

STATE OF MICHIGAN
NOTES TO FINANCIAL STATEMENTS (Continued)
 FISCAL YEAR ENDED SEPTEMBER 30, 1999

NOTE 17 – LOTTERY PRIZE AWARDS PAYABLE

The State Lottery Fund makes long-term prize awards for certain of its games, most notably the lotto games. Liabilities related to these deferred prize awards are recorded at their present value using discount rates ranging from 5.5% to 8.5%. The liquidation of these liabilities is provided for by investment in U.S. Treasury deep discount bonds and in the State's common cash pool.

Liabilities for future payments for prize awards are summarized as follows (in millions):

Twelve months ending September 30:	
1999	\$ 172.3
2000	133.2
2001	132.8
2002	132.5
2003	132.1
2004 through 2008	517.8
2009 through 2013	243.8
Later years	<u>81.0</u>
Total	1,545.5
Less unamortized discount	<u>(505.5)</u>
Total at present value	<u><u>\$ 1,040.0</u></u>

Public Act 239 of 1972 required that, as nearly as practicable, 45% of gross ticket revenue shall be allocated for prize awards. Effective December 17, 1998, P.A. 393 of 1998 requires as nearly as practicable until January 1, 2003, that not less than 45% of gross ticket revenue shall be allocated for prize awards. On or after January 1, 2003, 45% of gross ticket revenue shall be allocated for prize awards.

Public Act 95 of 1996 allows the State Lottery to participate in joint enterprises (such as multi-state lotteries) with other sovereignties. Prize awards from joint enterprises shall be the percentage of total annual revenue accrued from that game as prescribed by the joint enterprise participation agreement. More detailed information on the State Lottery Fund is available in the fund's separately issued audited financial statements, which are prepared semiannually.