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1992
**Minnesota
State Lottery**
Annual Report

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★ **WORKING FOR MINNESOTA** ★

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From the Director

The Lottery in Minnesota is in its transitional phase - from the point of having accomplished general product introduction to that of seeking and sustaining growth. With over 160 identifiable business activities, and countless interactions with players, retailers, suppliers, media and public officials, your Lottery is a busy and complex enterprise.

The challenge of sustaining sales and growth are particularly severe in a tight economy, more so where significant alternative gaming opportunities exist. The Lottery must work "smarter", with greater innovation and efficiency. It must work well with its retailer network and be responsive to player desires, if it is to flourish. These fundamental business attributes are the Lottery's driving force and - like any private sector business - we must utilize available tools and techniques to their fullest potential. The merchandising of Lottery products involves a unique public/private cooperative effort. The partnership benefits extend beyond net profits to the state, and accrue to retailers, suppliers, and, of course, to those who enjoy the fun of Lottery games.

Through the Lottery enterprise, these relationships have yielded benefits far beyond what our bottom line financial statement can indicate. It is a partnership that benefits all of Minnesota.

GEORGE R. ANDERSEN

Director



News



Release

Proceeds Benefit Our Natural and Economic Environments.

January 26, 1993

Judy Hohmann, 612-635-8228

1992 annual report highlights how Lottery is working for Minnesota

The Minnesota State Lottery fiscal year 1992 annual report highlights a year of organizational growth as it completes its second full year of operation. Achievements in innovation, such as the introduction of Powerball, the new multi-million dollar lotto game; automation, service and stewardship kept sales strong and net revenues to the state above projections.

The Lottery contributed more than \$74 million to the state during the fiscal year, from July 1, 1991-June 30, 1992, based on sales of \$297.6 million. The Lottery also contracted with 600 Minnesota businesses for products and services. Payments to Minnesota businesses equaled 84 percent of the Lottery's total purchases. Lottery retailers collectively earned \$17.5 million in commissions and incentives.

Lottery players were also winners. More than \$172.6 million in prizes were won during the fiscal year, including a \$12.5 million Powerball jackpot claimed by Bob and Nadine Lewis, Burnsville.

For a copy of the annual report call toll free 1-800-475-4000 or 635-8228 in the metro area.

Executive Summary

The Minnesota State Lottery is working for Minnesota. Fiscal year 1992 sales topped \$297.6 million, with net proceeds and tax revenues of \$74.0 million transferred to the State of Minnesota. The Lottery completes its third fiscal year as an important source of revenue for Minnesota – for beneficiary programs, business and local communities.

During fiscal year 1992, the Lottery revised its marketing strategy to address the increased competition for discretionary dollars from expanded Indian gaming and a sagging economy. This strategy proved itself, with sales revenues rising to within 1 percent of sales projections.

Strategic marketing enhancements and innovations included higher prize payouts, more frequent instant games, the new multi-million dollar lotto game Powerball, and other value-added incentives for players and retailers. More product sampling and cross-promotions were introduced. As a result, Minnesota's instant sales rank sixth in per-capita sales among all U.S. lotteries for the fiscal year. The market share of numbers games has increased to 31 percent since the introduction of Gopher 5 in May 1991 during fiscal year 1991.

The Lottery continued its advances in technology and automation with state-of-the-art security validation and accounting computer enhancements. Industry leadership in secure gaming is reflected in the low incidences of attempted fraud, as compared to other U.S. lotteries. A business recovery plan, preparing the Lottery to resume operation despite interruptions from a natural disaster or computer system failure, is another important addition to the overall Lottery operations and security plan.

As part of its program to continually improve service to retailers and other Lottery clientele, the Lottery instituted customer service training for all staff. Players have seen improvements in service due to ongoing retailer employee training by Lottery staff, and implementation of a streamlined Player Hotline to accommodate the demands of 250,000 callers per month.

The Lottery reaffirmed its involvement in the community by developing educational programs on environmental stewardship, sponsoring various local community events, and supporting Minnesota business. The Lottery contracted with more than 600 Minnesota businesses for products and services. Payments to Minnesota businesses equaled 84 percent of the Lottery's total purchases.

The Lottery retailer network of 3,800 businesses earned \$17.5 million in commissions and incentives during fiscal year 1992. Retailers also developed a variety of promotional partnerships with the Lottery, helping to drive sales of their products and increase store traffic. More than \$172.6 million in Lottery prizes was paid out to lucky players. The Lottery accomplished another objective by transferring \$2.8 million or 6.7 percent of its authorized operating budget to the General Fund and Environment and Natural Resources Trust Fund.

Fiscal year 1992 was a year of organizational growth for the Lottery. Achievement in the areas of innovation, automation, service and stewardship has enabled the Lottery to continue its success and profitability after the first two full years of operation.

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Game Innovations Expand Player Base

The Minnesota State Lottery saw growth through value-added product purchases and a combination of game innovations that enabled it to maintain its share of the gaming marketplace and expand the player base.

Responding to consumer preferences, the Minnesota State Lottery included more Minnesota-theme instant games, such as Lakes and Loons, Mosquito Madness and Cabin Fever. Players responded positively to the variety in choosing from three to five instant games on sale simultaneously.

