

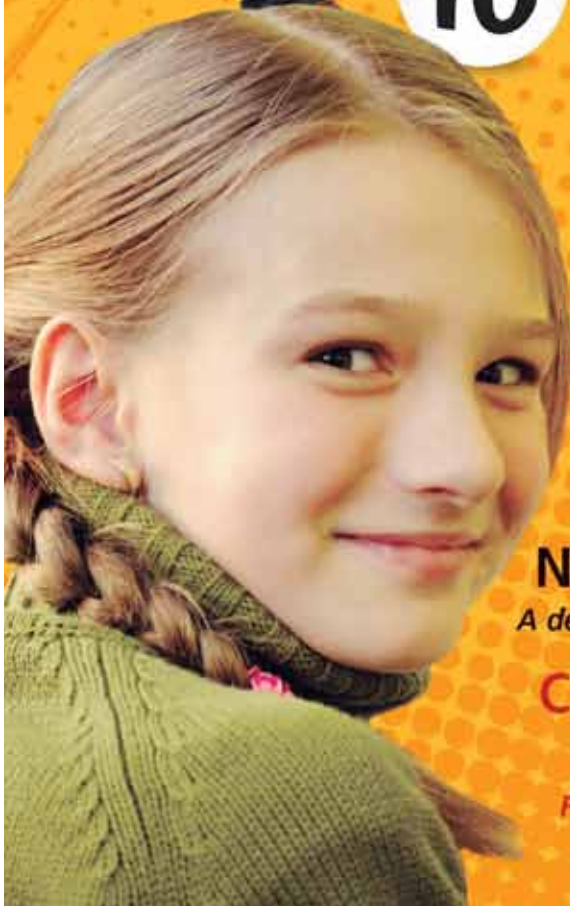
NH Lottery

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10



NH Lottery Commission

A department of the State of New Hampshire

**Comprehensive Annual
Financial Report**

For The Fiscal Year Ended June 30, 2010

NEW HAMPSHIRE LOTTERY COMMISSION®

A DEPARTMENT OF THE STATE OF NEW HAMPSHIRE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
June 30, 2010**

Prepared by:
The Finance Department

Georges Roy
Administrator

And

Kassie Strong
Chief Accountant

\$5

NEW HAMPSHIRE LOTTERY®

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FENWAY PARK™!**
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Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win prize(s) shown for YOUR NUMBER(s). Get a (\$\$) symbol, win that prize automatically. Get a (HOME RUN) symbol, win all ten prizes automatically.

WINNING NUMBERS



YOUR NUMBERS



WIN UP TO 10 TIMES!

000 ■

Boston Red Sox, a \$5 instant price point, was one of 111 Instant Scratch Ticket games sold during fiscal year 2010. This game is one of the most successful instant scratch games the Lottery has ever sold.

New Hampshire Lottery Commission® Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2010

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During the drawing, five numbers are drawn from 1 to 41.

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13	14	15	16	17	18
19	20	21	22	23	24
28	29	30	31	32	33
37	38	39	40	41	42
1	2	3	4	5	6

Drawings are held Wednesday and Saturday
 (annuitized). Match 4 winning

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 Millions Subscriptions!**

Introductory Section



Extreme 9's, an instant scratch ticket game selling for \$20 per ticket, was one of the 111 instant scratch games offered during fiscal year 2010. Sales for this game during fiscal year 2010 amounted to \$2.7 million.



GOVERNOR John H. Lynch
CHAIRMAN Debra Douglas
COMMISSIONER Paul J. Holloway
EXECUTIVE DIRECTOR Charles R. McIntyre

December 21, 2010

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 (the Lottery) for the fiscal year ended June 30, 2010. 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.

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.

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 valuable ticket inventory and controls the payment of prizes. As such, various precautions 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, 2010. The independent auditors' 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 auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

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 42 states and the District of Columbia. The New Hampshire Lottery Commission (the 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 two joint lottery ventures, the Tri-State Lotto Commission, comprised of New Hampshire, Maine and Vermont Lotteries, and the Multi-State Lottery Association, which is comprised of many United States lotteries, as such, it operates a number of on-line games under those jurisdictions. 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 111 Instant games during fiscal year 2010 with ticket prices ranging from \$1 to \$30.



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 5 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 25 years old, it still remains a profitable product for the Lottery, with a committed player base. This game is available as a subscription.



Tri-State Weekly Grand replaced Tri-State Pay Check on February 1, 2009. Tickets cost \$2 per chance. Players pick four numbers from 1 to 35 and one lucky ball number from 1 to 35, or

choose an Easy Pick. They have ten chances to win: \$2, \$5, \$10, \$20, \$25, \$500, \$5,000 or the top prize of \$1,000 a week for 20 years. Drawings are held every Tuesday and Friday evening.



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 Red Hot Numbers, Black Jack, Break the Bank, Holly-Day Bucks, and Play Ball. The games have nine prize levels ranging from \$1 to \$250. The Lottery's web site, www.nhlottery.org explains how each game plays.



New Hampshire Powerball is an on-line game jointly operated by the 33 member state lotteries of the Multi-State Lottery Association (MUSL). This game was introduced in New Hampshire in November 1995, although it has been operated by the MUSL Association since April 1992. For as little as \$1, players purchase a chance at becoming a millionaire. 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 39" for the powerball. The minimum jackpot is \$20 million, which rolls in the event that no ticket matches all five numbers and the powerball. Powerball offers eight secondary prizes of fixed amounts ranging from \$3 to \$200,000. In fiscal year 2001 the Power Play feature was added to the game giving players the chance to increase their winnings, except for the jackpot prize, by up to five times. In order to upgrade to a Power Play, 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 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 fifteen United States 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. In addition to the jackpot, there are eight other ways to win from \$2 up to \$10,000. This game also offers ticket sales through subscriptions.



New Hampshire Mega Millions is the Lottery’s newest on-line game; sales began on January 31, 2010. Mega Millions is a multi-state game. The game began in August 1996 and holds the record for the largest jackpot in North American history. Prior to January 31, 2010 any state that sold Powerball could not sell Mega Millions and vice versa. There is a total of 42 state lotteries selling and contributing to Mega Millions. 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 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. 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.

Local economy

New Hampshire is a small state with a population of 1,324,575. According to the CQ Press (www.cqpress.com), formerly Morgan Quinto Press, 2009 rankings, New Hampshire ranks as the number one most livable state in the nation, has the lowest crime ranking in all the United States, and is the fifth healthiest state in the nation. CQ Press is based in Washington, D.C. and is a leading 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, the world's leading independent academic and professional publisher (www.sagepublications.com). The company specializes in reference books that compare states and cities in several different subject areas. Its books are found in reference libraries and classrooms throughout the United States and around the world. The company is known for its objectivity, breadth and depth of coverage, and editorial excellence. Some of the positive 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.

The Tax Foundation, a nonprofit fiscal policy research group, estimated New Hampshire's 2008 local and state tax burden as the fifth lowest in the United States at 7.6% of income; the U.S. average of state and local tax burden is 9.7% of income. New Hampshire offers a favorable overall tax environment for businesses, ranking 7th best out of 50 for overall tax climate in fiscal year 2010. There is no sales tax, use tax, broad-base income tax, or capital gains tax in New Hampshire. A state's business tax climate measures how each state's tax laws affect economic performance. For August 2010, according to the Economic and Labor Market Information Bureau, the seasonally adjusted unemployment rate for New Hampshire was 5.7%, compared with the national average of 9.6%. This was a decrease in New Hampshire from June 2009's 6.8% unemployment rate.

New Hampshire's per capita personal income ranks 10th highest in the nation. According to the Bureau of Economic Analysis (BEA) for calendar year 2009, New Hampshire's per capita personal income was \$42,585. This is higher than the United States average of \$39,626. BEA reported for the calendar year 2008 New Hampshire's Gross Domestic Product (GDP) ranked 41st in the United States at \$60 billion. This was an increase of 1.8% from 2007, compared to the national change of 0.7%. The largest industry in New Hampshire was real estate and rental and leasing. In 2008, per capita real GDP for New Hampshire was \$38,420, which was 1.4% more than the U.S. per capita real GDP.¹

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 and the unemployment rate is 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 dependant

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.

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 other lotteries in the United States, New Hampshire ranked 14th highest of 44 U.S. lotteries in fiscal years 2009 and 2008. Unaudited fiscal year 2010 sales for all U.S. lotteries' increased 2%. According to La Fleur's Magazine, a research company that reports facts and statistics on lotteries, fiscal year 2010 was a rebound year for lotteries; 28 of 44 lotteries saw increases in fiscal year 2010 sales, as compared with fiscal year 2009 when 24 lotteries saw decreases in sales. Unfortunately, New Hampshire was one of 16 lotteries that had decreased sales in 2010 and one of 24 in 2009.

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 profits on a monthly basis to the State Education Trust Fund.

Due to increased pressure put on the State to produce more revenues and because New Hampshire does not have a sales tax or income tax, sources of 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. The only way to greatly increase Lottery revenues would be to expand to other types of gambling; however, governing bodies of New Hampshire historically have not supported the expansion of gambling.

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 in New Hampshire. Once a month, Lottery profits are transferred to the Education Trust Fund from the investments made 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). 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. As such, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State or MUSL.

Upcoming initiatives

The Lottery, in conjunction with the other Tri-State member states is developing changes to the current Weekly Grand game in hopes of increasing sales.

MUSL members are working on changes to the current Powerball game that will raise the jackpot amounts, which will increase sales.

The Lottery changed online vendors on July 1, 2010 and converted to a new gaming system. Included in the Lottery's new gaming system is a retailer "tel sell" process, supported by the new vendor, for the Instant scratch ticket products. During the "tel sell" process retailers are called frequently to ensure they have sufficient Instant scratch ticket inventory and orders are shipped immediately when needed. The Lottery believes this will help increase Instant scratch ticket sales. Based on best practices of the lottery industry, the Lottery is also increasing prize payouts for Instant scratch tickets as a way to increase sales.

For fiscal year 2011, the Lottery is completing a special study on sales, which includes comparisons to other lotteries, locations within New Hampshire, types of games, and other research to aid in identifying ways to increase sales.

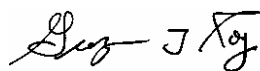
Awards and acknowledgements

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, 2009. This was the eleventh 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.

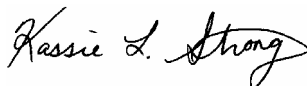
A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Executive Director Charles McIntyre, Commission Chair Debra Douglas, Commissioner Paul Holloway 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,



Georges J. Roy
Administrator



Kassie L. Strong
Chief Accountant

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink, appearing to read "J.R. Emer".

President

A handwritten signature in black ink, clearly legible as "Jeffrey R. Emer".

Executive Director

New Hampshire Lottery Commission
Appointed Officials and Organizational Chart

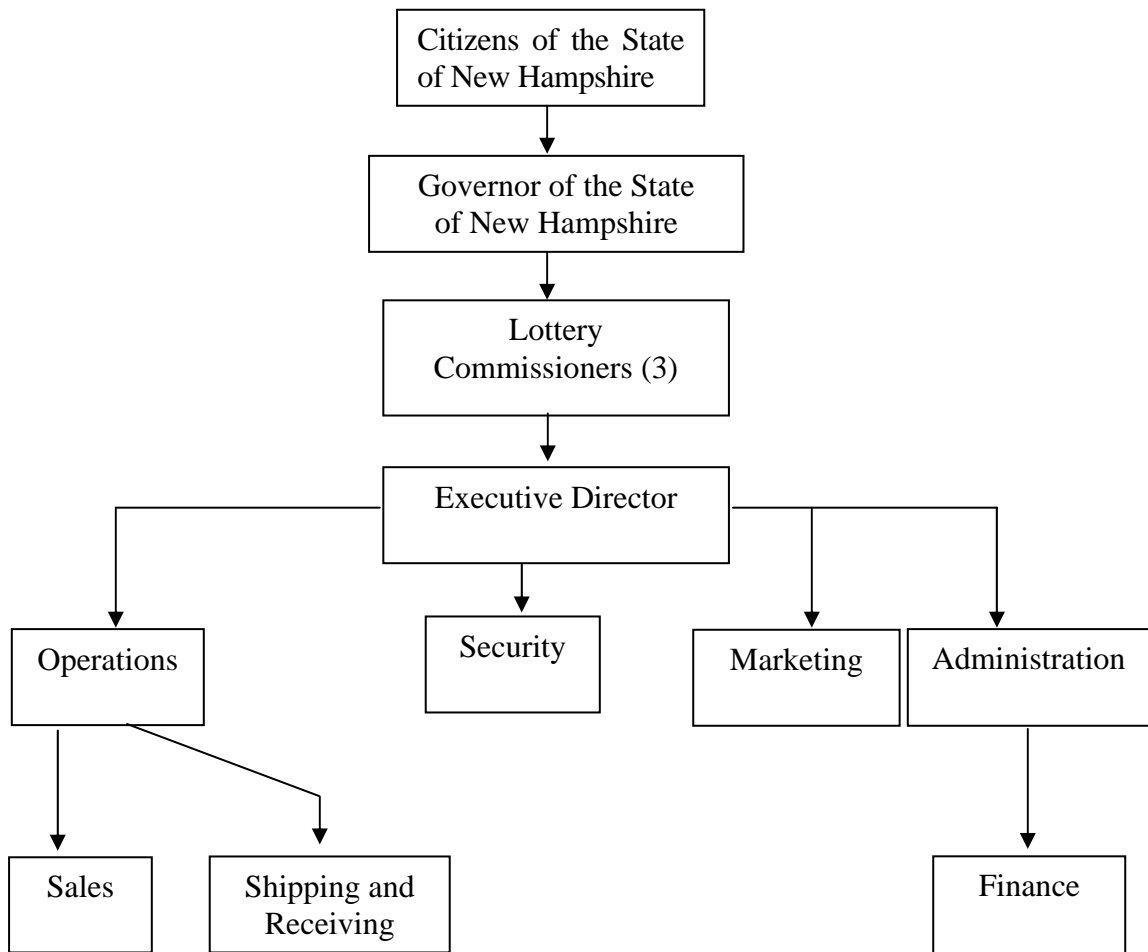
Appointed Officials

Debra M. Douglas
Commission Chairman
Term ends 6/29/2013

Paul J. Holloway
Commissioner
Term ends 6/29/2012

Vacant
Commissioner

Organizational Chart



Financial Section

25

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7



State of New Hampshire

JEFFRY A. PATTISON
Legislative Budget Assistant
(603) 271-3161

OFFICE OF LEGISLATIVE BUDGET ASSISTANT
State House, Room 102
Concord, New Hampshire 03301

RICHARD J. MAHONEY, CPA
Director, Audit Division
(603) 271-2785

Independent Auditor's Report

To The Fiscal Committee Of The General Court:

We have audited the accompanying statement of net assets of the New Hampshire Lottery Commission (Lottery Commission), as of June 30, 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Lottery Commission's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lottery Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the change in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 15 through 25 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the New Hampshire Lottery Commission. The Introductory Section, the Statistical Section and the Supplemental Schedule of Revenues, Expenses, and Transfers are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplemental Schedule of Revenues, Expenses, and Transfers on page 40 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, on our consideration of the Lottery Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Office of Legislative Budget Assistant

Office of Legislative Budget Assistant

December 21, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which begins on page 1 in the introductory section of this comprehensive annual financial report.

Financial Highlights

- Operating revenues for the Lottery program decreased by \$5.8 million, or 2.4% for the current fiscal year. Powerball revenues decreased \$2.3 million, while Instant scratch ticket revenues decreased by \$10.3 million. Mega Millions, new to New Hampshire, added an extra \$3 million to revenues. Tri-State games, which contributed approximately 12% to total revenues, netted an increase of approximately \$3.9 million.
- The Lottery's operating expenses for the current fiscal year decreased \$4.0 million, or 2.3%. This decrease in operating expenses, mostly cost of sales expenses, is a result of the decrease in ticket sales/revenues.
- Lottery's assets decreased \$105,622, or 1.4% from fiscal year end 2009. Liabilities decreased \$78,265, or 2.0%, from the end of the previous fiscal year. There was a decrease in the Lottery's total net assets of \$27,357, which consist solely of restricted prize funds for the Powerball, Hot Lotto, Mega Millions, and Megabucks programs.
- Distributions to the Education Trust Fund, which are equal to net income plus change in restricted assets, decreased \$1.9 million or 2.8%, due to the decrease in ticket sales/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, reporting on all of the activity's assets and liabilities using the accrual basis of accounting much like a private business entity. The Lottery's basic financial statements are comprised of four components: 1) the statement of net assets, 2) the statement of revenues, expenses and changes in net assets, 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 assets presents information on all of the Lottery's assets and liabilities, with the difference between the two reported as net assets. 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 transfer all net profits to the Education Trust Fund on a monthly basis.

The statement of revenues, expenses and changes in net assets reports the Lottery's net assets and changes in them. As stated above, 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 assets does not reflect the actual results of the Lottery's operating activities.

The statement of cash flows outlines the cash inflows and outflows related to the activity of selling Lottery products.

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

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 is also included within the State of New Hampshire's Comprehensive Annual Financial Report as an enterprise fund.

For fiscal year 2010, the Lottery produced \$234 million in total operating revenues, a 2.4% decrease from fiscal year 2009's \$240 million. Instant scratch ticket sales were down from the previous fiscal year by \$10.3 million. Multi-State (MUSL) games revenues increased \$0.6 million or 1.3% during fiscal year 2010 as compared to fiscal year 2009. Tri-State games revenues increased by \$3.9 million or 15.9% for fiscal year 2010 as compared to fiscal year 2009. The increase in Tri-State sales is due to the price of Megabucks tickets doubling from \$1 to \$2. The overall decrease in ticket sales/revenues is being attributed to the economy, a new 10% gambling tax, loss of Powerball sales to Massachusetts, and customers' demands for different, more technologically advanced, forms of gambling. Historically, governing bodies of New Hampshire have not supported the Lottery expanding to other forms of gambling. The Lottery generated \$66.2 million of net profit for the Education Trust Fund in fiscal year 2010, a \$1.9 million decrease from fiscal year 2009. Total revenues since the inception of the Lottery in 1963 are \$4.4 billion. To date, the Lottery has generated \$1.4 billion of net profits to help fund education in New Hampshire.

Net Assets and Changes in Net Assets

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 assets of the Lottery consist only of prize funds held on deposit with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State), and capital assets (equipment). For more detailed information on restricted deposits please see note 8 beginning on page 35 in the notes to the financial statements and for more detailed information on capital asset activity please see note 4 on page 33 in the notes to the financial statements. Comparable figures for total assets at June 30, 2010 and 2009 were \$7.7 million and \$7.8 million, respectively.

