

# We Invented **Lucky**

CELEBRATING 50 YEARS OF WINNING



Comprehensive  
Annual Financial Report  
for the fiscal year ended June 30, 2014

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

**NH Lottery**

# **NEW HAMPSHIRE LOTTERY COMMISSION**

A DEPARTMENT OF THE STATE OF NEW HAMPSHIRE

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the fiscal year ended  
June 30, 2014**

Prepared by:

The New Hampshire Lottery Commission

Charles R. McIntyre  
Executive Director

The Finance Department

Kassie Strong  
Chief Financial Officer

John Pedone  
Margaret Anderson

**\$20**

NEW HAMPSHIRE LOTTERY®

# \$1,000,000

# BONANZA

**WIN UP TO 15 TIMES!**

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win prize shown for that number. Get a "€" symbol, win prize shown automatically. Get a "5X" symbol, win 5 times prize shown for that symbol. Get a "10X" symbol, win 10 times the prize shown for that symbol.

**WINNING NUMBERS**

# # # # # #

**YOUR NUMBERS**

\$ \$ \$ \$ \$

\$ \$ \$ \$ \$

\$ \$ \$ \$ \$

**WIN UP TO \$1,000,000! PRIZE CHECK**

000 ■

\$1,000,000 Bonanza, an Instant scratch game selling for \$20 per ticket, was the Lottery's 2<sup>nd</sup> highest seller of Instant scratch games, bringing in sales of \$8.9 million for fiscal year 2014.

# New Hampshire Lottery Commission Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2014

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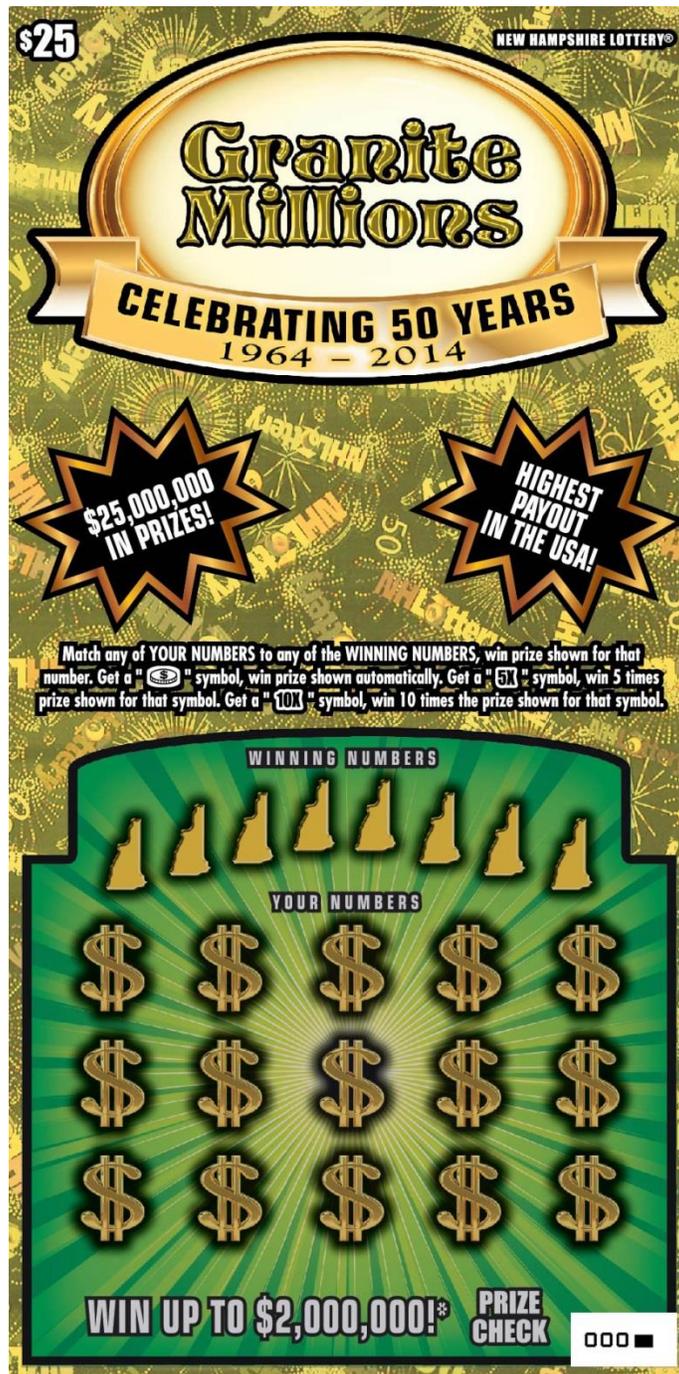
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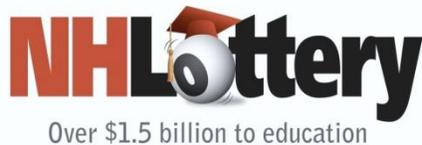
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# Introductory Section



Granite Millions, an Instant scratch game commemorating NH Lottery's 50<sup>th</sup> Anniversary and selling for \$25 per ticket, was the Lottery's highest seller of Instant scratch games for fiscal year 2014, bringing in sales of approximately \$14 million. The Lottery had available for sale 86 different Instant scratch games during fiscal year 2014.



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

December 29, 2014

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, 2014. The finance department of the Lottery has prepared this comprehensive report. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Lottery. All disclosures necessary to enable the reader to gain an understanding of the Lottery's financial activities have been included.

### **Internal Control**

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

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

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

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

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

The Lottery's financial statements have been audited by the State of New Hampshire Office of Legislative Budget Assistant, Audit Division (LBA). The LBA has issued an unmodified ("clean") opinion on the Lottery's financial statements for the year ended June 30, 2014. The independent auditor's report is presented as the first component in the financial section of this report.

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

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

### **Profile of the Lottery**

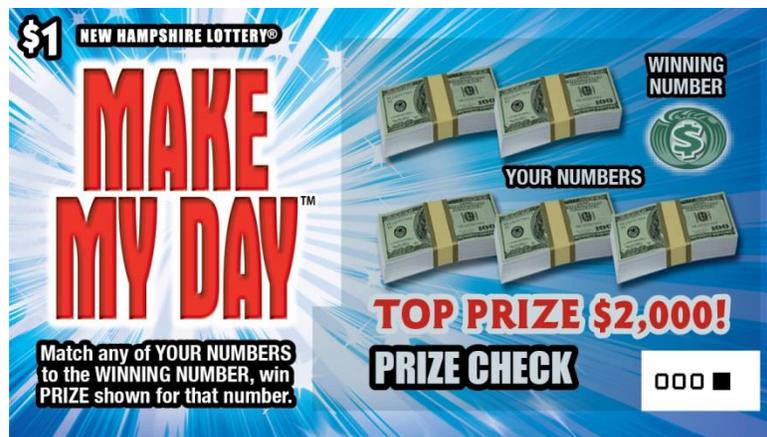
The lottery industry in the United States is comprised of 43 state lotteries, the District of Columbia, and the U.S. Virgin Islands. The New Hampshire Lottery Commission (Lottery) was created in 1963 through the enactment of New Hampshire Revised Statutes Annotated (RSA) 284:21-a for the sole purpose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

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

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

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

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



**Instant Games** were introduced in New Hampshire in 1975 with a ticket called 'Lucky X'. Instant games are played by scratching the latex covering off the play area on the ticket. There are several ways to win on an Instant or "scratch" ticket, including matching three like dollar amounts, symbols or letters, or adding up numbers to a specified total. If the correct combination appears, the player becomes an "instant winner" without having to wait for the results of a drawing (although some tickets have an entry into a drawing component). The Instant games offer a wide variety of game themes and ticket prices. Players can win anywhere from \$1 to \$2 million, depending on the game. The Lottery offered 86 Instant games during fiscal year 2014 with ticket prices ranging from \$1 to \$25.



**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 26<sup>th</sup> of 2009 Megabucks changed to Megabucks Plus, with guaranteed starting jackpots of \$1 million and lower tier prizes ranging from \$2 to \$30,000. The cost of a ticket went from \$1 to \$2. Players now choose five numbers from a matrix of 41 and one Megaball number from 1 to 6. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 25 annual installments. Although this game is 29 years old, it still remains a profitable product for the Lottery, with a committed player base. This game is available as a subscription.



**Lucky for Life** began on March 11, 2012. It is a multi-jurisdictional game jointly operated by the six New England state lotteries. Tickets are sold in all six states and cost \$2 per chance. Players pick five numbers from 1 to 40 and one lucky ball number from 1 to 21, or choose an Easy Pick. They have ten chances to win: \$2, \$4, \$5, \$10, \$20, \$100, \$150, \$3,000, \$25,000 a year for life, 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 during the fiscal year are Crazy Diamonds, Wild Card Joker, Black Cherry Bingo, and Money Tree. Tickets cost \$1, \$2, or \$5 each depending on the game. Top prizes range from \$500 to \$5,000. The Lottery's web site, [www.nhlottery.org](http://www.nhlottery.org) explains how each game plays.



**New Hampshire Powerball** is an online game jointly operated by the 37 member lotteries of the Multi-State Lottery Association (MUSL). A total of 47 lotteries participate in the sale of Powerball tickets, including the 37 MUSL members (which consist of 33 state lotteries, the U.S.

Virgin Islands, Puerto Rico, and the District of Columbia) and the Mega Millions group (which consists of 10 state lotteries). This game was introduced in New Hampshire in November 1995, although it has been operated by the MUSL Association since April 1992. Players select one set of five numbers and one additional number designated as the “powerball” for each draw. The matrix is “5 of 59” for the set and “1 of 35” for the powerball. The minimum jackpot is \$40 million, which rolls over in the event that no ticket matches all five numbers and the powerball. Powerball offers eight secondary prizes of fixed amounts ranging from \$4 to \$1,000,000 for a \$2 bet. For an extra \$1 a player can Power Play their bet for the chance to increase their winnings, except for the jackpot prize, up to \$2,000,000. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 30 annual installments. Drawings are held in Orlando, Florida on Wednesdays and Saturdays. This game also offers ticket sales through subscriptions.



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



**New Hampshire Mega Millions** sales began on January 31, 2010. Mega Millions is a multi-state game. Prior to January 31, 2010 any state that sold Powerball could not sell Mega Millions and vice versa. The game began in August 1996 as “The Big Game” and holds the record for the largest jackpot in North American history. There are a total of 46 jurisdictions where you can play Mega Millions: 44 states, the U.S. Virgin Islands, and the District of Columbia. Players can purchase a ticket for \$1. Players select one set of five numbers and one additional number designated as the “mega ball” for each draw. The matrix is “5 of 56” for the set and “1 of 46” for the mega ball. The minimum jackpot is \$15 million, which rolls over in the event that no ticket matches all five numbers and the mega ball. Mega Millions offers secondary prizes of fixed amounts ranging from \$2 to \$250,000 for a \$1 bet. Mega-Plier is a feature added to the game giving players the chance to increase their winnings, except for the jackpot prize, by up to four times. In order to upgrade to a Mega-Plier, a player needs only to pay an extra dollar. A jackpot winner may designate how the jackpot will be paid whether in cash or as an annuity in 26 annual installments. Drawings are held in Atlanta, Georgia on Tuesdays and Fridays. This game also offers ticket sales through subscriptions



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

## Local economy

New Hampshire is a small state with a population of approximately 1.3 million. According to the United States Census Bureau, in 2013 New Hampshire had the highest standard of living in the U.S. and in 2011 ranked New Hampshire as the fourth highest state for having adults with high school degrees or better. The U.S. Census Bureau also ranked New Hampshire as the 8<sup>th</sup> highest state for adults having college degrees or better. Forbes reported New Hampshire as the 7<sup>th</sup> best state for quality of life in 2013.

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 2011 local and state tax burden as 44<sup>th</sup> 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 2011 is 9.8% of income (2011 was the latest data reported for local and state tax burden). New Hampshire offers a favorable overall tax environment for businesses, ranking 8<sup>th</sup> best out of 50 for overall tax climate in fiscal year 2014 and 7<sup>th</sup> best in fiscal year 2013. A state's business tax climate measures how each state's tax laws affect economic performance. For May 2014, according to the Economic and Labor Market Information Bureau, the seasonally adjusted unemployment rate for New Hampshire was 4.4%, compared with the national average of 6.1%. This rate for New Hampshire was a decrease from May 2013's 5.3% unemployment rate.

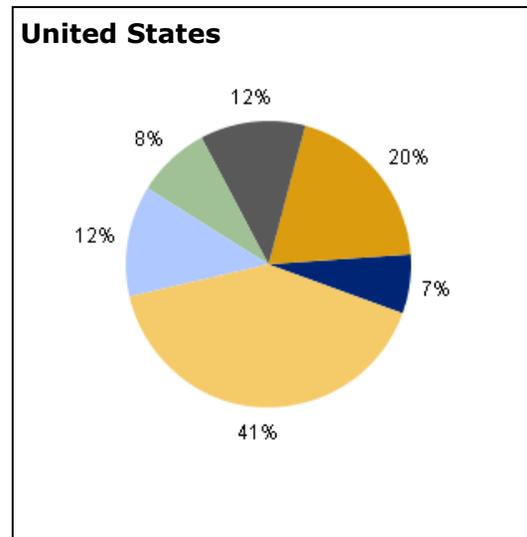
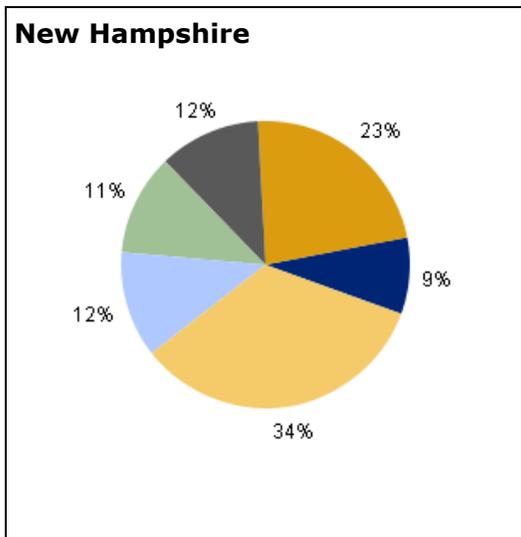
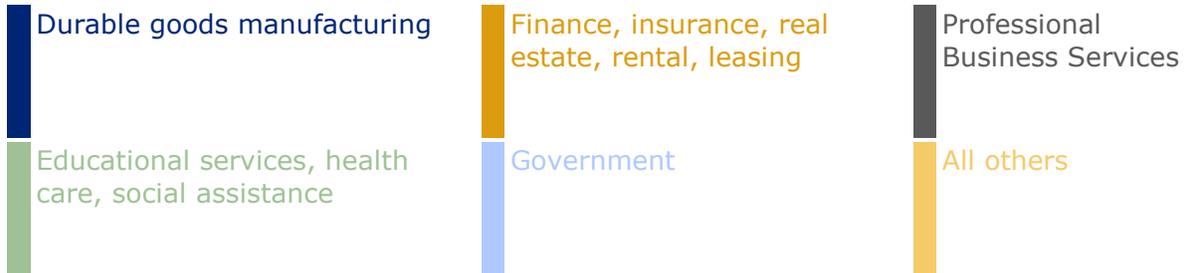
New Hampshire's per capita personal income ranks 8th highest in the nation. According to the Bureau of Economic Analysis (BEA) for calendar year 2013, New Hampshire's per capita personal income was \$51,013. This is higher than the United States average of \$44,765. BEA reported for calendar year 2013 New Hampshire's Gross Domestic Product (GDP<sup>1</sup>) ranked 40<sup>th</sup> in the United States (1 being the highest GDP) at \$67.8 billion representing a 0.9% growth for the state compared to 1.8% growth for the nation. The 2003-2013 compound annual growth rate for New Hampshire real GDP<sup>1</sup> was 1.0%, compared to the compound annual growth rate for the nation of 1.5%. BEA reported that in 2013 the largest industry in New Hampshire was finance, insurance, real estate, rental, and leasing accounting for 22.7% of New Hampshire GDP. The second largest industry in New Hampshire was government at 12% of New Hampshire GDP. According to BEA the largest contributor to real GDP growth in New Hampshire for 2013 was finance, insurance, real estate, rental, and leasing; the second largest contributor to real GDP in 2013 was educational services, health care, and social assistance.

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

The following graphs were taken directly from the BEA website for Bearfacts-2013-New Hampshire

**Top Five State Industries as a percent of Total GDP, 2013**



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

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

The New Hampshire Lottery does well in per capita sales. When compared with the other lotteries in the United States, New Hampshire ranks 15<sup>th</sup> highest in per capita sales for fiscal year 2014. Unaudited fiscal year 2014 traditional game sales for all U.S. lotteries' increased 3%. According to LaFleur's Magazine, a research company that reports facts and statistics on lotteries, 24 of 44 lotteries saw increases in fiscal year 2014 sales, as compared with fiscal year 2013 when 40 of 44 lotteries saw increases in sales. LaFleur's also estimates U.S. lotteries paid

approximately \$39 billion to lucky prize winners and \$20 billion to the government in fiscal year 2014. According to LaFleur's, instant ticket sales for U.S. lotteries were up \$1.5 billion or 4% to \$38 billion, while draw game sales, like Mega Millions and Powerball, were up 1% to \$25.4 billion for fiscal year 2014 from fiscal year 2013. Instant ticket sales represent 60% of the U.S. lottery's total traditional sales. Powerball decreased 18% compared to Mega Millions which increased 51% during fiscal year 2014.

### **Long-term financial planning**

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

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

### **Relevant financial policies**

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

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

Prize payments due winners for jackpot prizes awarded under Megabucks are fully funded by investments in U.S. Treasury STRIPS held by the Tri-State Lotto Commission (Tri-State). Treasury STRIPS are fixed-income securities sold at a significant discount to face value and offer no interest payments because they mature at par. STRIPS are backed by the U.S. government and offer minimal risk. The payments due winners for jackpot prizes awarded under Powerball and Mega Millions are satisfied through securities purchased by the Multi-State Lottery Association (MUSL). MUSL purchases U.S. government obligations to fund jackpot prizes, which are held in irrevocable trust or securities clearing accounts. The Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by Tri-State or MUSL. Jackpot/grand prizes for Lucky for Life winners are payable in installments and are satisfied through insurance annuities purchased by MUSL. MUSL purchases insurance annuities, on behalf of the member states, based on either \$365,000 or \$25,000 per year (depending on first or second prize level won) deferred annuity paid annually on the anniversary of the claim date, for the lifetime of the jackpot/grand prize winner. Accordingly, the Lottery does not record a liability for jackpot awards which are payable in installments from funds provided by MUSL or the other party lotteries. The Lottery does accrue a current amount due for its proportionate share of prizes and expenses.

## Upcoming initiatives

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

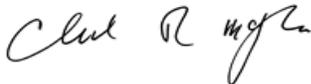
## Awards and acknowledgements

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, 2013. This was the fourteenth consecutive year that the Lottery has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Charles R. McIntyre  
Executive Director



Kassie L. Strong  
Chief Financial Officer



Government Finance Officers Association

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

Presented to

**New Hampshire  
Lottery Commission**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

**New Hampshire Lottery Commission**  
Appointed Officials and Organizational Chart

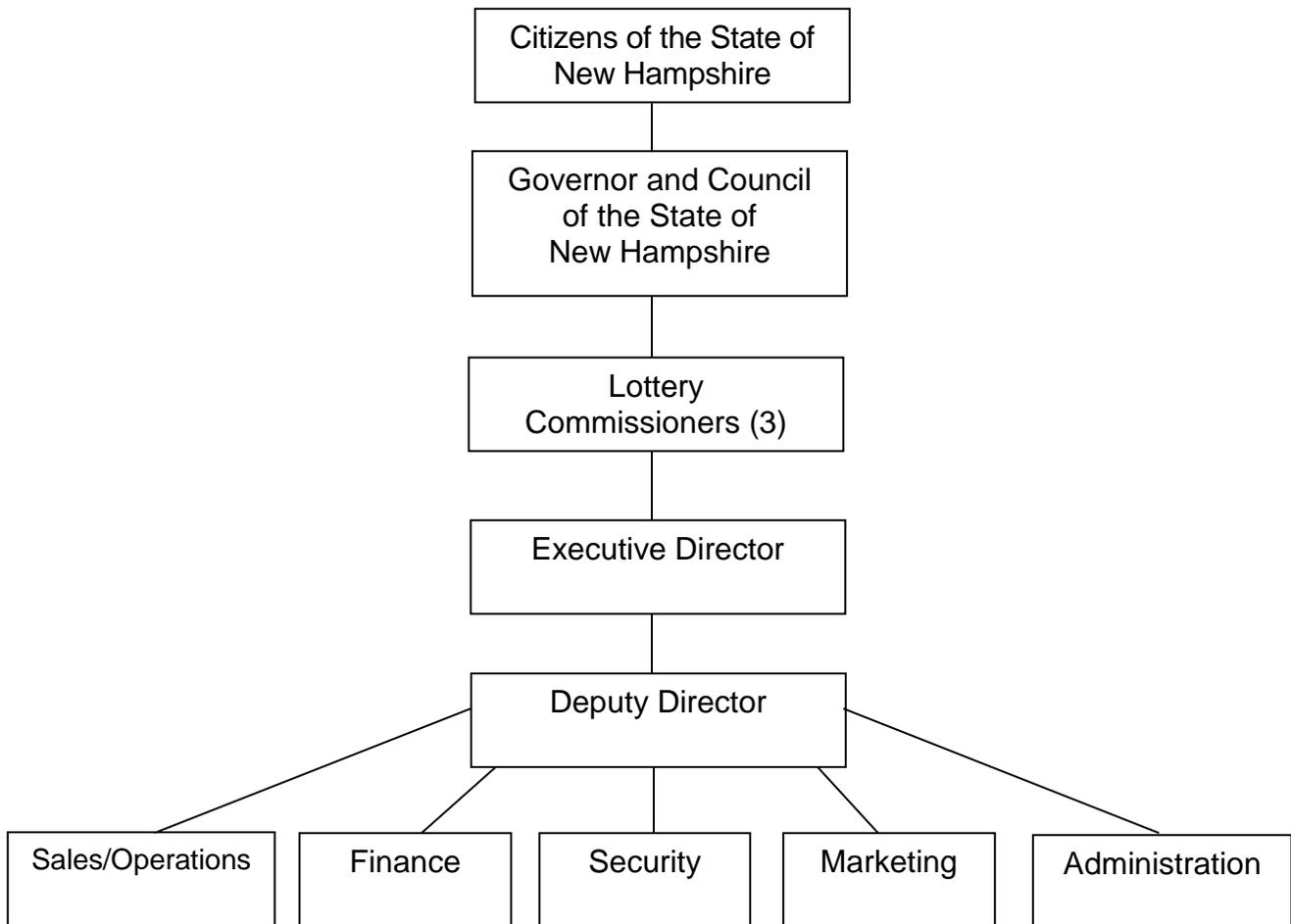
**Appointed Officials**

**Debra M. Douglas**  
Commission Chairman  
Term ends 6/29/2016

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

**Doug Scamman**  
Commissioner  
Term ended 6/29/2014\*

**Organizational Chart**



\*Currently in holdover status.



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



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



*Financial Section*

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**7**



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State House, Room 102  
Concord, New Hampshire 03301

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Director, Audit Division  
(603) 271-2785

### **Independent Auditor's Report**

*To The Fiscal Committee Of The General Court:*

#### **Report On The Financial Statements**

We have audited the accompanying financial statements of the New Hampshire Lottery Commission which comprise the Statement of Net Position as of June 30, 2014, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility For The Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Hampshire Lottery Commission as of June 30, 2014, and the changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 18 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The Supplemental Schedule of Revenues, Expenses, and Distributions is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues, Expenses, and Distributions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2014 on our consideration of the New Hampshire Lottery Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Hampshire Lottery Commission's internal control over financial reporting and compliance.



Office Of Legislative Budget Assistant

December 29, 2014

## 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, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements contained in this comprehensive annual financial report and our letter of transmittal, which begins on page 1.

### Financial Highlights

- Operating revenues for the Lottery program decreased by \$4.5 million, or 1.6% for the current fiscal year. MUSL games revenues decreased \$6.4 million or 11.0%, while revenues from Instant scratch games increased \$2.8 million or 1.5%. MUSL games contributed 18.7% to total revenues and Instant scratch games contributed 70.8%. Tri-State games, which contributed 8.1% to total revenues, netted to an increase of approximately \$1.3 million or 6.3%. Lucky for Life sales decreased almost \$1.5 million or 18.7% during fiscal year 2014. Other Income decreased \$760,554 or 70.3%.
- The Lottery's operating expenses for the current fiscal year decreased approximately \$2.6 million, or 1.3%. This decrease in operating expenses, mostly cost of sales expenses, is a result of the decrease in ticket sales/revenues.
- Lottery's assets decreased \$6.0 million, or 34% from the previous fiscal year. Liabilities decreased \$6.1 million or 45.1%, from the end of the previous fiscal year. There was a change to the Lottery's net position of \$95,800, which consists solely of restricted prize funds for the Powerball, Hot Lotto, Mega Millions, and Megabucks programs. For fiscal year 2014 the Lottery's total net position was \$4,230,258.
- Distributions to the Education Trust Fund decreased \$2.0 million or 2.6%, due to the decrease in operating revenues.

### Overview of the Financial Statements

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

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

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

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

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

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

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

For fiscal year 2014, the Lottery produced \$275.9 million in total operating revenues, a 1.6% decrease from fiscal year 2013's \$280.4 million. Instant scratch games sales were up from the previous fiscal year by approximately \$2.8 million or 1.5%. Multi-State (MUSL) games revenues decreased \$6.4 million or 11% during fiscal year 2014 as compared to fiscal year 2013. Tri-State games revenues increased by \$1.3 million or 6.3% for fiscal year 2014 as compared to fiscal year 2013. Lucky for Life game revenue decreased \$1.5 million in fiscal year 2014 as compared to fiscal year 2013. The Lottery distributed \$72.4 million of operating income to the Education Trust Fund in fiscal year 2014, a \$2.0 million decrease from fiscal year 2013. Total revenues since the inception of the Lottery in 1963 are more than \$5.2 billion and the Lottery has distributed over \$1.6 billion to help fund education in New Hampshire.

