



COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the fiscal year ended June 30, 2013.

SINCE 1964, OVER

\$1.5

billion to
education



NEW HAMPSHIRE
LOTTERY COMMISSION
A department of the
State of New Hampshire

NEW HAMPSHIRE LOTTERY COMMISSION

A DEPARTMENT OF THE STATE OF NEW HAMPSHIRE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
June 30, 2013**

Prepared by:

The New Hampshire Lottery Commission

Charles R. McIntyre
Executive Director

The Finance Department

Kassie L. Strong
Chief Financial Officer

NEW HAMPSHIRE LOTTERY®

\$20 WIN UP TO **\$100,000 A YEAR!**
GUARANTEED \$2 MILLION

SET FOR LIFE

WIN UP TO **\$25,000 INSTANTLY!**

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win prize shown for that number. Get a "💰" symbol, win **TRIPLE** the prize shown for that symbol.

WINNING NUMBERS

YOUR NUMBERS

PRIZE	PRIZE	PRIZE	PRIZE	PRIZE	PRIZE
PRIZE	PRIZE	PRIZE	PRIZE	PRIZE	PRIZE
PRIZE	PRIZE	PRIZE	PRIZE	PRIZE	PRIZE

WIN UP TO 15 TIMES! **PRIZE CHECK** 000■

Set For Life, an Instant scratch game selling for \$20 per ticket, was the Lottery's 2nd highest seller of Instant scratch games for the second consecutive year, bringing in sales of \$7.2 million for fiscal year 2013 and \$7.6 million for fiscal year 2012.

New Hampshire Lottery Commission Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2013

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New Hampshire Lottery Executive Director Charlie McIntyre and New Hampshire Executive Councilor Raymond Burton (L to R)

The New Hampshire Lottery Commission lost a friend and outstanding public servant in the Granite State on November 12, 2013. Executive Councilor Raymond Burton represented District 1 in the State of New Hampshire, encompassing 108 towns, four cities, and seven counties. Councilor Raymond Burton was a fervent supporter of the Lottery. He was known for his immense kindness, decency, optimism, humor, and dedication to the citizens of New Hampshire.

Introductory Section

\$20 NEW HAMPSHIRE LOTTERY®

Highest Payout Yet!

**Million Dollar
Tax Free***

Win Up To \$20,000 Instantly!

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win prize shown for that number. Get a "2X" or "5X" symbol, win 2 times or 5 times the prize shown for that symbol.

WINNING NUMBERS

YOUR NUMBERS

Win Up To 20 Times!

PRIZE CHECK 000 ■

The image is a vertical scratch-off ticket graphic for the New Hampshire Lottery. At the top left is a circular logo with '\$20'. To its right is the text 'NEW HAMPSHIRE LOTTERY®'. Below this is the slogan 'Highest Payout Yet!' in a red, outlined font. The main title 'Million Dollar Tax Free*' is written in large, bold, red letters with a white outline. Underneath is 'Win Up To \$20,000 Instantly!' in a similar red, outlined font. A paragraph of instructions follows: 'Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win prize shown for that number. Get a "2X" or "5X" symbol, win 2 times or 5 times the prize shown for that symbol.' Below the instructions is a 'WINNING NUMBERS' section with six red stars. Underneath that is a 'YOUR NUMBERS' section consisting of a 4x5 grid of red circles, each containing a white dollar sign (\$) surrounded by a laurel wreath. At the bottom of the grid is the text 'Win Up To 20 Times!' in a red, outlined font. Below the grid is a 'PRIZE CHECK' section with the text '000' and a small black square.

Million Dollar Tax Free, an Instant scratch game selling for \$20 per ticket, was the Lottery's highest seller of Instant scratch games for fiscal year 2013, bringing in sales of more than \$8 million. The Lottery had available for sale 80 different Instant scratch games during fiscal year 2013.



GOVERNOR Margaret Wood Hassan
CHAIRMAN Debra M. Douglas
COMMISSIONER Paul J. Holloway
COMMISSIONER Doug Scamman
EXECUTIVE DIRECTOR Charles R. McIntyre

December 13, 2013

To the Citizens of the State of New Hampshire,
The Governor and Executive Council of the State of New Hampshire, and
The New Hampshire Lottery Commission:

We are pleased to submit the Comprehensive Annual Financial Report of the New Hampshire Lottery Commission (Lottery) for the fiscal year ended June 30, 2013. The finance department of the Lottery has prepared this comprehensive report. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Lottery. All disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities have been included.

Internal Control

Management of the Lottery is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft, or abuse and to ensure that the accounting systems allow compilation of accurate and timely financial information. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of cost and benefits requires estimates and judgments by management.

Access to the Lottery's office and Instant ticket warehouse is limited through high-level security. The Lottery has segregated responsibilities to enhance controls over accounting procedures relative to personnel and payroll; purchasing and accounts payable; sales and accounts receivable; and general ledger. Management personnel maintain oversight and approval authority over all areas of operation. The Lottery's independent auditors review significant and relevant areas annually and issue a report to the Legislative Fiscal Committee on internal control and compliance in conjunction with their financial audit.

The Lottery manages a ticket inventory and controls the payment of prizes. As such, various precautions (internal controls) are taken to ensure the integrity and security of lottery operations. They are as follows:

- High-level security at the Lottery's headquarters restricts access to office and warehouse areas to certain Lottery personnel.
- Security cameras are located in key locations throughout the inside and outside of the Lottery headquarters building.

- Criminal record checks are performed on all new lottery employees and other employees performing services at Lottery headquarters.
- All Instant lottery tickets are printed utilizing special inks, dyes, and security codes, among other security measures.
- Prize checks are printed with special non-erasable ink.
- Drawings held at Lottery headquarters have a designated secure drawing room, which is monitored 24 hours a day. The actual drawings are executed according to detailed procedures, witnessed by certified public accounting firm personnel, and videotaped by primary and backup security cameras.
- Credit checks are performed on all Lottery retailers and contractors.
- Various levels of access and other controls are provided within the computer system.

The Lottery's financial statements have been audited by the State of New Hampshire Office of Legislative Budget Assistant, Audit Division (LBA). The LBA has issued an unqualified ("clean") opinion on the Lottery's financial statements for the year ended June 30, 2013. The independent auditor's report is presented as the first component in the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements the financial statements and should be read in conjunction with this transmittal letter.

The Lottery, as a department of the State of New Hampshire, is included within the State's Comprehensive Annual Financial Report. This report presents all activities of the Lottery in a single enterprise fund and does not include data or information related to any other state agency or fund.

Profile of the Lottery

The lottery industry in the United States is comprised of 43 state lotteries, the District of Columbia, and the U.S. Virgin Islands. The New Hampshire Lottery Commission (Lottery) was created in 1963 through the enactment of New Hampshire Revised Statutes Annotated (RSA) 284:21-a for the sole purpose of raising revenues to help fund education in New Hampshire. The first tickets went on sale in March of 1964, making New Hampshire the first state-run lottery. A three-member appointed commission serves at the pleasure of the Governor and Executive Council.

The Lottery headquarters is located in the capitol city of Concord, which is in the central part of the state. The Lottery operates enterprise activities as a department of the State of New Hampshire. These activities include the sale of lottery tickets to the public and all necessary support functions. All profits are used exclusively for state aid to education in New Hampshire.

The Lottery is required to submit a biennial operating budget to the Governor for approval. The budget is further submitted to the Legislature for its approval and is ultimately included in the State of New Hampshire's operating budget. The Lottery's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis. Due to the nature of the Lottery's

activities, the majority of its cost of sales expenses, such as prizes, vendor fees and retailer commissions, are not included in the budget. The Lottery budgets for approximately 5% of its total expenses that consist primarily of salaries and benefits, rental expenses, advertising and Instant ticket printing costs. Financial management staff consistently monitors adherence to budgeted appropriations.

The New Hampshire Lottery Commission provides customers the opportunity to participate in a variety of Instant and on-line lottery games. The Lottery is a member of three lottery joint ventures: the Tri-State Lotto Commission, comprised of New Hampshire, Maine, and Vermont Lotteries; the Multi-State Lottery Association, which is comprised of many state lotteries, as such, it operates a number of on-line games under those jurisdictions; and Lucky for Life, which is comprised of the six New England states' lotteries. The following paragraphs describe the products offered by the Lottery.



Instant Games were introduced in New Hampshire in 1975 with a ticket called 'Lucky X'. Instant games are played by scratching the latex covering off the play area on the ticket. There are several ways to win on an Instant or "scratch" ticket, including matching three like dollar amounts, symbols or letters, or adding up numbers to a specified total. If the correct combination appears, the player becomes an "instant winner" without having to wait for the results of a drawing. The Instant games offer a wide variety of game themes and ticket prices. Players can win anywhere from \$1 to \$1 million, depending on the game. The Lottery offered 80 Instant games during fiscal year 2013 with ticket prices ranging from \$1 to \$20.



Tri-State Pick 3/Pick 4 has been offered by Tri-State since 1996, and prior to that by New Hampshire since 1977 and is one of the Lottery's most consistently played games. Players can win twice a day, once at mid-day and again in the evening. For as little as fifty cents or as much as \$5 a player can purchase a ticket for a chance to win. This is the only game that offers tickets for less than a dollar. Players select a three or four digit number and select from several different play options. Numbers are drawn twice a day, seven days a week, for fixed prize amounts ranging from \$25 to \$25,000, depending on the dollar amount bet. Although the Pick 3/Pick 4 game is considered a mature product, it continues to maintain strong sales through its loyal players.



Tri-State Megabucks was the first multi-state product to be offered by any jurisdiction in the United States. It was also the Lottery's first lotto-type game and year after year it maintains a faithful player base. Megabucks has undergone some significant enhancements since its introduction in September 1985. The Megabucks game began with a 6 of 30 matrix and a weekly drawing each Saturday. The matrix changed to 6 of 36 in 1986 and to 6 of 40 in 1988. In 1990, the Tri-State Lotto Commission added a second jackpot drawing on Wednesdays. More changes faced the Megabucks game in 1997 with the addition of a bonus number, a new matrix of 6 of 42, and a guaranteed jackpot of \$500,000. On July 26th of 2009 Megabucks changed to Megabucks Plus, with guaranteed starting jackpots of \$1 million and lower tier prizes ranging from \$2 to \$30,000. The cost of a ticket went from \$1 to \$2. Players now choose five numbers from a matrix of 41 and one Megaball number from 1 to 6. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 25 annual installments. Although this game is 27 years old, it still remains a profitable product for the Lottery, with a committed player base. This game is available as a subscription.



Lucky for Life began on March 11, 2012. It is a multi-jurisdictional game jointly operated by the six New England state lotteries. Tickets are sold in all six states and cost \$2 per chance. Players pick five numbers from 1 to 40 and one lucky ball number from 1 to 21, or choose an Easy Pick. They have ten chances to win: \$2, \$4, \$5, \$10, \$15, \$50, \$100, \$2,000, \$25,000 or the top prize of \$1,000 a day for life. Drawings are held every Monday and Thursday evening at the Connecticut lottery headquarters.



Fast Play is a Tri-State online game. Sales began in June of fiscal year 2006. It is an online game that plays like an Instant game and is generated by the lottery terminal at the time of purchase. There is no waiting for a drawing like the other online games. A player plays the game and determines if they have won instantly. Each Fast Play game has a shelf life of approximately three months. Over the course of a year, approximately four different Fast Play games are offered to players, which keep the product fresh and exciting. Examples of the different games offered are Sizzlin' Cash, Solitaire, Smokin' Hot Dice, and Roulette Riches, all of which were launched on May 12, 2013. Tickets cost \$1, \$2, or \$5 each depending on the game. Top prizes range from \$300 to \$2500. The Lottery's web site, www.nhlottery.org explains how each game plays.



New Hampshire Powerball is an online game jointly operated by the 33 member lotteries of the Multi-State Lottery Association (MUSL). A total of 45 lotteries participate in the sale of Powerball tickets, including the 33 MUSL members (which consist of 31 state lotteries, the U.S.

Virgin Islands, and the District of Columbia) and the Mega Millions group (which consists of 12 state lotteries). This game was introduced in New Hampshire in November 1995, although it has been operated by the MUSL Association since April 1992. Players select one set of five numbers and one additional number designated as the “powerball” for each draw. The matrix is “5 of 59” for the set and “1 of 35” for the powerball. The minimum jackpot is \$40 million, which rolls over in the event that no ticket matches all five numbers and the powerball. Powerball offers eight secondary prizes of fixed amounts ranging from \$4 to \$1,000,000 for a \$2 bet. For an extra \$1 a player can Power Play their bet for the chance to increase their winnings, except for the jackpot prize, up to \$2,000,000. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 30 annual installments. Drawings are held in Orlando, Florida on Wednesdays and Saturdays. This game also offers ticket sales through subscriptions.



New Hampshire Hot Lotto is sponsored by the Multi-State Lottery Association (MUSL). Currently 15 state lotteries participate in the Hot Lotto game. The cost of a ticket is \$1. Each ticket has a two-part play. First, the player selects five numbers from a matrix of 1 to 39 and then one hot ball number from a matrix of 1 to 19. Players may pay an additional \$1 per bet to add the “Sizzler” feature, which will increase their winnings, except for the jackpot, by three times. Drawings are held on Wednesday and Saturday evenings. The jackpot starts at \$1 million and grows until someone wins. The New Hampshire Lottery launched an improved Hot Lotto Sizzler game beginning on May 12, 2013 that offers an all cash, tax free jackpot. In addition to the jackpot, there are eight other ways to win from \$2 up to \$10,000 for a \$1 bet. This game also offers ticket sales through subscriptions.



New Hampshire Mega Millions sales began on January 31, 2010. Mega Millions is a multi-state game. Prior to January 31, 2010 any state that sold Powerball could not sell Mega Millions and vice versa. The game began in August 1996 as “The Big Game” and holds the record for the largest jackpot in North American history. There are a total of 45 jurisdictions where you can play Mega Millions: 43 states, the U.S. Virgin Islands, and the District of Columbia. Players can purchase a ticket for \$1. Players select one set of five numbers and one additional number designated as the “mega ball” for each draw. The matrix is “5 of 56” for the set and “1 of 46” for the mega ball. The minimum jackpot is \$12 million, which rolls over in the event that no ticket matches all five numbers and the mega ball. Mega Millions offers secondary prizes of fixed amounts ranging from \$2 to \$250,000 for a \$1 bet. Mega-Plier is a feature added to the game giving players the chance to increase their winnings, except for the jackpot prize, by up to four times. In order to upgrade to a Mega-Plier, a player needs only to pay an extra dollar. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 26 annual installments. Drawings are held in Atlanta, Georgia on Tuesdays and Fridays. This game also offers ticket sales through subscriptions.



The New Hampshire Lottery excitedly launched a new Tri-State game called Gimme 5 on May 12, 2013 in conjunction with the Vermont and Maine State Lotteries. Tickets are sold for \$1 per play and players choose five numbers from a matrix of 1 - 39, or an Easy Pick. Participants are permitted to purchase up to 30 draws on one ticket and drawings are held every Monday, Wednesday, and Friday at the State of New Hampshire Lottery Headquarters. Prizes include \$2, \$7, \$250, and a jackpot of \$100,000.

Local economy

New Hampshire is a small state with a population of approximately 1.3 million. According to the CQ Press (www.cqpress.com), 2012 rankings, New Hampshire ranks as the third most livable state in the nation with the highest standard of living in the U.S. For 2010 CQ Press ranked New Hampshire as having among the lowest crime rates in all the United States. CQ Press is based in Washington, D.C. and is a publisher of books, directories, reference publications, and textbooks focusing on U.S. government, world affairs, communication, political science, and business. CQ Press is a division of SAGE, which is an independent academic and professional publisher (www.sagepublications.com). The company specializes in reference books that compare states and cities in several different subject areas. Some of the factors considered in awarding a state the most livable state award are per capita gross state product, per capita personal income, median household income, public high school graduation rate, percent of population with bachelor's degrees or higher, job growth, and homeownership.

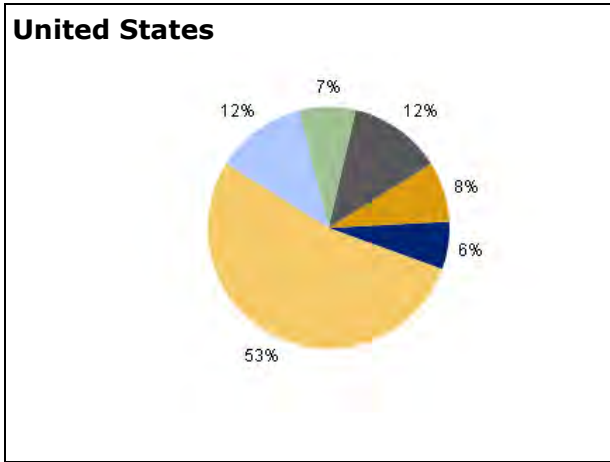
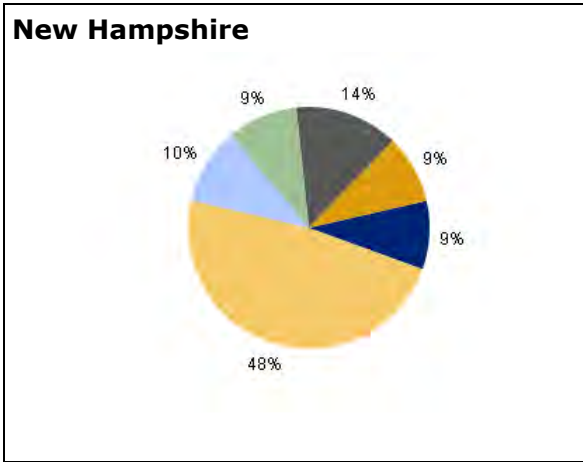
There is no sales tax, use tax, broad-base income tax, or capital gains tax in New Hampshire. The Tax Foundation, a nonprofit fiscal policy research group, ranked New Hampshire's 2010 local and state tax burden as 44th in the United States (1 being the highest tax burden), at 8.1% of income; the U.S. average of state and local tax burden for 2010 is 9.9% of income (2010 was the latest data reported for local and state tax burden). New Hampshire offers a favorable overall tax environment for businesses, ranking 7th best out of 50 for overall tax climate in fiscal year 2013 and 6th best in fiscal year 2012. A state's business tax climate measures how each state's tax laws affect economic performance. For August 2013, according to the Economic and Labor Market Information Bureau, the seasonally adjusted unemployment rate for New Hampshire was 5.0%, compared with the national average of 7.3%. This rate for New Hampshire was a decrease from August 2012's 5.7% unemployment rate.

New Hampshire's per capita personal income ranks 9th highest in the nation. According to the Bureau of Economic Analysis (BEA) for calendar year 2012, New Hampshire's estimated per capita personal income was \$47,058. This is higher than the United States estimated average of \$42,693. BEA reported for the calendar years 2012 and 2011 New Hampshire's Gross Domestic Product (GDP) ranked 41st in the United States (1 being the highest GDP) at \$64.7 billion and \$63.6 billion, respectively. For 2011-2012, real GDP¹ for New Hampshire grew 0.52%, compared to the national change, which was 2.46%. The 2002-2012 average annual growth rate for New Hampshire real GDP¹ was 1.26%, compared to the average annual growth rate for the nation of 1.51%. BEA reported that in 2012 the largest industry in New Hampshire was real estate and rental and leasing, accounting for 13.8% of New Hampshire GDP. The second largest industry in New Hampshire was government at 10.3% of New Hampshire GDP. According to BEA the largest contributor to real GDP growth in New Hampshire for 2012 was information, with wholesale trade being the second largest contributor.

¹ Gross domestic product by state is the measurement of a state's finished goods and services. Real gross domestic product is an inflation adjusted measure that reflects the value of finished goods and services in a given year.

The following graphs were taken directly from the BEA website for Bearfacts-2012-New Hampshire:

Top Five State Industries as a percent of Total GDP, 2012



According to the New Hampshire Business Resource Center, New Hampshire offers exceptional quality of life because of its overall low taxes, low crime, high quality health care, good schools, affordable housing, cultural opportunities, location, and environment. In New Hampshire, within reasonable driving distance, one can visit beautiful mountains, the ocean, or the city, attracting a wide range of active, talented, and creative people, who in turn attract diverse industries. All of these favorable qualities suggest continued growth for New Hampshire.

Cost of living expenses have increased, gasoline prices are high, and the unemployment rate, while dropping, remains high. These factors are contributing to decreases in disposable income. According to New Hampshire Department of Employment Security New Hampshire's economy is dependent on consumer spending, so decreases in disposable income hurt economic growth for the State. The Lottery is dependent on customers' discretionary income, so when there is less available, customers spend less on lottery tickets.

The New Hampshire Lottery does well in per capita sales. When compared with the other 44 lotteries in the United States, New Hampshire ranked 14th highest in per capita sales for fiscal years 2008 through 2010, 15th in 2011, 16th in 2012 and 15th highest in fiscal year 2013. Unaudited fiscal year 2013 traditional game sales for all U.S. lotteries' increased 4%. According to La Fleur's Magazine, a research company that reports facts and statistics on lotteries, 40 of 44 lotteries saw increases in fiscal year 2013 sales, as compared with fiscal year 2012 when 43 of 44 lotteries saw increases in sales. New Hampshire was one of the lotteries that saw increased revenues in fiscal year 2013 and 2012. According to La Fleur's instant ticket sales for U.S. lotteries were up \$1.7 billion, while Mega Millions and Powerball combined were up \$0.4 billion for fiscal year 2013 from fiscal year 2012. Instant ticket sales represent 58% of the U.S. lottery's total traditional sales. Powerball increased 49% compared to Mega Millions which decreased 42% during fiscal year 2013. Mega Millions had a \$656 million jackpot won in March 2012; the largest jackpot ever in the United States.

Long-term financial planning

The Lottery as a department of the State of New Hampshire follows a two year budget process and is limited by State regulations in long term financial planning. The Lottery transfers all estimated net income, on a monthly basis to the State Education Trust Fund.

New Hampshire does not have a sales tax or income tax and sources of State revenues are limited. The Lottery plays a significant part in the State revenue process by producing revenue to fund education in the State. As such, the Lottery is exploring additional gaming options for ways of producing higher revenues. The traditional lottery games, such as online lotto-style games are greatly affected by the amount of the jackpot.

Relevant financial policies

All investments of the Lottery's excess cash are made by the New Hampshire State Treasury Department, which is responsible for the investment of all State funds. RSA 6:8 sets forth the policies the State Treasurer must adhere to when investing State funds. The types of investments authorized, with the approval of the Governor and Council, include obligations of the United States Government, legal investments for savings banks and trust companies, savings accounts, participation units in the public deposit investment pool, and various certificates of deposit.

All profits from Lottery operations are designated for education by the State Constitution. Once a month, Lottery net income is transferred to the Education Trust Fund from investments made from Lottery cash flows by the State Treasurer.

Prize payments due winners for jackpot prizes awarded under Megabucks are fully funded by investments in U.S. Treasury STRIPS held by the Tri-State Lotto Commission (Tri-State). Treasury STRIPS are fixed-income securities sold at a significant discount to face value and offer no interest payments because they mature at par. STRIPS are backed by the U.S. government and offer minimal risk. The payments due winners for jackpot prizes awarded under Powerball and Mega Millions are satisfied through securities purchased by the Multi-State Lottery Association (MUSL). MUSL purchases U.S. government obligations to fund jackpot prizes, which are held in irrevocable trust or securities clearing accounts. The Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State or MUSL. Jackpot/grand prizes for Lucky for Life winners are payable in installments and are satisfied through insurance annuities purchased by MUSL. MUSL purchases insurance annuities, on behalf of the member states, based on \$365,000 per year deferred annuity paid annually on the anniversary of the claim date, for the lifetime of the jackpot/grand prize winner. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

Upcoming initiatives

The Lottery is prohibited by statute from offering new forms of gambling. The Lottery continues to work on new advertising initiatives, sales promotions, and changes to current games in order to increase sales revenues.

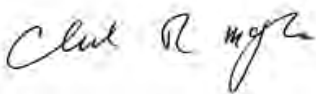
Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New Hampshire Lottery Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the fourteenth consecutive year that the Lottery has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

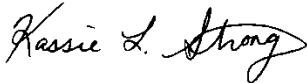
A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

This CAFR reflects our commitment to improve and maintain the Lottery's financial statements and record keeping systems in conformity with the highest standards of accountability. This report also reflects the Lottery's commitment to maintaining the public's trust through high ethics and uncompromising integrity. The dedicated efforts of the entire Lottery team, especially those in the finance department are greatly appreciated. We would also like to recognize Commission Chair Debra Douglas, Commissioner Paul Holloway, Commissioner Doug Scamman, and the Governor and Executive Council for the State of New Hampshire, for their support, guidance, and dedication in operating the New Hampshire Lottery Commission.

