



*Playing a  
Responsible Role*

*Delaware Lottery Annual Report*

*1999*

The Delaware State Lottery plays an important and responsible role for all Delawareans, as it proudly has for nearly a quarter of a century. Fiscal Year 1999 proved to be the Lottery's best year yet. Contributing \$168 million to the General Fund helps to educate our children, give a hand up to

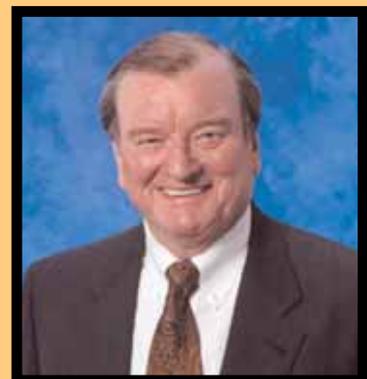


**JOHN C. CARNEY, JR.**  
*Secretary of Finance*

those in need, maintain our parks and provide other important public services that Delawareans expect from their government. And our successful renegotiation of the vendor contracts for video lottery machines will produce \$100 million in savings to Delaware's taxpayers over the life of those contracts. • The Lottery also takes responsibility for supporting the legislative efforts to revitalize the horse racing industry and preserve precious farmland in Delaware. In Fiscal Year 1999, the Lottery transferred \$40 million to increase purses at the three racetracks. In addition, the Department of Finance's work on the Delaware Standardbred Breeder's Program has provided greater incentives for Delaware's horsemen and spurred interest in invest-

ment from horse breeders throughout the region. • The Lottery is deeply committed to playing a major role in encouraging everyone to "Play Responsibly." We recognize that some players may have a gambling problem, so we provide helpline numbers on all our promotional materials and on each video lottery terminal. • What's more, the Lottery programs to assist problem gamblers are setting the model for the nation. In Fiscal Year 1999 alone, the Lottery transferred nearly \$1 million to the Department of Health and Social Services to support programs for those that need them.

These monies ensure that those who seek help can get help from trained professionals. • We know that some of our players have physical disabilities. The Lottery is continuing to work with our retailers to bring all establishments up to ADA standards. • As a business enterprise, the Lottery has the responsibility of providing interesting and secure games to our customers. Surveys show that 64% of Delaware residents played the lottery last year. We, along with our private partners, work hard to earn your business. • So take a look at what the Lottery has done for you. And please, join us as we begin celebrating the 25th year of responsibly bringing funds, fun and excitement to Delaware.



**WAYNE LEMONS**  
*Director, Delaware Lottery*

**Delaware Lottery History.** The Delaware Lottery was established by the State Legislature in 1975. Its stated purpose was, and still is, to generate revenue to supplement the state's General Fund to help pay for needed state services that would otherwise require additional tax dollars.  Operating as part of the Department of Finance, the Delaware Lottery is a successful state business. However, unlike other state agencies that depend on tax dollars to fund operations, the Delaware Lottery is self-funded.  The Delaware Lottery includes both traditional lottery games and the newer video lottery. The traditional lottery offers a multitude of game types, including on-line drawing games and instant games. Lottery tickets are sold by a statewide network of approximately 465 licensed Delaware Lottery Retailers who all sell the popular scratch-to-win Instant Game tickets. About 345 of the retailers are equipped with Delaware Lottery computer terminals enabling them to sell tickets for the on-line drawing games, including Play 3, Play 4, All Cash Lotto and Powerball®.  Under the supervision of the Delaware Lottery, video lottery is operated at the three racetracks in the state. Each independently operates video lotteries of coin-operated electronic/mechanical machines.  The Delaware Lottery is a mature member of the lottery industry. As an industry leader, it has successfully grown by constantly evolving and continually seeking technological opportunities to develop new and entertaining products for its players.