Cash and cash equivalents were \$1,404,769 at June 30, 2010 and \$1,141,499 at June 30, 2009. Accounts receivable at the same time were \$1,118,825 and \$853,098, respectively. The balance in accounts receivable for both fiscal years was due to the timing of the electronic funds transfers from retailers' bank accounts for monies owed the Lottery at year end for the last fiscal week's ticket sales. Due from other funds, which represents amounts owed by the Liquor Commission for Lottery Instant scratch tickets sold at liquor stores and not collected by Lottery due to timing, decreased \$157,945. Instant scratch ticket inventory was \$752,999 for fiscal year 2010 and \$1,069,436 for fiscal year 2009. Due to the decrease in Instant scratch ticket sales, there were fewer inventories on hand. Non current, restricted assets, which represent New Hampshire's share of prize reserve funds held by MUSL and Tri-State, decreased slightly by \$27,357 during the current fiscal year. Capital assets, net of depreciation, decreased during the current fiscal year from \$163,623 in 2009 to \$96,981 in 2010.

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 assets does not reflect the actual results of the Lottery's operating activities.

The following table shows condensed net assets as of June 30, 2010 and 2009 (in thousands).

	2010	2009
Current and Other assets	\$ 7,591	\$ 7,629
Capital assets (net of accumulated depreciation)	97	164
Total assets	<u>7,688</u>	<u>7,793</u>
Current liabilities	3,413	3,492
Noncurrent liabilities	337	336
Total liabilities	<u>3,750</u>	<u>3,828</u>
Net assets:		
Invested in capital assets	97	164
Restricted assets	3,938	3,965
Unrestricted (deficit)	(97)	(164)
Total net assets	<u>\$ 3,938</u>	<u>\$ 3,965</u>

Liabilities

The Lottery's current liabilities consist primarily of unclaimed prizes, accrued operating expenses, and deferred revenue. Noncurrent liabilities consist of compensated absences and workers compensation. Total liabilities during the current fiscal year decreased by \$78,265 or 2.0%. The year end balances for total liabilities for fiscal years 2010 and 2009 were \$3.7 million and \$3.8 million, respectively. Of the decrease, deferred revenue decreased \$449,158, unclaimed prizes increased \$516,036 and accrued operating expenses decreased \$440,721. The change in deferred revenue was due to certain credit card companies requiring the Lottery to be classified as a gambling establishment versus a government agency. This requirement caused customers to be charged extra fees when purchasing subscriptions with credit cards, thereby causing most credit card customers to stop purchasing subscriptions. The total number of active subscriptions decreased to 12,231 in fiscal year 2010 from 21,395 in fiscal year 2009. The increase in unclaimed prizes is due to the timing of customers claiming their winnings. Winners have one year to claim their prizes. The decrease in accrued expenses was consistent with the decrease in sales.

Operating Revenues – Games Sales

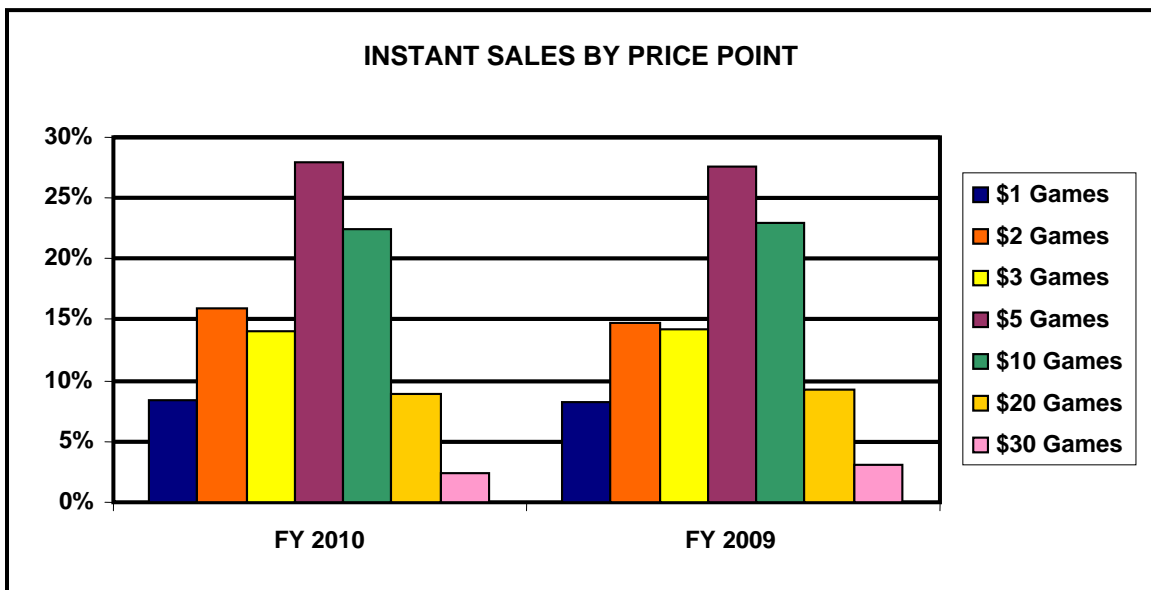
The New Hampshire Lottery game revenues/ ticket sales are made up of a variety of instant and online lottery products. The Lottery is an active member of two separate joint venture arrangements; the Tri-State Lotto Commission (Tri-State) and the Multi-State Lottery Association (MUSL), and it operates a number of online games under those jurisdictions. Tri-State games consist of Megabucks Plus, Pick 3, Pick 4, Fast Play, and Weekly Grand. MUSL online games consist of Powerball, Mega Millions, and Hot Lotto.

The following table shows sales by lottery game for the years ended June 30, 2010 and 2009 (in thousands). Tri-State Other represents Weekly Grand and Fast Play.

Game	2010	2009	Change	Percent Change
Instant Scratch Tickets	\$ 160,536	\$ 170,823	\$ (10,287)	-6.0%
MUSL Powerball	37,705	39,994	(2,289)	-5.7%
MUSL Hot Lotto	4,149	4,324	(175)	-4.0%
MUSL Mega Millions	3,057	-	3,057	100.0%
Tri-State Megabucks	12,708	8,687	4,021	46.3%
Tri-State Pick 3	5,244	5,593	(349)	-6.2%
Tri-State Pick 4	5,139	4,896	243	5.0%
Tri-State Other	5,235	5,266	(31)	-0.6%
Other - contributed prizes	314	349	(35)	-10.0%
Total sales	\$ 234,087	\$ 239,932	\$ (5,845)	-2.4%

The Lottery saw a 2.4% decrease in lottery program ticket sales/revenues for fiscal year 2010. Instant scratch ticket sales continue to be the Lottery's most popular product, contributing approximately 68.6% and 71.2%, respectively, to total fiscal year sales for 2010 and 2009. Instant scratch ticket sales decreased 6.0% in fiscal year 2010 from fiscal year 2009. The Lottery sells Instant scratch tickets costing from \$1 to \$30. The overall decrease in ticket sales/revenues is being attributed to the economy, a new 10% gambling tax, loss of Powerball sales to Massachusetts, and customer's demands for different, more technologically advanced, forms of gambling.

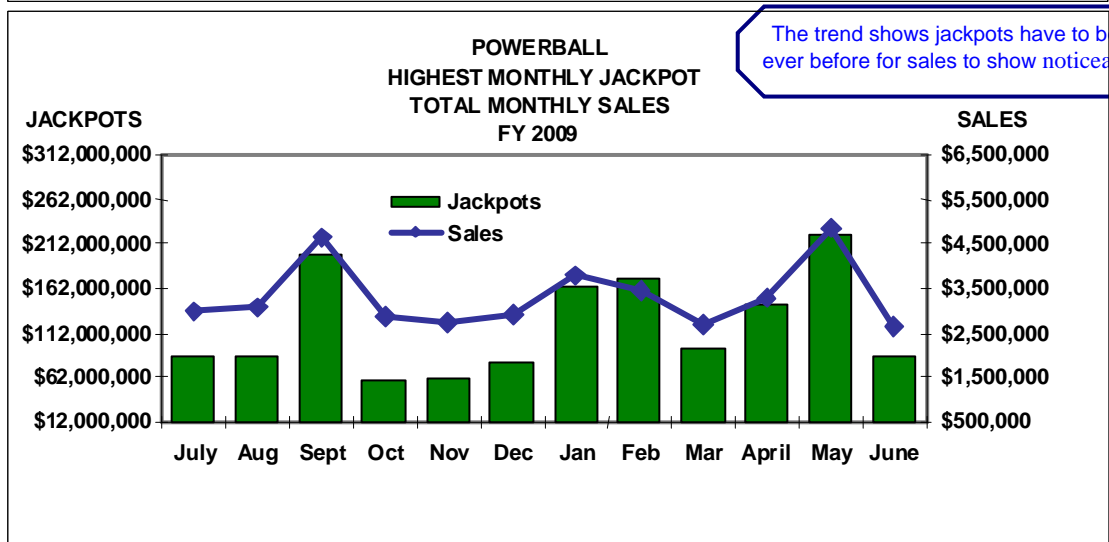
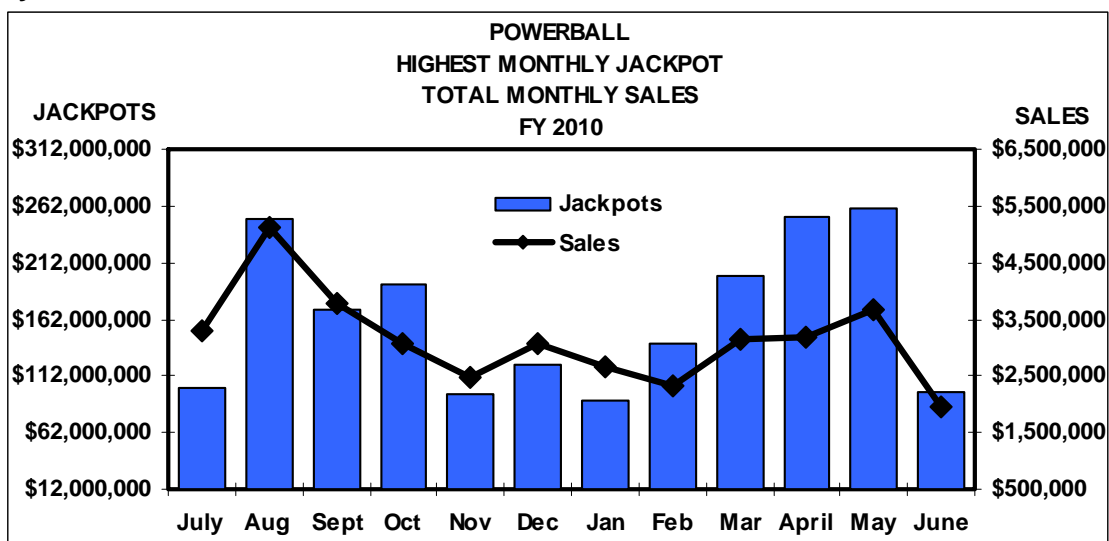
The following graph shows percentages of Instant scratch games sales for fiscal year 2010 and 2009 by selling price of ticket.



Powerball, a game in the MUSL jurisdiction, is the Lottery's second most popular product contributing 16.1% and 16.7% to total fiscal year 2010 and 2009 sales, respectively. Sales for Powerball decreased 5.7% in fiscal year 2010 from fiscal year 2009. This decrease was mostly due to the decrease in Powerball sales at the retailers located along the border of Massachusetts. The Massachusetts lottery began selling Powerball tickets on January 31, 2010. Previously Massachusetts did not sell Powerball tickets, so customers would travel into New Hampshire to buy their Powerball tickets.

The sales in big jackpot games are totally dependant on 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. The jackpot was won 12 times in both fiscal years 2010 and 2009. 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 jackpot amount in fiscal year 2010 was \$261 million compared to \$232 million in fiscal year 2009. The highest jackpot amount since the game's inception was \$365 million in fiscal year 2006.

See the following graphs showing the relationship between jackpot amount and sales for fiscal years 2010 and 2009.

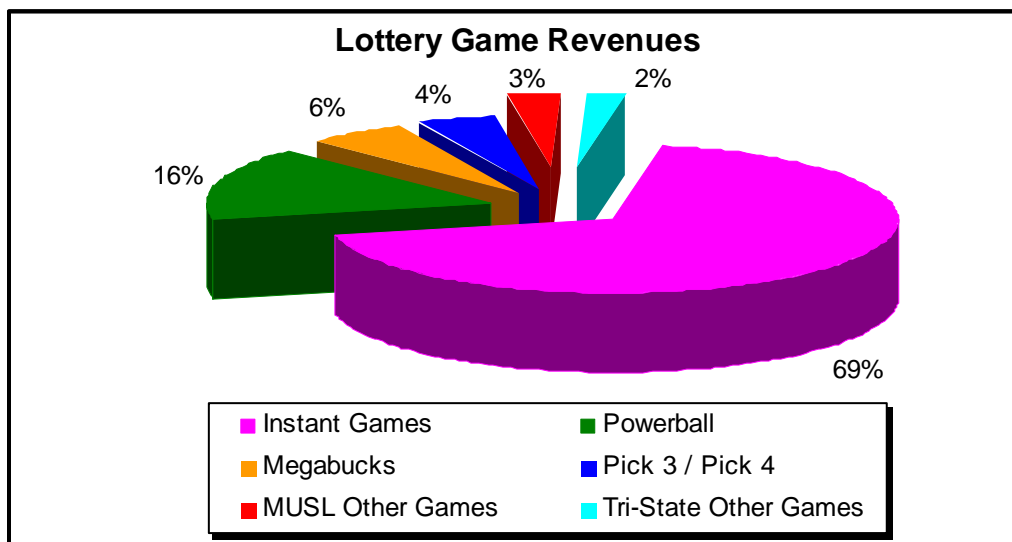


The trend shows jackpots have to be higher than ever before for sales to show noticeable increases.

Hot Lotto is another game that is offered through MUSL, sales of which decreased \$174,851 or 4.0% in the current fiscal year as compared to the previous fiscal year. Mega Millions is another high jackpot game that MUSL member states now have the option of selling. Beginning January 31, 2010, the Lottery began sales for Mega Millions; prior to that date any lottery that sold Powerball could not sell Mega Millions and vice versa. Sales for the five months that Mega Millions was active in fiscal year 2010 were just over \$3 million. MUSL games sales overall contributed 19.2% and 18.5% to total Lottery sales for fiscal years 2010 and 2009, respectively.

Tri-State games sales increased 15.9% overall from fiscal year 2009 to 2010, and amounted to 12.1% of total Lottery sales for fiscal year 2010. Megabucks increased \$4 million, a 46.3% increase from the previous fiscal year. The increase was attributable to a change in the price of a ticket from \$1 to \$2. Megabucks had a recent “makeover”; prize amounts increased, the play format changed, and the cost to the player doubled. The Megabucks game is the oldest jackpot style game the Lottery sells; at 25 years old and still running it seems to carry a committed player base. Pick 3 saw a decrease of \$349,490, while Pick 4 realized an increase of \$243,514. The other Tri-State games decreased slightly. Tri-State games in total amounted to 12.1% and 10.2% of total Lottery sales fiscal years 2010 and 2009, respectively.

The following graph displays Lottery revenues by product/game for the fiscal year ended June 30, 2010.



Operating Expenses – Cost of Sales

Prizes

Prizes are the largest operating expense the Lottery incurs. 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 2010 prize expense of \$138.9 million reflects a 2.3% decrease from fiscal year 2009 prize expense of \$142.1 million. This decrease is mostly due to the decrease in Instant scratch ticket sales experienced in fiscal year 2010. Instant scratch ticket games pay out at a higher percentage than online games. Online games typically have a 50% (of sales) prize payout built into the design of the game, where as Instant scratch ticket games on average have a

65% (of possible sales) prize pay-out built into each game. The actual prizes paid percentage can be slightly less than the prize percentage built into the game design, because of unclaimed prizes (prizes that winners never cash in). Prize winners have one year (365 days) to claim their prizes. Unclaimed prize money for Instant scratch games and MUSL games 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, 2010 and 2009 (in thousands). MUSL Other represents Hot Lotto and Mega Millions. Tri-State Other represents Weekly Grand and Fast Play.

Game	2010	2009
Instant Scratch Tickets	\$ 102,801	\$ 108,427
MUSL Powerball	18,009	19,151
MUSL Other	3,491	2,071
Tri-State Megabucks	6,464	4,237
Tri-State Pick 3	2,621	2,788
Tri-State Pick 4	2,578	2,455
Tri-State Other	2,629	2,572
Other - contributed prizes	314	349
Total prize expense	\$ 138,907	\$ 142,050

The following table shows prizes to sales (operating revenues) profit margin for lottery games by venture for the years ended June 30, 2010 and 2009 (in thousands).

	Instant Tickets		Tri-State Games		MUSL Games	
	2010	2009	2010	2009	2010	2009
Gross games revenues	\$ 160,536	\$ 170,823	\$ 28,326	\$ 24,442	\$ 44,912	\$ 44,318
Prize expense	102,801	108,427	14,293	12,052	21,500	21,222
Gross profit after prizes	\$ 57,735	\$ 62,396	\$ 14,033	\$ 12,390	\$ 23,412	\$ 23,096
Profit margin after prizes	36.0%	36.5%	49.5%	50.7%	52.1%	52.1%

As the table above shows, the profit 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 ticket 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 tickets, costs for delivering Instant scratch tickets to retailers, and expense pool costs (administrative costs) for joint ventures. These other costs of sales totaled \$21.1 million for fiscal year 2010 and \$21.5 million for fiscal year 2009. The decrease was due to the decrease in ticket sales/revenues. Retailer commissions and vendor fees are based on a percentage of sales.

The table below shows comparative costs of sales expenses for lottery games for the years ended June 30, 2010 and 2009 (in thousands).

	2010	Percent of Sales	2009	Percent of Sales
Retailer commissions	\$ 12,739	5.4%	\$ 13,070	5.4%
Vendor fees	5,929	2.5%	5,987	2.5%
Cost of instant tickets	2,232	1.0% *	2,311	1.0% *
Expense pools	177	0.1%	132	0.1%
Other cost of sales	21,077	9.0%	21,500	9.0%
Prize expense	138,907	59.3%	142,050	59.2%
Total cost of sales	<u>\$ 159,984</u>	<u>68.3%</u>	<u>\$ 163,550</u>	<u>68.2%</u>

* Cost of instant tickets as a percent of instant scratch ticket sales only, is 1.4% for 2010 and 1.4% for 2009.