Respectfully submitted,



Charles R. McIntyre
Executive Director



Kassie L. Strong
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**New Hampshire
Lottery Commission**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

New Hampshire Lottery Commission
Appointed Officials and Organizational Chart

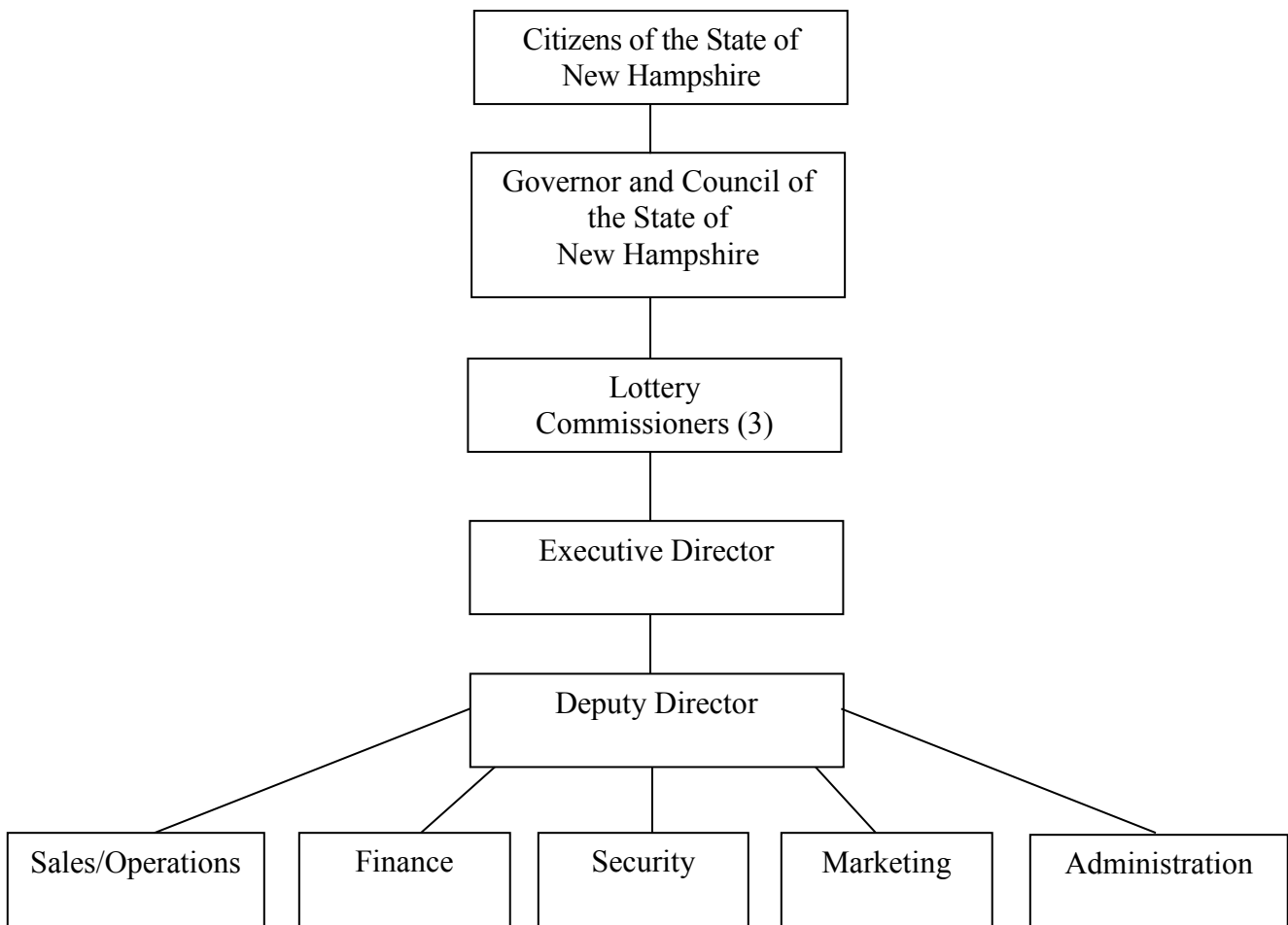
Appointed Officials

Debra M. Douglas
Commission Chairman
Term ended 6/29/2013*

Paul J. Holloway
Commissioner
Term ends 6/29/2015

Doug Scamman
Commissioner
Term ends 6/29/2014

Organizational Chart



*Currently in hold over status.



Enter all of your non-winning NH Lottery tickets
for **MORE CHANCES** to win
EXCITING PRIZES!



On Sale Now at all Lottery Retailers!
Purchase your NH Powerball, Tri-State Megabucks Plus, NH Hot Lotto and NH Mega Millions Subscriptions!



Financial Section

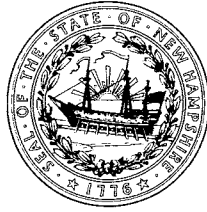
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7



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State of New Hampshire

OFFICE OF LEGISLATIVE BUDGET ASSISTANT
State House, Room 102
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RICHARD J. MAHONEY, CPA
Director, Audit Division
(603) 271-2785

Independent Auditor's Report

To The Fiscal Committee Of The General Court:

Report On The Financial Statements

We have audited the accompanying financial statements of the New Hampshire Lottery Commission which comprise the Statement of Net Position as of June 30, 2013, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire Lottery Commission as of June 30, 2013, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 17 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the New Hampshire Lottery Commission's basic financial statements. The Introductory Section, Supplemental Schedule of Revenues, Expenses, and Distributions, and Statistical Section of this report are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplemental Schedule of Revenues, Expenses, and Distributions is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues, Expenses, and Distributions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 on our consideration of the New Hampshire Lottery Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Lottery Commission's internal control over financial reporting and compliance.



Office Of Legislative Budget Assistant

December 13, 2013

Management's Discussion and Analysis

As management of the New Hampshire Lottery Commission, we offer readers of the Lottery's financial statements this narrative overview and analysis of the financial activities of the New Hampshire Lottery Commission for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements contained in this comprehensive annual financial report and our letter of transmittal, which begins on page 1.

Financial Highlights

- Operating revenues for the Lottery program increased by \$24.6 million, or 9.6% for the current fiscal year. MUSL games revenues increased \$6.9 million or 13.5%, while revenues from Instant scratch games increased \$15.6 million or 8.8%. MUSL games contributed 20.7% to total revenues and Instant scratch games contributed 68.6%. Tri-State games, which contributed 7.5% to total revenues, netted to a decrease of approximately \$2.3 million or 10.0%. Lucky for Life brought in additional revenues of \$4.5 million. Other Income decreased \$99,943 or 8.5%.
- The Lottery's operating expenses for the current fiscal year increased approximately \$17.2 million, or 9.1%. This increase in operating expenses, mostly cost of sales expenses, is a result of the increase in ticket sales/revenues.
- Lottery's assets increased \$4.4 million, or 33% from the previous fiscal year. Liabilities increased \$4.4 million or 47.9%, from the end of the previous fiscal year. There was minimal change to the Lottery's net position, which consists solely of restricted prize funds for the Powerball, Hot Lotto, Mega Millions, and Megabucks programs. For fiscal year 2013 the Lottery's total net position was \$4,134,458 compared to fiscal year 2012 of \$4,133,859.
- Distributions to the Education Trust Fund increased \$7.6 million or 11.3%, due to the increase in operating revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the New Hampshire Lottery's (the Lottery) basic financial statements. The Lottery is accounted for as an enterprise fund, using the accrual basis of accounting. The Lottery's basic financial statements are comprised of four components: 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The statement of net position presents information on all of the Lottery's assets and liabilities, with the difference between the two reported as net position.

The statement of revenues, expenses and changes in net position reports the Lottery's revenues and expenses and measures the success of the Lottery's operations over the past year. The Lottery is required by law to transfer all revenues, in excess of its operating costs, to the Education Trust Fund; therefore the change in net position reflects those transfers.

The statement of cash flows provides information about the Lottery's cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The supplementary schedule of revenues, expenses, and transfers provides information on the Lottery's operating revenues and expenses.

The Lottery is a self-supporting department of the State of New Hampshire. The financial statements of the Lottery represent all its functions, which are supported from the sale of Lottery tickets. The Lottery's financial statements are also included in the State of New Hampshire's Comprehensive Annual Financial Report as an enterprise fund of the State however with less detail in the notes to the financial statements than found in this report.

For fiscal year 2013, the Lottery produced \$280.4 million in total operating revenues, a 9.6% increase from fiscal year 2012's \$255.8 million. Instant scratch games sales were up from the previous fiscal year by approximately \$15.6 million or 8.8%. Multi-State (MUSL) games revenues increased \$6.9 million or 13.5% during fiscal year 2013 as compared to fiscal year 2012. Tri-State games revenues decreased by \$2.3 million or 10.0% for fiscal year 2013 as compared to fiscal year 2012. Lucky for Life contributed a \$4.5 million increase to fiscal year 2013 revenues over the prior fiscal year. The overall increase in operating revenues is being attributed to an increase in prizes built into instant scratch games and Powerball having two record breaking jackpot amounts. The Lottery distributed \$74.3 million of operating income to the Education Trust Fund in fiscal year 2013, a \$7.6 million increase from fiscal year 2012. Total revenues since the inception of the Lottery in 1963 are \$5.2 billion and the Lottery has distributed approximately \$1.6 billion to help fund education in New Hampshire.

Net Position and Changes in Net Position

Article 6-b of the Constitution of the State of New Hampshire declares "All moneys received from a state-run lottery and all the interest received on such moneys shall, after deducting the necessary costs of administration, be appropriated and used exclusively for the school districts of the state. Such moneys shall be used exclusively for the purpose of state aid to education and shall not be transferred or diverted to any other purpose." As a result, the net position of the Lottery consists only of prize funds held on deposit with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State). For more detailed information on restricted deposits please see note 8 in the notes to the financial statements and for more detailed information on capital asset activity please see note 4 in the notes to the financial statements. Comparable figures for total assets at June 30, 2013 and 2012 were \$17.7 million and \$13.3 million, respectively.

Cash and cash equivalents were \$8,697,625 at June 30, 2013 and \$5,455,170 at June 30, 2012. The increase in cash and cash equivalents for fiscal year 2013 over fiscal year 2012 was attributable to an increase in prize accruals and the timing of distributions to the education trust fund. Accounts receivable at June 30, 2013 and 2012 were \$3,273,261 and \$2,029,716, respectively. The increase in accounts receivable for fiscal year 2013 over fiscal year 2012 was due to the timing of monies received for a refund of vendor fees due to an overpayment and amounts owed by retailers for ticket sales. Due from the Education Trust Fund of \$495,169 for fiscal year 2012 was due to a Lottery overpayment for June 2012 profits. For June 2013 the Lottery underpaid the Education Trust Fund and therefore has no receivable. Instant scratch games ticket inventories were \$1,027,187 at June 30, 2013 and \$777,678 at June 30, 2012. The increase in inventory reflects higher inventories on hand June 30, 2013 to meet increased demand. Noncurrent, restricted deposits, which represent New Hampshire's share of prize reserve funds

held by MUSL and Tri-State, increased \$599 during fiscal year 2013. Capital assets, net of depreciation, increased during fiscal year 2013 from \$13,187 at June 30, 2012 to \$133,256 at June 30, 2013. The \$120,069 increase in capital assets was due to the purchase of vans for Lottery sales staff. The overall increase of total assets for fiscal year 2013 over fiscal year 2012 was \$4.4 million.

The Lottery is required by law to transfer all revenues, in excess of its operating costs, to the Education Trust Fund, therefore the change in net position reflects the actual results of the Lottery's operations after distributions to the Education Trust Fund.

The following table shows condensed net position as of June 30, 2013 and 2012.

	2013	2012
Current and Other assets	\$ 17,577,607	\$ 13,302,214
Capital assets (net of accumulated depreciation)	133,256	13,187
Total assets	<u>17,710,863</u>	<u>13,315,401</u>
Current liabilities	13,271,948	8,867,106
Noncurrent liabilities	304,457	314,436
Total liabilities	<u>13,576,405</u>	<u>9,181,542</u>
Net position:		
Net investments in capital assets	133,256	13,187
Restricted assets	4,134,458	4,133,859
Unrestricted (deficit)	(133,256)	(13,187)
Total net position	<u>\$ 4,134,458</u>	<u>\$ 4,133,859</u>

Liabilities

The Lottery's current liabilities consist primarily of accounts payable, unclaimed prizes, accrued operating expenses, and ticket sales for future draws (draws occurring after June 30). Noncurrent liabilities consist of compensated absences and workers compensation. Total liabilities during the current fiscal year increased \$4,394,863 or 47.9 %. The year end balances for total liabilities for fiscal years 2013 and 2012 were \$13.6 million and \$9.2 million, respectively. Of the increase, unclaimed prizes increased \$3,001,367. The increase in unclaimed prizes is due to an increase in sales and prizes won. Lottery winners have one year to claim their prizes. Accounts Payable decreased in fiscal year 2013 by \$884,614, primarily due to the timing of a fiscal year 2012 Lucky for Life jackpot/grand prize payment. Lucky for Life jackpot/grand prizes in progress increased \$1,157,084 during fiscal year 2013; the increase was due to the game being operational for only three months during fiscal year 2012 versus 12 months in fiscal year 2013. There was an additional liability of \$1,150,540 for the timing of monies due to the Education Trust Fund for the remaining June 2013 profit transferred in fiscal year 2014.

Operating Revenues – Games Sales

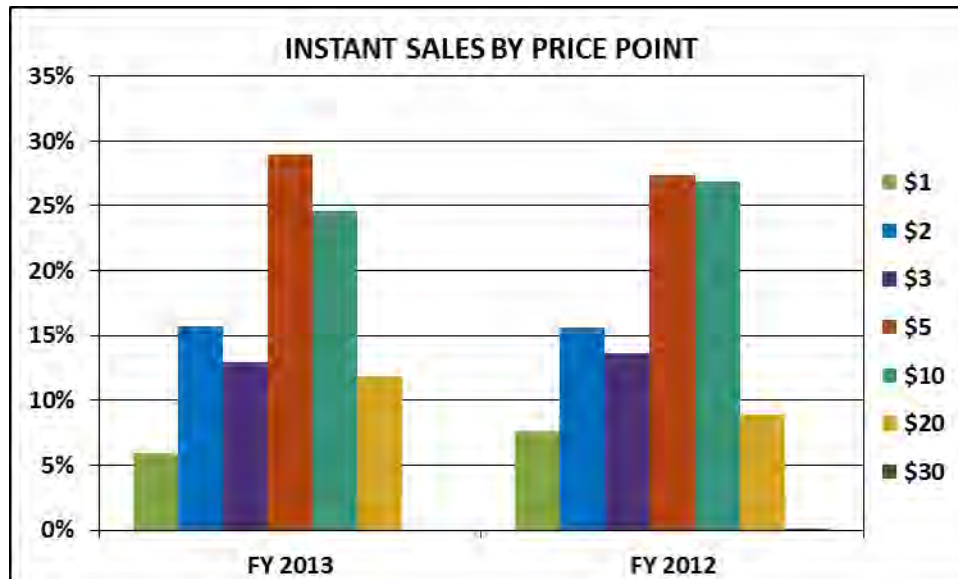
The New Hampshire Lottery game revenues result from the sales of a variety of instant and online lottery products. The Lottery is an active member of three separate joint venture arrangements; the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life, operating a number of online games under those jurisdictions. Tri-State games consist of Megabucks, Pick 3, Pick 4, Fast Play, Weekly Grand (ending in fiscal year 2012), and Gimme 5 (starting in fiscal year 2013). MUSL online games consist of Powerball, Mega Millions, and Hot Lotto. Lucky for Life is the name of the game and the joint venture, of which the Lottery became a member in March 2012.

The following table shows operating revenues by lottery game for the years ended June 30, 2013 and 2012. Tri-State Other represents Fast Play and/or Weekly Grand and Gimme 5.

Game	2013	2012	Change	Percent Change
Instant Scratch Games	\$ 192,475,089	\$ 176,911,812	\$ 15,563,277	8.8%
MUSL Powerball	46,159,886	33,022,158	13,137,728	39.8%
MUSL Mega Millions	8,764,632	14,986,102	(6,221,470)	-41.5%
MUSL Hot Lotto	3,168,406	3,183,486	(15,080)	-0.5%
Tri-State Megabucks	9,177,028	9,458,702	(281,674)	-3.0%
Tri-State Pick 3	5,123,090	5,180,834	(57,744)	-1.1%
Tri-State Pick 4	4,809,887	5,128,851	(318,964)	-6.2%
Tri-State Other	1,833,169	3,499,117	(1,665,948)	-47.6%
Lucky for Life	7,826,337	3,288,909	4,537,428	138.0%
Other Income	1,082,387	1,182,330	(99,943)	-8.5%
Total Operating Revenues	<u>\$ 280,419,911</u>	<u>\$ 255,842,301</u>	<u>\$ 24,577,610</u>	9.6%

The Lottery saw a 9.6% increase in revenues for fiscal year 2013. Instant scratch games sales continue to be the Lottery's most popular product, contributing approximately 68.6% and 69.2%, respectively, to total revenue for fiscal years 2013 and 2012. Instant scratch games sales increased 8.8% in fiscal year 2013 from fiscal year 2012. The Lottery sells instant scratch games priced from \$1 to \$20. The increase in instant scratch games sales was mostly attributable to an increase in prizes awarded to players, although the Lottery does work continuously to design new and innovative games in an effort to grow revenues.

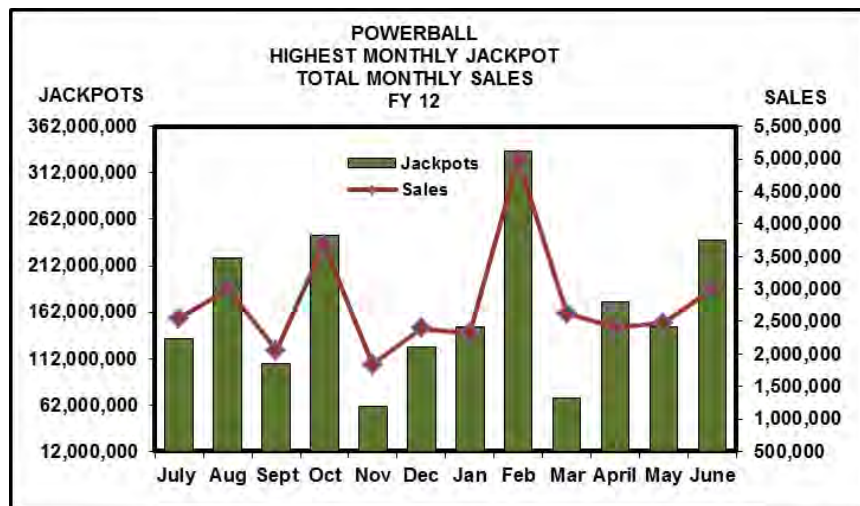
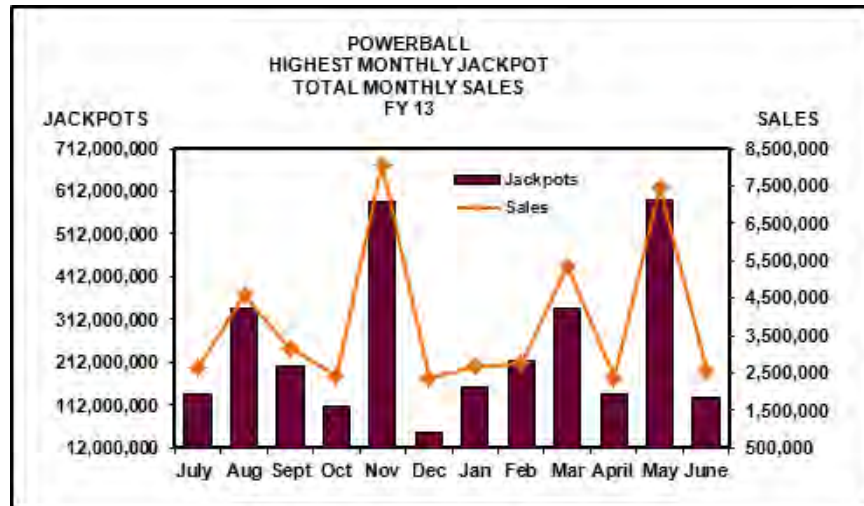
The following graph shows percentages of Instant scratch games sales for fiscal year 2013 and 2012 by selling price of ticket.



Powerball, a game in the MUSL jurisdiction, is the Lottery's second most popular product contributing 16.5% and 12.9% to total fiscal year 2013 and 2012 sales, respectively. Revenues from Powerball increased 39.8%, while Hot Lotto maintained the same level both years. The reason for the increase in Powerball sales was two record jackpot amounts during fiscal year 2013, the November 28th jackpot amount was \$587.5 million and the May 18th jackpot amount was \$590.5 million. Mega Millions saw a 41.5% decrease in sales. A contributing factor to the decrease in Mega Millions sales was a record jackpot of \$656 million in fiscal year 2012 versus the highest jackpot amount in fiscal year 2013 of \$190 million. Megabucks revenues decreased 3%, mostly due to low jackpot amounts as compared to Powerball and Mega Millions. Tri-State other revenues decreased 47.6%, this was due to the termination of the Weekly Grand game. Weekly Grand was replaced with Lucky for Life, which is not a Tri-State game. Although Tri-State other was down \$1.7 million, Lucky for Life brought in additional revenue of \$4.5 million for fiscal year 2013. Lucky for Life operated for 3 months of fiscal year 2012 bringing in sales of \$3.3 million, compared to fiscal year 2013 when it contributed \$7.8 million to total revenues.

The sales in big jackpot games are directly related to the size of the jackpot, which causes a high level of uncertainty for revenues. As jackpots rise in amount, so do the sales of tickets. The more frequently jackpots are won, the smaller the jackpot amount, which consequently sells less tickets. The less frequently jackpots are won, the more time they have to build in amount. High jackpot amounts bring higher sales for the online games. The trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales. The highest Powerball jackpot amount in fiscal year 2013 and since the game's inception was \$590 million, as compared to \$336 million in fiscal year 2012. The higher Powerball sales in fiscal year 2013 versus fiscal year 2012 is primarily due to the higher jackpot amount in fiscal year 2013.

See the following graphs showing the relationship between jackpot amount and sales for fiscal years 2013 and 2012.

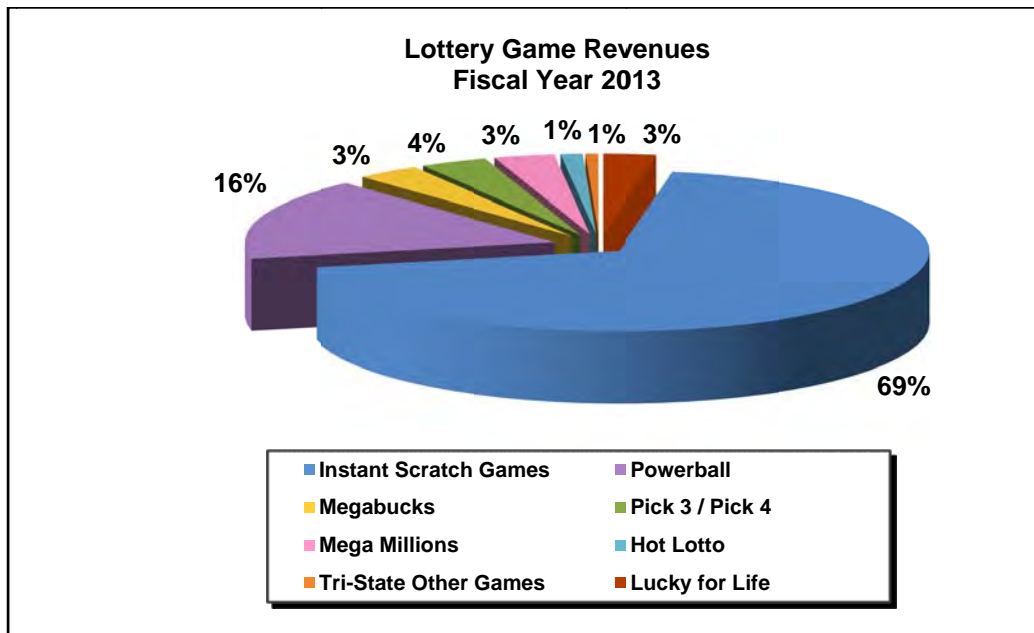


Hot Lotto is another game that is offered through MUSL, sales of which decreased slightly at (0.5%) from the previous fiscal year. Mega Millions is another high jackpot game that MUSL member states have the option of selling. Mega Millions set the record for the highest jackpot ever in the United States during fiscal year 2012 at \$656 million compared to the largest 2013 jackpot of \$190 million. Sales for Mega Millions for fiscal year 2013 were \$8.8 million compared to fiscal year 2012 of \$15 million, reflecting the influence of the large jackpot in 2012. Mega Millions does not generate the sales that Powerball does in New Hampshire. Powerball generated \$46.2 million in fiscal year 2013 and Mega Millions \$8.8 million. MUSL games sales overall contributed 20.7% and 20.0% to total Lottery revenues for fiscal years 2013 and 2012, respectively.