 Since 1975, the Lottery has generated a grand total of \$2.4 billion in revenue, enabling it to contribute a total of \$784 million to the General Fund and award traditional Lottery game players more than \$721 million in prizes.

The Lottery believes responsible play is the key to keeping its games fun for everyone. That is why all Delaware Lottery literature and promotional materials include "Play Responsibly" and "It's The Law" messages. ■ Through its ongoing public relations programs, the Lottery regularly encourages players (especially when jackpots are high) to play responsibly. Players are urged not to spend more than they can afford on tickets. In addition, the Lottery contributed nearly \$1 million in Fiscal Year 1999 to help fund problem gambling programs offered by the Delaware Department of Health and Social Services.

# The Delaware Lottery Playing a

**Commitment to Delaware** The Lottery has a commitment to its players, the Legislature and all other Delawareans to generate money for the General Fund. This money can be used to help pay for state services ranging from education to recreation to police protection. For the fiscal year that ended June 30, 1999, the Delaware Lottery was the third-largest contributor to the state's General Fund. Revenue from traditional and video lotteries totalled \$527 million, with \$168 million transferred to the General Fund and \$75 million paid as prizes to winners of traditional Lottery games. ■ The Lottery is also committed to the local business community, which

includes all types of commercial businesses that serve as the network of Lottery Retailers, plus all the vendors, suppliers, professional services and media with whom the Lottery does business. The production, distribution and promotion of Lottery products benefits the business community statewide. ■ The success of the Delaware Lottery depends largely on the quality of its retailer network. Retailers represent the Lottery daily, having face-to-face interaction with players. This is why the Lottery invests so much in point-of-sale and training materials, and works with retailers to develop relationship practices. Retailers are the front line of the Lottery's sales

force, and are essentially the sales force for Lottery tickets. ■ Lottery products are impulse purchases, unlike many other consumer products, which are planned purchases. Lottery players often purchase other items while shopping at a Delaware Lottery Retailer. So retailers benefit from adding Lottery tickets to their product mix, while helping the Lottery by essentially serving as Lottery stores.

**Americans with Disabilities Act (ADA)** During the past year, the Lottery has continued its effort to support retailers in meeting ADA standards, giving them information and advice on renovating their stores and entrance areas. Lottery



# Responsible Role

representatives conduct inspections to evaluate retailer situations. They also provide retailers with information about qualifying for tax relief for making access improvements.

**Advertising** Another responsibility the Lottery takes seriously is its role as one of Delaware's major advertisers. Week after week, the Lottery uses newspaper, radio, television, transit and billboard advertising to promote the fun and excitement of playing its games. Informing players about its games and the prizes they could win helps the Lottery achieve its mission of maximizing the amount of revenue it generates for the General Fund. ■ As a signatory member of the North American

Association of State and Provincial Lotteries (NASPL), the Delaware Lottery strives to conduct its advertising and marketing in accordance with the provisions of the NASPL Advertising Standards. Delaware Lottery games are advertised as entertainment. However, unlike other forms of entertainment, Lottery games offer the benefit of a chance to win cash and other prizes.

**Internet Communications** In fulfilling its responsibility as a state agency to keep the public informed, the Lottery has established a Web site (<http://lottery.state.de.us>). On the Web, the public can find up-to-date information about games, winning numbers and prizes, as well as other

facts about the Lottery and how its profits are used to benefit all Delawareans. Lottery information is also available to state residents who call 1-800-338-6200.

**The Future** FY 1999 was another very successful year for the Delaware Lottery, indicating that the Lottery has a bright future as it continues to meet the entertainment needs of its players by developing new and exciting products. As the Lottery prepares to celebrate its 25th anniversary, it promises to continue as a responsible source of revenue for the General Fund, helping to build a better Delaware for you, your friends and family, and everyone who lives in or visits the First State.