### **Net Position and Changes in Net Position**

Article 6-b of the Constitution of the State of New Hampshire declares "All moneys received from a state-run lottery and all the interest received on such moneys shall, after deducting the necessary costs of administration, be appropriated and used exclusively for the school districts of the state. Such moneys shall be used exclusively for the purpose of state aid to education and shall not be transferred or diverted to any other purpose." As a result, the net position of the Lottery consists only of prize funds held on deposit with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State). For more detailed information on restricted deposits please see note 8 in the notes to the financial statements and for more detailed information on capital asset activity please see note 4 in the notes to the financial statements. Comparable figures for total assets at June 30, 2014 and 2013 were \$11.7 million and \$17.7 million, respectively.

Cash and cash equivalents were \$2,247,304 at June 30, 2014 and \$8,697,625 at June 30, 2013. The decrease in cash and cash equivalents for fiscal year 2014 from fiscal year 2013 was attributable to a decrease in prize accruals. Accounts receivable at June 30, 2014 and 2013 were \$3,505,883 and \$3,273,261, respectively. Due from other funds for fiscal year 2014 consists of amounts due from the state Liquor Commission for tickets sold and the Education Trust Fund for overpayment of June 2014 profits. Instant scratch games ticket inventories were \$778,775 at June 30, 2014 and \$1,027,187 at June 30, 2013. The decrease in inventory reflects lower inventories on hand at June 30, 2014 due to timing of deliveries. Noncurrent, restricted deposits, which represent New Hampshire's share of prize reserve funds held by MUSL and Tri-State, increased \$95,800 during fiscal year 2014. Capital assets, net of depreciation, increased during fiscal year 2014 from \$133,256 at June 30, 2013 to \$245,670 at June 30, 2014. The increase in capital assets was due to the purchase of new vans for Lottery sales staff. The overall decrease of total assets for fiscal year 2014 from fiscal year 2013 was \$6.0 million.

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

**The following table shows condensed net position as of June 30, 2014 and 2013.**

|  | 2014                | 2013                |
|--|---------------------|---------------------|
| Current and Other assets                         | \$ 11,439,994       | \$ 17,577,607       |
| Capital assets (net of accumulated depreciation) | 245,670             | 133,256             |
| Total assets                                     | <u>11,685,664</u>   | <u>17,710,863</u>   |
| Current liabilities                              | 7,179,397           | 13,271,948          |
| Noncurrent liabilities                           | 276,009             | 304,457             |
| Total liabilities                                | <u>7,455,406</u>    | <u>13,576,405</u>   |
| Net position:                                    |                     |                     |
| Net investments in capital assets                | 245,670             | 133,256             |
| Restricted assets                                | 4,230,258           | 4,134,458           |
| Unrestricted (deficit)                           | <u>(245,670)</u>    | <u>(133,256)</u>    |
| Total net position                               | <u>\$ 4,230,258</u> | <u>\$ 4,134,458</u> |

## Liabilities

The Lottery's current liabilities consist primarily of accounts payable, unclaimed prizes, accrued operating expenses, and ticket sales for future draws (draws occurring after June 30). Noncurrent liabilities consist of compensated absences and workers compensation. Total liabilities during the current fiscal year decreased \$6,120,999 or 45.1 %. The year end balances for total liabilities for fiscal years 2014 and 2013 were \$7.5 million and \$13.6 million, respectively. Of the decrease, unclaimed prizes decreased \$5.4 million. The decrease in unclaimed prizes is due to the decrease in sales and prizes won. Lottery winners have one year to claim their prizes. Accounts Payable decreased in fiscal year 2014 by \$481,605, primarily due to the timing of fiscal year 2013 payments to advertising and gaming vendors. Additionally, there was a liability in fiscal year 2013 of \$1,150,540 due to the Education Trust Fund for the remaining June 2013 profit transferred in fiscal year 2014. At June 30, 2014 monies are due to the Lottery from the Education Trust Fund for the over-transfer of 2014 profits to the Education Trust Fund.

## Operating Revenues – Games Sales

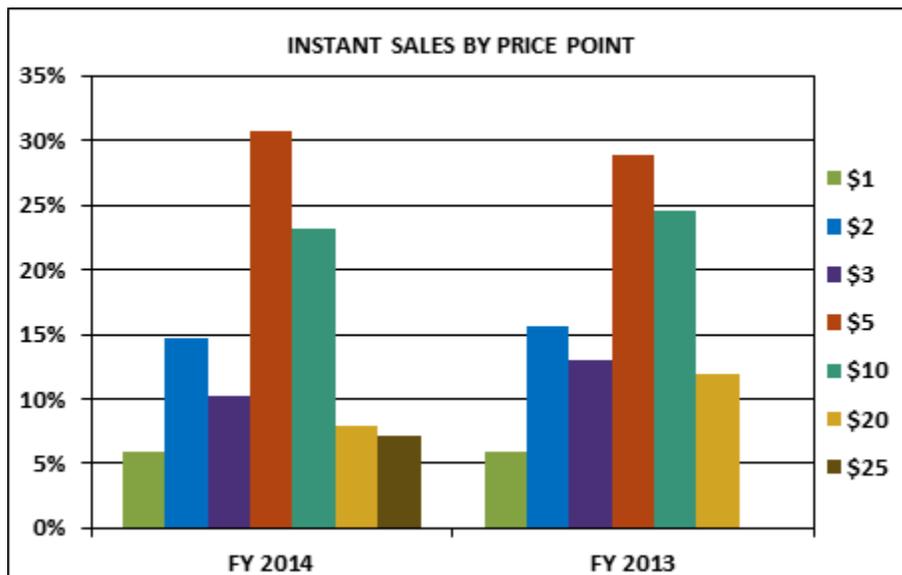
The New Hampshire Lottery game revenues result from the sales of a variety of instant and online lottery products. The Lottery is an active member of three separate joint venture arrangements; the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life,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

The following table shows operating revenues by Lottery game for the years ended June 30, 2014 and 2013. Tri-State Other represents Fast Play and Gimme 5.

| Game                     | 2014                  | 2013                  | Change                | Percent Change |
|--------------------------|-----------------------|-----------------------|-----------------------|----------------|
| Instant Scratch Games    | \$ 195,292,751        | \$ 192,475,089        | \$ 2,817,662          | 1.5%           |
| MUSL Powerball           | 35,033,743            | 46,159,886            | (11,126,143)          | -24.1%         |
| MUSL Mega Millions       | 13,499,228            | 8,764,632             | 4,734,596             | 54.0%          |
| MUSL Hot Lotto           | 3,160,128             | 3,168,406             | (8,278)               | -0.3%          |
| Tri-State Megabucks      | 8,105,130             | 9,177,028             | (1,071,898)           | -11.7%         |
| Tri-State Pick 3         | 5,090,699             | 5,123,090             | (32,391)              | -0.6%          |
| Tri-State Pick 4         | 4,764,775             | 4,809,887             | (45,112)              | -0.9%          |
| Tri-State Other          | 4,304,282             | 1,833,169             | 2,471,113             | 134.8%         |
| Lucky for Life           | 6,360,538             | 7,826,337             | (1,465,799)           | -18.7%         |
| Other Income             | 321,833               | 1,082,387             | (760,554)             | -70.3%         |
| Total Operating Revenues | <u>\$ 275,933,107</u> | <u>\$ 280,419,911</u> | <u>\$ (4,486,804)</u> | -1.6%          |

The Lottery saw a 1.6% decrease in revenues for fiscal year 2014. Instant scratch games sales continue to be the Lottery's most popular product contributing approximately 70.8% and 68.6%, respectively, to total revenue for fiscal years 2014 and 2013. Instant scratch games sales increased 1.5% in fiscal year 2014 from fiscal year 2013. The Lottery sells Instant scratch games priced from \$1 to \$25. The increase in instant scratch games sales was attributed to an increase in prizes awarded to players, although the Lottery does work continuously to design new and innovative games in an effort to grow revenues.

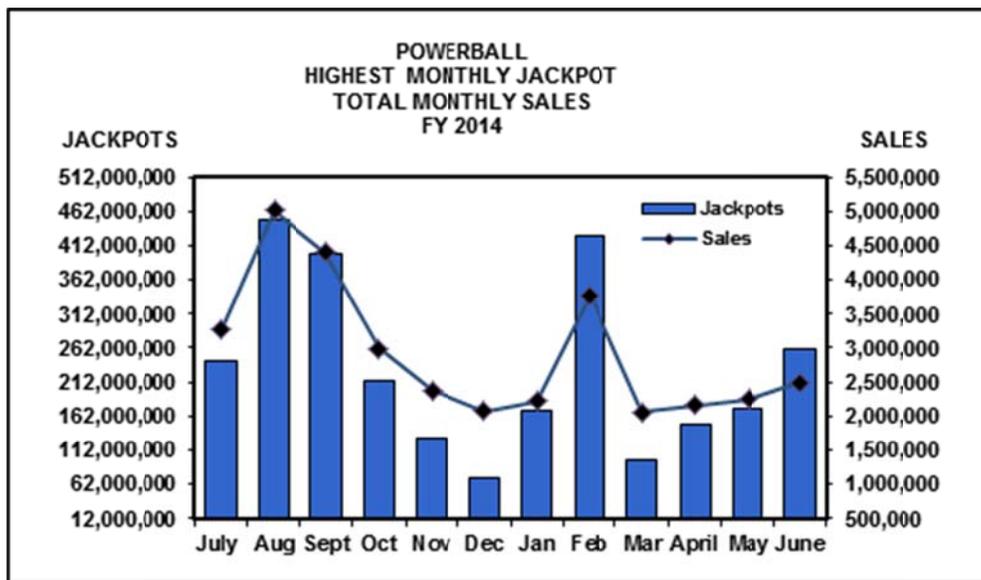
The following graph shows percentages of Instant scratch games sales for fiscal year 2014 and 2013 by selling price of ticket.

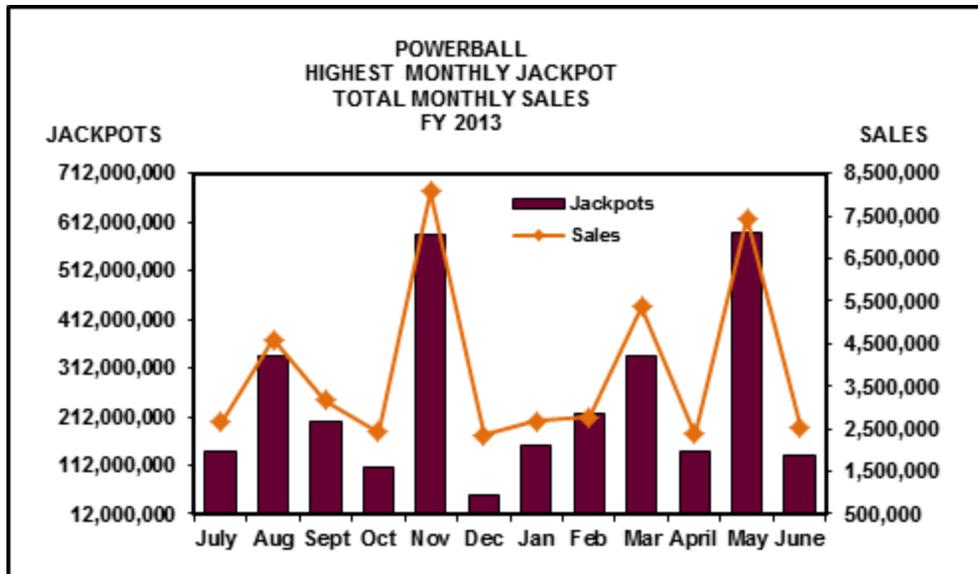


Powerball, a game in the MUSL jurisdiction, is the Lottery's second most popular product contributing 12.7% and 16.5% to total fiscal year 2014 and 2013 sales, respectively. Revenues from Powerball decreased 24.1%, while Hot Lotto maintained the same level both years. The reason for the decrease in Powerball sales in fiscal year 2014 was the lack of high jackpot amounts as compared to two large jackpot amounts during fiscal year 2013 of \$587.5 million in November and \$590.5 million in May. Mega Millions saw a 54.0% increase in sales. A contributing factor to the increase in Mega Millions sales was two large jackpots of \$636 million and \$400 million in fiscal year 2014 versus the largest jackpot in fiscal year 2013 of \$190 million. Megabucks revenues decreased 11.7%, mostly due to low jackpot amounts as compared to Powerball and Mega Millions. Other Tri-State sales revenues increased 134.8%; this was due to the addition of a new game called Gimme 5. Lucky for Life sales revenues were down \$1.5 million in fiscal year 2014, mostly due to the game being relatively new in fiscal year 2013. When a game goes on the market, sales begin at a higher rate due to it being a new product and then decline and level off.

The sales in big jackpot games are directly related to the size of the jackpot, which causes a high level of uncertainty for revenues. As jackpots rise in amount, so do the sales of tickets. The more frequently jackpots are won, the smaller the jackpot amount, which consequently sells less tickets. The less frequently jackpots are won, the more time they have to build in amount. High jackpot amounts bring higher sales for the online games. The trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales. The highest Powerball jackpot amount in fiscal year 2013 and since the game's inception was \$590 million, as compared to \$448 million in fiscal year 2014. The higher Powerball sales in fiscal year 2013 versus fiscal year 2014 are primarily due to the higher jackpot amount in fiscal year 2013.

See the following graphs showing the relationship between jackpot amount and sales for fiscal years 2014 and 2013.

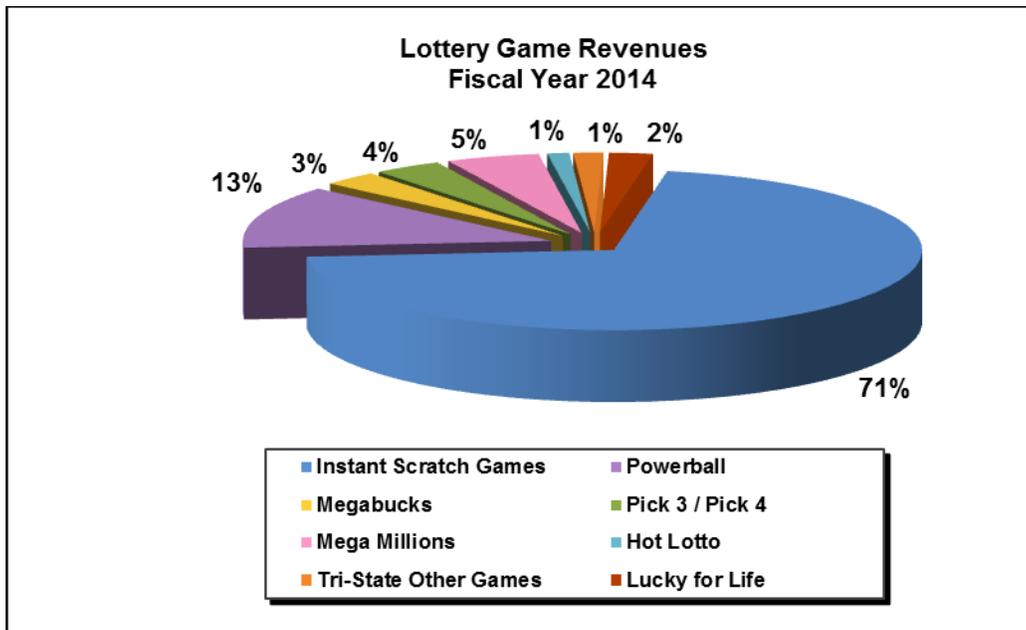




Hot Lotto is another game that is offered through MUSL, sales of which remained consistent in both fiscal years at \$3.2 million. Mega Millions is another high jackpot game that MUSL member states have the option of selling. Mega Millions sales for fiscal year 2014 were \$13.5 million compared to fiscal year 2013 of \$8.8 million, reflecting the influence of the larger jackpot in 2014. Mega Millions does not generate the sales that Powerball does in New Hampshire. Powerball generated \$35 million in fiscal year 2014 and Mega Millions \$13.5 million. MUSL games sales overall decreased 11% and contributed 18.7% and 20.7% to total Lottery revenues for fiscal years 2014 and 2013, respectively.

Tri-State games sales in 2014 increased 6.3% overall from fiscal year 2013. Megabucks decreased \$1.1 million or 11.7% decrease from the previous fiscal year. The Megabucks game is the oldest jackpot style game the Lottery sells; at 29 years old and still running it seems to carry a committed player base. Pick 3 and Pick 4 remained consistent from fiscal year 2013 to fiscal year 2014 with only slight decreases of \$32,391 and \$45,112, respectively. The other Tri-State games increased \$2.5 million or 134.8%, due to the addition of the new GIMME 5 game. Tri-State games in total amounted to 8.1% and 7.5% of total Lottery sales fiscal years 2014 and 2013, respectively.

The following graph displays Lottery revenues by product/game for the fiscal year ended June 30, 2014. Tri-State Other Games includes GIMME 5 and Fast Play.



### Operating Expenses – Cost of Sales

#### Prizes

Prizes are the largest operating expense of the Lottery. In general, prize expense by game will increase or decrease from year to year in proportion to the increase or decrease in sales for a particular game. Fiscal year 2014 prize expense of \$171.8 million reflects a 0.9% decrease from fiscal year 2013 prize expense of \$173.4 million. This decrease reflects the decrease in sales. Games where the player wins instantly pay out at a higher percentage than draw games. Draw games typically have a 50% to 60% (of sales) prize pay-out built into the design of the game, whereas instant win type games on average have a 61% to 75% (of possible sales) prize pay-out built into each game. For Instant scratch games, the higher the individual sales price of the ticket the higher the prize percentage built into the game. For example a ticket with a sales price of \$1 will have a 61% prizes to sales ratio while a \$20 ticket will have a 75% prizes to sales ratio.

The actual prizes paid percentage can be slightly less than the prize percentage built into the game design, due to unclaimed prizes (prizes that winners never claim). 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 game for the years ended June 30, 2014 and 2013. Tri-State Other represents Weekly Grand and Fast Play.

| Game                       | 2014                  | 2013                  | Change                | Percent Change |
|----------------------------|-----------------------|-----------------------|-----------------------|----------------|
| Instant Scratch Games      | \$ 132,361,282        | \$ 129,046,481        | \$ 3,314,801          | 2.6%           |
| MUSL Powerball             | 16,134,004            | 22,695,941            | (6,561,937)           | -28.9%         |
| MUSL Mega Millions         | 6,547,197             | 4,214,379             | 2,332,818             | 55.4%          |
| MUSL Hot Lotto             | 1,585,616             | 1,531,877             | 53,739                | 3.5%           |
| Tri-State Megabucks        | 3,959,434             | 4,568,195             | (608,761)             | -13.3%         |
| Tri-State Pick 3           | 2,570,205             | 2,561,604             | 8,601                 | 0.3%           |
| Tri-State Pick 4           | 2,371,165             | 2,404,989             | (33,824)              | -1.4%          |
| Tri-State Other            | 2,483,648             | 1,107,022             | 1,376,626             | 124.4%         |
| Lucky for Life             | 3,674,431             | 5,027,418             | (1,352,987)           | -26.9%         |
| Other - contributed prizes | 159,322               | 199,562               | (40,240)              | -20.2%         |
| Total prize expense        | <u>\$ 171,846,304</u> | <u>\$ 173,357,468</u> | <u>\$ (1,511,164)</u> | -0.9%          |

The following tables show prizes to sales (operating revenues) profit margin for Lottery games by venture for the years ended June 30, 2014 and 2013.

| 2014                  | Gross Games Revenues | Prize Expense | Gross Profit After Prizes | Profit Margin After Prizes |
|-----------------------|----------------------|---------------|---------------------------|----------------------------|
| Instant Scratch Games | \$ 195,292,751       | 132,361,282   | \$ 62,931,469             | 32.2%                      |
| Tri-State Games       | \$ 22,264,887        | 11,384,452    | \$ 10,880,435             | 48.9%                      |
| MUSL Games            | \$ 51,693,099        | 24,266,817    | \$ 27,426,282             | 53.1%                      |
| Lucky for Life Game   | \$ 6,360,538         | 3,674,431     | \$ 2,686,107              | 42.2%                      |

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

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

## Other Cost of Sales

In addition to prizes, there are other costs of sales that include retailer commissions, vendor fees, cost of printing Instant scratch games, costs for delivering Instant scratch games to retailers, and expense pool costs (administrative costs) for joint ventures. These other costs of sales totaled \$23 million for fiscal year 2014 and \$24 million for fiscal year 2013. The decrease was primarily due to the decrease in ticket sales. Retailer commissions and vendor fees are based on a percentage of sales. Retailer commissions were down \$803,435 or 4.8% for fiscal year 2014 over fiscal year 2013. Retailer commissions are based on 5% of sales plus additional commissions for retailers who meet certain incentive criteria for increasing sales. Vendor fees for fiscal year 2014 were down \$41,998 over fiscal year 2013. Vendor fees are based on 1.435% of sales plus additional charges for equipment, such as vending machines that sell tickets and digital signs that advertise the amount of the jackpot.

The table below shows comparative costs of sales expenses for Lottery games for the years ended June 30, 2014 and 2013.

|                         | 2014                  | Percent<br>of Sales | 2013                  | Percent<br>of Sales |
|-------------------------|-----------------------|---------------------|-----------------------|---------------------|
| Retailer commissions    | \$ 15,822,516         | 5.7%                | \$ 16,625,951         | 5.9%                |
| Vendor fees             | 5,145,260             | 1.9%                | 5,187,258             | 1.8%                |
| Cost of instant tickets | 1,853,376             | 0.7% *              | 2,202,676             | 0.8% *              |
| Expense pools           | 218,096               | 0.1%                | 227,435               | 0.1%                |
| Other cost of sales     | 23,039,248            | 8.3%                | 24,243,320            | 8.6%                |
| Prize expense           | 171,846,304           | 62.3%               | 173,357,468           | 61.8%               |
| Total cost of sales     | <u>\$ 194,885,552</u> | <u>70.6%</u>        | <u>\$ 197,600,788</u> | <u>70.5%</u>        |

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

The table below shows cost of sales to gross revenues for Lottery games for the years ended June 30, 2014 and 2013.

| Total Lottery Games | 2014                 | 2013                 | Change                | Percent<br>Change |
|---------------------|----------------------|----------------------|-----------------------|-------------------|
| Gross Revenues      | \$ 275,933,107       | \$ 280,419,911       | \$ (4,486,804)        | -1.6%             |
| Cost of Sales       | 194,855,552          | 197,600,788          | (2,745,236)           | -1.4%             |
| Gross profit        | <u>\$ 81,077,555</u> | <u>\$ 82,819,123</u> | <u>\$ (1,741,568)</u> | -2.1%             |
| Gross profit margin | 29.4%                | 29.5%                |                       |                   |

## Other Operating Expenses

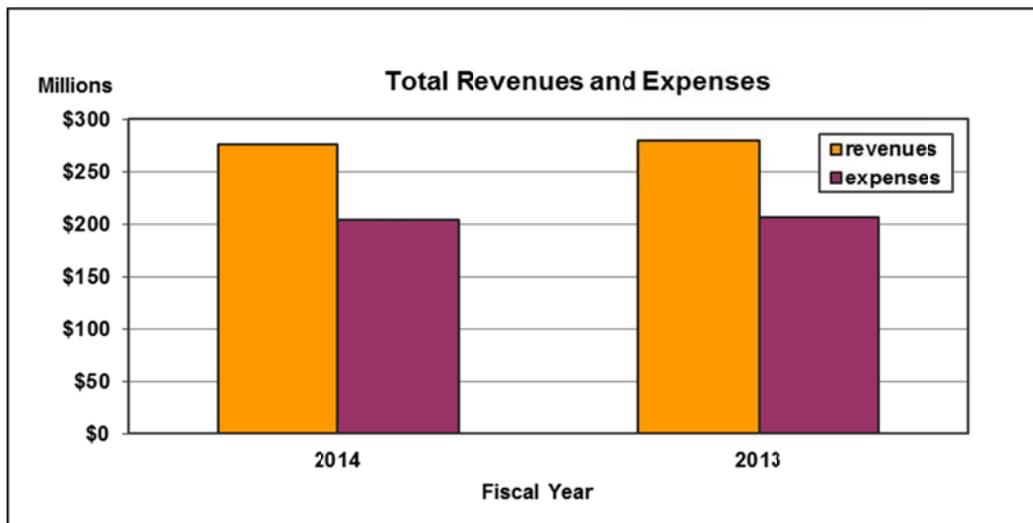
Administrative costs increased \$80,311 in fiscal year 2014 from fiscal year 2013. The supplemental schedule of revenues, expenses, and distributions located after the notes to the financial statements, itemizes the components of other operating expenses.

## Nonoperating Revenues (Expenses)

Nonoperating revenues totaling \$52,573 consist of income earned on deposits held with the Tri-State Lotto joint venture and proceeds from sales of capital assets.

Nonoperating expenses are distributions to the Education Trust Fund. The Lottery is required by law to transfer all revenues in excess of its operating costs to the Education Trust Fund. Fiscal year 2014 distributions were \$72,380,273 and fiscal year 2013 distributions were \$74,334,758. The fiscal year 2014 \$2.0 million decrease over fiscal year 2013 was mostly due to lower ticket sales.