In conjunction with the Multi-State Lottery Association, the Minnesota State Lottery introduced Powerball on April 19, a "Bigger, Better Lotto," that offers players a 21-times greater chance of winning a cash prize. Sales for the previous game, Lotto America, had flattened and declined, a normal game life cycle. Powerball produced 239,088 winning tickets in Minnesota with prizes totaling \$1.9 million (excluding the \$12.5 million jackpot winner), an 1,800-percent increase in the number of winners and a 163-percent increase in non-jackpot prizes, compared to the Lotto America game.

PRIZE PAYOUTS SOAR WITH ADDITION OF UNCLAIMED PRIZE MONEY

The Lottery returned unclaimed prize money to players throughout the year. More prizes in games such as Cabin Fever, which offered a prize payout of more than 70 percent, and second-chance drawings for cash prizes in the Daily 3 Spin further encouraged sales.

Daily 3 Spin offers players a "second chance" to win cash prizes. The Spin also increased viewer interest by offering a new incentive to watch the live drawing on the Lottery's television broadcast network. In fiscal year 1992, Spin



Tom Thumb

Tom Thumb Food Markets rang up a 30-percent increase

in Lottery sales in February during its popular "L for Lottery" radio advertising campaign. The cooperative promotion featured popular snack foods at special low prices with the purchase of Lottery tickets. Point-of-sale efforts included promotion-specific danglers, pump top-pers, change mats and employee buttons.

CHAIN PROMOTION RINGS UP 30-PERCENT INCREASE



LOTTERY-SPONSORED FIREWORKS BURST OVER LIVE DRAWING

The Lottery hosted the first-ever Lotto Minnesota/Lotto America drawing live at Taste of Minnesota on July 6. With fireworks bursting in the background and tens of thousands of cheering onlookers, Mike Pace, drawing emcee, shouted the winning numbers for the \$11.2 million drawing to a 16-state television audience. The Lottery sponsored three nights of fireworks over the capitol and sold \$33,778 worth of tickets.

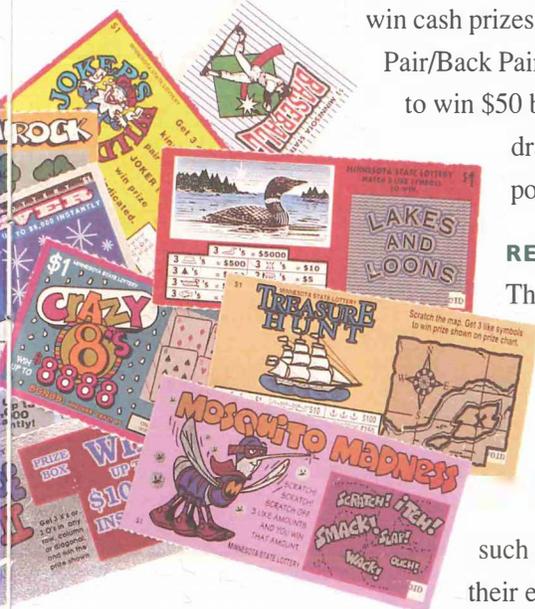


Mike Pace

winner collectively claimed \$89,500 in second-chance drawing prizes. During the Daily 3 drawings on Monday and Thursday evenings, Spin contestants can win cash prizes ranging from \$500 to a minimum jackpot of \$10,000. "Front Pair/Back Pair," yet another new feature of the Daily 3 game, allows players to win \$50 by matching just two of the three numbers drawn. Daily 3 drawings were also moved to the 6:50 p.m. timeslot during the popular game show, "Wheel of Fortune."

RETAILER INCENTIVES HELP BOOST SALES, COMMISSIONS

The Lottery's retailer network earned \$17.5 million in total sales commissions and incentives in fiscal 1992. As a sales and traffic draw, the Lottery offered three retailer incentives geared toward point-of-sale placement, suggestive selling techniques and sales. The Flag Day, Lucky Lure and Ask for the Sale incentives offered retailers a chance to win prizes such as cash bonuses, Lottery jackets, watches and golf balls for their efforts in increasing and promoting ticket sales.



ABOVE:
This year's Instant Games –

- Treasure Hunt
- Lakes & Loons
- Tic Tac Toe II
- Joker's Wild
- Crazy Eights
- Cabin Fever
- Lucky Shamrock
- Baseball
- Lucky Lure
- Mosquito Madness

The Lottery also instituted product sampling and cross-promotions. A coupon program during Powerball's launch offered players a free Gopher 5 ticket with the purchase of five Powerball tickets.

Permanent neon-look retailer signage identifying retailers as either instant or numbers games sales outlets was installed in the spring. New, coordinated point-of-sale materials including decals, danglers and posters were distributed, completing the retailers' product identification package.

SUCCESSFUL CROSS-PROMOTIONS EXPAND AUDIENCE

Minnesota set the pace with several successful cross-promotions targeted at both Lottery and non-lottery retailers. Cabin Fever Days at the Faribo West Mall, Faribault, teamed the Minnesota State Lottery with mall merchants and was aimed at promoting ticket sales through non-lottery retailers. Instant sales for the two Lottery retailers in the mall increased 600 percent during the eight-day promotion. Mall owners reported that customer traffic counts were three times greater than at a typical mall promotion.

