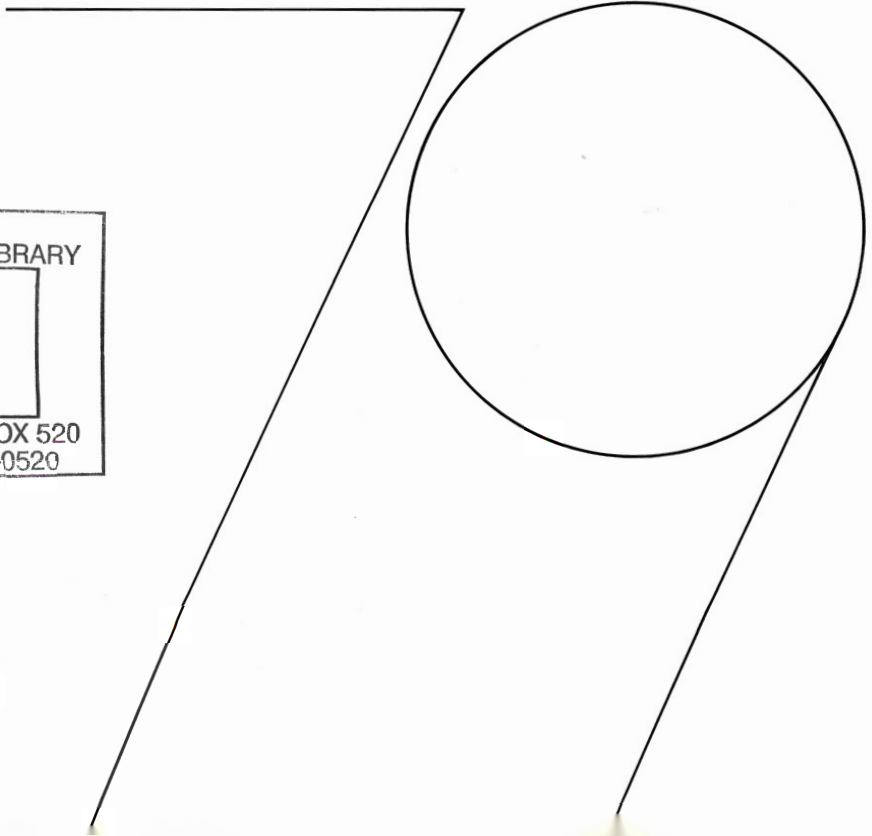


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Message from the Director

The setting of new records is becoming a welcome annual habit for the New Jersey Lottery. One new record achieved in Fiscal 1979, however, was especially gratifying. For the first time, the Lottery surpassed the \$100 million milestone in contributions to the State for education and institutions with a total of more than \$122 million.

This "bottom line," combined with new highs in prizes to our consumers and gross sales, made it a memorable year and one in which everyone associated with the Lottery can take justifiable pride.

I extend my personal thanks to everyone on the Lottery "team" — the State Lottery Commission, the management and staff of the Lottery and agents working in the field. I also owe a debt of gratitude to the support received from Governor Brendan Byrne and State Treasurer Clifford Goldman.

Most of all, special appreciation goes to the public for their patronage. The Lottery will strive always to be deserving of their confidence.

Gloria A. Decker
Executive Director

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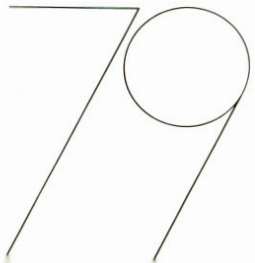
Financial Summary

Gross Revenues	\$297,905,278
Prize Allocation	\$148,179,863
Funds Available for Contribution to Education and State Institutions for Fiscal Year Ended June 30, 1979	\$122,042,608

This report contains audited Fiscal
1979 (July 1, 1978 - June 30, 1979)
figures and editorial content updated
through November 15, 1979.

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.



1979: Another record-breaking year.



Brendan Byrne
Governor

The big story in another record-shattering year for the New Jersey State Lottery in Fiscal 1979 was written by the "Pick-It" daily numbers game.