## Financial Summary

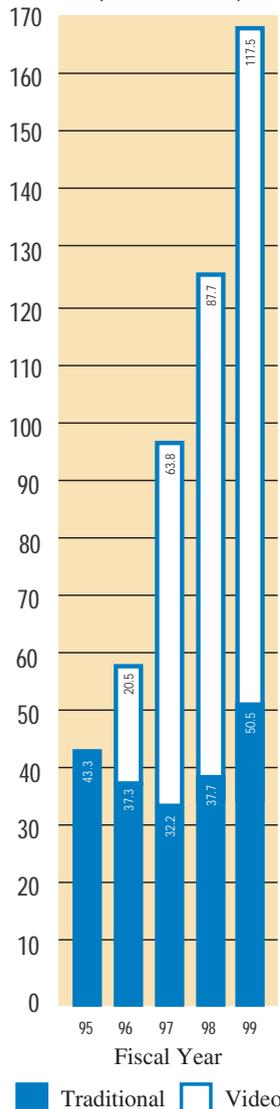
Since 1975 start of  
Lottery operations:

Total Gross Revenue  
\$2,430,666,683

Total Profits for State Services  
\$783,926,048

## General Fund Contributions

(in millions of dollars)



## Statements of Revenues, Expenses and Changes in Retained Earnings for the Years Ended June 30, 1999 and 1998

	1999	1998
<b>Revenues</b>		
Video lottery	\$377,649,921	\$326,723,104
On-line games	129,813,135	102,282,469
Instant games	20,079,583	18,195,281
Other	190,311	193,726
Total revenues	<b>\$527,732,950</b>	<b>\$447,394,580</b>
<b>Cost of games:</b>		
Video lottery commissions	\$186,118,275	\$162,406,364
Prize costs, net of reversions	75,456,949	62,406,255
Gaming vendor fees and costs	40,162,021	45,098,452
On-line and instant games commissions	9,320,940	7,880,887
Total cost of games	<b>311,058,185</b>	<b>277,791,958</b>
Gross profit	<b>\$216,674,765</b>	<b>\$169,602,622</b>
<b>Operating expenses:</b>		
Advertising and promotions	\$2,596,987	\$2,588,926
Payroll and related benefits	1,376,894	1,288,853
Other general and administrative	1,571,517	1,215,984
Total operating expenses	<b>\$5,545,398</b>	<b>\$5,093,763</b>
<b>Operating income</b>	<b>211,129,367</b>	<b>164,508,859</b>
<b>Operating transfers to the Delaware Standardbred Breeder's Program</b>	<b>2,000,000</b>	—
<b>Operating transfers to the State of Delaware</b>	<b>209,129,367</b>	<b>164,508,859</b>
<b>Net income</b>	<b>—</b>	<b>—</b>
<b>Retained earnings, beginning of year</b>	<b>1,000,000</b>	<b>1,000,000</b>
<b>Retained earnings, end of year</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>
<b>Balance Sheets as of June 30, 1999 and 1998</b>		
<b>Assets:</b>		
Cash	\$13,585,920	\$3,268,053
Accounts receivable, net of allowance of \$619,836 and \$596,106, respectively	6,996,628	9,951,871
Investments	14,228,648	15,542,508
Prepaid expenses	223,799	243,572
Property and equipment, net	1,237,566	1,387,467
Deposit with Multi-State Lottery	1,678,339	1,540,835
Total assets	<b>\$37,950,900</b>	<b>\$31,934,306</b>
<b>Liabilities:</b>		
Prizes liability, including \$14,228,648 and \$15,542,508 of prize installment obligation	\$23,369,269	\$20,411,028
Accounts payable and accrued liabilities	9,456,631	7,568,386
Due to Delaware Standardbred Breeder's Program	2,000,000	—
Due to the State of Delaware	2,125,000	2,954,892
Total liabilities	<b>\$36,950,900</b>	<b>\$30,934,306</b>
<b>Commitments and contingencies</b>		
<b>Retained earnings:</b>	<b>1,000,000</b>	<b>1,000,000</b>
Total liabilities and retained earnings	<b>\$37,950,900</b>	<b>\$31,934,306</b>