The table below shows cost of sales to sales for lottery games for the years ended June 30, 2010 and 2009 (in thousands).

Total Lottery Games	2010	2009	Change	Percent Change
Gross ticket sales	\$ 234,087	\$ 239,932	\$ (5,845)	-2.4%
Cost of sales	159,984	163,550	(3,566)	-2.2%
Gross profit	<u>\$ 74,103</u>	<u>\$ 76,382</u>	<u>\$ (2,279)</u>	-3.0%
Gross profit margin	31.7%	31.8%		

Other Operating Expenses

Administrative costs decreased from \$8.3 to \$7.9 million in fiscal year 2010 from fiscal year 2009. The biggest decrease was in advertising and promotional costs, which decreased \$302,618. The supplemental schedule of revenues, expenses, and transfers located after the notes to the financial statements, itemizes the components of other operating expenses.

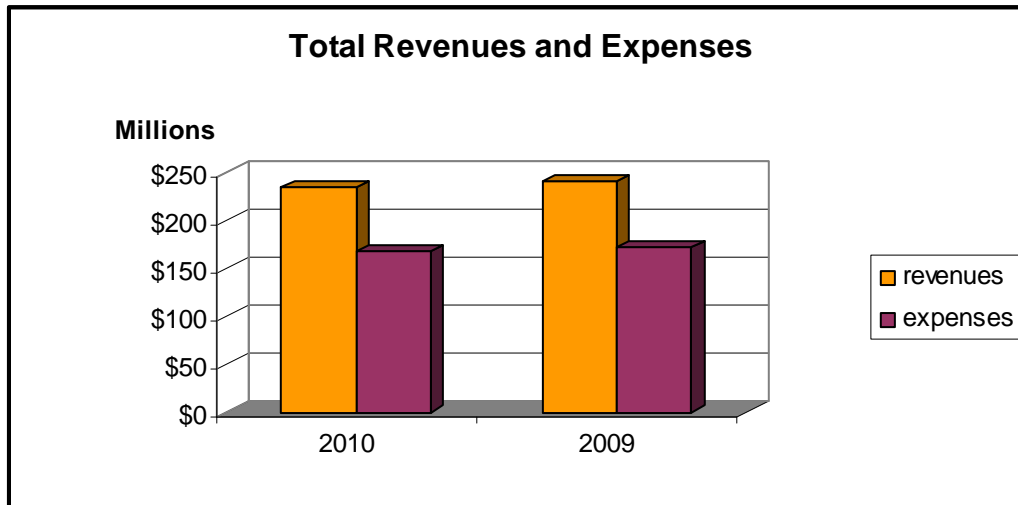
Non-operating Revenues (Expenses)

Nonoperating revenues totaling \$34,423 consist largely of fees charged to retailers due to insufficient funds and income earned on deposits with the Tri-State Lotto, and Multi-State Lottery. There was a decrease of \$293,666 in non-operating revenues for fiscal year 2010 from

2009. This decrease was due to less interest earned on deposits held with the State Treasury and joint ventures in fiscal year 2010.

Non-operating expenses are distributions to the Education Trust Fund, which is all Lottery profit. Fiscal year 2010 distributions were \$66,222,171 and for fiscal year 2009 they were \$68,149,912. The decrease in fiscal year 2010 was due to lower ticket sales.

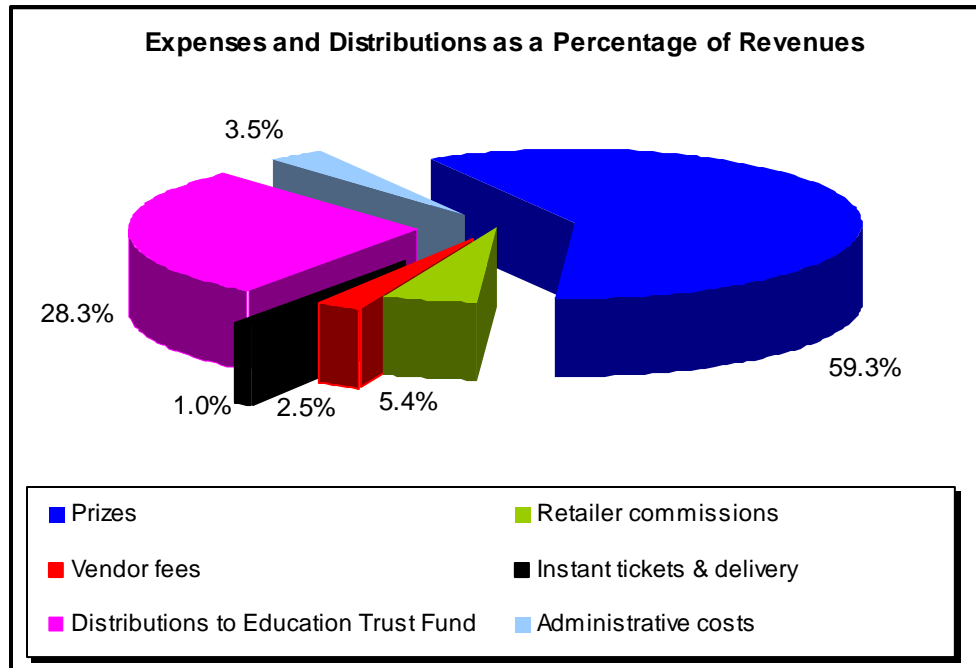
The following graph displays total Lottery revenues and expenses for the years ended June 30, 2010 and 2009.



The following table shows total revenues, expenses, net profit, and change in net assets for the Lottery for the years ended June 30, 2010 and 2009 (in thousands).

	2010	2009	Change
Operating revenues:			
Instant and online ticket sales:	\$ 234,087	\$ 239,932	\$ (5,845)
Operating expenses:			
Cost of sales	159,984	163,550	(3,566)
Administrative costs	7,876	8,261	(385)
Depreciation expense	66	97	(31)
Total operating expenses	167,926	171,908	(3,982)
Nonoperating revenues - investment income:	34	328	(294)
Net profit before transfers	66,195	68,352	(2,157)
Nonoperating expenses -			
Distributions to Education Trust Fund	(66,222)	(68,150)	1,928
Change in net assets	(27)	202	(229)
Net assets - July 1	3,965	3,763	202
Net assets - June 30	\$ 3,938	\$ 3,965	\$ (27)
Distributions to Education Trust Fund (net profit) as a percent of operating revenues	28.3%	28.4%	-0.1%

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, 2010.



Other Potentially Significant Matters

A significant factor affecting the Lottery currently for fiscal year 2011 is the American economy. 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 in online games, which causes a high level of uncertainty for revenues. The two highest jackpot selling games in the United States are Powerball and Mega Millions. Beginning January 31, 2010 the Powerball and Mega Millions groups' member states were able to sell both games for the first time. The Lottery believes it lost a significant amount of Powerball sales to the border state of Massachusetts. The Lottery was hopeful that selling Mega Millions would not only make up for the loss, but increase MUSL games sales overall. As of September 25, 2010 Powerball sales are down approximately \$4.5 million and Mega Millions sales are only \$1.8 million.

There is, as always, ongoing research and development to enhance current games or replace them with new games in order to increase sales. The Lottery is limited by statute in what it can offer. Lower sales are proving that consumers want and demand newer, technologically advanced forms of gambling. 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 5% of its total expenses that consist primarily of salaries and benefits, rental expenses, advertising and Instant scratch ticket printing costs. Financial management staff consistently monitors adherence to budgeted appropriations.

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 2010 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 Accountant, 14 Integra Drive, P.O. Box 1208, Concord, New Hampshire 03302.

New Hampshire Lottery Commission
Statement of Net Assets
June 30, 2010

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,404,769
Accounts receivable	1,118,825
Due from other funds	198,520
Instant ticket inventories	752,999
Prepaid expenses & other	178,179
Total current assets	<u>3,653,292</u>
Noncurrent assets:	
Restricted deposits - (note 8)	3,937,517
Capital assets net of accumulated depreciation - (note 4)	96,981
Total noncurrent assets	<u>4,034,498</u>
Total assets	<u>7,687,790</u>

LIABILITIES

Current liabilities:	
Accounts payable	1,163,694
Accrued payroll and benefits	231,909
Deferred revenue	741,709
Unclaimed prizes net of estimated expired prizes - (note 1)	916,679
Due to Education Trust Fund	246,465
Compensated absences & workers compensation	112,933
Total current liabilities	<u>3,413,389</u>
Noncurrent liabilities:	
Compensated absences & workers compensation	336,884
Total noncurrent liabilities	<u>336,884</u>
Total liabilities	<u>3,750,273</u>

NET ASSETS

Invested in capital assets	96,981
Restricted for prize funds (note 8)	3,937,517
Unrestricted (deficit)	(96,981)
Total net assets	<u>\$ 3,937,517</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 Assets
For the Year Ended June 30, 2010

Operating revenues:	
Instant games	\$ 160,536,160
Multi-State online games	44,911,850
Tri-State online games	28,325,603
Other	<u>313,601</u>
Total operating revenues	<u>234,087,214</u>
Operating expenses:	
Cost of sales	159,984,012
Administration	7,876,169
Depreciation	<u>66,642</u>
Total operating expenses	<u>167,926,823</u>
Operating income	<u>66,160,391</u>
Nonoperating revenues (expenses):	
Investment income	34,423
Distributions to the State's Education Trust Fund	<u>(66,222,171)</u>
Total nonoperating revenues (expenses)	<u>(66,187,748)</u>
Change in net assets	<u>(27,357)</u>
Total net assets - July 1	<u>3,964,874</u>
Total net assets - June 30	<u>\$ 3,937,517</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, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers, retailers and joint ventures (net of retailer commissions and prizes paid by retailers)	\$ 122,230,950
Payments to winners, retailers and joint ventures	(44,557,868)
Payments to suppliers (goods and services)	(9,390,858)
Payments to employees	(2,057,431)
Net cash provided by operating activities	<u>66,224,793</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating transfers to education trust fund	<u>(65,995,946)</u>
Net cash used for noncapital financing activities	<u>(65,995,946)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sales of capital assets	-
Purchases of capital assets	-
Net cash used by capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and other income received	<u>34,423</u>
Net cash provided by investing activities	<u>34,423</u>
Net increase in cash and cash equivalents	263,270
Cash and cash equivalents, July 1	<u>1,141,499</u>
Cash and cash equivalents, June 30	<u>\$ 1,404,769</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 66,160,391
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	66,642
(Increase) decrease in accounts receivable	(107,782)
(Increase) decrease in instant ticket inventory	316,437
(Increase) decrease in prepaid expenses	66,238
(Increase) decrease in restricted deposits	27,357
Increase (decrease) in accounts payable	(371,367)
Increase (decrease) in unclaimed prizes	516,036
Increase (decrease) in deferred revenue	(449,159)
Total adjustments	<u>64,402</u>
Net cash provided by operating activities	<u>\$ 66,224,793</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, 2010**

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The New Hampshire Sweepstakes Commission officially changed its name to The New Hampshire Lottery Commission, per Chapter Law 97 of 2004, effective July 10, 2004. The New Hampshire Lottery Commission, also known as the New Hampshire Lottery (the 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 necessary administration costs, exclusively for the benefit of public 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 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 operations are accounted for on a flow of 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 Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The Lottery applies applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the Governmental Accounting Standards Board.

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.

Accounts receivable consists of amounts due from retailers for lottery ticket sales and interest from joint venture investments (see Note 8 for information about the Tri-State and Multi-State Lottery joint ventures).

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, 2010.

Inventory represents Instant scratch ticket inventories, which are valued at the lower of cost or market value using the specific identification method. The cost of consumable supplies is expensed when 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 including equipment, computers, and vehicles, are recorded at cost. The Lottery's level 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 New Hampshire state aid to education. At June 30, 2010 MUSL reserves were \$2,365,939 and Tri-State reserves were \$1,571,578.

Compensated absences represent accrued leave for the Lottery's 43 full-time, classified employees at June 30, 2010. 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.

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 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 prizes. For online games the Lottery knows exactly 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 2010 of \$916,679 is the net amount after being reduced by an estimate for Powerball, Hot Lotto, and Mega Millions prizes to expire as unclaimed of \$994,749.

Deferred revenue consists of subscriptions for Megabucks and Powerball.

Operating revenues represents gross lottery sales less any sales adjustments and promotional tickets.

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 tickets, and the cost for shipping Instant scratch tickets to retailers.

Administration expense represents those expenses indirectly related to the operation of the Lottery programs. These expenses consist mainly of advertising and promotional materials, employee salaries and benefits, and other Lottery operating expenses including, but not limited to, lease expenses. See Supplemental Schedule of Revenues, Expenses, and Transfers following these notes to the financial statements.

Nonoperating revenue represents revenues such as investment income received from the State Treasury Department and Tri-State Lotto and Multi-State Lottery (MUSL) interest income and miscellaneous income for returned prize money not paid that was previously expensed in a prior period. Miscellaneous income includes items such as insufficient funds penalties.

Non-operating expense represents distributions to the Education Trust Fund, which represent Lottery revenues transferred 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 its total net income, less changes in net assets, to the State's Education Trust Fund for distribution to local school districts.

Total net assets represent restricted deposits held in prize reserves with MUSL and Tri-State. These deposits are a condition of participation in the joint ventures. The Tri-State reserves are committed to be returned to the players upon dissolution or termination of participation. Changes in net assets represent changes required, by MUSL and Tri-State guidelines, in the amounts of the Lottery's deposits. At June 30, 2010 MUSL reserves were \$2,365,939 and Tri-State reserves were \$1,571,578.

Note 2 – Cash and Cash Equivalents

The Lottery's cash and cash equivalents as reported on the Statement of Net Assets as of June 30, 2010 consist of the following:

Cash in banks (carrying amount)	\$ 761,803
Cash and cash equivalents in State Treasury	641,567
Petty cash	1,399
Total cash and cash equivalents	<u>\$ 1,404,769</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 using 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, 2010 the Lottery's total deposits held with financial institutions were \$789,526 (bank balance), all of which were insured and collateralized.

Note 3 – Compensated Absences and Workers Compensation

A summary of compensated absences and workers compensation activity for year ended June 30, 2010 is presented below.

<u>Compensated Absences & Workers Comp.</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Fiscal Year 2010	\$ 442,382	\$ 332,279	\$ 324,844	\$ 449,817	\$ 112,933

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance 6/30/2009	Increases	Decreases	Ending Balance 6/30/2010
Capital assets				
Equipment	\$ 222,043	\$ -	\$ -	\$ 222,043
Vehicles	295,804	-	-	295,804
Total Capital Assets	<u>517,847</u>	<u>-</u>	<u>-</u>	<u>517,847</u>
Less accumulated depreciation				
Equipment	(166,877)	(13,376)	-	(180,253)
Vehicles	<u>(187,347)</u>	<u>(53,266)</u>	<u>-</u>	<u>(240,613)</u>
Total accumulated depreciation	<u>(354,224)</u>	<u>(66,642)</u>	<u>-</u>	<u>(420,866)</u>
Total capital assets, net	<u>\$ 163,623</u>	<u>\$ (66,642)</u>	<u>\$ -</u>	<u>\$ 96,981</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 5% 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. 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 is financed by contributions from the members, the State and local employers and investment earnings. Employees of the Lottery hired before 6/30/2009 are required, by statute, to contribute 5% of their gross earnings. Employees of the Lottery hired after 6/30/2009 are required, by statute, to contribute 7% of their gross earnings. The Lottery contributes an amount required to cover Plan costs not met by the members' contributions.

The Lottery's required contribution rate is determined by the Plan's actuary. The Lottery's payments for normal contribution costs for fiscal year 2010 amounted to 9.09% of the covered payroll or \$170,079. Fiscal year 2009 amounted to 8.74% of the covered payroll, or \$156,795. Fiscal year 2008 amounted to 8.74% of the covered payroll or \$154,201. 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.

B. Other Postemployment Benefits

In addition to the benefits described above, the Lottery provides post-employment health care benefits in accordance with RSA 21-I:30 to eligible retired employees, their spouses and certain dependents on a non-contributory basis. The Lottery's payments for normal contribution costs for the medical subsidy for fiscal year 2010 amounted to 1.96% of the covered payroll or \$36,673. In fiscal year 2010, the Lottery paid \$357,086 for health benefits for 52 retirees and spouses into the State's Self-Insurance Fund. The Fund, established in 2003, accounts for risk management and health related fringe benefits for State employees and retirees. Contribution rates for the Fund are adjusted periodically to recover any deficits and to maintain a statutorily required Fund reserve.

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 post employment 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.

Note 7 - Operating Leases

A. Building Lease

The Lottery, as lessee, leases an office and warehouse facility located on Integra Drive in Concord. The agreement is a long-term operating lease, which commenced on May 1, 2008 and expires on April 30, 2013. The total building lease cost for fiscal year 2010 amounted to \$388,597. The Lottery's commitment for future lease payments required under the operating lease is as follows:

<u>Fiscal Years</u>	<u>Lease Obligation</u>
2011	\$ 394,672
2012	400,747
2013	338,175
Total future lease payments	<u><u>\$ 1,133,594</u></u>

B. Instant scratch Ticket Vending Machines

The Lottery, as lessee, leased Instant scratch ticket vending machines from GTECH Corporation. The lease was for a term of three years, beginning July 1, 2005, with an option to extend for one additional two-year period under the same terms and conditions. On July 1, 2008 the Lottery utilized the option to extend the contract through fiscal year 2010. The cost to the Lottery varies by machine based on size and type, not to exceed \$871,500 annually for as long as the lease is in effect. The Lottery may lease up to 500 machines; currently it leases 300 machines of various sizes. Total lease payments for fiscal year 2010 were \$664,448. The Lottery has no commitment for future lease payments.

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 two separate joint venture arrangements; the Tri-State Lotto Commission (Tri-State) and the Multi-State Lottery Association (MUSL). Both joint ventures are audited by separate audit firms hired by the particular joint venture. For fiscal year 2010 Berry, Dunn, McNeil, and Parker of Manchester, New Hampshire audited Tri-State and LWBJ Financial of West Des Moines, Iowa audited MUSL.

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, 2010 Tri-State reported total installment prize obligations owed to jackpot winners of \$64.8 million, payable through the year 2033.