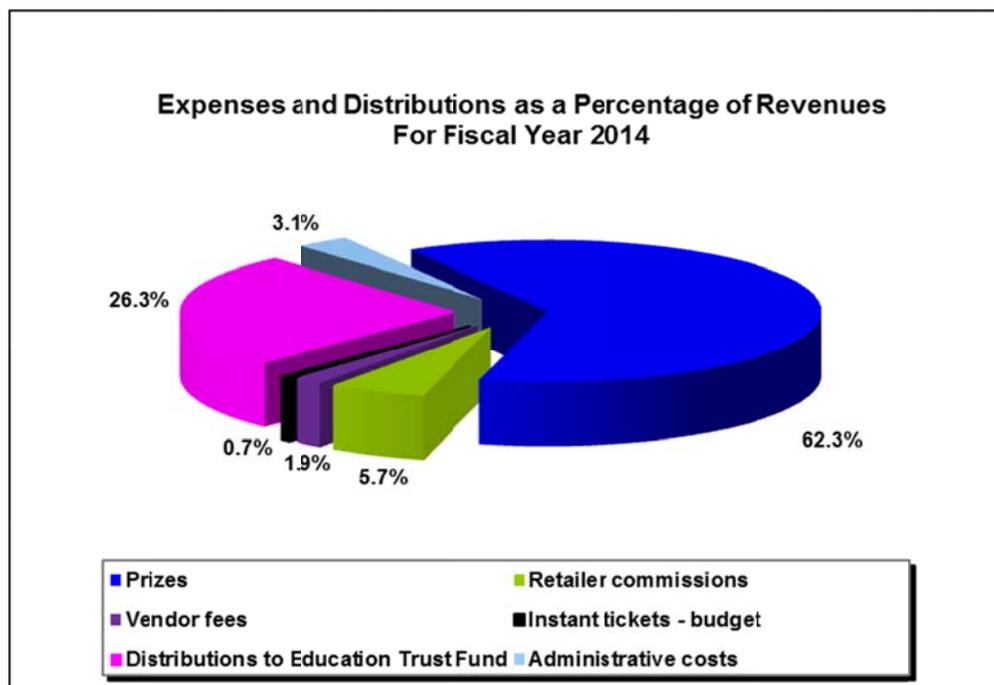
**The following graph displays total Lottery revenues and expenses for the years ended June 30, 2014 and 2013.**



The following table shows total revenues, expenses, net income, and change in net position for the Lottery for the years ended June 30, 2014 and 2013.

|  | 2014                | 2013                | Change             | Percent Change |
|--|---------------------|---------------------|--------------------|----------------|
| Operating revenues   |                     |                     |                    |                |
| Instant and online ticket sales  | \$ 275,611,274      | \$ 279,337,524      | \$ (3,726,250)     | -1.3%          |
| Other Income   | 321,833             | 1,082,387           | (760,554)          | -70.3%         |
| Total operating revenues   | <u>275,933,107</u>  | <u>280,419,911</u>  | <u>(4,486,804)</u> | -1.6%          |
| Operating expenses   |                     |                     |                    |                |
| Cost of sales  | 194,885,552         | 197,600,788         | (2,715,236)        | -1.4%          |
| Administrative costs   | 8,589,686           | 8,509,375           | 80,311             | 0.9%           |
| Depreciation expense   | 34,369              | 24,257              | 10,112             | 41.7%          |
| Total operating expenses   | <u>203,509,607</u>  | <u>206,134,420</u>  | <u>(2,624,813)</u> | -1.3%          |
| Nonoperating revenues  | 52,573              | 49,866              | 2,707              | 5.4%           |
| Net profit before transfers  | 72,476,073          | 74,335,357          | (1,859,284)        | -2.5%          |
| Nonoperating expenses  |                     |                     |                    |                |
| Distributions to Education Trust Fund  | 72,380,273          | 74,334,758          | (1,954,485)        | -2.6%          |
| Change in net position   | <u>95,800</u>       | <u>599</u>          | <u>95,201</u>      | 15893.3%       |
| Net position - July 1  | 4,134,458           | 4,133,859           | 599                | 0.0%           |
| Net position - June 30   | <u>\$ 4,230,258</u> | <u>\$ 4,134,458</u> | <u>\$ 95,800</u>   | 2.3%           |
| Distributions to Education Trust Fund (net profit) as a percentage of operating revenues | 26.2%               | 26.5%               | -0.3%              |                |

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, 2014.



## **Other Potentially Significant Matters**

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

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

There is, as always, ongoing research and development to enhance current games or replace them with new games in order to increase sales. Consumers want and demand newer, technologically advanced forms of gambling. The Lottery is limited by statute in what it can offer.

## **Budgetary Highlights**

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

## **Contacting the Lottery's Financial Management**

This financial report is designed to provide New Hampshire citizens, the New Hampshire state legislature and the executive branch of government, and other interested parties, a general overview of the Lottery's financial activity for fiscal year 2014 and to demonstrate the Lottery's accountability for the money it received from the sale of lottery products. If you have any questions about this report or need additional information, contact the New Hampshire Lottery Commission, Chief Financial Officer, 14 Integra Drive, Concord, New Hampshire 03301.

**New Hampshire Lottery Commission  
Statement of Net Position  
June 30, 2014**

**ASSETS**

Current assets:

|  |                  |
|--|------------------|
| Cash and cash equivalents                | \$ 2,247,304     |
| Accounts receivable                      | 3,505,883        |
| Due from other funds                     | 639,433          |
| Instant scratch games ticket inventories | 778,775          |
| Prepaid expenses and other               | <u>38,341</u>    |
| Total current assets                     | <u>7,209,736</u> |

Noncurrent assets:

|   |                   |
|---|-------------------|
| Restricted deposits - (note 8)                            | 4,230,258         |
| Capital assets net of accumulated depreciation - (note 4) | <u>245,670</u>    |
| Total noncurrent assets                                   | <u>4,475,928</u>  |
| Total assets  | <u>11,685,664</u> |

**LIABILITIES**

Current liabilities:

|   |               |
|---|---------------|
| Accounts payable  | 1,602,150     |
| Accrued payroll and benefits                                | 160,965       |
| Ticket sales for future draws                               | 1,047,379     |
| Unclaimed prizes net of estimated expired prizes - (note 1) | 1,927,887     |
| Lucky for Life prizes payable - (note 1)                    | 2,343,383     |
| Compensated absences  | <u>97,633</u> |
| Total current liabilities                                   | 7,179,397     |

Noncurrent liabilities:

|                      |                  |
|----------------------|------------------|
| Compensated absences | <u>276,009</u>   |
| Total liabilities    | <u>7,455,406</u> |

**NET POSITION**

|                                     |                     |
|-------------------------------------|---------------------|
| Net investments in capital assets   | 245,670             |
| Restricted for prize funds (note 8) | 4,230,258           |
| Unrestricted (deficit)              | <u>(245,670)</u>    |
| Total net position                  | <u>\$ 4,230,258</u> |

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

**New Hampshire Lottery Commission**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended June 30, 2014**

|   |                     |
|---|---------------------|
| Operating revenues:                               |                     |
| Instant scratch games                             | \$ 195,292,751      |
| Multi-State online games                          | 51,693,099          |
| Tri-State online games                            | 22,264,886          |
| Lucky for Life                                    | 6,360,538           |
| Other Income                                      | <u>321,833</u>      |
| Total operating revenues                          | <u>275,933,107</u>  |
| Operating expenses:                               |                     |
| Cost of sales:                                    |                     |
| Prizes  | 171,846,304         |
| Retailers' Commissions                            | 15,822,516          |
| Other   | <u>7,216,732</u>    |
| Total cost of sales                               | <u>194,885,552</u>  |
| Administration                                    | 8,589,686           |
| Depreciation                                      | <u>34,369</u>       |
| Total operating expenses                          | <u>203,509,607</u>  |
| Operating income                                  | <u>72,423,500</u>   |
| Nonoperating revenues (expenses):                 |                     |
| Interest and miscellaneous income                 | 52,573              |
| Distributions to the State's Education Trust Fund | <u>(72,380,273)</u> |
| Total nonoperating revenues (expenses)            | <u>(72,327,700)</u> |
| Change in net position                            | <u>95,800</u>       |
| Net position - July 1                             | <u>4,134,458</u>    |
| Net position - June 30                            | <u>\$ 4,230,258</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, 2014**

|   |                      |
|---|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                      |
| Receipts from customers, retailers and joint ventures<br>(net of retailer commissions and prizes paid by retailers) | \$ 148,720,282       |
| Payments to winners and joint ventures  | (66,553,996)         |
| Payments to suppliers (goods and services)  | (11,393,189)         |
| Payments to employees for salaries and benefits   | (3,374,213)          |
| Net cash provided by operating activities   | <u>67,398,884</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                      |
| Distributions to Education Trust Fund   | (73,754,995)         |
| Net cash used for noncapital financing activities   | <u>(73,754,995)</u>  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                      |
| Proceeds from sales of capital assets   | 22,176               |
| Purchases of capital assets   | (146,783)            |
| Net cash used by capital and related financing activities   | <u>(124,607)</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                      |
| Interest and other income received  | 30,397               |
| Net cash provided by investing activities   | <u>30,397</u>        |
| Net increase in cash and cash equivalents   | (6,450,321)          |
| Cash and cash equivalents, July 1   | <u>8,697,625</u>     |
| Cash and cash equivalents, June 30  | <u>\$ 2,247,304</u>  |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b>                             |                      |
| Operating income  | \$ 72,423,500        |
| Adjustments to reconcile operating income to net cash provided by operating activities:                             |                      |
| Depreciation expense  | 34,369               |
| (Increase) decrease in accounts receivable/due from other funds   | (255,424)            |
| (Increase) decrease in instant scratch games ticket inventory   | 248,412              |
| (Increase) decrease in prepaid expenses and other   | 14,286               |
| (Increase) decrease in restricted deposits  | (95,800)             |
| Increase (decrease) in accounts payable and other liabilities   | (523,861)            |
| Increase (decrease) in unclaimed prizes   | (4,444,726)          |
| Increase (decrease) in ticket sales for future draws  | (1,872)              |
| Total adjustments   | <u>(5,024,616)</u>   |
| Net cash provided by operating activities   | <u>\$ 67,398,884</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, 2014**

**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

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

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

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

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

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

*Due from other funds* consists of amounts due from the State Liquor Commission for lottery tickets sold at state liquor stores, which have not been transferred to Lottery as of June 30 and an over transfer of \$224,182 to the Education Trust Fund.

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

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

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

*Restricted deposits* represents noncurrent, restricted assets, deposited with the Multi-State Lottery Association (MUSL) and the Tri-State Lotto Commission (Tri-State), that are held as prize reserves to protect the Lottery against unforeseen liabilities. These prize reserves are a condition of participation in the joint ventures and are refundable after a one year waiting period if a member leaves. The Tri-State portion of the reserves is committed to be returned to the players, however the MUSL reserves would be returned to the New Hampshire Education Trust Fund. At June 30, 2014, MUSL reserves were \$2,474,401 and Tri-State reserves were \$1,755,857.

*Compensated absences* represent accrued leave for the Lottery's 40 full-time, classified employees at June 30, 2014. Full-time classified employees of the Lottery accrue annual, bonus, compensatory, and vested sick leave at various rates within the limits prescribed by a collective bargaining agreement. In conformity with GASB Statement No. 16, the Lottery accrues all types of leave benefits as earned by its classified employees. The compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered along with the state's share of social security and retirement contributions. The current portion of the leave liability is calculated based on the characteristics of the type of leave and on a LIFO (last in first out) basis, which assumes employees use their most recent earned leave first. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 32 to 50 days based on years of service. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness.

*Ticket sales for future draws* consists of subscriptions for Megabucks, Powerball, Hot Lotto, and Mega Millions. Subscriptions are ticket purchases for periods of 26, 52, or 104 draws.

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

unclaimed and unpaid prize liability is at fiscal year-end. The one year prize liability is adjusted based on past history of expired prizes (prizes that are not claimed within the one year). The unclaimed prize liability for fiscal year 2014 of \$1,927,887 is the net amount after being reduced by an estimate for Powerball, Hot Lotto, and Mega Millions prizes to expire as unclaimed of \$612,325.

*Lucky for Life prizes payable* represents the Lottery's share of anticipated first and second tier prize money not yet won, for the game in-progress at year-end. Lucky for Life is designed to pay out 38.2% of ticket sales to top prize/grand prize winners. This amount represents 38.2% of ticket sales less amounts paid or accrued for prizes that have been won.

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

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

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

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

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

*Restricted for prize funds* represents restricted deposits held in prize reserves with MUSL and Tri-State. These deposits are a condition of participation in the joint ventures. At June 30, 2014 MUSL reserves were \$2,474,401 and Tri-State reserves were \$1,755,857. The Tri-State reserves are committed to be returned to the players upon dissolution or termination of participation in the joint venture.

## **Note 2 – Cash and Cash Equivalents**

The Lottery's cash and cash equivalents as reported on the Statement of Net Position as of June 30, 2014 consists of the following:

|   |                     |
|---|---------------------|
| Cash in banks (carrying amount)             | \$ 612,308          |
| Cash and cash equivalents in State Treasury | 1,629,996           |
| Petty cash                                  | 5,000               |
| Total cash and cash equivalents             | <u>\$ 2,247,304</u> |

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

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

*Custodial credit risk.* In the case of deposits held with financial institutions, this is the risk that in the event of a bank failure, the government's deposits may not be returned. At June 30, 2014 the Lottery's total deposits held with financial institutions were \$591,286 (bank balance), all of which were insured and collateralized.

### Note 3 – Compensated Absences

A summary of compensated absences activity for year ended June 30, 2014 is presented below.

|                      | Beginning<br>Balance<br><u>6/30/2013</u> | <u>Increases</u> | <u>Decreases</u> | Ending<br>Balance<br><u>6/30/2014</u> | Amounts<br>Due Within<br><u>One Year</u> |
|----------------------|--|------------------|------------------|---------------------------------------|--|
| Compensated Absences | \$ 412,154                               | \$300,982        | \$ 339,494       | \$ 373,642                            | \$ 97,633                                |

### Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

|  | Beginning<br>Balance<br><u>6/30/2013</u> | <u>Increases</u> | <u>Decreases</u> | Ending<br>Balance<br><u>6/30/2014</u> |
|--|--|------------------|------------------|---------------------------------------|
| <b><u>Capital assets</u></b>           |  |                  |                  |                                       |
| Equipment                              | \$ 222,043                               | \$ -             | \$ -             | \$ 222,043                            |
| Vehicles                               | 282,718                                  | 146,783          | (105,255)        | 324,246                               |
| Total capital assets                   | 504,761                                  | 146,783          | (105,255)        | 546,289                               |
| <b><u>Accumulated depreciation</u></b> |  |                  |                  |                                       |
| Equipment                              | (221,496)                                | -                | -                | (221,496)                             |
| Vehicles                               | (150,009)                                | (34,369)         | 105,255          | (79,123)                              |
| Total accumulated depreciation         | (371,505)                                | (34,369)         | 105,255          | (300,619)                             |
| <b>Total capital assets, net</b>       | <b>\$ 133,256</b>                        | <b>\$112,414</b> | <b>\$ -</b>      | <b>\$ 245,670</b>                     |

## Note 5 – General Budgetary Policies and Procedures

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

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

## Note 6 – Employee Benefit Plans

### A. Retirement Plan

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

The Lottery's required contribution rate is determined by the Plan's Actuary with rates certified by the New Hampshire Retirement System Board of Trustees. The Lottery's payments for normal and required contribution costs for fiscal years 2012 through 2014 amounted to the following:

| Fiscal Year<br>Ended June 30 | Normal and<br>Required<br>Contributions to the<br>Plan | Percentage of<br>Covered<br>Payroll |
|------------------------------|--|-------------------------------------|
| 2014                         | \$206,781  | 10.51%                              |
| 2013                         | 164,779  | 8.48%                               |
| 2012                         | 164,150  | 8.48%                               |

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

The New Hampshire Retirement System (NHRS), administrator of the Plan, issues a publicly available annual financial report, which contains detailed information regarding the Plan as a whole, including information on payroll, contributions, actuarial assumptions and funding method,

and historical trend data. This report may be obtained by writing to the NHRS, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at <http://www.nhrs.org>.

## B. Other Postemployment Benefits

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

The State's CAFR discloses the required contributions for the State as a whole. The Lottery's total payments to the State for its share of normal contribution costs for the medical subsidy and retiree health benefits paid for fiscal years 2012 through 2014 are as follows:

| <u>Fiscal Year<br/>Ended June 30</u> | <u>Number of Retirees<br/>and Spouses</u> | <u>Total Annual<br/>OPEB Cost</u> | <u>Normal and Required<br/>Contribution Costs for<br/>Medical Subsidy</u> | <u>Medical Subsidy<br/>Percentage of Covered<br/>Payroll</u> |
|--------------------------------------|---|-----------------------------------|---|--|
| 2014                                 | 66  | \$320,596                         | \$31,873  | 1.62%  |
| 2013                                 | 62  | 323,491                           | 31,090  | 1.60%  |
| 2012                                 | 61  | 371,537                           | 30,972  | 1.60%  |

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

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

## Note 7 – Operating Lease

### Building Lease

The Lottery, as lessee, leases an office and warehouse facility located on Integra Drive in Concord, New Hampshire. The agreement is a long-term operating lease, which commenced on May 1, 2013 and expires on April 30, 2018. The total building lease cost for fiscal years 2014 and 2013 amounted to \$405,810 per year. The Lottery's commitment for future lease payments required under the operating lease is \$1,567,780. See table below showing future obligations by fiscal year.

| <u>Fiscal Year</u> | <u>Amount</u>       |
|--------------------|---------------------|
| 2015               | \$ 405,810          |
| 2016               | 406,825             |
| 2017               | 411,897             |
| 2018               | 343,248             |
| Total              | <u>\$ 1,567,780</u> |

## Note 8 – Joint Ventures

GASB Statement No.14, *The Financial Reporting Entity*, defines a joint venture as a legal entity which results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The New Hampshire Lottery Commission is an active participant in three separate joint venture arrangements: the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life (regional game consisting of the six New England state lotteries). Tri-State and MUSL joint ventures are audited by separate audit firms hired by the particular joint venture. For fiscal year 2014 Macpage, LLC, of South Portland, Maine 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, 2014 Tri-State reported total installment prize obligations owed to jackpot winners of \$37.9 million, payable through the year 2043.

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, 2014 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 \$1,755,857. 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 2014 is summarized below:**

|                             |                            |
|-----------------------------|----------------------------|
| Operating revenues          | \$ 22,264,886              |
| Operating expenses:         |                            |
| Prizes                      | 11,384,452                 |
| Retailer commissions        | 1,184,781                  |
| Advertising and promotional | 1,379,097                  |
| Vendor fees                 | 344,217                    |
| Other operating expenses    | 193,522                    |
| Total operating expenses    | <u>14,486,069</u>          |
| Net operating income        | 7,778,817                  |
| Interest income             | <u>29,855</u>              |
| Net income from Tri-State   | <u><u>\$ 7,808,672</u></u> |

The Tri-State Lotto Commission maintains its own financial statements, which have been audited by an independent CPA firm. The report dated October 13, 2014 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, 2014 and 2013, 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 37 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. There are two prize reserve funds set aside for Powerball. 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 \$2,474,401 at June 30, 2014.

At June 30, 2014 the total MUSL Powerball prize reserve fund had a balance of \$76,376,927. New Hampshire's portion of the prize reserve fund balance amounted to \$1,065,128. 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, 2014 the total MUSL – Powerball set prize reserve fund had a balance of \$35,199,524. New Hampshire's portion of the prize reserve fund balance amounted to \$520,987. The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$16,082,650 at June 30, 2014. New Hampshire's portion of this unreserved fund amounted to \$88,618. 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, 2014 the MUSL Hot Lotto prize reserve fund was \$7,451,170 with New Hampshire's share being \$346,335. 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 six 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, 2014 the MUSL Mega Millions prize reserve fund was \$35,842,966 with New Hampshire's share being \$541,950. Each participating member pays for a share of Mega millions operating expenses based upon the member's proportionate share of total Mega Millions game sales.

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may

have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

**The New Hampshire Lottery Commission's portion of the Multi-State Lottery's games for fiscal year 2014 is summarized below.**

|                             |                             |
|-----------------------------|-----------------------------|
| Operating revenues          | \$ 51,693,099               |
| Operating expenses:         |                             |
| Prizes                      | 24,266,817                  |
| Retailer commissions        | 2,743,848                   |
| Vendor fees                 | 888,069                     |
| Advertising and promotional | 669,996                     |
| Other operating expenses    | 32,884                      |
| Total operating expenses    | <u>28,601,614</u>           |
| Net operating income        | <u>23,091,485</u>           |
| Interest income             | <u>307</u>                  |
| Net income from MUSL        | <u><u>\$ 23,091,792</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 beginning sales on March 11, 2012, with the first drawing held on March 15, 2012. Lucky for Life is currently comprised of the six New England states' lotteries: the Connecticut Lottery Corporation, the Maine State Liquor & Lottery Commission, the Massachusetts State Lottery Commission, the New Hampshire Lottery Commission, the Rhode Island Division of State Lottery, and the Vermont Lottery Commission. The member lotteries, each represented by a director or designee, jointly operate the Lucky for Life game.

The Lottery sells Lucky for Life tickets, collects all revenues, and remits prize funds and operating funds to MUSL. While Lucky for Life is not a MUSL game, the party lotteries pay a fee to MUSL to act as the game administrator (clearinghouse agent) for the Lucky for Life game. MUSL collects and re-distributes funds to the party lotteries when funds are due and purchases insurance annuities for the top two highest prize tiers when a winner does not choose a cash pay-out. The top two prize tiers are payable in installments and are satisfied through insurance annuities purchased by MUSL when a winner chooses the annuity option. MUSL purchases insurance annuities, on behalf of the member states, based on \$365,000 (top prize tier) or \$25,000 (second highest prize tier) 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 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.

The Lucky for Life game was designed to have a total prize percentage payout of 60 percent of sales, providing approximately one top prize/grand prize winner annually and 17 second prize tier winners annually. The breakdown of the 60 percent includes a top prize/grand prize amount equal to 10% of total sales, a second high/grand prize tier equal to 28% of sales, and low-tier prizes of 22% of sales. Online lottery games are designed to provide an average payout over an extended period of time. Each member Lottery is responsible for a prize payout 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, 2014 amounted to \$2,353,740. The breakdown for the Lottery's share of accrued prizes were as follows: prizes won not claimed \$129,006 for the second tier prizes won, there were no top tier prizes claimed not paid, there were three second tier prizes claimed not paid until July of \$97,947, the top two prize tiers in progress amount accrued was \$2,343,382 and low-tier prizes of \$134,457. The Lottery also had an accounts receivable due from the other states of \$359,579 for shared low-tier prizes and expired prizes. The Lottery's share of accrued operating expenses at June 30, 2014 was \$8,527.

**The New Hampshire Lottery Commission's portion of the Lucky for Life game for fiscal year 2014 is summarized below.**

|                             |                     |
|-----------------------------|---------------------|
| Operating revenues          | \$ 6,360,538        |
| Operating expenses:         |                     |
| Prizes                      | 3,674,431           |
| Retailer commissions        | 375,528             |
| Vendor fees                 | 98,308              |
| Advertising and promotional | 113,937             |
| Other operating expenses    | 12,956              |
| Total operating expenses    | <u>4,275,160</u>    |
| Net operating income        | <u>\$ 2,085,378</u> |

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

**Note 9 – Replay Program**

In June 2006 the Commission implemented a program called "Replay" in which players become eligible for merchandise drawings by submitting non-winning lottery ticket codes to an online Replay website operated by the Lottery's advertising vendor. Merchandise prizes are contributed by area businesses in exchange for promotional consideration. The Commission accounts for contributed prizes by recording offsetting assets, liabilities, revenues, and

expenses in Prepaid and Other, Accounts Payable, Other Operating Revenue, and Prize Expense, respectively.

#### **Note 10 – Risk Management**

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

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

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

#### **Note 11 – Prize Annuity Due Winner**

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

#### **Note 12 – Contingent Liability**

Payroll Matters: As a result of converting to a new consolidated payroll system, the State has become aware of certain potential compliance concerns with Federal wage and hour regulations associated with the State's payroll processing procedures. An estimate of potential liability for the Lottery, related to these circumstances, cannot be determined at this time.

**New Hampshire Lottery Commission  
Supplemental Schedule of Revenues, Expenses, and Distributions  
For the Year Ended June 30, 2014**

|   |                     |
|---|---------------------|
| <b>Operating Revenues:</b>                              |                     |
| Instant tickets   | \$ 195,292,751      |
| MUSL Powerball  | 35,033,743          |
| MUSL Mega Millions                                      | 13,499,228          |
| Tri-State Megabucks                                     | 8,105,130           |
| Tri-State Pick 3  | 5,090,699           |
| Tri-State Pick 4  | 4,764,775           |
| Lucky for Life  | 6,360,538           |
| MUSL Hot Lotto  | 3,160,128           |
| Tri-State Gimme 5                                       | 2,775,699           |
| Tri-State Fast Play                                     | 1,528,583           |
| Other Income  | 321,833             |
| <b>Total operating revenues</b>                         | <u>275,933,107</u>  |
| <b>Operating Expenses:</b>                              |                     |
| Cost of sales:  |                     |
| Prize awards:   |                     |
| Instant tickets   | 132,361,282         |
| MUSL Powerball  | 16,134,004          |
| MUSL Mega Millions                                      | 6,547,197           |
| Tri-State Megabucks                                     | 3,959,434           |
| Tri-State Pick 3  | 2,570,205           |
| Tri-State Pick 4  | 2,371,165           |
| Lucky for Life  | 3,674,431           |
| MUSL Hot Lotto  | 1,585,616           |
| Tri-State Gimme 5                                       | 1,487,457           |
| Tri-State Fast Play                                     | 996,191             |
| Other - Contributed prizes paid                         | 159,322             |
| Total prize awards                                      | <u>171,846,304</u>  |
| Retailers' commissions                                  | 15,822,516          |
| Vendor fees   | 5,145,260           |
| Cost of instant scratch games (printing and delivery)   | 1,853,376           |
| Expense pools   | 218,096             |
| Total cost of sales                                     | <u>194,885,552</u>  |
| Administration:   |                     |
| Salaries and benefits                                   | 3,664,162           |
| Advertising and promotional                             | 3,692,347           |
| Space rental  | 409,910             |
| Information Technology                                  | 174,251             |
| Other expenses  | 649,016             |
| Total administration                                    | <u>8,589,686</u>    |
| Depreciation expense                                    | 34,369              |
| <b>Total operating expenses</b>                         | <u>203,509,607</u>  |
| Operating income  | 72,423,500          |
| Nonoperating revenues                                   | 52,573              |
| <b>Net income</b>                                       | <u>72,476,073</u>   |
| Distributions to Education Trust Fund                   | <u>(72,380,273)</u> |
| Change in net position (restricted prize reserve funds) | <u>\$ 95,800</u>    |

See accompanying independent auditor's report.