Tri-State games sales in 2013 decreased 10.0% overall from fiscal year 2012. Megabucks decreased \$281,674, or 3.0% decrease from the previous fiscal year. The Megabucks game is the oldest jackpot style game the Lottery sells; at 28 years old and still running it seems to carry

a committed player base. Pick 3 saw a small decrease of \$57,744, while Pick 4 decreased \$318,964. The other Tri-State games decreased \$1.7 million or 47.6%, due to the close of the Weekly Grand game, which was replaced with Lucky for Life (not a Tri-State game). Tri-State games in total amounted to 7.5% and 9.1% of total Lottery sales fiscal years 2013 and 2012, respectively.

The following graph displays Lottery revenues by product/game for the fiscal year ended June 30, 2013. Tri-State Other Games includes Weekly Grand and Fast Play.



Operating Expenses – Cost of Sales

Prizes

Prizes are the largest operating expense of the Lottery. In general, prize expense by game will increase or decrease from year to year in proportion to the increase or decrease in sales for a particular game. Fiscal year 2013 prize expense of \$173.4 million reflects a 9.1% increase from fiscal year 2012 prize expense of \$158.9 million. This increase reflects the increase in sales. Instant scratch games pay out at a higher percentage than online games. Online games typically have a 50% to 60% (of sales) prize pay-out built into the design of the game, whereas Instant scratch games on average have a 61% to 75% (of possible sales) prize pay-out built into each game. For Instant scratch games, the higher the individual sales price of the ticket the higher the prize percentage built into the game. For example a ticket with a sales price of \$1 will have a 61% prizes to sales ratio while a \$20 ticket will have a 75% prizes to sales ratio.

The actual prizes paid percentage can be slightly less than the prize percentage built into the game design, due to unclaimed prizes (prizes that winners never cash in). Lottery prize winners have one year (365 days) to claim their prizes. Unclaimed prize money for Instant scratch games, MUSL games, and Lucky for Life goes to the Education Trust Fund. Unclaimed prize money for Tri-State games goes back to the players through promotions or increases to jackpots.

The following table shows prize expense by lottery game for the years ended June 30, 2013 and 2012 Tri-State Other represents Weekly Grand and Fast Play.

Game	2013	2012	Change	Percent Change
Instant Scratch Games	\$ 129,046,481	\$ 118,288,247	\$ 10,758,234	9.1%
MUSL Powerball	22,695,941	16,107,399	6,588,542	40.9%
MUSL Mega Millions	4,214,379	7,128,398	(2,914,019)	-40.9%
MUSL Hot Lotto	1,531,877	1,552,401	(20,524)	-1.3%
Tri-State Megabucks	4,568,195	4,723,399	(155,204)	-3.3%
Tri-State Pick 3	2,561,604	2,590,478	(28,874)	-1.1%
Tri-State Pick 4	2,404,989	2,561,687	(156,698)	-6.1%
Tri-State Other	1,107,022	1,888,384	(781,362)	-41.4%
Lucky for Life	5,027,418	3,782,610	1,244,808	32.9%
Other - contributed prizes	199,562	264,337	(64,775)	-24.5%
Total prize expense	<u>\$ 173,357,468</u>	<u>\$ 158,887,340</u>	<u>\$ 14,470,128</u>	9.1%

The following tables show prizes to sales (operating revenues) profit margin for lottery games by venture for the years ended June 30, 2013 and 2012.

2013	Gross Games Revenues	Prize Expense	Gross Profit After Prizes	Profit Margin After Prizes
Instant Scratch Games	\$ 192,475,089	\$ 129,046,481	\$ 63,428,608	33.0%
Tri-State Games	\$ 20,943,174	10,641,810	\$ 10,301,364	49.2%
MUSL Games	\$ 58,092,924	28,442,197	\$ 29,650,727	51.0%
Lucky for Life Game	\$ 7,826,337	5,027,418	\$ 2,798,919	35.8%

2012	Gross Games Revenues	Prize Expense	Gross Profit After Prizes	Profit Margin After Prizes
Instant Scratch Games	\$ 176,911,812	\$ 118,288,247	\$ 58,623,565	33.1%
Tri-State Games	\$ 23,267,504	11,763,948	\$ 11,503,556	49.4%
MUSL Games	\$ 51,191,746	24,788,198	\$ 26,403,548	51.6%
Lucky for Life Game	\$ 3,288,909	3,782,610	\$ (493,701)	-15.0%

As the table above shows, the profit margin after prizes paid is less for instant scratch games versus online games. High jackpots drive sales for online games, where as the different types of games on the market and the number of winning tickets (prizes) in a game drives Instant scratch games sales.

Other Cost of Sales

In addition to prizes, there are other costs of sales that include retailer commissions, vendor fees, cost of printing Instant scratch games, costs for delivering Instant scratch games to retailers, and expense pool costs (administrative costs) for joint ventures. These other costs of sales totaled \$24.2 million for fiscal year 2013 and \$21.9 million for fiscal year 2012. The increase was primarily due to the increase in ticket sales. Retailer commissions and vendor fees are based on a percentage of sales. Retailer commissions were up \$1.8 million for fiscal year 2013 over fiscal year 2012. Retailer commissions are based on 5% of sales plus additional commissions for retailers who meet certain incentive criteria for increasing sales. Vendor fees for fiscal year 2013 were up \$380,005 over fiscal year 2012. Vendor fees are based on 1.435% of sales plus additional charges for equipment, such as vending machines that sell tickets.

The table below shows comparative costs of sales expenses for lottery games for the years ended June 30, 2013 and 2012.

	2013	Percent of Sales	2012	Percent of Sales
Retailer commissions	\$ 16,625,951	5.9%	\$ 14,832,273	5.8%
Vendor fees	5,187,258	1.8%	4,807,253	1.9%
Cost of instant tickets	2,202,676	0.8% *	2,113,431	0.8% *
Expense pools	227,435	0.1%	149,964	0.1%
Other cost of sales	24,243,320	8.6%	21,902,921	8.6%
Prize expense	173,357,468	61.8%	158,887,340	62.1%
Total cost of sales	<u>\$ 197,600,788</u>	<u>70.5%</u>	<u>\$ 180,790,261</u>	<u>70.7%</u>

*Cost of instant tickets as a percent of instant scratch ticket sales only, averages approximately 1%.

The table below shows cost of sales to gross revenues for lottery games for the years ended June 30, 2013 and 2012.

Total Lottery Games	2013	2012	Change	Percent Change
Gross Revenues	\$ 280,419,911	\$ 255,842,301	\$ 24,577,610	9.6%
Cost of Sales	197,600,788	180,790,261	16,810,527	9.3%
Gross profit	<u>\$ 82,819,123</u>	<u>\$ 75,052,040</u>	<u>\$ 7,767,083</u>	10.3%
Gross profit margin	29.5%	29.3%		

Other Operating Expenses

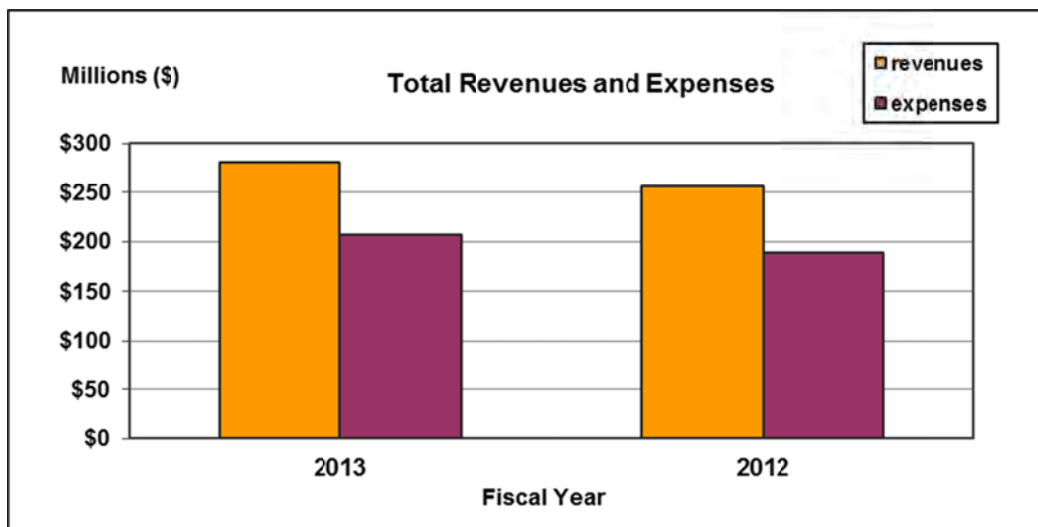
Administrative costs increased \$391,430 in fiscal year 2013 from fiscal year 2012. While advertising increased \$233,684 and salaries and benefits increased \$235,561, other administrative expenses decreased. The supplemental schedule of revenues, expenses, and distributions located after the notes to the financial statements, itemizes the components of other operating expenses.

Nonoperating Revenues (Expenses)

Nonoperating revenues totaling \$49,866 consist of income earned on deposits held with the Tri-State Lotto joint venture and proceeds from sales of capital assets.

Nonoperating expenses are distributions to the Education Trust Fund. The Lottery is required by law to transfer all revenues in excess of its operating costs to the Education Trust Fund. Fiscal year 2013 distributions were \$74,334,758 and fiscal year 2012 distributions were \$66,768,050. The fiscal year 2013 \$7.6 million increase over fiscal year 2012 was mostly due to higher ticket sales.

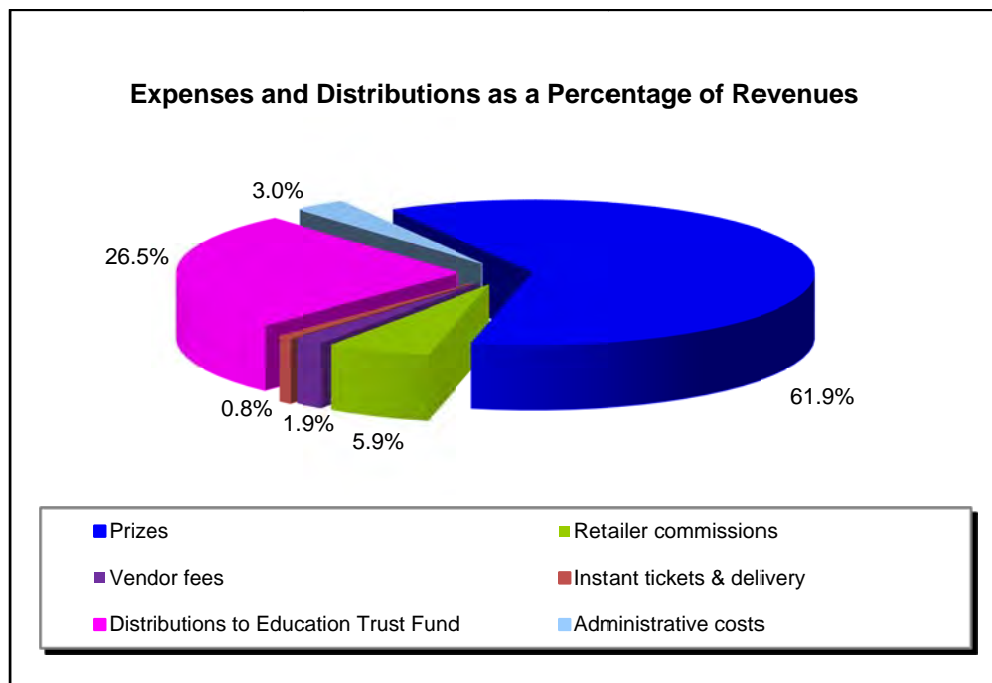
The following graph displays total Lottery revenues and expenses for the years ended June 30, 2013 and 2012.



The following table shows total revenues, expenses, net income, and change in net position for the Lottery for the years ended June 30, 2013 and 2012.

	2013	2012	Change	Percent Change
Operating revenues				
Instant and online ticket sales	\$ 279,337,524	\$ 254,659,971	\$24,677,553	9.7%
Other Income	1,082,387	1,182,330	(99,943)	-8.5%
Total operating revenues	<u>280,419,911</u>	<u>255,842,301</u>	<u>24,577,610</u>	9.6%
Operating expenses				
Cost of sales	197,600,788	180,790,261	16,810,527	9.3%
Administrative costs	8,509,375	8,117,945	391,430	4.8%
Depreciation expense	24,257	29,138	(4,881)	-16.8%
Total operating expenses	<u>206,134,420</u>	<u>188,937,344</u>	<u>17,197,076</u>	9.1%
Nonoperating revenues	49,866	17,685	32,181	182.0%
Net profit before transfers	<u>74,335,357</u>	<u>66,922,642</u>	<u>7,412,715</u>	11.1%
Nonoperating expenses				
Distributions to Education Trust Fund	74,334,758	66,768,050	7,566,708	11.3%
Change in net position	<u>599</u>	<u>154,592</u>	<u>(153,993)</u>	-99.6%
Net position - July 1	4,133,859	3,979,267	154,592	3.9%
Net position - June 30	<u>\$ 4,134,458</u>	<u>\$ 4,133,859</u>	<u>\$ 599</u>	0.0%
Distributions to Education Trust Fund (net profit) as a percentage of operating revenues	26.5%	26.1%	0.4%	

The following graph displays expenses and distributions to the Education Fund as a percentage of operating revenues for the Lottery for the year ended June 30, 2013.



Other Potentially Significant Matters

The State's economy is a factor that affects the Lottery. The Lottery is dependent on customers' discretionary income, so when there is less available, customers spend less on lottery tickets.

The Lottery relies on high jackpots to increase sales of online games. The two highest jackpot selling games in the United States are Powerball and Mega Millions. High jackpot amounts trigger higher sales of tickets. The sales in these games are directly related to the size of the jackpot, which causes a high level of uncertainty for revenues. As jackpots rise in amount, so do the sales of tickets. The more frequently jackpots are won, the smaller the jackpot amount, which consequently sells less tickets. The less frequently jackpots are won, the more time they have to build/roll in amount. The trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales.

There is, as always, ongoing research and development to enhance current games or replace them with new games in order to increase sales. Consumers want and demand newer, technologically advanced forms of gambling. The Lottery is limited by statute in what it can offer. Historically, governing bodies in New Hampshire have not supported other forms of gambling.

Budgetary Highlights

The Lottery is required to submit a biennial operating budget to the Governor for approval. The budget is further submitted to the Legislature for its approval and is ultimately included in the State of New Hampshire's operating budget. The Lottery's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis. Due to the nature of the Lottery's activities, the majority of its cost of sales expenses, such as prizes, vendor fees and retailer commissions, are not included in the budget. The Lottery budgets for approximately 4% of its total expenses that consist primarily of salaries and benefits, rental expenses, advertising and Instant scratch games printing costs. Financial management staff consistently monitors adherence to budgeted appropriations. There were no significant variations between the original and final budgeted amounts or the actual results compared to the final budget for these expenses.

Contacting the Lottery's Financial Management

This financial report is designed to provide New Hampshire citizens, the New Hampshire state legislature and the executive branch of government, and other interested parties, a general overview of the Lottery's financial activity for fiscal year 2013 and to demonstrate the Lottery's accountability for the money it received from the sale of lottery products. If you have any questions about this report or need additional information, contact the New Hampshire Lottery Commission, Chief Financial Officer, 14 Integra Drive, Concord, New Hampshire 03301.

**New Hampshire Lottery Commission
Statement of Net Position
June 30, 2013**

ASSETS

Current assets:

Cash and cash equivalents	\$8,697,625
Accounts receivable	3,273,261
Due from other funds	392,449
Instant scratch games ticket inventories	1,027,187
Prepaid expenses and other	<u>52,627</u>
Total current assets	<u>13,443,149</u>

Noncurrent assets:

Restricted deposits - (note 8)	4,134,458
Capital assets net of accumulated depreciation - (note 4)	<u>133,256</u>
Total noncurrent assets	<u>4,267,714</u>
Total assets	<u>17,710,863</u>

LIABILITIES

Current liabilities:

Accounts payable	2,083,755
Accrued payroll and benefits	164,709
Ticket sales for future draws	1,049,251
Unclaimed prizes net of estimated expired prizes - (note 1)	7,348,871
Lucky for Life prizes payable - (note 1)	1,367,125
Due to the Education Trust Fund	1,150,540
Compensated absences	<u>107,697</u>
Total current liabilities	13,271,948

Noncurrent liabilities:

Compensated absences	<u>304,457</u>
Total liabilities	<u>13,576,405</u>

NET POSITION

Net investments in capital assets	133,256
Restricted for prize funds (note 8)	4,134,458
Unrestricted (deficit)	<u>(133,256)</u>
Total net position	<u>\$4,134,458</u>

The notes to the financial statements are an integral part of this statement.

New Hampshire Lottery Commission
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013

Operating revenues:	
Instant scratch games	\$ 192,475,089
Multi-State online games	58,092,924
Tri-State online games	20,943,174
Lucky for Life	7,826,337
Other Income	<u>1,082,387</u>
Total operating revenues	<u>280,419,911</u>
Operating expenses:	
Cost of sales:	
Prizes	173,357,468
Retailers' Commissions	16,625,951
Other	<u>7,617,369</u>
Total cost of sales	<u>197,600,788</u>
Administration	8,509,375
Depreciation	<u>24,257</u>
Total operating expenses	<u>206,134,420</u>
Operating income	<u>74,285,491</u>
Nonoperating revenues (expenses):	
Interest and miscellaneous income	49,866
Distributions to the State's Education Trust Fund	<u>(74,334,758)</u>
Total nonoperating revenues (expenses)	<u>(74,284,892)</u>
Change in net position	<u>599</u>
Net position - July 1	<u>4,133,859</u>
Net position - June 30	<u>\$ 4,134,458</u>

The notes to the financial statements are an integral part of this statement.

**New Hampshire Lottery Commission
Statement of Cash Flows
For the Year Ended June 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers, retailers and joint ventures (net of retailer commissions and prizes paid by retailers)	\$ 147,405,980
Payments to winners and joint ventures	(56,475,166)
Payments to suppliers (goods and services)	(11,602,273)
Payments to employees for salaries and benefits	(3,302,578)
Net cash provided by operating activities	<u>76,025,963</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating transfers to education trust fund	<u>(72,689,048)</u>
Net cash used for noncapital financing activities	<u>(72,689,048)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sales of capital assets	23,408
Purchases of capital assets	(144,326)
Net cash used by capital and related financing activities	<u>(120,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and other income received	<u>26,458</u>
Net cash provided by investing activities	<u>26,458</u>
Net increase in cash and cash equivalents	3,242,455
Cash and cash equivalents, July 1	<u>5,455,170</u>
Cash and cash equivalents, June 30	<u>\$ 8,697,625</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 74,285,491
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	24,257
(Increase) decrease in accounts receivable/due from other funds	(1,273,736)
(Increase) decrease in instant scratch games ticket inventory	(249,509)
(Increase) decrease in prepaid expenses and other	(4,262)
(Increase) decrease in restricted deposits	(599)
Increase (decrease) in accounts payable and other liabilities	(1,110,465)
Increase (decrease) in unclaimed prizes	4,368,492
Increase (decrease) in deferred revenue	(13,706)
Total adjustments	<u>1,740,472</u>
Net cash provided by operating activities	<u>\$ 76,025,963</u>

The notes to the financial statements are an integral part of this statement.

**New Hampshire Lottery Commission
Notes to the Financial Statements
Fiscal Year ended June 30, 2013**

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The New Hampshire Lottery Commission, also known as the New Hampshire Lottery (Lottery), was established in 1964 in accordance with the provisions of Chapter 284:21-a of the New Hampshire Revised Statutes Annotated (RSA). The Lottery has three commissioners appointed by the Governor and Council. The executive director is appointed by and serves at the pleasure of the commissioners. The Lottery is authorized to operate both instant and online games for the sole purpose of funding state aid to education pursuant to RSA 198:38-49 and RSA 284:21-j. In 1990, the New Hampshire Constitution was amended by Part 2, Article 6-b, which restricted all lottery revenue and interest, after the deduction of the necessary costs of administration, exclusively for state aid to education.

For financial reporting purposes, the New Hampshire Lottery Commission is considered a department of the State of New Hampshire. The Lottery's financial statements include all Lottery activity in a separate enterprise fund and do not include any activity related to any other state agency or fund. The Lottery's financial activities are reported in the Lottery Commission enterprise fund in the State's comprehensive annual financial report (CAFR).

The State of New Hampshire issues a publicly available comprehensive annual financial report, which may be obtained by writing to the State of New Hampshire, Department of Administrative Services, 25 Capitol Street, Room 310, Concord, New Hampshire, 03301-6312 or accessed online at www.admin.state.nh.us/accounting.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying financial statements of the Lottery have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and as prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. The Lottery accounts for its operations as a single enterprise fund and accordingly uses the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The Lottery's financial statements are reported using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the Lottery are included on the Statement of Net Position. All revenues and expenses of the Lottery are reported on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash equivalents are investments with a maturity date of three months or less from the date of purchase. The majority of the Lottery's cash is held by the state treasurer for pooled investment purposes in short-term, highly liquid investments, which are considered to be cash equivalents. Cash equivalents are recorded at cost.

Accounts receivable consists of amounts due from retailers for lottery ticket sales.

Due from other funds consists of amounts due from the State Liquor Commission for lottery tickets sold at state liquor stores, which have not been transferred to Lottery as of June 30, 2013.

Inventory represents ticket inventories for Instant scratch games, which are valued at the lower of cost or market using the specific identification method. The cost of consumable supplies is expensed when the supplies are received.

Prepaid expenses and other consist of payments to vendors that reflect costs applicable to future accounting periods and the value of contributed merchandise (prizes) inventory to be awarded to players. These contributed prizes are donated to the Lottery by local area vendors in exchange for promotional consideration as part of the Replay program (see note 9).

Capital assets and depreciation, capital assets consist of equipment and vehicles, recorded at cost. The Lottery's threshold for capitalization is \$10,000. Depreciation on capital assets is computed using the straight-line method over an estimated useful life of five years. Salvage values are not recognized, as asset disposals are officially transferred to the New Hampshire Surplus Property program. Any income derived from surplus property sales is recorded as miscellaneous income when received. Losses on the disposal of surplus equipment are recorded at the time of disposal.

Restricted deposits represents noncurrent, restricted assets, deposited with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State), that are held as prize reserves to protect the Lottery against unforeseen liabilities. These prize reserves are a condition of participation in the joint ventures and are refundable after a one year waiting period if a member leaves. The Tri-State portion of the reserves is committed to be returned to the players, however the MUSL reserves would be returned to the New Hampshire Education Trust Fund. At June 30, 2013 MUSL reserves were \$2,457,781 and Tri-State reserves were \$1,676,677.

Compensated absences represent accrued leave for the Lottery's 41 full-time, classified employees at June 30, 2013. Full-time classified employees of the Lottery accrue annual, bonus, compensatory, and vested sick leave at various rates within the limits prescribed by a collective bargaining agreement. In conformity with GASB Statement No. 16, the Lottery accrues all types of leave benefits as earned by its classified employees. The compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the leave liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness.

Ticket sales for future draws consists of subscriptions for Megabucks, Powerball, Hot Lotto, and Mega Millions. Subscriptions are ticket purchases for periods of 12, 26, or 52 weeks.

Unclaimed prizes represent prizes won, but not paid. The Lottery is required to hold unclaimed prize money for one year (365 days) after the prize is won for online prizes or one year after the official game end for instant scratch games prizes. Due to the nature of Instant scratch games not being "online" or computerized the Lottery records a liability for unclaimed and unpaid prizes on an estimated basis for instant scratch game prizes. For online games, the Lottery knows what its unclaimed and unpaid prize liability is at fiscal year end. The one year prize liability is adjusted

based on past history of expired prizes (prizes that are not claimed within the one year). The unclaimed prize liability for fiscal year 2013 of \$7,348,871 is the net amount after being reduced by an estimate for Powerball, Hot Lotto, and Mega Millions prizes to expire as unclaimed of \$686,979.

Lucky for Life prizes payable represents the Lottery's share of anticipated jackpot/grand prize money not yet won, for the game in-progress at year-end. Lucky for Life is designed to pay out 27.8% of ticket sales to jackpot/grand prize winners. This amount represents 27.8% of ticket sales less amounts paid or accrued for jackpots that have been won.

Due to the Education Trust Fund represents amounts owed to the Education Trust Fund at June 30, 2013. The final yearend payment is based on an estimate of revenue. The due to Education Trust Fund represents the difference between the yearend estimates and actual revenues.

Operating revenues represents gross lottery game sales less any sales adjustments and promotional tickets, plus other income. Other income includes returned prize money not paid that was previously expensed in a prior period, contributed merchandise prizes, and other miscellaneous operating income.

Cost of sales represents expenses directly related to lottery operating revenue, including paid and accrued prizes, retailers' sales commissions and incentives, the Lottery's pro-rata share of joint venture expenses, vendor fees, the printing cost of Instant scratch games, and the cost for shipping Instant scratch games tickets to retailers.

Administration expense represents those expenses indirectly related to the operation of the Lottery programs. These expenses consist mainly of advertising costs and promotional materials, employee salaries and benefits, and other Lottery operating expenses including, but not limited to, lease expenses.

Nonoperating revenue represents revenues such as investment income received from the State Treasury Department, Tri-State Lotto, and Multi-State Lottery (MUSL).