Each state's share of revenues, expenses and interest income is based on their respective share of sales except for direct charges, such as advertising, vendor fees and the Lottery's per-diem payments.

Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The balance in the reserve at June 30, 2010 was \$4.3 million. 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 approximately \$1.6 million. 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 2010 is summarized below:

Operating revenues	<u>\$ 28,325,603</u>
Expenses:	
Prizes	14,292,854
Retailer commissions & incentives	1,422,858
Advertising & promotional	1,391,323
Vendor fees	633,446
Other operating expenses	<u>123,904</u>
Total expenses	<u>17,864,385</u>
Net operating income	<u>10,461,218</u>
Interest income	<u>10,838</u>
Net income from Tri-State	<u><u>\$ 10,472,056</u></u>

The Tri-State Lotto Commission maintains its own financial statements, which have been audited by an independent CPA firm known as Berry, Dunn, McNeil, & Parker. The report dated August 25, 2010 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, 2010 and 2009, 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, P.O. Box 420 South Barre, Vermont 05670.

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 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 \$2,365,939 at June 30, 2010. This represented an increase of \$39,741 from June 30, 2009.

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, and 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.

At June 30, 2010 the total MUSL Powerball prize reserve fund had a balance of \$84,281,999. New Hampshire's portion of the prize reserve fund balance amounted to \$1,532,227. 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, 2010 the total MUSL – Powerball set prize reserve fund had a balance of \$29,117,533. New Hampshire's portion of the prize reserve fund balance amounted to \$483,074. 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 \$15,867,084 at June 30, 2010. New Hampshire's portion of this unreserved fund amounted to \$35,216. 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. For fiscal year 2010, New Hampshire's share of remaining interest was \$2,064.

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, 2010 the MUSL Hot Lotto prize reserve fund was \$6,491,541 with New Hampshire's share being \$361,043. 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, 2010 the MUSL Mega Millions prize reserve fund was in the negative \$629,706 with New Hampshire's share being negative \$10,405. 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.

The New Hampshire Lottery Commission's portion of the Multi-State Lottery's games for fiscal year 2010 is summarized below.

Operating revenues	<u>\$ 44,911,850</u>
Expenses:	
Prizes	21,499,566
Retailer commissions	2,219,400
Vendor fees	1,023,714
Advertising & promotional	651,305
Other operating expenses	<u>53,266</u>
Total expenses	<u>25,447,251</u>
Net operating income	<u>19,464,599</u>
Interest income	<u>2,064</u>
Net income from MUSL	<u><u>\$ 19,466,663</u></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, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

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 through the internet. Merchandise (prizes) is contributed by area vendors 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

The Lottery purchased, on behalf of a prize winner, an annuity from American National Insurance Company. American National Insurance Company was given a rating of A+ (strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances) by Standard & Poor's. The annuity is in the name of the prize winner/recipient. The Lottery does not recognize a liability for this annuity. The annuity was purchased on November 29, 2006. The term is for 19 years. 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 Transfers
For the Year Ended June 30, 2010**

Operating Revenues:	
Instant tickets	\$ 160,536,160
MUSL Powerball	37,705,405
Tri-State Megabucks	12,707,690
Tri-State Pick 3	5,244,090
Tri-State Pick 4	5,139,434
MUSL Hot Lotto	4,149,355
Tri-State Weekly Grand	4,263,496
MUSL Mega Millions	3,057,090
Tri-State Fast Play	970,893
Other - contributed prizes	313,601
Total operating revenues	<u>234,087,214</u>
Operating Expenses:	
Cost of sales:	
Prize awards:	
Instant tickets	102,800,698
MUSL Powerball	18,008,834
Tri-State Megabucks	6,464,015
Tri-State Pick 3	2,621,396
Tri-State Pick 4	2,577,694
MUSL Hot Lotto	1,948,221
Tri-State Weekly Grand	2,144,473
MUSL Mega Millions	1,542,511
Tri-State Fast Play	485,276
Other - Contributed Prizes Paid	313,601
Total prize awards	<u>138,906,719</u>
Retailers' commissions	12,739,661
Vendor fees	5,928,775
Cost of instant tickets (printing & delivery of)	2,231,687
Expense pools	177,170
Total cost of sales	<u>159,984,012</u>
Administration:	
Salaries and benefits	3,472,689
Advertising and promotional	3,281,315
Space rental	388,597
Information Technology	182,874
Other expenses	550,694
Total administration	<u>7,876,169</u>
Depreciation expense	66,642
Total operating expenses	<u>167,926,823</u>
Operating income	66,160,391
Nonoperating revenues	34,423
Net income	<u>66,194,814</u>
Transfers to Education Trust Fund	(66,222,171)
Change in net assets (restricted prize reserve funds)	<u>\$ (27,357)</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	41 - 45
<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	46B - 49
<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	46A, 50
<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	51 – 60
<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, Transfers and Changes in Net Assets
Last 10 Fiscal Years

Thousands

<u>Revenues</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Instant Games	\$ 139,226	\$ 140,320	\$ 150,936	\$ 157,016	\$ 161,358	\$ 176,978	\$ 188,565	\$ 183,991	\$ 170,823	\$ 160,536
Powerball	30,110	44,525	43,061	52,646	39,097	57,232	44,391	46,421	39,994	37,705
Tri-State Megabucks	12,243	11,668	10,982	10,412	10,254	10,184	9,657	10,459	8,687	12,708
Tri-State Daily Pick 3/Pick 4	9,960	10,897	11,012	11,339	10,650	10,818	10,873	10,507	10,489	10,383
Tri-State Other Games	3,194	3,683	2,946	3,327	3,140	4,529	5,446	5,774	5,266	5,235
MUSL Other Games	1,516	1,740	2,261	2,265	3,481	3,001	4,633	3,538	4,324	7,206
Other							375	442	349	314
Total Lottery Sales Revenue ³	196,249	212,833	221,198	237,005	227,980	262,742	263,940	261,132	239,932	234,087
Bingo/Lucky 7 Program Revenue ²	2,059	2,030	2,041	2,078	976	-	-	-	-	-
Interest & Misc. Income	1,664	1,054	366	546	514	1,014	1,304	814	328	34
Total Sales and Other Revenues	199,972	215,917	223,605	239,629	229,470	263,756	265,244	261,946	240,260	234,121
<u>Expenses</u>										
Prizes	115,083	123,650	129,843	137,231	132,686	152,392	155,941	154,687	142,050	138,907
Retailer Commissions & Incentives	10,671	11,472	11,991	12,801	12,344	14,179	14,311	14,279	13,070	12,739
Other Costs of Sales	8,196	7,789	8,232	8,403	8,158	9,479	8,876	8,856	8,430	8,338
Administration & Depreciation Expenses	6,661	7,254	6,815	7,181	6,934	7,379	7,207	8,472	8,358	7,942
Total Expenses	140,611	150,165	156,881	165,616	160,122	183,429	186,335	186,294	171,908	167,926
<u>Transfers</u>										
Distributions to Education	59,349	66,126	66,569	73,744	69,349	80,378	79,043	75,553	68,150	66,222
<u>Change in Net Assets</u>										
Change in Net Assets ¹	12	(374)	155	269	(1)	(51)	(134)	99	202	(27)
<u>Net Assets</u> ⁴										
Invested in capital assets	401	276	189	119	127	191	235	242	164	97
Restricted for prize funds ⁴	3,800	3,426	3,581	3,850	3,849	3,798	3,664	3,763	3,965	3,938
Unrestricted (deficit)	\$ (401)	\$ (276)	\$ (189)	\$ (119)	\$ (127)	\$ (191)	\$ (235)	\$ (242)	\$ (164)	\$ (97)

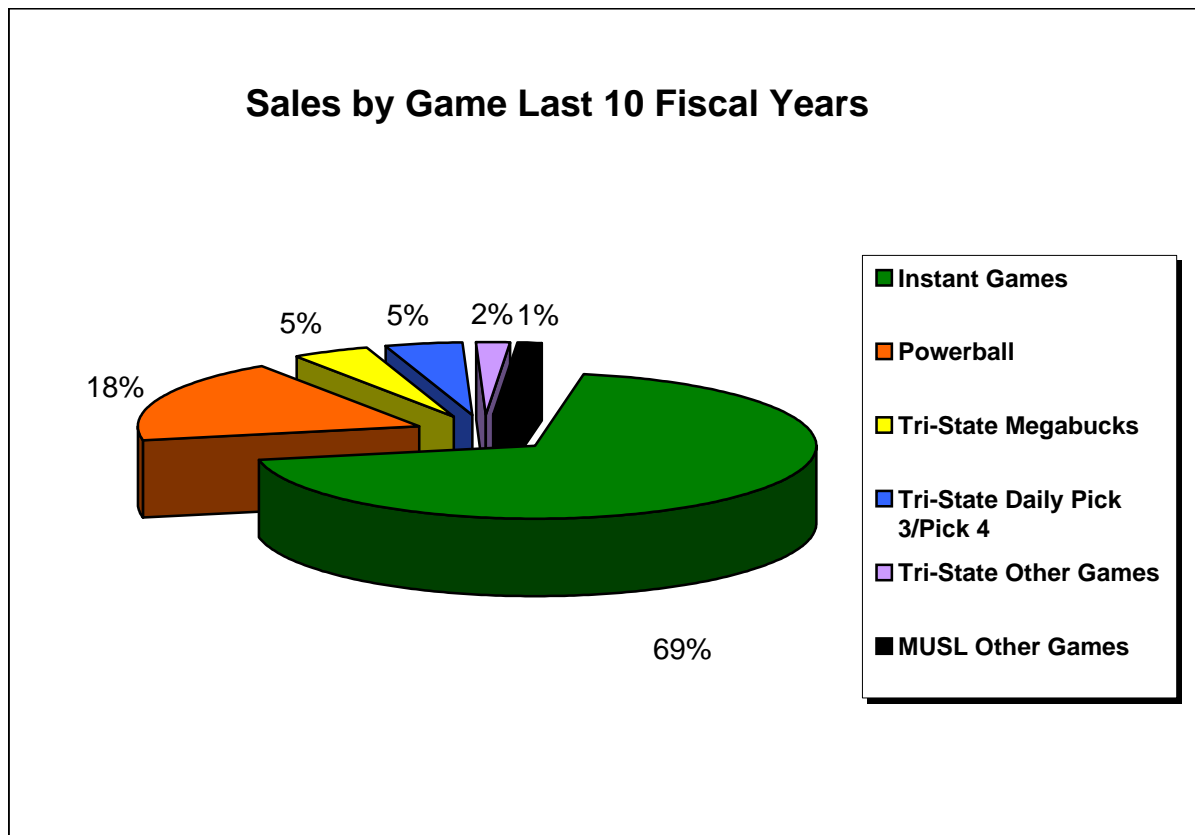
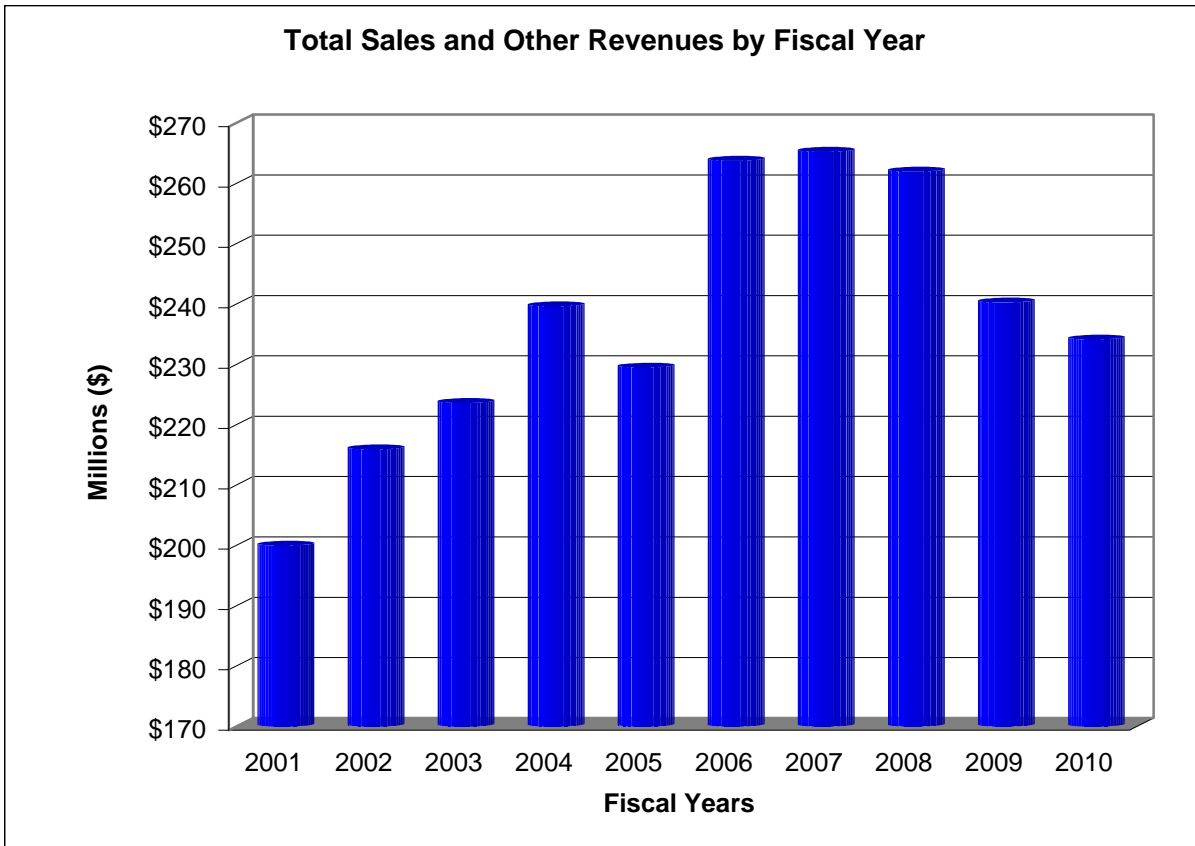
1 The change in net assets does not reflect the condition of the Lottery's financial position, because by law the Lottery is required to transfer all net profits to the Education Trust Fund on a monthly basis.

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.

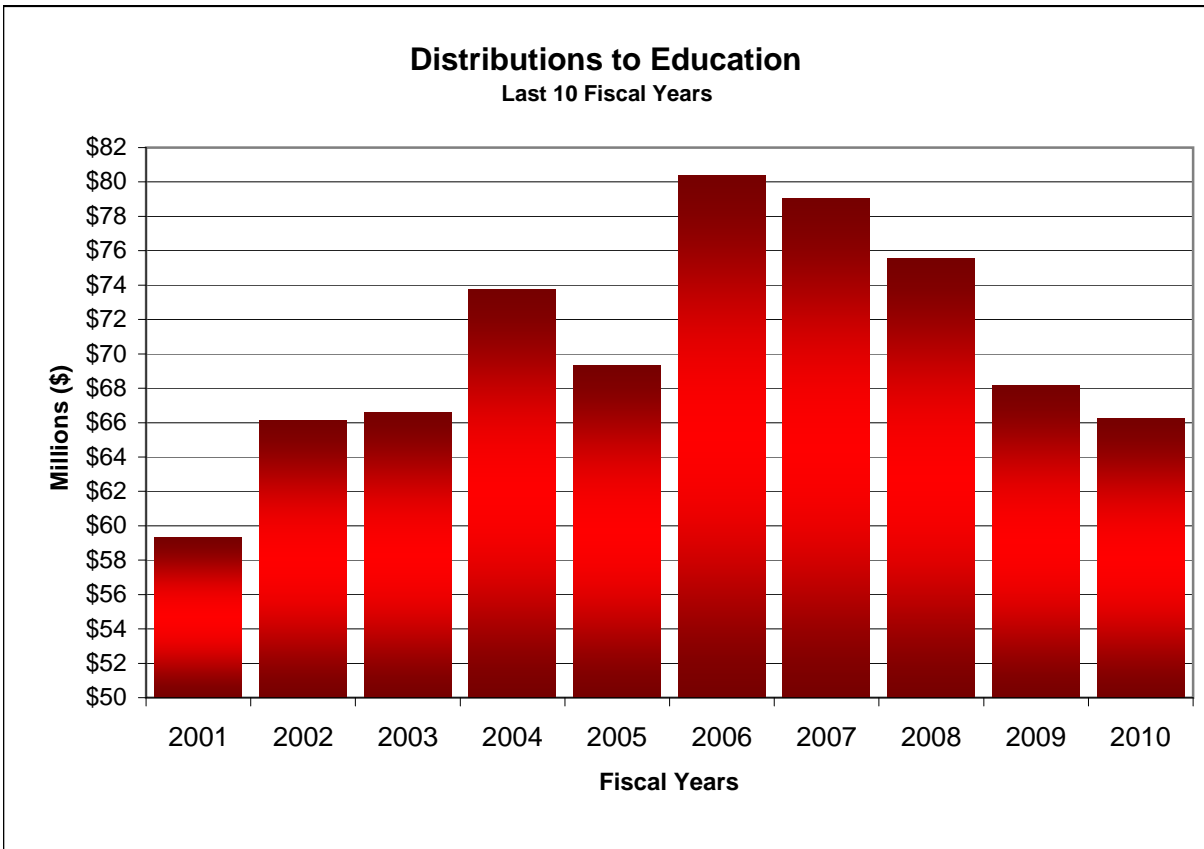
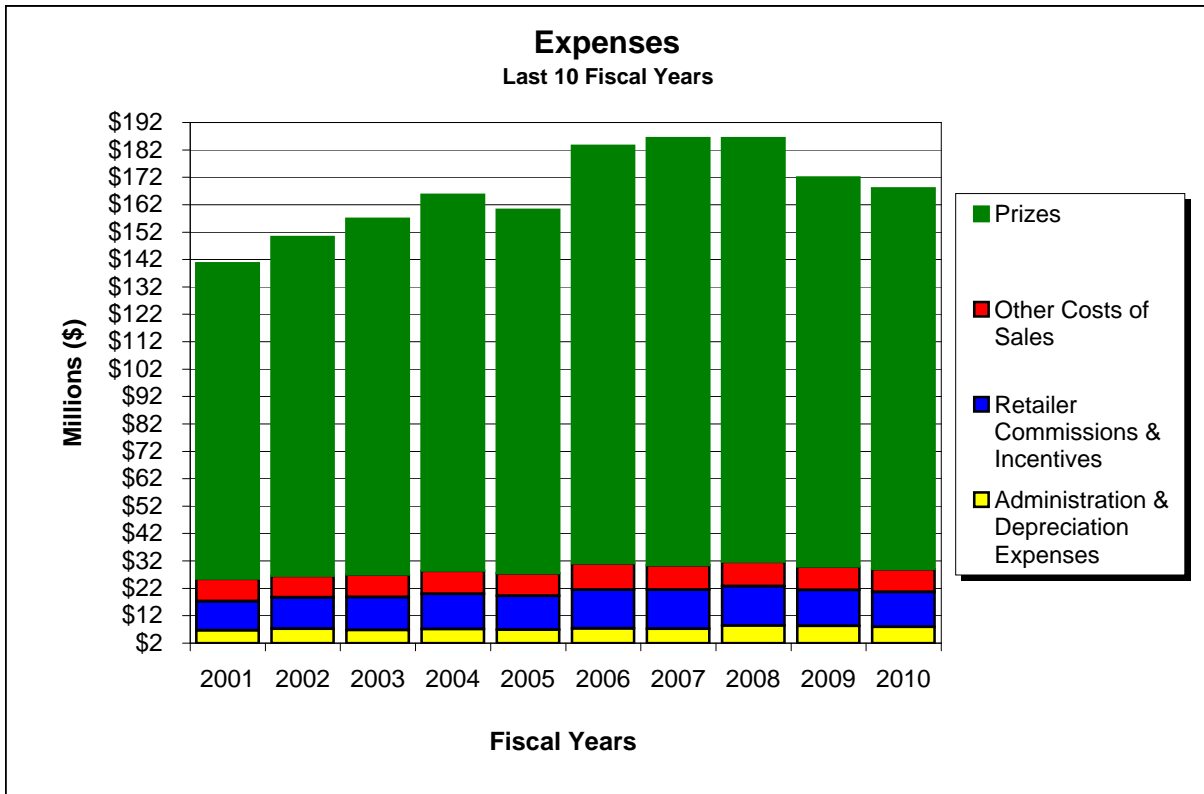
3 State law restricts the maximum sales amount of a ticket to \$30.