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**7**

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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.

| <b>Contents</b>   | <b>Pages</b> |
|---|--------------|
| Financial Trends  | 46 – 50      |
| <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 position 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  | 51B – 54     |
| <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   | 51A, 55      |
| <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  | 56 – 65      |
| <p>These schedules offer the reader an understanding of how the New Hampshire Lottery Commission performs financially in comparison to other lotteries in the industry.</p>   |              |

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

Thousands

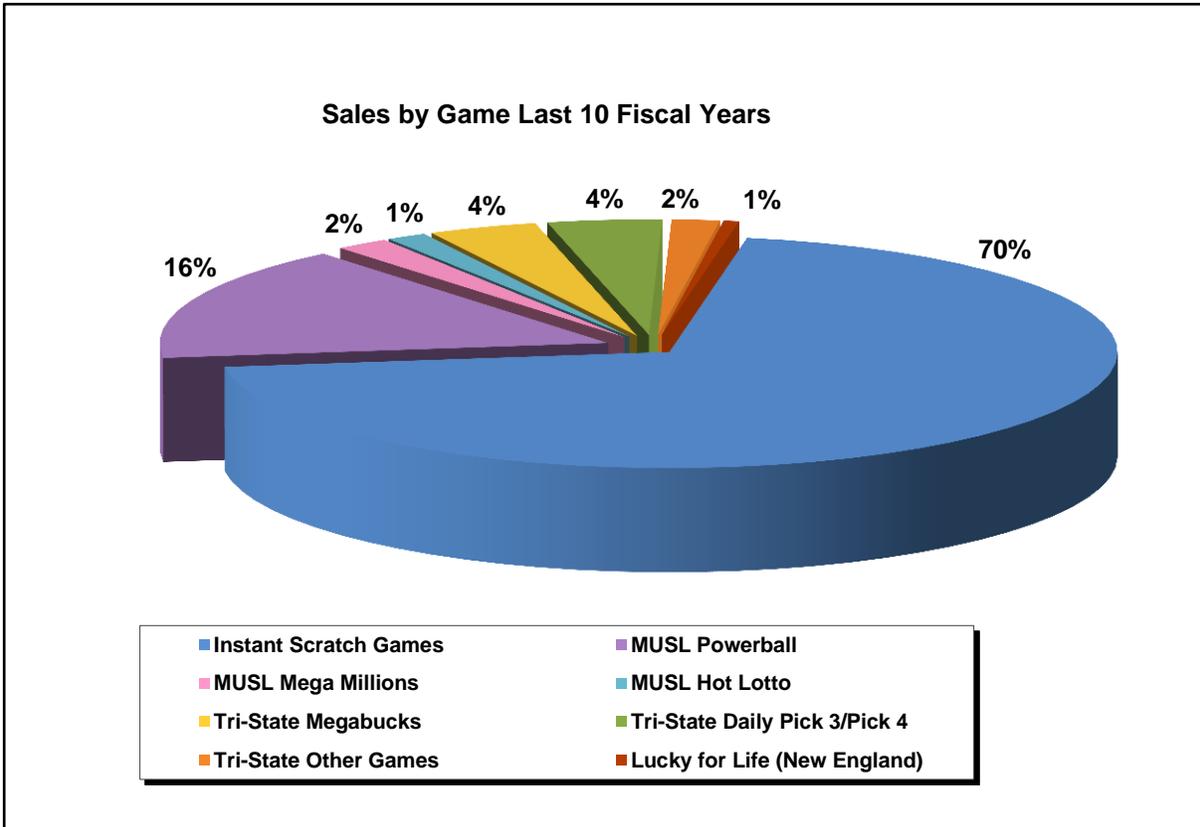
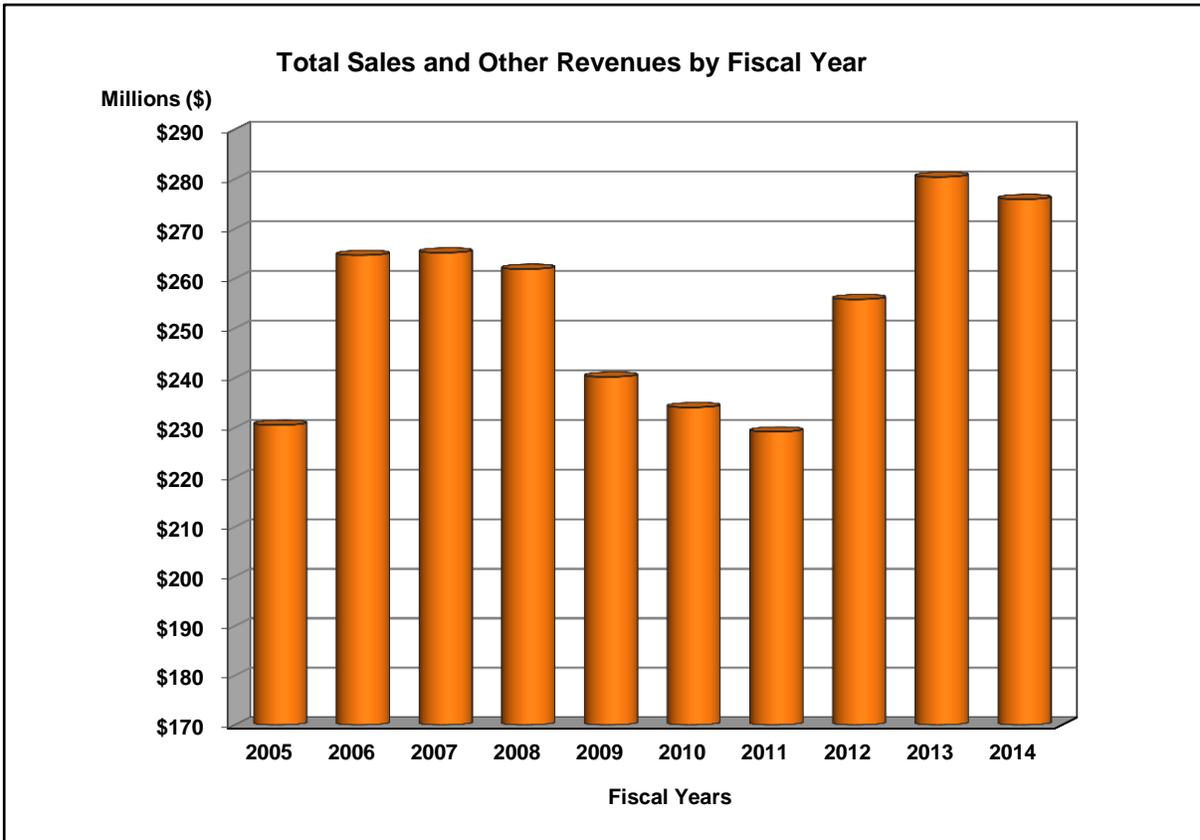
| <u>Revenues</u>                            | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instant Scratch Games                      | \$ 161,358  | \$ 176,978  | \$ 188,565  | \$ 183,991  | \$ 170,823  | \$ 160,536  | \$ 161,378  | \$ 176,912  | \$ 192,475  | \$ 195,293  |
| MUSL Powerball                             | 39,097      | 57,232      | 44,391      | 46,421      | 39,994      | 37,705      | 26,537      | 33,022      | 46,160      | 35,034      |
| MUSL Mega Millions                         | -           | -           | -           | -           | -           | 3,057       | 11,601      | 14,986      | 8,765       | 13,499      |
| MUSL Hot Lotto                             | 3,481       | 3,001       | 4,633       | 3,538       | 4,324       | 4,149       | 3,698       | 3,183       | 3,168       | 3,160       |
| Tri-State Megabucks                        | 10,254      | 10,184      | 9,657       | 10,459      | 8,687       | 12,708      | 10,537      | 9,459       | 9,177       | 8,105       |
| Tri-State Daily Pick 3/Pick 4              | 10,650      | 10,818      | 10,873      | 10,507      | 10,489      | 10,383      | 10,380      | 10,310      | 9,933       | 9,855       |
| Tri-State Other Games                      | 3,140       | 4,529       | 5,446       | 5,774       | 5,266       | 5,235       | 4,734       | 3,499       | 1,833       | 4,304       |
| Lucky for Life (New England)               | -           | -           | -           | -           | -           | -           | -           | 3,289       | 7,826       | 6,361       |
| Income Other than Ticket Sales             | 514         | 1,014       | 1,679       | 1,256       | 677         | 348         | 353         | 1,200       | 1,132       | 375         |
| Total Lottery Revenue <sup>3</sup>         | 228,494     | 263,756     | 265,244     | 261,946     | 240,260     | 234,121     | 229,218     | 255,860     | 280,469     | 275,986     |
| Bingo/Lucky 7 Program Revenue <sup>2</sup> | 976         | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Total Sales and Other Revenues             | 229,470     | 263,756     | 265,244     | 261,946     | 240,260     | 234,121     | 229,218     | 255,860     | 280,469     | 275,986     |
| <u>Operating Expenses</u>                  |             |             |             |             |             |             |             |             |             |             |
| Prizes                                     | 132,686     | 152,392     | 155,941     | 154,687     | 142,050     | 138,907     | 139,262     | 158,887     | 173,357     | 171,846     |
| Retailer Commissions & Incentives          | 12,344      | 14,179      | 14,311      | 14,279      | 13,070      | 12,739      | 12,925      | 14,832      | 16,626      | 15,823      |
| Other Costs of Sales                       | 8,158       | 9,479       | 8,876       | 8,856       | 8,430       | 8,338       | 6,758       | 7,071       | 7,618       | 7,217       |
| Administration & Depreciation Expenses     | 6,934       | 7,379       | 7,207       | 8,472       | 8,358       | 7,942       | 8,024       | 8,147       | 8,533       | 8,624       |
| Total Expenses                             | 160,122     | 183,429     | 186,335     | 186,294     | 171,908     | 167,926     | 166,969     | 188,937     | 206,134     | 203,510     |
| <u>Nonoperating Expenses</u>               |             |             |             |             |             |             |             |             |             |             |
| Distributions to Education                 | 69,349      | 80,378      | 79,043      | 75,553      | 68,150      | 66,222      | 62,207      | 66,768      | 74,335      | 72,380      |
| <u>Change in Net Position</u>              |             |             |             |             |             |             |             |             |             |             |
| Change in Net Position <sup>1</sup>        | (1)         | (51)        | (134)       | 99          | 202         | (27)        | 41          | 155         | -           | 96          |
| <u>Net Position</u> <sup>4</sup>           |             |             |             |             |             |             |             |             |             |             |
| Invested in capital assets                 | 127         | 191         | 235         | 242         | 164         | 97          | 42          | 13          | 133         | 246         |
| Restricted for prize funds <sup>4</sup>    | 3,849       | 3,798       | 3,664       | 3,763       | 3,965       | 3,938       | 3,979       | 4,134       | 4,134       | 4,230       |
| Unrestricted (deficit)                     | \$ (127)    | \$ (191)    | \$ (235)    | \$ (242)    | \$ (164)    | \$ (97)     | \$ (42)     | \$ (13)     | \$ (133)    | \$ (246)    |

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

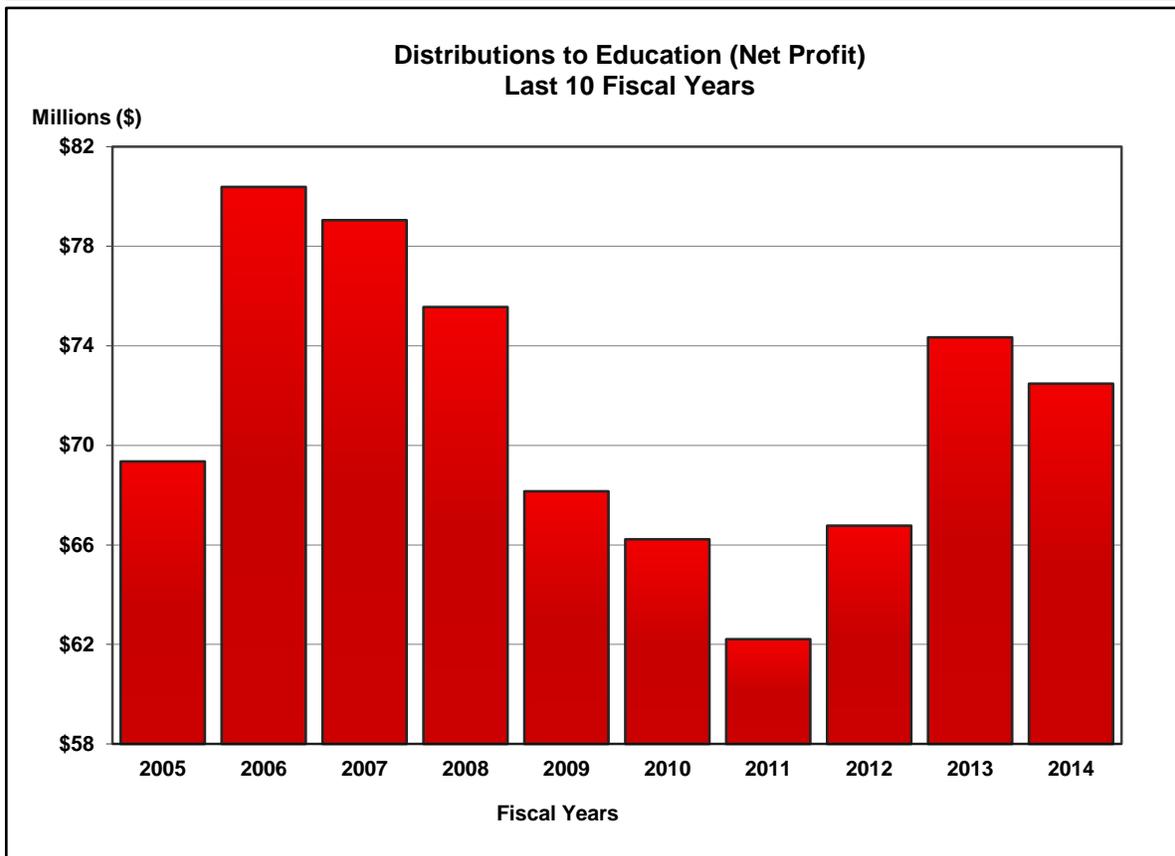
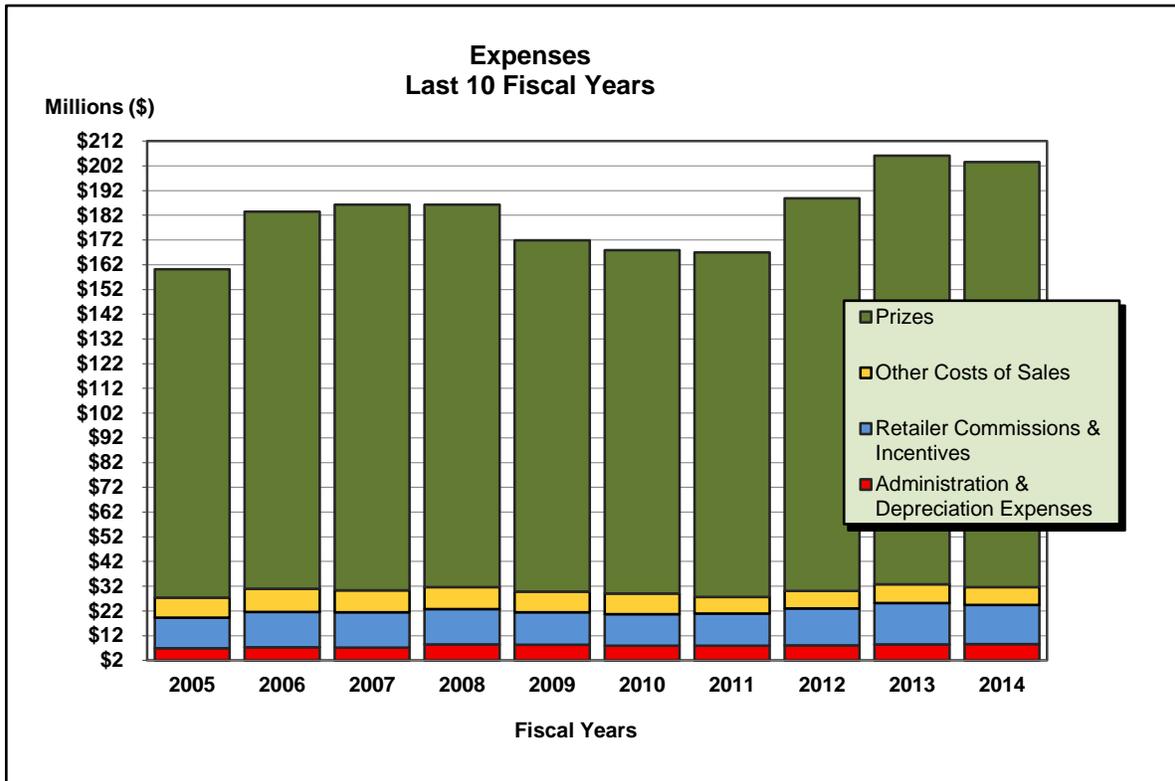
2 Effective January 1, 2005, the responsibilities for the regulation of charitable gaming and activities in the State were transferred from the Lottery to the Racing and Charitable Gaming Commission.

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

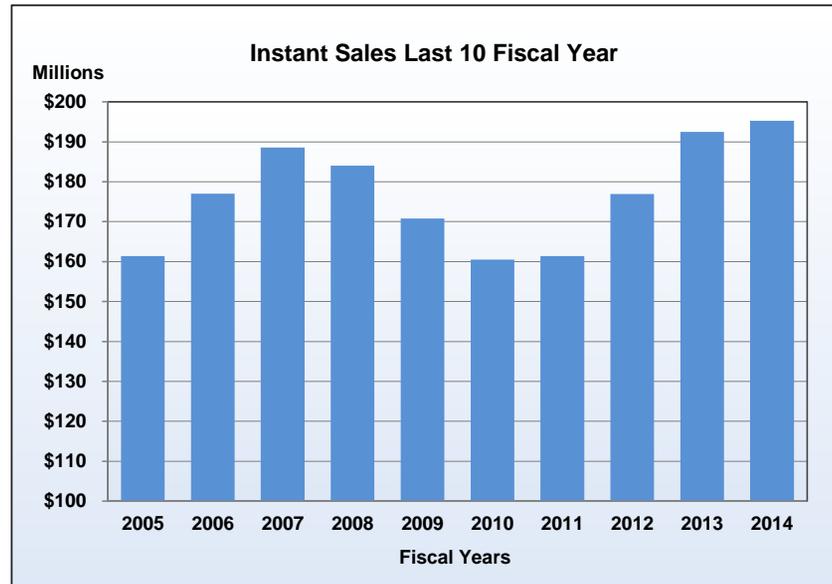
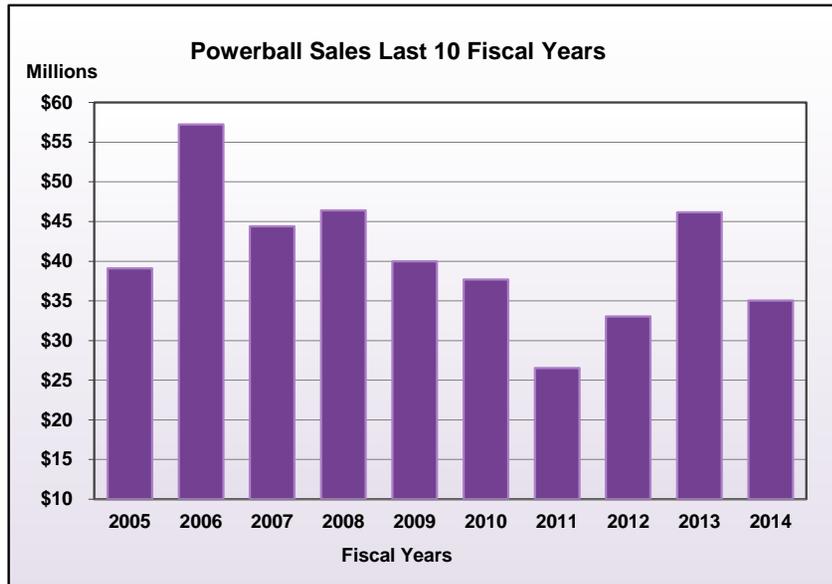
4 Net position consist only of restricted prize funds held on deposit with the Multi-State Lottery Association and the Tri-State Lotto Commission.



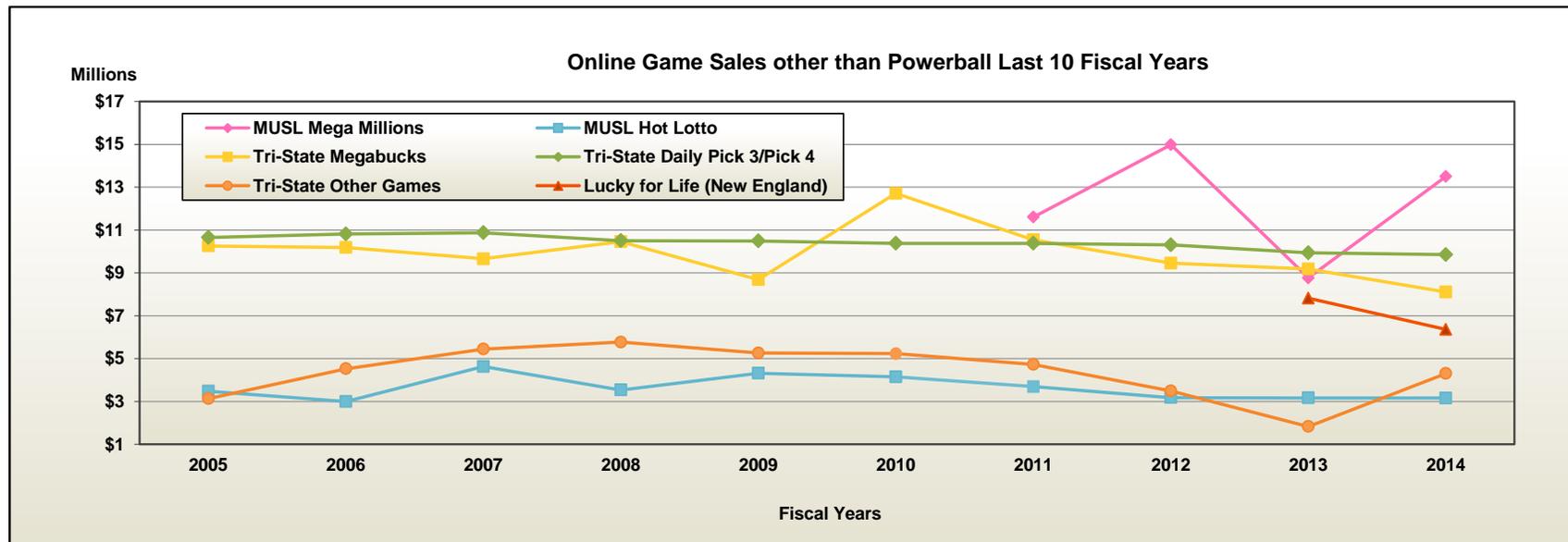
**New Hampshire Lottery Commission**



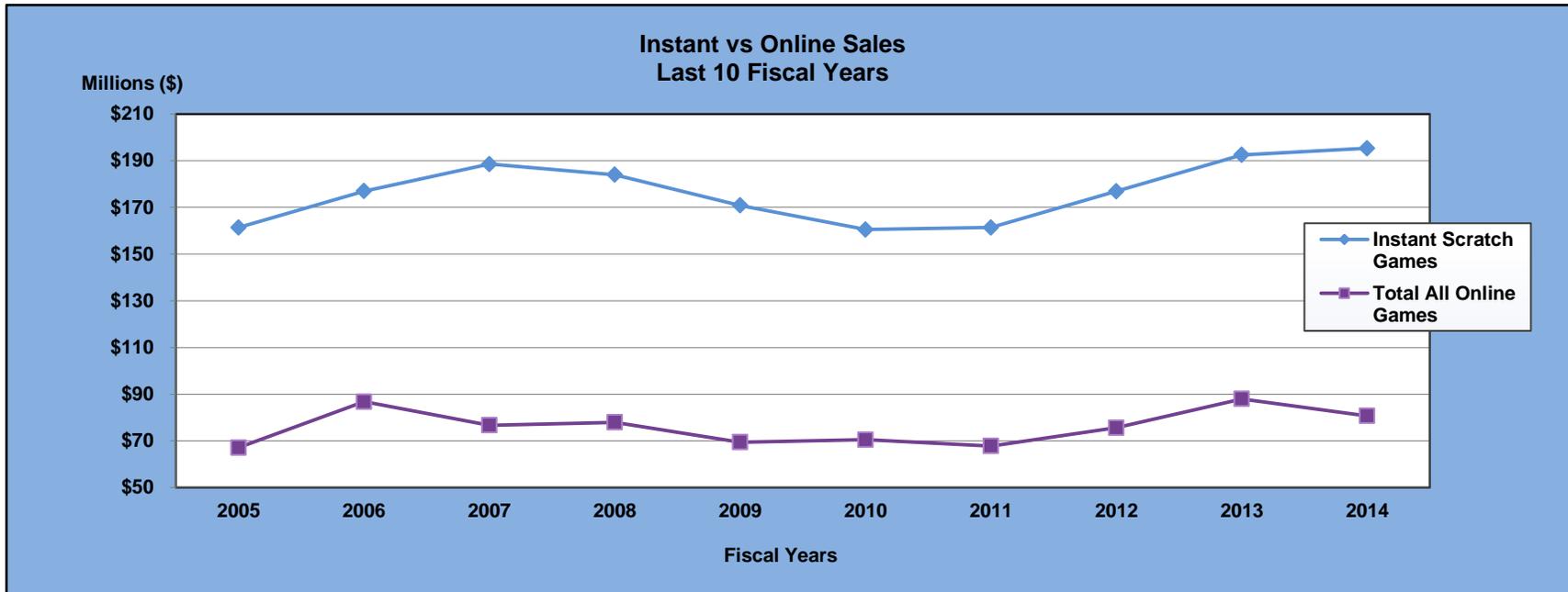
# NEW HAMPSHIRE LOTTERY COMMISSION



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



**NEW HAMPSHIRE LOTTERY COMMISSION**



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

| Dollars in thousands                                     | 2005      | 2006      | 2007      | 2008      | 2009      | 2010      | 2011      | 2012      | 2013      | 2014      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Instant Games</b>                                     |           |           |           |           |           |           |           |           |           |           |
| Sales  | \$161,358 | \$176,978 | \$188,565 | \$183,991 | \$170,823 | \$160,536 | \$161,378 | \$176,912 | \$192,475 | \$195,293 |
| Prizes   | 100,764   | 110,256   | 119,378   | 116,738   | 108,427   | 102,801   | 105,524   | 118,288   | 129,046   | 132,361   |
| Prizes % of sales  | 62.45%    | 62.30%    | 63.31%    | 63.45%    | 63.47%    | 64.04%    | 65.39%    | 66.86%    | 67.05%    | 67.78%    |
| Instant advertising expense                              | 984       | 1,090     | 1,187     | 1,855     | 1,583     | 1,232     | 1,585     | 1,261     | 1,341     | 1,527     |
| Instant advertising expense % of Instant ticket sales    | 0.61%     | 0.62%     | 0.63%     | 1.01%     | 0.93%     | 0.77%     | 0.98%     | 0.71%     | 0.70%     | 0.78%     |
| <b>Online Games</b>                                      |           |           |           |           |           |           |           |           |           |           |
| Sales  | \$67,136  | \$86,778  | \$76,679  | \$77,955  | \$69,437  | \$73,585  | \$67,840  | \$78,948  | \$87,994  | \$80,692  |
| Prizes   | 31,922    | 42,136    | 36,563    | 37,949    | 33,623    | 36,106    | 33,738    | 40,599    | 44,311    | 39,485    |
| Prizes as a % of sales                                   | 47.55%    | 48.56%    | 47.68%    | 48.68%    | 48.42%    | 49.07%    | 49.73%    | 51.42%    | 50.36%    | 48.93%    |
| Online advertising expense                               | 1,689     | 1,679     | 1,554     | 1,158     | 2,205     | 2,050     | 1,673     | 2,271     | 2,423     | 2,238     |
| Online games advertising expense % of online games sales | 2.52%     | 1.93%     | 2.03%     | 1.49%     | 3.18%     | 2.79%     | 2.47%     | 2.88%     | 2.75%     | 2.77%     |

