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BILLION TO EDUCATION.

COMPREHENSIVE ANNUAL FINANCIAL REPORT for the fiscal year ended June 30, 2012

NH Lottery
Over \$1.5 billion to education

New Hampshire Lottery Commission
A department of the State of New Hampshire

NEW HAMPSHIRE LOTTERY COMMISSION

A DEPARTMENT OF THE STATE OF NEW HAMPSHIRE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the fiscal year ended
June 30, 2012**

Prepared by:
The Finance Department

Georges Roy
Administrator

And

Kassie Strong
Chief Accountant

NEW HAMPSHIRE LOTTERY®

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

SET FOR LIFE

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

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

WINNING NUMBERS

YOUR NUMBERS

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

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

Set For Life, an Instant scratch game selling for \$20 per ticket, was the Lottery's 2nd highest seller of Instant scratch games for Fiscal Year 2012, bringing in sales of \$7.6 million.

New Hampshire Lottery Commission Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012

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State NH

(w)

Estimated annuitized jackpot paid in a

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 draw subscription today.



Ask your Lottery retailer for details.

HOW TO PLAY

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

4	5	6	7	8	9
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

NH mailing address required. Allow 2 to 3 weeks for processing.
 Please note: Subscription valid per dates on confirmation card.

www.nhlottery.com

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 Hot Lotto and NH Mega
 Millions Subscriptions!**

Introductory Section



\$1 Million Cash Spectacular, an Instant scratch game selling for \$20 per ticket, was the Lottery's highest seller of Instant scratch games for FY12, bringing in sales of \$7.8 million. The Lottery had available for sale 84 different Instant scratch games during fiscal year 2012.



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

December 17, 2012

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

We are pleased to submit the Comprehensive Annual Financial Report of the New Hampshire Lottery Commission (Lottery) for the fiscal year ended June 30, 2012. The finance department of the Lottery has prepared this comprehensive report. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Lottery. All disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities have been included.

Internal Control

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

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

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

- High-level security at the Lottery's headquarters restricts access to office and warehouse areas to certain Lottery personnel.

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

The Lottery's financial statements have been audited by the State of New Hampshire Office of Legislative Budget Assistant, Audit Division (LBA). The LBA has issued an unqualified ("clean") opinion on the Lottery's financial statements for the year ended June 30, 2012. The independent auditor's report is presented as the first component in the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements 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 43 states and the District of Columbia. The New Hampshire Lottery Commission (Lottery) was created in 1963 through the enactment of New Hampshire Revised Statutes Annotated (RSA) 284:21-a for the sole purpose of raising revenues to help fund education in New Hampshire. The first tickets went on sale in March of 1964, making New Hampshire the first state-run lottery. A three-member appointed commission serves at the pleasure of the Governor and Executive Council.

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

The Lottery is required to submit a biennial operating budget to the Governor for approval. The budget is further submitted to the Legislature for its approval and is ultimately included in the State of New Hampshire's operating budget. The Lottery's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis. Due to the nature of the Lottery's activities, the majority of its cost of sales expenses, such as prizes, vendor fees and retailer commissions, are not included in the budget. The Lottery budgets for approximately 5% of its total expenses that consist primarily of salaries and benefits, rental expenses, advertising and Instant ticket printing costs. Financial management staff consistently monitors adherence to budgeted appropriations.

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



Instant Games were introduced in New Hampshire in 1975 with a ticket called 'Lucky X'. Instant games are played by scratching the latex covering off the play area on the ticket. There are several ways to win on an Instant or "scratch" ticket, including matching three like dollar amounts, symbols or letters, or adding up numbers to a specified total. If the correct combination appears, the player becomes an "instant winner" without having to wait for the results of a drawing. The Instant games offer a wide variety of game themes and ticket prices. Players can win anywhere from \$1 to \$1 million, depending on the game. The Lottery offered 84 Instant games during fiscal year 2012 with ticket prices ranging from \$1 to \$20.



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



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



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



Fast Play is a Tri-State online game. Sales began in June of fiscal year 2006. It is an online game that plays like an Instant game and is generated by the lottery terminal at the time of purchase. There is no waiting for a drawing like the other online games. A player plays the game and determines if they have won instantly. Each Fast Play game has a shelf life of approximately three months. Over the course of a year, approximately four different Fast Play games are offered to players, which keep the product fresh and exciting. Examples of the different games offered are Catch Some Cash, Red Hot Numbers, Black Jack, Break the Bank, Jingle Bell Bucks, and Lucky Day. Tickets cost \$1 each. The games have nine prize levels ranging from \$1 to \$500. The Lottery's web site, www.nhlottery.org explains how each game plays.



New Hampshire Powerball is an online game jointly operated by the 33 member state lotteries of the Multi-State Lottery Association (MUSL). There are a total of 44 state lotteries that participate in the sale of Powerball tickets, the 33 MUSL member states plus the Mega Millions group, which consists of 11 state lotteries. This game was introduced in New Hampshire in November 1995, although it has been operated by the MUSL Association since April 1992.

Players select one set of five numbers and one additional number designated as the “powerball” for each draw. The matrix is “5 of 59” for the set and “1 of 35” for the powerball. The minimum jackpot is \$40 million, which rolls in the event that no ticket matches all five numbers and the powerball. Powerball offers eight secondary prizes of fixed amounts ranging from \$4 to \$1,000,000 for a \$2 bet. For an extra \$1 a player can Power Play their bet for the chance to increase their winnings, except for the jackpot prize, up to \$2,000,000. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 30 annual installments. Drawings are held in Orlando, Florida on Wednesdays and Saturdays. This game also offers ticket sales through subscriptions.



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



New Hampshire Mega Millions sales began on January 31, 2010. Mega Millions is a multi-state game consisting of 11 state lottery members who allow the MUSL member state lotteries to also participate in the sale of Mega Millions tickets through MUSL. Prior to January 31, 2010 any state that sold Powerball could not sell Mega Millions and vice versa. The game began in

August 1996 and holds the record for the largest jackpot in North American history. 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 for a \$1 bet. Mega-Plier is a feature added to the game giving players the chance to increase their winnings, except for the jackpot prize, by up to four times. In order to upgrade to a Mega-Plier, a player needs only to pay an extra dollar. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 26 annual installments. Drawings are held in Atlanta, Georgia on Tuesdays and Fridays. This game also offers ticket sales through subscriptions.

Local economy

New Hampshire is a small state with a population of approximately 1.3 million. According to the CQ Press (www.cqpress.com), 2011 rankings, New Hampshire ranks as the number one most livable state in the nation and is the second healthiest state in the nation. For 2010 CQ Press ranked New Hampshire as having the lowest crime rate in all the United States. CQ Press is based in Washington, D.C. and is a publisher of books, directories, reference publications, and textbooks focusing on U.S. government, world affairs, communication, political science, and business. CQ Press is a division of SAGE, which is an independent academic and professional publisher (www.sagepublications.com). The company specializes in reference books that compare states and cities in several different subject areas. Some of the factors considered in awarding a state the most livable state award are per capita gross state product, per capita personal income, median household income, public high school graduation rate, percent of population with bachelor's degrees or higher, job growth, and homeownership.

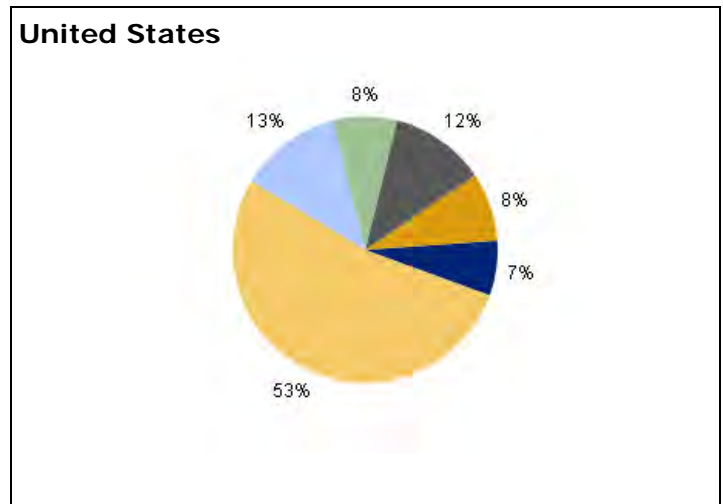
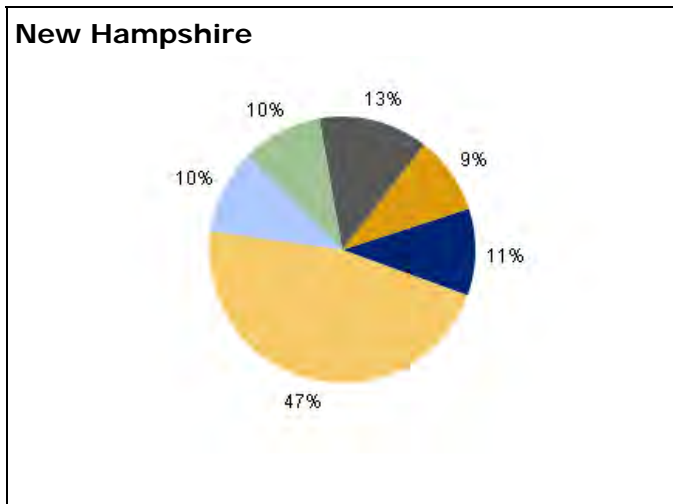
There is no sales tax, use tax, broad-base income tax, or capital gains tax in New Hampshire. The Tax Foundation, a nonprofit fiscal policy research group, ranked New Hampshire's 2009 local and state tax burden as 44th in the United States (1 being the highest tax burden), at 8.0% of income; the U.S. average of state and local tax burden for 2009 is 9.8% of income (2009 was the latest data reported for local and state tax burden). New Hampshire offers a favorable overall tax environment for businesses, ranking 6th best out of 50 for overall tax climate in fiscal year 2012 and 7th best out of 50 in fiscal year 2011. A state's business tax climate measures how each state's tax laws affect economic performance. For August 2012, 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 8.1%. This rate for New Hampshire remained the same from July 2011's 5.7% unemployment rate.

New Hampshire's per capita personal income ranks 9th highest in the nation. According to the Bureau of Economic Analysis (BEA) for calendar year 2011, New Hampshire's estimated per capita personal income was \$45,881. This is higher than the United States estimated average of \$41,560. BEA reported for the calendar years 2011 and 2010 New Hampshire's Gross Domestic Product (GDP) ranked 41st in the United States (1 being the highest GDP) at \$63.6 billion and \$60.3 billion, respectively. For 2010-2011, real GDP¹ for New Hampshire grew 1.5%, compared to the national change, which was also 1.5%. The 2001-2011 average annual growth rate for New Hampshire real GDP was 1.5%, compared to the average annual growth rate for

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

the nation of 1.4%. BEA reported that in 2011 the largest industry in New Hampshire was real estate and rental and leasing, accounting for 13.3% of New Hampshire GDP. The second largest industry in New Hampshire was durable goods at 10.6% of New Hampshire GDP. According to BEA the largest contributor to real GDP growth in New Hampshire for 2011 was durable goods manufacturing, with professional, scientific, and technical services being the second largest contributor. The following graphs were taken directly from the BEA website for Bearfacts-2011-New Hampshire:

Top Five State Industries as a percent of Total GDP, 2011



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

Cost of living expenses have increased, gasoline prices are high, and the unemployment rate, while dropping, remains high. These factors are contributing to decreases in disposable income. According to New Hampshire Department of Employment Security New Hampshire's economy is dependent on consumer spending, so decreases in disposable income hurt economic growth for the State. The Lottery is dependant 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 per capita sales for fiscal years 2008 through 2010 and 15th highest for fiscal year 2011. Unaudited fiscal year 2012 traditional game sales for all U.S. lotteries' increased 9%. According to La Fleur's Magazine, a research company that reports facts and statistics on lotteries, 43 of 44 lotteries saw increases in fiscal year 2012 sales, as compared with fiscal year 2011 when 18 of 44 lotteries saw decreases in sales. New Hampshire was one of the lotteries that saw increased revenues in fiscal year 2012. According to La Fleur's instant ticket sales for U.S. lotteries were

up \$3.2 billion, while Mega Millions and Powerball combined were up \$1.4 billion for fiscal year 2012 from fiscal year 2011. Instant ticket sales represent 59% of the U. S. lottery's total traditional sales. Powerball increased 27% compared to Mega Millions that increased 16% during fiscal year 2012. Mega Millions had a \$656 million jackpot won in March 2012; the largest jackpot ever in the United States.

Long-term financial planning

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

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.

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

Currently the Lottery sells one Fast Play game at a time for a price of \$1. The Lottery, in conjunction with the Vermont lottery, plans to offer several different Fast Play games that sell for differing amounts ranging from \$1 to \$5. Tickets that sell for higher amounts pay higher prizes and attract more customers. This will offer customers more choices and increase sales revenues for the Lottery.

The Lottery continues to work on new advertising initiatives, sales promotions, and changes to current games in order to increase sales revenues.

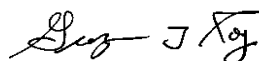
Awards and acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the New Hampshire Lottery Commission for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the thirteenth 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.

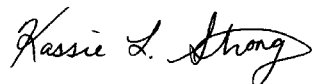
A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, Commissioner Doug Scamman, and the Governor and Executive Council for the State of New Hampshire, for their support, guidance, and dedication in operating the New Hampshire Lottery Commission.

Respectfully submitted,



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, 2011

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.



Linda C. Dandson

President

Jeffrey R. Emer

Executive Director

New Hampshire Lottery Commission
Appointed Officials and Organizational Chart

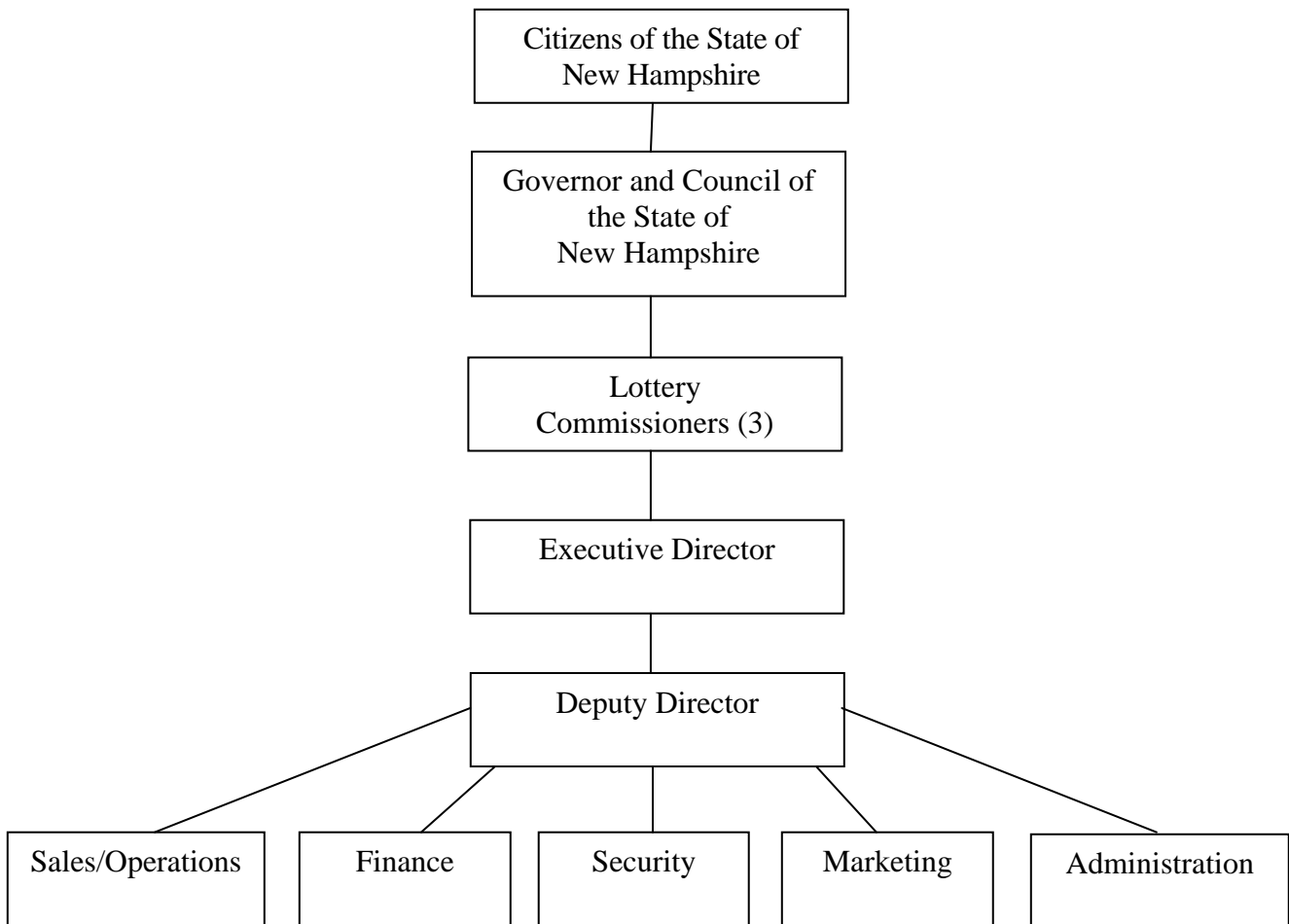
Appointed Officials

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

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

Doug Scamman
Commissioner
Term ends 6/29/2014

Organizational Chart



Financial Section

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7



JEFFRY A. PATTISON
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(603) 271-3161

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State of New Hampshire

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, 2012, 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, 2012, and the changes 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012 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, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lottery Commission's financial statements. 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 financial statements. The Supplemental Schedule of Revenues, Expenses, and Transfers is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Supplemental Schedule of Revenues, Expenses, and Transfers on page 41 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues, Expenses, and Transfers is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Office of Legislative Budget Assistant

Office of Legislative Budget Assistant

December 17, 2012

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, 2012. 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 increased by \$25.8 million, or 11.3% for the current fiscal year. MUSL games revenues increased \$9.4 million or 22.4%, while Instant scratch ticket revenues increased \$15.5 million or 9.6%. MUSL games contributed 20.1% to total revenues and Instant scratch tickets contributed 69.4%. Tri-State games, which contributed approximately 9.1% to total revenues, netted to a decrease of approximately \$2.4 million or 9.3%. The Lottery took in \$3.3 million in additional revenues from a new game called Lucky for Life.
- The Lottery's operating expenses for the current fiscal year increased approximately \$22 million, or 13.2%. This increase in operating expenses, mostly cost of sales expenses, is a result of the increase in ticket sales/revenues plus an increase in the percentage of prizes to sales.
- Lottery's assets increased \$1.1 million, or 8.9% from the previous fiscal year. Liabilities increased \$937,804 or 11.4%, from the end of the previous fiscal year. There was an increase in the Lottery's total net assets of \$154,592, which consist solely of restricted prize funds for the Powerball, Hot Lotto, Mega Millions, and Megabucks programs.
- Distributions to the Education Trust Fund increased \$4.6 million or 7.3%, due to the increase in operating revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the New Hampshire Lottery's (the Lottery) basic financial statements. The Lottery is accounted for as an enterprise fund, 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 2012, the Lottery produced \$255 million in total operating revenues, an 11.3% increase from fiscal year 2011's \$229 million. Instant scratch ticket sales were up from the previous fiscal year by approximately \$15.5 million or 9.6%. Multi-State (MUSL) games revenues increased \$9.4 million or 22.4% during fiscal year 2012 as compared to fiscal year 2011. Tri-State games revenues decreased by \$2.4 million or 9.3% for fiscal year 2012 as compared to fiscal year 2011. The overall increase in ticket sales/revenues is being attributed to an increase in prizes built into instant scratch ticket games, Powerball doubling in price from \$1 per bet to \$2 per bet, and Mega Millions having a record breaking jackpot amount. The Lottery distributed \$66.8 million of net income to the Education Trust Fund in fiscal year 2012, a \$4.6 million increase from fiscal year 2011. Total revenues since the inception of the Lottery in 1963 are \$4.9 billion. To date, the Lottery has generated approximately \$1.5 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). For more detailed information on restricted deposits please see note 8 in the notes to the financial statements and for more detailed information on capital asset activity please see note 4 in the notes to the financial statements. Comparable figures for total assets at June 30, 2012 and 2011 were \$13.3 million and \$12.2 million, respectively.