Nonoperating expense represents distributions to the Education Trust Fund, which are Lottery revenues to help fund education in New Hampshire. The Lottery, as a department of the State of New Hampshire, in accordance with RSA 284:21-j, transfers all Lottery revenue and interest, after the deduction of necessary administrative costs to the State's Education Trust Fund for distribution to local school districts.

Restricted for prize funds represents restricted deposits held in prize reserves with MUSL and Tri-State. These deposits are a condition of participation in the joint ventures. At June 30, 2013 MUSL reserves were \$2,457,781 and Tri-State reserves were \$1,676,677. The Tri-State reserves are committed to be returned to the players upon dissolution or termination of participation in the joint venture.

Note 2 – Cash and Cash Equivalents

The Lottery's cash and cash equivalents as reported on the Statement of Net Position as of June 30, 2013 consists of the following:

Cash in banks (carrying amount)	\$ 844,929
Cash and cash equivalents in State Treasury	7,847,696
Petty cash	<u>5,000</u>
Total cash and cash equivalents	<u>\$ 8,697,625</u>

The Lottery maintains two non-interest bearing commercial bank accounts, one being a revolving account, used to pay prizes and the other being a zero-balance account. The revolving account is replenished by the State Treasurer's office from Lottery income. The bank sweeps the net balance of the zero-balance account at the end of each business day into the New Hampshire State Treasury Department's bank account, in order to aggregate the State's assets and maximize the investment of available balances. Cash in excess of operating requirements is deposited into a money market mutual fund account held with Fidelity. These cash equivalents are highly liquid with a maturity date of three months or less from the date of purchase.

Statutory requirements and Treasury Department policies have been adopted to minimize risk associated with deposits. RSA 6:7 establishes the policy the State Treasurer must adhere to when depositing public monies. All depositories used by the state must be approved at least annually by the Governor and Executive Council. All banks, where the State has deposits and/or active accounts, are monitored as to their financial health through the services of Veribanc, Inc., a bank rating firm. In addition, ongoing reviews with officials of depository institutions are used to allow for frequent monitoring of custodial credit risk. All payments to the State are to be in U.S. dollars, therefore there is no foreign currency risk.

Custodial credit risk. In the case of deposits held with financial institutions, this is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2013 the Lottery's total deposits held with financial institutions were \$869,754 (bank balance), all of which were insured and collateralized.

Note 3 – Compensated Absences

A summary of compensated absences activity for year ended June 30, 2013 is presented below.

	Beginning Balance <u>6/30/2012</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2013</u>	Amounts Due Within <u>One Year</u>
Compensated Absences	<u>\$ 425,663</u>	<u>\$297,453</u>	<u>\$ 310,962</u>	<u>\$412,154</u>	<u>\$ 107,697</u>

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance <u>6/30/2012</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2013</u>
<u>Capital assets</u>				
Equipment	\$ 222,043	\$ -	\$ -	\$222,043
Vehicles	260,306	144,326	(121,914)	282,718
Total capital assets	482,349	144,326	(121,914)	504,761
<u>Accumulated depreciation</u>				
Equipment	(208,120)	(13,376)	-	(221,496)
Vehicles	(261,042)	(10,881)	121,914	(150,009)
Total accumulated depreciation	(469,162)	(24,257)	121,914	(371,505)
Total capital assets, net	<u>\$ 13,187</u>	<u>\$120,069</u>	<u>\$ -</u>	<u>\$133,256</u>

Note 5 – General Budgetary Policies and Procedures

As a department of the State of New Hampshire, the Lottery is required to submit a biennial budget to the Governor of the State of New Hampshire where it is approved and further submitted to the Legislature for its approval. Approved biennial appropriations are provided in annual amounts. The Lottery's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis.

Due to the nature of the Lottery's activities, the majority of its expenses, such as prizes, retailer commissions, and vendor fees are not included in the State's biennial budget. The Lottery budgets for approximately 4% of its expenses, primarily salaries and benefits, advertising, and rental expense.

Note 6 – Employee Benefit Plans

A. Retirement Plan

All permanent, full-time employees of the Lottery participate in the New Hampshire Retirement System Plan (the Plan) as a condition of employment in accordance with New Hampshire Revised Statutes Annotated (RSA) 100-A:2. The Plan is qualified as a tax exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit, cost sharing, multiple-employer Public Employee Retirement System, which provides service, disability, death and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters and police officers, within the state of New Hampshire. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries. The Plan is financed by contributions from the members, the State and local employers and investment earnings. Employees of the Lottery, which are Group I employees of the State, are required, by statute, to contribute 7% of their gross earnings to the Plan. The Lottery contributes an amount required to cover Plan costs not met by

the members' contributions. The Lottery makes payments to the State for its share of required contributions based on a set percentage of payrolls.

The Lottery's required contribution rate is determined by the Plan's Actuary with rates certified by the New Hampshire Retirement System Board of Trustees. The Lottery's payments for normal and required contribution costs for fiscal years 2011 through 2013 amounted to the following:

Fiscal Year Ended June 30	Normal and Required Contributions to the Plan	Percentage of Covered Payroll
2013	\$164,779	8.48%
2012	164,150	8.48%
2011	175,285	9.09%

Each of the three years costs was equal to the required contributions for those years.

The New Hampshire Retirement System (NHRS), administrator of the Plan, issues a publicly available annual financial report, which contains detailed information regarding the Plan as a whole, including information on payroll, contributions, actuarial assumptions and funding method, and historical trend data. This report may be obtained by writing to the NHRS, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at <http://www.nhrs.org>.

B. Other Postemployment Benefits

In addition to the benefits described above, the State provides postemployment health care benefits in accordance with RSA 21-I:30 to eligible retired employees, their spouses and certain dependents. These benefits are provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer defined benefit plan, which is the State's self-insurance fund implemented in October 2003 for active state employees and retirees. The State recognizes the cost of providing benefits by paying actuarially determined insurance contributions into the fund. An additional major source of funding for retiree benefits is from the New Hampshire Retirement System's medical premium subsidy program for Group I and Group II employees. Contribution rates for the Fund are adjusted periodically to recover any deficits and to maintain a statutorily required Fund Reserve. The Lottery makes payments to the State for its share of required contributions based on a set percentage taken from payroll.

The State's CAFR discloses the required contributions for the State as a whole. The Lottery's total payments to the State for its share of normal contribution costs for the medical subsidy and retiree health benefits paid for fiscal years 2011 through 2013 are as follows:

Fiscal Year Ended June 30	Number of Retirees and Spouses	Total Annual OPEB Cost	Normal and Required Contribution Costs for Medical Subsidy	Medical Subsidy Percentage of Covered Payroll
2013	62	\$323,491	\$31,090	1.60%
2012	61	371,537	30,972	1.60%
2011	58	286,507	37,959	1.96%

Each of the three years costs was equal to the Lottery's required contributions for those years.

The Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than pensions* requires governments to account for other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay as you go basis. The effect is the recognition of an actuarially required contribution as an expense when a future retiree earns their postemployment benefit rather than when they use their postemployment benefit. To the extent that the entity does not fund their actuarially required contribution, a postemployment benefit liability is recognized on the balance sheet over time. The State appropriately implemented GASB 45 during fiscal year 2008 and recognizes the actuarial accrued liability and costs for all State employees, including Lottery employees, on the government wide financial statements. The State Legislature currently plans to only partially fund (on a pay-as-you-go-basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement 45. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Note 7 – Operating Lease

Building Lease

The Lottery, as lessee, leases an office and warehouse facility located on Integra Drive in Concord, New Hampshire. The agreement is a long-term operating lease, which commenced on May 1, 2013 and expires on April 30, 2018. The total building lease cost for fiscal years 2013 and 2012 amounted to \$405,810 and \$400,748, respectively. The Lottery's commitment for future lease payments required under the operating lease is \$1,973,590. See table below showing future obligations by fiscal year.

Fiscal Year	Amount
2014	\$ 405,810
2015	405,810
2016	406,825
2017	411,897
2018	343,248
Total	<u>\$ 1,973,590</u>

Note 8 – Joint Ventures

GASB Statement No.14, *The Financial Reporting Entity*, defines a joint venture as a legal entity which results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The New Hampshire Lottery Commission is an active participant in three separate joint venture arrangements: the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life (regional game consisting of the six New England state lotteries). Tri-State and MUSL joint ventures are audited by separate audit firms hired by the particular joint venture. For fiscal year 2013 Berry, Dunn, McNeil, and Parker of Manchester, New Hampshire audited Tri-State and LWB Financial of West Des Moines, Iowa audited MUSL. The Lucky for Life joint venture holds each member lottery responsible for providing all other member lotteries

with an annual report outlining that certain “Agreed Upon Procedures” have been completed by an independent firm hired by the perspective member lottery.

A. Tri-State Lotto Commission

In September 1985, RSA 287-F established the Tri-State Lotto Commission (Tri-State) whereby the New Hampshire Lottery Commission entered into a joint venture with the Maine and Vermont lotteries. Tri-State is composed of one commissioner from each of the three state lotteries and is authorized to promulgate rules and regulations regarding the conduct of lottery games and the licensing of retailers. In addition, each of the member states contributes services towards the management and advisory functions.

The payments due winners for prizes awarded under Megabucks are fully funded by deposit fund contracts and investments in U.S. Treasury strips, held by Tri-State. Accordingly, the New Hampshire Lottery Commission does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. At June 30, 2013 Tri-State reported total installment prize obligations owed to jackpot winners of \$43.5 million, payable through the year 2033.

Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Direct charges, such as advertising, vendor fees and the Lottery’s per-diem payments are charged to participating states based on services received.

Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The balance in the Tri-State reserve at June 30, 2013 was \$4,345,585. The allocation for this reserve is based on each state’s pro-rata share of sales; it is estimated that New Hampshire’s portion of the reserve amounts to \$1,676,677. Lottery prize reserves held by the Tri-State are invested in U.S. Treasury notes. Tri-State policy dictates that if Tri-State dissolves or a state leaves the compact these reserve amounts will be used as future prizes to the state’s lottery players.

The New Hampshire Lottery Commission’s portion of the Tri-State Lotto Commission games for fiscal year 2013 is summarized below:

Operating revenues	\$ 20,943,174
Expenses:	
Prizes	10,641,810
Retailer commissions & incentives	1,047,294
Advertising & promotional	1,398,145
Vendor fees	296,518
Other operating expenses	146,984
Total expenses	<u>13,530,751</u>
Net operating income	7,412,423
Interest income	<u>25,982</u>
Net income from Tri-State	<u>\$ 7,438,405</u>

The Tri-State Lotto Commission maintains its own financial statements, which have been audited by an independent CPA firm. The report dated September 13, 2013 gave an opinion that the Tri-State Lotto financial statements presented fairly in all material respects the financial position of the Tri-State Lotto Commission as of June 30, 2013 and 2012, and the results of operations and cash

flows for those years then ended in conformity with U.S. GAAP. The Tri-State Lotto Commission issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302 Suite 100, Barre, Vermont 05671.

B. Multi-State Lottery Association

The New Hampshire Lottery Commission became a member of the Multi-State Lottery Association (MUSL) in November 1995. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit.

The Lottery sells Powerball tickets, collects all revenues, and remits prize funds to MUSL net of lower tier prize awards. Jackpot prizes that are payable in installments, are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

Each member state participates in the sale of Powerball tickets. Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Each week MUSL allocates 50 percent of sales to the prize pool. Two percent of that prize pool is placed into two Powerball prize reserve funds. One of these funds, the Powerball prize reserve fund acts as a contingency reserve to protect MUSL members against unforeseen liabilities and is to be used at the discretion of the MUSL Board of Directors. The prize reserve fund monies, which are maintained on MUSL's balance sheet, are refundable after a one-year waiting period if a member leaves the Association or if the Association disbands. New Hampshire's total share of prize reserves held by MUSL amounted to \$2,457,781 at June 30, 2013.

At June 30, 2013 the total MUSL Powerball prize reserve fund had a balance of \$78,975,475. New Hampshire's portion of the prize reserve fund balance amounted to \$1,131,366. The second Powerball prize reserve fund, Powerball set prize reserve, is used when low tier prizes won exceed statistically calculated low tier prize monies. At June 30, 2013 the total MUSL – Powerball set prize reserve fund had a balance of \$34,898,046. New Hampshire's portion of the prize reserve fund balance amounted to \$467,141. The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$16,342,326 at June 30, 2013. New Hampshire's portion of this unreserved fund amounted to \$41,541. MUSL's Powerball operating expenses are paid from interest earned on the prize reserves. The remaining interest is returned to the member states based upon the member's proportionate share of total Powerball game sales.

Fifteen member states have elected to participate in the sale of Hot Lotto tickets. Hot Lotto has been offered since April 2002. MUSL allocates 50 percent of the weekly sales to the prize pool. At June 30, 2013 the MUSL Hot Lotto prize reserve fund was \$7,920,821 with New Hampshire's

share being \$404,283. Each participating member pays for a share of Hot Lotto operating expenses based upon the member's proportionate share of total Hot Lotto game sales.

Thirty one member states have elected to participate in the sale of Mega Millions tickets. Mega Millions has been offered to MUSL members since January 2010. MUSL allocates 50 percent of the weekly sales to the prize pool and an extra 1% to a prize reserve fund. At June 30, 2013 the MUSL Mega Millions prize reserve fund was \$27,968,381 with New Hampshire's share being \$454,989. Each participating member pays for a share of Mega millions operating expenses based upon the member's proportionate share of total Mega Millions game sales.

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The New Hampshire Lottery Commission's portion of the Multi-State Lottery's games for fiscal year 2013 is summarized below.

Operating revenues	\$ 58,092,924
Expenses:	
Prizes	28,442,196
Retailer commissions & incentives	3,262,964
Vendor fees	983,360
Advertising & promotional	884,501
Other operating expenses	50,395
Total expenses	<u>33,623,416</u>
Net operating income	<u>\$ 24,469,508</u>

MUSL financial statements are audited by an independent audit firm hired by MUSL. MUSL issues a publicly available annual financial report, which may be obtained by writing to the Multi-State Lottery Association, 4400 NW Urbandale Drive, Urbandale, Iowa 50322.

C. Lucky for Life

The New Hampshire Lottery Commission became a member of the New England regional lottery game known as Lucky for Life beginning sales on March 11, 2012, with the first drawing held on March 15, 2012. Lucky for Life is currently comprised of the six New England states' lotteries: the Connecticut Lottery Corporation, the Maine State Liquor & Lottery Commission, the Massachusetts State Lottery Commission, the New Hampshire Lottery Commission, the Rhode Island Division of State Lottery, and the Vermont Lottery Commission. The member lotteries, each represented by a director or designee, jointly operate the Lucky for Life game.

The Lottery sells Lucky for Life tickets, collects all revenues, and remits prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent) for the Lucky for Life game. MUSL collects

and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for top prize winners. Jackpot/grand prizes are payable in installments and are satisfied through insurance annuities purchased by MUSL. MUSL purchases insurance annuities, on behalf of the member states, based on \$365,000 per year deferred annuity paid annually on the anniversary of the claim date for the lifetime of the top prize winner. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. The jackpot/grand prize liability for each Lucky for Life drawing is shared by each member Lottery based on an amount equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of the total jackpot/grand prize liability to total Lucky for Life sales. The member Lotteries are responsible for the prize liability for low-tier/set prizes (prize levels two through ten) as follows: each member Lottery is responsible for an amount equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of total Lucky for Life prize liability to total Lucky for Life sales.

The Lottery does accrue a current amount due for its proportionate share of prizes and expenses. There are no prize reserves held by MUSL for this game. New Hampshire's total share of accrued prize and operating amounts due at June 30, 2013 amounted to \$2,166,152. The breakdown for the Lottery's share of accrued prizes were as follows: jackpot/grand prizes won not claimed \$626,729, there were no jackpot/grand prizes claimed not paid, jackpot/grand prizes in progress \$1,367,125 and low-tier prizes of \$188,476. The Lottery also had an accounts receivable due from the other states of \$28,548 for shared low-tier prizes and expired prizes. The Lottery's share of accrued operating expenses at June 30, 2013 was \$12,370.

The Lucky for Life game was designed to have a total prize percentage payout of 60 percent of sales, providing approximately 4 to 5 jackpot/grand prize winners annually. The breakdown of the 60 percent includes a jackpot/grand prize amount equal to 27.8149% of total sales and low-tier prizes of 32.1851% of sales. Online lottery games are designed to provide an average payout over an extended period of time. There was only 1 jackpot/grand prize win in fiscal year 2013 versus 4 in its three months of operation fiscal year 2012. If you were to look at the game for the first twelve months of operation it paid out 4 jackpot/grand prize wins, which is right on target. The low-tier prizes for this game ran right on target at 32% of sales for fiscal year 2013.

The New Hampshire Lottery Commission's portion of the Lucky for Life game for fiscal year 2013 is summarized below.

Operating revenues	\$	7,826,337
Expenses:		
Prizes		5,027,418
Retailer commissions & incentives		435,350
Vendor fees		121,589
Advertising & promotional		147,822
Other operating expenses		21,448
Total expenses		<u>5,753,627</u>
Net operating income	\$	<u>2,072,710</u>

Each member lottery is responsible for providing all other member lotteries an annual report outlining that certain “minimum agreed upon procedures” have been completed by an independent audit firm hired by the respective lottery. The ‘minimum agreed upon procedures’ were established and approved by all six state’s directors and finance members prior to the startup of Lucky for Life.

Note 9 – Replay Program

In June 2006 the Commission implemented a program called “Replay” in which players become eligible for merchandise drawings by submitting non-winning lottery ticket codes to an online Replay website operated by the Lottery’s advertising vendor. Merchandise prizes are contributed by area businesses in exchange for promotional consideration. The Commission accounts for contributed prizes by recording offsetting assets, liabilities, revenues, and expenses in Prepaid and Other, Accounts Payable, Other Operating Revenue, and Prize Expense, respectively.

Note 10 – Risk Management

The Lottery is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State generally retains the risk of loss except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. There are approximately 30 commercial insurance programs in effect including fleet automobile liability and faithful performance position schedule bond.

The State employs a blanket commercial policy that covers fleet automobile liability. The Lottery pays an annual premium for its vehicles to be covered under this policy. The Lottery also purchases indemnification bonds through the State for its commissioners to be bonded in accordance with New Hampshire RSA 284:21-c. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three fiscal years.

Claim liabilities not covered by commercial insurance are recorded by the State when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. For the State of New Hampshire the liability not covered by commercial insurance relates primarily to worker’s compensation claims and health benefit claims.

Note 11 – Prize Annuity Due Winner

On November 29, 2006, the Lottery purchased from American National Insurance Company a 19 year annuity, on behalf of a prize winner. The American National Insurance Company has a rating of A (strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances) from Standard & Poor’s. The annuity is in the name of the prize winner and the Lottery does not recognize a liability for this annuity. The annual payment paid to the winner by the insurance company is \$50,000. The likelihood of this becoming a liability to the Lottery is low.

**New Hampshire Lottery Commission
Supplemental Schedule of Revenues, Expenses, and Distributions
For the Year Ended June 30, 2013**

Operating Revenues:	
Instant tickets	\$ 192,475,089
MUSL Powerball	46,159,886
MUSL Mega Millions	8,764,632
Tri-State Megabucks	9,177,028
Tri-State Pick 3	5,123,090
Tri-State Pick 4	4,809,887
Lucky for Life	7,826,337
MUSL Hot Lotto	3,168,406
Tri-State Gimme 5	419,978
Tri-State Fast Play	1,413,191
Other Income	1,082,387
Total operating revenues	<u>280,419,911</u>
Operating Expenses:	
Cost of sales:	
Prize awards:	
Instant tickets	129,046,481
MUSL Powerball	22,695,941
MUSL Mega Millions	4,214,379
Tri-State Megabucks	4,568,195
Tri-State Pick 3	2,561,604
Tri-State Pick 4	2,404,989
Lucky for Life	5,027,418
MUSL Hot Lotto	1,531,877
Tri-State Gimme 5	222,696
Tri-State Fast Play	884,326
Other - Contributed prizes paid	199,562
Total prize awards	<u>173,357,468</u>
Retailers' commissions	16,625,951
Vendor fees	5,187,258
Cost of instant scratch games (printing and delivery)	2,202,676
Expense pools	227,435
Total cost of sales	<u>197,600,788</u>
Administration:	
Salaries and benefits	3,616,707
Advertising and promotional	3,765,329
Space rental	405,810
Information Technology	191,234
Other expenses	530,295
Total administration	<u>8,509,375</u>
Depreciation expense	24,257
Total operating expenses	<u>206,134,420</u>
Operating income	74,285,491
Nonoperating revenues	49,866
Net income	<u>74,335,357</u>
Distributions to Education Trust Fund	(74,334,758)
Change in net position (restricted prize reserve funds)	<u>\$ 599</u>

See accompanying independent auditor's report.

Statistical Section

This part of the New Hampshire Lottery Commission's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the Lottery's overall financial health.

Contents	Pages
Financial Trends	45 – 49
<p>These schedules and graphs contain information to help the reader understand how the Lottery's financial performance has changed over time. Please keep in mind the increase or decrease in net assets does not reflect the condition of the Lottery's financial position because, by law, the Lottery is required to distribute all net profits to the Education Trust Fund on a monthly basis.</p>	
Demographic and Economic Information	50B – 53
<p>These schedules and graphs offer demographic and economic indicators to help the reader understand the environment within which the Lottery's operations take place and where its revenues come from.</p>	
Operating Information	50A, 54
<p>These schedules offer miscellaneous statistics showing the reader yearly comparisons of certain information contained in the Lottery's financial report as it relates to the programs it offers and the activities it performs.</p>	
Industry Comparisons	55 – 64
<p>These schedules offer the reader an understanding of how the New Hampshire Lottery Commission performs financially in comparison to other lotteries in the industry.</p>	

New Hampshire Lottery Commission
Revenues, Expenses, and Changes in Net Position
Last 10 Fiscal Years

<i>Thousands</i>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Instant Scratch Games	\$ 157,016	\$ 161,358	\$ 176,978	\$ 188,565	\$ 183,991	\$ 170,823	\$ 160,536	\$ 161,378	\$ 176,912	\$ 192,475
MUSL Powerball	52,646	39,097	57,232	44,391	46,421	39,994	37,705	26,537	33,022	46,160
MUSL Mega Millions	-	-	-	-	-	-	3,057	11,601	14,986	8,765
MUSL Hot Lotto	2,265	3,481	3,001	4,633	3,538	4,324	4,149	3,698	3,183	3,168
Tri-State Megabucks	10,412	10,254	10,184	9,657	10,459	8,687	12,708	10,537	9,459	9,177
Tri-State Daily Pick 3/Pick 4	11,339	10,650	10,818	10,873	10,507	10,489	10,383	10,380	10,310	9,933
Tri-State Other Games	3,327	3,140	4,529	5,446	5,774	5,266	5,235	4,734	3,499	1,833
Lucky for Life (New England)	-	-	-	-	-	-	-	-	3,289	7,826
Income Other than Ticket Sales	546	514	1,014	1,679	1,256	677	348	353	1,200	1,132
Total Lottery Revenue ³	237,551	228,494	263,756	265,244	261,946	240,260	234,121	229,218	255,860	280,469
Bingo/Lucky 7 Program Revenue ²	2,078	976	-	-	-	-	-	-	-	-
Total Sales and Other Revenues	239,629	229,470	263,756	265,244	261,946	240,260	234,121	229,218	255,860	280,469
Operating Expenses										
Prizes	137,231	132,686	152,392	155,941	154,687	142,050	138,907	139,262	158,887	173,357
Retailer Commissions & Incentives	12,801	12,344	14,179	14,311	14,279	13,070	12,739	12,925	14,832	16,626
Other Costs of Sales	8,403	8,158	9,479	8,876	8,856	8,430	8,338	6,758	7,071	7,618
Administration & Depreciation Expenses	7,181	6,934	7,379	7,207	8,472	8,358	7,942	8,024	8,147	8,533
Total Expenses	165,616	160,122	183,429	186,335	186,294	171,908	167,926	166,969	188,937	206,134
Nonoperating Expenses										
Distributions to Education	73,744	69,349	80,378	79,043	75,553	68,150	66,222	62,207	66,768	74,335
Change in Net Position ¹	269	(1)	(51)	(134)	99	202	(27)	41	155	-
Net Position ⁴										
Invested in capital assets	119	127	191	235	242	164	97	42	13	133
Restricted for prize funds ⁴	3,850	3,849	3,798	3,664	3,763	3,965	3,938	3,979	4,134	4,134
Unrestricted (deficit)	\$ (119)	\$ (127)	\$ (191)	\$ (235)	\$ (242)	\$ (164)	\$ (97)	\$ (42)	\$ (13)	\$ (133)