**New Hampshire Lottery Commission**

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

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

| Fiscal Year | Number of Employees <sup>1</sup> | Salaries Paid | Benefits Paid to Employees | Number of Retirees and Spouses | Post-Employment Benefits Paid <sup>2</sup> |
|-------------|----------------------------------|---------------|----------------------------|--------------------------------|--|
| 2014        | 58                               | \$2,227,878   | \$1,154,200                | 66                             | \$320,596                                  |
| 2013        | 59                               | 2,192,082     | 1,111,644                  | 62                             | 323,491                                    |
| 2012        | 63                               | 2,042,681     | 956,953                    | 61                             | 371,537                                    |
| 2011        | 61                               | 2,102,128     | 983,785                    | 58                             | 286,507                                    |
| 2010        | 60                               | 2,073,092     | 1,003,341                  | 52                             | 357,086                                    |
| 2009        | 63                               | 2,034,221     | 912,206                    | 49                             | 333,702                                    |
| 2008        | 67                               | 2,008,383     | 893,401                    | 47                             | 222,216                                    |
| 2007        | 74                               | 1,716,133     | 892,886                    | 46                             | 267,366                                    |
| 2006        | 76                               | 1,920,437     | 944,916                    | 48                             | 255,528                                    |
| 2005        | 78                               | 1,681,328     | 819,267                    | 45                             | 251,919                                    |

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

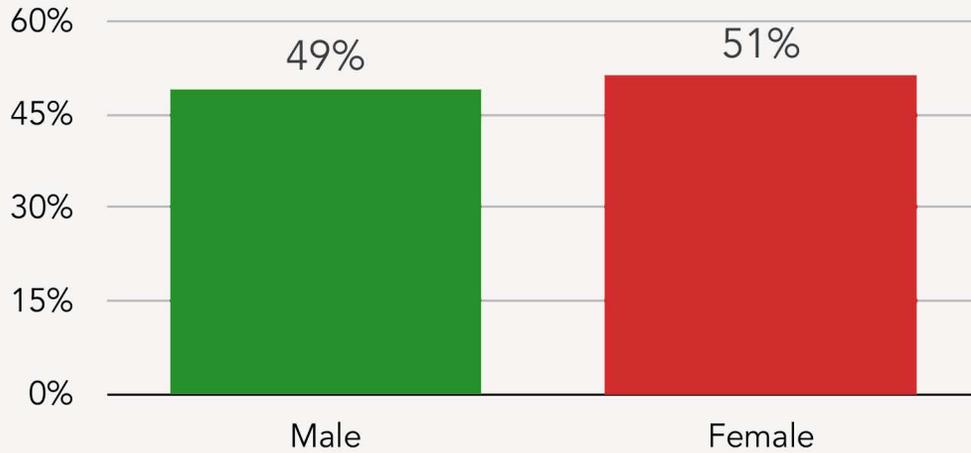
**B. New Hampshire Demographic and Economic Statistics (Information available for calendar years 2003 – 2012):**

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

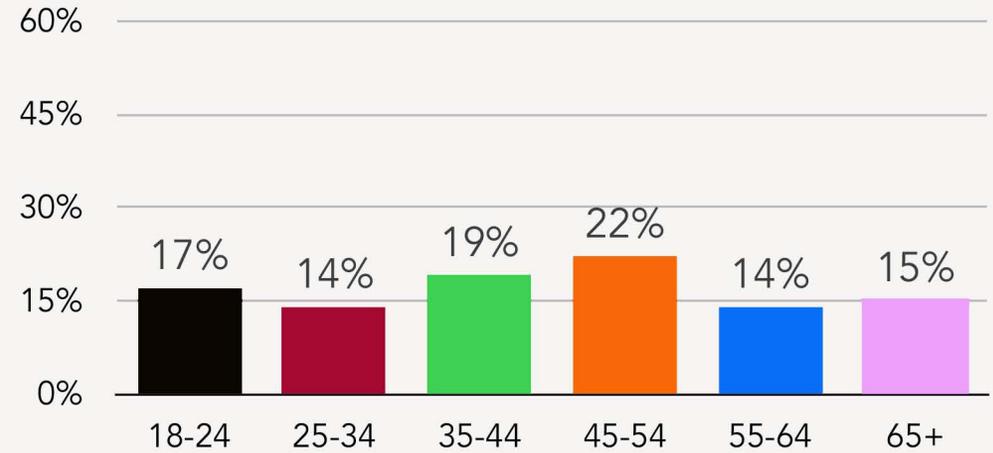
<sup>1</sup> Based on persons 25 years and older. Sources: US Census Bureau, US Dept of Commerce, US Dept of Labor, Bureau of Business and Economic Research.

# WHO PLAYS NEW HAMPSHIRE LOTTERY GAMES DEMOGRAPHIC SUMMARY

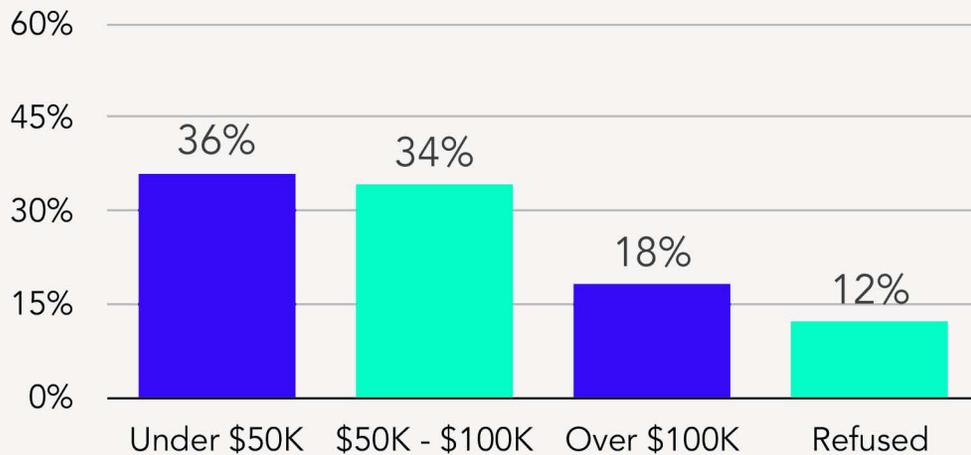
## Gender



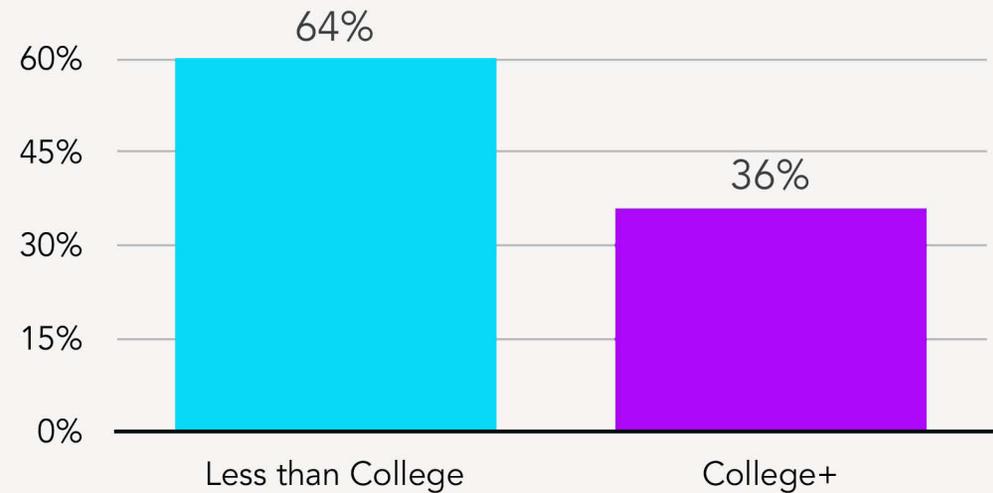
## Age



## Income



## Education



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

In millions

| <u>2014</u>            |               | <u>2013</u>            |               | <u>2012</u>              |               | <u>2011</u>              |               | <u>2010</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               | \$ 21.0       | Circle K               | \$ 20.5       | Circle K                 | \$ 18.2       | Circle K                 | \$ 15.4       | Cumberland Farms       | \$ 13.6       |
| Hannaford Food & Drug  | 16.4          | Cumberland Farms       | 16.0          | Cumberland Farms         | 15.0          | Cumberland Farms         | 13.7          | Circle K               | 13.6          |
| Cumberland Farms       | 15.7          | Hannford Food & Drug   | 15.3          | Hannford Food & Drug     | 13.6          | Hannford Food & Drug     | 12.4          | Hannaford Bros Co.     | 10.9          |
| Demoulas Market Basket | 15.0          | Demoulas Market Basket | 14.2          | Demoulas Market Basket   | 12.3          | Demoulas Market Basket   | 10.5          | Demoulas Market Basket | 10.5          |
| Shaws Supermarket      | 9.6           | Shaws Supermarket      | 10.1          | Shaws Supermarket        | 9.5           | Shaws Supermarket        | 9.0           | Shaws                  | 8.9           |
| Nouria Energy (Shell)  | 9.5           | Nouria Energy (Shell)  | 8.9           | NH State Liquor Comm     | 8.4           | NH State Liquor Comm     | 7.8           | NH State Liquor Comm   | 8.8           |
| NH State Liquor Comm   | 9.4           | 7- Eleven              | 8.8           | 7- Eleven                | 7.9           | 7- Eleven                | 7.1           | 7-Eleven               | 7.2           |
| 7-Eleven               | 8.6           | NH State Liquor Comm   | 8.7           | Nouria Energy (Shell)    | 6.6           | AGR Foodmart Inc (Shell) | 4.8           | AGR Foodmart           | 4.5           |
| Tedeschi Food Shops    | 5.0           | Tedeschi Food Shops    | 5.1           | Tedeschi Food Shops      | 4.2           | Nouria Energy (Shell)    | 4.0           | Nouria Energy          | 3.7           |
| Global Montello        | 4.8           | Global Montello        | 5.0           | Cheshire Oil dba T-Birds | 3.2           | Tedeschi Food Shops      | 3.5           | Tedeschi Food Shops    | 3.5           |

| <u>2009</u>            |               | <u>2008</u>            |               | <u>2007</u>            |               | <u>2006</u>            |               | <u>2005</u>            |               |
|------------------------|---------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|
| <u>Retailers</u>       | <u>Amount</u> |
| Cumberland Farms       | \$ 14.0       | Cumberland Farms       | \$ 15.0       | Cumberland Farms       | \$ 15.3       | Cumberland Farms       | \$ 14.7       | Cumberland Farms       | \$ 11.8       |
| Circle K               | 13.3          | Irving                 | 13.4          | Irving                 | 11.8          | Hannaford Bros         | 11.2          | Hannaford Bros         | 9.3           |
| Hannaford Bros Co.     | 11.6          | Hannaford Bros Co.     | 12.1          | Hannaford Bros Co.     | 11.7          | Demoulas Market Basket | 10.6          | Shaws                  | 8.6           |
| Demoulas Market Basket | 10.4          | Demoulas Market Basket | 10.7          | Demoulas Market Basket | 10.6          | Irving                 | 10.5          | Demoulas Market Basket | 8.5           |
| NH State Liquor Comm   | 9.1           | NH State Liquor Comm   | 10.0          | NH State Liquor Comm   | 9.9           | Shaws                  | 9.7           | Irving                 | 7.7           |
| Shaws                  | 8.9           | Shaws                  | 9.5           | Shaws                  | 9.9           | NH State Liquor Comm   | 9.3           | NH State Liquor Comm   | 6.8           |
| 7-Eleven               | 7.4           | 7-Eleven               | 8.0           | 7-Eleven               | 7.2           | 7-Eleven               | 6.2           | 7-Eleven               | 5.4           |
| AGR Foodmart Inc       | 5.0           | AGR Foodmart Inc       | 5.3           | Store 24               | 5.4           | Store 24               | 3.7           | Store 24               | 3.2           |
| Store 24               | 3.6           | Store 24               | 3.7           | AGR Foodmart Inc       | 4.8           | AGR Foodmart Inc       | 3.6           | AGR Foodmart Inc       | 3.1           |
| Nouria Energy          | 3.3           | Nouria Energy          | 3.4           | Nouria Energy          | 3.3           | Nouria Energy          | 3.0           | Cheshire Oil           | 2.6           |

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

| <b>2014</b>                             |                            |                         |
|---|----------------------------|-------------------------|
| <u>Employer</u>                         | <u>Number of Employees</u> | <u>% of State Total</u> |
| 1 State of NH                           | 17,754                     | 2.53%                   |
| 2 Demoulas & Market Basket              | 9,000                      | 1.28%                   |
| 3 Wal-Mart Stores Inc                   | 7,886                      | 1.12%                   |
| 4 University System of NH               | 6,079                      | 0.86%                   |
| 5 Dartmouth-Hitchcock Medical Center    | 6,404                      | 0.91%                   |
| 6 Fidelity Investments                  | 5,400                      | 0.77%                   |
| 7 Hannaford Brothers                    | 4,900                      | 0.70%                   |
| 8 Liberty Mutual-Northern N.E. Division | 4,700                      | 0.67%                   |
| 9 BAE Systems                           | 4,500                      | 0.64%                   |
| 10 Elliot Hospital                      | <u>4,000</u>               | <u>0.57%</u>            |
| Total                                   | <u>70,623</u>              | <u>10.05%</u>           |

| <b>2011</b>                             |                            |                         |
|---|----------------------------|-------------------------|
| <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>            |

| <b>2008</b>                             |                            |                         |
|---|----------------------------|-------------------------|
| <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                    | <u>4,246</u>               | <u>0.59%</u>            |
| Total                                   | <u>71,983</u>              | <u>10.43%</u>           |

| <b>2013</b>                             |                            |                         |
|---|----------------------------|-------------------------|
| <u>Employer</u>                         | <u>Number of Employees</u> | <u>% of State Total</u> |
| 1 State of NH                           | 17,921                     | 2.54%                   |
| 2 Wal-Mart Stores Inc                   | 8,008                      | 1.14%                   |
| 3 Demoulas & Market Basket              | 7,500                      | 1.06%                   |
| 4 Dartmouth-Hitchcock Medical Center    | 6,404                      | 0.91%                   |
| 5 University System of NH               | 6,029                      | 0.85%                   |
| 6 Fidelity Investments                  | 5,000                      | 0.71%                   |
| 7 Hannaford Brothers                    | 4,900                      | 0.69%                   |
| 8 Liberty Mutual-Northern N.E. Division | 4,700                      | 0.67%                   |
| 9 Elliot Hospital                       | 3,485                      | 0.49%                   |
| 10 Shaw's Supermarkets                  | <u>3,358</u>               | <u>0.48%</u>            |
| Total                                   | <u>67,305</u>              | <u>9.54%</u>            |

| <b>2010</b>                          |                            |                         |
|--------------------------------------|----------------------------|-------------------------|
| <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>           |

| <b>2007</b>                          |                            |                         |
|--------------------------------------|----------------------------|-------------------------|
| <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>            |

| <b>2012</b>                              |                            |                         |
|--|----------------------------|-------------------------|
| <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>            |

| <b>2009</b>                          |                            |                         |
|--------------------------------------|----------------------------|-------------------------|
| <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>           |

| <b>2006</b>                          |                            |                         |
|--------------------------------------|----------------------------|-------------------------|
| <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

| <u>Fiscal Year</u> | <u>Number of Lottery Retailers</u> | <u>Number of Online Games Offered <sup>4</sup></u> | <u>Number of Instant Games On the Market</u> | <u>Highest Priced Instant Ticket</u> | <u>Number of Subscriptions</u> | <u>Number of Replay Members</u> | <u>Number of Powerball Jackpot Runs that Exceeded \$100 Million</u> | <u>Highest Powerball Jackpot Amount <sup>2</sup></u> | <u>Expired Unclaimed Powerball Prizes <sup>3</sup></u> |
|--------------------|------------------------------------|--|--|--------------------------------------|--------------------------------|---------------------------------|---|--|--|
| 2014               | 1239                               | 9  | 86   | \$25                                 | 7,681                          | 283,212                         | 8   | \$448,400,000  | \$365,174 <sup>5</sup>                                 |
| 2013               | 1254                               | 9  | 80   | \$20                                 | 9,474                          | 200,000                         | 7   | \$590,500,000  | \$1,613,229  |
| 2012               | 1282                               | 8  | 84   | \$20                                 | 9,960                          | 187,029                         | 7   | \$336,400,000  | \$452,652  |
| 2011               | 1273                               | 8  | 91   | \$30                                 | 12,573                         | 173,703                         | 6   | \$221,700,000  | \$442,459  |
| 2010               | 1222                               | 8  | 111  | \$30                                 | 12,231                         | 139,039                         | 7   | \$261,600,000  | \$723,209  |
| 2009               | 1255                               | 7  | 111  | \$30                                 | 21,395                         | 98,617                          | 5   | \$232,100,000  | \$736,202  |
| 2008               | 1256                               | 8  | 106  | \$30                                 | 21,869                         | 138,535                         | 24  | \$300,000,000  | \$984,855  |
| 2007               | 1256                               | 7  | 91   | \$20                                 | 21,869                         | 100,000                         | 5   | \$204,000,000  | \$1,145,287  |
| 2006               | 1225                               | 7  | 88   | \$20                                 | 21,866                         | -                               | 5   | \$365,000,000  | \$1,078,540  |
| 2005               | 1220                               | 6  | 61   | \$10                                 | 24,946                         | -                               | 3   | \$340,000,000  | \$1,714,458  |

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

<sup>4</sup> Pick 3 & Pick 4 counted as two games. <sup>5</sup> This is an estimate. <sup>6</sup> 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.

<sup>7</sup> 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

| <u>Fiscal Year</u> | <u>Instant Games</u> | <u>MUSL Powerball</u> | <u>MUSL Other Lotto</u> | <u>Tri-State Megabucks</u> | <u>Tri-State Pick 3 &amp; Pick 4</u> | <u>Tri-State Other</u> | <u>Lucky for Life <sup>a</sup></u> | <u>Other - Replay</u> | <u>Fiscal Year Total Prizes</u> |
|--------------------|----------------------|-----------------------|-------------------------|----------------------------|--------------------------------------|------------------------|------------------------------------|-----------------------|---------------------------------|
| 2014               | \$132,361,282        | \$16,134,004          | \$8,132,813             | \$3,959,434                | \$4,941,370                          | \$2,483,648            | \$ 3,674,431                       | \$159,322             | \$171,846,304                   |
| 2013               | \$129,046,481        | \$22,695,941          | \$5,746,256             | \$4,568,195                | \$4,966,593                          | \$1,107,022            | \$ 5,027,418                       | \$199,562             | \$173,357,468                   |
| 2012               | \$118,288,247        | \$16,107,399          | \$8,680,799             | \$4,723,399                | \$5,152,165                          | \$1,888,384            | \$ 3,782,610                       | \$264,337             | \$158,887,340                   |
| 2011               | \$105,524,430        | \$13,023,160          | \$7,503,844             | \$5,222,761                | \$5,191,035                          | \$2,508,135            | -                                  | \$289,056             | \$139,262,421                   |
| 2010               | \$102,800,698        | \$18,008,834          | \$3,490,732             | \$6,464,015                | \$5,199,090                          | \$2,629,749            | -                                  | \$313,601             | \$138,906,719                   |
| 2009               | \$108,427,290        | \$19,151,243          | \$2,070,928             | \$4,237,157                | \$5,242,902                          | \$2,571,880            | -                                  | \$348,635             | \$142,050,035                   |
| 2008               | \$116,737,902        | \$22,127,401          | \$1,719,808             | \$5,247,688                | \$5,252,500                          | \$3,159,516            | -                                  | \$442,519             | \$154,687,334                   |
| 2007               | \$119,378,231        | \$20,956,832          | \$2,230,231             | \$4,813,274                | \$5,437,311                          | \$2,749,386            | -                                  | \$375,467             | \$155,940,732                   |
| 2006               | \$110,256,485        | \$27,540,712          | \$1,479,781             | \$5,147,580                | \$5,410,637                          | \$2,557,153            | -                                  | -                     | \$152,392,348                   |
| 2005               | \$100,763,773        | \$18,229,249          | \$1,652,591             | \$5,143,028                | \$5,322,821                          | \$1,574,702            | -                                  | -                     | \$132,686,164                   |

<sup>a</sup> Lucky for Life began March 2012.

## U.S. Lottery Revenue and Expense Analysis - Fiscal Year 2013

| LOTTERY              | (\$ Millions)      |                    |                   |                   |                    | (as a percentage of revenue) |                |             |                 |
|----------------------|--------------------|--------------------|-------------------|-------------------|--------------------|------------------------------|----------------|-------------|-----------------|
|                      | Revenue            | Prizes             | Retailer Comm.    | Other Expenses    | Net Revenue        | Prizes                       | Retailer Comm. | Other Exp.  | Net Oper Income |
| Arizona              | \$ 694.2           | \$ 426.1           | \$ 47.1           | \$ 43.2           | \$ 177.7           | 61.4%                        | 6.8%           | 6.2%        | 25.6%           |
| Arkansas             | 440.1              | 292.1              | 25.0              | 35.0              | 88.1               | 66.4%                        | 5.7%           | 7.9%        | 20.0%           |
| California ~         | 4,445.9            | 2,652.1            | 303.0             | 230.0             | 1,260.8            | 59.7%                        | 6.8%           | 5.2%        | 28.4%           |
| Colorado             | 566.3              | 350.3              | 42.2              | 39.8              | 134.0              | 61.9%                        | 7.5%           | 7.0%        | 23.7%           |
| Connecticut          | 1,122.8            | 699.1              | 62.8              | 47.9              | 313.1              | 62.3%                        | 5.6%           | 4.3%        | 27.9%           |
| Delaware * ~         | 144.1              | 99.3               | 9.0               | 18.7              | 17.2               | 68.9%                        | 6.2%           | 12.9%       | 12.0%           |
| D.C. ~               | 242.5              | 129.4              | 15.6              | 29.1              | 68.3               | 53.4%                        | 6.4%           | 12.0%       | 28.2%           |
| Florida              | 5,020.1            | 3,162.9            | 278.5             | 147.9             | 1,430.8            | 63.0%                        | 5.5%           | 2.9%        | 28.5%           |
| Georgia ~            | 3,640.3            | 2,332.5            | 233.2             | 147.3             | 927.3              | 64.1%                        | 6.4%           | 4.0%        | 25.5%           |
| Idaho                | 198.2              | 122.9              | 11.5              | 16.2              | 47.6               | 62.0%                        | 5.8%           | 8.2%        | 24.0%           |
| Illinois             | n/a                | n/a                | n/a               | n/a               | n/a                | n/a                          | n/a            | n/a         | n/a             |
| Indiana              | 934.0              | 581.4              | 63.5              | 63.7              | 225.5              | 62.2%                        | 6.8%           | 6.8%        | 24.1%           |
| Iowa                 | 339.3              | 200.8              | 22.1              | 30.5              | 85.9               | 59.2%                        | 6.5%           | 9.0%        | 25.3%           |
| Kansas ~             | 245.8              | 138.6              | 14.3              | 19.9              | 73.0               | 56.4%                        | 5.8%           | 8.1%        | 29.7%           |
| Kentucky             | 810.8              | 494.9              | 52.2              | 40.2              | 223.5              | 61.0%                        | 6.4%           | 5.0%        | 27.6%           |
| Louisiana            | 447.4              | 236.2              | 23.8              | 27.4              | 160.0              | 52.8%                        | 5.3%           | 6.1%        | 35.8%           |
| Maine                | 230.0              | 142.7              | 14.7              | 19.1              | 53.5               | 62.0%                        | 6.4%           | 8.3%        | 23.3%           |
| Maryland * ~         | 1,883.5            | 1,038.5            | 119.8             | 366.4             | 358.8              | 55.1%                        | 6.4%           | 19.5%       | 19.1%           |
| Massachusetts ~      | 4,850.5            | 3,523.9            | 276.5             | 94.3              | 955.8              | 72.6%                        | 5.7%           | 1.9%        | 19.7%           |
| Michigan ~           | 2,491.1            | 1,461.5            | 178.5             | 108.0             | 743.1              | 58.7%                        | 7.2%           | 4.3%        | 29.8%           |
| Minnesota            | 560.5              | 347.1              | 33.5              | 45.0              | 135.0              | 61.9%                        | 6.0%           | 8.0%        | 24.1%           |
| Missouri ~           | 1,141.5            | 753.0              | 70.3              | 53.1              | 265.2              | 66.0%                        | 6.2%           | 4.6%        | 23.2%           |
| Montana              | 56.8               | 32.2               | 3.4               | 8.5               | 12.8               | 56.6%                        | 5.9%           | 15.0%       | 22.4%           |
| Nebraska             | 160.8              | 93.1               | 10.1              | 17.9              | 39.7               | 57.9%                        | 6.3%           | 11.1%       | 24.7%           |
| <b>New Hampshire</b> | <b>280.4</b>       | <b>173.4</b>       | <b>16.6</b>       | <b>16.2</b>       | <b>74.3</b>        | <b>61.8%</b>                 | <b>5.9%</b>    | <b>5.8%</b> | <b>26.5%</b>    |
| New Jersey           | 2,861.0            | 1,670.4            | 157.9             | 71.0              | 961.7              | 58.4%                        | 5.5%           | 2.5%        | 33.6%           |
| New Mexico           | 141.8              | 77.1               | 9.2               | 11.9              | 43.6               | 54.4%                        | 6.5%           | 8.4%        | 30.8%           |
| New York * ~         | 7,108.9            | 4,220.0            | 425.7             | 284.4             | 2,178.9            | 59.4%                        | 6.0%           | 4.0%        | 30.6%           |
| North Carolina       | 1,695.0            | 1,024.4            | 118.2             | 73.3              | 479.1              | 60.4%                        | 7.0%           | 4.3%        | 28.3%           |
| North Dakota         | 28.0               | 14.2               | 1.4               | 4.1               | 8.3                | 50.8%                        | 5.0%           | 14.6%       | 29.6%           |
| Ohio * ~             | 2,774.2            | 1,668.0            | 166.9             | 121.5             | 817.8              | 60.1%                        | 6.0%           | 4.4%        | 29.5%           |
| Oklahoma             | 200.3              | 104.5              | 13.1              | 10.6              | 72.2               | 52.1%                        | 6.5%           | 5.3%        | 36.0%           |
| Oregon * ~           | 331.8              | 211.4              | 28.3              | 22.8              | 69.4               | 63.7%                        | 8.5%           | 6.9%        | 20.9%           |
| Pennsylvania         | 3,699.7            | 2,299.0            | 196.1             | 138.9             | 1,065.7            | 62.1%                        | 5.3%           | 3.8%        | 28.8%           |
| Rhode Island * ~     | 253.4              | 150.1              | 30.9              | 10.8              | 61.6               | 59.2%                        | 12.2%          | 4.3%        | 24.3%           |
| South Carolina       | 1,202.9            | 775.5              | 84.8              | 37.1              | 305.5              | 64.5%                        | 7.0%           | 3.1%        | 25.4%           |
| South Dakota *       | 58.7               | 32.4               | 3.1               | 6.7               | 16.4               | 55.3%                        | 5.3%           | 11.4%       | 28.0%           |
| Tennessee            | 1,280.3            | 794.4              | 89.3              | 57.1              | 339.6              | 62.0%                        | 7.0%           | 4.5%        | 26.5%           |
| Texas                | 4,377.7            | 2,767.4            | 236.8             | 182.0             | 1,191.5            | 63.2%                        | 5.4%           | 4.2%        | 27.2%           |
| Vermont              | 102.1              | 64.6               | 6.0               | 8.6               | 22.9               | 63.2%                        | 5.9%           | 8.4%        | 22.4%           |
| Virginia             | 1,689.2            | 1,025.2            | 95.0              | 84.2              | 484.9              | 60.7%                        | 5.6%           | 5.0%        | 28.7%           |
| Washington ~         | 572.5              | 339.4              | 35.6              | 51.2              | 146.3              | 59.3%                        | 6.2%           | 8.9%        | 25.6%           |
| W. Virginia * ~      | 195.6              | 116.2              | 13.7              | 13.3              | 52.4               | 59.4%                        | 7.0%           | 6.8%        | 26.8%           |
| Wisconsin            | 566.2              | 329.2              | 39.1              | 33.9              | 164.0              | 58.1%                        | 6.9%           | 6.0%        | 29.0%           |
| <b>Total</b>         | <b>\$ 60,085.9</b> | <b>\$ 37,166.9</b> | <b>\$ 3,678.0</b> | <b>\$ 2,888.3</b> | <b>\$ 16,352.8</b> | <b>61.9%</b>                 | <b>6.1%</b>    | <b>4.8%</b> | <b>27.2%</b>    |