Cash and cash equivalents were \$5,455,170 at June 30, 2012 and \$3,174,116 at June 30, 2011. The increase in cash and cash equivalents for fiscal year 2012 over fiscal year 2011 was attributable to several different factors: an increase in unclaimed prize accruals, an increase in accounts payable accruals, and the addition of prize accruals for a new game. Accounts receivable at June 30, 2012 and 2011 \$2,029,716 were and \$2,946,230, respectively. The decrease in accounts receivable for fiscal year 2012 over fiscal year 2011 was due to the timing of Hot Lotto prize monies due from MUSL for a jackpot winner in fiscal year 2011. 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, increased \$67,160. Due from the Education Trust Fund of \$495,169 represents an overpayment by the Lottery to the Education Trust Fund for estimated fiscal year 2012 net profit; for fiscal year 2011 the Lottery over paid \$692,449. Instant ticket inventory was \$777,678 at June 30, 2012 and \$961,290 at June 30, 2011. The decrease in inventory is due to having fewer inventories on hand on June 30, 2012, because of the timing of shipments. Noncurrent, restricted deposits, which represent New Hampshire's share of prize reserve funds held by MUSL and Tri-State, increased \$154,592 during fiscal year 2012. Capital

assets, net of depreciation, decreased during fiscal year 2012 from \$42,325 at June 30, 2011 to \$13,187 at June 30, 2012. The overall increase of total assets for fiscal year 2012 over fiscal year 2011 was \$1.1 million dollars

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 reflects the actual results of the Lottery's operations after distributions to the Education Trust Fund.

The following table shows condensed net assets as of June 30, 2012 and 2011 (in thousands).

	2012	2011
Current and Other assets	\$ 13,302	\$ 12,181
Capital assets (net of accumulated depreciation)	13	42
Total assets	<u>13,315</u>	<u>12,223</u>
Current liabilities	8,867	7,950
Noncurrent liabilities	314	294
Total liabilities	<u>9,181</u>	<u>8,244</u>
Net assets:		
Invested in capital assets	13	42
Restricted assets	4,134	3,979
Unrestricted (deficit)	(13)	(42)
Total net assets	<u>\$ 4,134</u>	<u>\$ 3,979</u>

Liabilities

The Lottery's current liabilities consist primarily of accounts payable, unclaimed prizes, accrued operating expenses, and deferred revenue. Noncurrent liabilities consist of compensated absences and workers compensation. Total liabilities during the current fiscal year increased \$937,804 or 11.4 %. The year end balances for total liabilities for fiscal years 2012 and 2011 were \$9.2 million and \$8.2 million, respectively. Of the increase, unclaimed prizes increased \$772,281 and there was an additional liability for the Lucky for Life current jackpot/grand prize in progress of \$210,041. The increase in unclaimed prizes is due to an increase in online prizes won, which relates directly to an increase in sales and also to an unclaimed Lucky for Life jackpot prize. Lottery winners have one year to claim their prizes.

Operating Revenues – Games Sales

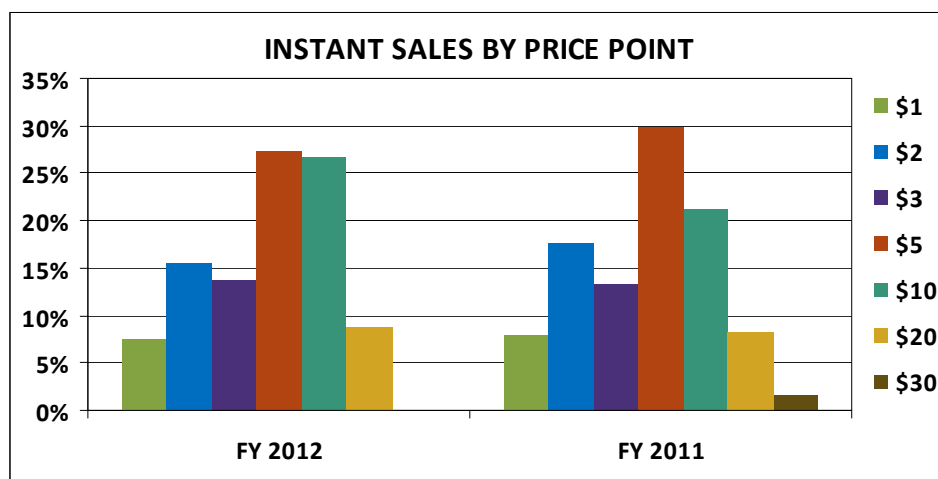
The New Hampshire Lottery game revenues/ ticket sales are made up of a variety of instant and online lottery products. The Lottery is an active member of three separate joint venture arrangements; the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life,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

The following table shows sales by lottery game for the years ended June 30, 2012 and 2011 (in thousands). Tri-State Other represents Weekly Grand and Fast Play.

Game	2012	2011	Change	Percent Change
Instant Scratch Tickets	\$ 176,912	\$ 161,378	\$ 15,534	9.6%
MUSL Powerball	33,022	26,537	6,485	24.4%
MUSL Hot Lotto	3,183	3,698	(515)	-13.9%
MUSL Mega Millions	14,986	11,601	3,385	29.2%
Tri-State Megabucks	9,459	10,537	(1,078)	-10.2%
Tri-State Pick 3	5,181	5,149	32	0.6%
Tri-State Pick 4	5,129	5,232	(103)	-2.0%
Tri-State Other	3,499	4,733	(1,234)	-26.1%
Lucky for Life	3,289	-	3,289	N/A
Other - contributed prizes	264	289	(25)	-8.7%
Total sales	\$ 254,924	\$ 229,154	\$ 25,770	11.3%

The Lottery saw an 11.3% increase in lottery program ticket sales/revenues for fiscal year 2012. Instant scratch ticket sales continue to be the Lottery's most popular product, contributing approximately 69.4% and 70.4%, respectively, to total fiscal year sales for 2012 and 2011. Instant scratch ticket sales increased 9.6% in fiscal year 2012 from fiscal year 2011. The Lottery sells Instant scratch tickets costing from \$1 to \$20. The increase in instant scratch ticket sales was mostly attributable to an increase in prizes awarded to players, although Lottery does work continuously on designing new and innovative games. Mega Millions saw a 29.2% increase in sales. A contributing factor to the increase in Mega Millions sales was a record jackpot of \$656 million. Revenues from Powerball increased 24.4%, while Hot Lotto saw a 13.9% reduction. Megabucks revenues decreased 10.2%.

The following graph shows percentages of Instant scratch games sales for fiscal year 2012 and 2011 by selling price of ticket.

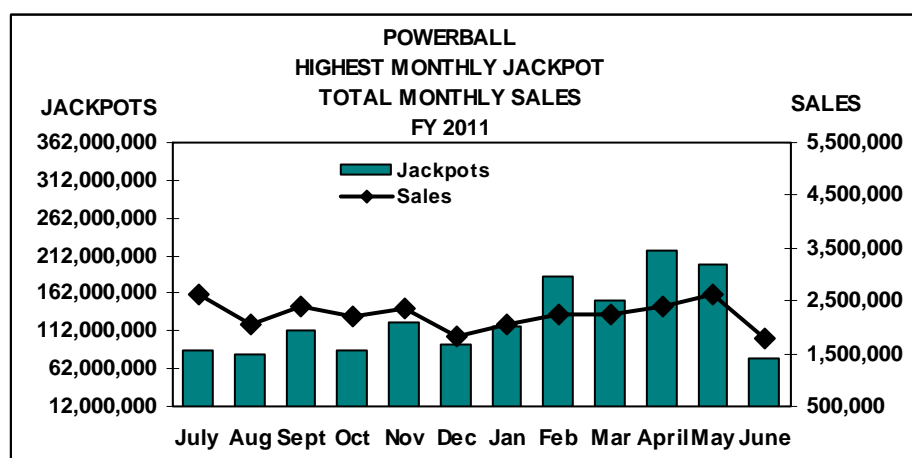
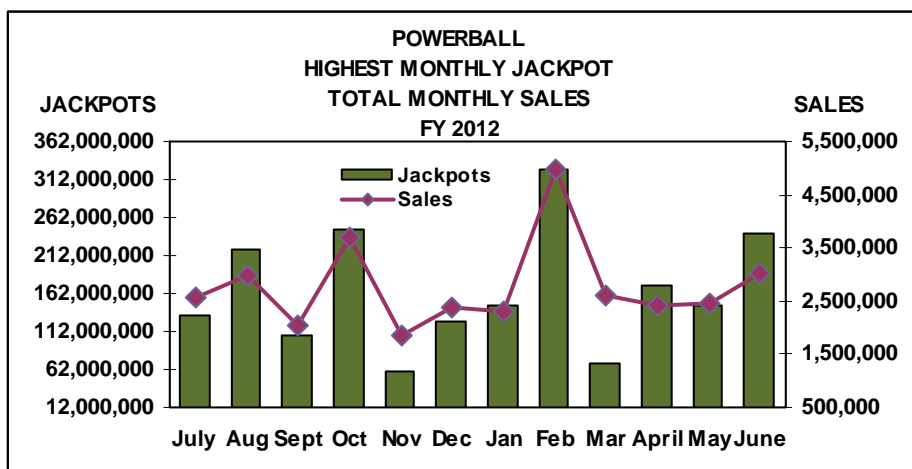


Powerball, a game in the MUSL jurisdiction, is the Lottery's second most popular product contributing 12.9% and 11.6% to total fiscal year 2012 and 2011 sales, respectively. Sales for

Powerball increased 24.4% in fiscal year 2012 from fiscal year 2011. This increase was mostly due to the selling price of a ticket going from \$1 to \$2.

The sales in big jackpot games are directly related to the size of the jackpot, which causes a high level of uncertainty for revenues. As jackpots rise in amount, so do the sales of tickets. The more frequently jackpots are won, the smaller the jackpot amount, which consequently sells less tickets. The less frequently jackpots are won, the more time they have to build in amount. The Powerball jackpot was won 13 times in fiscal year 2012 versus 16 times in fiscal year 2011. High jackpot amounts bring higher sales for the online games. The trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales. The highest Powerball jackpot amount in fiscal year 2012 was \$336 million compared to \$222 million in fiscal year 2011. The highest Powerball 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 2012 and 2011.

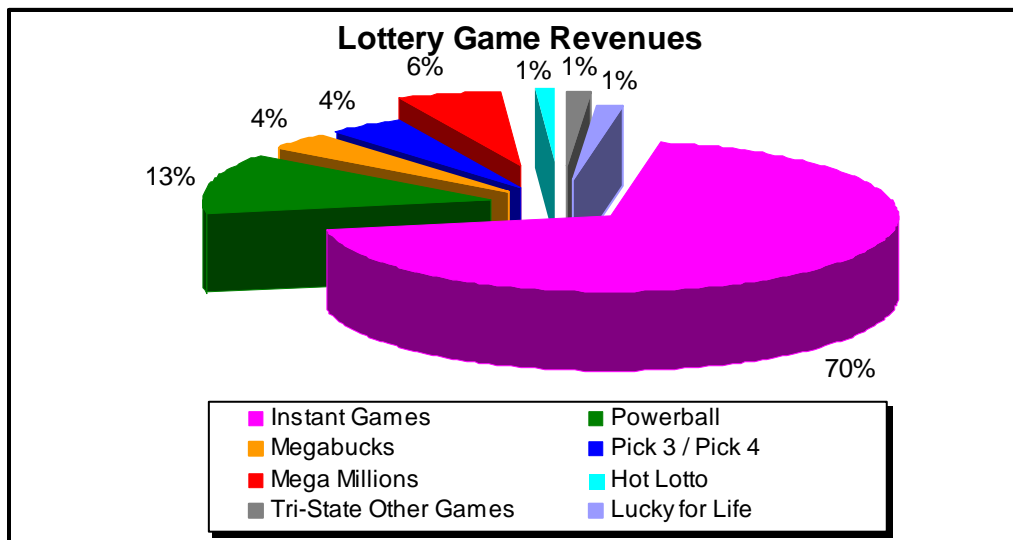


Hot Lotto is another game that is offered through MUSL, sales of which decreased \$514,612 or 13.9% in the current fiscal year as compared to the previous fiscal year. Mega Millions is another high jackpot game that MUSL member states have the option of selling. Mega Millions set the record for the highest jackpot ever in the United States during fiscal year 2012 at \$656 million. Sales for Mega Millions for fiscal year 2012 were \$15 million compared to fiscal year 2011 of \$11.6 million. The increase was due to the record jackpot. Mega Millions does not

generate the sales that Powerball does in New Hampshire. Powerball generated \$33 million in fiscal year 2012 and Mega Millions \$15 million. MUSL games sales overall contributed 20.1% and 18.3% to total Lottery sales for fiscal years 2012 and 2011, respectively.

Tri-State games sales decreased 9.3% overall from fiscal year 2011 to 2012. Megabucks decreased \$1.1 million, a 10.2% decrease from the previous fiscal year. The Megabucks game is the oldest jackpot style game the Lottery sells; at 27 years old and still running it seems to carry a committed player base. Pick 3 saw a small increase of \$32,188, while Pick 4 realized a decrease of \$102,899. The other Tri-State games decreased \$1.2 million or 26.1%, due mostly to the ending of the Weekly Grand game. Tri-State games in total amounted to 9.1% and 11.2% of total Lottery sales fiscal years 2012 and 2011, respectively.

The following graph displays Lottery revenues by product/game for the fiscal year ended June 30, 2012. Tri-State Other Games includes Weekly Grand and Fast Play.



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 2012 prize expense of \$158.9 million reflects a 14.1% increase from fiscal year 2011 prize expense of \$139.3 million. This increase reflects the increase in sales and an effort to increase the prize percentages built into Instant scratch ticket games. For fiscal year 2012 the Instant scratch ticket prize percentage to sales was approximately 1.5% more than fiscal year 2011. Instant scratch ticket games pay out at a higher percentage than online games. Online games typically have a 50% to 60% (of sales) prize pay-out built into the design of the game, where as Instant scratch ticket games on average have a 61% to 75% (of possible sales) prize pay-out built into each game. For Instant scratch ticket games, the higher the individual cost of the ticket means the higher the prize percentage built into the game, for example a ticket costing \$1 will have a 61% prizes to sales ratio versus a \$20 ticket that will have a 75% prizes to sales ratio.

The new Lucky for Life game was designed to have a total prize percentage payout of 60% of sales, providing approximately 4 to 5 jackpot/grand prize winners annually. The breakdown of the 60% includes a jackpot/top prize amount equal to 27.8% of total sales and low-tier prizes of 32.2% of sales. Online lottery games are designed to provide an average payout over an extended period of time, which for this game is 60%. This new game only operated for three months of fiscal year 2012 and during those three months there were 4 jackpot prizes won; therefore the game ended the fiscal year with an operating deficit due to a prize percentage of 115% of sales. The low-tier prizes for this game ran right on target at 32% of sales for fiscal year 2012.

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). Lottery prize winners have one year (365 days) to claim their prizes. Unclaimed prize money for Instant scratch games, MUSL games, and Lucky for Life goes to the Education Trust Fund. Unclaimed prize money for Tri-State games goes back to the players through promotions or increases to jackpots.

The following table shows prize expense by lottery game for the years ended June 30, 2012 and 2011 (in thousands). Tri-State Other represents Weekly Grand and Fast Play.

Game	2012	2011	Change	Percent Change
Instant Scratch Tickets	\$ 118,288	\$ 105,524	\$ 12,764	12.1%
MUSL Powerball	16,107	13,023	3,084	23.7%
MUSL Mega Millions	7,129	5,717	1,412	24.7%
MUSL Hot Lotto	1,552	1,787	(235)	-13.2%
Tri-State Megabucks	4,723	5,223	(500)	-9.6%
Tri-State Pick 3	2,591	2,575	16	0.6%
Tri-State Pick 4	2,562	2,616	(54)	-2.1%
Tri-State Other	1,888	2,508	(620)	-24.7%
Lucky for Life	3,783	-	3,783	N/A
Other - contributed prizes	264	289	(25)	-8.7%
Total prize expense	<u>\$ 158,887</u>	<u>\$ 139,262</u>	<u>\$ 19,625</u>	14.1%

The following tables show prizes to sales (operating revenues) profit margin for lottery games by venture for the years ended June 30, 2012 and 2011 (in thousands).

2012	Gross Games		Gross Profit	Profit Margin
	Revenues	Prize Expense	After Prizes	After Prizes
Instant Games	\$ 176,912	118,288	\$ 58,624	33.1%
Tri-State Games	\$ 23,268	11,764	\$ 11,504	49.4%
MUSL Games	\$ 51,191	24,788	\$ 26,403	51.6%
Lucky for Life Game	\$ 3,289	3,783	\$ (494)	-15.0%

2011	<u>Gross Games</u>		<u>Gross Profit</u>	<u>Profit Margin</u>
	<u>Revenues</u>	<u>Prize Expense</u>	<u>After Prizes</u>	<u>After Prizes</u>
Instant Games	\$ 161,378	105,524	\$ 55,854	34.6%
Tri-State Games	\$ 25,652	12,922	\$ 12,730	49.6%
MUSL Games	\$ 41,836	20,527	\$ 21,309	50.9%
Lucky for Life Game	-	-	-	-

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 \$21.9 million for fiscal year 2012 and \$19.7 million for fiscal year 2011. The increase was due to the increase in ticket sales/revenues. Retailer commissions and vendor fees are based on a percentage of sales. Retailer commissions were up \$1.9 million for fiscal year 2012 over fiscal year 2011. Retailer commissions are based on 5% of sales plus additional commissions for retailers who meet certain criteria for increasing sales. Vendor fees for fiscal year 2012 were up \$524,229 over fiscal year 2011. Vendor fees are based on 1.435% of sales plus additional charges for equipment, such as vending machines that sell tickets.

The table below shows comparative costs of sales expenses for lottery games for the years ended June 30, 2012 and 2011 (in thousands).

	<u>2012</u>	<u>Percent of Sales</u>	<u>2011</u>	<u>Percent of Sales</u>
Retailer commissions	\$ 14,832	5.8%	\$ 12,925	5.6%
Vendor fees	4,807	1.9%	4,283	1.9%
Cost of instant tickets	2,114	0.8% *	2,297	1.0% *
Expense pools	150	0.1%	178	0.1%
Other cost of sales	21,903	8.6%	19,683	8.6%
Prize expense	158,887	62.3%	139,262	60.8%
Total cost of sales	<u>\$ 180,790</u>	<u>70.9%</u>	<u>\$ 158,945</u>	<u>69.4%</u>

* Cost of instant tickets as a percent of instant scratch ticket sales only, is 1.2% for 2012 and 1.4% for 2011.

The table below shows cost of sales to sales for lottery games for the years ended June 30, 2012 and 2011 (in thousands).

Total Lottery Games	2012	2011	Change	Percent Change
Gross ticket sales	\$ 254,924	\$ 229,154	\$ 25,770	11.3%
Cost of sales	180,790	158,945	21,845	13.7%
Gross profit	\$ 74,134	\$ 70,209	\$ 3,925	5.6%
Gross profit margin	29.1%	30.6%		

Other Operating Expenses

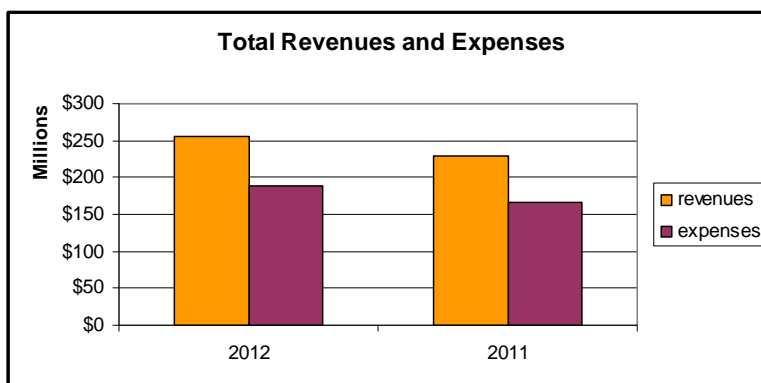
Administrative costs increased \$148,114 in fiscal year 2012 from fiscal year 2011. While advertising increased \$273,646, other administrative expenses decreased. Depreciation expense decreased \$25,518. The supplemental schedule of revenues, expenses, and transfers located after the notes to the financial statements, itemizes the components of other operating expenses.

Non-operating Revenues (Expenses)

Nonoperating revenues totaling \$935,679 consist largely of expired prize money returned by MUSL for two jackpot prizes that were expensed in a previous fiscal year and never claimed, one Hot Lotto and one Powerball. Winners have 365 days to claim a prize or it expires. Also included in nonoperating revenues are fees charged to retailers due to insufficient funds and income earned on deposits with the Tri-State Lotto, and Multi-State Lottery. There was an increase of \$871,268 in non-operating revenues for fiscal year 2012 from 2011. The increase was due to the expired prize money received in fiscal year 2012 versus none received in fiscal year 2011.