"Pick-It" was the overwhelmingly dominant force as the Lottery achieved an all-time high in gross sales, narrowly missing \$300 million, and passed the \$100 million milestone for the first time in contributions to State education and institutions.

About two-thirds of all dollars received by the Lottery in the last fiscal year were generated by the continuing phenomenal growth of "Pick-It", which went over \$202 million in annual sales.

As has become an annual and happy habit, Fiscal 1979 added new records in all categories to the Lottery's books.

Gross revenues for the 12 months that ended June 30, 1979, were \$297,905,278. This was an increase of more than \$59 million, or about 25 per cent, over Fiscal 1978.

A NEW HIGH IN STATE CONTRIBUTIONS. In the significant bottom line of contributions to the State, the Lottery decisively cracked the \$100 million mark with a total of \$122,042,608. This was a jump of \$26 million, or better than 26 per cent, over the previous high set one year earlier.

RECORD PRIZE MONEY. In the other area where most of the Lottery's dollars go — prizes to consumers — Fiscal 1979 produced still another new record. Prize allocations swelled to \$148,179,863, an increase of \$29 million and more than 25 per cent over the record of the previous year.

Translating these large numbers into a breakdown of where each individual Lottery dollar goes demonstrates why the New Jersey Lottery has achieved a national reputation for running a tight ship.

WHERE THE DOLLARS WENT. Prizes to the public account for 49.7 cents of every Lottery dollar. Contributions to the State amounted to 41 cents, a percentage that includes interest earned on investments and forfeited prizes.

Thus, money which went directly back to the consumer in prizes and to the State for aid to education and institutions accounted for 90.7 cents of every dollar of gross revenue received by the Lottery during Fiscal 1979.

This means it cost only 11.6 cents of every dollar to run the Lottery last year. This included 9.8 cents for commissions to Lottery agents and banks and only 1.8 cents for actual operating costs, an excellent example of sound business management by any standards, private or public.

"PICK-IT" SALES SKYROCKET. But it was the spectacular growth of the New Jersey Lottery's daily and weekly numbers games that highlighted the year.

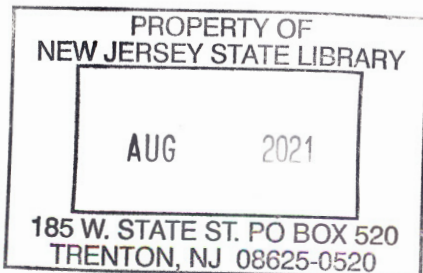
"Pick-It", which celebrated only its fourth birthday on May 22, 1979, produced \$202,417,120 in gross sales. This shattered the previous record by \$56.7 million, a leap of about 39 per cent in one year.

Since it was introduced by the New Jersey Lottery as the nation's first legal numbers game, "Pick-It" has become the most important innovation in the Lottery industry as state after state has adopted similar games.

"Pick-It" broke through the \$4 million plateau for weekly gross sales the week of December 6, 1978. To help accommodate the ever-rising public interest in the game, the Lottery on September 30, 1978, added regular Saturday evening live telecasts of "Pick-It" drawings over New Jersey Public Television.



Gloria A. Decker
Executive Director



"PICK-4" A BIG SUCCESS. Also making news in its second full year was "Pick-It's" weekly numbers game partner, "Pick-4". During Fiscal 1979, "Pick-4" sales reached \$34,239,834, a strong increase of nearly \$12 million, or about 55 per cent, over the previous year.

To recognize the full measure of the enormous impact the two numbers games have had, it is only necessary to point out two dramatic statistics. Between them, "Pick-It" and "Pick-4" generated in Fiscal 1979 combined sales of \$236,656,954. This represents nearly 80 per cent of the Lottery's total revenues for the entire year!

And the revenues from "Pick-It" and "Pick-4" are expected to continue to expand. One reason for this optimism is a major accomplishment of Fiscal 1979 — the award of a new five-year contract for expansion and operation of the computerized numbers games.