The St. Paul Pioneer Press and the Minnesota State Lottery teamed up in September to sponsor the Pioneer Press Fall Sweepstakes. As part of a promotional trade-out, the Sweepstakes netted 850,000 entries, exceeding the newspaper's projections by 54 percent and simultaneously provided the Lottery with promotional coverage to an expanded audience.

WORKING FOR 92 MINNESOTA

Innovations included higher prize payouts, more frequent instant games, the new multi-million dollar lotto game Powerball and other value-added incentives.

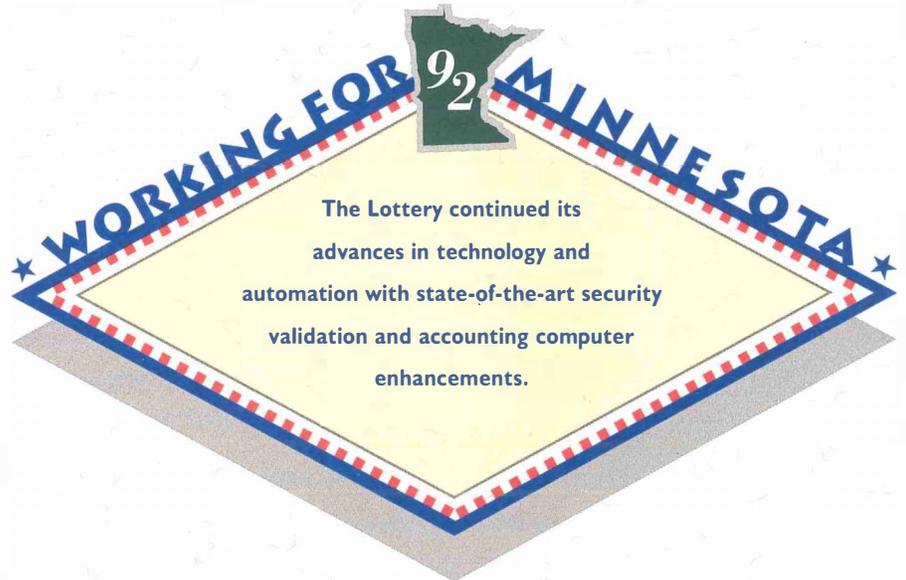
Achieving Results With Technology

The Minnesota State Lottery continues to lead the industry in technological achievements. During fiscal year 1992, software enhancements expanded the capabilities for the Lottery's game, accounting and security systems. Lotteries from around the world have reviewed technology used by Minnesota to ensure high standards for game security, ticket validation and accounting.

The computer enhancements allow for a higher volume of ticket sales, better account reporting and retailer network communications. These system improvements also result in faster access and turnaround in the security and validation processes for instant Lottery retailers. Game integrity was improved through a strict and complex series of security measures. Minnesota again ranked among the lowest in the country in incidences of attempted fraud against lotteries, involving stolen, previously cashed or altered tickets. The Lottery works closely with retailers and state and local law-enforcement agencies, and investigates all such cases.

FULL BUSINESS RECOVERY PLAN ASSURES CREDIBILITY

Critical business functions for each unit have been identified, with impact on the overall business described, financial impact estimated, and recovery resource requirements outlined.



LOTTERY TECHNOLOGY PUT TO THE TEST

The computer technology and system enhancements came through with flying colors in a full-scale test of software and hardware performance when the Lotto Minnesota/Lotto America jackpot reached \$47 million in November.

AUTOM



POWERBALL RESPONDS TO CONSUMER PREFERENCE

Powerball offers players nine prize levels, (compared to just three prize levels in Lotto America/Lotto Minnesota), and a 21-times greater chance to win a cash prize. In less than one month of sales, Bob and Nadine Lewis, Burnsville, beat the odds and won the \$12.5 million jackpot, the highest jackpot during the fiscal year. Eight Minnesota winners, as well as one couple from Grand Forks, N.D., each claimed the new \$100,000 second prizes, with an incredible 239,088 winners overall.

The computer technology and system enhancements came through with flying colors in a full-scale test of software and hardware performance when the Lotto America/Lotto Minnesota jackpot reached \$47 million in November. Total draw sales of \$3.8 million ranked Minnesota third in the network of states. Peak sales of \$236,950 were reached on Saturday between 5 p.m. and 6 p.m. Peak sales per minute of \$4,392 were reached at 5:22 p.m. that day. Behind the scenes, all audit and accounting systems performed flawlessly.

The introduction of the new multi-million dollar Powerball lotto game presented another challenge for the Lottery. Computer enhancements accommodated the new game's nine prize levels, and extremely large number of winners. The system is now capable of handling the new mega-jackpots

possible under Powerball.

The Lottery's new Business Recovery Plan will allow recovery in the event of disaster or business interruption. Critical business

functions for each unit have been identified, with impact on the overall business described, financial impact estimated, and recovery resource requirements outlined. Procedures establishing business recovery go beyond the usual crisis business plans developed by many organizations, and should assure rapid recovery, continued revenue and retailer support.

POWERBALLSM

BIGGER, BETTER LOTTO

ATION

SERVICES

Meeting Customer Needs is Key

The Minnesota State Lottery knows exceptional customer service is essential to continued business success. The Lottery continues to pursue customer service improvements through employee training and development, helping employees satisfy customer concerns and preparing them to work more efficiently with colleagues, retailers, players and vendors.