\* 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 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

**U.S. Lottery Sales By Game - Fiscal Year 2013**

| (\$ 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 & Revenue |                    |                  |                   |
| Arizona                 | 6.6                   | 2,964               | \$ 436.6           | \$ 8.6            | \$ 216.6          | \$ 31.2               | \$ 693.0           | \$ 105.0         |                   |
| Arkansas                | 3.0                   | 1,892               | 355.1              | 9.5               | 61.3              | 13.7                  | 439.5              | 146.5            |                   |
| California ~            | 38.3                  | 21,177              | 3,010.1            | 164.4             | 935.7             | 335.7                 | 4,445.9            | 116.1            |                   |
| Colorado                | 5.3                   | 3,050               | 368.6              | 2.0               | 172.5             | 23.3                  | 566.3              | 106.8            |                   |
| Connecticut             | 3.6                   | 2,800               | 667.3              | 233.6             | 153.3             | 68.6                  | 1,122.7            | 311.9            |                   |
| Delaware                | 0.9                   | 617                 | 48.2               | 44.8              | 49.8              | 3.4                   | 146.3              | 162.5            | 396.8             |
| D.C. ~                  | 0.6                   | 502                 | 57.2               | 109.2             | 46.3              | 29.8                  | 242.5              | 404.1            |                   |
| Florida                 | 19.6                  | 13,319              | 3,028.5            | 568.7             | 1,023.3           | 392.5                 | 5,013.0            | 255.8            |                   |
| Georgia ~               | 10.0                  | 8,637               | 2,630.7            | 686.2             | 295.1             | 300.2                 | 3,912.2            | 391.2            |                   |
| Idaho                   | 1.6                   | 1,304               | 108.7              | 1.9               | 57.8              | 29.2                  | 197.6              | 123.5            |                   |
| Illinois                | 12.9                  | 8,242               | 1,768.4            | 468.4             | 443.4             | 161.2                 | 2,841.4            | 220.3            |                   |
| Indiana                 | 6.6                   | 4,226               | 614.8              | 59.4              | 213.3             | 46.5                  | 934.0              | 141.5            |                   |
| Iowa                    | 3.1                   | 2,550               | 202.3              | 9.9               | 106.4             | 20.7                  | 339.3              | 109.4            |                   |
| Kansas ~                | 2.9                   | 1,796               | 126.7              | 5.8               | 69.9              | 53.4                  | 255.8              | 88.2             |                   |
| Kentucky                | 4.4                   | 2,842               | 522.2              | 164.4             | 138.2             | 21.8                  | 846.7              | 192.4            |                   |
| Louisiana               | 4.6                   | 2,940               | 163.1              | 89.0              | 183.7             | 11.6                  | 447.4              | 97.3             |                   |
| Maine                   | 1.3                   | 1,300               | 163.4              | 9.4               | 47.9              | 7.0                   | 227.8              | 175.2            |                   |
| Maryland * ~            | 5.9                   | 4,422               | 485.8              | 513.3             | 231.1             | 525.8                 | 1,756.1            | 297.6            | 560.7             |
| Massachusetts ~         | 6.7                   | 8,138               | 3,343.3            | 324.5             | 223.2             | 916.5                 | 4,807.5            | 717.5            |                   |
| Michigan ~              | 9.9                   | 10,831              | 827.1              | 672.2             | 340.8             | 636.4                 | 2,476.4            | 250.1            |                   |
| Minnesota               | 5.4                   | 3,133               | 363.8              | 13.9              | 135.2             | 47.5                  | 560.4              | 103.8            |                   |
| Missouri ~              | 6.0                   | 4,865               | 758.9              | 100.3             | 175.5             | 106.6                 | 1,141.2            | 190.2            |                   |
| Montana                 | 1.0                   | 856                 | 17.3               | -                 | 28.9              | 10.8                  | 57.0               | 57.0             |                   |
| Nebraska                | 1.9                   | 1,198               | 83.6               | 5.7               | 60.5              | 11.0                  | 160.9              | 84.7             |                   |
| <b>New Hampshire</b>    | <b>1.3</b>            | <b>1,252</b>        | <b>192.1</b>       | <b>9.9</b>        | <b>67.1</b>       | <b>9.7</b>            | <b>278.7</b>       | <b>214.4</b>     |                   |
| New Jersey              | 8.9                   | 7,153               | 1,474.3            | 700.2             | 502.5             | 144.4                 | 2,821.4            | 317.0            |                   |
| New Mexico              | 2.1                   | 1,218               | 69.9               | 3.5               | 60.7              | 7.6                   | 141.8              | 67.5             |                   |
| New York * ~            | 19.7                  | 17,520              | 3,724.2            | 1,640.7           | 832.9             | 911.1                 | 7,108.9            | 360.9            | 1,825.4           |
| North Carolina          | 9.8                   | 6,865               | 1,011.9            | 362.8             | 250.6             | 64.5                  | 1,689.8            | 172.4            |                   |
| North Dakota            | 0.7                   | 400                 | -                  | -                 | 22.6              | 5.3                   | 27.9               | 39.8             |                   |
| Ohio * ~                | 11.6                  | 9,542               | 1,429.7            | 534.8             | 372.0             | 358.5                 | 2,694.9            | 232.3            | 165.5             |
| Oklahoma                | 3.9                   | 1,911               | 89.4               | 6.2               | 100.5             | 4.2                   | 200.2              | 51.3             |                   |
| Oregon * ~              | 3.9                   | 3,909               | 117.1              | 1.4               | 108.2             | 103.8                 | 330.5              | 84.7             | 737.4             |
| Pennsylvania            | 12.8                  | 9,160               | 2,305.1            | 587.7             | 549.8             | 256.8                 | 3,699.4            | 289.0            |                   |
| Rhode Island * ~        | 1.1                   | 1,216               | 85.0               | 24.5              | 48.9              | 95.0                  | 253.4              | 230.4            | 520.8             |
| South Carolina          | 4.8                   | 3,858               | 806.0              | 218.5             | 171.1             | 3.6                   | 1,199.2            | 249.8            |                   |
| South Dakota *          | 0.8                   | 623                 | 25.2               | -                 | 29.7              | 2.4                   | 57.2               | 71.5             | 184.6             |
| Tennessee               | 6.5                   | -                   | 1,089.0            | 86.3              | 167.5             | 24.8                  | 1,367.6            | 210.4            |                   |
| Texas                   | 26.4                  | 17,103              | 3,222.6            | 353.8             | 620.4             | 179.4                 | 4,376.3            | 165.8            |                   |
| Vermont                 | 0.6                   | 682                 | 74.2               | 2.6               | 23.3              | 1.9                   | 102.1              | 170.2            |                   |
| Virginia                | 8.3                   | 5,308               | 887.1              | 485.9             | 264.4             | 51.8                  | 1,689.2            | 203.5            |                   |
| Washington ~            | 7.0                   | 3,802               | 356.0              | 28.7              | 155.2             | 29.7                  | 569.6              | 81.4             |                   |
| W. Virginia * ~         | 1.9                   | 1,690               | 108.6              | 13.1              | 63.0              | 10.9                  | 195.6              | 103.0            | 1,059.6           |
| Wisconsin               | 5.7                   | 3,725               | 323.8              | 36.2              | 150.4             | 55.5                  | 565.8              | 99.3             |                   |
| <b>Total</b>            | <b>299.9</b>          | <b>210,538</b>      | <b>\$ 37,542.8</b> | <b>\$ 9,361.6</b> | <b>\$ 9,970.6</b> | <b>\$ 6,125.2</b>     | <b>\$ 63,000.2</b> |                  | <b>\$ 5,450.8</b> |
| <b>% of total sales</b> |                       |                     | <b>59.6%</b>       | <b>14.9%</b>      | <b>15.8%</b>      | <b>9.7%</b>           | <b>100.0%</b>      |                  |                   |

\* VLT = Sales from Video Lottery Terminals

~ Other sales include Keno sales.

Note: Fiscal Year 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

U.S. Lottery Government Transfers From Net Profits - Fiscal Years 2004 - 2013

(\$ Millions)

| LOTTERY              | 2004               | 2005               | 2006               | 2007               | 2008               | 2009               | 2010               | 2011               | 2012               | 2013               | 2013 Ranking (highest to lowest) |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|----------------------------------|
| Arizona              | \$ 105.9           | \$ 116.4           | \$ 141.1           | \$ 139.9           | \$ 144.5           | \$ 129.1           | \$ 141.9           | \$ 146.3           | \$ 164.7           | \$ 177.8           | 1 New York * ~ \$ 3,045.8        |
| Arkansas             | n/a                | n/a                | n/a                | n/a                | n/a                | n/a                | 83.0               | 74.4               | 97.7               | 90.5               | 2 Florida 1,424.3                |
| California ~         | 1,044.1            | 1,148.8            | 1,258.5            | 1,176.9            | 1,069.3            | 1,027.7            | 1,072.5            | 1,102.9            | 1,300.2            | 1,262.1            | 3 California ~ 1,262.1           |
| Colorado             | 104.1              | 103.7              | 125.6              | 119.0              | 122.3              | 119.6              | 112.9              | 113.4              | 123.3              | 135.6              | 4 Texas 1,214.1                  |
| Connecticut          | 280.8              | 268.5              | 284.9              | 278.3              | 283.6              | 282.9              | 288.1              | 291.2              | 311.9              | 316.9              | 5 New Jersey 1,085.0             |
| Delaware * ~         | 283.9              | 297.9              | 316.0              | 327.0              | 319.8              | 311.8              | 331.6              | 339.9              | 329.1              | 277.8              | 7 Pennsylvania 1,067.4           |
| D.C. ~               | 73.5               | 71.5               | 73.8               | 65.4               | 70.3               | 68.8               | 66.7               | 62.2               | 66.4               | 68.3               | 6 Massachusetts ~ 955.8          |
| Florida              | 1,051.7            | 1,103.6            | 1,224.7            | 1,263.3            | 1,283.4            | 1,287.9            | 1,246.8            | 1,191.8            | 1,321.6            | 1,424.3            | 8 Georgia ~ 927.5                |
| Georgia ~            | 782.7              | 802.2              | 822.4              | 853.6              | 867.7              | 872.1              | 883.9              | 846.1              | 901.3              | 927.5              | 9 Maryland * ~ 921.8             |
| Idaho                | 25.0               | 26.0               | 33.0               | 34.0               | 35.3               | 35.3               | 36.6               | 37.1               | 41.6               | 48.3               | 10 Ohio * ~ 898.1                |
| Illinois             | 576.1              | 619.5              | 645.9              | 631.2              | 648.5              | 634.7              | 651.7              | 668.4              | 705.1              | n/a                | 11 Michigan ~ 739.9              |
| Indiana              | 195.8              | 188.9              | 216.5              | 217.6              | 217.1              | 178.9              | 189.7              | 188.2              | 205.3              | 224.7              | 12 W. Virginia * ~ 571.6         |
| Iowa                 | 55.8               | 51.1               | 80.9               | 58.2               | 56.6               | 60.6               | 57.9               | 68.0               | 78.7               | 84.9               | 13 Oregon * ~ 546.9              |
| Kansas ~             | 70.2               | 65.4               | 67.1               | 71.0               | 70.1               | 68.2               | 67.9               | 71.5               | 71.0               | 161.7              | 14 North Carolina 479.5          |
| Kentucky             | 193.5              | 158.2              | 204.3              | 196.3              | 192.1              | 204.4              | 214.3              | 212.3              | 216.4              | 223.8              | 15 Virginia 464.3                |
| Louisiana            | 121.2              | 110.4              | 119.4              | 128.2              | 131.9              | 135.9              | 133.7              | 136.4              | 156.9              | 160.2              | 16 Rhode Island * ~ 379.2        |
| Maine                | 42.5               | 50.3               | 51.6               | 51.4               | 52.4               | 50.6               | 52.9               | 50.2               | 54.3               | 53.5               | 17 Tennessee 339.7               |
| Maryland * ~         | 458.4              | 477.1              | 501.0              | 494.1              | 529.4              | 493.2              | 510.6              | 586.6              | 685.2              | 921.8              | 18 Connecticut 316.9             |
| Massachusetts ~      | 912.0              | 936.1              | 951.2              | 920.0              | 935.0              | 859.4              | 903.5              | 887.9              | 983.8              | 955.8              | 19 South Carolina 305.2          |
| Michigan ~           | 644.9              | 667.6              | 688.0              | 748.9              | 740.7              | 737.2              | 713.6              | 737.7              | 786.9              | 739.9              | 20 Missouri ~ 280.0              |
| Minnesota            | 100.7              | 106.2              | 119.3              | 112.4              | 116.3              | 118.3              | 122.2              | 121.9              | 123.8              | 135.6              | 21 Delaware * ~ 277.8            |
| Missouri ~           | 229.4              | 218.6              | 260.7              | 257.9              | 266.7              | 256.3              | 259.7              | 265.2              | 273.6              | 280.0              | 22 Indiana 224.7                 |
| Montana              | 8.1                | 6.2                | 9.1                | 11.4               | 11.0               | 10.1               | 10.5               | 10.8               | 13.1               | 13.1               | 23 Kentucky 223.8                |
| Nebraska             | 20.6               | 26.4               | 27.6               | 29.3               | 31.0               | 30.3               | 32.0               | 32.1               | 36.1               | 40.0               | 24 Arizona 177.8                 |
| <b>New Hampshire</b> | <b>73.7</b>        | <b>69.4</b>        | <b>80.4</b>        | <b>79.0</b>        | <b>75.6</b>        | <b>68.2</b>        | <b>66.2</b>        | <b>62.2</b>        | <b>66.8</b>        | <b>74.3</b>        | 25 Kansas ~ 161.7                |
| New Jersey           | 795.0              | 812.1              | 844.2              | 828.3              | 882.1              | 887.2              | 924.0              | 930.0              | 950.1              | 1,085.0            | 26 Louisiana 160.2               |
| New Mexico           | 35.9               | 32.2               | 36.9               | 34.9               | 40.8               | 40.8               | 43.6               | 41.3               | 41.3               | 43.7               | 27 Wisconsin 155.9               |
| New York * ~         | 1,907.4            | 2,062.7            | 2,202.6            | 2,358.4            | 2,556.1            | 2,544.0            | 2,666.4            | 3,049.2            | 2,878.0            | 3,045.8            | 28 Washington ~ 139.2            |
| North Carolina       | n/a                | n/a                | 64.6               | 315.4              | 349.3              | 414.9              | 433.2              | 437.3              | 460.5              | 479.5              | 29 Colorado 135.6                |
| North Dakota         | 1.6                | 6.1                | 6.5                | 6.5                | 5.9                | 6.4                | 5.7                | 5.9                | 7.6                | 7.9                | 30 Minnesota 135.6               |
| Ohio * ~             | 655.6              | 645.1              | 646.3              | 669.3              | 672.2              | 702.3              | 728.6              | 738.8              | 771.0              | 898.1              | 31 South Dakota * 107.7          |
| Oklahoma             | n/a                | n/a                | 69.0               | 69.4               | 71.6               | 69.7               | 70.5               | 69.9               | 70.5               | 70.6               | 32 Arkansas 90.5                 |
| Oregon * ~           | 380.6              | 401.6              | 570.7              | 644.0              | 648.4              | 594.3              | 541.1              | 548.4              | 525.1              | 546.9              | 33 Iowa 84.9                     |
| Pennsylvania         | 817.3              | 851.8              | 992.4              | 949.1              | 928.1              | 910.5              | 915.7              | 960.6              | 1,060.9            | 1,067.4            | <b>34 New Hampshire 74.3</b>     |
| Rhode Island * ~     | 281.1              | 307.6              | 323.9              | 321.0              | 355.6              | 344.3              | 344.7              | 354.9              | 377.7              | 379.2              | 35 Oklahoma 70.6                 |
| South Carolina       | 286.8              | 279.7              | 320.6              | 279.2              | 265.3              | 261.5              | 272.5              | 271.4              | 300.1              | 305.2              | 36 D.C. ~ 68.3                   |
| South Dakota *       | 115.8              | 119.3              | 119.0              | 121.1              | 123.3              | 119.9              | 119.8              | 108.0              | 103.7              | 107.7              | 37 Maine 53.5                    |
| Tennessee            | 123.3              | 234.3              | 284.7              | 294.7              | 286.1              | 280.2              | 288.9              | 293.5              | 323.4              | 339.7              | 38 Idaho 48.3                    |
| Texas                | 1,051.0            | 1,070.3            | 1,090.3            | 1,093.0            | 1,034.9            | 1,062.2            | 1,063.1            | 1,023.8            | 1,155.5            | 1,214.1            | 39 New Mexico 43.7               |
| Vermont              | 19.6               | 20.5               | 23.0               | 23.6               | 22.7               | 21.1               | 21.6               | 21.4               | 22.3               | 22.9               | 40 Nebraska 40.0                 |
| Virginia             | 407.7              | 423.5              | 454.0              | 437.2              | 455.3              | 430.2              | 430.2              | 435.2              | 464.1              | 464.3              | 41 Vermont 22.9                  |
| Washington ~         | 117.6              | 115.6              | 125.1              | 117.9              | 130.3              | 120.4              | 142.5              | 150.1              | 138.0              | 139.2              | 42 Montana 13.1                  |
| W. Virginia * ~      | 512.0              | 563.3              | 610.0              | 639.2              | 631.2              | 616.6              | 580.9              | 594.6              | 693.8              | 571.6              | 43 North Dakota 7.9              |
| Wisconsin            | 131.7              | 143.4              | 133.3              | 160.6              | 147.3              | 133.3              | 128.1              | 144.9              | 150.0              | 155.9              | 44 Illinois n/a                  |
| <b>Total</b>         | <b>\$ 15,094.4</b> | <b>\$ 15,779.2</b> | <b>\$ 17,219.8</b> | <b>\$ 17,627.0</b> | <b>\$ 17,877.2</b> | <b>\$ 17,601.0</b> | <b>\$ 17,971.5</b> | <b>\$ 18,483.8</b> | <b>\$ 19,608.4</b> | <b>\$ 19,743.2</b> |                                  |

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

\* Includes profits from Video Lottery Terminals

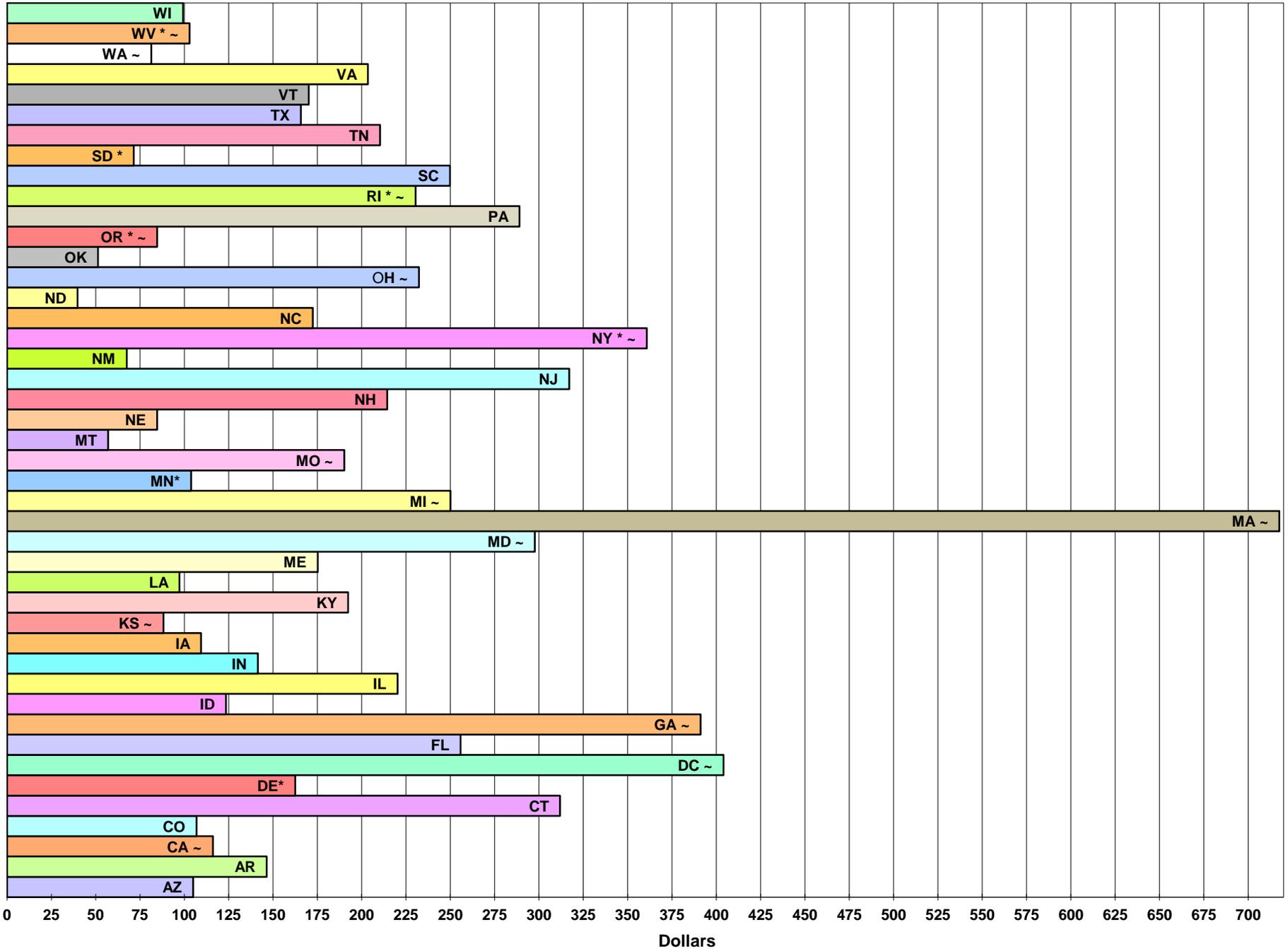
~ Includes profits from Keno sales.

Note: Fiscal Year 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

## US Lottery Sales Per Capita Fiscal Year 2013



~These states include Keno sales.

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

Source: 2014 LaFleur's World Lottery Almanac and NH Lottery Results.