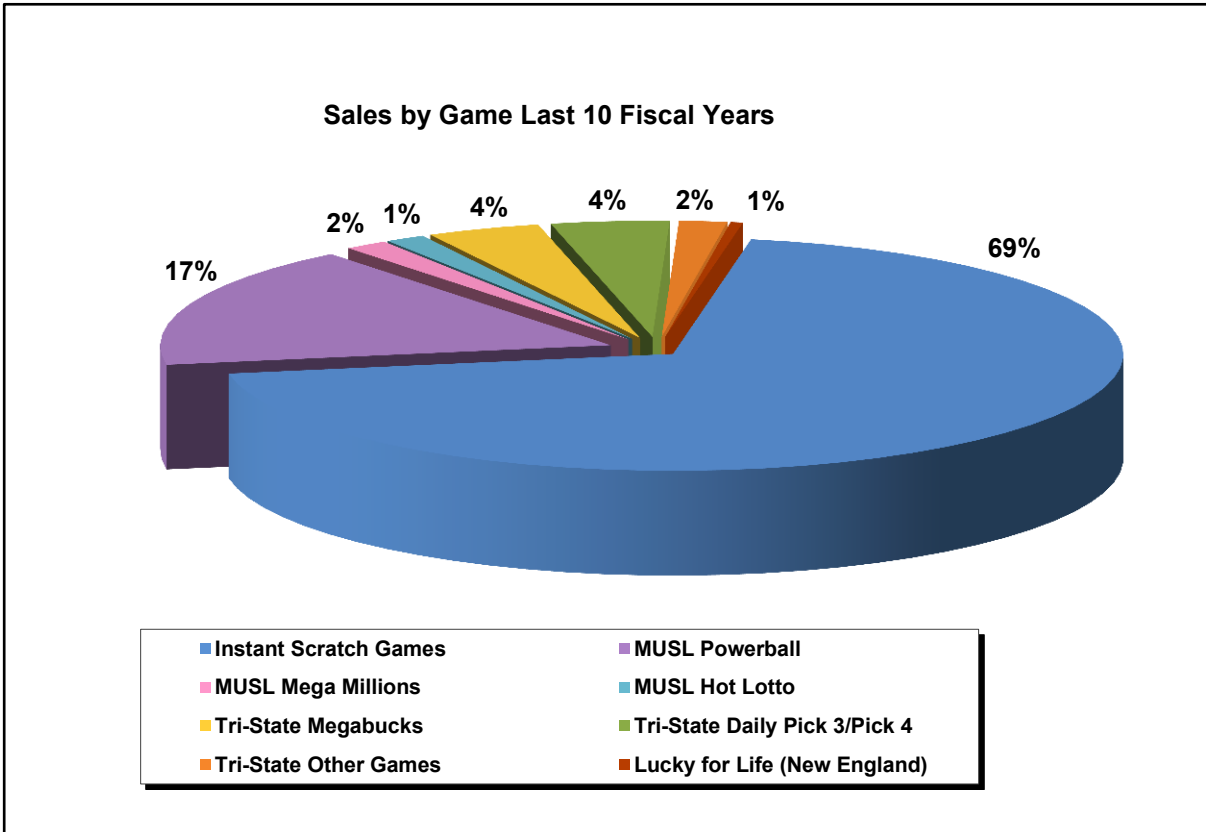
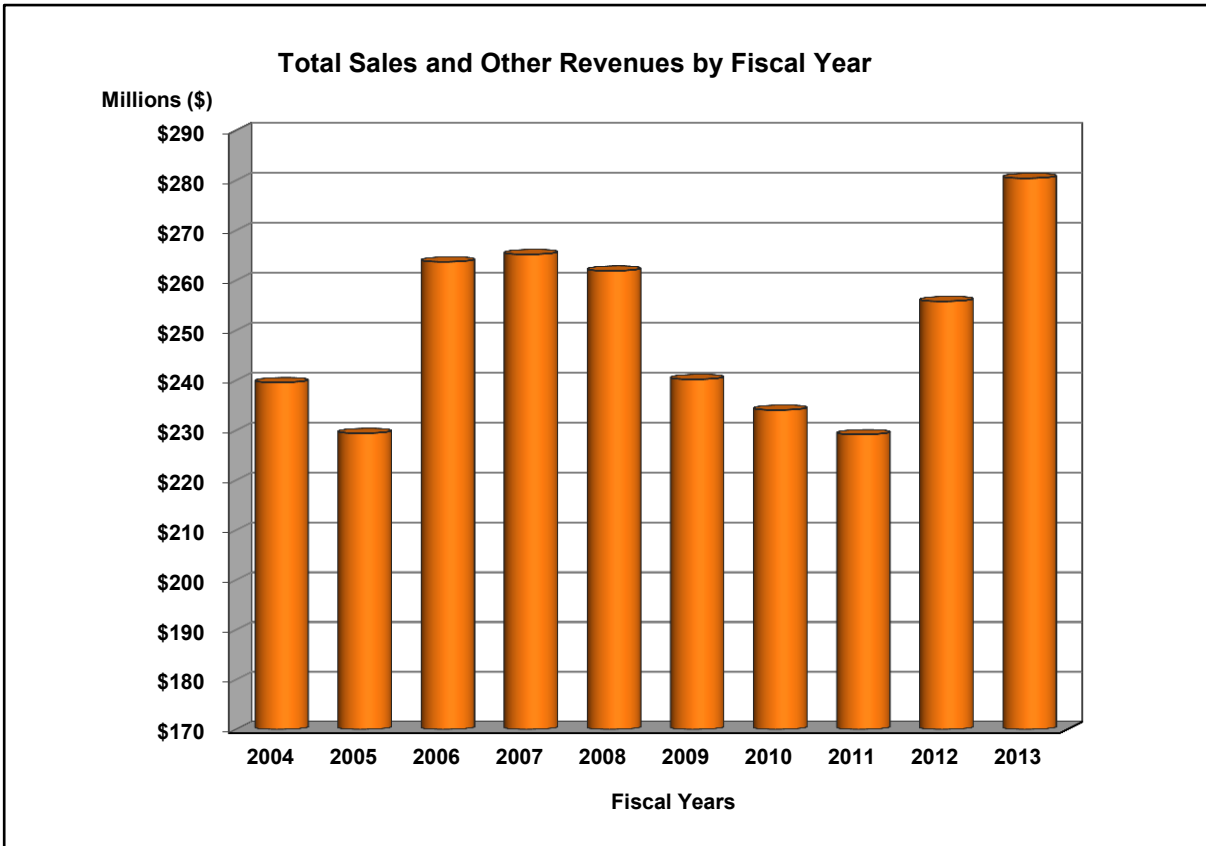
1 The change in net position does not reflect the condition of the Lottery's financial position, because by law the Lottery is required to transfer all net profits to the Education Trust Fund on a monthly basis.

2 Effective January 1, 2005, the responsibilities for the regulation of charitable gaming and activities in the State were transferred from the Lottery to the Racing and Charitable Gaming Commission.

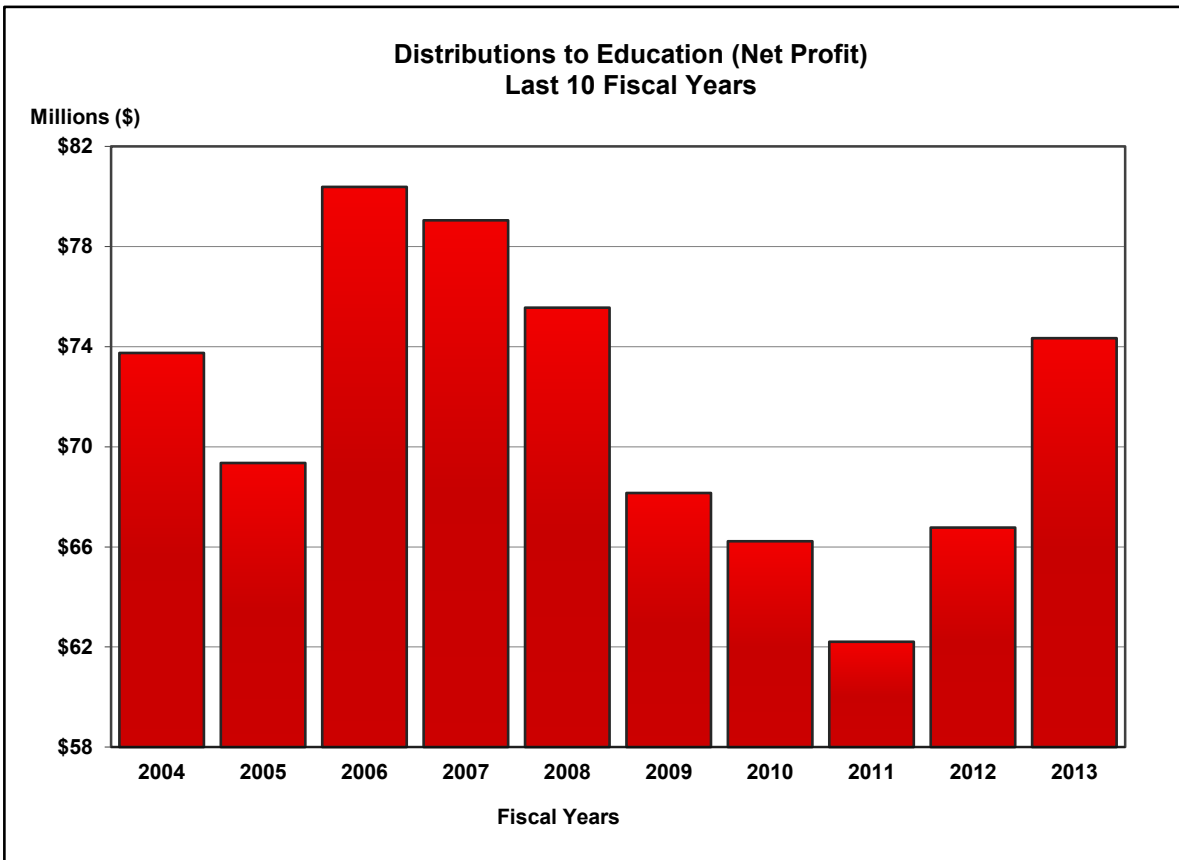
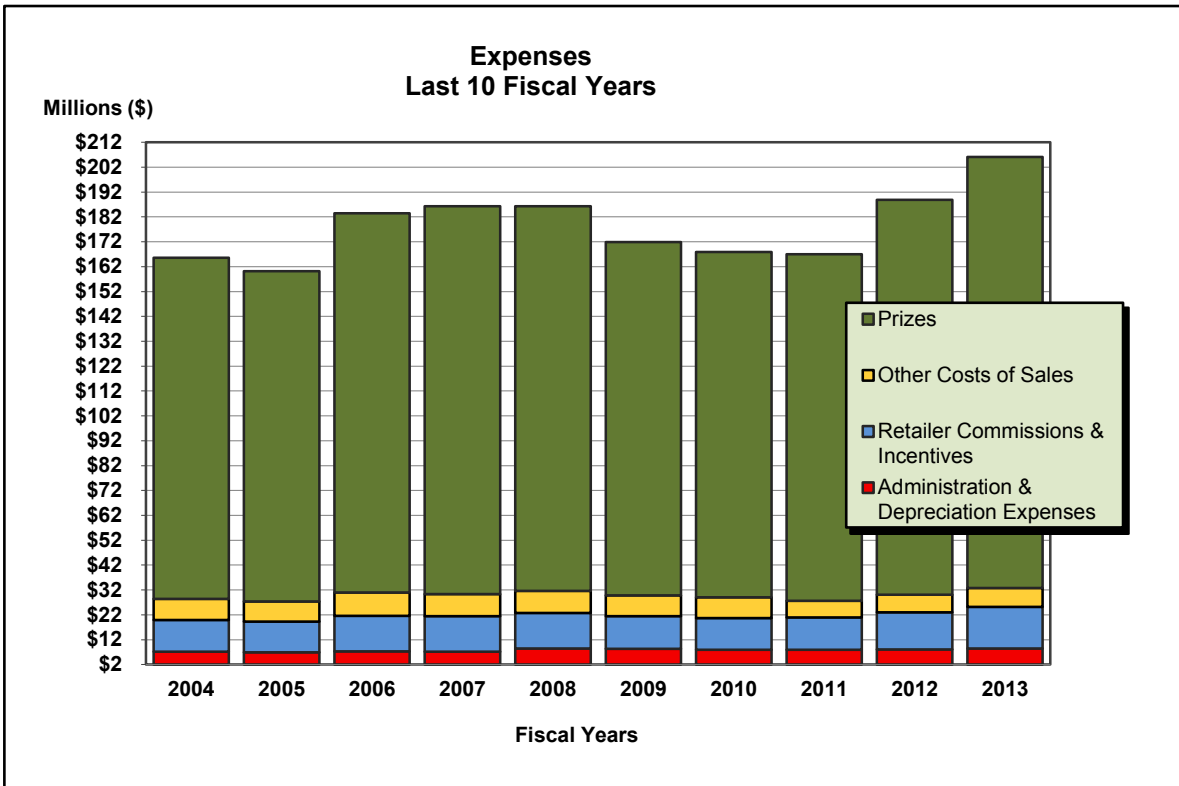
3 State law restricts the maximum sales amount of a ticket to \$30.

4 Net position consist only of restricted prize funds held on deposit with the Multi-State Lottery Association and the Tri-State Lotto Commission.

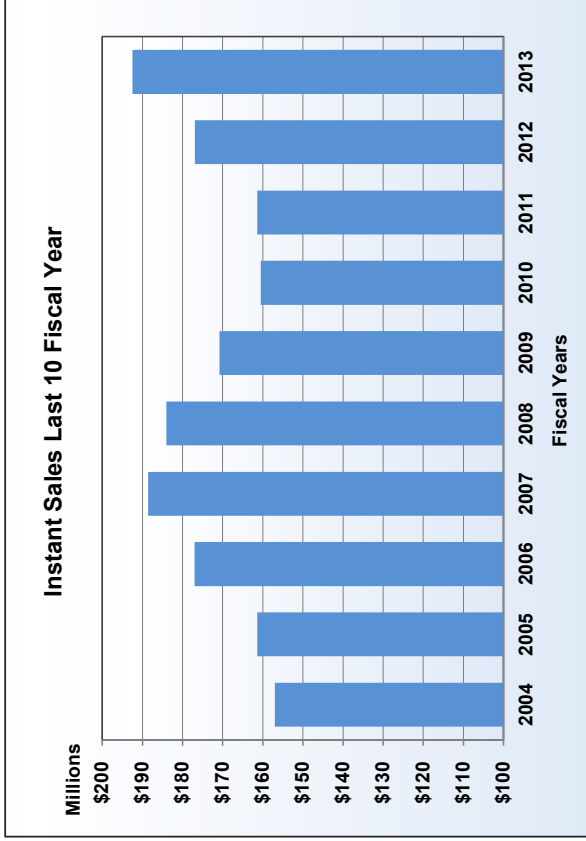
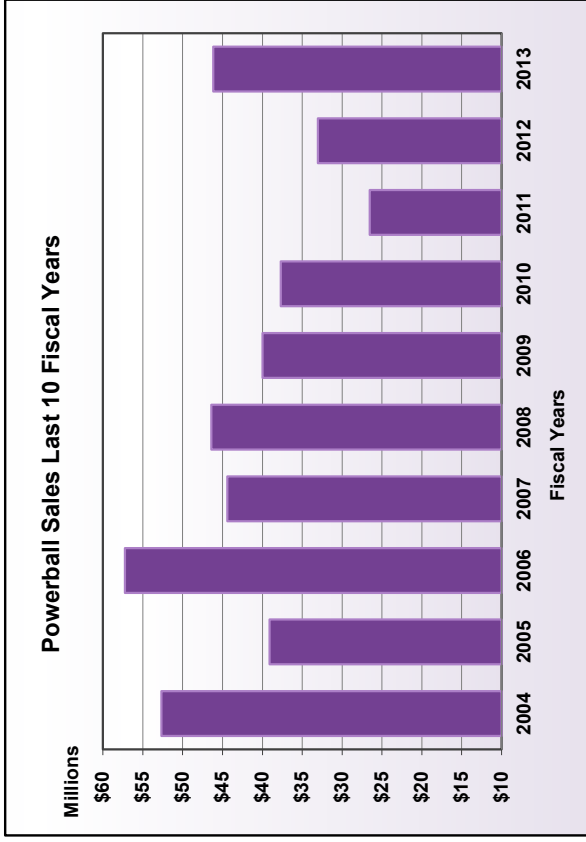
New Hampshire Lottery Commission



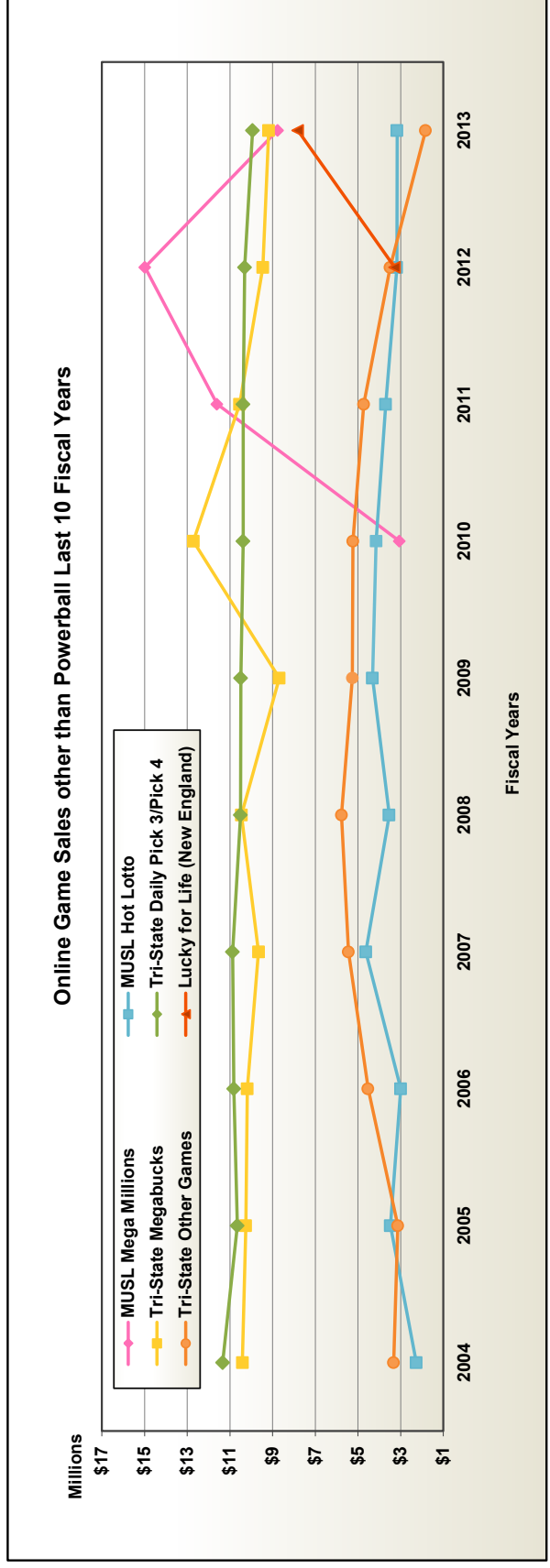
New Hampshire Lottery Commission



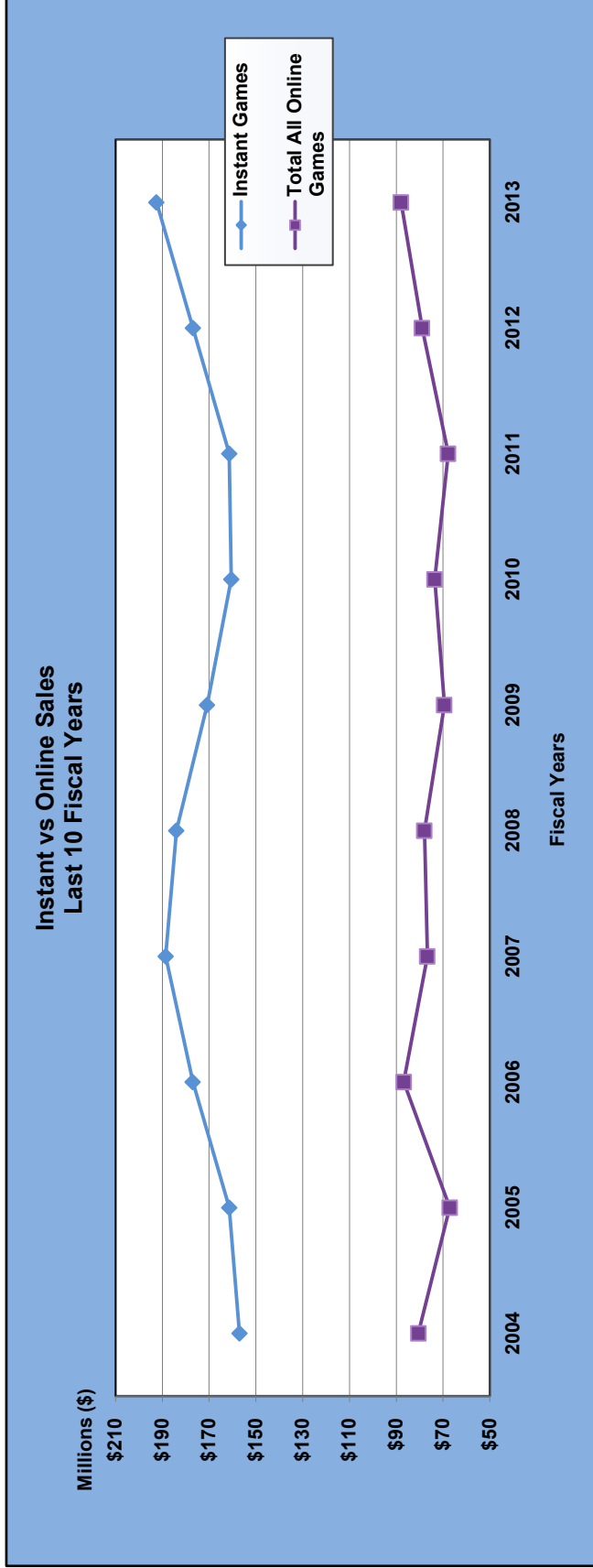
NEW HAMPSHIRE LOTTERY COMMISSION



Over the last ten years Instant Scratch Games sales were the strongest of all lottery products. Instant Games are, for the most part, an impulse purchase depending on discretionary spending. The economy and dramatic changes in the price of automobile gasoline impact Instant Games sales. Consumers demand for more technologically advanced types of gambling also has effected sales. Powerball sales fluctuated widely over the last ten years due to the number and size of jackpots. A \$300 million jackpot will sell three times as many tickets as a \$40 million jackpot, however, large jackpots cannot be predicted and are subject to the "luck of the draw". In 2013 Powerball had a record breaking jackpot of \$590.5 million. Notice the sales in 2006 and 2008 compared to 2013. In 2006 the highest jackpot amount was \$365 million; in 2008 it was \$314.3 million, an example of consumers demand for higher jackpots or what is known in the lottery industry as jackpot fatigue.