Non-operating expenses are distributions to the Education Trust Fund, which is all Lottery profit. Fiscal year 2012 distributions were \$66,768,050 and for fiscal year 2011 they were \$62,207,551. Of the \$4.6 million increase in fiscal year 2012 \$3.8 million was due to higher ticket sales and the remainder was from the two expired jackpot prizes.

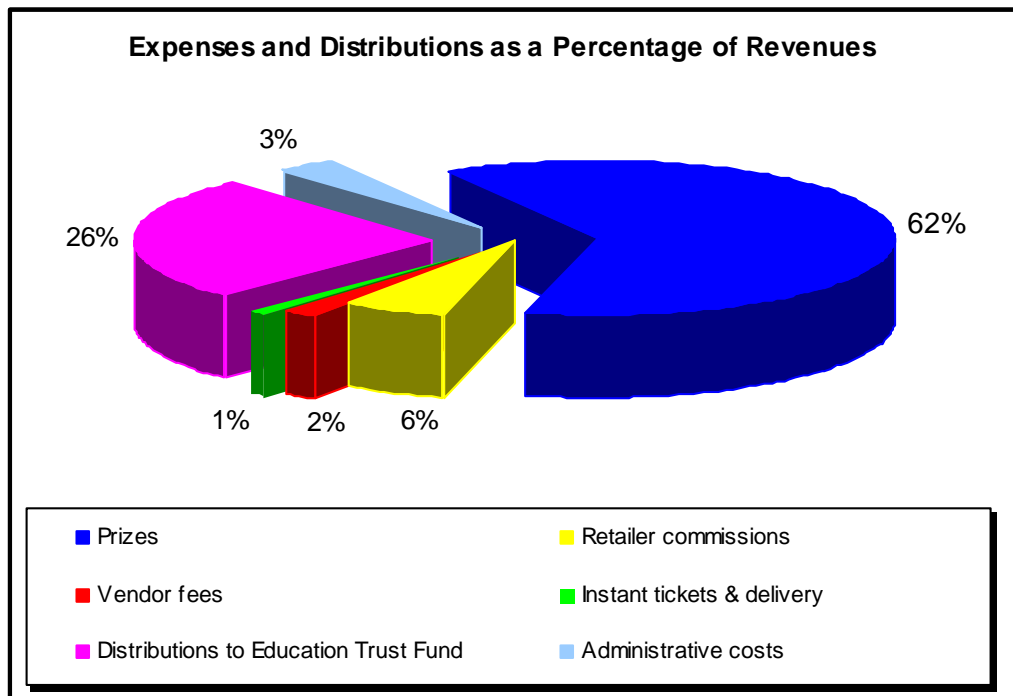
The following graph displays total Lottery revenues and expenses for the years ended June 30, 2012 and 2011.



The following table shows total revenues, expenses, net income, and change in net assets for the Lottery for the years ended June 30, 2012 and 2011 (in thousands).

	2012	2011	Change
Operating revenues:			
Instant and online ticket sales:	\$ 254,924	\$ 229,154	\$ 25,770
Operating expenses:			
Cost of sales	180,790	158,945	21,845
Administrative costs	8,118	7,970	148
Depreciation expense	29	55	(26)
Total operating expenses	188,937	166,970	21,967
Nonoperating revenues - investment income:	936	64	872
Net income before transfers	66,923	62,248	4,675
Nonoperating expenses -			
Distributions to Education Trust Fund	(66,768)	(62,207)	(4,561)
Change in net assets	155	41	114
Net assets - July 1	3,979	3,938	41
Net assets - June 30	\$ 4,134	\$ 3,979	\$ 155
Distributions to Education Trust Fund (net profit) as a percent of operating revenues	26.2%	27.2%	-1.0%

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, 2012.



Other Potentially Significant Matters

A significant factor that affects the Lottery is the American economy and price of automobile gas. 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. The two highest jackpot selling games in the United States are Powerball and Mega Millions. High jackpot amounts trigger higher sales of tickets. The sales in big jackpot games are directly 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/roll in amount. The trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales.

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

Budgetary Highlights

The Lottery is required to submit a biennial operating budget to the Governor for approval. The budget is further submitted to the Legislature for its approval and is ultimately included in the State of New Hampshire's operating budget. The Lottery's official budget, as adopted by the Legislature, is prepared principally on a modified cash basis. Due to the nature of the Lottery's activities, the majority of its cost of sales expenses, such as prizes, vendor fees and retailer commissions, are not included in the budget. The Lottery budgets for approximately 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 2012 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, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,455,170
Accounts receivable	2,029,716
Due from other funds	362,258
Due from the Education Trust Fund	495,169
Instant ticket inventories	777,678
Prepaid expenses and other	<u>48,364</u>
Total current assets	<u>9,168,355</u>

Noncurrent assets:

Restricted deposits - (note 8)	4,133,859
Capital assets net of accumulated depreciation - (note 4)	<u>13,187</u>
Total noncurrent assets	<u>4,147,046</u>
Total assets	<u>13,315,401</u>

LIABILITIES

Current liabilities:

Accounts payable	2,968,369
Accrued payroll and benefits	167,008
Deferred revenue	1,062,957
Unclaimed prizes net of estimated expired prizes - (note 1)	4,347,504
Lucky for Life prizes payable - (note 1)	210,041
Compensated absences and workers compensation	<u>111,227</u>
Total current liabilities	<u>8,867,106</u>

Noncurrent liabilities:

Compensated absences and workers compensation	<u>314,436</u>
Total noncurrent liabilities	<u>314,436</u>
Total liabilities	<u>9,181,542</u>

NET ASSETS

Restricted for prize funds (note 8)	4,133,859
Invested in capital assets	13,187
Unrestricted (deficit)	<u>(13,187)</u>
Total net assets	<u>\$ 4,133,859</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, 2012

Operating revenues:	
Instant scratch games	\$ 176,911,812
Multi-State online games	51,191,746
Tri-State online games	23,267,503
Lucky for Life	3,288,909
Other	<u>264,337</u>
Total operating revenues	<u>254,924,307</u>
Operating expenses:	
Cost of sales:	
Prizes	158,887,340
Other	<u>21,902,921</u>
Total cost of sales	<u>180,790,261</u>
Administration	8,117,945
Depreciation	<u>29,138</u>
Total operating expenses	<u>188,937,344</u>
Operating income	<u>65,986,963</u>
Nonoperating revenues (expenses):	
Interest income	17,686
Other income	917,993
Distributions to the State's Education Trust Fund	<u>(66,768,050)</u>
Total nonoperating revenues (expenses)	<u>(65,832,371)</u>
Change in net assets	<u>154,592</u>
Total net assets - July 1	<u>3,979,267</u>
Total net assets - June 30	<u>\$ 4,133,859</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, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers, retailers and joint ventures (net of retailer commissions and prizes paid by retailers)	\$ 129,897,091
Payments to winners and joint ventures	(48,731,560)
Payments to suppliers (goods and services)	(10,123,694)
Payments to employees for salaries and benefits	(3,125,693)
Net cash provided by operating activities	<u>67,916,144</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating transfers to education trust fund	(66,570,769)
Net cash used for noncapital financing activities	<u>(66,570,769)</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	935,679
Net cash provided by investing activities	<u>935,679</u>
Net increase in cash and cash equivalents	2,281,054
Cash and cash equivalents, July 1	<u>3,174,116</u>
Cash and cash equivalents, June 30	<u>\$ 5,455,170</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 65,986,963
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	29,138
(Increase) decrease in accounts receivable/due from other funds	849,353
(Increase) decrease in instant ticket inventory	183,612
(Increase) decrease in prepaid expenses and other	83,865
(Increase) decrease in restricted deposits	(154,592)
Increase (decrease) in accounts payable and other liabilities	168,466
Increase (decrease) in unclaimed prizes	772,281
Increase (decrease) in deferred revenue	(2,942)
Total adjustments	<u>1,929,181</u>
Net cash provided by operating activities	<u>\$ 67,916,144</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, 2012**

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

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

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. All revenues and expenses of the Lottery are reported on the Statement of Revenues, Expenses, and Changes in Net Assets.

The Lottery applies applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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.

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, 2012.

Due from the Education Trust Fund represents an overpayment of funds to the Education Trust Fund. The last transfer of the year is based on an estimate of what the net income will be. The Lottery over estimated its fiscal year 2012 net income.

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

Restricted deposits represents noncurrent, restricted assets, deposited with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State), that are held as prize reserves to protect the Lottery against unforeseen liabilities. These prize reserves are a condition of participation in the joint ventures and are refundable after a one year waiting period if a member leaves. The Tri-State portion of the reserves is committed to be returned to the players, however the MUSL reserves would be returned to New Hampshire state aid to education. At June 30, 2012 MUSL reserves were \$2,479,610 and Tri-State reserves were \$1,654,249.

Compensated absences represent accrued leave for the Lottery's 40 full-time, classified employees at June 30, 2012. 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 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 2012 of \$4,347,504 is the net amount after being reduced by an estimate for Powerball, Hot Lotto, and Mega Millions prizes to expire as unclaimed of \$924,970.

Lucky for Life prizes payable represents the Lottery's share of anticipated jackpot/grand prize money not yet won, but in-progress at year-end. Lucky for Life is designed to pay out 27.8% of ticket sales to jackpot/grand prize winners. The last jackpot/grand prize winner in fiscal year 2012 was on May 28, 2012; therefore this amount represents 27.8% of ticket revenues for the draws occurring after May 28, 2012 through year-end June 30, 2012.

Deferred revenue consists of subscriptions for Megabucks, Powerball, Hot Lotto, and Mega Millions.

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 costs 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.

Net assets restricted for prize funds 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. At June 30, 2012 MUSL reserves were \$2,479,610 and Tri-State reserves were \$1, 654,249.

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, 2012 consist of the following:

Cash in banks (carrying amount)	\$ 681,695
Cash and cash equivalents in State Treasury	4,772,075
Petty cash	1,400
Total cash and cash equivalents	<u>\$ 5,455,170</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, 2012 the Lottery’s total deposits held with financial institutions were \$761,401 (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, 2012 is presented below.

	Beginning Balance <u>6/30/2011</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2012</u>	Amounts Due Within <u>One Year</u>
<u>Compensated Absences & Workers Compensation</u>	<u>\$412,688</u>	<u>\$302,520</u>	<u>\$ 289,545</u>	<u>\$ 425,663</u>	<u>\$ 111,227</u>

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance 6/30/2011	Increases	Decreases	Ending Balance 6/30/2012
Capital assets				
Equipment	\$ 222,043	\$ -	\$ -	\$ 222,043
Vehicles	295,804	-	(35,498)	260,306
Total Capital Assets	<u>517,847</u>	<u>-</u>	<u>(35,498)</u>	<u>482,349</u>
Less accumulated depreciation				
Equipment	(194,744)	(13,376)	-	(208,120)
Vehicles	<u>(280,778)</u>	<u>(15,762)</u>	<u>35,498</u>	<u>(261,042)</u>
Total accumulated depreciation	<u>(475,522)</u>	<u>(29,138)</u>	<u>35,498</u>	<u>(469,162)</u>
Total capital assets, net	<u>\$ 42,325</u>	<u>\$ (29,138)</u>	<u>\$ -</u>	<u>\$ 13,187</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:2. The Plan is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit, cost sharing, multiple-employer Public Employee Retirement System, which provides service, disability, death and vested retirement benefits to members and beneficiaries. The plan covers substantially all full-time state employees, public school teachers, and administrators, permanent firefighters, and police officers within the state of New Hampshire. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to its members and beneficiaries. The Plan is financed by contributions from the members, the State and local employers and investment earnings. Employees of the Lottery, which are Group I employees of the State, are required, by statute, to contribute 7% of their gross earnings to the Plan. The Lottery contributes an amount required to cover Plan costs not met by the members' contributions. The Lottery makes payments to the State for its share of required contributions based on a set percentage of payrolls.

The Lottery's required contribution rate is determined by the Plan's actuary with rates certified by the New Hampshire Retirement System Board of Trustees. The Lottery's payments for normal and required contribution costs for fiscal years 2010 through 2012 amounted to the following:

<u>Fiscal Year Ended June 30</u>	<u>Normal and Required Contributions to the Plan</u>	<u>Percentage of Covered Payroll</u>
2012	\$164,150	8.48%
2011	175,285	9.09%
2010	170,079	9.09%

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

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

B. Other Postemployment Benefits

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

The State's CAFR discloses the required contributions for the State as a whole. The Lottery's total payments to the State for its share of normal contribution costs for the medical subsidy and retiree health benefits paid for fiscal years 2010 through 2012 are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Number of Retirees and Spouses</u>	<u>Total Annual OPEB Cost</u>	<u>Normal and Required Contribution Costs for Medical Subsidy</u>	<u>Medical Subsidy Percentage of Covered Payroll</u>
2012	61	\$371,537	\$30,972	1.60%
2011	58	286,507	37,959	1.96%
2010	52	357,086	36,673	1.96%

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

The Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than pensions* requires governments to account for other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay as you go basis. The effect is the recognition of an actuarially

required contribution as an expense when a future retiree earns their 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. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

Note 7 - Operating Lease

Building Lease

The Lottery, as lessee, leases an office and warehouse facility located on Integra Drive in Concord, New Hampshire. The agreement is a long-term operating lease, which commenced on May 1, 2008 and expires on April 30, 2013. The Lottery is currently involved in a bidding process for the leasing of office and warehouse space. The total building lease cost for fiscal years 2012 and 2011 amounted to \$400,748 and \$394,673, respectively. The Lottery's commitment for future lease payments required under the operating lease is \$338,175 for fiscal year 2013.

Note 8 - Joint Ventures

GASB Statement No.14, *The Financial Reporting Entity*, defines a joint venture as a legal entity which results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The New Hampshire Lottery Commission is an active participant in three separate joint venture arrangements: the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL) and Lucky for Life (regional game consisting of the six New England state lotteries). Tri-State and MUSL joint ventures are audited by separate audit firms hired by the particular joint venture. For fiscal year 2012 Berry, Dunn, McNeil, and Parker of Manchester, New Hampshire audited Tri-State and LWB Financial of West Des Moines, Iowa audited MUSL. The Lucky for Life joint venture holds each member lottery responsible for providing all other member lotteries with an annual report outlining that certain "Agreed Upon Procedures" have been completed by an independent firm hired by the perspective member lottery.

A. Tri-State Lotto Commission

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

The payments due winners for prizes awarded under Megabucks are fully funded by deposit fund contracts and investments in U.S. Treasury strips, held by Tri-State. Accordingly, the New Hampshire Lottery Commission does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State. At June 30, 2012 Tri-State reported total installment prize obligations owed to jackpot winners of \$54.9 million, payable through the year 2034.

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

Tri-State has established a Designated Prize Reserve, which acts as a contingency to protect Tri-State against unforeseen liabilities. The balance in the Tri-State reserve at June 30, 2012 was \$4,345,585. The allocation for this reserve is based on each state's pro-rata share of sales; it is estimated that New Hampshire's portion of the reserve amounts to \$1,654,249. 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 2012 is summarized below:

Operating revenues	<u>\$ 23,267,503</u>
Expenses:	
Prizes	11,763,948
Retailer commissions & incentives	1,241,289
Advertising & promotional	1,376,259
Vendor fees	379,737
Other operating expenses	<u>93,328</u>
Total expenses	<u>14,854,561</u>
Net operating income	<u>8,412,942</u>
Interest income	17,234
Net income from Tri-State	<u><u>\$ 8,430,176</u></u>

The Tri-State Lotto Commission maintains its own financial statements, which have been audited by an independent CPA firm. The report dated August 15, 2012 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, 2012 and 2011, and the results of operations and cash flows for those years then ended, in conformity with U.S. GAAP. The Tri-State Lotto Commission issues a publicly available annual financial report, which may be obtained by writing to the Tri-State Lotto Commission, 1311 US Route 302 Suite 100, Barre, Vermont 05671.

B. Multi-State Lottery Association

The New Hampshire Lottery Commission became a member of the Multi-State Lottery Association (MUSL) in November 1995. MUSL is currently comprised of 33 member state lotteries, including

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

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

Each member state participates in the sale of Powerball tickets. Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Each week MUSL allocates 50 percent of sales to the prize pool. Two percent of that prize pool is placed into two Powerball prize reserve funds. One of these funds, the Powerball prize reserve fund acts as a contingency reserve to protect MUSL members against unforeseen liabilities and is to be used at the discretion of the MUSL Board of Directors. The prize reserve fund monies, which are maintained on MUSL's balance sheet, are refundable after a one-year waiting period if a member leaves the Association or if the Association disbands. New Hampshire's total share of prize reserves held by MUSL amounted to \$2,479,610 at June 30, 2012.

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, 2012 the total MUSL Powerball prize reserve fund had a balance of \$95,747,340. New Hampshire's portion of the prize reserve fund balance amounted to \$1,373,141. 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, 2012 the total MUSL – Powerball set prize reserve fund had a balance of \$30,733,770. New Hampshire's portion of the prize reserve fund balance amounted to \$388,358. 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 \$17,414,201 at June 30, 2012. New Hampshire's portion of this unreserved fund amounted to \$744. MUSL's Powerball operating expenses are paid from interest earned on the prize reserves. The remaining interest is returned to the member states based upon the member's proportionate share of total Powerball game sales.

Fifteen member states have elected to participate in the sale of Hot Lotto tickets. Hot Lotto has been offered since April 2002. MUSL allocates 50 percent of the weekly sales to the prize pool. At

June 30, 2012 the MUSL Hot Lotto prize reserve fund was \$7,383,082 with New Hampshire's share being \$394,254. 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, 2012 the MUSL Mega Millions prize reserve fund was \$18,827,770 with New Hampshire's share being \$323,856. 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 2012 is summarized below.

Operating revenues	<u>\$ 51,191,746</u>
Expenses:	
Prizes	24,788,198
Retailer commissions	2,738,009
Vendor fees	898,203
Advertising & promotional	652,725
Other operating expenses	<u>49,259</u>
Total expenses	<u>29,126,394</u>
Net operating income	<u><u>22,065,352</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, 4400 NW Urbandale Drive, Urbandale, Iowa 50322.

C. Lucky for Life

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

The Lottery sells Lucky for Life tickets, collects all revenues, and remits prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent) for the Lucky for Life game. MUSL collects and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for top prize winners. Jackpot/grand prizes are payable in installments and are satisfied through insurance annuities purchased by MUSL. MUSL purchases insurance annuities, on behalf of the member states, based on \$365,000 per year deferred annuity paid annually on the

anniversary of the claim date, for the lifetime of the top prize winner. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

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

The Lottery does accrue a current amount due for its proportionate share of prizes and expenses. There are no prize reserves held by MUSL for this game. New Hampshire's total share of accrued prize and operating amounts due at June 30, 2012 amounted to \$2,328,468. The breakdown for the Lottery's share of accrued prizes were as follows: jackpot/grand prizes won not claimed \$619,853, jackpot/grand prizes claimed not paid \$1,322,988, jackpot/grand prizes in progress \$210,041, and low-tier prizes of \$168,211. The Lottery's share of accrued operating expenses at June 30, 2012 was \$7,376.

The Lucky for Life game was designed to have a total prize percentage payout of 60 percent of sales, providing approximately 4 to 5 jackpot/grand prize winners annually. The breakdown of the 60 percent includes a jackpot/grand prize amount equal to 27.8149% of total sales and low-tier prizes of 32.1851% of sales. Online lottery games are designed to provide an average payout over an extended period of time. This new game only operated for three months of fiscal year 2012 and during those three months there were 4 jackpot/grand prizes won; therefore the game ended the fiscal year with an operating deficit due to a prize percentage of 115% of sales. The low-tier prizes for this game ran right on target at 32% of sales for fiscal year 2012.

The New Hampshire Lottery Commission's portion of the Lucky for Life game for fiscal year 2012 is summarized below.

Operating revenues	<u>\$ 3,288,909</u>
Expenses:	
Prizes	3,782,610
Retailer commissions	190,916
Vendor fees	52,056
Advertising & promotional	240,686
Other operating expenses	<u>7,376</u>
Total expenses	<u>4,273,644</u>
Net operating income	<u><u>(984,735)</u></u>

Each member lottery is responsible for providing all other member lotteries an annual report outlining that certain "minimum agreed upon procedures" have been completed by an independent audit firm hired by the respective lottery. The 'minimum agreed upon procedures'

were established and approved by all six state's directors and finance members prior to the start up of Lucky for Life.