A FULL-SERVICE PARTNERSHIP BUILDS SALES

The Lottery is committed to complete service and support for its 3,800 Lottery retailers, with training and promotional assistance a focal point. Fifty-five marketing representatives serve retailers by phone and in person to build product sales and provide promotional assistance through point-of-sale displays, current game information and retailer training. In addition to on-site training, new retail employees are invited to on-line training sessions offered at Lottery regional offices. Automated Wagering, International (previously Control Data Corp.) also offers on-line support through training, terminal installation and maintenance, retailer manuals, and a 24-hour hotline.

Retailers receive the Minnesota State Lottery Retailer Link monthly newsletter, which provides promotional tips, recognizes sales success and offers incentive information and winner updates. With every retailer mailing, the Lottery Bulletin delivers operational and instructional information to

retailers on new games, point-of-sale usage and retailer deadlines. Key account managers work directly with executive representatives from the largest retail stores and chain outlets to plan and coordinate customized marketing programs and promotions so as to meet the specialized needs of these retailers.

Jackpots Start At \$10,000!

The Daily 3 Spin

Tune In Live At 6:50 P.M. To Hear Your Name On

WCCO CHANNEL 4 MPLS.-ST. PAUL	KTTC CHANNEL 10 ROCHESTER-AUSTIN	KCCO CHANNEL 7 ALEXANDRIA	KBJR CHANNEL 6 DULUTH	KEYC CHANNEL 12 MANKATO	KCCW CHANNEL 12 WALKER
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MINNESOTA STATE LOTTERY
Proudly Benefits Our Natural and Economic Environments. Item #71053

LOTTO SALES TIME EXTENDED. DRAWING COMBINED FOR PLAYER EASE

As a result of computer system enhancements, the Lottery extended sales cut-off times by one hour to 9 p.m. for Lotto America/Powerball drawings. Such improvements yield greater customer convenience and increased sales. Gopher 5 and Daily 3 drawings times were combined on Tuesdays and Fridays and moved to 6:50 p.m. on the official drawings show. Powerball drawings continue to be held Wednesdays and Saturdays at 9:59 p.m.

Averaging 250,000 callers per month, the Player Hotline offers winning numbers information, games and winners updates, instructions on how to claim prizes, an overview of what programs receive Lottery proceeds and other Lottery information. With its new menu-driven format, callers receive information in less than five seconds when using a touch-tone telephone. The Player Hotline served 2.6 million callers in fiscal 1992.

IMPROVED PLAYER HOTLINE SERVES CALLERS MORE QUICKLY

In May 1992, the retailer service hours were extended to Monday through Saturday to assist instant retailers with any validation or accounting problems. On-line retailers received a color-coded quick-reference card package that attaches to their terminal to answer common questions and solve problems.



IMPROVED PLAYER SERVICES BRING CUSTOMER CONVENIENCE

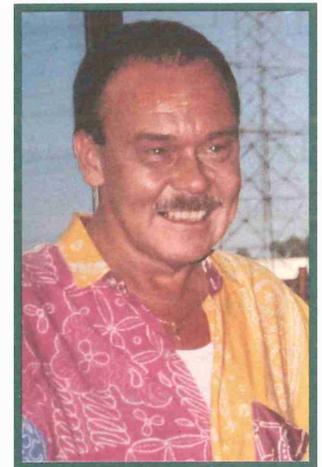
A number of improvements enhanced customer service for players. The toll-free Player Hotline served an incredible 2.6 million callers across Minnesota in fiscal 1992, providing information regarding winning numbers within minutes of the drawings, and news about winners, sales and beneficiaries. A Hotline restructuring in the spring offered a menu-driven format that allows callers to access information in less than five seconds. Averaging 9,000 calls a day, the Hotline's phone system now serves more customers more quickly, while reducing telecommunication costs by 10 percent.

The Lottery further improved players' access to winning numbers information by providing numbers posters that can be updated daily to all on-line Lottery retailers. Players can check their local newspapers, television or radio stations, many of which announce winning numbers in conjunction with the Lottery drawings.



GOPHER 5

Minnesota's Own Cash Lotto Game



Bruce Swanson, Minneapolis, won \$206,600 in the July 30 Gopher 5 drawing.

More Lottery Dollars for the Environment

Lottery dollars support environmental awareness and education through the development and distribution of the Minnesota Lottery Environmental Journal radio series and newspaper columns.

Environmental awareness activities supported by the Lottery include co-sponsorship of an international environmental stewardship symposium in Duluth in October 1991, focusing on worldwide efforts to cooperatively preserve and manage our natural resources; a special exhibit on Trust Fund projects for the Department of Natural Resources building at the Minnesota State Fair; and environmental features in various association publications, travel and visitor guides.

Informational materials, including factsheets on environmental projects funded by Lottery proceeds are distributed at presentations before civic, community and professional groups as part of the Lottery Speakers Bureau program. Various environmental displays produced by the Lottery are on exhibit at meetings, conventions, community events, and retailer promotions across the state.

JOINING IN THE FUN

During fiscal year 1992, the Lottery helped sponsor the fun at festivals and community events, including Taste of Minnesota in St. Paul, Black History Month, WE Fest in Detroit Lakes, Minnesota Derby at Canterbury Downs, Asian Pacific Heritage Month, Minnesota Timberwolves, Star of the North Games, Minnesota Renaissance Festival, National Sports Center, to name a few.