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

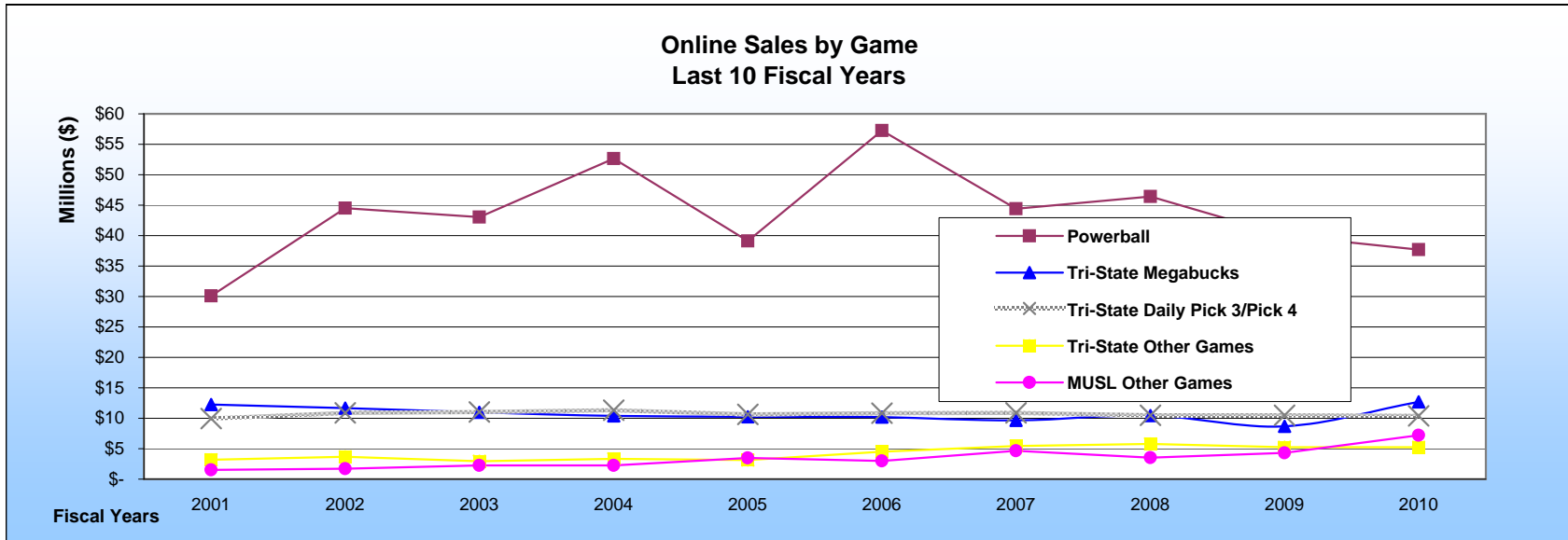
New Hampshire Lottery Commission



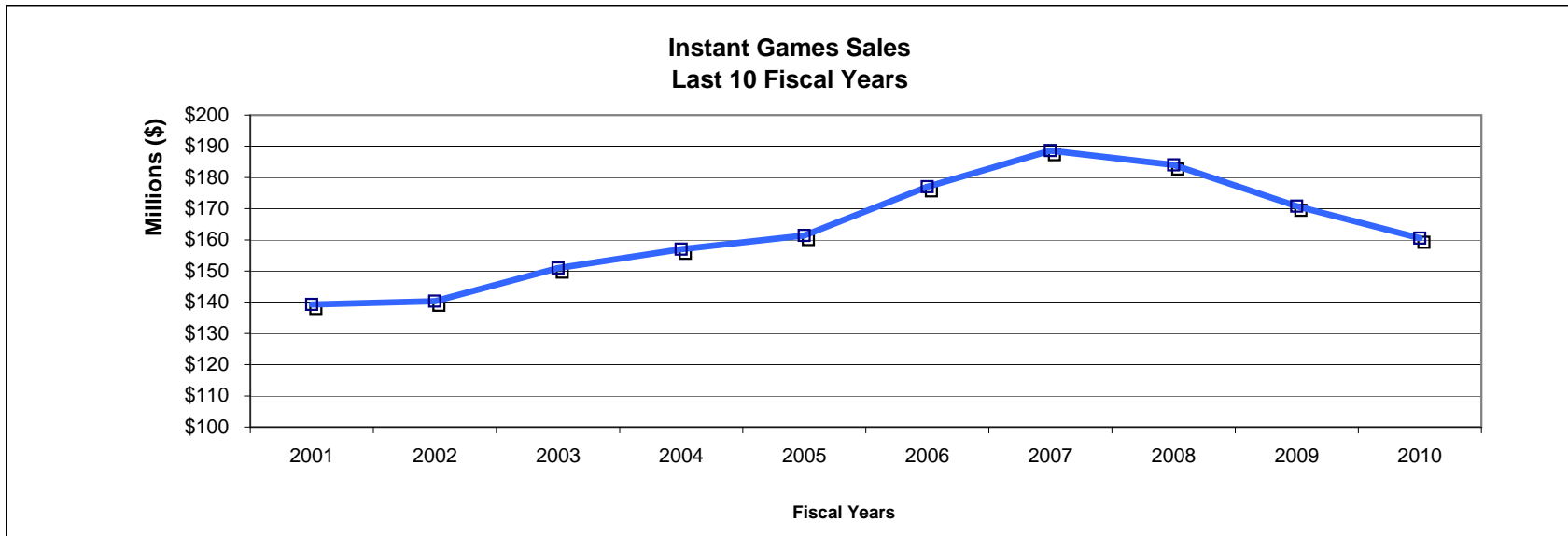
New Hampshire Lottery Commission



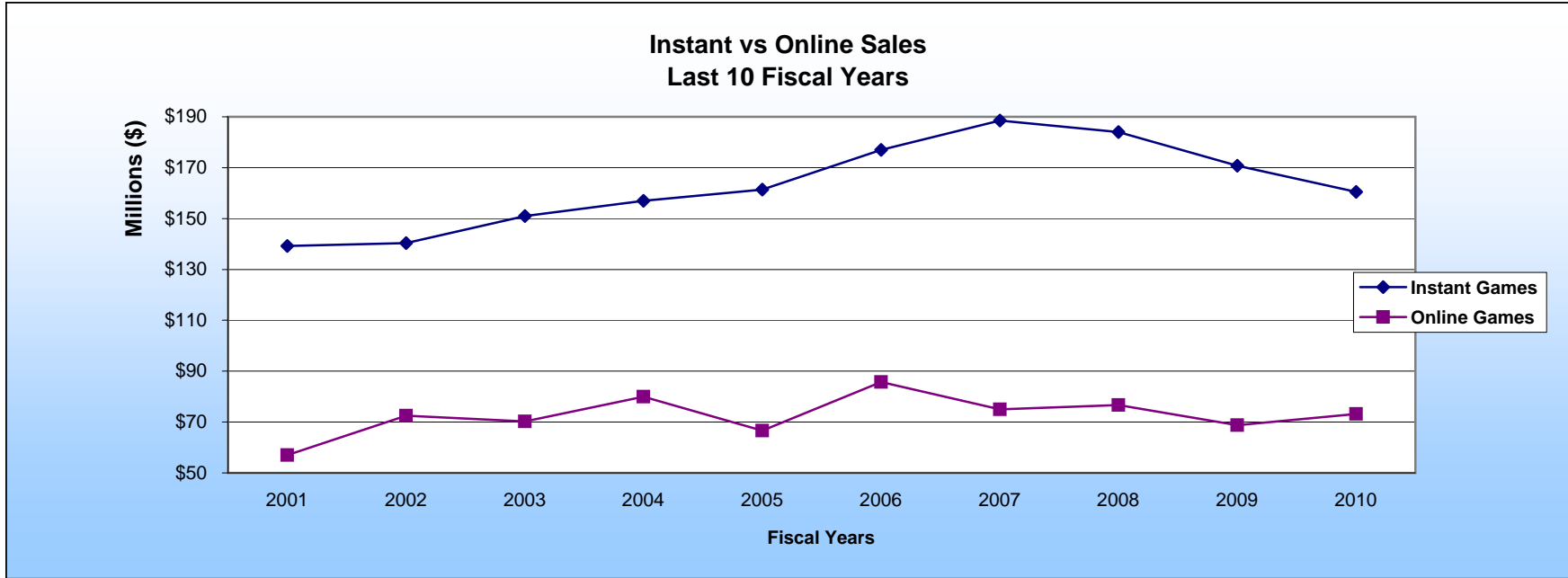
NEW HAMPSHIRE LOTTERY COMMISSION



Over the last ten years Instant Games sales were not only the strongest of all lottery products, but also had the greatest increase from \$139.2 million in 2001 to \$188.6 million in 2007. Instant Games are, for the most part, an impulse purchase depending on discretionary spending. The softening economy has negatively impacted Instant Games sales since 2008. 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 \$200 million jackpot will sell three times as many tickets as a \$25 million jackpot, however, large jackpots can not be predicted and are subject to the “luck of the draw”. Jackpots have a similar impact but to a smaller degree on the lottery’s other jackpot games such as Megabucks and Hot Lotto.



NEW HAMPSHIRE LOTTERY COMMISSION



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

Dollars in thousands	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Instant Games										
Sales	\$139,226	\$140,320	\$150,936	\$157,016	\$161,358	\$176,978	\$188,565	\$183,991	\$170,823	\$160,536
Prizes	87,686	89,331	96,801	99,304	100,764	110,256	119,378	116,738	108,427	102,801
Prizes % of sales	62.98%	63.66%	64.13%	63.24%	62.45%	62.30%	63.31%	63.45%	63.47%	64.04%
Instant advertising expense	966	963	806	825	984	1,090	1,187	1,855	1,583	1,231
Instant advertising expense % of Instant ticket sales	0.69%	0.69%	0.53%	0.53%	0.61%	0.62%	0.63%	1.01%	0.93%	0.77%
Online Games										
Sales	\$57,023	\$72,513	\$70,262	\$79,989	\$66,622	\$85,764	\$75,000	\$77,141	\$69,109	\$73,551
Prizes	27,397	34,319	33,042	37,927	31,922	42,136	36,563	37,949	33,623	36,106
Prizes as a % of sales	48.05%	47.33%	47.03%	47.41%	47.92%	49.13%	48.75%	49.19%	48.65%	49.09%
Online advertising expense	1,867	1,784	1,984	2,113	1,689	1,679	1,554	1,158	2,205	2,050
Online games advertising expense % of online games sales	3.27%	2.46%	2.82%	2.64%	2.53%	1.96%	2.07%	1.50%	3.19%	2.79%

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

A. NH Lottery Commission Employee Statistics :

<u>Fiscal Year</u>	<u>Number of Employees</u> ¹	<u>Salaries Paid</u>	<u>Benefits Paid to Employees</u>	<u>Number of Retirees</u>	<u>Post Employment Benefits Paid</u> ²
2010	60	\$2,057,431	\$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
2003	79	1,737,377	816,901	49	172,732
2002	79	1,900,401	617,421	47	152,424
2001	72	1,724,135	598,389	43	142,040

1 Includes part-time employees

2 The Lottery is required to pay retiree benefits due to being a self-funded agency.

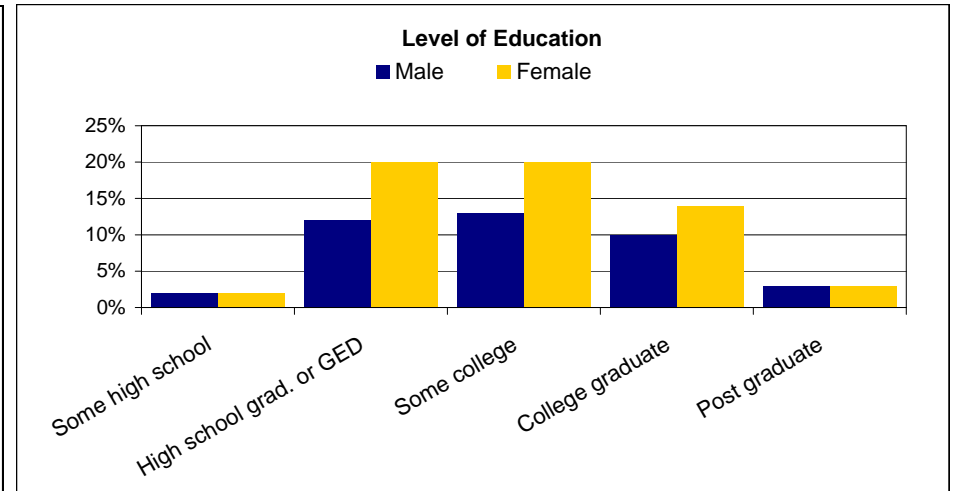
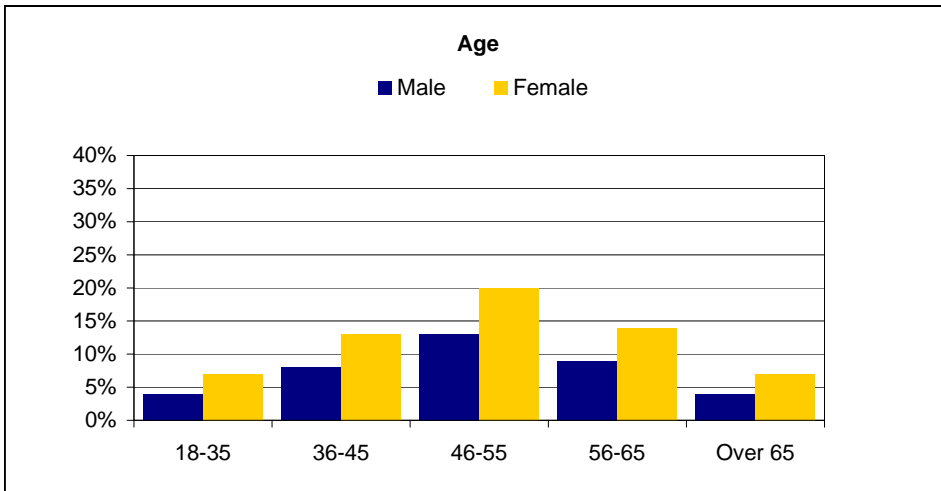
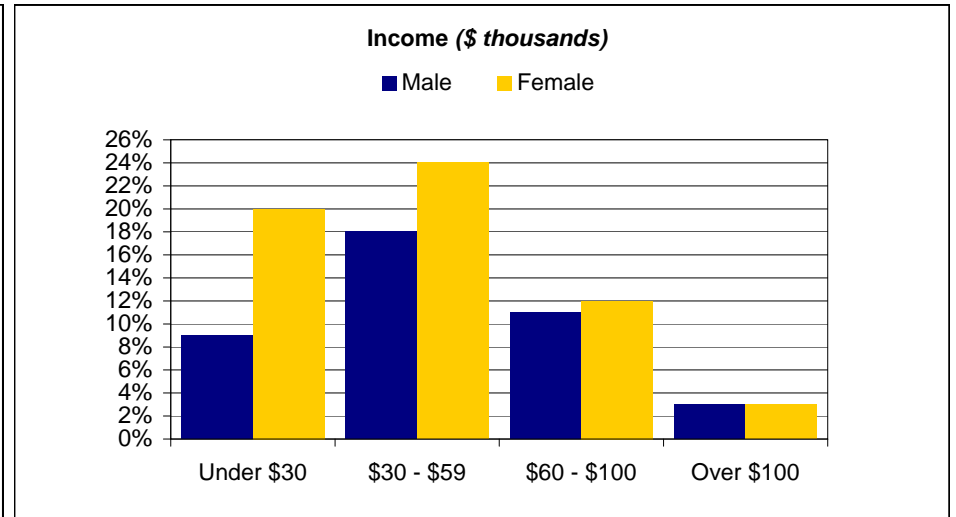
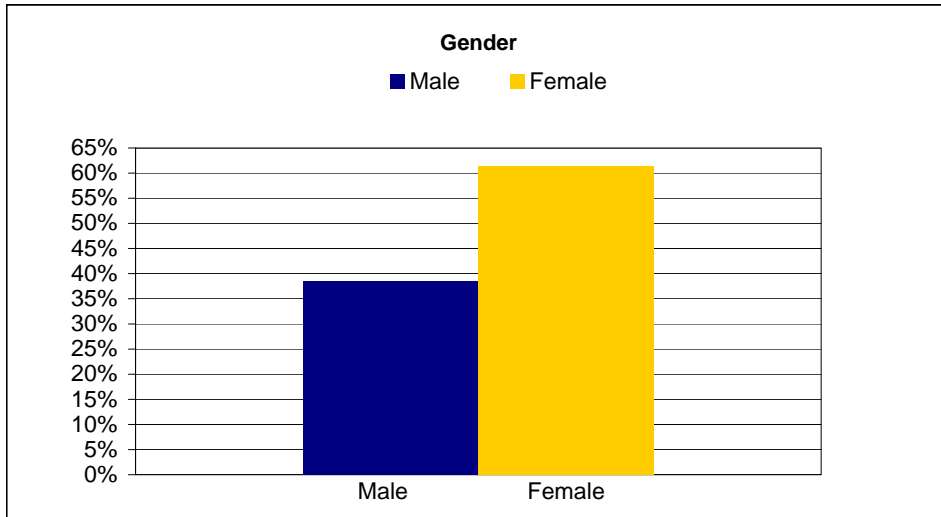
B. New Hampshire Demographic and Economic Statistics (Information available for calendar years 2000 – 2009):

<u>Calendar Year</u>	<u>Gross Domestic Product (billions)</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median age</u>	<u>High School Graduate or More</u> ¹	<u>Bachelor's Degree or More</u> ¹	<u>Unemployment Rate</u>
2009	NA ²	1,324,575	\$56,407,553	\$42,585	40.4	NA ²	NA ²	6.8%
2008	\$60.0	1,315,809	56,356,332	42,830	40.2	81.0%	NA ²	4.0%
2007	57.8	1,312,828	54,640,414	41,639	39.8	90.5%	32.5%	3.9%
2006	56.1	1,309,940	51,964,396	39,703	37.5	89.9%	31.9%	3.2%
2005	53.5	1,299,169	48,681,601	37,432	39.5	90.8%	35.4%	3.6%
2004	51.4	1,287,594	47,190,121	36,523	39.2	92.1%	34.0%	3.9%
2003	48.2	1,274,666	44,327,084	34,596	38.8	90.2%	31.0%	4.4%
2002	46.2	1,258,546	43,393,153	34,149	38.2	88.3%	32.1%	4.5%
2001	44.3	1,240,554	42,623,930	33,919	38.1	87.0%	29.0%	3.4%
2000	43.5	1,235,786	41,429,037	33,401	37.5	87.5%	30.3%	2.8%

1 Calculation is based on persons 25 years and older. 2 Data not available at time of report.

Data sources: US Census Bureau, US Dept of Commerce, US Dept of Labor, Bureau of Business and Economic Research, CQ Press State rankings.