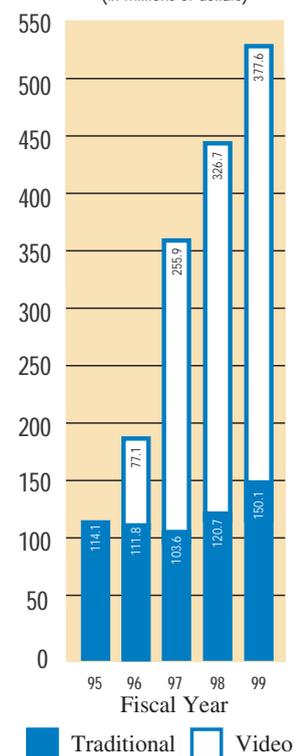
## Statements of Cash Flows for the Years Ended June 30, 1999 and 1998

	1999	1998
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$530,497,882	\$444,909,502
Other operating receipts	190,311	193,726
Payments to suppliers for goods and services	(44,533,525)	(46,669,367)
Payments to employees for services	(1,343,877)	(1,269,220)
Payments for prizes	(72,498,708)	(62,132,089)
Payments for commissions	(194,123,230)	(169,815,167)
Net cash provided by operating activities	<b>\$218,188,853</b>	\$165,217,385
<b>Cash flows from noncapital financing activities:</b>		
Operating transfers to the State of Delaware	(209,129,367)	(164,508,859)
<b>Cash flows from capital and related financing activities:</b>		
Purchases of property and equipment	(55,479)	(376,667)
<b>Cash flows from investing activities:</b>		
Proceeds from maturity of investments	1,313,860	637,537
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>10,317,867</b>	969,396
<b>Cash and cash equivalents, beginning of year</b>	<b>3,268,053</b>	2,298,657
<b>Cash and cash equivalents, end of year</b>	<b>\$13,585,920</b>	\$3,268,053
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$211,129,367	\$164,508,859
Adjustments to reconcile operating income to net cash provided (used) by operating activities—		
Depreciation expense	205,380	180,341
Loss on disposal of fixed assets, net	—	66,547
Effect from changes in operating assets and liabilities:		
Accounts receivable, net	2,955,243	(2,291,352)
Deposit with Multi-State Lottery	(137,504)	(76,888)
Prepaid expenses	19,773	(243,572)
Prizes liability	2,958,241	274,166
Accounts payable and accrued liabilities	1,888,245	1,081,395
Amount due to the State of Delaware	(829,892)	1,717,889
Net cash provided by operating activities	<b>\$218,188,853</b>	\$165,217,385

The Delaware Lottery's financial statements are audited by the firm Arthur Anderson, LLP.

If you would like a complete copy of the Lottery's official audited financial statements (including the notes), please write to the Delaware Lottery Office at the address listed on the back of this report to request a copy.

### Gross Revenue (in millions of dollars)





### THE DELAWARE LOTTERY GAMES

THE DELAWARE LOTTERY OFFERS PLAYERS A WIDE VARIETY OF GAMES WITH DIFFERENT PLAY STYLES, PRIZE LEVELS AND DRAWING FREQUENCIES.

CURRENT DELAWARE LOTTERY GAMES ARE:

<b>PLAY 3 AND PLAY 4</b>	<b>LUCKY DATE</b>
<b>ALL CASH LOTTO</b>	<b>POWERBALL®</b>
<b>INSTANT GAMES</b>	<b>VIDEO LOTTERY</b>

### PLAYER INFORMATION LINE

FOR WINNING NUMBERS AND OTHER DELAWARE LOTTERY INFORMATION, CALL:

<b>1-800-338-6200</b>	<b>302-736-1436</b>
IN DELAWARE	OUT-OF-STATE