MINNESOTA COMPANIES HELP MAKE THE LOTTERY SUCCESSFUL

THESE MINNESOTA COMPANIES EMPLOY WORK FORCES OF VARIOUS SIZES AND OFFER DIVERSE TALENTS:

Carmichael Lynch, Minneapolis; SPEE-DEE Delivery, St. Cloud; Control Data Corporation/Automated Wagering, Arden Hills and New York; IBM, Rochester; Media Rare, Little Canada; Yamamoto Moss, Minneapolis; Schecter, Dokken, Kanter, Andrews and Selcer, Minneapolis; Ambassador Printing, Minneapolis; Lindy Little Joe, Brainerd; KPMG Peat Marwick, Minneapolis; General Office Products, Minneapolis; General Security Services, Minneapolis; AmeriData, Minneapolis; Burgher Office Supply, Virginia; Campbell Sports, Bloomington; Cellular 1 and Cellular 2000 located throughout Minnesota; CDP, Richfield; Kokesh, Hopkins; First Banks and First Trust, St. Paul; Mackay Envelopes, Minneapolis; Pioneer Paper Box Co., Minneapolis; Options Group Software, Bloomington; Spartan Promotions, St. Paul; RPM, Edina; TelCommUSA, with statewide facilities; Carousel Promotions, St. Paul; RISE, Spring Lake Park; Poll Communications, Minneapolis; Bolger Printing, Minneapolis.

Launched in December 1991, the syndicated Environmental Journal radio series with host Joe Alexander, a noted environmental expert, is distributed at no cost to Minnesota broadcasters and airs on approximately 100 radio stations statewide. Total weekly airplays reached 202. The weekly programs feature Trust Fund environmental projects as well as topics of general environmental interest.

The Environmental Journal newspaper columns, begun in April 1992, feature in-depth articles on Trust Fund environmental projects. The columns are distributed to Minnesota newspaper editors at no cost, and are published in daily and weekly newspapers throughout the state.



Joe Alexander hosts the Environmental Journal radio series.

LOTTERY OPERATING FUNDS SUPPORT ENVIRONMENTAL JOURNAL

STEW

The International Special Olympics was a popular cause among Lottery retailers and staff. Twenty New Prague and Montgomery retailers donated more than \$775 in commissions to the Czech team. Twenty Rochester and Stewartville retailers donated more than \$1,000 in commissions to Team Minnesota athletes. Lottery retailers statewide collected more than \$20,123 in donations for the International Special Olympics, with Lottery support.

LOTTERY EMPLOYEES PITCH IN

Lottery employees volunteered time and resources to recycling, participating in civic and charitable organizations, and environmental and natural resource groups. The Lottery increased recycling by 52.62 percent from the previous fiscal year. More than 56

tons of paper and 771.4 lbs. of aluminum cans were recycled.

INVESTING IN THE COMMUNITY

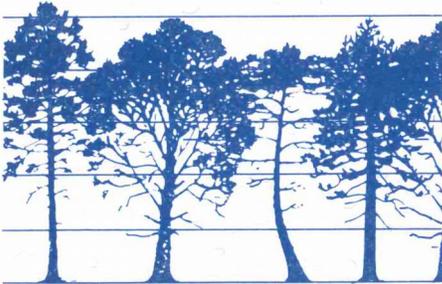
During fiscal year 1992, 84 percent of Lottery purchases went to Minnesota-based companies. More than 600 Minnesota businesses provided \$25.5 million in products and services to the Lottery.



Representatives from Dave & Earl's Super Valu and Two Inlets Country Store, Park Rapids, presented the Minnesota Special Olympics with a check totaling one week's worth of Lottery commissions at their stores.

MINNESOTA STATE LOTTERY'S

Environmental JournalSM



ARD SHIP

How Lottery Dollars Help Minnesota

The Environment and Natural Resources Trust Fund received 40 percent of Lottery net proceeds, or \$21.9 million, in fiscal year 1992. The Trust Fund finances environmental research and education, and management of our natural resources in recreation, water, forestry, education, agriculture, wildlife and wetlands.

The state General Fund received 60 percent of Lottery net proceeds, or \$32.8 million, in fiscal year 1992. An additional \$19.3 million, or 6.5 percent of overall Lottery sales revenues, was remitted to the General Fund in lieu of sales tax. The General Fund supports all state programs and services including education, health care, aid to local government and public safety.

Players won more than \$172.6 million in prizes. Lottery retailers earned \$17.5 million in commissions and incentives.



ENVIRONMENTAL EXHIBITS COLLABORATIVE

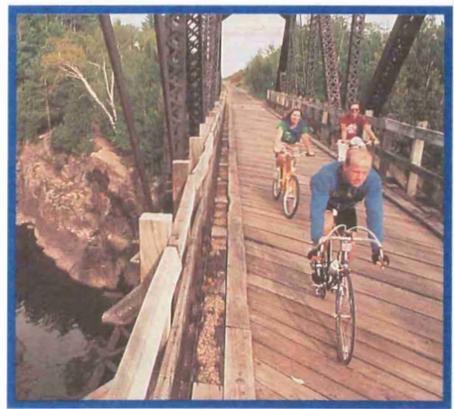
\$400,000

Trust Fund Project
The Science Museum of Minnesota and the University of Minnesota Bell Museum produced two traveling water-related exhibits for use at state parks, zoos and museums throughout the state.

