

LBA Financial Audit Report Summary:

Lottery Commission Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005

The New Hampshire Lottery Commission was established by the chapter laws of 1963 and became the first modern state-run lottery program. The Lottery's primary purpose has always been to raise revenue for the benefit of public education. The financial activities of the Lottery, as a department of the State of New Hampshire, are reported as an enterprise fund in the State's Comprehensive Annual Financial Report as well as in this separately issued report.

The Lottery operates both instant and on-line games for the purpose of funding state aid to education. As a member of two joint lottery ventures, the Tri-State Lotto Commission and the Multi-State Lottery Association, the Lottery offers a variety of games, including the Megabucks and Powerball games. For approximately half of fiscal year 2005, the Lottery also licensed and taxed charitable organizations which hold Bingo games and manufacture, distribute and retail Lucky 7 tickets. Effective January 1, 2005, responsibility for regulating Bingo and Lucky 7 activities were transferred to the State Pari-Mutuel Commission.

During fiscal year 2005, the Lottery's operating revenues were \$229 million, a 4% decrease from the prior year. Gross sales profit margin was 33%, approximately the same as experienced during the prior year. The Lottery transferred \$69.3 million to the State's Education Trust Fund during fiscal year 2005, a decrease of 6% from the prior fiscal year.

We audited the financial statements of the Lottery as of and for the year ended June 30, 2005 and issued our unqualified report thereon dated December 19, 2005. A copy of the Lottery's comprehensive annual financial report may be obtained from the New Hampshire Lottery Commission, P.O. Box 1208, Concord, New Hampshire, 03302-1208.

A management letter dated December 19, 2005, a byproduct of the fiscal year 2005 audit of the Lottery, will be issued under a separate cover. A printed copy of the letter may be obtained from the Office of Legislative Budget Assistant, Audit Division, 107 North Main Street, State House Room 102, Concord, New Hampshire, 03301-4906.