AmTote LOW BIDDER. After a painstaking and meticulous competitive bidding process, the contract was awarded in April to the American Totalisator Company, the original and present contractor. AmTote submitted the lowest bid of the four competing firms, which will result in substantial savings to the Lottery. Significantly, the new contract also calls for expansion of the system from 1,600 terminals at year-end Fiscal 1979 to 2,000 terminals when the agreement was to go into effect on November 23, 1979.

MORE WINNING INSTANT GAMES. As sales for the daily and weekly numbers games continue to soar, the New Jersey Lottery also maintained its record of success during the year for imaginative instant and special games.

The year opened with the first sales of New Jersey's sixth instant game, "Jersey Casino", which began in late June of 1978. And it concluded with a new instant game.

"Jersey Casino", a colorful game which saluted the arrival of casino gambling in Atlantic City, ended in April 1979 with gross sales of nearly \$29 million during Fiscal 1979.

It was followed only a month later by the Lottery's seventh instant game, "Lottery Derby", which combines the appeal of horse racing and the Lottery. The game went into the marketplace in May, 1979.





The "pie" figures are attributable to the 1979 Fiscal Year only.

\$122,042,608 or 41.0%*

Education and Institutions

\$29,359,345 or 9.8%

Commissions

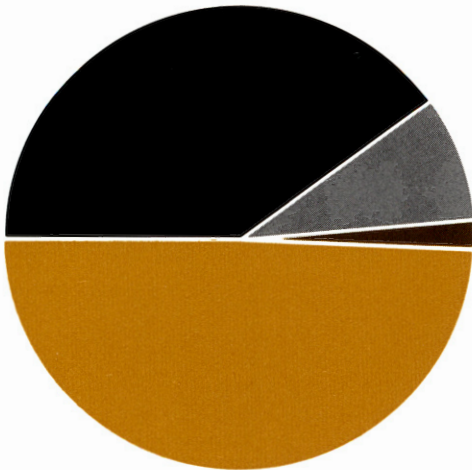
\$5,294,558 or 1.8%

Operations

\$148,179,863 or 49.7%

Prizes

*Percentage includes interest earned on investments and forfeitures.



HOLIDAY SWEEPSTAKES A SPECIAL SUCCESS. New Jersey's long tradition as a major racing state was featured by the Lottery in one of the most exciting and innovative special Lottery games ever held here or in any other state. The cooperative venture between the Lottery and the very successful Meadowlands Racetrack was called the "Holiday Sweepstakes".

Sales of the special \$5 tickets began on November 1, 1978. The climax came on the evening of December 27 when a special thoroughbred race at The Meadowlands determined the winners of cash prizes as high as \$100,000 before an enthusiastic crowd of over 31,000. "Holiday Sweepstakes" produced gross sales of \$2.8 million.

Meanwhile, the weekly game with which the New Jersey Lottery began it all back in 1970 turned in another respectable performance in Fiscal 1979. The game, now called the "New Weekly", produced \$23.1 million in gross sales.

MORE INSTANT MILLIONAIRES. And the Lottery continued to create its own special breed of instant celebrities as it welcomed five new "Millionaires", bringing the total to 68 by the end of the fiscal year.

The old "Lucky Horoscope" instant game produced the 64th millionaire on July 26, 1978, at Monmouth Park when Cathy Jones of Trenton won \$1,000-a-week for life.

The "New Weekly" created two new "Millionaires" in Joyce Cass of Mountainside at the Garden State Arts Center in August and Salvatore Spinella of Toms River last February in Elizabeth.

"Jersey Casino" awarded its Grand Prize of \$1,000-a-week for life to Sandra Mullica of Vineland in November 1978 and Beverly Schwartz of Clifton in June 1979. Both drawings, appropriately, were held in Atlantic City's first casino, Resorts International.