FOREST SONGBIRDS STUDY

\$300,000

Trust Fund Project
The Department of Natural Resources (DNR) is monitoring more than 155 songbird species in northern Minnesota forests to analyze habitat and forest management techniques.



RAILS TO TRAILS ACQUISITION AND DEVELOPMENT

\$1 million

Trust Fund Project
The DNR has acquired and started development on the Paul Bunyan Trail from Brainerd to Bemidji and the Glacial Lakes Trail from Willmar to Richmond. When completed, the trails will add 130 more recreational miles for Minnesotans.

NOTE: The Trust Fund is administered by the Legislative Commission on Minnesota Resources, with approval by the Minnesota Legislature.

THE TRUST FUND RECEIVED \$21.9 MILLION IN LOTTERY PROCEEDS



Minnesota Environment and Natural Resources Trust Fund Projects

RECREATION

Land and Water Resource Management for the Lower

St. Croix National Scenic Riverway, \$360,000

Mississippi River Valley Blufflands Initiative, \$150,000

Rails-to-Trails Acquisition and Development, \$1,000,000

WATER

Stream and Watershed Information System, \$200,000

South Central Minnesota Surface Water Resources Atlas and Data Bases, \$300,000

County Geologic Atlas and Groundwater Sensitivity Mapping, \$1,400,000

Clean Water Partnership Grants to Local Units of Government, \$700,000

Minnesota River Basin Water Quality Monitoring, \$700,000

Cannon River Watershed Grants, \$60,000

Mitigating Mercury in Northeastern Minnesota Lakes and Streams, \$300,000

Ecological Evaluation of Year Round Aeration, \$100,000

Erosion Control Cost-Sharing, \$250,000

Well Sealing Cost Share Grants, \$750,000

EDUCATION

Video Education Research and Demonstration Project, \$100,000

Environmental Education Program, \$790,000

Integrated Resource Management Education and Training Program, \$300,000

Environmental Exhibits Collaborative, \$400,000

AGRICULTURE

Biological Control of Pests, \$650,000

Conservation Reserve Easements, \$600,000

FORESTRY

Generic Environmental Impact Statement, \$400,000

WILDLIFE

Insecticide Impact on Wetland and Upland Wildlife, \$650,000

Minnesota County Biological Survey, \$1,000,000

A Computerized Data Base for the Plants of Minnesota, \$130,000

Aquatic Invertebrate Assessment Archive, \$130,000

Wetlands Forum, \$40,000

Easement Acquisition on Restored Wetlands, \$400,000

Restore Thomas Sadler Roberts Bird Sanctuary, Minneapolis, \$50,000

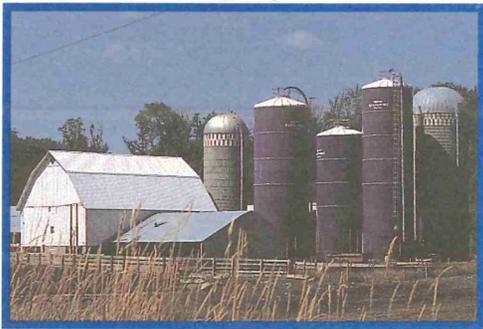
Effect of Change in the Forest Ecosystem on the Biodiversity of Minnesota's Northern Forest Birds, \$300,000

LAND

Base Maps for the 1990s, \$1,000,000

Statewide National Wetlands Inventory, Protected Water Inventory,

Watershed Map Digitization, \$750,000



LOTTERY INCOME TRANSFERRED TO STATE

General Fund 60% of Net Proceeds
\$32,790,436

Environment and Natural Resources Trust Fund
\$21,860,291

General Fund – Tax in Lieu of Sales Tax
\$19,344,186

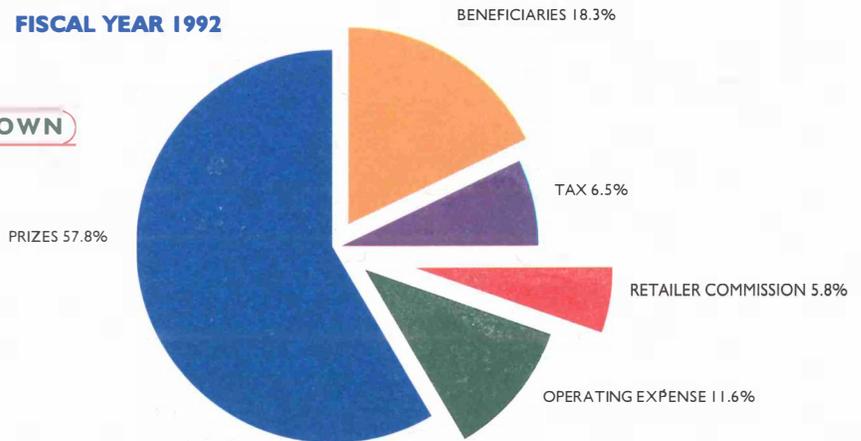
Contribution to Compulsive Gambling and Public Safety
\$450,000