Note 9 - Replay Program

In June 2006 the Commission implemented a program called "Replay" in which players become eligible for merchandise drawings by submitting non-winning lottery ticket codes to an online Replay website operated by the Lottery's advertising vendor. Merchandise (prizes) 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, 2012**

Operating Revenues:	
Instant tickets	\$ 176,911,812
MUSL Powerball	33,022,158
MUSL Mega Millions	14,986,102
Tri-State Megabucks	9,458,702
Tri-State Pick 3	5,180,834
Tri-State Pick 4	5,128,851
Lucky for Life	3,288,909
MUSL Hot Lotto	3,183,486
Tri-State Weekly Grand	2,430,976
Tri-State Fast Play	1,068,140
Other - contributed prizes	264,337
Total operating revenues	<u>254,924,307</u>
Operating Expenses:	
Cost of sales:	
Prize awards:	
Instant tickets	118,288,247
MUSL Powerball	16,107,399
MUSL Mega Millions	7,128,398
Tri-State Megabucks	4,723,399
Tri-State Pick 3	2,590,478
Tri-State Pick 4	2,561,687
Lucky for Life	3,782,610
MUSL Hot Lotto	1,552,401
Tri-State Weekly Grand	1,247,371
Tri-State Fast Play	641,013
Other - Contributed prizes paid	264,337
Total prize awards	<u>158,887,340</u>
Retailers' commissions	14,832,273
Vendor fees	4,807,253
Cost of instant tickets (printing & delivery of)	2,113,431
Expense pools	149,964
Total cost of sales	<u>180,790,261</u>
Administration:	
Salaries and benefits	3,381,146
Advertising and promotional	3,531,645
Space rental	400,747
Information Technology	171,612
Other expenses	632,795
Total administration	<u>8,117,945</u>
Depreciation expense	29,138
Total operating expenses	<u>188,937,344</u>
Operating income	65,986,963
Nonoperating revenues	935,679
Net income	<u>66,922,642</u>
Transfers to Education Trust Fund	(66,768,050)
Change in net assets (restricted prize reserve funds)	<u>\$ 154,592</u>

See accompanying independent auditor's report.

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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	42 - 46
<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	47B - 50
<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	47A, 51
<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	52 – 61
<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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instant Games	\$ 150,936	\$ 157,016	\$ 161,358	\$ 176,978	\$ 188,565	\$ 183,991	\$ 170,823	\$ 160,536	\$ 161,378	\$ 176,912
Powerball	43,061	52,646	39,097	57,232	44,391	46,421	39,994	37,705	26,537	33,022
Tri-State Megabucks	10,982	10,412	10,254	10,184	9,657	10,459	8,687	12,708	10,537	9,459
Tri-State Daily Pick 3/Pick 4	11,012	11,339	10,650	10,818	10,873	10,507	10,489	10,383	10,380	10,310
Tri-State Other Games	2,946	3,327	3,140	4,529	5,446	5,774	5,266	5,235	4,734	3,499
MUSL Other Games	2,261	2,265	3,481	3,001	4,633	3,538	4,324	7,206	15,299	18,169
Lucky for Life	-	-	-	-	-	-	-	-	-	3,289
Other	-	-	-	-	375	442	349	314	289	264
Total Lottery Sales Revenue ³	<u>221,198</u>	<u>237,005</u>	<u>227,980</u>	<u>262,742</u>	<u>263,940</u>	<u>261,132</u>	<u>239,932</u>	<u>234,087</u>	<u>229,154</u>	<u>254,924</u>
Bingo/Lucky 7 Program Revenue ²	2,041	2,078	976	-	-	-	-	-	-	-
Interest & Misc. Income	366	546	514	1,014	1,304	814	328	34	64	936
Total Sales and Other Revenues	<u>223,605</u>	<u>239,629</u>	<u>229,470</u>	<u>263,756</u>	<u>265,244</u>	<u>261,946</u>	<u>240,260</u>	<u>234,121</u>	<u>229,218</u>	<u>255,860</u>
<u>Expenses</u>										
Prizes	129,843	137,231	132,686	152,392	155,941	154,687	142,050	138,907	139,262	158,887
Retailer Commissions & Incentives	11,991	12,801	12,344	14,179	14,311	14,279	13,070	12,739	12,925	14,832
Other Costs of Sales	8,232	8,403	8,158	9,479	8,876	8,856	8,430	8,338	6,758	7,071
Administration & Depreciation Expenses	6,815	7,181	6,934	7,379	7,207	8,472	8,358	7,942	8,024	8,147
Total Expenses	<u>156,881</u>	<u>165,616</u>	<u>160,122</u>	<u>183,429</u>	<u>186,335</u>	<u>186,294</u>	<u>171,908</u>	<u>167,926</u>	<u>166,969</u>	<u>188,937</u>
<u>Transfers</u>										
Distributions to Education	<u>66,569</u>	<u>73,744</u>	<u>69,349</u>	<u>80,378</u>	<u>79,043</u>	<u>75,553</u>	<u>68,150</u>	<u>66,222</u>	<u>62,207</u>	<u>66,768</u>
<u>Change in Net Assets</u>										
Change in Net Assets ¹	<u>155</u>	<u>269</u>	<u>(1)</u>	<u>(51)</u>	<u>(134)</u>	<u>99</u>	<u>202</u>	<u>(27)</u>	<u>41</u>	<u>155</u>
<u>Net Assets</u> ⁴										
Invested in capital assets	189	119	127	191	235	242	164	97	42	13
Restricted for prize funds ⁴	3,581	3,850	3,849	3,798	3,664	3,763	3,965	3,938	3,979	4,134
Unrestricted (deficit)	\$ (189)	\$ (119)	\$ (127)	\$ (191)	\$ (235)	\$ (242)	\$ (164)	\$ (97)	\$ (42)	\$ (13)

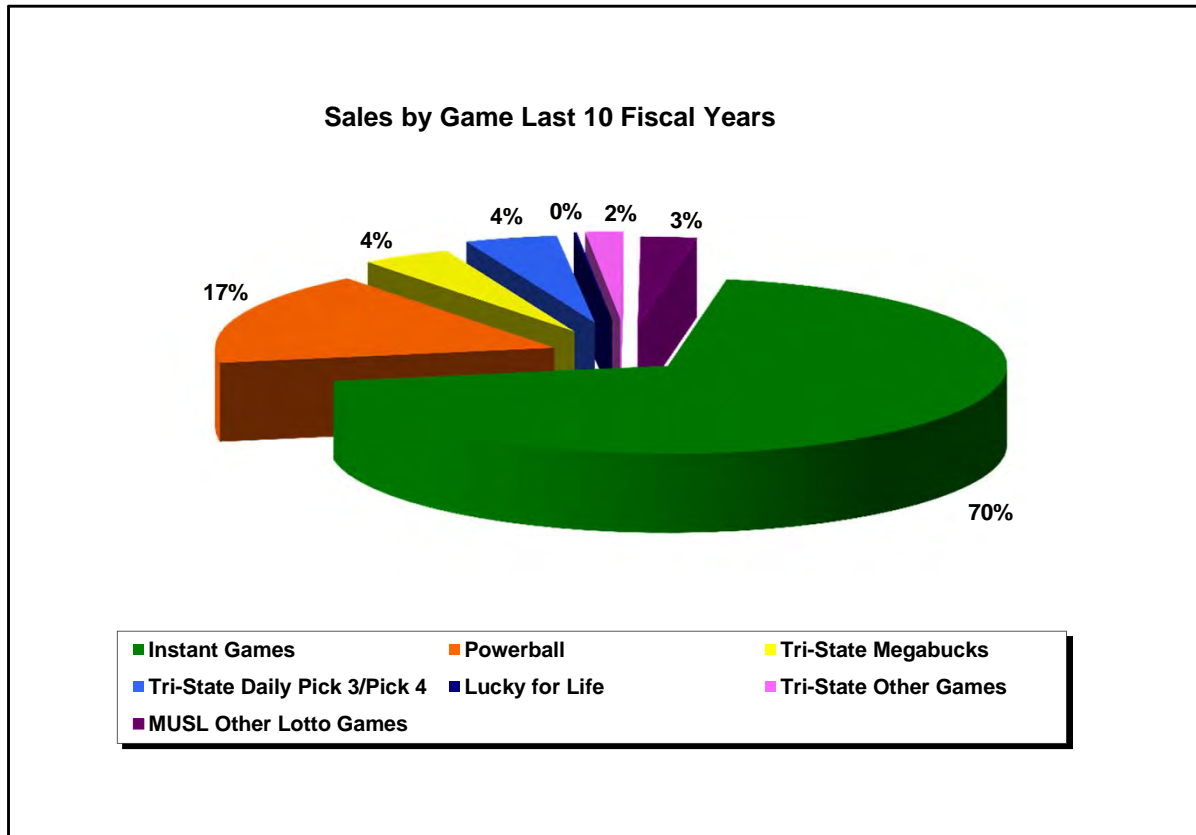
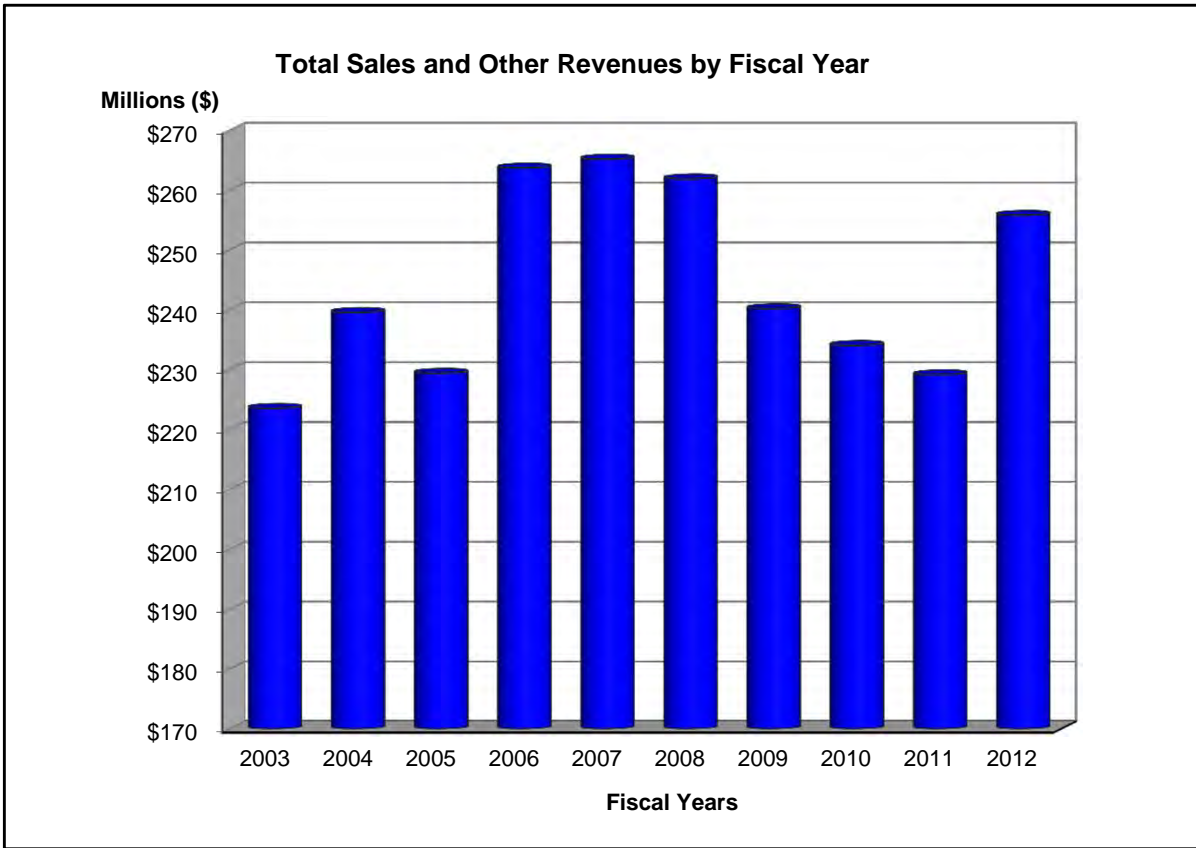
1 The change in net assets does not reflect the condition of the Lottery's financial position, because by law the Lottery is required to transfer all net profits to the Education Trust Fund on a monthly basis.

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.

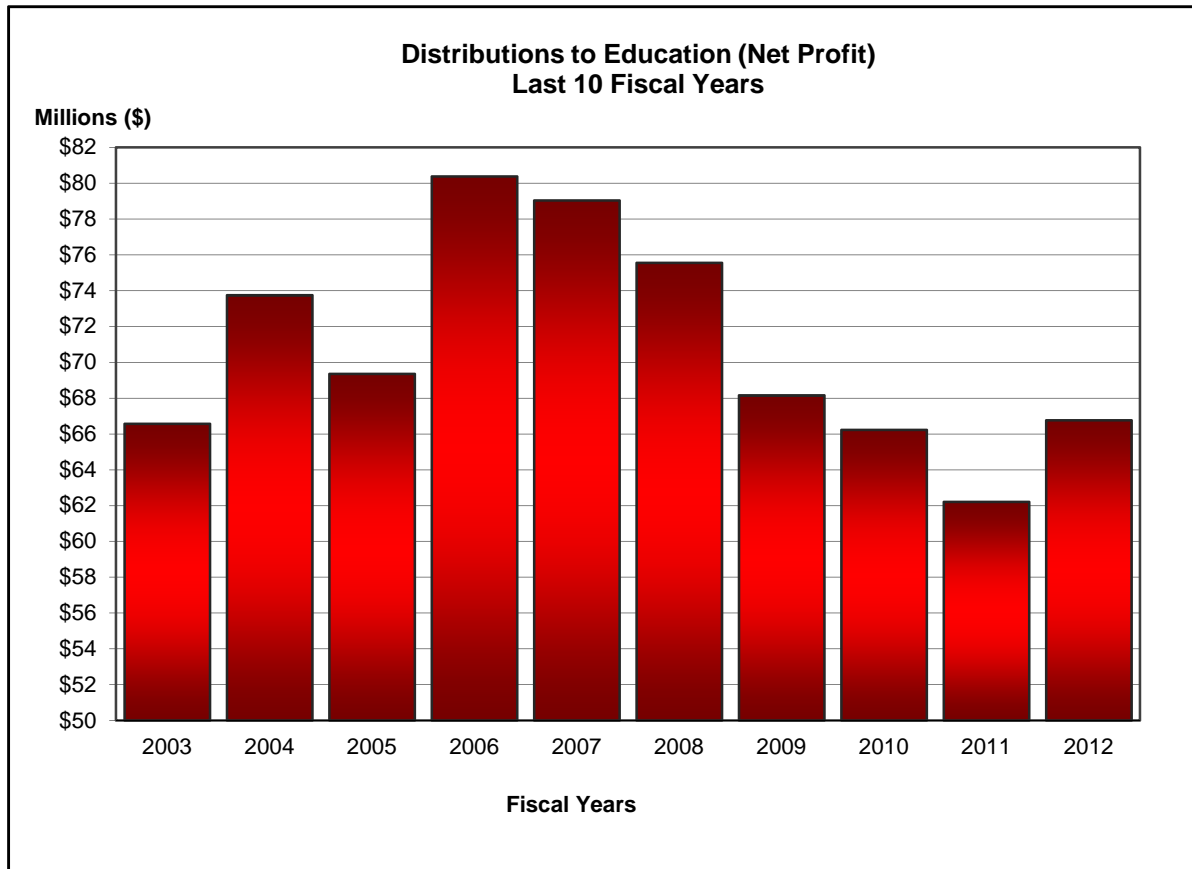
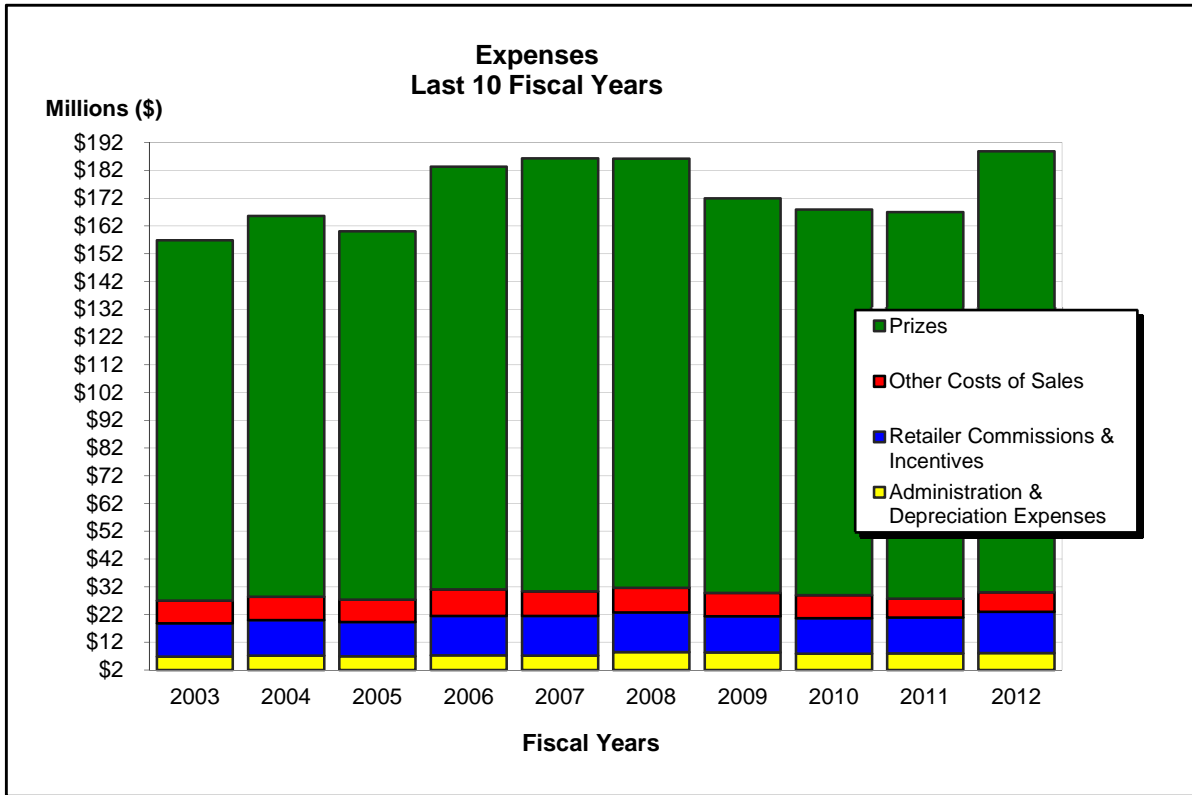
3 State law restricts the maximum sales amount of a ticket to \$30.