A BRIGHTER FUTURE. At the very end of the year, the New Jersey State Lottery Commission re-elected Reese Palley of Atlantic City to his third term as chairman and James J. Flynn, Jr. of Perth Amboy as vice-chairman. The other commission members are John L. Keaveney of Shrewsbury, Jerome Seiden of West Orange and Donald Valk of Madison.

This leadership, working in close cooperation with the Lottery's executive management headed by Executive Director Gloria A. Decker and a dedicated staff of employees, made Fiscal 1979 another record year and assures an even brighter future for the New Jersey Lottery.

Comparative Statements of Revenues and Allocations of Revenues

	78 Months Ended June 30, 1977	12 Months Ended June 30, 1978	12 Months Ended June 30, 1979	Total	Percent of Total Revenues
Revenues:					
Gross Sales	\$841,400,087	\$238,262,327	\$297,905,278	\$1,377,567,692	100.0%
Less:					
Commissions to Agents and Banks	58,573,990	13,485,209	15,845,636	87,904,835	6.4%
Game Contractor Fees	8,520,234	9,543,684	13,513,709	31,577,627	2.3%
Net Revenue	\$774,305,863	\$215,233,434	\$268,545,933	\$1,258,085,230	91.3%
Less:					
Prize Expense	393,971,199	118,224,639	148,179,863	660,375,701	47.9%
Operating Expense	27,349,411	4,930,765	5,294,558	37,574,734	2.7%
Start-Up Costs	686,137	—	—	686,137	.1%
Provision for Doubtful Accounts	150,000	(100,000)	150,000	200,000	—
	\$422,156,747	\$123,055,404	\$153,624,421	\$698,836,572	50.7%
Net Operating Revenue	\$352,149,116	\$ 92,178,030	\$114,921,512	\$559,248,658	40.6%
Add:					
Other Income:					
Interest Income	\$10,462,107	\$1,120,234	\$1,994,249	\$13,576,590	—
Miscellaneous Income	199,704	21,098	15,317	236,119	—
Forfeited Prizes	23,038,859	2,721,289	5,111,530	30,871,678	—
	\$33,700,670	\$ 3,862,621	\$ 7,121,096	\$44,684,387	3.2%
Total Contribution Available for Aid to Education and State Institutions.	\$385,849,786	\$ 96,040,651	\$122,042,608	\$603,933,045	43.8%
Total Contribution Allocated and Payable for Aid to Education and State Institutions:					
30% of Gross Sales	\$252,420,026	\$ 71,478,698	\$ 89,371,583	\$ 413,270,307	30.0%
Contribution in Excess of Statutory Mandate	133,429,760	24,561,953	32,671,025	190,662,738	13.8%
Total Contribution to Education and State Institutions	\$385,849,786	\$ 96,040,651	\$122,042,608	\$ 603,933,045	43.8%

See Note to Statements of
Revenues and Allocations of Revenues

Details of Education and Institution Costs to which Lottery Revenues were Applied in 1978-1979 State Budget

GENERAL STATE OPERATIONS

Department of Education	
Education Program—Garden State School District	\$ 500,000
Project COED	1,500,000
Department of Higher Education	
Aid to independent colleges and universities	8,000,000
Schools of professional nursing	1,500,000
Dental school aid	2,000,000
Department of Human Services	
Operation of State psychiatric hospitals	24,000,000
Department of Corrections	
Education Program—Garden State School District	2,500,000
Sub-Total	<u>\$40,000,000</u>

STATE AID

Department of Education	
Non-public school aid	\$10,000,000
Department of Higher Education	
Aid to county colleges	40,000,000
Sub-Total	<u>\$50,000,000</u>
Grand Total	<u>\$90,000,000</u>

Note to Statements of Revenues and Allocations 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, Pick-It and Pick-4 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 weekly 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 June 28, 1978, the Lottery Commission established the Jersey Casino Instant Lottery ("Instant") which was offered for a period of forty-three weeks. The Lottery Commission records revenues and related commissions and allocations based on the total tickets for which the

agent has reported during weekly periods ending on Wednesday, and accordingly, revenues and related commissions and contractor compensation have been included in operations for the applicable periods.