LOTTERY INCOME TO STATE YEAR ENDING ENDING JUNE 30, 1992
 COMPARED TO YEAR ENDING JUNE 30, 1991

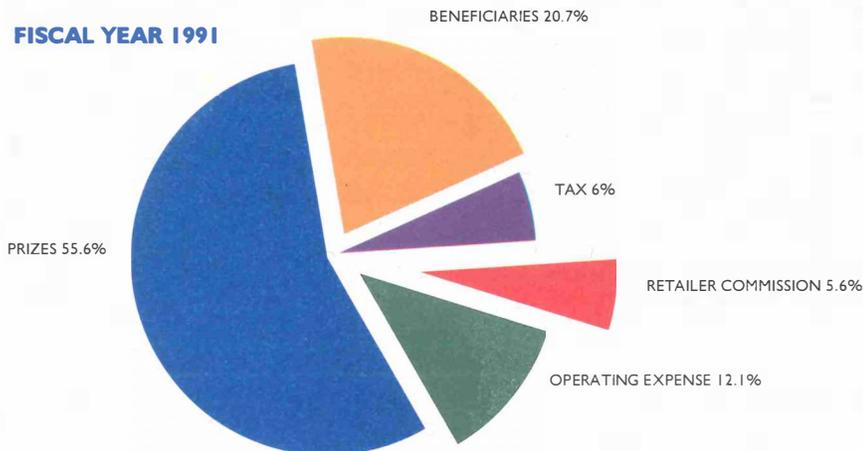
NET PROCEEDS	1992	1991
40% Environment and Natural Resources Trust Fund	\$21,860,291	\$26,752,109
Infrastructure Development Funds:		
Capital Improvement for State		
Environment and Natural Resources	0	2,869,733
Capital Improvements for State Higher Education	0	14,124,850
State Bond Fund for Environment and Natural Resources	0	1,611,245
State Bond Fund for State Higher Education	0	4,802,267
Greater Minnesota Corporation	0	7,720,069
60% General Fund	32,790,436	9,000,000
Subtotal Net Proceeds	\$54,650,727	\$66,880,273
Tax (In Lieu of Sales Tax) to General Fund	19,344,186	19,289,242
Compulsive Gambling & Public Safety	450,000	250,000
Grand Total to State	\$74,444,913	\$86,419,515

LOTTERY REVENUE DOLLAR BREAKDOWN

FISCAL YEAR 1992



FISCAL YEAR 1991



FINANCIAL HIGHLIGHTS FOR 12 MONTHS ENDING JUNE 30, 1992
 COMPARED TO YEAR ENDING JUNE 30, 1991

INCOME	1992	1991
Sales	\$297,602,893	\$321,487,363
Tax	19,344,186	19,289,242
Gross Receipts	\$278,258,707	\$302,198,121
Other Income	1,189,548	1,381,107
Gross Revenue	\$279,448,255	\$303,579,228
EXPENSES		
Retail Commissions and Incentives	\$ 17,533,322	\$ 18,236,198
Prize Expense	172,609,012	179,428,852
Operating Expense		
Instant Ticket Cost	2,949,783	3,979,137
Ticket Delivery	662,176	398,818
On-line Vendor Commission	6,153,204	4,812,590
Contrib: Compl. Gamb. & Public Safety	450,000	250,000
Occupancy Costs	1,561,085	1,692,856
Depreciation	971,000	534,508
Advertising	7,608,818	12,239,184
Salaries and Benefits	7,146,278	6,774,503
Promotion	1,680,109	3,111,985
Purchased Services	1,204,560	621,873
Communications	1,581,881	1,829,679
Computer Maintenance	534,917	1,553,160
Supplies and Materials	1,298,684	753,909
Interest Expense	118,298	18,124
Other	734,401	463,579
Operating Expense Subtotal	34,655,194	39,033,905
Net Proceeds	\$ 54,650,727	\$ 66,880,273

MINNESOTA STATE LOTTERY BALANCE SHEET JUNE 30, 1992 AND 1991

ASSETS	1992	1991
Cash and Cash Equivalents	\$ 3,949,921	\$ 2,897,592
Investments	6,859,049	8,094,292
Accounts Receivable – Net	3,722,146	2,664,519
Interest Receivable	71,947	133,077
Instant Ticket Inventory	252,295	544,758
Merchandise Prize Inventory	1,422,457	—
Fixed Assets – Net	3,760,206	3,772,101
Prize Investments	614,173	582,569
Total Assets	\$20,652,194	\$18,688,908