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

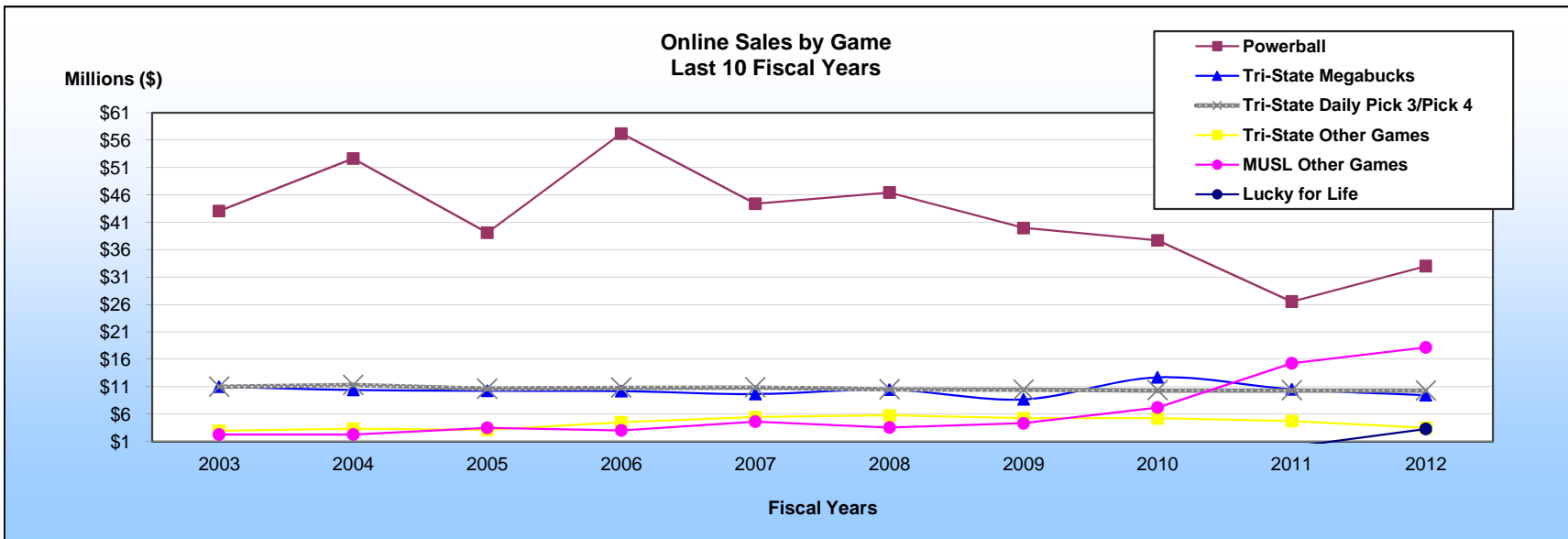
New Hampshire Lottery Commission



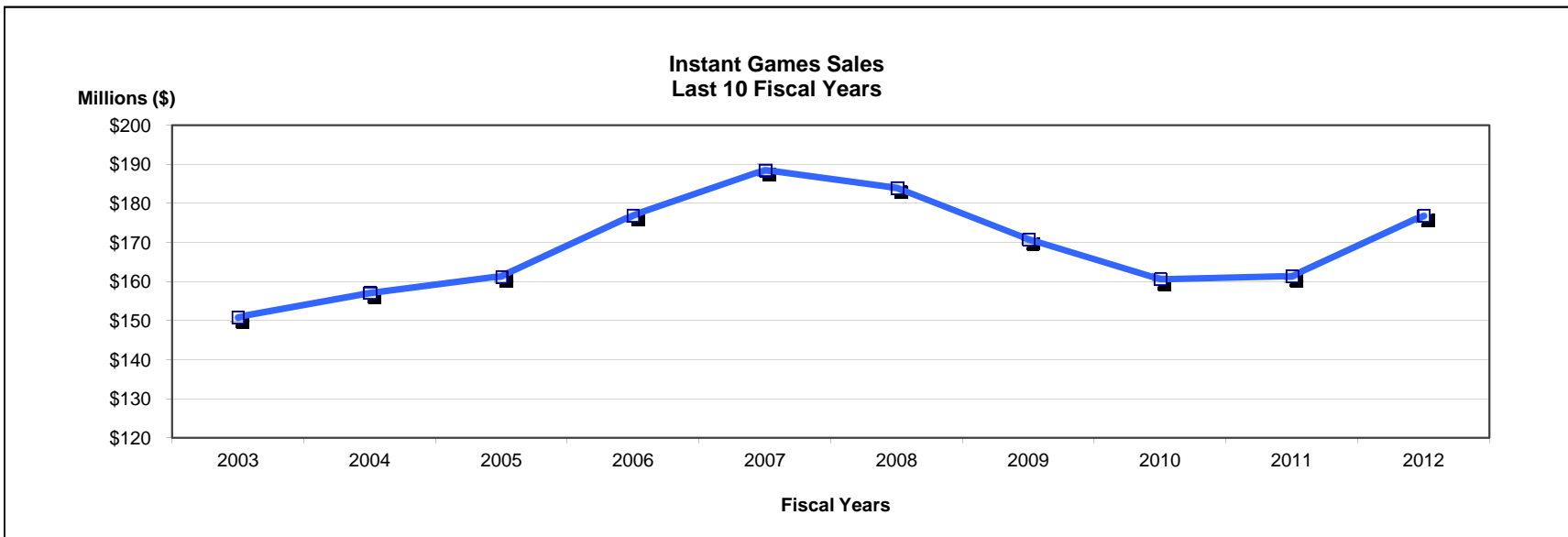
New Hampshire Lottery Commission



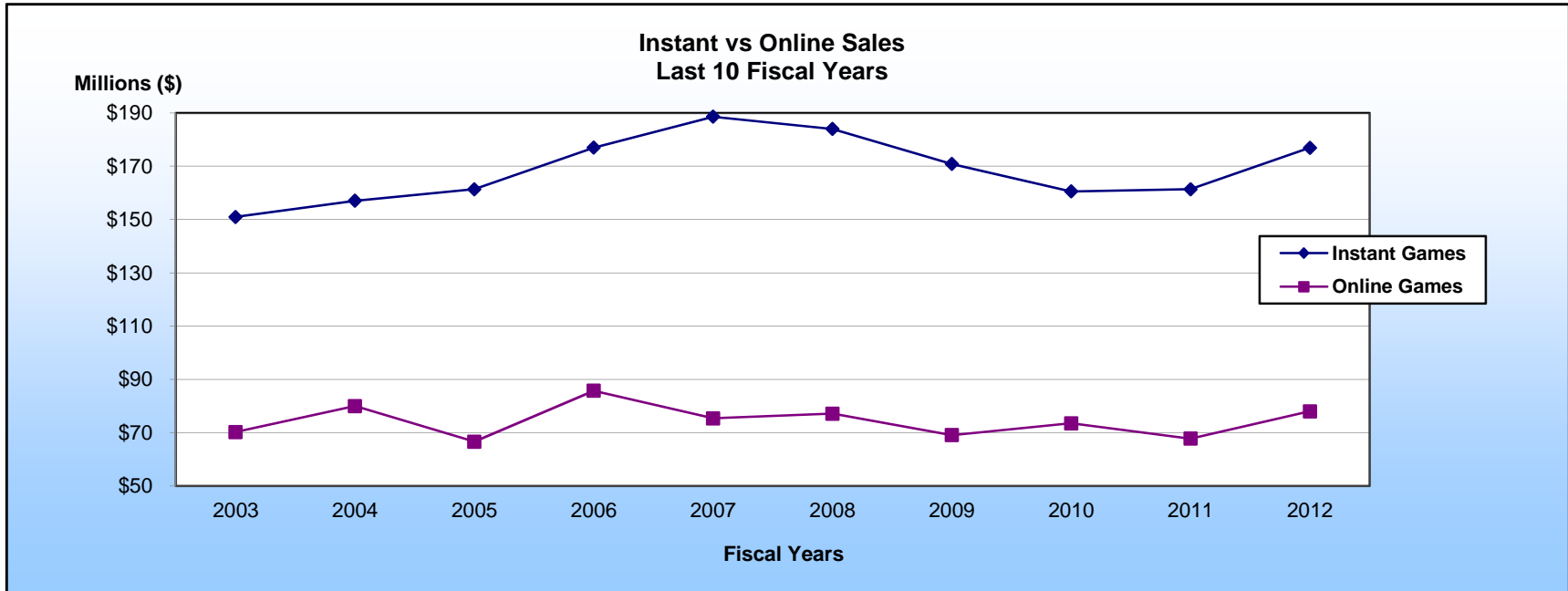
NEW HAMPSHIRE LOTTERY COMMISSION



Over the last ten years Instant Games sales were the strongest of all lottery products. Instant Games are, for the most part, an impulse purchase depending on discretionary spending. The economy and the cost of automobile gasoline impacts Instant Games sales. Consumers demand for more technologically advanced types of gambling also has effected sales. Powerball sales fluctuated widely over the last ten years due to the number and size of jackpots. A \$200 million jackpot will sell three times as many tickets as a \$40 million jackpot, however, large jackpots cannot be predicted and are subject to the “luck of the draw”.



NEW HAMPSHIRE LOTTERY COMMISSION



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

Dollars in thousands	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Instant Games										
Sales	\$150,936	\$157,016	\$161,358	\$176,978	\$188,565	\$183,991	\$170,823	\$160,536	\$161,378	\$176,912
Prizes	96,801	99,304	100,764	110,256	119,378	116,738	108,427	102,801	105,524	118,288
Prizes % of sales	64.13%	63.24%	62.45%	62.30%	63.31%	63.45%	63.47%	64.04%	65.39%	66.86%
Instant advertising expense	806	825	984	1,090	1,187	1,855	1,583	1,232	1,584	1,261
Instant advertising expense % of Instant ticket sales	0.53%	0.53%	0.61%	0.62%	0.63%	1.01%	0.93%	0.77%	0.98%	0.71%
Online Games										
Sales	\$70,262	\$79,989	\$66,622	\$85,764	\$75,375	\$77,141	\$69,109	\$73,551	\$67,776	\$78,012
Prizes	33,042	37,927	31,922	42,136	36,563	37,949	33,623	36,106	33,738	40,599
Prizes as a % of sales	47.03%	47.41%	47.92%	49.13%	48.51%	49.19%	48.65%	49.09%	49.78%	52.04%
Online advertising expense	1,984	2,113	1,689	1,679	1,554	1,158	2,205	2,050	1,673	2,271
Online games advertising expense % of online games sales	2.82%	2.64%	2.54%	1.96%	2.06%	1.50%	3.19%	2.79%	2.47%	2.91%

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

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

<u>Fiscal Year</u>	<u>Number of Employees</u> ¹	<u>Salaries Paid</u>	<u>Benefits Paid to Employees</u>	<u>Number of Retirees and Spouses</u>	<u>Post Employment Benefits Paid</u> ²
2012	63	\$2,042,681	\$956,953	61	\$371,537
2011	61	2,102,128	983,785	58	286,507
2010	60	2,073,092	1,003,341	52	357,086
2009	63	2,034,221	912,206	49	333,702
2008	67	2,008,383	893,401	47	222,216
2007	74	1,716,133	892,886	46	267,366
2006	76	1,920,437	944,916	48	255,528
2005	78	1,681,328	819,267	45	251,919
2004	79	1,952,369	844,594	45	176,816
2003	79	1,737,377	816,901	49	172,732

1 Includes part-time employees

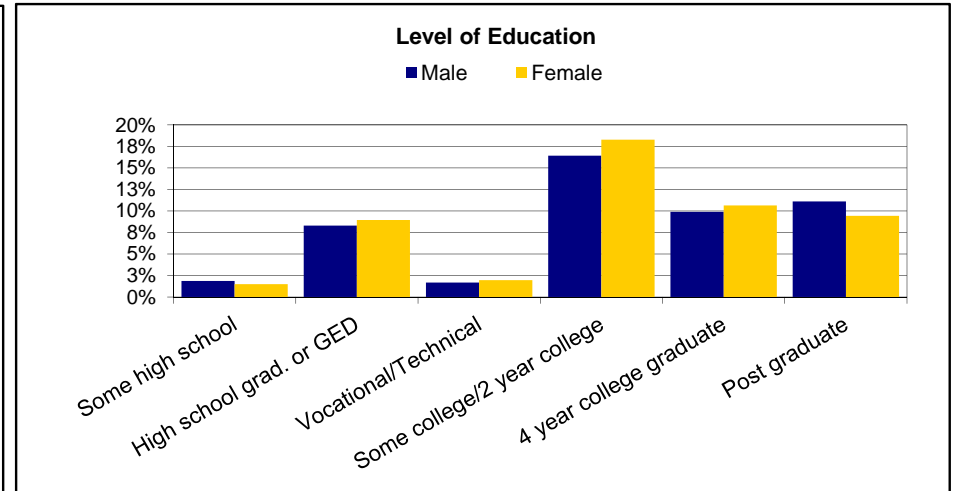
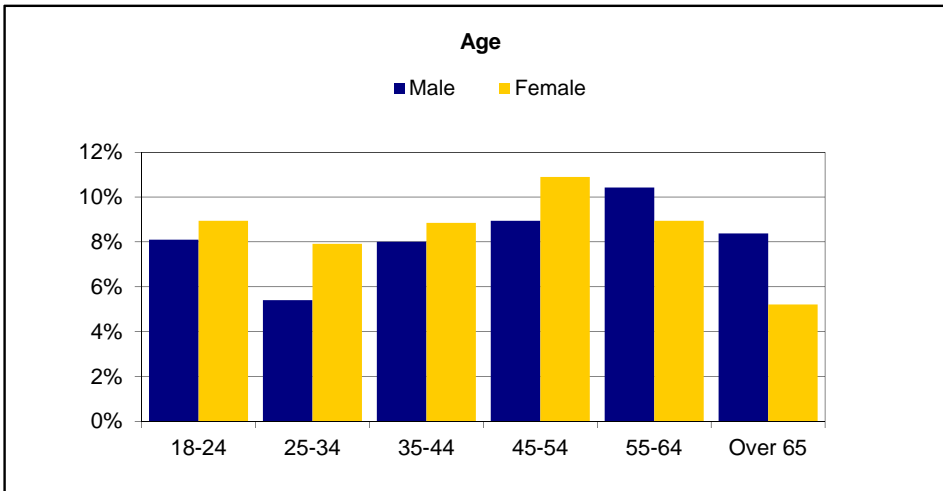
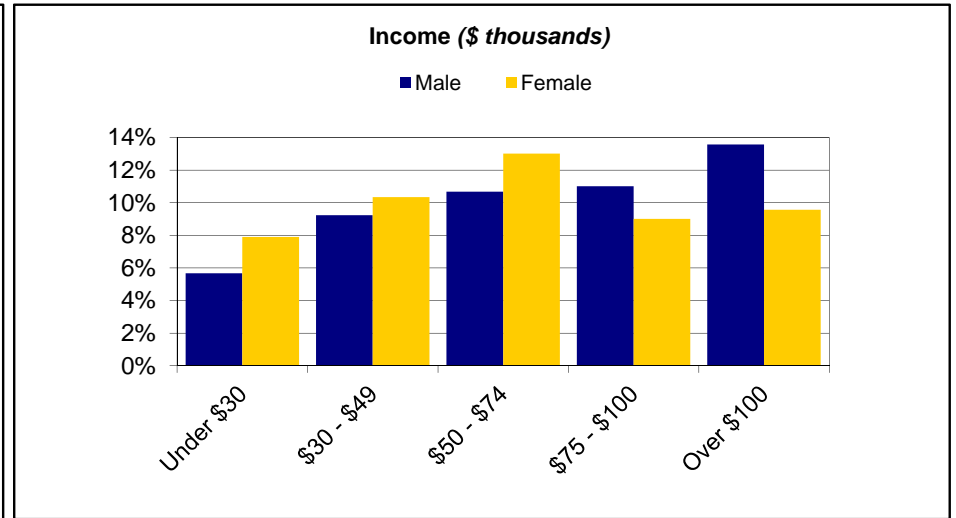
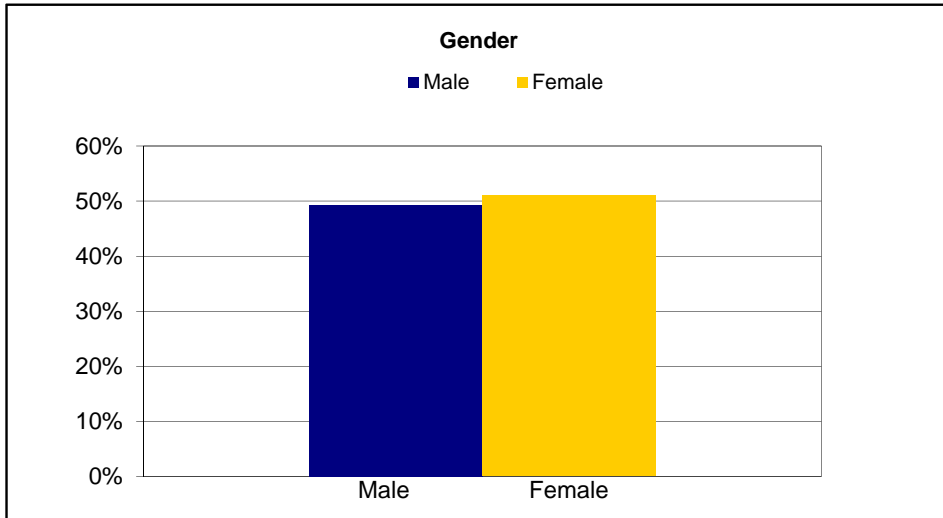
2 The Lottery is required to pay retiree benefits due to being a self-funded agency.

B. New Hampshire Demographic and Economic Statistics (Information available for calendar years 2002 – 2011):

<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>
2011	\$63.6	1,318,194	\$60,480,000	\$45,881	40.3	91.4%	33.4%	5.4%
2010	60.3	1,316,470	57,898,000	\$44,084	41.1	91.4%	33.4%	5.2%
2009	59.1	1,324,575	56,407,553	42,585	40.4	90.5%	32.4%	6.8%
2008	60.0	1,315,809	56,356,332	42,830	40.2	81.0%	32.4%	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%

1 Calculation is based on persons 25 years and older. Data sources: US Census Bureau, US Dept of Commerce, US Dept of Labor, Bureau of Business and Economic Research,

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



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

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

In millions

<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</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>
Circle K	\$ 18.2	Circle K	\$ 15.4	Cumberland Farms	\$ 13.6	Cumberland Farms	\$ 14.0	Cumberland Farms	\$ 15.0
Cumberland Farms	15.0	Cumberland Farms	13.7	Circle K	13.6	Circle K	13.3	Irving	13.4
Hannford Food & Drug	13.6	Hannford Food & Drug	12.4	Hannaford Bros Co.	10.9	Hannaford Bros Co.	11.6	Hannaford Bros Co.	12.1
Demoulas Market Basket	12.3	Demoulas Market Basket	10.5	Demoulas Market Basket	10.5	Demoulas Market Basket	10.4	Demoulas Market Basket	10.7
Shaws Supermarket	9.5	Shaws Supermarket	9.0	Shaws	8.9	NH State Liquor Comm	9.1	NH State Liquor Comm	10.0
NH State Liquor Comm	8.4	NH State Liquor Comm	7.8	NH State Liquor Comm	8.8	Shaws	8.9	Shaws	9.5
7- Eleven	7.9	7- Eleven	7.1	7-Eleven	7.2	7-Eleven	7.4	7-Eleven	8.0
Nouria Energy (Shell)	6.6	AGR Foodmart Inc (Shell)	4.8	AGR Foodmart	4.5	AGR Foodmart Inc	5.0	AGR Foodmart Inc	5.3
Tedeschi Food Shops	4.2	Nouria Energy (Shell)	4.0	Nouria Energy	3.7	Store 24	3.6	Store 24	3.7
Cheshire Oil dba T-Birds	3.2	Tedeschi Food Shops	3.5	Tedeschi Food Shops	3.5	Nouria Energy	3.3	Nouria Energy	3.4

<u>2007</u>		<u>2006</u>		<u>2005</u>		<u>2004</u>		<u>2003</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	\$ 15.3	Cumberland Farms	\$ 14.7	Cumberland Farms	\$ 11.8	Cumberland Farms	\$ 11.5	Cumberland Farms	\$ 10.6
Irving	\$ 11.8	Hannaford Bros	11.2	Hannaford Bros	9.3	NH State Liquor Comm	9.2	Hannaford Bros Co.	8.5
Hannaford Bros Co.	\$ 11.7	Demoulas Market Basket	10.6	Shaws	8.6	Hannaford Bros	9.1	NH State Liquor Comm	8.4
Demoulas Market Basket	\$ 10.6	Irving	10.5	Demoulas Market Basket	8.5	Demoulas Market Basket	8.5	Demoulas Market Basket	7.6
NH State Liquor Comm	\$ 9.9	Shaws	9.7	Irving	7.7	Shaws	8.5	Shaws	7.0
Shaws	\$ 9.9	NH State Liquor Comm	9.3	NH State Liquor Comm	6.8	Irving	6.9	Irving	5.9
7-Eleven	\$ 7.2	7-Eleven	6.2	7-Eleven	5.4	7-Eleven	3.9	7-Eleven	3.2
Store 24	\$ 5.4	Store 24	3.7	Store 24	3.2	Store 24	3.2	Store 24	3.0
AGR Foodmart Inc	\$ 4.8	AGR Foodmart Inc	3.6	AGR Foodmart Inc	3.1	AGR Foodmart Inc	2.9	Jiffy Mart	2.6
Nouria Energy	\$ 3.3	Nouria Energy	3.0	Cheshire Oil	2.6	Jiffy Mart	2.8	Mr. Mikes	2.4

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

2012		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	17,867	2.54%
2 Wal-Mart Stores Inc	8,166	1.16%
3 Dartmouth-Hitchcock Medical Center	6,654	0.95%
4 University System of NH	6,159	0.88%
5 Demoulas & Market Basket	6,000	0.85%
6 Hannaford Brothers	4,817	0.68%
7 Fidelity Investments	4,600	0.65%
8 BAE Systems	4,500	0.64%
9 Dartmouth College	4,250	0.60%
10 Liberty Mutual-Northern N.E. Division	<u>4,200</u>	<u>0.60%</u>
Total	<u>67,213</u>	<u>9.55%</u>