NEW HAMPSHIRE LOTTERY COMMISSION



Prizes and Advertising Expenses as a Percentage of Sales for Instant and Online Games

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Dollars in thousands										
Instant Games										
Sales	\$157,016	\$161,358	\$176,978	\$188,565	\$183,991	\$170,823	\$160,536	\$161,378	\$176,912	\$192,475
Prizes	99,304	100,764	110,256	119,378	116,738	108,427	102,801	105,524	118,288	129,046
Prizes % of sales	63.24%	62.45%	62.30%	63.31%	63.45%	63.47%	64.04%	65.39%	66.86%	67.05%
Instant advertising expense	825	984	1,090	1,187	1,855	1,583	1,232	1,585	1,260	1,342
Instant advertising expense % of instant ticket sales	0.53%	0.61%	0.62%	0.63%	1.01%	0.93%	0.77%	0.98%	0.71%	0.70%
Online Games										
Sales	\$80,535	\$67,136	\$86,778	\$76,679	\$77,955	\$69,437	\$73,585	\$67,840	\$78,948	\$87,994
Prizes	37,927	31,922	42,136	36,563	37,949	33,623	36,106	33,738	40,599	44,311
Prizes as a % of sales	47.09%	47.55%	48.56%	47.68%	48.68%	48.42%	49.07%	49.73%	51.42%	50.36%
Online advertising expense	2,113	1,689	1,679	1,554	1,158	2,205	2,050	1,673	2,271	2,423
Online games advertising expense % of online games sales	2.62%	2.52%	1.93%	2.03%	1.49%	3.18%	2.79%	2.47%	2.88%	2.75%

**New Hampshire Lottery Commission
Lottery Employee Operating Information and State of New Hampshire Demographic and Economic Information**

A. NH Lottery Commission Employee Statistics for Ten Fiscal Years:

Fiscal Year	Number of Employees ¹	Salaries Paid	Benefits Paid to Employees	Number of Retirees and Spouses	Post Employment Benefits Paid ²
2013	59	\$2,192,082	\$1,111,644	62	\$323,491
2012	63	2,042,681	956,953	61	371,537
2011	61	2,102,128	983,785	58	286,507
2010	60	2,073,092	1,003,341	52	357,086
2009	63	2,034,221	912,206	49	333,702
2008	67	2,008,383	893,401	47	222,216
2007	74	1,716,133	892,886	46	267,366
2006	76	1,920,437	944,916	48	255,528
2005	78	1,681,328	819,267	45	251,919
2004	79	1,952,369	844,594	45	176,816

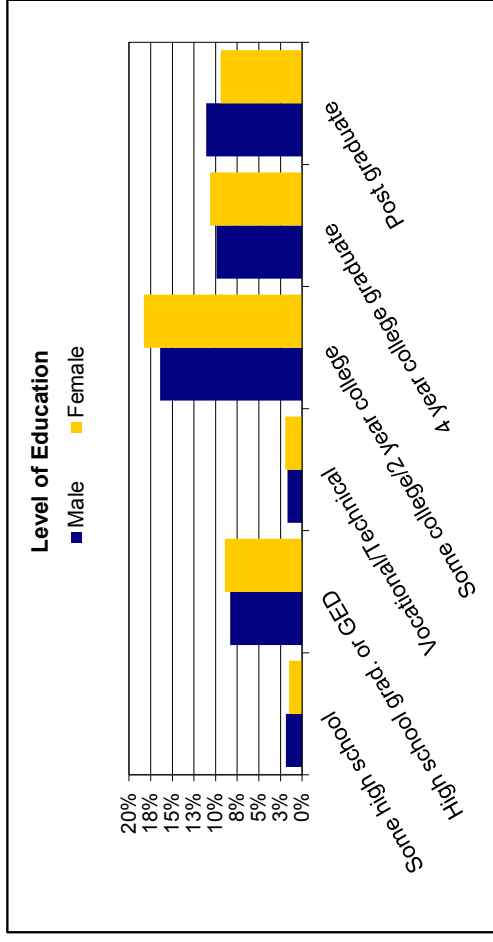
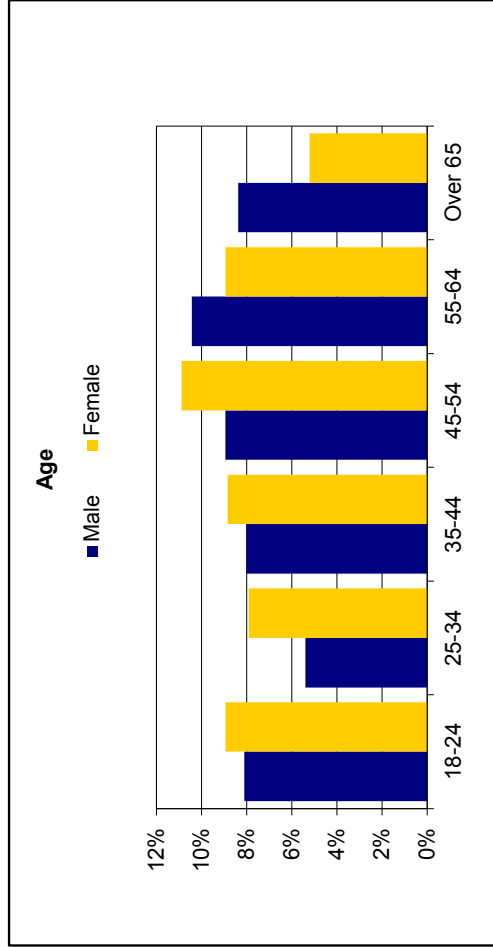
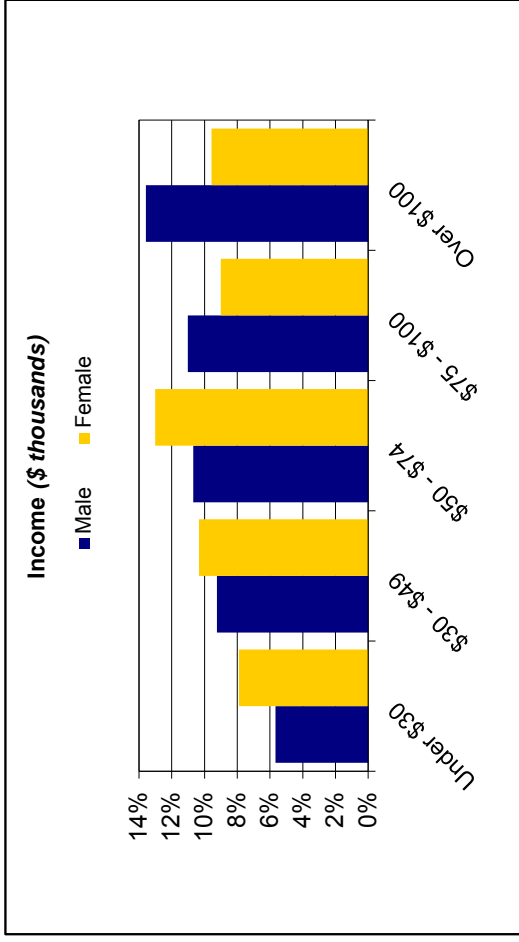
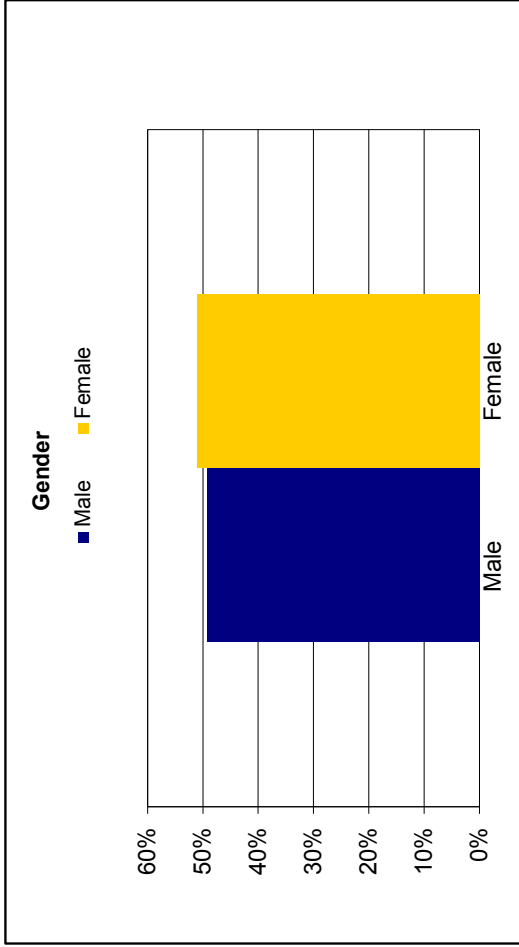
¹Includes part-time employees ² The Lottery is required to pay retiree benefits due to being a self-funded agency.

B. New Hampshire Demographic and Economic Statistics (Information available for calendar years 2003 – 2012):

Calendar Year	GDP (billions)	Population	Personal Income	Per Capita Personal Income	Median age	High School Graduate or More ¹	Bachelor's Degree or More ¹	Unemployment Rate
2012	\$64.70	1,320,718	\$62,150,236	\$47,058	41.9	91.80%	34.60%	5.50%
2011	63.6	1,318,194	60,480,000	45,881	40.3	91.40%	33.40%	5.40%
2010	60.3	1,316,470	57,898,000	44,084	41.1	91.40%	33.40%	5.20%
2009	59.1	1,324,575	56,407,553	42,585	40.4	90.50%	32.40%	6.80%
2008	60.0	1,315,809	56,356,332	42,830	40.2	81.00%	32.40%	4.00%
2007	57.8	1,312,828	54,640,414	41,639	39.8	90.50%	32.50%	3.90%
2006	56.1	1,309,940	51,964,396	39,703	37.5	89.90%	31.90%	3.20%
2005	53.5	1,299,169	48,681,601	37,432	39.5	90.80%	35.40%	3.60%
2004	51.4	1,287,594	47,190,121	36,523	39.2	92.10%	34.00%	3.90%
2003	48.2	1,274,666	44,327,084	34,596	38.8	90.20%	31.00%	4.40%

¹ Based on persons 25 years and older. Sources: US Census Bureau, US Dept of Commerce, US Dept of Labor, Bureau of Business and Economic Research.

New Hampshire Lottery Commission Who Plays New Hampshire Lottery Games? Demographic Summary



Source: Survey conducted by SocialSphere, Inc. May 2011.

STATE OF NEW HAMPSHIRE
Top Ten Employers in Ranking Order Highest to Lowest
By Fiscal Year

2013			2012			2011		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	17,936	2.54%	1 State of NH	17,867	2.54%	1 State of NH	17,820	2.52%
2 Wal-Mart Stores Inc	8,008	1.14%	2 Wal-Mart Stores Inc	8,166	1.16%	2 Wal-Mart Stores Inc	8,421	1.19%
3 Demoulas & Market Basket	7,500	1.06%	3 Dartmouth-Hitchcock Medical Center	6,654	0.95%	3 Dartmouth-Hitchcock Medical Center	7,073	1.00%
4 Dartmouth-Hitchcock Medical Center	6,404	0.91%	4 University System of NH	6,159	0.88%	4 University System of NH	6,081	0.86%
5 University System of NH	6,029	0.85%	5 Demoulas & Market Basket	6,000	0.85%	5 Demoulas & Market Basket	6,000	0.85%
6 Fidelity Investments	5,000	0.71%	6 Hannaford Brothers	4,817	0.68%	6 BAE Systems	4,500	0.64%
7 Hannaford Brothers	4,900	0.69%	7 Fidelity Investments	4,600	0.65%	7 Fidelity Investments	4,400	0.62%
8 Liberty Mutual-Northern N.E. Division	4,700	0.67%	8 BAE Systems	4,500	0.64%	8 Dartmouth College	4,250	0.60%
9 Elliot Hospital	3,485	0.49%	9 Dartmouth College	4,250	0.60%	9 Liberty Mutual-Northern N.E. Division	4,200	0.59%
10 Shaw's Supermarkets	3,358	0.48%	10 Liberty Mutual-Northern N.E. Division	4,200	0.60%	10 Hannaford Brothers	3,894	0.55%
Total	<u>67,320</u>	<u>9.54%</u>	Total	<u>67,213</u>	<u>9.55%</u>	Total	<u>66,639</u>	<u>9.42%</u>

2010			2009			2008		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	18,487	3.14%	1 State of NH	18,735	3.29%	1 State of NH	18,556	3.04%
2 Wal-Mart Stores Inc	8,974	1.28%	2 Wal-Mart Stores Inc	9,017	1.30%	2 Wal-Mart Stores Inc	8,631	1.19%
3 Dartmouth-Hitchcock Medical Center	8,025	1.14%	3 Dartmouth-Hitchcock Medical Center	8,025	1.16%	3 Dartmouth-Hitchcock Medical Center	7,804	1.08%
4 University System of NH	6,459	0.92%	4 University System of NH	6,457	0.93%	4 University System of NH	6,784	0.94%
5 Demoulas & Market Basket	6,000	0.85%	5 Demoulas & Market Basket	6,000	0.86%	5 Demoulas & Market Basket	6,000	0.83%
6 Hannaford Brothers	4,776	0.68%	6 Fidelity Investments	5,500	0.79%	6 Fidelity Investments	5,700	0.79%
7 Fidelity Investments	4,600	0.65%	7 BAE Systems	4,700	0.68%	7 Liberty Mutual-Northern N.E. Division	5,133	0.71%
8 BAE Systems	4,500	0.64%	8 Shaw's Supermarkets	4,516	0.65%	8 Hannaford Brothers	4,629	0.64%
9 Shaw's Supermarkets	4,399	0.63%	9 Hannaford Brothers	4,474	0.64%	9 Shaw's Supermarkets	4,500	0.62%
10 Dartmouth College	4,399	0.63%	10 Dartmouth College	4,407	0.63%	10 Dartmouth College	4,246	0.59%
Total	<u>70,619</u>	<u>10.56%</u>	Total	<u>71,831</u>	<u>10.93%</u>	Total	<u>71,983</u>	<u>10.43%</u>

2007			2006		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>	<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	21,590	2.99%	1 State of NH	21,056	2.93%
2 Wal-Mart Stores Inc	8,012	1.11%	2 Wal-Mart Stores Inc	8,659	1.20%
3 University System of NH	6,668	0.92%	3 Dartmouth-Hitchcock Medical Center	7,100	0.98%
4 Demoulas & Market Basket	6,600	0.91%	4 University System of NH	6,901	0.96%
5 Dartmouth-Hitchcock Medical Center	6,211	0.86%	5 Demoulas & Market Basket	6,600	0.92%
6 Fidelity Investments	5,430	0.75%	6 Hannaford Brothers	5,374	0.75%
7 Shaw's Supermarkets	4,700	0.65%	7 Fidelity Investments	4,859	0.67%
8 Hannaford Brothers	4,663	0.64%	8 Shaw's Supermarkets	4,600	0.64%
9 Dartmouth College	4,246	0.59%	9 Dartmouth College	4,246	0.59%
10 BAE Systems	4,100	0.57%	10 BAE Systems	4,100	0.57%
Total	<u>72,220</u>	<u>9.99%</u>	Total	<u>73,495</u>	<u>10.21%</u>

Source: State of New Hampshire CAFR - fiscal year 2006 was the earliest reported data.

New Hampshire Lottery Commission

Game Statistics for Last Ten Fiscal Years

Fiscal Year	Number of Lottery Retailers	Number of Online Games Offered ⁴	Number of Instant Games On the Market	Highest Priced Instant Ticket	Number of Subscriptions	Number of Replay Members	Number of Jackpot Runs that Exceeded \$100 Million	Highest Powerball Jackpot Amount	Expired Unclaimed Powerball Prizes ³
2013	1254	9	80	\$20	9,474	200,000	7	\$590,500,000	\$545,238 ⁵
2012	1282	8	84	\$20	9,960	187,029	7	\$336,400,000	\$452,652
2011	1273	8	91	\$30	12,573	173,703	6	\$221,700,000	\$442,459
2010	1222	8	111	\$30	12,231	139,039	7	\$261,600,000	\$723,209
2009	1255	7	111	\$30	21,395	98,617	5	\$232,100,000	\$736,202
2008	1256	8	106	\$30	21,869	138,535	24	\$300,000,000	\$984,855
2007	1256	7	91	\$20	21,869	100,000	5	\$204,000,000	\$1,145,287
2006	1225	7	88	\$20	21,866	-	5	\$365,000,000	\$1,078,540
2005	1220	6	61	\$10	24,946	1	3	\$340,000,000	\$1,714,458
2004	1227	6	61	\$10	10,353	-	8	\$214,700,000	\$1,307,376

¹ Powerball subscriptions began. ² The higher the jackpot amount, the more ticket sales increase. ³ Expired unclaimed Powerball prize money goes to the Education Trust Fund.

⁴ Pick 3 & Pick 4 counted as two games. ⁵ This is an estimate. ⁶ The Lottery lost subscription purchases due to Master Card and Visa changing the Lottery coding to a gambling establishment rather than a government agency; thereby charging customers higher fees. Another factor that played into the number of subscriptions purchased was that the cost to customers for Megabucks doubled.

⁷ The Lottery lost subscription purchases due to the cost of Powerball doubling from \$1 to \$2 per bet.

Prizes by Game for Last Ten Fiscal Years

Fiscal Year	Instant Games	MUSL Powerball	MUSL Other Lotto	Tri-State Megabucks	Tri-State Pick 3 & Pick 4	Tri-State Other	Lucky for Life ^a	Other - Replay	Fiscal Year Total Prizes
2013	\$129,046,481	\$22,695,941	\$5,746,256	\$4,568,195	\$4,966,593	\$1,107,022	\$ 5,027,418	\$199,562	\$173,357,468
2012	\$118,288,247	\$16,107,399	\$8,680,799	\$4,723,399	\$5,152,165	\$1,888,384	\$ 3,782,610	\$264,337	\$158,887,340
2011	\$105,524,430	\$13,023,160	\$7,503,844	\$5,222,761	\$5,191,035	\$2,508,135	-	\$289,056	\$139,262,421
2010	\$102,800,698	\$18,008,834	\$3,490,732	\$6,464,015	\$5,199,090	\$2,629,749	-	\$313,601	\$138,906,719
2009	\$108,427,290	\$19,151,243	\$2,070,928	\$4,237,157	\$5,242,902	\$2,571,880	-	\$348,635	\$142,050,035
2008	\$116,737,902	\$22,127,401	\$1,719,808	\$5,247,688	\$5,252,500	\$3,159,516	-	\$442,519	\$154,687,334
2007	\$119,378,231	\$20,956,832	\$2,230,231	\$4,813,274	\$5,437,311	\$2,749,386	-	\$375,467	\$155,940,732
2006	\$110,256,485	\$27,540,712	\$1,479,781	\$5,147,580	\$5,410,637	\$2,557,153	-	-	\$152,392,348
2005	\$100,763,773	\$18,229,249	\$1,652,591	\$5,143,028	\$5,322,821	\$1,574,702	-	-	\$132,686,164
2004	\$99,304,490	\$24,298,055	\$1,098,587	\$5,200,787	\$5,665,202	\$1,663,694	-	-	\$137,230,815

^a Lucky for Life began March 2012.

U.S. Lottery Revenue and Expense Analysis - Fiscal Year 2012

LOTTERY	(\$ Millions)					(as a percentage of ticket sales)			
	Revenue	Prizes	Retailer Comm.	Other Expenses	Net Revenue	Prizes	Retailer Comm.	Other Exp.	Net Oper Income
Arizona	\$ 646.9	\$ 396.7	\$ 43.8	\$ 41.6	\$ 164.7	61.3%	6.8%	6.4%	25.5%
Arkansas	473.6	315.3	26.5	37.3	94.5	66.6%	5.6%	7.9%	20.0%
California ~	4,371.5	2,560.3	295.8	217.1	1,298.2	58.6%	6.8%	5.0%	29.7%
Colorado	545.3	342.6	41.6	39.6	121.5	62.8%	7.6%	7.3%	22.3%
Connecticut	1,081.7	659.9	60.7	49.3	311.8	61.0%	5.6%	4.6%	28.8%
Delaware *	134.7	85.7	8.4	18.2	22.5	63.6%	6.2%	13.5%	16.7%
D.C. ~	249.7	137.3	16.4	29.5	66.5	55.0%	6.6%	11.8%	26.6%
Florida	4,456.2	2,766.1	247.7	136.8	1,305.6	62.1%	5.6%	3.1%	29.3%
Georgia ~	3,564.3	2,289.8	228.7	144.6	901.2	64.2%	6.4%	4.1%	25.3%
Idaho	176.6	108.9	10.4	14.8	42.5	61.7%	5.9%	8.4%	24.1%
Illinois	2,670.4	1,675.0	141.3		854.1	62.7%	5.3%	0.0%	32.0%
Indiana	855.6	532.9	60.0	52.0	210.7	62.3%	7.0%	6.1%	24.6%
Iowa	311.1	182.4	20.1	28.8	79.7	58.6%	6.5%	9.3%	25.6%
Kansas ~	246.2	138.9	14.4	19.3	73.5	56.4%	5.8%	7.9%	29.9%
Kentucky	767.9	459.2	50.9	41.7	216.1	59.8%	6.6%	5.4%	28.1%
Louisiana	430.1	226.3	23.8	25.6	154.4	52.6%	5.5%	6.0%	35.9%
Maine	231.1	142.8	14.8	19.2	54.3	61.8%	6.4%	8.3%	23.5%
Maryland * ~	1,827.4	1,065.7	118.3	147.0	496.4	58.3%	6.5%	8.0%	27.2%
Massachusetts ~	4,741.4	3,396.8	269.7	91.1	983.8	71.6%	5.7%	1.9%	20.7%
Michigan ~	2,430.3	1,369.8	172.2	99.2	789.1	56.4%	7.1%	4.1%	32.5%
Minnesota	520.1	320.6	31.5	44.5	123.5	61.6%	6.1%	8.6%	23.7%
Missouri ~	1,098.7	722.1	67.8	45.7	263.1	65.7%	6.2%	4.2%	23.9%
Montana	52.6	28.6	3.4	8.0	12.5	54.4%	6.5%	15.3%	23.8%
Nebraska	150.6	87.4	9.5	17.1	36.7	58.0%	6.3%	11.3%	24.3%
New Hampshire	255.9	159.1	14.8	15.2	66.8	62.2%	5.8%	5.9%	26.1%
New Jersey	2,797.6	1,617.8	153.7	74.2	952.0	57.8%	5.5%	2.7%	34.0%
New Mexico	133.8	72.0	8.7	11.8	41.3	53.8%	6.5%	8.8%	30.8%
New York * ~	7,012.7	4,130.4	419.9	244.3	2,218.1	58.9%	6.0%	3.5%	31.6%
North Carolina	1,601.8	961.6	112.2	68.1	459.9	60.0%	7.0%	4.3%	28.7%
North Dakota	26.6	13.4	1.3	4.2	7.7	50.4%	5.0%	15.6%	29.0%
Ohio * ~	2,770.7	1,680.8	179.4	107.8	802.6	60.7%	6.5%	3.9%	29.0%
Oklahoma	200.0	103.1	13.2	10.9	72.8	51.5%	6.6%	5.5%	36.4%
Oregon * ~	323.3	238.3	27.5	23.4	34.1	73.7%	8.5%	7.2%	10.5%
Pennsylvania	3,480.9	2,120.5	183.9	129.4	1,047.1	60.9%	5.3%	3.7%	30.1%
Rhode Island * ~	249.5	152.6	30.4	9.8	56.7	61.2%	12.2%	3.9%	22.7%
South Carolina	1,139.3	721.4	80.2	37.7	300.0	63.3%	7.0%	3.3%	26.3%
South Dakota *	53.3	29.2	2.9	5.5	15.6	54.9%	5.4%	10.3%	29.4%
Tennessee	1,220.5	757.5	85.5	54.1	323.4	62.1%	7.0%	4.4%	26.5%
Texas	4,192.2	2,632.6	306.9	88.4	1,164.2	62.8%	7.3%	2.1%	27.8%
Vermont	100.9	64.4	5.9	8.3	22.4	63.8%	5.9%	8.2%	22.2%
Virginia	1,616.0	962.3	90.7	78.0	485.1	59.5%	5.6%	4.8%	30.0%
Washington ~	535.2	311.6	33.4	46.2	144.0	58.2%	6.2%	8.6%	26.9%
W. Virginia * ~	201.3	120.6	14.1	13.1	53.5	59.9%	7.0%	6.5%	26.6%
Wisconsin	547.7	320.1	38.2	32.9	156.5	58.5%	7.0%	6.0%	28.6%
Total	\$ 60,492.9	\$ 37,180.3	\$ 3,780.7	\$ 2,431.5	\$ 17,100.5	61.5%	6.2%	4.0%	28.3%

* Data represents only revenue and expenses from traditional lottery games and not video lottery terminal (VLT) operations.