**U.S. Lottery Per Capita Sales - Fiscal Years 2004 - 2013**

| Lottery              | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       | 2013       | 2013 Ranking (highest to lowest) |                          |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|----------------------------------|--------------------------|
| Arizona              | \$ 64      | \$ 67      | \$ 76      | \$ 73      | \$ 73      | \$ 82      | \$ 82      | \$ 90      | \$ 98      | \$ 105     | 1                                | Massachusetts ~ 718      |
| Arkansas             | n/a        | n/a        | n/a        | n/a        | n/a        | n/a        | 132        | 160        | 163        | 147        | 2                                | D.C. ~ 404               |
| California ~         | 81         | 92         | 98         | 91         | 83         | 82         | 82         | 91         | 115        | 116        | 3                                | Georgia ~ 391            |
| Colorado             | 87         | 89         | 99         | 93         | 102        | 98         | 98         | 102        | 105        | 107        | 4                                | New York * ~ 361         |
| Connecticut          | 259        | 267        | 277        | 273        | 285        | 285        | 285        | 282        | 300        | 312        | 5                                | New Jersey 317           |
| Delaware * ~         | 136        | 143        | 146        | 131        | 144        | 152        | 152        | 152        | 150        | 163        | 7                                | Connecticut 312          |
| D.C. ~               | 402        | 392        | 458        | 428        | 427        | 384        | 384        | 386        | 416        | 404        | 6                                | Maryland * ~ 298         |
| Florida              | 176        | 195        | 217        | 225        | 228        | 209        | 209        | 210        | 231        | 256        | 8                                | Pennsylvania 289         |
| Georgia ~            | 308        | 300        | 316        | 335        | 338        | 342        | 342        | 340        | 360        | 391        | 9                                | Florida 256              |
| Idaho                | 78         | 81         | 90         | 87         | 90         | 92         | 92         | 92         | 110        | 124        | 10                               | Michigan ~ 250           |
| Illinois             | 133        | 142        | 153        | 155        | 159        | 170        | 170        | 176        | 207        | 220        | 11                               | South Carolina 250       |
| Indiana              | 119        | 117        | 129        | 125        | 129        | 116        | 116        | 122        | 132        | 142        | 12                               | Ohio * ~ 232             |
| Iowa                 | 70         | 70         | 114        | 78         | 83         | 85         | 85         | 88         | 100        | 109        | 13                               | Rhode Island * ~ 230     |
| Kansas ~             | 83         | 77         | 85         | 86         | 88         | 84         | 84         | 80         | 85         | 88         | 14                               | Illinois 220             |
| Kentucky             | 177        | 168        | 176        | 177        | 182        | 180        | 180        | 163        | 175        | 192        | 15                               | <b>New Hampshire 214</b> |
| Louisiana            | 76         | 68         | 77         | 82         | 85         | 83         | 83         | 83         | 93         | 97         | 16                               | Tennessee 210            |
| Maine                | 143        | 161        | 174        | 177        | 174        | 167        | 167        | 166        | 176        | 175        | 17                               | Virginia 204             |
| Maryland * ~         | 249        | 265        | 278        | 282        | 297        | 299        | 299        | 296        | 304        | 298        | 18                               | Kentucky 192             |
| Massachusetts ~      | 683        | 698        | 699        | 693        | 722        | 668        | 668        | 669        | 717        | 718        | 19                               | Missouri ~ 190           |
| Michigan ~           | 195        | 205        | 219        | 232        | 233        | 238        | 238        | 236        | 244        | 250        | 20                               | Maine 175                |
| Minnesota            | 76         | 80         | 87         | 81         | 88         | 94         | 94         | 95         | 96         | 104        | 21                               | North Carolina 172       |
| Missouri ~           | 136        | 135        | 156        | 158        | 168        | 162        | 162        | 167        | 183        | 190        | 22                               | Vermont 170              |
| Montana              | 41         | 38         | 42         | 42         | 45         | 47         | 47         | 46         | 53         | 57         | 23                               | Texas 166                |
| Nebraska             | 54         | 56         | 64         | 64         | 68         | 73         | 73         | 73         | 79         | 85         | 24                               | Delaware * ~ 163         |
| <b>New Hampshire</b> | <b>182</b> | <b>175</b> | <b>200</b> | <b>203</b> | <b>201</b> | <b>184</b> | <b>180</b> | <b>176</b> | <b>197</b> | <b>214</b> | 25                               | Arkansas 147             |
| New Jersey           | 252        | 261        | 276        | 270        | 292        | 299        | 299        | 300        | 310        | 317        | 26                               | Indiana 142              |
| New Mexico           | 78         | 73         | 79         | 74         | 74         | 72         | 72         | 65         | 64         | 68         | 27                               | Idaho 124                |
| New York * ~         | 302        | 313        | 336        | 345        | 342        | 346        | 346        | 347        | 358        | 361        | 28                               | California ~ 116         |
| North Carolina       | n/a        | n/a        | 26         | 95         | 114        | 150        | 150        | 151        | 163        | 172        | 29                               | Iowa 109                 |
| North Dakota         | 10         | 32         | 35         | 38         | 34         | 35         | 35         | 33         | 37         | 40         | 30                               | Colorado 107             |
| Ohio * ~             | 187        | 188        | 193        | 196        | 202        | 217        | 217        | 226        | 238        | 232        | 31                               | Arizona \$ 105           |
| Oklahoma             | n/a        | n/a        | 57         | 60         | 59         | 54         | 54         | 52         | 53         | 51         | 32                               | Minnesota 104            |
| Oregon * ~           | 101        | 100        | 98         | 96         | 89         | 82         | 82         | 81         | 83         | 85         | 33                               | W. Virginia * ~ 103      |
| Pennsylvania         | 190        | 213        | 247        | 248        | 248        | 243        | 243        | 253        | 272        | 289        | 34                               | Wisconsin 99             |
| Rhode Island * ~     | 227        | 220        | 244        | 223        | 230        | 213        | 213        | 210        | 227        | 230        | 35                               | Louisiana <b>97</b>      |
| South Carolina       | 82         | 223        | 265        | 225        | 222        | 219        | 219        | 223        | 242        | 250        | 36                               | Kansas ~ 88              |
| South Dakota *       | 43         | 41         | 50         | 50         | 53         | 57         | 57         | 59         | 66         | 72         | 37                               | Oregon * ~ 85            |
| Tennessee            | 72         | 131        | 154        | 171        | 159        | 168        | 168        | 172        | 187        | 210        | 38                               | Nebraska 85              |
| Texas                | 155        | 160        | 161        | 158        | 151        | 148        | 148        | 148        | 161        | 166        | 39                               | Washington ~ 81          |
| Vermont              | 154        | 154        | 168        | 174        | 164        | 163        | 163        | 159        | 168        | 170        | 40                               | South Dakota * 72        |
| Virginia             | 168        | 176        | 179        | 177        | 178        | 179        | 179        | 183        | 197        | 204        | 41                               | New Mexico 68            |
| Washington ~         | 78         | 73         | 75         | 76         | 80         | 73         | 73         | 75         | 78         | 81         | 42                               | Montana 57               |
| W. Virginia * ~      | 115        | 108        | 120        | 107        | 109        | 101        | 101        | 102        | 106        | 103        | 43                               | Oklahoma 51              |
| Wisconsin            | 88         | 82         | 92         | 88         | 88         | 84         | 84         | 88         | 96         | 99         | 44                               | North Dakota 40          |

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

~ Amount includes Keno sales.

Note: Fiscal Year 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

U.S. Lottery Revenues - Fiscal Years 2004 - 2013

(\$ Millions)

| LOTTERY              | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       | 2013       | 2013 Ranking (highest to lowest) |                          |
|----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|----------------------------------|--------------------------|
| Arizona              | \$ 367     | \$ 398     | \$ 469     | \$ 462     | \$473      | \$ 484     | \$551      | \$ 584     | \$ 647     | \$ 694     | 1                                | New York * ~ \$ 7,109    |
| Arkansas             | n/a        | n/a        | n/a        | n/a        | n/a        | n/a        | 384        | 464        | 474        | 440        | 2                                | Florida 5,020            |
| California ~         | 2,924      | 3,334      | 3,585      | 3,318      | 3,050      | 2,955      | 3,041      | 3,439      | 4,371      | 4,446      | 3                                | Massachusetts ~ 4,850    |
| Colorado             | 401        | 417        | 469        | 456        | 506        | 493        | 501        | 519        | 545        | 566        | 4                                | California ~ 4,446       |
| Connecticut          | 908        | 933        | 970        | 957        | 998        | 991        | 997        | 1,017      | 1,082      | 1,123      | 5                                | Texas 4,378              |
| Delaware * ~         | 109        | 114        | 125        | 118        | 125        | 123        | 137        | 137        | 135        | 144        | 6                                | Pennsylvania 3,700       |
| D.C. ~               | 241        | 235        | 266        | 257        | 253        | 245        | 230        | 232        | 250        | 242        | 7                                | Georgia ~ 3,640          |
| Florida              | 3,071      | 3,471      | 3,929      | 4,122      | 4,175      | 3,938      | 3,901      | 4,009      | 4,456      | 5,020      | 8                                | New Jersey 2,861         |
| Georgia ~            | 2,710      | 2,734      | 2,955      | 3,178      | 3,242      | 3,396      | 3,387      | 3,336      | 3,564      | 3,640      | 9                                | Illinois 2,841           |
| Idaho                | 109        | 114        | 131        | 131        | 137        | 140        | 147        | 147        | 177        | 198        | 10                               | Ohio * ~ 2,774           |
| Illinois             | 1,688      | 1,814      | 1,964      | 1,999      | 2,057      | 2,077      | 2,191      | 2,265      | 2,670      | 2,841      | 11                               | Michigan ~ 2,491         |
| Indiana              | 735        | 740        | 816        | 789        | 823        | 733        | 740        | 791        | 856        | 934        | 12                               | Maryland * ~ 1,884       |
| Iowa                 | 209        | 211        | 340        | 235        | 249        | 243        | 256        | 271        | 311        | 339        | 13                               | North Carolina 1,695     |
| Kansas ~             | 224        | 207        | 236        | 240        | 237        | 231        | 235        | 232        | 246        | 246        | 14                               | Virginia 1,689           |
| Kentucky             | 725        | 707        | 742        | 744        | 778        | 765        | 772        | 719        | 768        | 811        | 15                               | Tennessee 1,280          |
| Louisiana            | 340        | 307        | 332        | 354        | 374        | 379        | 372        | 384        | 430        | 447        | 16                               | South Carolina 1,203     |
| Maine                | 186        | 209        | 230        | 230        | 229        | 211        | 217        | 216        | 231        | 230        | 17                               | Missouri ~ 1,142         |
| Maryland * ~         | 1,395      | 1,486      | 1,561      | 1,577      | 1,673      | 1,698      | 1,706      | 1,714      | 1,827      | 1,884      | 18                               | Connecticut 1,123        |
| Massachusetts ~      | 4,368      | 4,466      | 4,501      | 4,437      | 4,690      | 4,425      | 4,412      | 4,416      | 4,741      | 4,850      | 19                               | Indiana 934              |
| Michigan ~           | 1,974      | 2,069      | 2,212      | 2,343      | 2,330      | 2,377      | 2,359      | 2,340      | 2,430      | 2,491      | 20                               | Kentucky 811             |
| Minnesota            | 387        | 408        | 450        | 421        | 462        | 481        | 499        | 504        | 520        | 560        | 21                               | Arizona 694              |
| Missouri ~           | 791        | 786        | 914        | 934        | 996        | 968        | 972        | 1,001      | 1,099      | 1,142      | 22                               | Washington ~ 572         |
| Montana              | 37         | 34         | 40         | 42         | 44         | 44         | 47         | 46         | 53         | 57         | 23                               | Colorado 566             |
| Nebraska             | 93         | 101        | 113        | 114        | 122        | 123        | 131        | 132        | 151        | 161        | 24                               | Wisconsin 566            |
| <b>New Hampshire</b> | <b>237</b> | <b>228</b> | <b>263</b> | <b>264</b> | <b>261</b> | <b>240</b> | <b>234</b> | <b>229</b> | <b>256</b> | <b>280</b> | 25                               | Minnesota 560            |
| New Jersey           | 2,188      | 2,274      | 2,407      | 2,351      | 2,539      | 2,503      | 2,605      | 2,636      | 2,798      | 2,861      | 26                               | Louisiana 447            |
| New Mexico           | 149        | 139        | 155        | 148        | 147        | 144        | 144        | 136        | 134        | 142        | 27                               | Arkansas 440             |
| New York * ~         | 5,826      | 6,039      | 6,487      | 6,652      | 6,673      | 6,695      | 6,781      | 6,759      | 7,013      | 7,109      | 28                               | Iowa 339                 |
| North Carolina       | n/a        | n/a        | 230        | 862        | 1,049      | 1,283      | 1,421      | 1,461      | 1,602      | 1,695      | 29                               | Oregon * ~ 332           |
| North Dakota         | 6          | 19         | 22         | 23         | 22         | 22         | 24         | 23         | 27         | 28         | <b>30</b>                        | <b>New Hampshire 280</b> |
| Ohio * ~             | 2,155      | 2,159      | 2,221      | 2,259      | 2,325      | 2,418      | 2,490      | 2,601      | 2,771      | 2,774      | 31                               | Rhode Island * ~ 253     |
| Oklahoma             | n/a        | n/a        | 205        | 215        | 214        | 193        | 200        | 198        | 200        | 200        | 32                               | Kansas ~ 246             |
| Oregon * ~           | 362        | 360        | 363        | 355        | 339        | 314        | 321        | 317        | 323        | 332        | 33                               | D.C. ~ 242               |
| Pennsylvania         | 2,352      | 2,645      | 3,070      | 3,076      | 3,089      | 3,088      | 3,066      | 3,208      | 3,481      | 3,700      | 34                               | Maine 230                |
| Rhode Island * ~     | 249        | 242        | 261        | 245        | 241        | 238        | 235        | 231        | 249        | 253        | 35                               | Oklahoma 200             |
| South Carolina       | 950        | 957        | 1,145      | 988        | 993        | 1,005      | 1,007      | 1,047      | 1,139      | 1,203      | 36                               | Idaho 198                |
| South Dakota *       | 34         | 33         | 39         | 40         | 42         | 41         | 46         | 47         | 53         | 59         | 37                               | W. Virginia * ~ 196      |
| Tennessee            | 428        | 784        | 928        | 1,058      | 990        | 1,015      | 1,060      | 1,103      | 1,221      | 1,280      | 38                               | Nebraska 161             |
| Texas                | 3,486      | 3,662      | 3,775      | 3,774      | 3,672      | 3,720      | 3,738      | 3,811      | 4,192      | 4,378      | 39                               | Delaware * ~ 144         |
| Vermont              | 92         | 93         | 105        | 105        | 102        | 96         | 98         | 96         | 101        | 102        | 40                               | New Mexico 142           |
| Virginia             | 1,262      | 1,334      | 1,365      | 1,362      | 1,386      | 1,366      | 1,435      | 1,483      | 1,616      | 1,689      | 41                               | Vermont 102              |
| Washington ~         | 481        | 458        | 478        | 493        | 521        | 488        | 491        | 510        | 535        | 572        | 42                               | South Dakota * 59        |
| W. Virginia * ~      | 207        | 194        | 218        | 193        | 198        | 198        | 181        | 194        | 201        | 196        | 43                               | Montana 57               |
| Wisconsin            | 483        | 452        | 509        | 493        | 495        | 473        | 481        | 503        | 548        | 566        | 44                               | North Dakota 28          |

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

~ Amount includes Keno sales.

Note: Fiscal Year 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

**U.S. Lottery Net Operating Income as a Percent of Revenue - Fiscal Years 2004 - 2013**

| LOTTERY              | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2013 Ranking (highest to lowest) |                      |              |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------------------------|----------------------|--------------|
| Arizona              | 29.0%        | 29.2%        | 29.9%        | 30.1%        | 30.3%        | 26.1%        | 25.6%        | 24.8%        | 25.5%        | 25.6%        | 1                                | Oklahoma             | 36.0%        |
| Arkansas             | n/a          | n/a          | n/a          | n/a          | n/a          | n/a          | 21.1%        | 19.9%        | 20.0%        | 20.0%        | 2                                | Louisiana            | 35.8%        |
| California ~         | 30.2%        | 34.1%        | 34.6%        | 34.7%        | 34.4%        | 33.9%        | 33.7%        | 32.0%        | 29.7%        | 28.4%        | 3                                | New Jersey           | 33.6%        |
| Colorado             | 25.6%        | 24.8%        | 26.0%        | 25.5%        | 23.6%        | 24.4%        | 22.6%        | 21.7%        | 22.3%        | 23.7%        | 4                                | New Mexico           | 30.8%        |
| Connecticut          | 30.9%        | 28.7%        | 29.2%        | 29.1%        | 28.4%        | 28.5%        | 28.9%        | 28.6%        | 28.8%        | 27.9%        | 5                                | New York * ~         | 30.6%        |
| Delaware * ~         | 33.6%        | 29.7%        | 25.0%        | 31.3%        | 30.3%        | 28.7%        | 29.3%        | 24.3%        | 16.7%        | 12.0%        | 6                                | Michigan ~           | 29.8%        |
| D.C. ~               | 30.4%        | 30.2%        | 27.2%        | 25.1%        | 27.6%        | 28.0%        | 29.0%        | 26.8%        | 26.6%        | 28.2%        | 7                                | Kansas ~             | 29.7%        |
| Florida              | 30.7%        | 31.8%        | 30.9%        | 30.4%        | 31.3%        | 31.6%        | 31.0%        | 29.7%        | 29.3%        | 28.5%        | 8                                | North Dakota         | 29.6%        |
| Georgia ~            | 30.2%        | 29.1%        | 27.4%        | 26.6%        | 25.4%        | 25.5%        | 25.9%        | 25.2%        | 25.3%        | 25.5%        | 9                                | Ohio * ~             | 29.5%        |
| Idaho                | 22.3%        | 21.2%        | 25.7%        | 23.9%        | 25.3%        | 24.3%        | 25.1%        | 23.9%        | 24.1%        | 24.0%        | 10                               | Wisconsin            | 29.0%        |
| Illinois             | 33.2%        | 32.0%        | 30.8%        | 30.6%        | 30.1%        | 30.5%        | 29.5%        | 29.3%        | 32.0%        | n/a          | 11                               | Pennsylvania         | 28.8%        |
| Indiana              | 27.1%        | 25.1%        | 26.8%        | 26.8%        | 25.5%        | 24.3%        | 24.8%        | 24.2%        | 24.6%        | 24.1%        | 12                               | Virginia             | 28.7%        |
| Iowa                 | 26.3%        | 24.3%        | 23.6%        | 24.7%        | 22.9%        | 24.2%        | 22.4%        | 25.0%        | 25.6%        | 25.3%        | 13                               | Florida              | 28.5%        |
| Kansas ~             | 31.4%        | 29.6%        | 29.0%        | 28.8%        | 27.6%        | 28.4%        | 28.5%        | 27.5%        | 29.9%        | 29.7%        | 14                               | California ~         | 28.4%        |
| Kentucky             | 24.8%        | 22.2%        | 27.3%        | 26.0%        | 24.2%        | 26.4%        | 29.6%        | 29.4%        | 28.1%        | 27.6%        | 15                               | North Carolina       | 28.3%        |
| Louisiana            | 35.7%        | 35.0%        | 35.3%        | 35.5%        | 34.5%        | 35.1%        | 35.2%        | 35.1%        | 35.9%        | 35.8%        | 16                               | D.C. ~               | 28.2%        |
| Maine                | 22.6%        | 22.9%        | 21.9%        | 21.4%        | 22.1%        | 22.7%        | 23.1%        | 22.9%        | 23.5%        | 23.3%        | 17                               | South Dakota *       | 28.0%        |
| Maryland * ~         | 32.8%        | 32.3%        | 32.0%        | 30.6%        | 32.2%        | 28.9%        | 29.4%        | 26.9%        | 27.2%        | 19.1%        | 18                               | Connecticut          | 27.9%        |
| Massachusetts ~      | 20.8%        | 20.6%        | 20.6%        | 19.6%        | 19.0%        | 19.0%        | 20.2%        | 19.8%        | 20.7%        | 19.7%        | 19                               | Kentucky             | 27.6%        |
| Michigan ~           | 32.0%        | 31.6%        | 30.4%        | 31.3%        | 31.1%        | 28.8%        | 28.4%        | 30.9%        | 32.5%        | 29.8%        | 20                               | Texas                | 27.2%        |
| Minnesota            | 26.0%        | 25.8%        | 26.2%        | 25.8%        | 24.9%        | 24.4%        | 24.4%        | 24.1%        | 23.7%        | 24.1%        | 21                               | W. Virginia * ~      | 26.8%        |
| Missouri ~           | 27.9%        | 26.7%        | 26.4%        | 25.7%        | 25.2%        | 25.0%        | 25.4%        | 25.4%        | 23.9%        | 23.2%        | 22                               | Tennessee            | 26.5%        |
| Montana              | 22.1%        | 18.2%        | 22.3%        | 26.8%        | 24.9%        | 23.2%        | 22.6%        | 23.3%        | 23.8%        | 22.4%        | 23                               | <b>New Hampshire</b> | <b>26.5%</b> |
| Nebraska             | 21.3%        | 23.4%        | 26.2%        | 25.0%        | 24.9%        | 23.2%        | 24.3%        | 23.0%        | 24.3%        | 24.7%        | 24                               | Arizona              | 25.6%        |
| <b>New Hampshire</b> | <b>30.9%</b> | <b>29.8%</b> | <b>30.2%</b> | <b>29.3%</b> | <b>28.7%</b> | <b>28.3%</b> | <b>28.3%</b> | <b>27.0%</b> | <b>26.1%</b> | <b>26.5%</b> | 25                               | Washington ~         | 25.6%        |
| New Jersey           | 35.8%        | 33.9%        | 33.4%        | 33.1%        | 33.4%        | 33.4%        | 33.9%        | 33.8%        | 34.0%        | 33.6%        | 26                               | Georgia ~            | 25.5%        |
| New Mexico           | 25.2%        | 26.4%        | 26.4%        | 23.1%        | 27.3%        | 28.1%        | 30.4%        | 30.4%        | 30.8%        | 30.8%        | 27                               | South Carolina       | 25.4%        |
| New York * ~         | 33.2%        | 30.3%        | 28.5%        | 30.4%        | 31.0%        | 30.4%        | 32.0%        | 31.7%        | 31.6%        | 30.6%        | 28                               | Iowa                 | 25.3%        |
| North Carolina       | n/a          | n/a          | 33.5%        | 35.5%        | 32.3%        | 31.7%        | 30.1%        | 29.6%        | 28.7%        | 28.3%        | 29                               | Nebraska             | 24.7%        |
| North Dakota         | 27.6%        | 32.9%        | 30.0%        | 29.1%        | 26.7%        | 25.8%        | 25.4%        | 25.8%        | 29.0%        | 29.6%        | 30                               | Rhode Island * ~     | 24.3%        |
| Ohio * ~             | 27.7%        | 30.0%        | 29.7%        | 29.7%        | 29.0%        | 28.3%        | 28.7%        | 28.0%        | 29.0%        | 29.5%        | 31                               | Indiana              | 24.1%        |
| Oklahoma             | n/a          | n/a          | 33.7%        | 32.6%        | 33.6%        | 36.3%        | 33.8%        | 33.2%        | 36.4%        | 36.0%        | 32                               | Minnesota            | 24.1%        |
| Oregon * ~           | 19.4%        | 15.7%        | 18.0%        | 17.2%        | 18.2%        | 17.0%        | 19.3%        | 17.9%        | 10.5%        | 20.9%        | 33                               | Idaho                | 24.0%        |
| Pennsylvania         | 34.5%        | 31.5%        | 31.4%        | 29.8%        | 29.6%        | 30.4%        | 29.8%        | 29.8%        | 30.1%        | 28.8%        | 34                               | Colorado             | 23.7%        |
| Rhode Island * ~     | 25.6%        | 25.0%        | 25.1%        | 25.1%        | 23.9%        | 24.4%        | 23.2%        | 23.1%        | 22.7%        | 24.3%        | 35                               | Maine                | 23.3%        |
| South Carolina       | 30.5%        | 28.6%        | 27.5%        | 27.6%        | 26.1%        | 25.6%        | 26.7%        | 25.6%        | 26.3%        | 25.4%        | 36                               | Missouri ~           | 23.2%        |
| South Dakota *       | 23.6%        | 20.4%        | 22.1%        | 25.1%        | 24.8%        | 24.0%        | 27.0%        | 26.1%        | 29.4%        | 28.0%        | 37                               | Montana              | 22.4%        |
| Tennessee            | 30.5%        | 30.0%        | 29.4%        | 33.2%        | 28.3%        | 27.1%        | 26.9%        | 26.3%        | 26.5%        | 26.5%        | 38                               | Vermont              | 22.4%        |
| Texas                | 21.6%        | 29.2%        | 28.8%        | 28.7%        | 28.3%        | 28.0%        | 28.3%        | 27.0%        | 27.8%        | 27.2%        | 39                               | Oregon * ~           | 20.9%        |
| Vermont              | 32.2%        | 22.5%        | 21.5%        | 22.3%        | 21.9%        | 22.0%        | 22.2%        | 22.4%        | 22.2%        | 22.4%        | 40                               | Arkansas             | 20.0%        |
| Virginia             | 16.7%        | 31.3%        | 32.7%        | 31.3%        | 31.9%        | 31.8%        | 29.8%        | 29.9%        | 30.0%        | 28.7%        | 41                               | Massachusetts ~      | 19.7%        |
| Washington ~         | 20.7%        | 25.0%        | 25.3%        | 23.2%        | 25.0%        | 22.6%        | 25.5%        | 27.0%        | 26.9%        | 25.6%        | 42                               | Maryland * ~         | 19.1%        |
| W. Virginia * ~      | 27.6%        | 22.2%        | 29.5%        | 30.1%        | 27.9%        | 27.9%        | 27.3%        | 22.8%        | 26.6%        | 26.8%        | 43                               | Delaware * ~         | 12.0%        |
| Wisconsin            | 29.8%        | 28.7%        | 29.5%        | 27.9%        | 28.5%        | 27.2%        | 29.9%        | 28.8%        | 28.6%        | 29.0%        | 44                               | Illinois             | n/a          |

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

~ Percentage includes Keno sales.