2011		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	17,820	2.52%
2 Wal-Mart Stores Inc	8,421	1.19%
3 Dartmouth-Hitchcock Medical Center	7,073	1.00%
4 University System of NH	6,081	0.86%
5 Demoulas & Market Basket	6,000	0.85%
6 BAE Systems	4,500	0.64%
7 Fidelity Investments	4,400	0.62%
8 Dartmouth College	4,250	0.60%
9 Liberty Mutual-Northern N.E. Division	4,200	0.59%
10 Hannaford Brothers	<u>3,894</u>	<u>0.55%</u>
Total	<u>66,639</u>	<u>9.42%</u>

2010		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	18,487	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>70,619</u>	<u>10.56%</u>

2009		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	18,735	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>71,831</u>	<u>10.93%</u>

2008		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	18,556	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 Liberty Mutual-Northern N.E. Division	5,133	0.71%
8 Hannaford Brothers	4,629	0.64%
9 Shaw's Supermarkets	4,500	0.62%
10 Dartmouth College	4,246	0.59%
Total	<u>71,983</u>	<u>10.43%</u>

2007		
<u>Employer</u>	<u>Number of Employees</u>	<u>% of State Total</u>
1 State of NH	21,590	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>72,220</u>	<u>9.99%</u>

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

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

New Hampshire Lottery Commission

Game Statistics for Last Ten Fiscal Years

Fiscal Year	Number of Lottery Retailers	Number of Online Games Offered ⁴	Number of Instant Games On the Market	Highest Priced Instant Ticket	Number of Subscriptions	Number of Replay Members	Number of Powerball Jackpot Runs that Exceeded \$100 Million ²	Highest Powerball Jackpot Amount	Expired Unclaimed Powerball Prizes ³
2012	1282	8	84	\$20	9,960 ⁷	187,029	7	\$336,400,000	\$458,360 ⁵
2011	1273	8	91	30	12,573	173,703	6	221,700,000	442,459
2010	1222	8	111	30	12,231 ⁶	139,039	7	261,600,000	723,209
2009	1255	7	111	30	21,395	98,617	5	232,100,000	736,202
2008	1256	8	106	30	21,869	138,535	24	300,000,000	984,855
2007	1256	7	91	20	21,869	100,000	5	204,000,000	1,145,287
2006	1225	7	88	20	21,866	-	5	365,000,000	1,078,540
2005	1220	6	61	10	24,946 ¹	-	3	340,000,000	1,714,458
2004	1227	6	61	10	10,353	-	8	214,700,000	1,307,376
2003	1215	6	57	10	11,100	-	3	261,300,000	1,689,179

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

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

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

Prizes by Game for Last Ten Fiscal Years

Fiscal Year	Instant Games	MUSL Powerball	MUSL Other Lotto	Tri-State Megabucks	Tri-State Pick 3 & Pick 4	Tri-State Other	Lucky for Life ^a	Other - Replay	Fiscal Year Total Prizes
2012	\$118,288,247	\$16,107,399	\$8,680,799	\$4,723,399	\$5,152,165	\$1,888,384	\$3,782,610	\$264,337	\$158,887,340
2011	105,524,430	13,023,160	7,503,844	5,222,761	5,191,035	2,508,135	-	289,056	139,262,421
2010	102,800,698	18,008,834	3,490,732	6,464,015	5,199,090	2,629,749	-	313,601	138,906,719
2009	108,427,290	19,151,243	2,070,928	4,237,157	5,242,902	2,571,880	-	348,635	142,050,035
2008	116,737,902	22,127,401	1,719,808	5,247,688	5,252,500	3,159,516	-	442,519	154,687,334
2007	119,378,231	20,956,832	2,230,231	4,813,274	5,437,311	2,749,386	-	375,467	155,940,732
2006	110,256,485	27,540,712	1,479,781	5,147,580	5,410,637	2,557,153	-	-	152,392,348
2005	100,763,773	18,229,249	1,652,591	5,143,028	5,322,821	1,574,702	-	-	132,686,164
2004	99,304,490	24,298,055	1,098,587	5,200,787	5,665,202	1,663,694	-	-	137,230,815
2003	96,800,965	19,323,318	1,089,128	5,549,961	5,588,329	1,491,024	-	-	129,842,725

^a Lucky for Life began March 2012.

U.S. Lottery Revenue and Expense Analysis - Fiscal Year 2011

(\$ Millions)						(as a percentage of ticket sales)			
LOTTERY	Ticket Sales	Prizes	Retailer Comm.	Other Expenses	Net Oper Income	Prizes	Retailer Comm.	Other Exp.	Net Oper Income
Arizona	\$ 583.5	\$ 360.5	\$ 39.3	\$ 39.3	\$ 144.5	61.8%	6.7%	6.7%	24.8%
Arkansas	464.0	307.5	26.2	38.0	92.3	66.3%	5.7%	8.2%	19.9%
California ~	3,438.6	1,904.8	233.6	199.4	1,100.8	55.4%	6.8%	5.8%	32.0%
Colorado	518.9	326.7	39.6	40.0	112.6	63.0%	7.6%	7.7%	21.7%
Connecticut	1,016.6	620.1	57.0	48.3	291.2	61.0%	5.6%	4.8%	28.6%
Delaware *	136.9	75.9	9.3	18.5	33.2	55.4%	6.8%	13.5%	24.3%
D.C. ~	231.8	125.9	14.8	28.9	62.2	54.3%	6.4%	12.5%	26.8%
Florida	4,008.7	2,346.2	223.4	248.8	1,190.4	58.5%	5.6%	6.2%	29.7%
Georgia ~	3,335.6	2,120.8	230.9	142.5	841.3	63.6%	6.9%	4.3%	25.2%
Idaho	147.2	90.2	9.0	12.8	35.2	61.3%	6.1%	8.7%	23.9%
Illinois	2,264.7	1,368.5	111.9	120.9	663.4	60.4%	4.9%	5.3%	29.3%
Indiana	791.5	494.5	56.2	49.2	191.5	62.5%	7.1%	6.2%	24.2%
Iowa	271.4	159.0	17.3	27.4	67.7	58.6%	6.4%	10.1%	25.0%
Kansas ~	232.4	132.3	13.8	22.4	63.8	56.9%	5.9%	9.7%	27.5%
Kentucky	719.4	422.5	47.3	37.7	211.9	58.7%	6.6%	5.2%	29.4%
Louisiana	383.6	202.9	21.4	24.8	134.5	52.9%	5.6%	6.5%	35.1%
Maine	216.4	134.2	13.9	18.7	49.6	62.0%	6.4%	8.6%	22.9%
Maryland ~	1,714.4	1,029.0	113.7	111.3	460.4	60.0%	6.6%	6.5%	26.9%
Massachusetts ~	4,416.3	3,199.4	252.0	88.6	876.3	72.4%	5.7%	2.0%	19.8%
Michigan ~	2,340.0	1,344.3	168.4	103.3	723.9	57.5%	7.2%	4.4%	30.9%
Minnesota	504.4	310.9	30.4	41.6	121.7	61.6%	6.0%	8.2%	24.1%
Missouri ~	1,000.7	639.0	61.9	45.2	254.6	63.9%	6.2%	4.5%	25.4%
Montana	46.0	24.8	2.7	7.8	10.8	53.8%	5.9%	16.9%	23.3%
Nebraska	131.9	76.9	8.2	16.6	30.3	58.3%	6.2%	12.5%	23.0%
New Hampshire	229.2	139.3	12.9	14.8	62.2	60.8%	5.6%	6.4%	27.2%
New Jersey	2,636.5	1,543.7	147.0	56.0	889.8	58.6%	5.6%	2.1%	33.8%
New Mexico	135.5	73.6	8.9	11.8	41.3	54.3%	6.5%	8.7%	30.4%
New York * ~	6,758.7	3,967.7	404.7	246.9	2,139.4	58.7%	6.0%	3.7%	31.7%
North Carolina	1,461.1	863.0	102.1	63.4	432.6	59.1%	7.0%	4.3%	29.6%
North Dakota	23.0	11.9	1.2	4.0	5.9	51.9%	5.1%	17.2%	25.8%
Ohio ~	2,601.0	1,603.1	161.3	109.3	727.3	61.6%	6.2%	4.2%	28.0%
Oklahoma	198.2	106.6	13.2	12.5	65.8	53.8%	6.7%	6.3%	33.2%
Oregon * ~	317.5	208.7	26.8	25.0	56.9	65.7%	8.5%	7.9%	17.9%
Pennsylvania	3,207.9	1,958.4	168.6	126.1	954.8	61.1%	5.3%	3.9%	29.8%
Rhode Island * ~	230.6	140.2	28.2	9.1	53.2	60.8%	12.2%	3.9%	23.1%
South Carolina	1,047.1	667.6	74.1	37.6	267.7	63.8%	7.1%	3.6%	25.6%
South Dakota *	47.2	27.2	2.6	5.1	12.3	57.6%	5.4%	10.9%	26.1%
Tennessee	1,102.6	683.5	77.5	52.0	289.6	62.0%	7.0%	4.7%	26.3%
Texas	3,811.3	2,387.2	212.2	184.3	1,027.5	62.6%	5.6%	4.8%	27.0%
Vermont	95.5	60.6	5.6	7.9	21.4	63.4%	5.9%	8.3%	22.4%
Virginia	1,482.7	881.0	83.8	74.9	442.9	59.4%	5.7%	5.1%	29.9%
Washington ~	510.5	295.2	31.9	45.5	137.8	57.8%	6.3%	8.9%	27.0%
W. Virginia * ~	193.6	120.7	13.6	15.2	44.1	62.4%	7.0%	7.9%	22.8%
Wisconsin	502.7	290.5	35.3	32.2	144.8	57.8%	7.0%	6.4%	28.8%
Total	\$ 55,506.8	\$ 33,846.4	\$ 3,413.3	\$ 2,665.7	\$ 15,581.5	61.0%	6.1%	4.8%	28.1%

* 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 2011 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 2012 LaFleur's World Lottery Almanac

U.S. Lottery Sales By Game - Fiscal Year 2011

(\$ 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	6.5	2,965	\$ 373.5	\$ 8.3	\$ 186.6	\$ 15.1	\$ 583.5	\$ 89.8	
Arkansas	2.9	1,866	390.1	8.9	59.1	5.9	464.0	160.0	
California ~	37.7	21,162	2,002.1	160.2	1,132.8	143.5	3,438.6	91.2	
Colorado	5.1	3,049	345.0	0.0	153.6	20.4	518.9	101.8	
Connecticut	3.6	2,704	610.6	225.4	152.0	28.6	1,016.6	282.4	
Delaware *	0.9	535	40.9	43.4	39.4	13.3	136.9	152.2	573.6
D.C. ~	0.6	505	56.1	118.8	39.3	17.6	231.8	386.3	
Florida	19.1	13,138	2,225.7	549.0	893.3	340.7	4,008.7	209.9	
Georgia ~	9.8	8,492	2,161.4	659.1	344.9	170.2	3,335.6	340.4	
Idaho	1.6	1,085	90.6	1.7	45.4	9.5	147.1	92.0	
Illinois	12.9	7,519	1,263.7	481.6	496.7	22.7	2,264.7	175.6	
Indiana	6.5	3,921	508.5	59.2	188.0	35.8	791.5	121.8	
Iowa	3.1	-	165.3	9.3	78.5	18.3	271.4	87.5	
Kansas ~	2.9	1,836	118.6	5.8	69.4	38.6	232.4	80.1	
Kentucky	4.4	2,850	424.7	157.5	127.1	10.1	719.4	163.5	
Louisiana	4.6	2,889	148.1	86.4	131.4	17.7	383.6	83.4	
Maine	1.3	1,282	157.0	9.5	50.0	-	216.4	166.5	
Maryland ~	5.8	4,226	493.6	515.5	208.7	496.7	1,714.4	295.6	103.1
Massachusetts ~	6.6	8,114	3,008.1	344.4	273.9	789.9	4,416.3	669.1	
Michigan ~	9.9	10,746	739.2	685.6	351.5	563.7	2,340.0	236.4	
Minnesota	5.3	3,021	354.8	13.3	123.0	13.3	504.4	95.2	
Missouri ~	6.0	4,861	666.3	93.6	172.9	67.8	1,000.7	166.8	
Montana	1.0	783	15.1	-	28.0	3.1	46.2	46.2	
Nebraska	1.8	1,179	71.9	5.4	54.6	-	131.9	73.3	
New Hampshire	1.3	1,246	161.4	10.4	56.1	1.3	229.2	176.3	
New Jersey	8.8	6,100	1,364.5	693.6	578.3	-	2,636.4	299.6	
New Mexico	2.1	1,107	75.8	3.7	56.1	-	135.5	64.5	
New York * ~	19.5	16,700	3,546.4	1,631.0	1,126.6	454.7	6,758.7	346.6	1,109.6
North Carolina	9.7	6,622	862.1	323.8	269.3	6.0	1,461.1	150.6	
North Dakota	0.7	400	-	-	23.0	-	23.0	32.9	
Ohio ~	11.5	9,950	1,462.8	573.5	346.4	218.3	2,601.0	226.2	
Oklahoma	3.8	1,972	103.0	5.9	89.3	-	198.1	52.1	
Oregon * ~	3.9	3,910	115.9	1.3	97.6	102.7	317.5	81.4	720.5
Pennsylvania	12.7	9,019	1,922.1	634.2	591.7	60.0	3,207.9	252.6	
Rhode Island * ~	1.1	1,235	77.2	24.9	45.0	83.5	230.6	209.6	492.6
South Carolina	4.7	3,745	698.3	198.8	146.9	3.2	1,047.1	222.8	
South Dakota *	0.8	608	22.2	-	25.0	-	47.2	59.0	191.8
Tennessee	6.4	-	864.7	83.6	154.2	-	1,102.6	172.3	
Texas	25.7	16,817	2,842.3	342.9	575.2	51.0	3,811.3	148.3	
Vermont	0.6	727	71.3	2.7	20.5	1.0	95.5	159.2	
Virginia	8.1	5,125	756.8	449.1	261.2	15.5	1,482.7	183.0	
Washington ~	6.8	4,192	309.1	27.9	165.8	7.7	510.5	75.1	
W. Virginia * ~	1.9	1,586	115.7	13.6	57.9	6.4	193.6	101.9	1,128.6
Wisconsin	5.7	3,675	299.1	36.9	136.6	30.1	502.7	88.2	
Total	295.7	203,464	\$ 32,101.2	\$ 9,299.3	\$ 10,222.7	\$ 3,883.5	\$ 55,507.0	\$ 187.7	\$ 4,319.8
% of total sales			57.8%	16.8%	18.4%	7.0%	100.0%		

* VLT = Sales from Video Lottery Terminals

- Other sales include Keno sales.

Note: Fiscal Year 2011 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

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

Iowa and Tennessee lotteries did not report number of retailers.

Source: The 2012 LaFleur's World Lottery Almanac

U.S. Lottery - Government Transfers From Net Profits
Fiscal Years 2002 - 2011

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 Ranking (highest to lowest)
Arizona	\$ 84.9	\$ 92.5	\$ 105.9	\$ 116.4	\$ 141.1	\$ 139.9	\$ 144.5	\$ 129.1	\$ 141.9	\$ 146.3	1 New York * ~ \$ 3,049.2
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	83.0	74.4	2 Florida 1,191.8
California ~	1,027.2	977.0	1,044.1	1,148.8	1,258.5	1,176.9	1,069.3	1,027.7	1,072.5	1,102.9	3 California 1,102.9
Colorado	110.1	104.8	104.1	103.7	125.6	119.0	122.3	119.6	112.9	113.4	4 Texas 1,023.8
Connecticut	271.5	256.8	280.8	268.5	284.9	278.3	283.6	282.9	288.1	291.2	5 Pennsylvania 960.6
Delaware *	292.4	271.8	283.9	297.9	316.0	327.0	319.8	311.8	331.6	339.9	6 New Jersey 930.0
D.C. ~	63.0	72.1	73.5	71.5	73.8	65.4	70.3	68.8	66.7	62.2	7 Massachusetts ~ 887.9
Florida	926.5	1,035.2	1,051.7	1,103.6	1,224.7	1,263.3	1,283.4	1,287.9	1,246.8	1,191.8	8 Georgia ~ 846.1
Georgia ~	726.2	767.2	782.7	802.2	822.4	853.6	867.7	872.1	883.9	846.1	9 Ohio ~ 738.8
Idaho	15.0	18.0	25.0	26.0	33.0	34.0	35.3	35.3	36.6	37.1	10 Michigan ~ 737.7
Illinois	552.3	539.8	576.1	619.5	645.9	631.2	648.5	634.7	651.7	668.4	11 Illinois 668.4
Indiana	169.4	178.9	195.8	188.9	216.5	217.6	217.1	178.9	189.7	188.2	12 W. Virginia * ~ 594.6
Iowa	48.2	48.0	55.8	51.1	80.9	58.2	56.6	60.6	57.9	68.0	13 Maryland ~ 586.6
Kansas ~	55.2	62.5	70.2	65.4	67.1	71.0	70.1	68.2	67.9	71.5	14 Oregon * ~ 548.4
Kentucky	172.7	180.7	193.5	158.2	204.3	196.3	192.1	204.4	214.3	212.3	15 North Carolina 437.3
Louisiana	111.0	110.8	121.2	110.4	119.4	128.2	131.9	135.9	133.7	136.4	16 Virginia 435.2
Maine	40.5	40.3	42.5	50.3	51.6	51.4	52.4	50.6	52.9	50.2	17 Rhode Island * ~ 354.9
Maryland ~	443.5	444.9	458.4	477.1	501.0	494.1	529.4	493.2	510.6	586.6	18 Delaware * 339.9
Massachusetts ~	899.2	889.5	912.0	936.1	951.2	920.0	935.0	859.4	903.5	887.9	19 Tennessee 293.5
Michigan ~	645.9	586.1	644.9	667.6	688.0	748.9	740.7	737.2	713.6	737.7	20 Connecticut 291.2
Minnesota	81.7	79.4	100.7	106.2	119.3	112.4	116.3	118.3	122.2	121.9	21 S. Carolina 271.4
Missouri ~	160.0	203.5	229.4	218.6	260.7	257.9	266.7	256.3	259.7	265.2	22 Missouri ~ 265.2
Montana	7.5	7.5	8.1	6.2	9.1	11.4	11.0	10.1	10.5	10.8	23 Kentucky 212.3
Nebraska	18.5	20.2	20.6	26.4	27.6	29.3	31.0	30.3	32.0	32.1	24 Indiana 188.2
New Hampshire	66.1	66.6	73.7	69.4	80.4	79.0	75.6	68.2	66.2	62.2	25 Washington ~ 150.1
New Jersey	754.6	765.4	795.0	812.1	844.2	828.3	882.1	887.2	924.0	930.0	26 Arizona 146.3
New Mexico	29.6	33.1	35.9	32.2	36.9	34.9	40.8	40.8	43.6	41.3	27 Wisconsin 144.9
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	2,666.4	3,049.2	28 Louisiana 136.4
North Carolina	n/a	n/a	n/a	n/a	64.6	315.4	349.3	414.9	433.2	437.3	29 Minnesota 121.9
North Dakota	n/a	n/a	1.6	6.1	6.5	6.5	5.9	6.4	5.7	5.9	30 Colorado 113.4
Ohio ~	635.2	641.4	655.6	645.1	646.3	669.3	672.2	702.3	728.6	738.8	31 S. Dakota * 108.0
Oklahoma	n/a	n/a	n/a	n/a	69.0	69.4	71.6	69.7	70.5	69.9	32 Arkansas 74.4
Oregon * ~	340.6	359.4	380.6	401.6	570.7	644.0	648.4	594.3	541.1	548.4	33 Kansas ~ 71.5
Pennsylvania	749.2	796.5	817.3	851.8	992.4	949.1	928.1	910.5	915.7	960.6	34 Oklahoma 69.9
Rhode Island * ~	214.1	249.0	281.1	307.6	323.9	321.0	355.6	344.3	344.7	354.9	35 Iowa 68.0
South Carolina	81.2	220.1	286.8	279.7	320.6	279.2	265.3	261.5	272.5	271.4	36 New Hampshire 62.2
South Dakota *	109.3	112.1	115.8	119.3	119.0	121.1	123.3	119.9	119.8	108.0	37 D.C. ~ 62.2
Tennessee	n/a	n/a	123.3	234.3	284.7	294.7	286.1	280.2	288.9	293.5	38 Maine 50.2
Texas	928.9	949.1	1,051.0	1,070.3	1,090.3	1,093.0	1,034.9	1,062.2	1,063.1	1,023.8	39 New Mexico 41.3
Vermont	16.7	16.2	19.6	20.5	23.0	23.6	22.7	21.1	21.6	21.4	40 Idaho 37.1
Virginia	367.7	375.2	407.7	423.5	454.0	437.2	455.3	430.2	430.2	435.2	41 Nebraska 32.1
Washington ~	93.9	98.5	117.6	115.6	125.1	117.9	130.3	120.4	142.5	150.1	42 Vermont 21.4
W. Virginia * ~	315.9	411.0	512.0	563.3	610.0	639.2	631.2	616.6	580.9	594.6	43 Montana 10.8
Wisconsin	119.0	129.6	131.7	143.4	133.3	160.6	147.3	133.3	128.1	144.9	44 N. Dakota 5.9
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	\$17,971.5	\$18,483.8	

