANCE, BEG. OF PERIOD | 0 | 3,008,730 | 3,942,581 | 0 | 0.00% |
| FUND BALANCE, END OF PERIOD | \$3,008,730 | \$3,942,581 | \$3,548,800 | \$3,548,800 | 0.04% |

* FIGURES NOT COVERED BY INDEPENDENT AUDITORS REPORT.
SEE NOTES TO FINANCIAL STATEMENTS.

Notes to Financial Statements

New Jersey State Lottery Commission
June 30, 1990

(1) Organization and Accounting Practices

Authorizing Legislation: The New Jersey State Lottery Commission (the "Commission" or the "Lottery") 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 various funds of the Lottery are included as part of several funds in the State of New Jersey's annual financial report. As a result, the accompanying financial statements have been prepared using the same basis of accounting as follows:

Lottery Special Revenue Fund: This fund is established to account for revenues and expenditures of specific Lottery games and is classified as part of the State's special revenue fund.

Lottery Administrative Fund: This fund accounts for all operating expenses for the administration of the Lottery and is classified as part of the State's general fund.

Agency Fund: This fund accounts for installment prize obligations and the related investments held to satisfy those obligations. This fund is classified as part of the State's agency fund.

For purposes of financial presentation the revenues, expenditures and changes in fund balance of the Lottery Special Revenue Fund and Lottery Administrative Fund have been combined. For the year ended June 30, 1990 the Lottery transferred \$20,000,000 to the New Jersey State Treasury to reimburse the Treasury for expenses paid on behalf of the Lottery, of which approximately \$150,000 was refundable to the Lottery at June 30, 1990. Such expenses are recorded and reported as expenses of the Lottery.

The commission prepares its financial statements using the modified accrual basis of accounting for governmental fund types. 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 thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The following is a summary of the more significant accounting practices:

- a. 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. Contributions for the year ended June 30, 1990 aggregated \$524,034,793.

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

A prize award obligation is established when the winning ticket number is selected for the respective lottery game based on eligible winning tickets sold. The obligation is funded from the respective

prize reserve accounts.

- b. 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 year ended June 30, 1990 unclaimed prizes aggregating \$18,386,949 were forfeited.

- c. Revenue Recognition - Revenues from the sale of lottery tickets are recognized as follows:

- (1) Pick-Three, Pick-Four, Pick-Six Lotto, Lucky 7 Lotto and Five-Card Lotto games, on the drawing date.
- (2) Instant games, on a daily basis.

Sales adjustments are recorded based upon final reconciliations prepared after the termination of a lottery instant game. Lottery tickets claimed and disbursed by agents as free ticket prizes are not reflected as lottery ticket sales or prize awards.

- d. Equipment and Inventory - The Lottery Commission follows the State of New Jersey's policy of not capitalizing equipment and inventory. Items of this nature are recognized as expenditures during the period in which they are acquired.
- e. 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 exceeding \$15,000. Upon separation, an employee is reimbursed for accumulated vacation pay. Accumulated vacation and accumulated sick leave are estimated to be immaterial.
- f. Investments in the State of New Jersey cash management fund are valued at cost which approximates market.
- g. Total Memorandum Columns - Total memorandum columns are presented for additional analysis only and is not intended to present consolidated financial information of the Lottery.

(2) Accounts Receivable:

Accounts receivable consists primarily of amounts due from sales agents and are recorded net of the allowance for uncollectible amounts aggregating \$150,000 at June 30, 1990.

(3) Investments:

The Lottery Commission purchases annuities, at specified rates, which will yield a series of payments needed to fund the Lottery's liability for future prize obligations. The Lottery records the present value of the annuity, which is equal to the original purchase price plus interest appreciation, as an unpaid prize obligation and corresponding asset. At June 30, 1990 the projected costs of prize obligations amount to \$913,507,628 which are due in installments ranging from ten years to the lifetime of the recipient.