~ Total Revenues include Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31); Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

U.S. Lottery Sales By Game - Fiscal Year 2012

(\$ Millions)	Population (millions)	Number of Retailers	Instant Sales	Online Games			Total Sales	Per Capita Sales	VLT* (net)
				3/4 Digit Sales	Lotto Sales	Other Sales			
Arizona	6.6	2,950	\$ 409.8	\$ 8.5	\$ 213.0	\$ 15.4	\$ 646.7	\$ 98.0	
Arkansas	2.9	1,885	391.3	9.5	63.5	8.8	473.1	163.1	
California ~	38.0	21,040	2,755.4	164.9	1,307.9	143.4	4,371.5	115.0	
Colorado	5.2	3,030	364.2	-	171.8	9.3	545.3	104.9	
Connecticut	3.6	2,750	653.3	220.1	176.1	32.3	1,081.7	300.5	
Delaware *	0.9	556	45.7	43.7	45.2	0.1	134.7	149.7	475.7
D.C. ~	0.6	513	59.9	118.7	45.6	25.4	249.7	416.2	
Florida	19.3	13,299	2,567.0	559.5	1,015.1	308.4	4,449.9	230.6	
Georgia ~	9.9	8,518	2,310.2	664.5	393.7	191.5	3,559.9	359.6	
Idaho	1.6	1,201	99.8	1.8	53.8	20.5	175.8	109.9	
Illinois	12.9	8,090	1,624.6	472.7	573.1	-	2,670.4	207.0	
Indiana	6.5	3,935	557.8	60.0	208.3	29.6	855.6	131.6	
Iowa	3.1	-	188.8	9.5	95.1	17.4	310.8	100.3	
Kansas ~	2.9	1,809	124.0	6.0	75.9	40.2	246.2	84.9	
Kentucky	4.4	2,835	450.3	160.9	141.7	15.1	767.9	174.5	
Louisiana	4.6	2,918	158.0	87.5	170.7	13.4	429.6	93.4	
Maine	1.3	1,267	165.1	9.6	53.6	-	228.4	175.7	
Maryland * ~	5.9	4,260	506.8	520.1	246.3	521.7	1,794.9	304.2	195.1
Massachusetts ~	6.6	8,075	3,251.5	333.9	302.6	841.7	4,729.6	716.6	
Michigan ~	9.9	10,901	771.7	681.1	386.5	574.1	2,413.5	243.8	
Minnesota	5.4	3,126	355.3	12.8	138.9	13.1	520.0	96.3	
Missouri ~	6.0	4,938	742.5	96.5	189.0	69.4	1,097.4	182.9	
Montana	1.0	836	16.5	-	30.7	5.5	52.8	52.8	
Nebraska	1.9	1,188	82.0	3.5	63.2	2.0	150.6	79.3	
New Hampshire	1.3	1,283	176.9	10.3	60.7	8.0	255.9	196.8	
New Jersey	8.9	6,550	1,417.7	693.2	648.5	(0.5)	2,758.9	310.0	
New Mexico	2.1	1,120	68.7	3.6	61.0	0.5	133.8	63.7	
New York * ~	19.6	17,020	3,578.9	1,694.3	1,206.7	532.8	7,012.7	357.8	1,426.8
North Carolina	9.8	6,802	960.0	339.3	297.5	-	1,596.7	162.9	
North Dakota	0.7	400	-	-	20.7	5.4	26.0	37.2	
Ohio * ~	11.5	9,350	1,507.5	565.3	390.7	275.5	2,739.0	238.2	11.1
Oklahoma	3.8	1,970	96.0	6.7	97.2	-	199.9	52.6	
Oregon * ~	3.9	3,918	117.5	1.4	104.1	100.2	323.2	82.9	727.2
Pennsylvania	12.8	9,101	2,134.6	605.5	654.8	86.0	3,480.9	271.9	
Rhode Island * ~	1.1	1,211	84.0	25.4	51.7	88.4	249.5	226.8	527.3
South Carolina	4.7	3,779	758.4	205.6	171.5	-	1,135.5	241.6	
South Dakota *	0.8	615	24.8	-	28.4	-	53.1	66.4	176.6
Tennessee	6.5	-	955.3	85.7	175.9	-	1,216.8	187.2	
Texas	26.1	16,982	3,086.1	353.1	686.7	65.0	4,190.8	160.6	
Vermont	0.6	712	74.5	2.7	21.8	2.0	101.0	168.3	
Virginia	8.2	5,254	842.1	466.0	289.1	18.7	1,616.0	197.1	
Washington ~	6.9	4,082	318.2	29.0	179.5	8.6	535.2	77.6	
W. Virginia * ~	1.9	1,564	117.7	13.7	63.7	6.3	201.3	106.0	1,176.0
Wisconsin	5.7	3,679	320.1	36.3	187.7	3.6	547.7	96.1	
Total	297.9	205,312	\$ 35,290.5	\$ 9,382.3	\$ 11,558.6	\$ 4,098.6	\$ 60,329.9		\$ 4,715.8
% of total sales			58.5%	15.6%	19.2%	6.8%	100.0%		

* VLT = Sales from Video Lottery Terminals

~ Other sales include Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

Texas (August 31); Washington DC and Michigan (September 30).

Iowa and Tennessee lotteries did not report number of retailers.

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

U.S. Lottery - Government Transfers From Net Profits
Fiscal Years 2003 - 2012

LOTTERY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 Ranking (highest to lowest)
Arizona	\$ 92.5	\$ 105.9	\$ 116.4	\$ 141.1	\$ 139.9	\$ 144.5	\$ 129.1	\$ 141.9	\$ 146.3	\$ 164.7	1 New York * ~ 2,878.0
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	83.0	74.4	97.7	2 Florida 1,321.6
California ~	977.0	1,044.1	1,148.8	1,258.5	1,176.9	1,069.3	1,027.7	1,072.5	1,102.9	1,300.2	3 California ~ 1,300.2
Colorado	104.8	104.1	103.7	125.6	119.0	122.3	119.6	112.9	113.4	123.3	4 Texas 1,155.5
Connecticut	256.8	280.8	268.5	284.9	278.3	283.6	282.9	288.1	291.2	311.9	5 Pennsylvania 1,060.9
Delaware *	271.8	283.9	297.9	316.0	327.0	319.8	311.8	331.6	339.9	329.1	6 Massachusetts ~ 983.8
D.C. ~	72.1	73.5	71.5	73.8	65.4	70.3	68.8	66.7	62.2	66.4	7 New Jersey 950.1
Florida	1,035.2	1,051.7	1,103.6	1,224.7	1,263.3	1,283.4	1,287.9	1,246.8	1,191.8	1,321.6	8 Georgia ~ 901.3
Georgia ~	767.2	782.7	802.2	822.4	853.6	867.7	872.1	883.9	846.1	901.3	9 Michigan ~ 786.9
Idaho	18.0	25.0	26.0	33.0	34.0	35.3	35.3	36.6	37.1	41.6	10 Ohio * ~ 771.0
Illinois	539.8	576.1	619.5	645.9	631.2	648.5	634.7	651.7	668.4	705.1	11 Illinois 705.1
Indiana	178.9	195.8	188.9	216.5	217.6	217.1	178.9	189.7	188.2	205.3	12 W. Virginia * ~ 693.8
Iowa	48.0	55.8	51.1	80.9	58.2	56.6	60.6	57.9	68.0	78.7	13 Maryland * ~ 685.2
Kansas ~	62.5	70.2	65.4	67.1	71.0	70.1	68.2	67.9	71.5	71.0	14 Oregon * ~ 525.1
Kentucky	180.7	193.5	158.2	204.3	196.3	192.1	204.4	214.3	212.3	216.4	15 Virginia 464.1
Louisiana	110.8	121.2	110.4	119.4	128.2	131.9	135.9	133.7	136.4	156.9	16 North Carolina 460.5
Maine	40.3	42.5	50.3	51.6	51.4	52.4	50.6	52.9	50.2	54.3	17 Rhode Island * ~ 377.7
Maryland * ~	444.9	458.4	477.1	501.0	494.1	529.4	493.2	510.6	586.6	685.2	18 Delaware * 329.1
Massachusetts ~	889.5	912.0	936.1	951.2	920.0	935.0	859.4	903.5	887.9	983.8	19 Tennessee 323.4
Michigan ~	586.1	644.9	667.6	688.0	748.9	740.7	737.2	713.6	737.7	786.9	20 Connecticut 311.9
Minnesota	79.4	100.7	106.2	119.3	112.4	116.3	118.3	122.2	121.9	123.8	21 South Carolina 300.1
Missouri ~	203.5	229.4	218.6	260.7	257.9	266.7	256.3	259.7	265.2	273.6	22 Missouri ~ 273.6
Montana	7.5	8.1	6.2	9.1	11.4	11.0	10.1	10.5	10.8	13.1	23 Kentucky 216.4
Nebraska	20.2	20.6	26.4	27.6	29.3	31.0	30.3	32.0	32.1	36.1	24 Indiana 205.3
New Hampshire	66.6	73.7	69.4	80.4	79.0	75.6	68.2	66.2	62.2	66.8	25 Arizona 164.7
New Jersey	765.4	795.0	812.1	844.2	828.3	882.1	887.2	924.0	930.0	950.1	26 Louisiana 156.9
New Mexico	33.1	35.9	32.2	36.9	34.9	40.8	40.8	43.6	41.3	41.3	27 Wisconsin 150.0
New York * ~	1,780.4	1,907.4	2,062.7	2,202.6	2,358.4	2,556.1	2,544.0	2,666.4	3,049.2	2,878.0	28 Washington ~ 138.0
North Carolina	n/a	n/a	n/a	64.6	315.4	349.3	414.9	433.2	437.3	460.5	29 Minnesota 123.8
North Dakota	n/a	1.6	6.1	6.5	6.5	5.9	6.4	5.7	5.9	7.6	30 Colorado 123.3
Ohio * ~	641.4	655.6	645.1	646.3	669.3	672.2	702.3	728.6	738.8	771.0	31 South Dakota * 103.7
Oklahoma	n/a	n/a	n/a	69.0	69.4	71.6	69.7	70.5	69.9	70.5	32 Arkansas 97.7
Oregon * ~	359.4	380.6	401.6	570.7	644.0	648.4	594.3	541.1	548.4	525.1	33 Iowa 78.7
Pennsylvania	796.5	817.3	851.8	992.4	949.1	928.1	910.5	915.7	960.6	1,060.9	34 Kansas ~ 71.0
Rhode Island * ~	249.0	281.1	307.6	323.9	321.0	355.6	344.3	344.7	354.9	377.7	35 Oklahoma 70.5
South Carolina	220.1	286.8	279.7	320.6	279.2	265.3	261.5	272.5	271.4	300.1	36 New Hampshire 66.8
South Dakota *	112.1	115.8	119.3	119.0	121.1	123.3	119.9	119.8	108.0	103.7	37 D.C. ~ 66.4
Tennessee	n/a	123.3	234.3	284.7	294.7	286.1	280.2	288.9	293.5	323.4	38 Maine 54.3
Texas	949.1	1,051.0	1,070.3	1,090.3	1,093.0	1,034.9	1,062.2	1,063.1	1,023.8	1,155.5	39 Idaho 41.6
Vermont	16.2	19.6	20.5	23.0	23.6	22.7	21.1	21.6	21.4	22.3	40 New Mexico 41.3
Virginia	375.2	407.7	423.5	454.0	437.2	455.3	430.2	430.2	435.2	464.1	41 Nebraska 36.1
Washington ~	98.5	117.6	115.6	125.1	117.9	130.3	120.4	142.5	150.1	138.0	42 Vermont 22.3
W. Virginia * ~	411.0	512.0	563.3	610.0	639.2	631.2	616.6	580.9	594.6	693.8	43 Montana 13.1
Wisconsin	129.6	131.7	143.4	133.3	160.6	147.3	133.3	128.1	144.9	150.0	44 North Dakota 7.6
Total	\$13,990.8	\$15,094.4	\$15,779.2	\$17,219.8	\$17,627.0	\$17,877.2	\$17,601.0	\$17,971.5	\$18,483.8	\$19,608.4	

Government transfers are profits from traditional lottery sales and VLT operations.

* Includes profits from Video Lottery Terminals

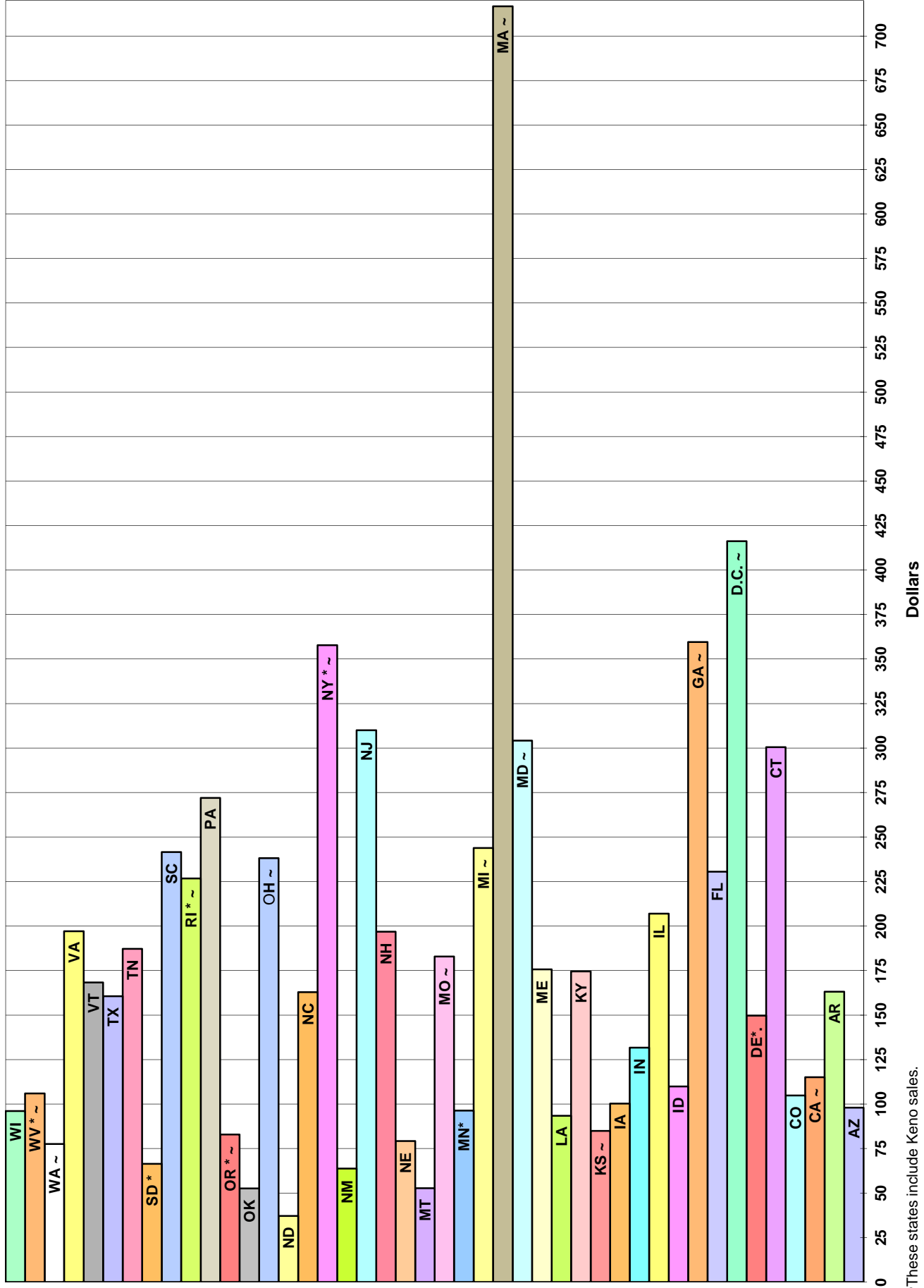
~ Includes profits from Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

US Lottery Sales Per Capita Fiscal Year 2012



~These states include Keno sales.

* Data represents only sales from traditional lottery games and not VLT sales.

Source: 2013 LaFleur's World Lottery Almanac and NH Lottery Results.

**U.S. Lottery Per Capita Sales
Fiscal Years 2003 - 2012**

Lottery	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 Ranking (highest to lowest)
Arizona	\$ 58	\$ 64	\$ 67	\$ 76	\$ 73	\$ 73	\$ 82	\$ 82	\$ 90	\$ 98	1 Massachusetts ~ 717
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	132	160	163	2 D.C. ~ 416
California ~	78	81	92	98	91	83	82	82	91	115	3 Georgia ~ 360
Colorado	86	87	89	99	93	102	98	98	102	105	4 New York * ~ 358
Connecticut	248	259	267	277	273	285	285	285	282	300	5 New Jersey 310
Delaware *	125	136	143	146	131	144	152	152	152	150	6 Maryland * ~ 304
D.C. ~	422	402	392	458	428	427	384	384	386	416	7 Connecticut 300
Florida	169	176	195	217	225	228	209	209	210	231	8 Pennsylvania 272
Georgia ~	282	308	300	316	335	338	342	342	340	360	9 Michigan ~ 244
Idaho	72	78	81	90	87	90	92	92	92	110	10 South Carolina 242
Illinois	124	133	142	153	155	159	170	170	176	207	11 Ohio * ~ 238
Indiana	107	119	117	129	125	129	116	116	122	132	12 Florida 231
Iowa	64	70	70	114	78	83	85	85	88	100	13 Rhode Island * ~ 227
Kansas ~	75	83	77	85	86	88	84	84	80	85	14 Illinois 207
Kentucky	164	177	168	176	177	182	180	180	163	175	15 Virginia 197
Louisiana	69	76	68	77	82	85	83	83	83	93	16 New Hampshire 197
Maine	126	143	161	174	177	174	167	167	166	176	17 Tennessee 187
Maryland * ~	240	249	265	278	282	297	299	299	296	304	18 Missouri ~ 183
Massachusetts ~	651	683	698	699	693	722	668	668	669	717	19 Maine 176
Michigan ~	167	195	205	219	232	233	238	238	236	244	20 Kentucky 175
Minnesota	70	76	80	87	81	88	94	94	95	96	21 Vermont 168
Missouri ~	124	136	135	156	158	168	162	162	167	183	22 Arkansas 163
Montana	38	41	38	42	42	45	47	47	46	53	23 North Carolina 163
Nebraska	47	54	56	64	64	68	73	73	73	79	24 Texas 161
New Hampshire	172	182	175	200	203	201	184	180	176	197	25 Delaware * 150
New Jersey	240	252	261	276	270	292	299	299	300	310	26 Indiana 132
New Mexico	73	78	73	79	74	74	72	72	65	64	27 California ~ 115
New York * ~	281	302	313	336	345	342	346	346	347	358	28 Idaho 110
North Carolina	n/a	n/a	n/a	26	95	114	150	150	151	163	29 W. Virginia * ~ 106
North Dakota	n/a	10	32	35	38	34	35	35	33	37	30 Colorado 105
Ohio * ~	182	187	188	193	196	202	217	217	226	238	31 Iowa 100
Oklahoma	n/a	n/a	n/a	57	60	59	54	54	52	53	32 Arizona 98
Oregon * ~	100	101	100	98	96	89	82	82	81	83	33 Minnesota 96
Pennsylvania	172	190	213	247	248	248	243	243	253	272	34 Wisconsin 96
Rhode Island * ~	222	227	220	244	223	230	213	213	210	227	35 Louisiana 93
South Carolina	175	82	223	265	225	222	219	219	223	242	36 Kansas ~ 85
South Dakota *	37	43	41	50	50	53	57	57	59	66	37 Oregon * ~ 83
Tennessee	n/a	72	131	154	171	159	168	168	172	187	38 Nebraska 79
Texas	142	155	160	161	158	151	148	148	148	161	39 Washington ~ 78
Vermont	128	154	154	168	174	164	163	163	159	168	40 South Dakota * 66
Virginia	154	168	176	179	177	178	179	179	183	197	41 New Mexico 64
Washington ~	75	78	73	75	76	80	73	73	75	78	42 Montana 53
W. Virginia * ~	106	115	108	120	107	109	101	101	102	106	43 Oklahoma 53
Wisconsin	80	88	82	92	88	88	84	84	88	96	44 North Dakota 37

* Data represents only revenue from traditional lottery games and not video lottery terminal (VLT) operations.

~ Amount includes Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

**U.S. Lottery Industry Ticket Sales
Fiscal Years 2003 - 2012**

(\$ Millions)

LOTTERY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 Ranking (highest to lowest)	
Arizona	\$ 322	\$ 367	\$ 398	\$ 469	\$ 462	\$473	\$ 484	\$551	\$ 584	\$ 647	1	New York * ~ 7,013
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	384	464	474	2	Massachusetts ~ 4,741
California ~	2,782	2,924	3,334	3,585	3,318	3,050	2,955	3,041	3,439	4,371	3	Florida 4,456
Colorado	391	401	417	469	456	506	493	501	519	545	4	California ~ 4,371
Connecticut	865	908	933	970	957	998	991	997	1,017	1,082	5	Texas 4,192
Delaware *	102	109	114	125	118	125	123	137	137	135	6	Georgia ~ 3,564
D.C. ~	238	241	235	266	257	253	245	230	232	250	7	Pennsylvania 3,481
Florida	2,868	3,071	3,471	3,929	4,122	4,175	3,938	3,901	4,009	4,456	8	New Jersey 2,798
Georgia ~	2,452	2,710	2,734	2,955	3,178	3,242	3,396	3,387	3,336	3,564	9	Ohio * ~ 2,771
Idaho	98	109	114	131	131	137	140	147	147	177	10	Illinois 2,670
Illinois	1,565	1,688	1,814	1,964	1,999	2,057	2,077	2,191	2,265	2,670	11	Michigan ~ 2,430
Indiana	664	735	740	816	789	823	733	740	791	856	12	Maryland * ~ 1,827
Iowa	188	209	211	340	235	249	243	256	271	311	13	Virginia 1,616
Kansas ~	203	224	207	236	240	237	231	235	232	246	14	North Carolina 1,602
Kentucky	673	725	707	742	744	778	765	772	719	768	15	Tennessee 1,221
Louisiana	311	340	307	332	354	374	379	372	384	430	16	South Carolina 1,139
Maine	165	186	209	230	230	229	211	217	216	231	17	Missouri ~ 1,099
Maryland * ~	1,322	1,395	1,486	1,561	1,577	1,673	1,698	1,706	1,714	1,827	18	Connecticut 1,082
Massachusetts ~	4,191	4,368	4,466	4,501	4,437	4,690	4,425	4,412	4,416	4,741	19	Indiana 856
Michigan ~	1,682	1,974	2,069	2,212	2,343	2,330	2,377	2,359	2,340	2,430	20	Kentucky 768
Minnesota	352	387	408	450	421	462	481	499	504	520	21	Arizona 647
Missouri ~	708	791	786	914	934	996	968	972	1,001	1,099	22	Wisconsin 548
Montana	35	37	34	40	42	44	44	47	46	53	23	Colorado 545
Nebraska	81	93	101	113	114	122	123	131	132	151	24	Washington ~ 535
New Hampshire	221	237	228	263	264	261	240	234	229	256	25	Minnesota 520
New Jersey	2,076	2,188	2,274	2,407	2,351	2,539	2,503	2,605	2,636	2,798	26	Arkansas 474
New Mexico	137	149	139	155	148	147	144	144	136	134	27	Louisiana 430
New York * ~	5,396	5,826	6,039	6,487	6,652	6,673	6,695	6,781	6,759	7,013	28	Oregon * ~ 323
North Carolina	n/a	n/a	n/a	230	862	1,049	1,283	1,421	1,461	1,602	29	Iowa 311
North Dakota	n/a	6	19	22	23	22	22	24	23	27	30	New Hampshire 256
Ohio * ~	2,078	2,155	2,159	2,221	2,259	2,325	2,418	2,490	2,601	2,771	31	D.C. ~ 250
Oklahoma	n/a	n/a	n/a	205	215	214	193	200	198	200	32	Rhode Island * ~ 249
Oregon * ~	355	362	360	363	355	339	314	321	317	323	33	Kansas ~ 246
Pennsylvania	2,133	2,352	2,645	3,070	3,076	3,089	3,088	3,066	3,208	3,481	34	Maine 231
Rhode Island * ~	239	249	242	261	245	241	238	235	231	249	35	W. Virginia * ~ 201
South Carolina	724	950	957	1,145	988	993	1,005	1,007	1,047	1,139	36	Oklahoma 200
South Dakota *	29	34	33	39	40	42	41	46	47	53	37	Idaho 177
Tennessee	n/a	428	784	928	1,058	990	1,015	1,060	1,103	1,221	38	Nebraska 151
Texas	3,131	3,486	3,662	3,775	3,774	3,672	3,720	3,738	3,811	4,192	39	Delaware * 135
Vermont	79	92	93	105	105	102	96	98	96	101	40	New Mexico 134
Virginia	1,136	1,262	1,334	1,365	1,362	1,386	1,366	1,435	1,483	1,616	41	Vermont 101
Washington ~	460	481	458	478	493	521	488	491	510	535	42	South Dakota * 53
W. Virginia * ~	192	207	194	218	193	198	198	181	194	201	43	Montana 53
Wisconsin	435	483	452	509	493	495	473	481	503	548	44	North Dakota 27

* Data represents only revenue from traditional lottery games and not video lottery terminal (VLT) operations.