New Hampshire Lottery Commission Who Plays New Hampshire Lottery Games? Demographic Summary of Replay Players



Source: Survey conducted on Lottery Replay website. September 2009.

**New Hampshire Lottery Commission
Who are the Lottery's Top Ten Revenue Producers?
Last 10 Fiscal Years**

In millions

<u>2010</u>		<u>2009</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>	
<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>
Cumberland Farms	\$ 13.6	Cumberland Farms	\$ 14.0	Cumberland Farms	\$ 15.0	Cumberland Farms	\$ 15.3	Cumberland Farms	\$ 14.7
Circle K	13.6	Circle K	13.3	Irving	13.4	Irving	\$ 11.8	Hannaford Bros	11.2
Hannaford Bros Co.	10.9	Hannaford Bros Co.	11.6	Hannaford Bros Co.	12.1	Hannaford Bros Co.	\$ 11.7	Market Basket	10.6
Market Basket	10.5	Market Basket	10.4	Market Basket	10.7	Market Basket	\$ 10.6	Irving	10.5
Shaws	8.9	NH State Liquor Comm	9.1	NH State Liquor Comm	10.0	NH State Liquor Comm	\$ 9.9	Shaws	9.7
NH State Liquor Comm	8.8	Shaws	8.9	Shaws	9.5	Shaws	\$ 9.9	NH State Liquor Comm	9.3
7-Eleven	7.2	7-Eleven	7.4	7-Eleven	8.0	7-Eleven	\$ 7.2	7-Eleven	6.2
AGR Foodmart	4.5	AGR Foodmart Inc	5.0	AGR Foodmart Inc	5.3	Store 24	\$ 5.4	Store 24	3.7
Nouria Energy	3.7	Store 24	3.6	Store 24	3.7	AGR Foodmart Inc	\$ 4.8	AGR Foodmart Inc	3.6
Tedeschi Food Shops	3.5	Nouria Energy	3.3	Nouria Energy	3.4	Nouria Energy	\$ 3.3	Nouria Energy	3.0

<u>2005</u>		<u>2004</u>		<u>2003</u>		<u>2002</u>		<u>2001</u>	
<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>	<u>Retailers</u>	<u>Amount</u>
Cumberland Farms	\$ 11.8	Cumberland Farms	\$ 11.5	Cumberland Farms	\$ 10.6	Cumberland Farms	\$ 10.0	Cumberland Farms	\$ 8.7
Hannaford Bros	9.3	NH State Liquor Comm	9.2	Hannaford Bros Co.	8.5	NH State Liquor Comm	8.4	Hannaford Bros Co.	7.3
Shaws	8.6	Hannaford Bros	9.1	NH State Liquor Comm	8.4	Hannaford Bros Co.	7.9	NH State Liquor Comm	6.9
Market Basket	8.5	Market Basket	8.5	Market Basket	7.6	Market Basket	7.3	Market Basket	6.5
Irving	7.7	Shaws	8.5	Shaws	7.0	Shaws	6.3	Shaws	5.3
NH State Liquor Comm	6.8	Irving	6.9	Irving	5.9	Irving	4.8	Irving	4.3
7-Eleven	5.4	7-Eleven	3.9	7-Eleven	3.2	Store 24	2.7	Store 24	2.3
Store 24	3.2	Store 24	3.2	Store 24	3.0	Jiffy Mart	2.4	Jiffy Mart	2.1
AGR Foodmart Inc	3.1	AGR Foodmart Inc	2.9	Jiffy Mart	2.6	Mr. Mikes	2.1	Mr. Mikes	1.7
Cheshire Oil	2.6	Jiffy Mart	2.8	Mr. Mikes	2.4	7-Eleven	2.0	CN Brown	1.4

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

2010

Employer	Number of	
	Employees	% of State Total
1 State of NH	22,077	3.14%
2 Wal-Mart Stores Inc	8,974	1.28%
3 Dartmouth-Hitchcock Medical Center	8,025	1.14%
4 University System of NH	6,459	0.92%
5 Demoulas & Market Basket	6,000	0.85%
6 Hannaford Brothers	4,776	0.68%
7 Fidelity Investments	4,600	0.65%
8 BAE Systems	4,500	0.64%
9 Shaw's Supermarkets	4,399	0.63%
10 Dartmouth College	<u>4,399</u>	<u>0.63%</u>
Total	<u>74,209</u>	<u>10.56%</u>

2009

Employer	Number of	
	Employees	% of State Total
1 State of NH	22,832	3.29%
2 Wal-Mart Stores Inc	9,017	1.30%
3 Dartmouth-Hitchcock Medical Center	8,025	1.16%
4 University System of NH	6,457	0.93%
5 Demoulas & Market Basket	6,000	0.86%
6 Fidelity Investments	5,500	0.79%
7 BAE Systems	4,700	0.68%
8 Shaw's Supermarkets	4,516	0.65%
9 Hannaford Brothers	4,474	0.64%
10 Dartmouth College	<u>4,407</u>	<u>0.63%</u>
Total	<u>75,928</u>	<u>10.93%</u>

2007

Employer	Number of	
	Employees	% of State Total
1 State of NH	21,655	2.99%
2 Wal-Mart Stores Inc	8,012	1.11%
3 University System of NH	6,668	0.92%
4 Demoulas & Market Basket	6,600	0.91%
5 Dartmouth-Hitchcock Medical Center	6,211	0.86%
6 Fidelity Investments	5,430	0.75%
7 Shaw's Supermarkets	4,700	0.65%
8 Hannaford Brothers	4,663	0.64%
9 Dartmouth College	4,246	0.59%
10 BAE Systems	<u>4,100</u>	<u>0.57%</u>
Total	<u>72,285</u>	<u>9.99%</u>

2008

Employer	Number of	
	Employees	% of State Total
1 State of NH	21,983	3.04%
2 Wal-Mart Stores Inc	8,631	1.19%
3 Dartmouth-Hitchcock Medical Center	7,804	1.08%
4 University System of NH	6,784	0.94%
5 Demoulas & Market Basket	6,000	0.83%
6 Fidelity Investments	5,700	0.79%
7 BAE Systems	5,133	0.71%
8 Shaw's Supermarkets	4,629	0.64%
9 Hannaford Brothers	4,500	0.62%
10 Dartmouth College	4,246	0.59%
Total	<u>75,410</u>	<u>10.43%</u>

2006

Employer	Number of	
	Employees	% of State Total
1 State of NH	21,121	2.93%
2 Wal-Mart Stores Inc	8,659	1.20%
3 University System of NH	6,901	0.96%
4 Demoulas & Market Basket	6,600	0.92%
5 Dartmouth-Hitchcock Medical Center	7,100	0.98%
6 Fidelity Investments	4,859	0.67%
7 Shaw's Supermarkets	4,600	0.64%
8 Hannaford Brothers	5,374	0.75%
9 Dartmouth College	4,246	0.59%
10 BAE Systems	<u>4,100</u>	<u>0.57%</u>
Total	<u>73,560</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 Terminals	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 Powerball Jackpot Runs that Exceeded \$100 Million ²	Highest Powerball Jackpot Amount	Expired Unclaimed Powerball Prizes ³
2010	1222	8	111	\$30	12,231 ⁶	139,039	7	\$ 261,600,000	\$ 892,771 ⁵
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
2003	1215	6	57	10	11,100	-	3	261,300,000	1,689,179
2002	1186	6	52	7	13,000	-	1	314,924,354	992,741
2001	1200	6	50	7	13,000	-	1	294,964,114	1,179,542

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.

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 Lotto	Tri-State Fast Play	Other - Replay	Fiscal Year Total Prizes
2010	\$102,800,698	\$18,008,834	\$3,490,732	\$6,464,015	\$5,199,090	\$2,144,473	\$485,276	\$313,601	\$138,906,719
2009	108,427,290	19,151,243	2,070,928	4,237,157	5,242,902	2,056,310	515,570	348,635	142,050,035
2008	116,737,902	22,127,401	1,719,808	5,247,688	5,252,500	2,500,110	659,406	442,519	154,687,334
2007	119,378,231	20,956,832	2,230,231	4,813,274	5,437,311	2,063,821	685,565	375,467	155,940,732
2006	110,256,485	27,540,712	1,479,781	5,147,580	5,410,637	2,338,749	218,404	-	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	24,215,055	1,098,587	5,200,787	5,665,202	1,663,694	-	-	137,147,815
2003	96,800,965	19,478,318	1,089,128	5,549,961	5,588,329	1,491,024	-	-	129,997,725
2002	89,331,116	19,797,373	823,621	5,842,139	5,642,046	1,839,696	-	-	123,275,991
2001	87,686,018	14,008,596	731,620	6,124,590	4,947,686	1,596,730	-	-	115,095,240

U.S. Lottery Revenue and Expense Analysis - Fiscal Year 2009

LOTTERY	(millions of dollars)					(as a percentage of ticket sales)			
	Ticket Sales	Prizes	Retailer Comm.	Other Expenses	Net Oper Income	Prizes	Retailer Comm.	Other Exp.	Net Oper Income
Arizona	\$ 484.5	\$ 282.5	\$ 32.5	\$ 42.9	\$ 126.7	58.3%	6.7%	8.8%	26.1%
California ~	2,954.8	1,556.1	208.1	188.1	1,002.5	52.7%	7.0%	6.4%	33.9%
Colorado	493.4	301.7	36.5	35.0	120.2	61.1%	7.4%	7.1%	24.4%
Connecticut	991.3	604.7	55.8	48.1	282.7	61.0%	5.6%	4.9%	28.5%
Delaware *	123.3	66.8	7.4	13.6	35.4	54.2%	6.0%	11.1%	28.7%
D.C. ~	245.4	128.1	15.3	33.3	68.7	52.2%	6.2%	13.6%	28.0%
Florida	3,938.0	2,340.4	220.6	131.1	1,246.0	59.4%	5.6%	3.3%	31.6%
Georgia ~	3,395.6	2,148.7	240.9	140.2	865.9	63.3%	7.1%	4.1%	25.5%
Idaho	139.7	85.0	8.3	12.5	33.9	60.9%	6.0%	8.9%	24.3%
Illinois	2,077.2	1,225.9	104.6	113.3	633.5	59.0%	5.0%	5.5%	30.5%
Indiana	732.7	453.2	50.5	50.9	178.0	61.9%	6.9%	6.9%	24.3%
Iowa	243.3	138.4	15.3	30.8	58.9	56.9%	6.3%	12.6%	24.2%
Kansas ~	230.5	130.9	13.5	20.7	65.5	56.8%	5.8%	9.0%	28.4%
Kentucky	765.0	470.4	50.3	42.1	202.2	61.5%	6.6%	5.5%	26.4%
Louisiana	378.5	193.3	21.1	31.3	132.8	51.1%	5.6%	8.3%	35.1%
Maine	210.7	130.0	13.6	19.3	47.9	61.7%	6.4%	9.2%	22.7%
Maryland ~	1,698.1	1,025.9	121.9	59.4	490.9	60.4%	7.2%	3.5%	28.9%
Massachusetts ~	4,425.5	3,217.8	266.1	99.6	842.0	72.7%	6.0%	2.3%	19.0%
Michigan ~	2,377.4	1,407.6	174.2	110.5	685.1	59.2%	7.3%	4.6%	28.8%
Minnesota	481.3	295.0	28.9	40.0	117.4	61.3%	6.0%	8.3%	24.4%
Missouri ~	968.5	629.3	60.1	36.5	242.5	65.0%	6.2%	3.8%	25.0%
Montana	43.8	23.1	2.5	8.1	10.2	52.7%	5.7%	18.4%	23.2%
Nebraska	123.3	71.9	7.7	15.1	28.6	58.3%	6.2%	12.3%	23.2%
New Hampshire	239.9	142.1	13.1	16.7	68.0	59.2%	5.5%	7.0%	28.3%
New Jersey	2,503.3	1,455.3	139.5	72.5	836.0	58.1%	5.6%	2.9%	33.4%
New Mexico	143.9	80.1	9.3	14.2	40.4	55.7%	6.4%	9.8%	28.1%
New York ~	6,695.1	4,003.3	400.7	257.6	2,033.5	59.8%	6.0%	3.8%	30.4%
North Carolina	1,283.4	731.7	90.4	54.7	406.6	57.0%	7.0%	4.3%	31.7%
North Dakota	21.7	11.3	1.1	3.7	5.6	52.1%	5.1%	17.0%	25.8%
Ohio	2,417.7	1,459.1	150.1	124.3	684.3	60.3%	6.2%	5.1%	28.3%
Oklahoma	193.2	95.9	13.4	13.8	70.0	49.7%	7.0%	7.1%	36.3%
Oregon * ~	313.8	205.4	26.7	28.3	53.4	65.4%	8.5%	9.0%	17.0%
Pennsylvania	3,088.2	1,852.5	165.1	132.6	938.0	60.0%	5.3%	4.3%	30.4%
Rhode Island * ~	238.5	141.8	29.0	9.4	58.3	59.5%	12.2%	3.9%	24.4%
South Carolina	1,005.1	633.2	71.3	43.0	257.7	63.0%	7.1%	4.3%	25.6%
South Dakota * ~	41.1	23.3	2.4	5.5	9.9	56.8%	5.7%	13.5%	24.0%
Tennessee	1,014.9	618.7	71.0	50.2	275.0	61.0%	7.0%	4.9%	27.1%
Texas	3,720.1	2,299.8	186.2	194.4	1,039.8	61.8%	5.0%	5.2%	28.0%
Vermont	96.0	60.7	5.6	8.5	21.1	63.3%	5.9%	8.9%	22.0%
Virginia	1,365.6	781.0	76.9	73.7	434.0	57.2%	5.6%	5.4%	31.8%
Washington ~	487.7	301.3	30.8	45.5	110.2	61.8%	6.3%	9.3%	22.6%
W. Virginia * ~	198.1	119.5	13.9	9.4	55.3	60.3%	7.0%	4.8%	27.9%
Wisconsin	473.4	279.9	32.4	32.2	128.9	59.1%	6.8%	6.8%	27.2%
TOTALS	\$ 53,062.2	\$ 32,222.3	\$ 3,284.0	\$ 2,512.5	\$ 15,043.4	60.7%	6.2%	4.7%	28.4%

* 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 2009 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 2010 LaFleur's World Lottery Almanac

U.S. Lottery Sales By Game - Fiscal Year 2009

(\$ 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	2,882	\$278.9	\$12.5	\$179.7	\$13.4	\$484.5	\$73.4	\$579.0	
California ~	37.0	20,569	1,615.4	170.7	1,027.2	141.6	2,954.8	79.9		
Colorado	5.0	2,981	328.3	-	165.1	-	493.4	98.7		
Connecticut	3.5	3,061	610.0	206.4	165.5	9.5	991.3	283.2		
Delaware *	0.9	525	36.5	45.1	40.8	0.9	123.3	137.0		
D.C. ~	0.6	517	45.3	140.7	46.4	13.0	245.4	409.0		
Florida	18.5	13,128	2,064.1	559.1	1,171.3	143.5	3,938.1	212.9		
Georgia ~	9.8	8,179	2,243.7	713.4	320.8	117.8	3,395.6	346.5		
Idaho	1.5	994	88.4	1.9	44.1	5.3	139.7	93.1		
Illinois	12.9	8,447	1,119.7	474.6	456.3	26.6	2,077.2	161.0		
Indiana	6.4	4,167	473.8	57.7	169.2	32.0	732.7	114.5		
Iowa	3.0	-	136.3	9.1	76.7	21.3	243.4	81.1		
Kansas ~	2.8	1,826	115.7	5.8	67.3	41.5	230.3	82.3		
Kentucky	4.3	2,850	458.6	160.5	131.7	14.2	765.0	177.9		
Louisiana	4.5	2,781	141.4	85.3	151.9	-	378.5	84.1		
Maine	1.3	1,312	153.4	9.5	46.8	1.0	210.7	162.1		
Maryland ~	5.7	4,078	507.1	525.5	182.3	483.2	1,698.1	297.9		
Massachusetts ~	6.6	8,155	3,069.3	353.6	239.8	762.7	4,425.5	670.5		
Michigan ~	10.0	10,680	749.1	686.9	338.2	603.3	2,377.4	237.7		
Minnesota	5.3	2,988	327.9	12.4	131.1	12.8	484.2	91.4		
Missouri ~	6.0	4,765	636.6	94.1	171.0	66.8	968.5	161.4		
Montana	1.0	773	13.2	-	27.7	2.9	43.8	43.8		
Nebraska	1.8	1,164	64.8	3.1	53.4	2.0	123.3	68.5		
New Hampshire	1.3	1,232	170.8	10.5	57.3	1.3	239.9	184.6		
New Jersey	8.7	6,096	1,270.5	713.6	511.6	-	2,495.8	286.9		
New Mexico	2.0	1,217	82.2	2.9	58.9	-	144.0	72.0		
New York * ~	19.5	15,989	3,666.1	1,590.5	973.7	464.8	6,695.1	343.3		965.1
North Carolina	9.4	6,019	789.1	224.6	269.8	-	1,283.4	136.5		
North Dakota	0.6	400	-	-	21.7	-	21.7	36.2		
Ohio	11.5	9,904	1,349.4	588.4	304.2	175.8	2,417.7	210.2		
Oklahoma	3.6	2,382	77.9	6.9	108.4	-	193.2	53.7		
Oregon * ~	3.8	4,206	112.1	1.4	96.6	103.7	313.8	82.6		786.8
Pennsylvania	12.6	8,341	1,757.7	659.5	651.9	19.2	3,088.2	245.1		
Rhode Island * ~	1.1	1,206	82.4	25.8	51.8	78.6	238.5	216.8		460.9
South Carolina	4.6	3,666	650.0	198.4	156.7	-	1,005.1	218.5		
South Dakota * ~	0.8	751	20.2	-	20.9	-	41.1	51.3		220.1
Tennessee	6.3	-	768.9	81.7	164.0	0.8	1,015.4	161.2		
Texas	24.8	16,647	2,791.5	323.0	534.0	51.5	3,700.1	149.2		
Vermont	0.6	758	73.8	3.1	18.3	0.8	96.0	160.0		
Virginia	7.9	5,260	690.4	436.1	223.5	15.7	1,365.6	172.9		
Washington ~	6.7	4,199	307.0	32.9	142.3	5.5	487.7	72.8		
W. Virginia * ~	1.8	1,653	113.9	13.7	61.5	9.1	198.1	110.1		1,260.7
Wisconsin	5.7	3,625	275.3	38.2	158.4	1.5	473.4	83.1		
Total	288.3	-	\$30,326.6	\$9,279.0	\$9,989.2	\$3,443.3	\$53,038.1	\$184.0		\$4,272.6
% of total			57.2%	17.5%	18.8%	6.5%	100.0%			

* VLT = Sales from Video Lottery Terminals

~ Other sales include Keno sales.