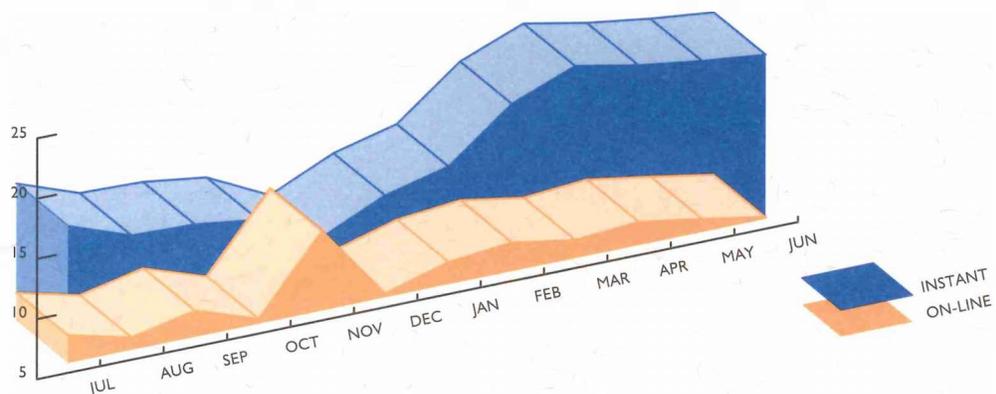
LIABILITIES AND RETAINED EARNINGS

Net Proceeds Due to State Treasurer	\$ 3,496,567	\$ 2,953,842
Accounts Payable	3,088,874	4,124,787
Tax in Lieu of Sales Tax Payable	1,659,495	1,341,342
Prize Liability	8,109,134	7,270,031
Reserve for Prizes and Incentives	3,012,287	1,897,343
Compensated Absences Payable	398,351	370,864
Deferred Revenue	273,313	148,130
Prize Annuity Payable	614,173	582,569
Total Liabilities	20,652,194	18,688,908
Retained Earnings	—	—
Commitments and Contingencies	—	—
Total Liabilities and Retained Earnings	\$20,652,194	\$18,688,908

INSTANT AND ON-LINE SALES BY MONTH

FISCAL YEAR 1992

IN MILLIONS



MINNESOTA STATE LOTTERY STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 1992 AND 1991

	1992	1991
Cash Flow from Operating Activities:		
Operating Income	\$53,780,164	\$65,623,833
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	971,000	534,508
Changes in Assets and Liabilities:		
Accounts Receivable	(1,057,627)	(1,562,020)
Interest Receivable	61,130	(62,411)
Instant Ticket Inventory	292,463	118,006
Merchandise Prize Inventory	(1,422,457)	—
Prepaid Expenses	—	115,677
Accounts Payable	(1,035,913)	865,502
Tax in Lieu of Sales Tax Payable	318,153	639,929
Prize Liability	839,103	6,723,346
Reserve for Prizes and Incentives	1,114,944	170,037
Compensated Absences Payable	27,487	1,897,343
Deferred Revenue	125,183	148,130
Prize Annuity Payable	—	582,569
Net Cash Provided By Operating Activities	54,013,630	75,794,449
Cash Flow from Noncapital Financing Activities:		
Proceeds Paid to Beneficiaries	(54,108,002)	(67,405,942)
Retailer Fees	136,165	63,368
Other Income	14,862	19,370
Other Expense	(200,687)	(106,543)
Net Cash Used in Noncapital Financing Activities	(54,157,662)	(67,429,747)
Cash Flow from Capital Financing Activities:		
Investments in Fixed Assets	(959,105)	(2,415,978)
Interest Expense	(118,298)	(18,124)
Net Cash Used by Capital Financing Activities	(1,077,403)	(2,434,102)
Cash Flow from Investing Activities:		
Proceeds from Sales and Maturities of Investments	18,528,364	2,405,971
Purchase of Investments	(17,293,121)	(8,094,292)
Purchase of Zero Coupon Bonds to Pay Prize Annuity	—	(582,569)
Interest Income	1,038,521	1,298,369
Net Cash Provided (Used) by Investing Activities	2,273,764	(4,972,521)
Net Increase in Cash and Cash Equivalents	1,052,329	958,079
Beginning of Year Cash and Cash Equivalents	2,897,592	1,939,513
End of Year Cash and Cash Equivalents	\$ 3,949,921	\$ 2,897,592
Supplemental Schedule of Non-cash Investing and Financing Activities:		
Net Proceeds due to State Treasurer	\$ 3,496,567	\$ 2,953,842

Minnesota State Lottery Board



Gene Bier, Plymouth, served as chairman of the Lottery Board. He formerly was chief executive officer of Enhanced Telemanagement Inc., and currently serves as vice chairman of the board of director's for ETI. Previously, he was vice president and CEO of Minnesota operations for US West.



Veda Ponikvar, Chisholm, is publisher and editor of the Chisholm Free Press.

FISCAL YEAR 1992

Governor Arne Carlson appointed three new board members in June, 1992 to replace Gene Bier, Jack Lynch and Veda Ponikvar.

Larry Rixe, Clinton, serves as a county commissioner for Big Stone and is an independent insurance agent.

Gail Rubin, Minneapolis, is a planning specialist in the Minneapolis office of Foote Cone & Belding/Impact, San Francisco.

Ruth Simmons, Gilbert, is a high school educator.



Jack Lynch, Willmar, former manager of radio station KWLM-AM, Willmar, now hosts a talk show on KWLM-AM.



Larry Rixe



John Milne, Mendota Heights, is sales operations director for the Traffic Control Materials Division of 3M Company.



Grace Nelson, Welch, is food service director for Welch Village Ski Area, a family-owned business.



Gail Rubin



Wes Lane, Eagan, is a representative for the Teamsters' Democratic-Republican-Independent-Voter Education (D.R.I.V.E.) program.



Jim Evans, Detroit Lakes, serves on the board of directors of First American Bank, Detroit Lakes. He was a state representative from 1976-1984 and formerly owned Evans Markets, Detroit Lakes.



Ruth Simmons

Minnesota State Lottery

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