On May 16, 1979, the Lottery Commission established the Lottery Derby Instant Lottery ("Instant"). Revenues and related commissions and allocations for this game are recorded in the same manner as the Jersey Casino Instant Lottery.

On November 1, 1978, the Lottery Commission established the Holiday Sweepstakes Game which was offered for a period of eight weeks. Revenues and related commissions and allocations for this game were recorded in the same manner as for the weekly lottery games, except that only one agent settlement was required at the end of the game and therefore all sales have been reflected during December 1978.

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 applicable to future lotteries are deferred and recognized as each drawing takes place.

Sales adjustments are recorded based upon final reconciliations prepared after the termination of a Lottery game.

The principal operating expenses (data processing, advertising, 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.

Unclaimed 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 amount of \$5,111,530 and \$2,721,289 represent unclaimed prizes for the periods July 1, 1977 through June 30, 1978 and July 1, 1976 through June 30, 1977, respectively.

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

October 5, 1979

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

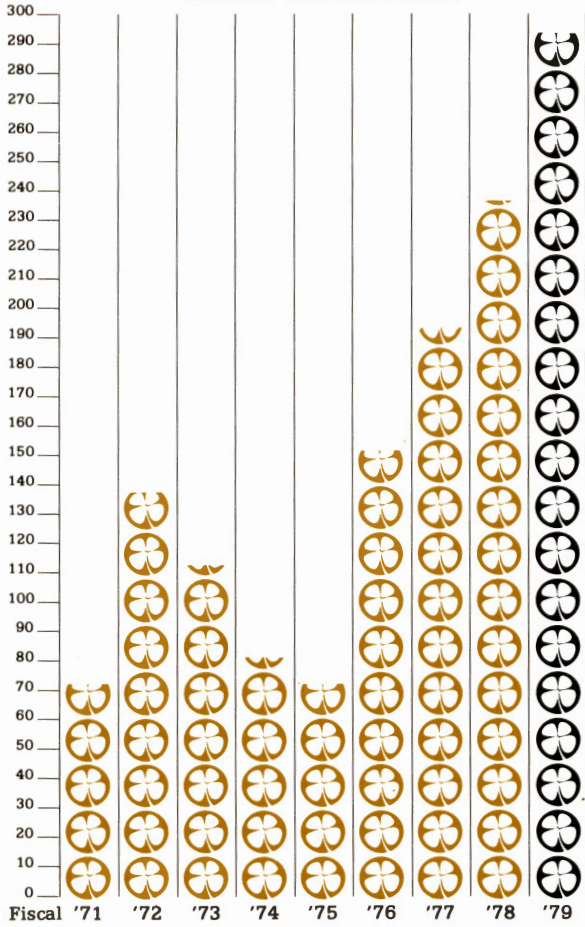
We have examined the accompanying statements of revenues and allocation of revenues of the New Jersey State Lottery Commission for the twelve months ended June 30, 1979 and 1978. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of 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, 1979 and 1978, in conformity with generally accepted accounting principles applied on a consistent basis.

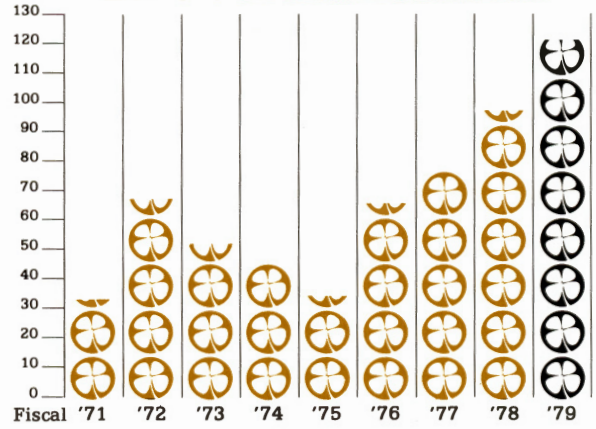
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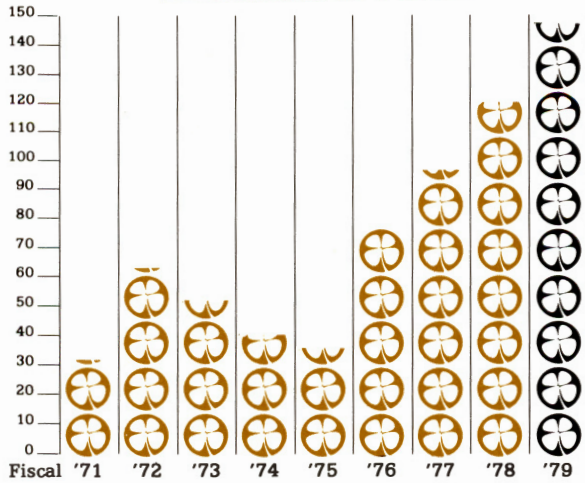
Gross Revenues