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

* Includes profits from Video Lottery Terminals

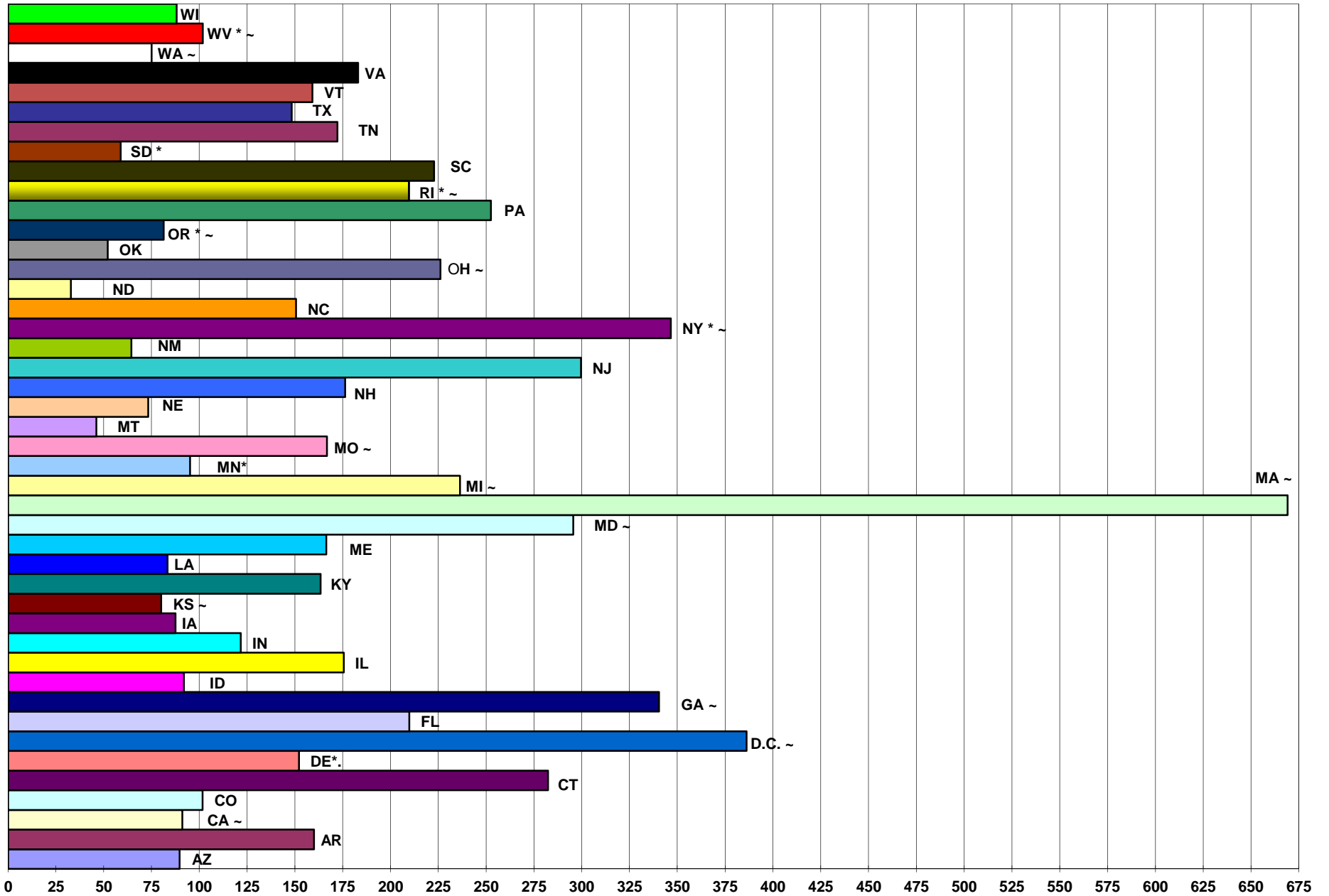
~ Includes profits from Keno sales.

Note: Fiscal Year 2011 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 2012 LaFleur's World Lottery Almanac

US Lottery Sales Per Capita Fiscal Year 2011



~These states include Keno sales.

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

Source: 2012 LaFleur's World Lottery Almanac.

**U.S. Lottery Per Capita Sales
Fiscal Years 2002 - 2011**

Lottery	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 Ranking (highest to lowest)	
Arizona	\$ 54	\$ 58	\$ 64	\$ 67	\$ 76	\$ 73	\$ 73	\$ 82	\$ 82	\$ 90	1	Massachusetts ~ \$ 669
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	132	160	2	D.C. ~ 386
California ~	82	78	81	92	98	91	83	82	82	91	3	New York * ~ 347
Colorado	91	86	87	89	99	93	102	98	98	102	4	Georgia ~ 340
Connecticut	262	248	259	267	277	273	285	285	285	282	5	New Jersey 300
Delaware *	125	125	136	143	146	131	144	152	152	152	6	Maryland ~ 296
D.C. ~	370	422	402	392	458	428	427	384	384	386	7	Connecticut 282
Florida	139	169	176	195	217	225	228	209	209	210	8	Pennsylvania 253
Georgia ~	271	282	308	300	316	335	338	342	342	340	9	Michigan ~ 236
Idaho	69	72	78	81	90	87	90	92	92	92	10	Ohio ~ 226
Illinois	124	124	133	142	153	155	159	170	170	176	11	South Carolina 223
Indiana	102	107	119	117	129	125	129	116	116	122	12	Florida 210
Iowa	62	64	70	70	114	78	83	85	85	88	13	Rhode Island * ~ 210
Kansas ~	70	75	83	77	85	86	88	84	84	80	14	Virginia 183
Kentucky	156	164	177	168	176	177	182	180	180	163	15	New Hampshire 176
Louisiana	70	69	76	68	77	82	85	83	83	83	16	Illinois 176
Maine	122	126	143	161	174	177	174	167	167	166	17	Tennessee 172
Maryland ~	239	240	249	265	278	282	297	299	299	296	18	Missouri ~ 167
Massachusetts ~	652	651	683	698	699	693	722	668	668	669	19	Maine 166
Michigan ~	168	167	195	205	219	232	233	238	238	236	20	Kentucky 163
Minnesota	75	70	76	80	87	81	88	94	94	95	21	Arkansas 160
Missouri ~	103	124	136	135	156	158	168	162	162	167	22	Vermont 159
Montana	37	38	41	38	42	42	45	47	47	46	23	Delaware * 152
Nebraska	43	47	54	56	64	64	68	73	73	73	24	North Carolina 151
New Hampshire	167	172	182	175	200	203	201	184	180	176	25	Texas 148
New Jersey	241	240	252	261	276	270	292	299	299	300	26	Indiana 122
New Mexico	72	73	78	73	79	74	74	72	72	65	27	W. Virginia * ~ 102
New York * ~	248	281	302	313	336	345	342	346	346	347	28	Colorado 102
North Carolina	n/a	n/a	n/a	n/a	26	95	114	150	150	151	29	Minnesota 95
North Dakota	n/a	n/a	10	32	35	38	34	35	35	33	30	Idaho 92
Ohio ~	174	182	187	188	193	196	202	217	217	226	31	California ~ 91
Oklahoma	n/a	n/a	n/a	n/a	57	60	59	54	54	52	32	Arizona 90
Oregon * ~	232	100	101	100	98	96	89	82	82	81	33	Wisconsin 88
Pennsylvania	157	172	190	213	247	248	248	243	243	253	34	Iowa 88
Rhode Island * ~	1,095	222	227	220	244	223	230	213	213	210	35	Louisiana 83
South Carolina	82	175	82	223	265	225	222	219	219	223	36	Oregon * ~ 81
South Dakota *	828	37	43	41	50	50	53	57	57	59	37	Kansas ~ 80
Tennessee	n/a	n/a	72	131	154	171	159	168	168	172	38	Washington ~ 75
Texas	136	142	155	160	161	158	151	148	148	148	39	Nebraska 73
Vermont	133	128	154	154	168	174	164	163	163	159	40	New Mexico 65
Virginia	152	154	168	176	179	177	178	179	179	183	41	South Dakota * 59
Washington ~	72	75	78	73	75	76	80	73	73	75	42	Oklahoma 52
W. Virginia * ~	471	106	115	108	120	107	109	101	101	102	43	Montana 46
Wisconsin	79	80	88	82	92	88	88	84	84	88	44	North Dakota 33

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

~ Amount includes Keno sales.

Note: Fiscal Year 2011 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 2012 LaFleur's World Lottery Almanac

**U.S. Lottery Industry Ticket Sales
Fiscal Years 2002 - 2011**

(\$ Millions)

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 Ranking (highest to lowest)	
Arizona	\$ 295	\$ 322	\$ 367	\$ 398	\$ 469	\$ 462	\$473	\$484	\$551	\$ 584	1	New York ~ \$ 6,759
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	384	464	2	Massachusetts ~ 4,416
California ~	2,896	2,782	2,924	3,334	3,585	3,318	3,050	2,955	3,041	3,439	3	Florida 4,009
Colorado	408	391	401	417	469	456	506	493	501	519	4	Texas 3,811
Connecticut	908	865	908	933	970	957	998	991	997	1,017	5	California ~ 3,439
Delaware *	674	102	109	114	125	118	125	123	137	137	6	Georgia ~ 3,336
D.C. ~	211	238	241	235	266	257	253	245	230	232	7	Pennsylvania 3,208
Florida	2,330	2,868	3,071	3,471	3,929	4,122	4,175	3,938	3,901	4,009	8	New Jersey 2,636
Georgia ~	2,322	2,452	2,710	2,734	2,955	3,178	3,242	3,396	3,387	3,336	9	Ohio ~ 2,601
Idaho	93	98	109	114	131	131	137	140	147	147	10	Michigan ~ 2,340
Illinois	1,567	1,565	1,688	1,814	1,964	1,999	2,057	2,077	2,191	2,265	11	Illinois 2,265
Indiana	626	664	735	740	816	789	823	733	740	791	12	Maryland ~ 1,714
Iowa	181	188	209	211	340	235	249	243	256	271	13	Virginia 1,483
Kansas ~	190	203	224	207	236	240	237	231	235	232	14	North Carolina 1,461
Kentucky	639	673	725	707	742	744	778	765	772	719	15	Tennessee 1,103
Louisiana	312	311	340	307	332	354	374	379	372	384	16	S. Carolina 1,047
Maine	158	165	186	209	230	230	229	211	217	216	17	Connecticut 1,017
Maryland ~	1,307	1,322	1,395	1,486	1,561	1,577	1,673	1,698	1,706	1,714	18	Missouri ~ 1,001
Massachusetts ~	4,194	4,191	4,368	4,466	4,501	4,437	4,690	4,425	4,412	4,416	19	Indiana 791
Michigan ~	1,688	1,682	1,974	2,069	2,212	2,343	2,330	2,377	2,359	2,340	20	Kentucky 719
Minnesota	377	352	387	408	450	421	462	481	499	504	21	Arizona 584
Missouri ~	585	708	791	786	914	934	996	968	972	1,001	22	Colorado 519
Montana	34	35	37	34	40	42	44	44	47	46	23	Washington ~ 510
Nebraska	74	81	93	101	113	114	122	123	131	132	24	Minnesota 504
New Hampshire	213	221	237	228	263	264	261	240	234	229	25	Wisconsin 503
New Jersey	2,069	2,076	2,188	2,274	2,407	2,351	2,539	2,503	2,605	2,636	26	Arkansas 464
New Mexico	134	137	149	139	155	148	147	144	144	136	27	Louisiana 384
New York * ~	4,754	5,396	5,826	6,039	6,487	6,652	6,673	6,695	6,781	6,759	28	Oregon * ~ 317
North Carolina	n/a	n/a	n/a	n/a	230	862	1,049	1,283	1,421	1,461	29	Iowa 271
North Dakota	n/a	n/a	6	19	22	23	22	22	24	23	30	Kansas ~ 232
Ohio ~	1,983	2,078	2,155	2,159	2,221	2,259	2,325	2,418	2,490	2,601	31	D.C. ~ 232
Oklahoma	n/a	n/a	n/a	n/a	205	215	214	193	200	198	32	Rhode Island * ~ 231
Oregon * ~	817	355	362	360	363	355	339	314	321	317	33	New Hampshire 229
Pennsylvania	1,934	2,133	2,352	2,645	3,070	3,076	3,089	3,088	3,066	3,208	34	Maine 216
Rhode Island * ~	1,171	239	249	242	261	245	241	238	235	231	35	Oklahoma 198
South Carolina	335	724	950	957	1,145	988	993	1,005	1,007	1,047	36	W. Virginia * ~ 194
South Dakota *	630	29	34	33	39	40	42	41	46	47	37	Idaho 147
Tennessee	2,966	n/a	428	784	928	1,058	990	1,015	1,060	1,103	38	Delaware * 137
Texas	n/a	3,131	3,486	3,662	3,775	3,774	3,672	3,720	3,738	3,811	39	New Mexico 136
Vermont	82	79	92	93	105	105	102	96	98	96	40	Nebraska 132
Virginia	1,108	1,136	1,262	1,334	1,365	1,362	1,386	1,366	1,435	1,483	41	Vermont 96
Washington ~	439	460	481	458	478	493	521	488	491	510	42	S. Dakota * 47
W. Virginia * ~	849	192	207	194	218	193	198	198	181	194	43	Montana 46
Wisconsin	428	435	483	452	509	493	495	473	481	503	44	N. Dakota 23

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

~ Amount includes Keno sales.

Note: Fiscal Year 2011 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 2012 LaFleur's World Lottery Almanac

U.S. Lottery Net Operating Income as a Percent of Ticket Sales
Fiscal Years 2002 - 2011

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 Ranking (highest to lowest)		
Arizona	29.0%	28.8%	29.0%	29.2%	29.9%	30.1%	30.3%	26.1%	25.6%	24.8%	1	Louisiana	35.1%
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21.1%	19.9%	2	New Jersey	33.8%
California ~	36.4%	38.2%	30.2%	34.1%	34.6%	34.7%	34.4%	33.9%	33.7%	32.0%	3	Oklahoma	33.2%
Colorado	26.8%	26.7%	25.6%	24.8%	26.0%	25.5%	23.6%	24.4%	22.6%	21.7%	4	California ~	32.0%
Connecticut	30.0%	29.6%	30.9%	28.7%	29.2%	29.1%	28.4%	28.5%	28.9%	28.6%	5	New York * ~	31.7%
Delaware *	30.1%	30.5%	33.6%	29.7%	25.0%	31.3%	30.3%	28.7%	29.3%	24.3%	6	Michigan ~	30.9%
D.C. ~	29.8%	30.3%	30.4%	30.2%	27.2%	25.1%	27.6%	28.0%	29.0%	26.8%	7	New Mexico	30.4%
Florida	40.6%	38.4%	30.7%	31.8%	30.9%	30.4%	31.3%	31.6%	31.0%	29.7%	8	Virginia	29.9%
Georgia ~	31.3%	31.0%	30.2%	29.1%	27.4%	26.6%	25.4%	25.5%	25.9%	25.2%	9	Pennsylvania	29.8%
Idaho	25.0%	22.3%	22.3%	21.2%	25.7%	23.9%	25.3%	24.3%	25.1%	23.9%	10	Florida	29.7%
Illinois	35.4%	33.7%	33.2%	32.0%	30.8%	30.6%	30.1%	30.5%	29.5%	29.3%	11	North Carolina	29.6%
Indiana	26.9%	26.4%	27.1%	25.1%	26.8%	26.8%	25.5%	24.3%	24.8%	24.2%	12	Kentucky	29.4%
Iowa	26.0%	25.0%	26.3%	24.3%	23.6%	24.7%	22.9%	24.2%	22.4%	25.0%	13	Illinois	29.3%
Kansas ~	30.8%	31.3%	31.4%	29.6%	29.0%	28.8%	27.6%	28.4%	28.5%	27.5%	14	Wisconsin	28.8%
Kentucky	27.0%	28.7%	24.8%	22.2%	27.3%	26.0%	24.2%	26.4%	29.6%	29.4%	15	Connecticut	28.6%
Louisiana	35.7%	35.4%	35.7%	35.0%	35.3%	35.5%	34.5%	35.1%	35.2%	35.1%	16	Ohio ~	28.0%
Maine	25.3%	24.1%	22.6%	22.9%	21.9%	21.4%	22.1%	22.7%	23.1%	22.9%	17	Kansas ~	27.5%
Maryland ~	33.6%	33.2%	32.8%	32.3%	32.0%	30.6%	32.2%	28.9%	29.4%	26.9%	18	New Hampshire	27.0%
Massachusetts ~	21.3%	21.2%	20.8%	20.6%	20.6%	19.6%	19.0%	19.0%	20.2%	19.8%	19	Washington ~	27.0%
Michigan ~	36.1%	33.5%	32.0%	31.6%	30.4%	31.3%	31.1%	28.8%	28.4%	30.9%	20	Texas	27.0%
Minnesota	21.6%	22.5%	26.0%	25.8%	26.2%	25.8%	24.9%	24.4%	24.4%	24.1%	21	Maryland ~	26.9%
Missouri ~	27.0%	28.6%	27.9%	26.7%	26.4%	25.7%	25.2%	25.0%	25.4%	25.4%	22	D.C. ~	26.8%
Montana	21.5%	21.5%	22.1%	18.2%	22.3%	26.8%	24.9%	23.2%	22.6%	23.3%	23	Tennessee	26.3%
Nebraska	24.7%	24.5%	21.3%	23.4%	26.2%	25.0%	24.9%	23.2%	24.3%	23.0%	24	South Dakota *	26.1%
New Hampshire	30.6%	29.8%	30.9%	29.8%	30.2%	29.3%	28.7%	28.3%	28.3%	27.0%	25	North Dakota	25.8%
New Jersey	36.9%	35.6%	35.8%	33.9%	33.4%	33.1%	33.4%	33.4%	33.9%	33.8%	26	South Carolina	25.6%
New Mexico	22.9%	24.8%	25.2%	26.4%	26.4%	23.1%	27.3%	28.1%	30.4%	30.4%	27	Missouri ~	25.4%
New York * ~	33.2%	34.6%	33.2%	30.3%	28.5%	30.4%	31.0%	30.4%	32.0%	31.7%	28	Georgia ~	25.2%
North Carolina	n/a	n/a	n/a	n/a	33.5%	35.5%	32.3%	31.7%	30.1%	29.6%	29	Iowa	25.0%
North Dakota	n/a	32.9%	27.6%	32.9%	30.0%	29.1%	26.7%	25.8%	25.4%	25.8%	30	Arizona	24.8%
Ohio ~	31.7%	17.1%	27.7%	30.0%	29.7%	29.7%	29.0%	28.3%	28.7%	28.0%	31	Delaware *	24.3%
Oklahoma	n/a	n/a	n/a	n/a	33.7%	32.6%	33.6%	36.3%	33.8%	33.2%	32	Indiana	24.2%
Oregon * ~	16.8%	37.2%	19.4%	15.7%	18.0%	17.2%	18.2%	17.0%	19.3%	17.9%	33	Minnesota	24.1%
Pennsylvania	38.5%	28.0%	34.5%	31.5%	31.4%	29.8%	29.6%	30.4%	29.8%	29.8%	34	Idaho	23.9%
Rhode Island * ~	27.4%	30.2%	25.6%	25.0%	25.1%	25.1%	23.9%	24.4%	23.2%	23.1%	35	Montana	23.3%
South Carolina	26.0%	23.1%	30.5%	28.6%	27.5%	27.6%	26.1%	25.6%	26.7%	25.6%	36	Rhode Island * ~	23.1%
South Dakota *	23.5%	30.9%	23.6%	20.4%	22.1%	25.1%	24.8%	24.0%	27.0%	26.1%	37	Nebraska	23.0%
Tennessee	n/a	20.3%	30.5%	30.0%	29.4%	33.2%	28.3%	27.1%	26.9%	26.3%	38	Maine	22.9%
Texas	31.4%	32.8%	21.6%	29.2%	28.8%	28.7%	28.3%	28.0%	28.3%	27.0%	39	W. Virginia * ~	22.8%
Vermont	20.3%	26.4%	32.2%	22.5%	21.5%	22.3%	21.9%	22.0%	22.2%	22.4%	40	Vermont	22.4%
Virginia	32.9%	22.4%	16.7%	31.3%	32.7%	31.3%	31.9%	31.8%	29.8%	29.9%	41	Colorado	21.7%
Washington ~	25.0%	29.8%	20.7%	25.0%	25.3%	23.2%	25.0%	22.6%	25.5%	27.0%	42	Arkansas	19.9%
W. Virginia * ~	30.0%	29.2%	27.6%	22.2%	29.5%	30.1%	27.9%	27.9%	27.3%	22.8%	43	Massachusetts ~	19.8%
Wisconsin	29.3%	35.7%	29.8%	28.7%	29.5%	27.9%	28.5%	27.2%	29.9%	28.8%	44	Oregon * ~	17.9%

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

~ Percentage includes Keno sales.

