The total amount held as a deposit by the MUSL as of June 30, 2002, was $1,738,612. This amount, reported by the Lottery as restricted assets and as liabilities payable from restricted assets, represents funds to be paid to the State of Delaware, upon ending the Powerball game, if MUSL is not required to use a portion of the Lottery’s reserves held by MUSL.

Complete separate financial statements for MUSL may be obtained at the Multi-State Lottery Association, 1701 48th Street, Suite 210, West Des Moines, IA 50266-6723.

**DelDOT Fund**

*Delaware Transportation Authority*

During fiscal year 1998, Expressways Operations/Toll Administration entered into a regional electronic toll collection system consortium. The consortium includes an agreement among member jurisdictions to share in the potential revenues and costs associated with the construction, financing and operations of an electronic toll collection customer service center (CSC). The CSC collects tolls and violation fees from motorists in each member jurisdiction and remits to each jurisdiction their share of tolls collected based upon actual road usage.

The CSC will also lease fiber optic transmission lines to the public, which will generate rental income to the CSC. The rental income and violation fees are expected to exceed the costs associated with operating the CSC. In the event that the CSC generates costs in excess of revenues during its ten-year operating term, each member jurisdiction will be obligated to finance their share of this operating deficit under the terms of a True-Up Agreement, which each member jurisdiction has signed.

At June 30, 2002, a True-Up study revealed a probable liability relating to the above True-Up Agreement. While the exact amount of this liability, due in March 2008, is not known, a reasonable estimate based on information currently available is $6,469,240 for 2002. These amounts have been discounted to their present value based on the average investment rate of the Trust Fund at fiscal year end. The discounted amount of $5,767,330 appears is included in other liabilities at June 30, 2002. To accumulate funds for future payment of this contingency, the Delaware Transportation Authority is earmarking funds within its operating budget.

Audited statements for the CSC may be obtained from Adesta Transportation Inc., 200 East Park Drive, Suite 600, Mt. Laurel, New Jersey 08054.

**NOTE 17. CONTINGENCIES**

Various parties have made claims against the State in amounts, which in the aggregate, could be material to the financial statements of the State. The State
recognized $18.6 million as General Government accrued liabilities in the General Fund for pending litigation settlements for the fiscal year ended June 30, 2002. In the opinion of the Attorney General of the State however, the remaining cases are either subject to a valid defense or are not expected to result in an impairment of the State's financial position. Management believes the settlement in aggregate of claims outstanding will not result in amounts material to the financial statements of the State.

The State receives significant financial assistance from the Federal Government in the form of grants and entitlements. The right to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the State. The State does not believe that the liabilities that may result from such audits for periods through June 30, 2002 would have a material effect on its financial position or the results of operations.

The State Lottery has discharged its primary responsibility for payment of annual installments (generally 14 to 20 years) to winners of jackpots greater than $150,000 by purchasing annuities from private insurance companies. The Lottery remains liable for future periodic payments of deferred prize obligations (approximately $16.5 million at June 30, 2002) in the event that the annuity issuers default on their obligations.

NOTE 18. SUBSEQUENT EVENT

On July 23, 2002, the State issued $261.6 million of general obligation bonds. These serial bonds mature between August 1, 2002 and August 1, 2021 and bear average interest rates of 3.76%. A portion of the proceeds, amounting to $133.6 million was used to advance refund $132.7 million of general obligation bonds. The remaining proceeds of $128.0 million were used to provide funds for capital improvements to various State facilities.