(4) Game Termination:

- a. On March 5, 1990, the Commission voted to discontinue the Lucky 7 Lotto game as of March 10, 1990.
- b. On August 30, 1990, the Commission voted to discontinue the 5-Card Lotto game as of September 18, 1990.

Independent Auditors' Report

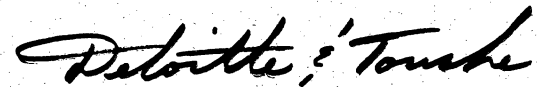
The Commissioners

New Jersey State Lottery Commission:

We have audited the accompanying balance sheets of the New Jersey State Lottery Commission (the "Commission") as of June 30, 1990 and the related combined statement of revenues, expenditures and changes in fund balance for the year then ended. 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Commission at June 30, 1990 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.



Princeton, New Jersey
September 15, 1990

"WHERE THE MONEY GOES"

(Schedule Not Covered by Independent Auditors Report)



State of New Jersey
Programs Supported by State Lottery Resources
For Fiscal Year Ended June 30, 1990

| Programs: | Amounts: | Programs | Amounts: |
|--|---------------|---------------------------------------|-----------------------|
| DEPARTMENT OF CORRECTIONS | | DEPARTMENT OF HIGHER EDUCATION | |
| Institutional Control And Supervision: | | Aid to County Colleges | |
| Adult Institutions | \$ 63,269,000 | For Operational Costs | 87,865,000 |
| Youth And Juvenile Institutions | 23,276,000 | Aid To Independent Colleges | |
| Institutional Care And Treatment | | & Universities | 23,791,000 |
| Adult Institutions | 28,256,000 | College Outcomes Evaluation | |
| Youth And Juvenile Institutions | 13,798,000 | Program | 77,000 |
| Maintenance Of Physical Plant | 12,607,000 | Dental School Aid | 3,551,000 |
| DEPARTMENT OF EDUCATION | | Excellence Initiatives | 26,940,000 |
| Academy For Advancement | | Garden State Scholarship | 3,450,000 |
| Of Teaching And Management | 806,000 | Governor's School | 484,000 |
| Aid For Asbestos | 826,000 | Humanities Programs | 1,469,000 |
| County Special Services Districts | 28,724,000 | Learning Disabled Program | 750,000 |
| Governor's Scholars Program | 3,674,000 | Optometric Education | 313,000 |
| Governor's School | 491,000 | Schools Of Professional Nursing | 833,000 |
| Marie Katzenbach School For | | Small Business & Entrepreneurship | |
| The Deaf | 7,387,000 | At Rutgers | 65,000 |
| New Jersey School Of The Arts | 111,000 | Supplementary Education | |
| Non-Public Asbestos Aid | 511,000 | Program Grants | 8,819,000 |
| Non-Public School Aid | 34,442,000 | Technology Programs | 3,789,000 |
| Partners In Learning | 437,000 | Veterinary Medicine Education | 1,427,000 |
| Prekindergarten For Urban Students | 2,434,000 | Woman's Studies Chair At | |
| Programs For The Gifted And Talented | 120,000 | Douglas College | 75,000 |
| Project Coed | 2,586,000 | DEPARTMENT OF HUMAN SERVICES | |
| Projects For Handicapped Infants | 12,723,000 | Operation of State | |
| Public School Safety | 2,500,000 | Psychiatric Hospitals: | |
| School Improvement/Effective Schools | 215,000 | Patient Care & Health Services | 57,134,000 |
| School Nutrition | 6,538,000 | Operation of Centers | |
| Statewide Testing Program | 1,732,000 | For Developmentally Disabled: | |
| Teacher Recognition Program | 2,100,000 | Residential Care & Habilitation | 43,834,000 |
| Urban Initiative: | | DEPARTMENT OF MILITARY | |
| Broad Based Component | 1,637,000 | & VETERANS AFFAIRS | |
| | | Domiciliary And Treatment | |
| | | Services for Disabled Soldiers | 8,169,000 |
| | | Total | \$ 524,035,000 |

Resources:
Revenues Collected July 1, 1989
To June 30, 1990

\$ 524,035,000