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

**U.S. Lottery - Government Transfers From Net Profits
Fiscal Years 2002 - 2009**

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009
Arizona	\$84.9	\$92.5	\$105.9	\$116.4	\$141.1	\$139.9	\$144.5	\$129.1
California	1,027.2	977.0	1,044.1	1,148.8	1,258.5	1,176.9	1,069.3	1,027.7
Colorado	110.1	104.8	104.1	103.7	125.6	119.0	122.3	119.6
Connecticut	271.5	256.8	280.8	268.5	284.9	278.3	283.6	282.9
Delaware *	292.4	271.8	283.9	297.9	316.0	327.0	319.8	311.8
D.C. ~	63.0	72.1	73.5	71.5	73.8	65.4	70.3	68.8
Florida	926.5	1,035.2	1,051.7	1,103.6	1,224.7	1,263.3	1,283.4	1,287.9
Georgia ~	726.2	767.2	782.7	802.2	822.4	853.6	867.7	872.1
Idaho	15.0	18.0	25.0	26.0	33.0	34.0	35.3	35.3
Illinois	552.3	539.8	576.1	619.5	645.9	631.2	648.5	634.7
Indiana	169.4	178.9	195.8	188.9	216.5	217.6	217.1	178.9
Iowa	48.2	48.0	55.8	51.1	80.9	58.2	56.6	60.6
Kansas ~	55.2	62.5	70.2	65.4	67.1	71.0	70.1	68.2
Kentucky	172.7	180.7	193.5	158.2	204.3	196.3	192.1	204.4
Louisiana	111.0	110.8	121.2	110.4	119.4	128.2	131.9	135.9
Maine	40.5	40.3	42.5	50.3	51.6	51.4	52.4	50.6
Maryland ~	443.5	444.9	458.4	477.1	501.0	494.1	529.4	493.2
Massachusetts ~	899.2	889.5	912.0	936.1	951.2	920.0	935.0	859.4
Michigan ~	645.9	586.1	644.9	667.6	688.0	748.9	740.7	737.2
Minnesota	81.7	79.4	100.7	106.2	119.3	112.4	116.3	118.3
Missouri ~	160.0	203.5	229.4	218.6	260.7	257.9	266.7	256.3
Montana	7.5	7.5	8.1	6.2	9.1	11.4	11.0	10.1
Nebraska	18.5	20.2	20.6	26.4	27.6	29.3	31.0	30.3
New Hampshire	66.1	66.6	73.7	69.4	80.4	79.0	75.6	68.2
New Jersey	754.6	765.4	795.0	812.1	844.2	828.3	882.1	887.2
New Mexico	29.6	33.1	35.9	32.2	36.9	34.9	40.8	40.8
New York * ~	1,579.6	1,780.4	1,907.4	2,062.7	2,202.6	2,358.4	2,556.1	2,544.0
North Carolina	n/a	n/a	n/a	n/a	64.6	315.4	349.3	414.9
N. Dakota	n/a	n/a	1.6	6.1	6.5	6.5	5.9	6.4
Ohio	635.2	641.4	655.6	645.1	646.3	669.3	672.2	702.3
Oklahoma	n/a	n/a	n/a	n/a	69.0	69.4	71.6	69.7
Oregon * ~	340.6	359.4	380.6	401.6	570.7	644.0	648.4	594.3
Pennsylvania	749.2	796.5	817.3	851.8	992.4	949.1	928.1	910.5
R. Island * ~	214.1	249.0	281.1	307.6	323.9	321.0	355.6	344.3
S. Carolina	81.2	220.1	286.8	279.7	320.6	279.2	265.3	261.5
S. Dakota *	109.3	112.1	115.8	119.3	119.0	121.1	123.3	119.9
Tennessee	n/a	n/a	123.3	234.3	284.7	294.7	286.1	280.2
Texas	928.9	949.1	1,051.0	1,070.3	1,090.3	1,093.0	1,034.9	1,062.2
Vermont	16.7	16.2	19.6	20.5	23.0	23.6	22.7	21.1
Virginia	367.7	375.2	407.7	423.5	454.0	437.2	455.3	430.2
Washington ~	93.9	98.5	117.6	115.6	125.1	117.9	130.3	120.4
W. Virginia * ~	315.9	411.0	512.0	563.3	610.0	639.2	631.2	616.6
Wisconsin	119.0	129.6	131.7	143.4	133.3	160.6	147.3	133.3
Total	\$13,323.6	\$13,990.8	\$15,094.4	\$15,779.2	\$17,219.8	\$17,627.0	\$17,877.2	\$17,601.0

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

* Includes profits from Video Lottery Terminals

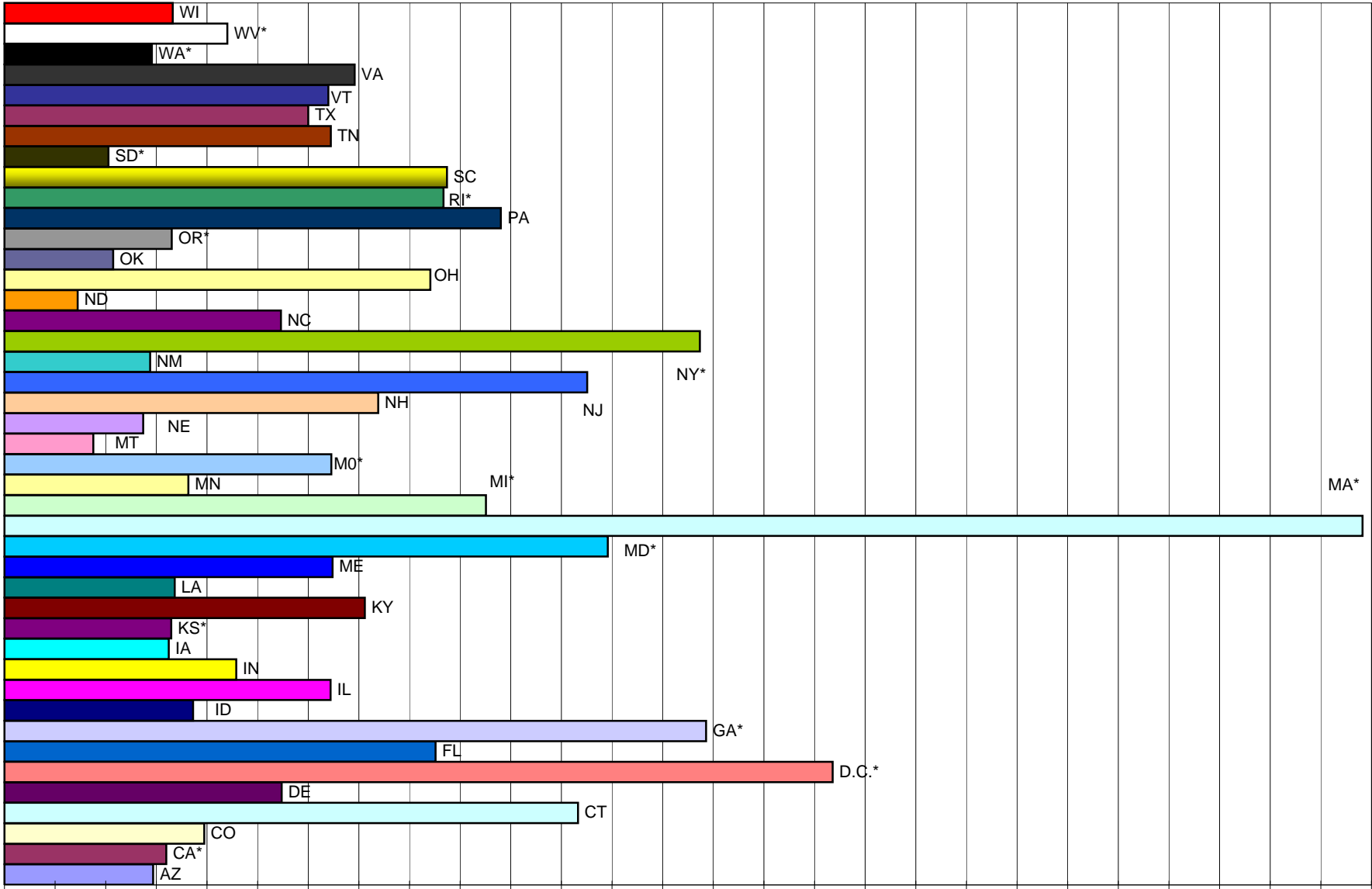
~ Includes profits from Keno sales.

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

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

U.S. Lottery Sales Per Capita Fiscal Year 2009



0* 25 50 75 100 125 150 175 200 225 250 275 300 325 350 375 400 425 450 475 500 525 550 575 600 625 650 675
 *These states include Keno sales.
 Data represents only sales from traditional lottery games and not VLT sales.
 Source: 2010 LaFleur's World Lottery Almanac.

**U.S. Lottery Per Capita Sales
Fiscal Years 2002 - 2009**

Lottery	2002	2003	2004	2005	2006	2007	2008	2009	2009 Order by Ranking		
Arizona	\$ 54	\$58	\$64	\$67	\$76	\$73	\$73	\$73	1	Massachusetts ~	671
California ~	82	78	81	92	98	91	83	80	2	D.C. ~	409
Colorado	91	86	87	89	99	93	102	99	3	Georgia ~	346
Connecticut	262	248	259	267	277	273	285	283	4	New York ~	343
Delaware *	125	125	136	143	146	131	144	137	5	Maryland ~	298
D.C. ~	370	422	402	392	458	428	427	409	6	New Jersey	288
Florida	139	169	176	195	217	225	228	213	7	Connecticut	283
Georgia ~	271	282	308	300	316	335	338	346	8	Pennsylvania	245
Idaho	69	72	78	81	90	87	90	93	9	Michigan ~	238
Illinois	124	124	133	142	153	155	159	161	10	South Carolina	219
Indiana	102	107	119	117	129	125	129	114	11	Rhode Island * ~	217
Iowa	62	64	70	70	114	78	83	81	12	Florida	213
Kansas ~	70	75	83	77	85	86	88	82	13	Ohio	210
Kentucky	156	164	177	168	176	177	182	178	14	New Hampshire	184
Louisiana	70	69	76	68	77	82	85	84	15	Kentucky	178
Maine	122	126	143	161	174	177	174	162	16	Virginia	173
Maryland ~	239	240	249	265	278	282	297	298	17	Maine	162
Massachusetts ~	652	651	683	698	699	693	722	671	18	Missouri ~	161
Michigan ~	168	167	195	205	219	232	233	238	19	Tennessee	161
Minnesota	75	70	76	80	87	81	88	91	20	Illinois	161
Missouri ~	103	124	136	135	156	158	168	161	21	Vermont	160
Montana	37	38	41	38	42	42	45	44	22	Texas	150
Nebraska	43	47	54	56	64	64	68	68	23	Delaware *	137
New Hampshire	167	172	182	175	200	203	201	184	24	North Carolina	137
New Jersey	241	240	252	261	276	270	292	288	25	Indiana	114
New Mexico	72	73	78	73	79	74	74	72	26	W. Virginia * ~	110
New York ~	248	281	302	313	336	345	342	343	27	Colorado	99
North Carolina	n/a	n/a	n/a	n/a	26	95	114	137	28	Idaho	93
North Dakota	n/a	n/a	10	32	35	38	34	36	29	Minnesota	91
Ohio	174	182	187	188	193	196	202	210	30	Louisiana	84
Oklahoma	n/a	n/a	n/a	n/a	57	60	59	54	31	Wisconsin	83
Oregon * ~	232	100	101	100	98	96	89	83	32	Oregon * ~	83
Pennsylvania	157	172	190	213	247	248	248	245	33	Kansas ~	82
Rhode Island * ~	1,095	222	227	220	244	223	230	217	34	Iowa	81
South Carolina	82	175	82	223	265	225	222	219	35	California ~	80
South Dakota * ~	828	37	43	41	50	50	53	51	36	Arizona	73
Tennessee	n/a	n/a	72	131	154	171	159	161	37	Washington ~	73
Texas	136	142	155	160	161	158	151	150	38	New Mexico	72
Vermont	133	128	154	154	168	174	164	160	39	Nebraska	68
Virginia	152	154	168	176	179	177	178	173	40	Oklahoma	54
Washington ~	72	75	78	73	75	76	80	73	41	South Dakota * ~	51
W. Virginia * ~	471	106	115	108	120	107	109	110	42	Montana	44
Wisconsin	79	80	88	82	92	88	88	83	43	North Dakota	36

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

~ Amount includes Keno sales.

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

**U.S. Lottery Industry Ticket Sales
Fiscal Years 2002 - 2009**

(in Millions)

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009
Arizona	\$ 295	\$ 322	\$ 367	\$ 398	\$ 469	\$ 462	\$473	\$ 484
California ~	2,896	2,782	2,924	3,334	3,585	3,318	3,050	2,955
Colorado	408	391	401	417	469	456	506	493
Connecticut	908	865	908	933	970	957	998	991
Delaware *	674	102	109	114	125	118	125	123
D.C. ~	211	238	241	235	266	257	253	245
Florida	2,330	2,868	3,071	3,471	3,929	4,122	4,175	3,938
Georgia ~	2,322	2,452	2,710	2,734	2,955	3,178	3,242	3,396
Idaho	93	98	109	114	131	131	137	140
Illinois	1,567	1,565	1,688	1,814	1,964	1,999	2,057	2,077
Indiana	626	664	735	740	816	789	823	733
Iowa	181	188	209	211	340	235	249	243
Kansas ~	190	203	224	207	236	240	237	231
Kentucky	639	673	725	707	742	744	778	765
Louisiana	312	311	340	307	332	354	374	379
Maine	158	165	186	209	230	230	229	211
Maryland ~	1,307	1,322	1,395	1,486	1,561	1,577	1,673	1,698
Massachusetts ~	4,194	4,191	4,368	4,466	4,501	4,437	4,690	4,425
Michigan ~	1,688	1,682	1,974	2,069	2,212	2,343	2,330	2,377
Minnesota	377	352	387	408	450	421	462	481
Missouri ~	585	708	791	786	914	934	996	968
Montana	34	35	37	34	40	42	44	44
Nebraska	74	81	93	101	113	114	122	123
New Hampshire	213	221	237	228	263	264	261	240
New Jersey	2,069	2,076	2,188	2,274	2,407	2,351	2,539	2,503
New Mexico	134	137	149	139	155	148	147	144
New York ~	4,754	5,396	5,826	6,039	6,487	6,652	6,673	6,695
North Carolina	n/a	n/a	n/a	n/a	230	862	1,049	1,283
N. Dakota	n/a	n/a	6	19	22	23	22	22
Ohio	1,983	2,078	2,155	2,159	2,221	2,259	2,325	2,418
Oklahoma	n/a	n/a	n/a	n/a	205	215	214	193
Oregon * ~	817	355	362	360	363	355	339	314
Pennsylvania	1,934	2,133	2,352	2,645	3,070	3,076	3,089	3,088
R. Island * ~	1,171	239	249	242	261	245	241	238
S. Carolina	335	724	950	957	1,145	988	993	1,005
S. Dakota * ~	630	29	34	33	39	40	42	41
Tennessee	2,966	n/a	428	784	928	1,058	990	1,015
Texas	n/a	3,131	3,486	3,662	3,775	3,774	3,672	3,720
Vermont	82	79	92	93	105	105	102	96
Virginia	1,108	1,136	1,262	1,334	1,365	1,362	1,386	1,366
Washington ~	439	460	481	458	478	493	521	488
W. Virginia * ~	849	192	207	194	218	193	198	198
Wisconsin	428	435	483	452	509	493	495	473

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

~ Total ticket sales include Keno sales.