~ Amount includes Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

U.S. Lottery Net Operating Income as a Percent of Ticket Sales
Fiscal Years 2003 - 2012

LOTTERY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 Ranking (highest to lowest)		
Arizona	28.8%	29.0%	29.2%	29.9%	30.1%	30.3%	26.1%	25.6%	24.8%	25.5%	1	Oklahoma	36.4%
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21.1%	19.9%	20.0%	2	Louisiana	35.9%
California ~	38.2%	30.2%	34.1%	34.6%	34.7%	34.4%	33.9%	33.7%	32.0%	29.7%	3	New Jersey	34.0%
Colorado	26.7%	25.6%	24.8%	26.0%	25.5%	23.6%	24.4%	22.6%	21.7%	22.3%	4	Michigan ~	32.5%
Connecticut	29.6%	30.9%	28.7%	29.2%	29.1%	28.4%	28.5%	28.9%	28.6%	28.8%	5	Illinois	32.0%
Delaware *	30.5%	33.6%	29.7%	25.0%	31.3%	30.3%	28.7%	29.3%	24.3%	16.7%	6	New York * ~	31.6%
D.C. ~	30.3%	30.4%	30.2%	27.2%	25.1%	27.6%	28.0%	29.0%	26.8%	26.6%	7	New Mexico	30.8%
Florida	38.4%	30.7%	31.8%	30.9%	30.4%	31.3%	31.6%	31.0%	29.7%	29.3%	8	Pennsylvania	30.1%
Georgia ~	31.0%	30.2%	29.1%	27.4%	26.6%	25.4%	25.5%	25.9%	25.2%	25.3%	9	Virginia	30.0%
Idaho	22.3%	22.3%	21.2%	25.7%	23.9%	25.3%	24.3%	25.1%	23.9%	24.1%	10	Kansas ~	29.9%
Illinois	33.7%	33.2%	32.0%	30.8%	30.6%	30.1%	30.5%	29.5%	29.3%	32.0%	11	California ~	29.7%
Indiana	26.4%	27.1%	25.1%	26.8%	26.8%	25.5%	24.3%	24.8%	24.2%	24.6%	12	South Dakota *	29.4%
Iowa	25.0%	26.3%	24.3%	23.6%	24.7%	22.9%	24.2%	22.4%	25.0%	25.6%	13	Florida	29.3%
Kansas ~	31.3%	31.4%	29.6%	29.0%	28.8%	27.6%	28.4%	28.5%	27.5%	29.9%	14	North Dakota	29.0%
Kentucky	28.7%	24.8%	22.2%	27.3%	26.0%	24.2%	26.4%	29.6%	29.4%	28.1%	15	Ohio * ~	29.0%
Louisiana	35.4%	35.7%	35.0%	35.3%	35.5%	34.5%	35.1%	35.2%	35.1%	35.9%	16	Connecticut	28.8%
Maine	24.1%	22.6%	22.9%	21.9%	21.4%	22.1%	22.7%	23.1%	22.9%	23.5%	17	North Carolina	28.7%
Maryland * ~	33.2%	32.8%	32.3%	32.0%	30.6%	32.2%	28.9%	29.4%	26.9%	27.2%	18	Wisconsin	28.6%
Massachusetts ~	21.2%	20.8%	20.6%	20.6%	19.6%	19.0%	19.0%	20.2%	19.8%	20.7%	19	Kentucky	28.1%
Michigan ~	33.5%	32.0%	31.6%	30.4%	31.3%	31.1%	28.8%	28.4%	30.9%	32.5%	20	Texas	27.8%
Minnesota	22.5%	26.0%	25.8%	26.2%	25.8%	24.9%	24.4%	24.4%	24.1%	23.7%	21	Maryland * ~	27.2%
Missouri ~	28.6%	27.9%	26.7%	26.4%	25.7%	25.2%	25.0%	25.4%	25.4%	23.9%	22	Washington ~	26.9%
Montana	21.5%	22.1%	18.2%	22.3%	26.8%	24.9%	23.2%	22.6%	23.3%	23.8%	23	D.C. ~	26.6%
Nebraska	24.5%	21.3%	23.4%	26.2%	25.0%	24.9%	23.2%	24.3%	23.0%	24.3%	24	W. Virginia * ~	26.6%
New Hampshire	29.8%	30.9%	29.8%	30.2%	29.3%	28.7%	28.3%	28.3%	27.0%	26.1%	25	Tennessee	26.5%
New Jersey	35.6%	35.8%	33.9%	33.4%	33.1%	33.4%	33.4%	33.9%	33.8%	34.0%	26	South Carolina	26.3%
New Mexico	24.8%	25.2%	26.4%	26.4%	23.1%	27.3%	28.1%	30.4%	30.4%	30.8%	27	New Hampshire	26.1%
New York * ~	34.6%	33.2%	30.3%	28.5%	30.4%	31.0%	30.4%	32.0%	31.7%	31.6%	28	Iowa	25.6%
North Carolina	n/a	n/a	n/a	33.5%	35.5%	32.3%	31.7%	30.1%	29.6%	28.7%	29	Arizona	25.5%
North Dakota	32.9%	27.6%	32.9%	30.0%	29.1%	26.7%	25.8%	25.4%	25.8%	29.0%	30	Georgia ~	25.3%
Ohio * ~	17.1%	27.7%	30.0%	29.7%	29.7%	29.0%	28.3%	28.7%	28.0%	29.0%	31	Indiana	24.6%
Oklahoma	n/a	n/a	n/a	33.7%	32.6%	33.6%	36.3%	33.8%	33.2%	36.4%	32	Nebraska	24.3%
Oregon * ~	37.2%	19.4%	15.7%	18.0%	17.2%	18.2%	17.0%	19.3%	17.9%	10.5%	33	Idaho	24.1%
Pennsylvania	28.0%	34.5%	31.5%	31.4%	29.8%	29.6%	30.4%	29.8%	29.8%	30.1%	34	Missouri ~	23.9%
Rhode Island * ~	30.2%	25.6%	25.0%	25.1%	25.1%	23.9%	24.4%	23.2%	23.1%	22.7%	35	Montana	23.8%
South Carolina	23.1%	30.5%	28.6%	27.5%	27.6%	26.1%	25.6%	26.7%	25.6%	26.3%	36	Minnesota	23.7%
South Dakota *	30.9%	23.6%	20.4%	22.1%	25.1%	24.8%	24.0%	27.0%	26.1%	29.4%	37	Maine	23.5%
Tennessee	20.3%	30.5%	30.0%	29.4%	33.2%	28.3%	27.1%	26.9%	26.3%	26.5%	38	Rhode Island * ~	22.7%
Texas	32.8%	21.6%	29.2%	28.8%	28.7%	28.3%	28.0%	28.3%	27.0%	27.8%	39	Colorado	22.3%
Vermont	26.4%	32.2%	22.5%	21.5%	22.3%	21.9%	22.0%	22.2%	22.4%	22.2%	40	Vermont	22.2%
Virginia	22.4%	16.7%	31.3%	32.7%	31.3%	31.9%	31.8%	29.8%	29.9%	30.0%	41	Massachusetts ~	20.7%
Washington ~	29.8%	20.7%	25.0%	25.3%	23.2%	25.0%	22.6%	25.5%	27.0%	26.9%	42	Arkansas	20.0%
W. Virginia * ~	29.2%	27.6%	22.2%	29.5%	30.1%	27.9%	27.9%	27.3%	22.8%	26.6%	43	Delaware *	16.7%
Wisconsin	35.7%	29.8%	28.7%	29.5%	27.9%	28.5%	27.2%	29.9%	28.8%	28.6%	44	Oregon * ~	10.5%

* Data represents only revenue and expenses from traditional lottery games and not video lottery terminal (VLT) operations.

~ Percentage includes Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31); Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

U.S. Lottery Prize Percentage Payout Based on Ticket Sales
Fiscal Years 2003 - 2012

LOTTERY	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012 Ranking (highest to lowest)		
Arizona	54.9%	55.1%	50.4%	55.3%	55.7%	55.5%	58.3%	60.4%	61.8%	61.3%	1	Oregon * ~	73.7%
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	64.6%	66.3%	66.6%	2	Massachusetts ~	71.6%
California ~	49.4%	56.4%	53.9%	53.9%	53.2%	53.1%	52.7%	53.0%	55.4%	58.6%	3	Arkansas	66.6%
Colorado	57.6%	58.9%	59.8%	60.1%	60.7%	62.3%	61.1%	61.9%	63.0%	62.8%	4	Missouri ~	65.7%
Connecticut	60.4%	59.3%	61.4%	60.5%	60.6%	60.9%	61.0%	61.1%	61.0%	61.0%	5	Georgia ~	64.2%
Delaware *	51.5%	49.0%	52.5%	52.1%	51.9%	52.6%	54.2%	53.0%	55.4%	63.6%	6	Vermont	63.8%
D.C. ~	51.8%	50.7%	51.3%	55.1%	56.6%	53.5%	52.2%	51.7%	54.3%	55.0%	7	Delaware *	63.6%
Florida	51.8%	58.7%	58.9%	59.6%	60.3%	59.3%	59.4%	60.1%	58.5%	62.1%	8	South Carolina	63.3%
Georgia ~	56.1%	58.3%	59.7%	61.4%	62.2%	63.2%	63.3%	62.9%	63.6%	64.2%	9	Colorado	62.8%
Idaho	57.6%	59.1%	61.3%	58.4%	60.4%	59.6%	60.9%	60.0%	61.3%	61.7%	10	Texas	62.8%
Illinois	55.7%	56.8%	57.5%	59.0%	58.9%	59.6%	59.0%	59.9%	60.4%	62.7%	11	Illinois	62.7%
Indiana	59.5%	59.3%	61.6%	60.4%	60.6%	61.2%	61.9%	61.6%	62.5%	62.3%	12	Indiana	62.3%
Iowa	54.9%	54.4%	53.9%	36.0%	56.7%	58.1%	56.9%	58.7%	58.6%	58.6%	13	New Hampshire	62.2%
Kansas ~	52.8%	53.6%	54.4%	55.5%	55.9%	56.2%	56.8%	56.3%	56.9%	56.4%	14	Florida	62.1%
Kentucky	58.1%	62.1%	64.7%	59.9%	61.3%	63.4%	61.5%	58.3%	58.7%	59.8%	15	Tennessee	62.1%
Louisiana	49.7%	49.9%	49.9%	50.7%	50.7%	51.6%	51.1%	50.9%	52.9%	52.6%	16	Maine	61.8%
Maine	58.8%	61.0%	60.7%	61.9%	62.5%	62.3%	61.7%	61.5%	62.0%	61.8%	17	Idaho	61.7%
Maryland * ~	56.2%	57.0%	57.6%	57.9%	58.8%	57.2%	60.4%	60.6%	60.0%	58.3%	18	Minnesota	61.6%
Massachusetts ~	71.6%	71.9%	71.9%	71.9%	72.7%	72.9%	72.7%	72.0%	72.4%	71.6%	19	Arizona	61.3%
Michigan ~	53.5%	55.8%	56.2%	57.3%	56.7%	56.8%	59.2%	58.6%	57.5%	56.4%	20	Rhode Island * ~	61.2%
Minnesota	58.0%	58.2%	59.1%	59.6%	59.5%	60.6%	61.3%	61.2%	61.6%	61.6%	21	Connecticut	61.0%
Missouri ~	59.4%	60.8%	62.1%	62.7%	63.7%	64.4%	65.0%	64.6%	63.9%	65.7%	22	Pennsylvania	60.9%
Montana	50.6%	50.8%	52.6%	51.9%	51.5%	52.1%	52.7%	55.3%	53.8%	54.4%	23	Ohio * ~	60.7%
Nebraska	52.8%	56.5%	58.0%	56.3%	57.1%	56.8%	58.3%	57.4%	58.3%	58.0%	24	North Carolina	60.0%
New Hampshire	58.1%	57.2%	58.2%	59.1%	59.2%	59.2%	59.2%	59.3%	60.8%	62.2%	25	W. Virginia * ~	59.9%
New Jersey	55.4%	55.5%	57.0%	57.4%	57.8%	57.9%	58.1%	58.0%	58.6%	57.8%	26	Kentucky	59.8%
New Mexico	55.4%	55.3%	54.7%	54.7%	57.5%	54.4%	55.7%	54.7%	54.3%	53.8%	27	Virginia	59.5%
New York * ~	55.5%	56.7%	58.3%	59.4%	59.7%	59.2%	59.8%	58.3%	58.7%	58.9%	28	New York * ~	58.9%
North Carolina	n/a	n/a	n/a	51.8%	52.4%	56.1%	57.0%	58.8%	59.1%	60.0%	29	Iowa	58.6%
North Dakota	n/a	46.2%	47.5%	49.4%	49.8%	51.6%	52.1%	51.6%	51.9%	50.4%	30	California ~	58.6%
Ohio * ~	56.1%	61.2%	59.3%	59.0%	59.2%	60.1%	60.3%	60.8%	61.6%	60.7%	31	Wisconsin	58.5%
Oklahoma	n/a	n/a	n/a	53.5%	53.9%	52.7%	49.7%	52.6%	53.8%	51.5%	32	Maryland * ~	58.3%
Oregon * ~	66.1%	64.2%	68.1%	66.0%	65.9%	65.0%	65.4%	64.2%	65.7%	73.7%	33	Washington ~	58.2%
Pennsylvania	52.4%	55.1%	57.8%	58.8%	59.6%	59.7%	60.0%	60.9%	61.1%	60.9%	34	Nebraska	58.0%
Rhode Island * ~	58.3%	59.2%	59.4%	59.3%	58.8%	59.9%	59.5%	60.4%	60.8%	61.2%	35	New Jersey	57.8%
South Carolina	57.2%	58.0%	59.9%	61.4%	60.7%	62.5%	63.0%	62.4%	63.8%	63.3%	36	Kansas ~	56.4%
South Dakota *	54.7%	55.4%	56.5%	56.7%	56.1%	56.4%	56.8%	56.0%	57.6%	54.9%	37	Michigan ~	56.4%
Tennessee	n/a	n/a	56.7%	57.9%	55.3%	59.4%	61.0%	61.4%	62.0%	62.1%	38	D.C. ~	55.0%
Texas	58.9%	59.3%	60.8%	61.2%	61.3%	62.1%	61.8%	61.5%	62.6%	62.8%	39	South Dakota *	54.9%
Vermont	64.3%	62.4%	62.5%	63.4%	63.4%	63.5%	63.3%	62.7%	63.4%	63.8%	40	Montana	54.4%
Virginia	55.7%	56.8%	58.1%	56.7%	58.1%	57.1%	57.2%	59.4%	59.4%	59.5%	41	New Mexico	53.8%
Washington ~	60.4%	68.0%	61.3%	61.1%	61.9%	60.4%	61.8%	59.4%	57.8%	58.2%	42	Louisiana	52.6%
W. Virginia * ~	60.0%	61.5%	60.3%	60.5%	60.1%	61.2%	60.3%	59.6%	62.4%	59.9%	43	Oklahoma	51.5%
Wisconsin	55.7%	58.2%	58.0%	57.8%	59.3%	58.0%	59.1%	56.7%	57.8%	58.5%	44	North Dakota	50.4%

* Data represents only revenue from traditional lottery games and not video lottery terminal (VLT) operations.

~ Percentage includes Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

U.S. Lottery Online Sales By Game - Fiscal Year 2012

note: this table does not include instant sales

(\$ Millions)	Population (millions)	Number of Retailers	Online Games Sales				Per Capita Sales for Online Games Only	2012 Per Capita Ranking (highest to lowest)		
			3/4 Digit	Lotto	Other	Total				
Arizona	6.6	2,950	\$ 8.5	\$ 213.0	\$ 15.4	\$ 236.9	\$ 35.9	1	D.C. ~	316.3
Arkansas	2.9	1,885	9.5	63.5	8.8	81.8	28.2	2	Massachusetts ~	224.0
California ~	38.0	21,040	164.9	1,307.9	143.4	1,616.1	42.5	3	Maryland * ~	218.3
Colorado	5.2	3,030	-	171.8	9.3	181.1	34.8	4	New York * ~	175.2
Connecticut	3.6	2,750	220.1	176.1	32.3	428.4	119.0	5	Michigan ~	165.8
Delaware *	0.9	556	43.7	45.2	0.1	89.0	98.9	6	New Jersey	150.7
D.C. ~	0.6	513	118.7	45.6	25.4	189.8	316.3	7	Rhode Island * ~	150.5
Florida	19.3	13,299	559.5	1,015.1	308.4	1,883.0	97.6	8	Georgia ~	126.2
Georgia ~	9.9	8,518	664.5	393.7	191.5	1,249.7	126.2	9	Connecticut	119.0
Idaho	1.6	1,201	1.8	53.8	20.5	76.0	47.5	10	Ohio * ~	107.1
Illinois	12.9	8,090	472.7	573.1	-	1,045.8	81.1	11	Pennsylvania	105.2
Indiana	6.5	3,935	60.0	208.3	29.6	297.8	45.8	12	Delaware *	98.9
Iowa	3.1	0	9.5	95.1	17.4	122.0	39.4	13	Florida	97.6
Kansas ~	2.9	1,809	6.0	75.9	40.2	122.2	42.1	14	Virginia	94.4
Kentucky	4.4	2,835	160.9	141.7	15.1	317.6	72.2	15	Illinois	81.1
Louisiana	4.6	2,918	87.5	170.7	13.4	271.6	59.0	16	South Carolina	80.2
Maine	1.3	1,267	9.6	53.6	-	63.2	48.6	17	Kentucky	72.2
Maryland * ~	5.9	4,260	520.1	246.3	521.7	1,288.1	218.3	18	North Carolina	65.0
Massachusetts ~	6.6	8,075	333.9	302.6	841.7	1,478.1	224.0	19	New Hampshire	60.7
Michigan ~	9.9	10,901	681.1	386.5	574.1	1,641.8	165.8	20	Missouri ~	59.1
Minnesota	5.4	3,126	12.8	138.9	13.1	164.8	30.5	21	Louisiana	59.0
Missouri ~	6.0	4,938	96.5	189.0	69.4	354.9	59.1	22	Oregon * ~	52.7
Montana	1.0	836	-	30.7	5.5	36.2	36.2	23	Maine	48.6
Nebraska	1.9	1,188	3.5	63.2	2.0	68.7	36.1	24	Idaho	47.5
New Hampshire	1.3	1,283	10.3	60.7	8.0	79.0	60.7	25	Indiana	45.8
New Jersey	8.9	6,550	693.2	648.5	(0.5)	1,341.2	150.7	26	Vermont	44.1
New Mexico	2.1	1,120	3.6	61.0	0.5	65.1	31.0	27	W. Virginia * ~	44.0
New York * ~	19.6	17,020	1,694.3	1,206.7	532.8	3,433.8	175.2	28	California ~	42.5
North Carolina	9.8	6,802	339.3	297.5	-	636.7	65.0	29	Texas	42.3
North Dakota	0.7	400	-	20.7	5.4	26.0	37.2	30	Kansas ~	42.1
Ohio * ~	11.5	9,350	565.3	390.7	275.5	1,231.5	107.1	31	Tennessee	40.2
Oklahoma	3.8	1,970	6.7	97.2	-	103.9	27.3	32	Wisconsin	39.9
Oregon * ~	3.9	3,918	1.4	104.1	100.2	205.7	52.7	33	Iowa	39.4
Pennsylvania	12.8	9,101	605.5	654.8	86.0	1,346.3	105.2	34	North Dakota	37.2
Rhode Island * ~	1.1	1,211	25.4	51.7	88.4	165.5	150.5	35	Montana	36.2
South Carolina	4.7	3,779	205.6	171.5	-	377.1	80.2	36	Nebraska	36.1
South Dakota *	0.8	615	-	28.4	-	28.4	35.5	37	Arizona	35.9
Tennessee	6.5	0	85.7	175.9	-	261.6	40.2	38	South Dakota *	35.5
Texas	26.1	16,982	353.1	686.7	65.0	1,104.7	42.3	39	Colorado	34.8
Vermont	0.6	712	2.7	21.8	2.0	26.4	44.1	40	Washington ~	31.5
Virginia	8.2	5,254	466.0	289.1	18.7	773.9	94.4	41	New Mexico	31.0
Washington ~	6.9	4,082	29.0	179.5	8.6	217.1	31.5	42	Minnesota	30.5
W. Virginia * ~	1.9	1,564	13.7	63.7	6.3	83.6	44.0	43	Arkansas	28.2
Wisconsin	5.7	3,679	36.3	187.7	3.6	227.6	39.9	44	Oklahoma	27.3
Total	297.9	205,312	\$9,382.3	\$11,558.6	\$4,098.6	\$25,039.4				

~ Other sales include Keno sales.

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results

**U.S. Lottery - Instant Scratch Ticket Sales
By Selling Price of Ticket (Price Point), For Fiscal Year 2012**

(\$ Millions)	Fiscal Year 2012								Fiscal Year 2011	2012 Instant Scratch Ticket Per Capita Ranking (highest to lowest)			
	Price Point (selling price of ticket)												
LOTTERY	\$ 1	\$ 2	\$ 3	\$ 5/\$ 7	\$ 10/\$ 15	\$ 20+	Total	Per Capita	Total				
Arizona	\$ 20.3	\$ 94.1	\$ 12.3	\$ 129.1	\$ 113.3	\$ 40.7	\$ 409.8	\$ 62.1	\$ 373.5	1	Massachusetts	492.7	
Arkansas	38.5	54.4	33.3	87.2	108.8	69.1	391.3	134.9	387.5	2	Georgia	261.1	
California	270.4	387.5	780.4	771.4	545.7	-	2,755.4	72.5	2,002.1	3	New York	182.6	
Colorado	36.8	32.8	48.9	100.1	65.0	80.7	364.3	70.1	344.9	4	Connecticut	181.4	
Connecticut	32.2	55.5	84.1	152.2	219.8	109.4	653.2	181.4	610.6	5	Pennsylvania	166.8	
Delaware	Price Point Sales not Available							-	45.4	40.9	6	Tennessee	161.5
D.C.	Price Point Sales not Available							-	93.5	56.1	7	South Carolina	161.4
Florida	172.8	389.3	178.6	539.4	345.7	941.2	2,567.0	133.0	2,225.7	8	New Jersey	159.3	
Georgia	210.4	444.3	197.3	563.5	670.8	498.7	2,585.0	261.1	2,423.8	9	New Hampshire	136.1	
Idaho	8.4	8.3	21.9	31.8	14.4	15.1	99.9	62.4	90.6	10	Arkansas	134.9	
Illinois	180.0	197.5	134.6	494.3	309.6	308.7	1,624.7	125.9	1,279.6	11	Florida	133.0	
Indiana	49.7	109.5	28.9	191.1	82.3	85.2	546.7	84.1	508.4	12	Ohio	131.1	
Iowa	17.7	34.2	43.8	49.0	36.3	7.8	188.8	60.9	165.3	13	Maine	127.1	
Kansas	26.4	48.9		22.4	9.4	16.8	123.9	42.7	118.6	14	Illinois	125.9	
Kentucky	41.6	94.2	32.0	159.5	94.6	84.0	505.9	115.0	477.6	15	Vermont	124.3	
Louisiana	42.9	41.9	15.4	34.6	23.3	-	158.1	34.4	148.1	16	Missouri	124.0	
Maine	17.4	30.4	27.0	36.5	25.3	28.6	165.2	127.1	156.9	17	Texas	118.2	
Maryland	31.9	46.4	44.9	209.6	109.1	64.9	506.8	85.9	493.5	18	Kentucky	115.0	
Massachusetts	132.3	691.5	-	1,014.5	769.4	643.8	3,251.5	492.7	2,998.4	19	Virginia	102.7	
Michigan	76.9	288.8	33.0	196.4	99.3	77.3	771.7	77.9	739.2	20	North Carolina	98.0	
Minnesota	26.1	36.0	78.4	97.7	43.6	73.4	355.2	65.8	354.8	21	D.C.	93.5	
Missouri	85.2	151.4	86.2	206.8	105.5	109.1	744.2	124.0	666.3	22	Maryland	85.9	
Montana	3.0	5.6	2.3	2.5	1.5	1.7	16.6	16.6	15.1	23	Indiana	84.1	
Nebraska	12.8	8.1	20.0	16.8	16.9	7.3	81.9	43.1	71.6	24	Michigan	77.9	
New Hampshire	13.4	27.6	24.1	48.3	47.6	15.9	176.9	136.1	161.4	25	Rhode Island	76.4	
New Jersey	38.7	433.7	322.5	392.5	226.2	4.0	1,417.6	159.3	1,364.4	26	California	72.5	
New Mexico	13.4	10.0	15.1	19.9	1.5	8.9	68.8	32.8	75.8	27	Colorado	70.1	
New York	438.8	940.4	-	872.5	980.7	346.5	3,578.9	182.6	3,546.4	28	Minnesota	65.8	
North Carolina	83.2	153.6	60.8	271.6	232.6	158.2	960.0	98.0	862.1	29	Idaho	62.4	
North Dakota	Does Not Sell Instant Tickets							-	-	-	30	Arizona	62.1
Ohio	180.2	178.0	46.8	438.9	302.4	361.1	1,507.4	131.1	1,460.3	31	W. Virginia	62.0	
Oklahoma	22.4	18.0	20.7	34.8	-	-	95.9	25.2	103.0	32	Iowa	60.9	
Oregon	15.5	42.3	21.1	27.3	10.0	2.8	119.0	30.5	115.9	33	Wisconsin	56.2	
Pennsylvania	127.2	246.6	142.2	685.2	399.9	533.4	2,134.5	166.8	1,922.1	34	Washington	46.1	
Rhode Island	12.3	20.5	6.7	29.6	10.6	4.3	84.0	76.4	77.2	35	Delaware	45.4	
South Carolina	48.7	86.5	30.7	161.5	431.2	-	758.6	161.4	698.2	36	Nebraska	43.1	
South Dakota	4.6	4.3	6.0	5.3	2.3	1.9	24.4	30.5	22.1	37	Kansas	42.7	
Tennessee	105.1	235.8	74.3	278.3	150.0	206.2	1,049.7	161.5	948.7	38	Louisiana	34.4	
Texas	212.2	406.0	368.1	1,048.8	501.6	549.4	3,086.1	118.2	2,842.3	39	New Mexico	32.8	
Vermont	7.8	11.8	8.4	27.7	11.3	7.6	74.6	124.3	71.3	40	Oregon	30.5	
Virginia	89.2	125.8	46.8	320.3	133.7	126.3	842.1	102.7	756.8	41	South Dakota	30.5	
Washington	19.7	68.9	25.0	109.6	46.3	48.6	318.1	46.1	309.0	42	Oklahoma	25.2	
W. Virginia	27.2	56.7	7.6	17.6	8.8	(0.0)	117.9	62.0	115.7	43	Montana	16.6	
Wisconsin	24.2	58.7	45.3	81.6	46.7	63.6	320.1	56.2	299.1	44	North Dakota	-	
Total	\$ 3,017.5	\$ 6,375.8	\$ 3,175.5	\$ 9,977.7	\$ 7,353.0	\$ 5,702.2	\$35,601.7	n/a	\$32,500.9				

Note: Fiscal Year 2012 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

Texas (August 31); Washington DC and Michigan (September 30).

Source: The 2013 LaFleur's World Lottery Almanac and NH Lottery Results



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