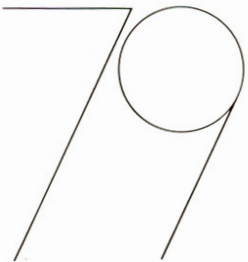
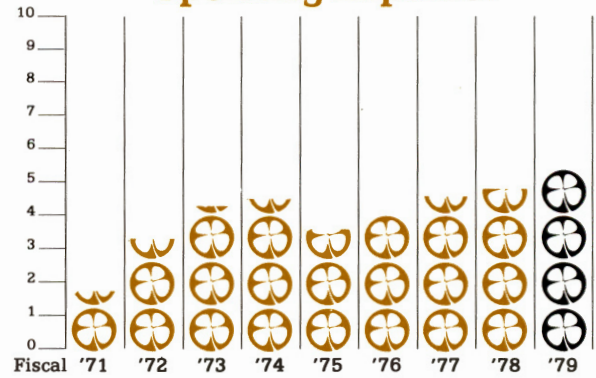
Allocated to Education and Institutions



Allocated to Prizes



Operating Expenses



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All figures are in millions.



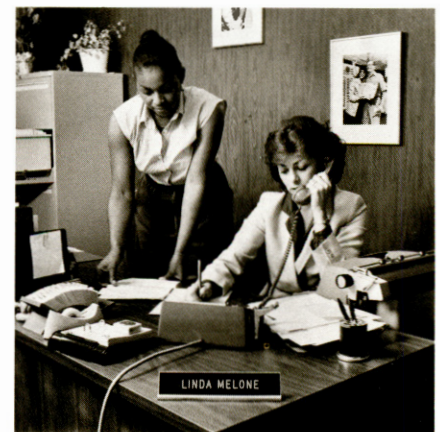
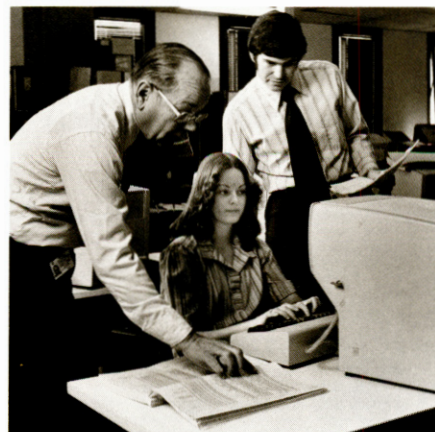


Members of the Lottery team:
 (Standing, from left) William Mulcahy, Deputy Director/Marketing & Sales; John Burke, Deputy Director/Planning & Research. (Seated, from left) Michael D. DeCicco, Deputy Director/Operations; Joseph A. Mulé, Assistant Director; Carl F. Russo, Deputy Director/Security & Audit.

Pictured below are members of the Lottery staff.



Pictured above — John Gallagher, Chief Accountant

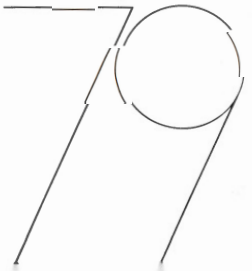




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