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

U.S. Lottery Net Operating Income as a Percent of Ticket Sales
Fiscal Years 2002 - 2009

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009
Arizona	29.0%	28.8%	29.0%	29.2%	29.9%	30.1%	30.3%	26.1%
California ~	36.4%	38.2%	30.2%	34.1%	34.6%	34.7%	34.4%	33.9%
Colorado	26.8%	26.7%	25.6%	24.8%	26.0%	25.5%	23.6%	24.4%
Connecticut	30.0%	29.6%	30.9%	28.7%	29.2%	29.1%	28.4%	28.5%
Delaware *	30.1%	30.5%	33.6%	29.7%	25.0%	31.3%	30.3%	28.7%
D.C. ~	29.8%	30.3%	30.4%	30.2%	27.2%	25.1%	27.6%	28.0%
Florida	40.6%	38.4%	30.7%	31.8%	30.9%	30.4%	31.3%	31.6%
Georgia ~	31.3%	31.0%	30.2%	29.1%	27.4%	26.6%	25.4%	25.5%
Idaho	25.0%	22.3%	22.3%	21.2%	25.7%	23.9%	25.3%	24.3%
Illinois	35.4%	33.7%	33.2%	32.0%	30.8%	30.6%	30.1%	30.5%
Indiana	26.9%	26.4%	27.1%	25.1%	26.8%	26.8%	25.5%	24.3%
Iowa	26.0%	25.0%	26.3%	24.3%	23.6%	24.7%	22.9%	24.2%
Kansas ~	30.8%	31.3%	31.4%	29.6%	29.0%	28.8%	27.6%	28.4%
Kentucky	27.0%	28.7%	24.8%	22.2%	27.3%	26.0%	24.2%	26.4%
Louisiana	35.7%	35.4%	35.7%	35.0%	35.3%	35.5%	34.5%	35.1%
Maine	25.3%	24.1%	22.6%	22.9%	21.9%	21.4%	22.1%	22.7%
Maryland ~	33.6%	33.2%	32.8%	32.3%	32.0%	30.6%	32.2%	28.9%
Massachusetts ~	21.3%	21.2%	20.8%	20.6%	20.6%	19.6%	19.0%	19.0%
Michigan ~	36.1%	33.5%	32.0%	31.6%	30.4%	31.3%	31.1%	28.8%
Minnesota	21.6%	22.5%	26.0%	25.8%	26.2%	25.8%	24.9%	24.4%
Missouri ~	27.0%	28.6%	27.9%	26.7%	26.4%	25.7%	25.2%	25.0%
Montana	21.5%	21.5%	22.1%	18.2%	22.3%	26.8%	24.9%	23.2%
Nebraska	24.7%	24.5%	21.3%	23.4%	26.2%	25.0%	24.9%	23.2%
New Hampshire	30.6%	29.8%	30.9%	29.8%	30.2%	29.3%	28.7%	28.3%
New Jersey	36.9%	35.6%	35.8%	33.9%	33.4%	33.1%	33.4%	33.4%
New Mexico	22.9%	24.8%	25.2%	26.4%	26.4%	23.1%	27.3%	28.1%
New York ~	33.2%	34.6%	33.2%	30.3%	28.5%	30.4%	31.0%	30.4%
North Carolina	n/a	n/a	n/a	n/a	33.5%	35.5%	32.3%	31.7%
N. Dakota	n/a	32.9%	27.6%	32.9%	30.0%	29.1%	26.7%	25.8%
Ohio	31.7%	17.1%	27.7%	30.0%	29.7%	29.7%	29.0%	28.3%
Oklahoma	n/a	n/a	n/a	n/a	33.7%	32.6%	33.6%	36.3%
Oregon * ~	16.8%	37.2%	19.4%	15.7%	18.0%	17.2%	18.2%	17.0%
Pennsylvania	38.5%	28.0%	34.5%	31.5%	31.4%	29.8%	29.6%	30.4%
R. Island * ~	27.4%	30.2%	25.6%	25.0%	25.1%	25.1%	23.9%	24.4%
S. Carolina	26.0%	23.1%	30.5%	28.6%	27.5%	27.6%	26.1%	25.6%
S. Dakota * ~	23.5%	30.9%	23.6%	20.4%	22.1%	25.1%	24.8%	24.0%
Tennessee	n/a	20.3%	30.5%	30.0%	29.4%	33.2%	28.3%	27.1%
Texas	31.4%	32.8%	21.6%	29.2%	28.8%	28.7%	28.3%	28.0%
Vermont	20.3%	26.4%	32.2%	22.5%	21.5%	22.3%	21.9%	22.0%
Virginia	32.9%	22.4%	16.7%	31.3%	32.7%	31.3%	31.9%	31.8%
Washington ~	25.0%	29.8%	20.7%	25.0%	25.3%	23.2%	25.0%	22.6%
W. Virginia * ~	30.0%	29.2%	27.6%	22.2%	29.5%	30.1%	27.9%	27.9%
Wisconsin	29.3%	35.7%	29.8%	28.7%	29.5%	27.9%	28.5%	27.2%

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

~ Percentage includes Keno sales.

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

**U.S. Lottery Prize Percentage Payout Based on Ticket Sales
Fiscal Years 2002 - 2009**

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009
Arizona	54.8%	54.9%	55.1%	50.4%	55.3%	55.7%	55.5%	58.3%
California ~	50.7%	49.4%	56.4%	53.9%	53.9%	53.2%	53.1%	52.7%
Colorado	58.0%	57.6%	58.9%	59.8%	60.1%	60.7%	62.3%	61.1%
Connecticut	60.1%	60.4%	59.3%	61.4%	60.5%	60.6%	60.9%	61.0%
Delaware *	50.5%	51.5%	49.0%	52.5%	52.1%	51.9%	52.6%	54.2%
D.C. ~	52.3%	51.8%	50.7%	51.3%	55.1%	56.6%	53.5%	52.2%
Florida	48.7%	51.8%	58.7%	58.9%	59.6%	60.3%	59.3%	59.4%
Georgia ~	56.0%	56.1%	58.3%	59.7%	61.4%	62.2%	63.2%	63.3%
Idaho	55.4%	57.6%	59.1%	61.3%	58.4%	60.4%	59.6%	60.9%
Illinois	54.2%	55.7%	56.8%	57.5%	59.0%	58.9%	59.6%	59.0%
Indiana	58.9%	59.5%	59.3%	61.6%	60.4%	60.6%	61.2%	61.9%
Iowa	53.7%	54.9%	54.4%	53.9%	36.0%	56.7%	58.1%	56.9%
Kansas ~	51.8%	52.8%	53.6%	54.4%	55.5%	55.9%	56.2%	56.8%
Kentucky	59.4%	58.1%	62.1%	64.7%	59.9%	61.3%	63.4%	61.5%
Louisiana	49.5%	49.7%	49.9%	49.9%	50.7%	50.7%	51.6%	51.1%
Maine	57.0%	58.8%	61.0%	60.7%	61.9%	62.5%	62.3%	61.7%
Maryland ~	56.1%	56.2%	57.0%	57.6%	57.9%	58.8%	57.2%	60.4%
Massachusetts ~	71.2%	71.6%	71.9%	71.9%	71.9%	72.7%	72.9%	72.7%
Michigan ~	50.1%	53.5%	55.8%	56.2%	57.3%	56.7%	56.8%	59.2%
Minnesota	58.9%	58.0%	58.2%	59.1%	59.6%	59.5%	60.6%	61.3%
Missouri ~	59.5%	59.4%	60.8%	62.1%	62.7%	63.7%	64.4%	65.0%
Montana	50.8%	50.6%	50.8%	52.6%	51.9%	51.5%	52.1%	52.7%
Nebraska	52.9%	52.8%	56.5%	58.0%	56.3%	57.1%	56.8%	58.3%
New Hampshire	57.1%	58.1%	57.2%	58.2%	59.1%	59.2%	59.2%	59.2%
New Jersey	54.5%	55.4%	55.5%	57.0%	57.4%	57.8%	57.9%	58.1%
New Mexico	56.3%	55.4%	55.3%	54.7%	54.7%	57.5%	54.4%	55.7%
New York ~	56.0%	55.5%	56.7%	58.3%	59.4%	59.7%	59.2%	59.8%
North Carolina	n/a	n/a	n/a	n/a	51.8%	52.4%	56.1%	57.0%
N. Dakota	n/a	n/a	46.2%	47.5%	49.4%	49.8%	51.6%	52.1%
Ohio	56.9%	56.1%	61.2%	59.3%	59.0%	59.2%	60.1%	60.3%
Oklahoma	n/a	n/a	n/a	n/a	53.5%	53.9%	52.7%	49.7%
Oregon * ~	66.2%	66.1%	64.2%	68.1%	66.0%	65.9%	65.0%	65.4%
Pennsylvania	51.5%	52.4%	55.1%	57.8%	58.8%	59.6%	59.7%	60.0%
R. Island * ~	58.7%	58.3%	59.2%	59.4%	59.3%	58.8%	59.9%	59.5%
S. Carolina	59.5%	57.2%	58.0%	59.9%	61.4%	60.7%	62.5%	63.0%
S. Dakota * ~	53.1%	54.7%	55.4%	56.5%	56.7%	56.1%	56.4%	56.8%
Tennessee	n/a	n/a	n/a	56.7%	57.9%	55.3%	59.4%	61.0%
Texas	57.8%	58.9%	59.3%	60.8%	61.2%	61.3%	62.1%	61.8%
Vermont	63.6%	64.3%	62.4%	62.5%	63.4%	63.4%	63.5%	63.3%
Virginia	54.9%	55.7%	56.8%	58.1%	56.7%	58.1%	57.1%	57.2%
Washington ~	61.6%	60.4%	68.0%	61.3%	61.1%	61.9%	60.4%	61.8%
W. Virginia * ~	53.7%	60.0%	61.5%	60.3%	60.5%	60.1%	61.2%	60.3%
Wisconsin	56.0%	55.7%	58.2%	58.0%	57.8%	59.3%	58.0%	59.1%

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

~ Percentage includes Keno sales.

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

U.S. Lottery Online Sales By Game - Fiscal Year 2009

note: this table does not include instant sales

(\$ Millions)	Population (millions)	Number of Retailers	Online Games Sales				Per Capita Sales for Online Games Only
			3/4 Digit	Lotto	Other	Total	
LOTTERY							
Arizona	6.6	2,882	\$12.5	\$179.7	\$13.4	\$205.6	\$31.1
California ~	37.0	20,569	170.7	1,027.2	141.6	1,339.5	36.2
Colorado	5.0	2,981	-	165.1	-	165.1	33.0
Connecticut	3.5	3,061	206.4	165.5	9.5	381.3	108.9
Delaware	0.9	525	45.1	40.8	0.9	86.8	96.4
D.C. ~	0.6	517	140.7	46.4	13.0	200.1	333.5
Florida	18.5	13,128	559.1	1,171.3	143.5	1,873.9	101.3
Georgia ~	9.8	8,179	713.4	320.8	117.8	1,151.9	117.5
Idaho	1.5	994	1.9	44.1	5.3	51.2	34.1
Illinois	12.9	8,447	474.6	456.3	26.6	957.4	74.2
Indiana	6.4	4,167	57.7	169.2	32.0	258.8	40.4
Iowa	3.0	-	9.1	76.7	21.3	107.1	35.7
Kansas ~	2.8	1,826	5.8	67.3	41.5	114.6	40.9
Kentucky	4.3	2,850	160.5	131.7	14.2	306.4	71.2
Louisiana	4.5	2,781	85.3	151.9	-	237.1	52.7
Maine	1.3	1,312	9.5	46.8	1.0	57.2	44.0
Maryland ~	5.7	4,078	525.5	182.3	483.2	1,191.0	209.0
Massachusetts ~	6.6	8,155	353.6	239.8	762.7	1,356.2	205.5
Michigan ~	10.0	10,680	686.9	338.2	603.3	1,628.4	162.8
Minnesota	5.3	2,988	12.4	131.1	12.8	156.3	29.5
Missouri ~	6.0	4,765	94.1	171.0	66.8	331.9	55.3
Montana	1.0	773	-	27.7	2.9	30.6	30.6
Nebraska	1.8	1,164	3.1	53.4	2.0	58.5	32.5
New Hampshire	1.3	1,232	10.5	57.2	1.0	68.7	52.9
New Jersey	8.7	6,096	713.6	511.6	7.5	1,232.7	141.7
New Mexico	2.0	1,217	2.9	58.9	-	61.8	30.9
New York ~	19.5	15,989	1,590.5	973.7	464.8	3,029.0	155.3
North Carolina	9.4	6,019	224.6	269.8	-	494.3	52.6
North Dakota	0.6	400	-	21.7	-	21.7	36.2
Ohio	11.5	9,904	588.4	304.2	175.8	1,068.3	92.9
Oklahoma	3.6	2,382	6.9	108.4	-	115.3	32.0
Oregon ~	3.8	4,206	1.4	96.6	103.7	201.7	53.1
Pennsylvania	12.6	8,341	659.5	651.9	19.2	1,330.5	105.6
Rhode Island ~	1.1	1,206	25.8	51.8	78.6	156.1	141.9
South Carolina	4.6	3,666	198.4	156.7	-	355.1	77.2
South Dakota ~	0.8	751	-	20.9	-	20.9	26.1
Tennessee	6.3	-	81.7	164.0	0.8	246.5	39.1
Texas	24.8	16,647	323.0	534.0	51.5	908.6	36.6
Vermont	0.6	758	3.1	18.3	0.8	22.2	37.0
Virginia	7.9	5,260	436.1	223.5	15.7	675.2	85.5
Washington ~	6.7	4,199	32.9	142.3	5.5	180.7	27.0
W. Virginia ~	1.8	1,653	13.7	61.5	9.1	84.3	46.8
Wisconsin	5.7	3,625	38.2	158.4	1.5	198.1	34.8
Total	288.3	-	\$9,279.0	\$9,989.1	\$3,450.5	\$22,718.6	\$78.8

~ Other sales include Keno sales.

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

**U.S. Lottery - Instant Scratch Ticket Sales
By Selling Price of Ticket (Price Point), For Fiscal Year 2009**

(\$ Millions)	Fiscal Year 2009								Fiscal Year
	Price Point (selling price of ticket)						Total	Per Capita	2008
LOTTERY	\$1	\$2	\$3	\$5/\$7	\$10/\$15	\$20+	Total	Per Capita	Total
Arizona	17.3	87.9	14.5	68.1	68.8	22.4	\$279.0	\$42.3	\$252.5
California	325.4	394.5	773.0	122.5	0.0	0.0	1,615.4	43.7	1,551.1
Colorado	44.9	40.1	39.4	87.9	54.7	61.2	328.2	65.6	336.1
Connecticut	38.9	48.7	85.4	129.6	183.8	123.5	609.9	174.3	619.0
Delaware	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
D.C.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Florida	145.8	329.2	52.0	432.4	303.3	801.4	2,064.1	111.6	2,368.8
Georgia	270.4	567.0	182.0	442.2	558.9	490.6	2,511.1	256.2	2,404.9
Idaho	9.0	8.6	23.3	24.3	19.6	3.6	88.4	58.9	84.3
Illinois	133.3	170.6	107.0	302.7	214.4	191.7	1,119.7	86.8	1,114.5
Indiana	62.0	115.2	0.0	116.1	93.7	86.8	473.8	74.0	526.0
Iowa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kansas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kentucky	45.7	107.8	0.0	168.8	95.5	86.4	504.2	117.3	470.9
Louisiana	39.5	37.3	12.1	31.3	21.1	0.0	141.3	31.4	131.9
Maine	24.7	32.2	18.7	32.7	24.2	20.9	153.4	118.0	165.4
Maryland	49.3	59.7	41.7	206.2	108.1	42.0	507.0	88.9	513.8
Massachusetts	153.6	738.2	0.0	846.6	661.6	669.2	3,069.2	465.0	3,341.5
Michigan	80.6	348.9	0.0	155.3	110.6	53.7	749.1	74.9	734.2
Minnesota	31.2	37.3	68.9	89.9	40.8	57.0	325.1	61.3	298.1
Missouri	88.7	159.4	62.4	146.3	88.9	90.7	636.4	106.1	639.8
Montana	2.8	5.0	1.7	2.0	1.6	0.0	13.1	13.1	12.8
Nebraska	12.4	8.2	18.2	13.6	12.3	0.0	64.7	35.9	63.6
New Hampshire	14.0	25.3	24.2	47.2	39.3	20.8	170.8	131.4	184.0
New Jersey	52.5	448.6	348.0	315.1	80.6	25.7	1,270.5	146.0	1,284.1
New Mexico	15.1	15.6	16.5	19.0	5.3	9.2	80.7	40.4	86.6
New York	468.3	1,094.1	0.0	975.3	705.1	423.3	3,666.1	188.0	3,594.0
North Carolina	119.1	147.9	55.8	211.8	264.0	0.0	798.6	85.0	635.8
North Dakota	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ohio	191.9	215.0	21.7	422.0	269.2	229.7	1,349.5	117.3	1,364.8
Oklahoma	33.7	27.6	0.0	16.6	0.0	0.0	77.9	21.6	87.4
Oregon	18.7	33.4	22.0	24.9	10.9	2.3	112.2	29.5	124.4
Pennsylvania	151.1	232.6	141.2	450.7	360.6	421.5	1,757.7	139.5	1,706.9
Rhode Island	12.0	21.8	6.2	27.1	11.8	3.5	82.4	74.9	81.7
South Carolina	52.1	93.1	39.4	114.9	350.5	0.0	650.0	141.3	622.8
South Dakota	4.5	4.3	3.8	3.3	2.2	2.2	20.3	25.4	0.0
Tennessee	108.8	300.1	8.7	219.5	92.1	112.1	841.3	133.5	795.7
Texas	237.7	449.9	293.7	983.0	383.7	443.5	2,791.5	112.6	2,783.8
Vermont	9.2	14.7	4.7	28.3	9.2	7.6	73.7	122.8	77.4
Virginia	78.5	128.7	0.0	262.3	130.0	90.9	690.4	87.4	695.0
Washington	21.7	70.2	26.2	80.1	47.2	61.6	307.0	45.8	330.5
W. Virginia	27.9	54.5	0.0	18.8	12.6	0.0	113.8	63.2	110.8
Wisconsin	30.7	62.5	40.5	78.6	36.2	26.8	275.3	48.3	284.3
Total	\$3,223.0	\$6,735.7	\$2,552.9	\$7,717.0	\$5,472.4	\$4,681.8	\$30,382.8	\$105.4	\$30,479.2

Note: Fiscal Year 2009 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 2010 LaFleur's World Lottery Almanac

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