Note: Fiscal Year 2011 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 2012 LaFleur's World Lottery Almanac

U.S. Lottery Prize Percentage Payout Based on Ticket Sales
Fiscal Years 2002 - 2011

LOTTERY	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 Ranking (highest to lowest)	
Arizona	54.8%	54.9%	55.1%	50.4%	55.3%	55.7%	55.5%	58.3%	60.4%	61.8%	1	Massachusetts ~ 72.4%
Arkansas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	64.6%	66.3%	2	Arkansas 66.3%
California ~	50.7%	49.4%	56.4%	53.9%	53.9%	53.2%	53.1%	52.7%	53.0%	55.4%	3	Oregon * ~ 65.7%
Colorado	58.0%	57.6%	58.9%	59.8%	60.1%	60.7%	62.3%	61.1%	61.9%	63.0%	4	Missouri ~ 63.9%
Connecticut	60.1%	60.4%	59.3%	61.4%	60.5%	60.6%	60.9%	61.0%	61.1%	61.0%	5	S. Carolina 63.8%
Delaware *	50.5%	51.5%	49.0%	52.5%	52.1%	51.9%	52.6%	54.2%	53.0%	55.4%	6	Georgia ~ 63.6%
D.C. ~	52.3%	51.8%	50.7%	51.3%	55.1%	56.6%	53.5%	52.2%	51.7%	54.3%	7	Vermont 63.4%
Florida	48.7%	51.8%	58.7%	58.9%	59.6%	60.3%	59.3%	59.4%	60.1%	58.5%	8	Colorado 63.0%
Georgia ~	56.0%	56.1%	58.3%	59.7%	61.4%	62.2%	63.2%	63.3%	62.9%	63.6%	9	Texas 62.6%
Idaho	55.4%	57.6%	59.1%	61.3%	58.4%	60.4%	59.6%	60.9%	60.0%	61.3%	10	Indiana 62.5%
Illinois	54.2%	55.7%	56.8%	57.5%	59.0%	58.9%	59.6%	59.0%	59.9%	60.4%	11	W. Virginia * ~ 62.4%
Indiana	58.9%	59.5%	59.3%	61.6%	60.4%	60.6%	61.2%	61.9%	61.6%	62.5%	12	Maine 62.0%
Iowa	53.7%	54.9%	54.4%	53.9%	36.0%	56.7%	58.1%	56.9%	58.7%	58.6%	13	Tennessee 62.0%
Kansas ~	51.8%	52.8%	53.6%	54.4%	55.5%	55.9%	56.2%	56.8%	56.3%	56.9%	14	Arizona 61.8%
Kentucky	59.4%	58.1%	62.1%	64.7%	59.9%	61.3%	63.4%	61.5%	58.3%	58.7%	15	Minnesota 61.6%
Louisiana	49.5%	49.7%	49.9%	49.9%	50.7%	50.7%	51.6%	51.1%	50.9%	52.9%	16	Ohio ~ 61.6%
Maine	57.0%	58.8%	61.0%	60.7%	61.9%	62.5%	62.3%	61.7%	61.5%	62.0%	17	Idaho 61.3%
Maryland ~	56.1%	56.2%	57.0%	57.6%	57.9%	58.8%	57.2%	60.4%	60.6%	60.0%	18	Pennsylvania 61.1%
Massachusetts ~	71.2%	71.6%	71.9%	71.9%	71.9%	72.7%	72.9%	72.7%	72.0%	72.4%	19	Connecticut 61.0%
Michigan ~	50.1%	53.5%	55.8%	56.2%	57.3%	56.7%	56.8%	59.2%	58.6%	57.5%	20	New Hampshire 60.8%
Minnesota	58.9%	58.0%	58.2%	59.1%	59.6%	59.5%	60.6%	61.3%	61.2%	61.6%	21	R. Island * ~ 60.8%
Missouri ~	59.5%	59.4%	60.8%	62.1%	62.7%	63.7%	64.4%	65.0%	64.6%	63.9%	22	Illinois 60.4%
Montana	50.8%	50.6%	50.8%	52.6%	51.9%	51.5%	52.1%	52.7%	55.3%	53.8%	23	Maryland ~ 60.0%
Nebraska	52.9%	52.8%	56.5%	58.0%	56.3%	57.1%	56.8%	58.3%	57.4%	58.3%	24	Virginia 59.4%
New Hampshire	57.1%	58.1%	57.2%	58.2%	59.1%	59.2%	59.2%	59.2%	59.3%	60.8%	25	North Carolina 59.1%
New Jersey	54.5%	55.4%	55.5%	57.0%	57.4%	57.8%	57.9%	58.1%	58.0%	58.6%	26	Kentucky 58.7%
New Mexico	56.3%	55.4%	55.3%	54.7%	54.7%	57.5%	54.4%	55.7%	54.7%	54.3%	27	New York ~ 58.7%
New York * ~	56.0%	55.5%	56.7%	58.3%	59.4%	59.7%	59.2%	59.8%	58.3%	58.7%	28	Iowa 58.6%
North Carolina	n/a	n/a	n/a	n/a	51.8%	52.4%	56.1%	57.0%	58.8%	59.1%	29	New Jersey 58.6%
North Dakota	n/a	n/a	46.2%	47.5%	49.4%	49.8%	51.6%	52.1%	51.6%	51.9%	30	Florida 58.5%
Ohio ~	56.9%	56.1%	61.2%	59.3%	59.0%	59.2%	60.1%	60.3%	60.8%	61.6%	31	Nebraska 58.3%
Oklahoma	n/a	n/a	n/a	n/a	53.5%	53.9%	52.7%	49.7%	52.6%	53.8%	32	Washington ~ 57.8%
Oregon * ~	66.2%	66.1%	64.2%	68.1%	66.0%	65.9%	65.0%	65.4%	64.2%	65.7%	33	Wisconsin 57.8%
Pennsylvania	51.5%	52.4%	55.1%	57.8%	58.8%	59.6%	59.7%	60.0%	60.9%	61.1%	34	S. Dakota * 57.6%
Rhode Island * ~	58.7%	58.3%	59.2%	59.4%	59.3%	58.8%	59.9%	59.5%	60.4%	60.8%	35	Michigan ~ 57.5%
South Carolina	59.5%	57.2%	58.0%	59.9%	61.4%	60.7%	62.5%	63.0%	62.4%	63.8%	36	Kansas ~ 56.9%
South Dakota *	53.1%	54.7%	55.4%	56.5%	56.7%	56.1%	56.4%	56.8%	56.0%	57.6%	37	California ~ 55.4%
Tennessee	n/a	n/a	n/a	56.7%	57.9%	55.3%	59.4%	61.0%	61.4%	62.0%	38	Delaware * 55.4%
Texas	57.8%	58.9%	59.3%	60.8%	61.2%	61.3%	62.1%	61.8%	61.5%	62.6%	39	D.C. ~ 54.3%
Vermont	63.6%	64.3%	62.4%	62.5%	63.4%	63.4%	63.5%	63.3%	62.7%	63.4%	40	New Mexico 54.3%
Virginia	54.9%	55.7%	56.8%	58.1%	56.7%	58.1%	57.1%	57.2%	59.4%	59.4%	41	Montana 53.8%
Washington ~	61.6%	60.4%	68.0%	61.3%	61.1%	61.9%	60.4%	61.8%	59.4%	57.8%	42	Oklahoma 53.8%
W. Virginia * ~	53.7%	60.0%	61.5%	60.3%	60.5%	60.1%	61.2%	60.3%	59.6%	62.4%	43	Louisiana 52.9%
Wisconsin	56.0%	55.7%	58.2%	58.0%	57.8%	59.3%	58.0%	59.1%	56.7%	57.8%	44	N. Dakota 51.9%

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

~ Percentage includes Keno sales.

Note: Fiscal Year 2011 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 2012 LaFleur's World Lottery Almanac

U.S. Lottery Online Sales By Game - Fiscal Year 2011

Note: This table does not include Instant sales.

(\$ Millions)	Population (millions)	Number of Retailers	Online Games Sales				Per Capita Sales for Online Games Only	2011 Per Capita Ranking (highest to lowest)	
			3/4 Digit	Lotto	Other	Total			
LOTTERY									
Arizona	6.5	2,965	\$ 8.3	\$ 186.6	\$ 15.1	\$ 210.1	\$ 32.3	1	D.C. ~ \$ 292.8
Arkansas	2.9	1,866	8.9	59.1	5.9	73.9	25.5	2	Massachusetts ~ 213.4
California ~	37.7	21,162	160.2	1,132.8	143.5	1,436.5	38.1	3	Maryland ~ 210.5
Colorado	5.1	3,049	-	153.6	20.4	174.0	34.1	4	New York * ~ 164.7
Connecticut	3.6	2,704	225.4	152.0	28.6	406.0	112.8	5	Michigan ~ 161.7
Delaware *	0.9	535	43.4	39.4	13.3	96.1	106.8	6	New Jersey ~ 144.5
D.C. ~	0.6	505	118.8	39.3	17.6	175.7	292.8	7	Rhode Island * ~ 139.4
Florida	19.1	13,138	549.0	893.3	340.7	1,783.0	93.4	8	Georgia ~ 119.8
Georgia ~	9.8	8,492	659.1	344.9	170.2	1,174.2	119.8	9	Connecticut 112.8
Idaho	1.6	1,085	1.7	45.4	9.5	56.5	35.3	10	Delaware * 106.8
Illinois	12.9	7,519	481.6	496.7	22.7	1,001.0	77.6	11	Pennsylvania 101.2
Indiana	6.5	3,921	59.2	188.0	35.8	283.0	43.5	12	Ohio ~ 99.0
Iowa	3.1	-	9.3	78.5	18.3	106.1	34.2	13	Florida 93.4
Kansas ~	2.9	1,836	5.8	69.4	38.6	113.8	39.2	14	Virginia 89.6
Kentucky	4.4	2,850	157.5	127.1	10.1	294.7	67.0	15	Illinois 77.6
Louisiana	4.6	2,889	86.4	131.4	17.7	235.5	51.2	16	South Carolina 74.2
Maine	1.3	1,282	9.5	50.0	-	59.5	45.8	17	Kentucky 67.0
Maryland ~	5.8	4,226	515.5	208.7	496.7	1,220.9	210.5	18	North Carolina 61.8
Massachusetts ~	6.6	8,114	344.4	273.9	789.9	1,408.2	213.4	19	Missouri ~ 55.7
Michigan ~	9.9	10,746	685.6	351.5	563.7	1,600.7	161.7	20	New Hampshire 52.2
Minnesota	5.3	3,021	13.3	123.0	13.3	149.6	28.2	21	Oregon * ~ 51.7
Missouri ~	6.0	4,861	93.6	172.9	67.8	334.4	55.7	22	Louisiana 51.2
Montana	1.0	783	-	28.0	3.1	31.1	31.1	23	Maine 45.8
Nebraska	1.8	1,179	5.4	54.6	-	60.0	33.3	24	Indiana 43.5
New Hampshire	1.3	1,246	10.4	56.1	1.3	67.8	52.2	25	W. Virginia * ~ 41.0
New Jersey	8.8	6,100	693.6	578.3	-	1,271.9	144.5	26	Vermont 40.3
New Mexico	2.1	1,107	3.7	56.1	-	59.8	28.5	27	Kansas ~ 39.2
New York * ~	19.5	16,700	1,631.0	1,126.6	454.7	3,212.3	164.7	28	California ~ 38.1
North Carolina	9.7	6,622	323.8	269.3	6.0	599.0	61.8	29	Texas 37.7
North Dakota	0.7	400	-	23.0	-	23.0	32.9	30	Tennessee 37.2
Ohio ~	11.5	9,950	573.5	346.4	218.3	1,138.2	99.0	31	Wisconsin 35.7
Oklahoma	3.8	1,972	5.9	89.3	-	95.2	25.0	32	Idaho 35.3
Oregon * ~	3.9	3,910	1.3	97.6	102.7	201.6	51.7	33	Iowa 34.2
Pennsylvania	12.7	9,019	634.2	591.7	60.0	1,285.8	101.2	34	Colorado 34.1
Rhode Island * ~	1.1	1,235	24.9	45.0	83.5	153.4	139.4	35	Nebraska 33.3
South Carolina	4.7	3,745	198.8	146.9	3.2	348.9	74.2	36	North Dakota 32.9
South Dakota *	0.8	608	-	25.0	-	25.0	31.2	37	Arizona 32.3
Tennessee	6.4	-	83.6	154.2	-	237.9	37.2	38	South Dakota * 31.2
Texas	25.7	16,817	342.9	575.2	51.0	969.0	37.7	39	Montana 31.1
Vermont	0.6	727	2.7	20.5	1.0	24.2	40.3	40	Washington ~ 29.6
Virginia	8.1	5,125	449.1	261.2	15.5	725.9	89.6	41	New Mexico 28.5
Washington ~	6.8	4,192	27.9	165.8	7.7	201.4	29.6	42	Minnesota 28.2
W. Virginia * ~	1.9	1,586	13.6	57.9	6.4	77.9	41.0	43	Arkansas 25.5
Wisconsin	5.7	3,675	36.9	136.6	30.1	203.6	35.7	44	Oklahoma 25.0
Total	295.7	203,464	\$9,299.3	\$10,222.7	\$3,883.8	\$23,405.8			

~ Other sales include Keno sales.

Note: Fiscal Year 2011 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 2012 LaFleur's World Lottery Almanac

**U.S. Lottery - Instant Scratch Ticket Sales
By Selling Price of Ticket (Price Point), For Fiscal Year 2011**

(\$ Millions)	Fiscal Year 2011							Fiscal Year 2010	2011 Instant Scratch Ticket Per Capita Ranking (highest to lowest)			
	Price Point (selling price of ticket)								Per Capita	Total		
LOTTERY	\$1	\$2	\$3	\$5 / \$7	\$10 / \$15	\$20+	Total		Total			
Arizona	\$ 20.7	\$ 90.8	\$ 14.9	\$ 107.9	\$ 106.0	\$ 33.1	\$ 373.4	\$57.4	\$ 336.9	1	Massachusetts \$ 455.8	
Arkansas	48.3	77.9	31.3	90.0	118.8	23.9	390.2	134.6	335.4	2	Georgia 247.3	
California	331.1	405.5	735.7	529.8	-	-	2,002.1	53.1	1,661.2	3	New York 181.9	
Colorado	39.9	30.6	46.6	87.5	65.7	74.7	345.0	67.6	328.2	4	Connecticut 169.6	
Connecticut	34.5	50.2	78.7	139.3	214.9	93.0	610.6	169.6	592.5	5	New Jersey 155.1	
Delaware	Sales By Price Point Not Available							40.9	45.4	36.1	6	Pennsylvania 151.3
D.C.	Sales By Price Point Not Available							56.1	93.5	50.0	7	South Carolina 148.6
Florida	165.6	319.8	172.6	481.5	333.8	752.3	2,225.6	116.5	2,078.2	8	Tennessee 148.3	
Georgia	235.9	482.4	182.1	530.2	629.8	363.4	2,423.8	247.3	2,413.5	9	Arkansas 134.6	
Idaho	9.1	8.1	19.6	29.8	9.6	14.4	90.6	56.6	90.6	10	Ohio 127.2	
Illinois	146.3	161.9	127.0	398.7	202.2	243.5	1,279.6	99.2	1,172.4	11	New Hampshire 124.2	
Indiana	52.9	108.6	18.2	168.7	82.1	77.9	508.4	78.2	464.6	12	Maine 120.7	
Iowa	Sales By Price Point Not Available							165.3	53.3	164.0	13	Vermont 119.0
Kansas	Sales By Price Point Not Available							118.6	40.9	124.1	14	Florida 116.5
Kentucky	42.1	102.8	14.0	151.4	84.4	82.8	477.5	108.5	458.8	15	Missouri 111.1	
Louisiana	39.8	36.1	14.5	36.2	21.4	-	148.0	32.2	136.0	16	Texas 110.6	
Maine	19.3	31.8	24.3	37.5	21.7	22.3	156.9	120.7	152.0	17	Kentucky 108.5	
Maryland	38.5	51.9	45.0	191.8	100.7	65.7	493.6	85.1	490.9	18	Illinois 99.2	
Massachusetts	131.1	685.0	-	935.9	664.3	591.8	3,008.1	455.8	3,015.8	19	D.C. 93.5	
Michigan	69.4	336.7	-	179.5	102.1	51.6	739.3	74.7	750.8	20	Virginia 93.4	
Minnesota	28.2	41.8	72.9	93.1	48.8	70.0	354.8	66.9	338.3	21	North Carolina 88.9	
Missouri	81.6	142.1	92.2	166.3	92.6	91.5	666.3	111.1	638.1	22	Maryland 85.1	
Montana	2.7	5.5	2.0	2.1	1.5	1.2	15.0	15.0	14.3	23	Indiana 78.2	
Nebraska	12.1	8.4	21.6	14.5	15.3	-	71.9	39.9	67.0	24	Michigan 74.7	
New Hampshire	12.8	28.7	21.5	48.5	34.1	15.8	161.4	124.2	160.5	25	Rhode Island 70.2	
New Jersey	Sales By Price Point Not Available							1,364.5	155.1	1,301.5	26	Colorado 67.6
New Mexico	14.6	12.3	17.1	17.8	5.5	8.6	75.9	36.1	78.5	27	Minnesota 66.9	
New York	463.7	1,008.4	-	995.5	827.0	251.8	3,546.4	181.9	3,611.1	28	W. Virginia 60.9	
North Carolina	78.6	138.0	59.8	227.0	204.4	154.2	862.0	88.9	798.6	29	Arizona 57.4	
North Dakota	Does Not Sell Instant Tickets							-	-	-	30	Idaho 56.6
Ohio	182.9	180.4	44.3	409.5	299.1	346.5	1,462.7	127.2	1,349.5	31	Iowa 53.3	
Oklahoma	26.7	23.5	20.3	32.4	-	-	102.9	27.1	77.9	32	California 53.1	
Oregon	15.7	42.9	20.8	25.4	11.1	-	115.9	29.7	112.2	33	Wisconsin 52.4	
Pennsylvania	134.9	258.1	127.8	613.9	381.5	405.8	1,922.0	151.3	1,757.7	34	Washington 45.5	
Rhode Island	12.1	20.3	5.5	24.5	10.3	4.5	77.2	70.2	82.4	35	Delaware 45.4	
South Carolina	48.9	86.7	31.8	136.1	394.8	-	698.3	148.6	650.0	36	Kansas 40.9	
South Dakota	Sales By Price Point Not Available							22.2	27.8	20.3	37	Nebraska 39.9
Tennessee	101.8	250.8	48.3	259.9	101.9	186.1	948.8	148.3	841.3	38	New Mexico 36.1	
Texas	207.4	394.4	340.4	1,013.7	388.2	498.1	2,842.2	110.6	2,791.5	39	Louisiana 32.2	
Vermont	8.6	12.1	6.1	26.9	9.6	8.1	71.4	119.0	73.7	40	Oregon 29.7	
Virginia	85.5	110.3	38.2	281.7	132.8	108.3	756.8	93.4	690.4	41	South Dakota 27.8	
Washington	18.5	71.1	25.2	99.2	42.5	52.7	309.2	45.5	307.0	42	Oklahoma 27.1	
W. Virginia	25.1	54.9	9.3	18.6	(0.1)	7.9	115.7	60.9	113.8	43	Montana 15.0	
Wisconsin	27.4	62.8	42.0	74.6	45.1	46.9	298.8	52.4	275.3	44	North Dakota -	
Total	\$3,014.3	\$5,933.6	\$2,571.6	\$8,676.9	\$ 5,803.5	\$4,748.4	\$32,516.0		\$31,002.9			

Note: Fiscal Year 2011 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 2012 LaFleur's World Lottery Almanac

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