Note: Fiscal Year 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

**U.S. Lottery Prize Percentage Payout Based on Revenue - Fiscal Years 2004 - 2013**

| LOTTERY              | 2004         | 2005         | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2013 Ranking (highest to lowest) |                            |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------------------------|----------------------------|
| Arizona              | 55.1%        | 50.4%        | 55.3%        | 55.7%        | 55.5%        | 58.3%        | 60.4%        | 61.8%        | 61.3%        | 61.4%        | 1                                | Massachusetts ~ 72.6%      |
| Arkansas             | n/a          | n/a          | n/a          | n/a          | n/a          | n/a          | 64.6%        | 66.3%        | 66.6%        | 66.4%        | 2                                | Delaware * ~ 68.9%         |
| California ~         | 56.4%        | 53.9%        | 53.9%        | 53.2%        | 53.1%        | 52.7%        | 53.0%        | 55.4%        | 58.6%        | 59.7%        | 3                                | Arkansas 66.4%             |
| Colorado             | 58.9%        | 59.8%        | 60.1%        | 60.7%        | 62.3%        | 61.1%        | 61.9%        | 63.0%        | 62.8%        | 61.9%        | 4                                | Missouri ~ 66.0%           |
| Connecticut          | 59.3%        | 61.4%        | 60.5%        | 60.6%        | 60.9%        | 61.0%        | 61.1%        | 61.0%        | 61.0%        | 62.3%        | 5                                | South Carolina 64.5%       |
| Delaware * ~         | 49.0%        | 52.5%        | 52.1%        | 51.9%        | 52.6%        | 54.2%        | 53.0%        | 55.4%        | 63.6%        | 68.9%        | 6                                | Georgia ~ 64.1%            |
| D.C. ~               | 50.7%        | 51.3%        | 55.1%        | 56.6%        | 53.5%        | 52.2%        | 51.7%        | 54.3%        | 55.0%        | 53.4%        | 7                                | Oregon * ~ 63.7%           |
| Florida              | 58.7%        | 58.9%        | 59.6%        | 60.3%        | 59.3%        | 59.4%        | 60.1%        | 58.5%        | 62.1%        | 63.0%        | 8                                | Vermont 63.2%              |
| Georgia ~            | 58.3%        | 59.7%        | 61.4%        | 62.2%        | 63.2%        | 63.3%        | 62.9%        | 63.6%        | 64.2%        | 64.1%        | 9                                | Texas 63.2%                |
| Idaho                | 59.1%        | 61.3%        | 58.4%        | 60.4%        | 59.6%        | 60.9%        | 60.0%        | 61.3%        | 61.7%        | 62.0%        | 10                               | Florida 63.0%              |
| Illinois             | 56.8%        | 57.5%        | 59.0%        | 58.9%        | 59.6%        | 59.0%        | 59.9%        | 60.4%        | 62.7%        | n/a          | 11                               | Connecticut 62.3%          |
| Indiana              | 59.3%        | 61.6%        | 60.4%        | 60.6%        | 61.2%        | 61.9%        | 61.6%        | 62.5%        | 62.3%        | 62.2%        | 12                               | Indiana 62.2%              |
| Iowa                 | 54.4%        | 53.9%        | 36.0%        | 56.7%        | 58.1%        | 56.9%        | 58.7%        | 58.6%        | 58.6%        | 59.2%        | 13                               | Pennsylvania 62.1%         |
| Kansas ~             | 53.6%        | 54.4%        | 55.5%        | 55.9%        | 56.2%        | 56.8%        | 56.3%        | 56.9%        | 56.4%        | 56.4%        | 14                               | Tennessee 62.0%            |
| Kentucky             | 62.1%        | 64.7%        | 59.9%        | 61.3%        | 63.4%        | 61.5%        | 58.3%        | 58.7%        | 59.8%        | 61.0%        | 15                               | Maine 62.0%                |
| Louisiana            | 49.9%        | 49.9%        | 50.7%        | 50.7%        | 51.6%        | 51.1%        | 50.9%        | 52.9%        | 52.6%        | 52.8%        | 16                               | Idaho 62.0%                |
| Maine                | 61.0%        | 60.7%        | 61.9%        | 62.5%        | 62.3%        | 61.7%        | 61.5%        | 62.0%        | 61.8%        | 62.0%        | 17                               | Minnesota 61.9%            |
| Maryland * ~         | 57.0%        | 57.6%        | 57.9%        | 58.8%        | 57.2%        | 60.4%        | 60.6%        | 60.0%        | 58.3%        | 55.1%        | 18                               | Colorado 61.9%             |
| Massachusetts ~      | 71.9%        | 71.9%        | 71.9%        | 72.7%        | 72.9%        | 72.7%        | 72.0%        | 72.4%        | 71.6%        | 72.6%        | 19                               | <b>New Hampshire 61.8%</b> |
| Michigan ~           | 55.8%        | 56.2%        | 57.3%        | 56.7%        | 56.8%        | 59.2%        | 58.6%        | 57.5%        | 56.4%        | 58.7%        | 20                               | Arizona 61.4%              |
| Minnesota            | 58.2%        | 59.1%        | 59.6%        | 59.5%        | 60.6%        | 61.3%        | 61.2%        | 61.6%        | 61.6%        | 61.9%        | 21                               | Kentucky 61.0%             |
| Missouri ~           | 60.8%        | 62.1%        | 62.7%        | 63.7%        | 64.4%        | 65.0%        | 64.6%        | 63.9%        | 65.7%        | 66.0%        | 22                               | Virginia 60.7%             |
| Montana              | 50.8%        | 52.6%        | 51.9%        | 51.5%        | 52.1%        | 52.7%        | 55.3%        | 53.8%        | 54.4%        | 56.6%        | 23                               | North Carolina 60.4%       |
| Nebraska             | 56.5%        | 58.0%        | 56.3%        | 57.1%        | 56.8%        | 58.3%        | 57.4%        | 58.3%        | 58.0%        | 57.9%        | 24                               | Ohio * ~ 60.1%             |
| <b>New Hampshire</b> | <b>57.2%</b> | <b>58.2%</b> | <b>59.1%</b> | <b>59.2%</b> | <b>59.2%</b> | <b>59.2%</b> | <b>59.3%</b> | <b>60.8%</b> | <b>62.2%</b> | <b>61.8%</b> | 25                               | California ~ 59.7%         |
| New Jersey           | 55.5%        | 57.0%        | 57.4%        | 57.8%        | 57.9%        | 58.1%        | 58.0%        | 58.6%        | 57.8%        | 58.4%        | 26                               | W. Virginia * ~ 59.4%      |
| New Mexico           | 55.3%        | 54.7%        | 54.7%        | 57.5%        | 54.4%        | 55.7%        | 54.7%        | 54.3%        | 53.8%        | 54.4%        | 27                               | New York * ~ 59.4%         |
| New York * ~         | 56.7%        | 58.3%        | 59.4%        | 59.7%        | 59.2%        | 59.8%        | 58.3%        | 58.7%        | 58.9%        | 59.4%        | 28                               | Washington ~ 59.3%         |
| North Carolina       | n/a          | n/a          | 51.8%        | 52.4%        | 56.1%        | 57.0%        | 58.8%        | 59.1%        | 60.0%        | 60.4%        | 29                               | Rhode Island * ~ 59.2%     |
| North Dakota         | 46.2%        | 47.5%        | 49.4%        | 49.8%        | 51.6%        | 52.1%        | 51.6%        | 51.9%        | 50.4%        | 50.8%        | 30                               | Iowa 59.2%                 |
| Ohio * ~             | 61.2%        | 59.3%        | 59.0%        | 59.2%        | 60.1%        | 60.3%        | 60.8%        | 61.6%        | 60.7%        | 60.1%        | 31                               | Michigan ~ 58.7%           |
| Oklahoma             | n/a          | n/a          | 53.5%        | 53.9%        | 52.7%        | 49.7%        | 52.6%        | 53.8%        | 51.5%        | 52.1%        | 32                               | New Jersey 58.4%           |
| Oregon * ~           | 64.2%        | 68.1%        | 66.0%        | 65.9%        | 65.0%        | 65.4%        | 64.2%        | 65.7%        | 73.7%        | 63.7%        | 33                               | Wisconsin 58.1%            |
| Pennsylvania         | 55.1%        | 57.8%        | 58.8%        | 59.6%        | 59.7%        | 60.0%        | 60.9%        | 61.1%        | 60.9%        | 62.1%        | 34                               | Nebraska 57.9%             |
| Rhode Island * ~     | 59.2%        | 59.4%        | 59.3%        | 58.8%        | 59.9%        | 59.5%        | 60.4%        | 60.8%        | 61.2%        | 59.2%        | 35                               | Montana 56.6%              |
| South Carolina       | 58.0%        | 59.9%        | 61.4%        | 60.7%        | 62.5%        | 63.0%        | 62.4%        | 63.8%        | 63.3%        | 64.5%        | 36                               | Kansas ~ 56.4%             |
| South Dakota *       | 55.4%        | 56.5%        | 56.7%        | 56.1%        | 56.4%        | 56.8%        | 56.0%        | 57.6%        | 54.9%        | 55.3%        | 37                               | South Dakota * 55.3%       |
| Tennessee            | n/a          | 56.7%        | 57.9%        | 55.3%        | 59.4%        | 61.0%        | 61.4%        | 62.0%        | 62.1%        | 62.0%        | 38                               | Maryland * ~ 55.1%         |
| Texas                | 59.3%        | 60.8%        | 61.2%        | 61.3%        | 62.1%        | 61.8%        | 61.5%        | 62.6%        | 62.8%        | 63.2%        | 39                               | New Mexico 54.4%           |
| Vermont              | 62.4%        | 62.5%        | 63.4%        | 63.4%        | 63.5%        | 63.3%        | 62.7%        | 63.4%        | 63.8%        | 63.2%        | 40                               | D.C. ~ 53.4%               |
| Virginia             | 56.8%        | 58.1%        | 56.7%        | 58.1%        | 57.1%        | 57.2%        | 59.4%        | 59.4%        | 59.5%        | 60.7%        | 41                               | Louisiana 52.8%            |
| Washington ~         | 68.0%        | 61.3%        | 61.1%        | 61.9%        | 60.4%        | 61.8%        | 59.4%        | 57.8%        | 58.2%        | 59.3%        | 42                               | Oklahoma 52.1%             |
| W. Virginia * ~      | 61.5%        | 60.3%        | 60.5%        | 60.1%        | 61.2%        | 60.3%        | 59.6%        | 62.4%        | 59.9%        | 59.4%        | 43                               | North Dakota 50.8%         |
| Wisconsin            | 58.2%        | 58.0%        | 57.8%        | 59.3%        | 58.0%        | 59.1%        | 56.7%        | 57.8%        | 58.5%        | 58.1%        | 44                               | Illinois n/a               |

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

~ Percentage includes Keno sales.

Note: Fiscal Year 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

**U.S. Lottery Online Sales By Game - Fiscal Year 2013**

note: this table does not include instant sales

| (\$ Millions)        | Population (millions) | Number of Retailers | Online Games Sales |                  |                  |                   | Per Capita Sales for Online Games Only | 2013 Per Capita Ranking (highest to lowest) |                  |         |
|----------------------|-----------------------|---------------------|--------------------|------------------|------------------|-------------------|--|---|------------------|---------|
|                      |                       |                     | 3/4 Digit          | Lotto            | Other            | Total             |  |   |                  |         |
| Arizona              | 6.6                   | 2,964               | \$ 8.6             | \$ 216.6         | \$ 31.2          | \$ 256.4          | \$ 38.8                                | 1   | D.C. ~           | 308.9   |
| Arkansas             | 3.0                   | 1,892               | 9.5                | 61.3             | 13.7             | 84.5              | 28.2                                   | 2   | Massachusetts ~  | 218.5   |
| California ~         | 38.3                  | 21,177              | 164.4              | 935.7            | 335.7            | 1,435.8           | 37.5                                   | 3   | Maryland * ~     | 215.3   |
| Colorado             | 5.3                   | 3,050               | 2.0                | 172.5            | 23.3             | 197.7             | 37.3                                   | 4   | New York * ~     | 171.8   |
| Connecticut          | 3.6                   | 2,800               | 233.6              | 153.3            | 68.6             | 455.4             | 126.5                                  | 5   | Michigan ~       | 166.6   |
| Delaware * ~         | 0.9                   | 617                 | 44.8               | 49.8             | 3.4              | 98.1              | 109.0                                  | 6   | Rhode Island * ~ | 153.1   |
| D.C. ~               | 0.6                   | 502                 | 109.2              | 46.3             | 29.8             | 185.3             | 308.9                                  | 7   | New Jersey       | 151.4   |
| Florida              | 19.6                  | 13,319              | 568.7              | 1,023.3          | 392.5            | 1,984.5           | 101.3                                  | 8   | Georgia ~        | 128.1   |
| Georgia ~            | 10.0                  | 8,637               | 686.2              | 295.1            | 300.2            | 1,281.5           | 128.1                                  | 9   | Connecticut      | 126.5   |
| Idaho                | 1.6                   | 1,304               | 1.9                | 57.8             | 29.2             | 88.9              | 55.6                                   | 10  | Ohio * ~         | 109.1   |
| Illinois             | 12.9                  | 8,242               | 468.4              | 443.4            | 161.2            | 1,073.0           | 83.2                                   | 11  | Delaware * ~     | 109.0   |
| Indiana              | 6.6                   | 4,226               | 59.4               | 213.3            | 46.5             | 319.2             | 48.4                                   | 12  | Pennsylvania     | 108.9   |
| Iowa                 | 3.1                   | 2,550               | 9.9                | 106.4            | 20.7             | 137.0             | 44.2                                   | 13  | Florida          | 101.3   |
| Kansas ~             | 2.9                   | 1,796               | 5.8                | 69.9             | 53.4             | 129.1             | 44.5                                   | 14  | Virginia         | 96.6    |
| Kentucky             | 4.4                   | 2,842               | 164.4              | 138.2            | 21.8             | 324.4             | 73.7                                   | 15  | Illinois         | 83.2    |
| Louisiana            | 4.6                   | 2,940               | 89.0               | 183.7            | 11.6             | 284.3             | 61.8                                   | 16  | South Carolina   | 81.9    |
| Maine                | 1.3                   | 1,300               | 9.4                | 47.9             | 7.0              | 64.4              | 49.5                                   | 17  | Kentucky         | 73.7    |
| Maryland * ~         | 5.9                   | 4,422               | 513.3              | 231.1            | 525.8            | 1,270.3           | 215.3                                  | 18  | North Carolina   | 69.2    |
| Massachusetts ~      | 6.7                   | 8,138               | 324.5              | 223.2            | 916.5            | 1,464.2           | 218.5                                  | 19  | New Hampshire    | 66.7    |
| Michigan ~           | 9.9                   | 10,831              | 672.2              | 340.8            | 636.4            | 1,649.4           | 166.6                                  | 20  | Missouri ~       | 63.7    |
| Minnesota            | 5.4                   | 3,133               | 13.9               | 135.2            | 47.5             | 196.6             | 36.4                                   | 21  | Louisiana        | 61.8    |
| Missouri ~           | 6.0                   | 4,865               | 100.3              | 175.5            | 106.6            | 382.3             | 63.7                                   | 22  | Idaho            | 55.6    |
| Montana              | 1.0                   | 856                 | -                  | 28.9             | 10.8             | 39.7              | 39.7                                   | 23  | Oregon * ~       | 54.7    |
| Nebraska             | 1.9                   | 1,198               | 5.7                | 60.5             | 11.0             | 77.3              | 40.7                                   | 24  | Maine            | 49.5    |
| <b>New Hampshire</b> | <b>1.3</b>            | <b>1,252</b>        | <b>9.9</b>         | <b>67.1</b>      | <b>9.7</b>       | <b>86.7</b>       | <b>66.7</b>                            | 25  | Indiana          | 48.4    |
| New Jersey           | 8.9                   | 7,153               | 700.2              | 502.5            | 144.4            | 1,347.1           | 151.4                                  | 26  | Vermont          | 46.5    |
| New Mexico           | 2.1                   | 1,218               | 3.5                | 60.7             | 7.6              | 71.9              | 34.2                                   | 27  | W. Virginia * ~  | 45.8    |
| New York * ~         | 19.7                  | 17,520              | 1,640.7            | 832.9            | 911.1            | 3,384.7           | 171.8                                  | 28  | Kansas ~         | 44.5    |
| North Carolina       | 9.8                   | 6,865               | 362.8              | 250.6            | 64.5             | 677.9             | 69.2                                   | 29  | Iowa             | 44.2    |
| North Dakota         | 0.7                   | 400                 | -                  | 22.6             | 5.3              | 27.9              | 39.8                                   | 30  | Texas            | 43.7    |
| Ohio * ~             | 11.6                  | 9,542               | 534.8              | 372.0            | 358.5            | 1,265.2           | 109.1                                  | 31  | Tennessee        | 42.9    |
| Oklahoma             | 3.9                   | 1,911               | 6.2                | 100.5            | 4.2              | 110.8             | 28.4                                   | 32  | Wisconsin        | 42.5    |
| Oregon * ~           | 3.9                   | 3,909               | 1.4                | 108.2            | 103.8            | 213.4             | 54.7                                   | 33  | Nebraska         | 40.7    |
| Pennsylvania         | 12.8                  | 9,160               | 587.7              | 549.8            | 256.8            | 1,394.3           | 108.9                                  | 34  | South Dakota *   | 40.1    |
| Rhode Island * ~     | 1.1                   | 1,216               | 24.5               | 48.9             | 95.0             | 168.4             | 153.1                                  | 35  | North Dakota     | 39.8    |
| South Carolina       | 4.8                   | 3,858               | 218.5              | 171.1            | 3.6              | 393.2             | 81.9                                   | 36  | Montana          | 39.7    |
| South Dakota *       | 0.8                   | 623                 | -                  | 29.7             | 2.4              | 32.0              | 40.1                                   | 37  | Arizona          | \$ 38.8 |
| Tennessee            | 6.5                   | 0                   | 86.3               | 167.5            | 24.8             | 278.6             | 42.9                                   | 38  | California ~     | 37.5    |
| Texas                | 26.4                  | 17,103              | 353.8              | 620.4            | 179.4            | 1,153.7           | 43.7                                   | 39  | Colorado         | 37.3    |
| Vermont              | 0.6                   | 682                 | 2.6                | 23.3             | 1.9              | 27.9              | 46.5                                   | 40  | Minnesota        | 36.4    |
| Virginia             | 8.3                   | 5,308               | 485.9              | 264.4            | 51.8             | 802.1             | 96.6                                   | 41  | New Mexico       | 34.2    |
| Washington ~         | 7.0                   | 3,802               | 28.7               | 155.2            | 29.7             | 213.6             | 30.5                                   | 42  | Washington ~     | 30.5    |
| W. Virginia * ~      | 1.9                   | 1,690               | 13.1               | 63.0             | 10.9             | 87.0              | 45.8                                   | 43  | Oklahoma         | 28.4    |
| Wisconsin            | 5.7                   | 3,725               | 36.2               | 150.4            | 55.5             | 242.1             | 42.5                                   | 44  | Arkansas         | 28.2    |
| <b>Total</b>         | <b>299.9</b>          | <b>210,538</b>      | <b>\$9,361.6</b>   | <b>\$9,970.6</b> | <b>\$6,125.2</b> | <b>\$25,457.3</b> |  |   |                  |         |

~ Other sales include Keno sales.

Note: Fiscal Year 2013 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 2014 LaFleur's World Lottery Almanac and NH Lottery Results

**U.S. Lottery - Instant Scratch Ticket Sales  
By Selling Price of Ticket (Price Point), For Fiscal Year 2013**

| (\$ Millions)        | Fiscal Year 2013                      |                   |                   |                   |                   |                   |                   |              | Fiscal Year 2012  |         | 2013 Instant Scratch Ticket Per Capita Ranking (highest to lowest) |                |       |
|----------------------|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------|-------------------|---------|--|----------------|-------|
|                      | Price Point (selling price of ticket) |                   |                   |                   |                   |                   |                   |              |                   |         |  |                |       |
| LOTTERY              | \$ 1                                  | \$ 2              | \$ 3/\$ 4         | \$ 5/\$ 7         | \$ 10/\$ 15       | \$ 20+            | Total             | Per Capita   | Total             |         |  |                |       |
| Arizona              | \$ 19.9                               | \$ 92.2           | \$ 13.6           | \$ 137.1          | \$ 122.7          | \$ 51.0           | \$ 436.5          | \$ 66.1      | \$ 409.8          | 1       | Massachusetts  | 498.9          |       |
| Arkansas             | 27.8                                  | 46.3              | 28.2              | 88.3              | 88.3              | 76.2              | 355.1             | 118.4        | 391.3             | 2       | Georgia  | 263.1          |       |
| California           | 226.4                                 | 387.7             | 622.1             | 1,115.5           | 658.5             | -                 | 3,010.2           | 78.6         | 2,755.4           | 3       | New York   | 189.0          |       |
| Colorado             | 33.5                                  | 26.0              | 44.7              | 104.5             | 76.4              | 83.5              | 368.6             | 69.5         | 364.3             | 4       | Connecticut  | 185.4          |       |
| Connecticut          | 28.8                                  | 53.3              | 81.1              | 162.0             | 202.1             | 140.0             | 667.3             | 185.4        | 653.2             | 5       | Pennsylvania   | 180.1          |       |
| Delaware             | Price Point Sales not Available       |                   |                   |                   |                   |                   |                   | 48.2         | 53.6              | 45.7    | 6  | South Carolina | 167.9 |
| D.C.                 | Price Point Sales not Available       |                   |                   |                   |                   |                   |                   | 57.2         | 95.3              | 59.9    | 7  | Tennessee      | 167.5 |
| Florida              | 182.1                                 | 426.2             | 198.4             | 605.3             | 411.9             | 1,204.7           | 3,028.6           | 154.5        | 2,567.0           | 8       | New Jersey   | 165.7          |       |
| Georgia              | 207.0                                 | 430.4             | 175.4             | 569.5             | 606.0             | 642.4             | 2,630.7           | 263.1        | 2,585.0           | 9       | Florida  | 154.5          |       |
| Idaho                | 8.4                                   | 8.2               | 20.7              | 37.9              | 14.5              | 18.9              | 108.6             | 67.9         | 99.9              | 10      | <b>New Hampshire</b>   | <b>147.8</b>   |       |
| Illinois             | 171.5                                 | 179.2             | 141.3             | 479.2             | 380.2             | 417.1             | 1,768.5           | 137.1        | 1,624.7           | 11      | Illinois   | 137.1          |       |
| Indiana              | 58.8                                  | 107.6             | 40.8              | 208.8             | 116.1             | 85.4              | 617.5             | 93.6         | 546.7             | 12      | Missouri   | 126.5          |       |
| Iowa                 | 16.4                                  | 28.3              | 40.5              | 54.8              | 35.7              | 26.6              | 202.3             | 65.3         | 188.8             | 13      | Maine  | 125.6          |       |
| Kansas               | Price Point Sales not Available       |                   |                   |                   |                   |                   |                   | 126.7        | 43.7              | 123.9   | 14   | Vermont        | 123.8 |
| Kentucky             | 39.5                                  | 83.0              | 32.6              | 172.1             | 100.6             | 94.4              | 522.2             | 118.7        | 505.9             | 15      | Ohio   | 123.3          |       |
| Louisiana            | 41.1                                  | 39.3              | 15.7              | 37.6              | 29.4              | -                 | 163.1             | 35.5         | 158.1             | 16      | Texas  | 122.1          |       |
| Maine                | 15.3                                  | 29.0              | 29.4              | 39.6              | 24.4              | 25.6              | 163.3             | 125.6        | 165.2             | 17      | Kentucky   | 118.7          |       |
| Maryland             | 28.4                                  | 47.4              | 40.5              | 191.4             | 115.9             | 62.2              | 485.8             | 82.3         | 506.8             | 18      | Arkansas   | 118.4          |       |
| Massachusetts        | 132.1                                 | 666.6             | -                 | 1,032.0           | 777.3             | 734.7             | 3,342.7           | 498.9        | 3,251.5           | 19      | Virginia   | 106.9          |       |
| Michigan             | 71.5                                  | 246.1             | 49.1              | 208.9             | 118.1             | 133.2             | 826.9             | 83.5         | 771.7             | 20      | North Carolina   | 103.3          |       |
| Minnesota            | 23.1                                  | 35.0              | 85.3              | 96.3              | 47.2              | 76.8              | 363.7             | 67.4         | 355.2             | 21      | D.C.   | 95.3           |       |
| Missouri             | 81.6                                  | 148.0             | 79.8              | 233.5             | 106.6             | 109.4             | 758.9             | 126.5        | 744.2             | 22      | Indiana  | 93.6           |       |
| Montana              | 2.9                                   | 5.8               | 2.6               | 2.9               | 1.6               | 1.4               | 17.2              | 17.2         | 16.6              | 23      | Michigan   | 83.5           |       |
| Nebraska             | 12.4                                  | 7.8               | 20.4              | 17.0              | 15.0              | 10.8              | 83.4              | 43.9         | 81.9              | 24      | Maryland   | 82.3           |       |
| <b>New Hampshire</b> | <b>11.4</b>                           | <b>30.1</b>       | <b>24.9</b>       | <b>55.6</b>       | <b>47.2</b>       | <b>22.9</b>       | <b>192.1</b>      | <b>147.8</b> | <b>176.9</b>      | 25      | California   | 78.6           |       |
| New Jersey           | 31.9                                  | 411.1             | 303.0             | 394.9             | 274.0             | 59.5              | 1,474.4           | 165.7        | 1,417.6           | 26      | Rhode Island   | 77.2           |       |
| New Mexico           | 12.7                                  | 11.0              | 14.3              | 18.4              | 5.2               | 8.3               | 69.9              | 33.3         | 68.8              | 27      | Colorado   | 69.5           |       |
| New York             | 416.5                                 | 785.5             | 187.0             | 866.0             | 881.7             | 587.5             | 3,724.2           | 189.0        | 3,578.9           | 28      | Idaho  | 67.9           |       |
| North Carolina       | 90.9                                  | 174.4             | 65.9              | 265.9             | 235.8             | 179.1             | 1,012.0           | 103.3        | 960.0             | 29      | Minnesota  | 67.4           |       |
| North Dakota         | Does Not Sell Instant Tickets         |                   |                   |                   |                   |                   |                   | -            | -                 | -       | 30   | Arizona        | 66.1  |
| Ohio                 | 150.7                                 | 179.5             | 37.9              | 412.3             | 290.3             | 359.0             | 1,429.7           | 123.3        | 1,507.4           | 31      | Iowa   | 65.3           |       |
| Oklahoma             | 17.5                                  | 16.5              | 21.5              | 33.9              | -                 | -                 | 89.4              | 22.9         | 95.9              | 32      | W. Virginia  | 57.2           |       |
| Oregon               | 13.5                                  | 37.3              | 16.6              | 29.5              | 9.3               | 10.7              | 116.9             | 30.0         | 119.0             | 33      | Wisconsin  | 56.9           |       |
| Pennsylvania         | 116.9                                 | 227.4             | 159.1             | 704.5             | 445.3             | 651.9             | 2,305.1           | 180.1        | 2,134.5           | 34      | Delaware   | 53.6           |       |
| Rhode Island         | 11.3                                  | 20.6              | 5.2               | 32.2              | 11.5              | 4.1               | 84.9              | 77.2         | 84.0              | 35      | Washington   | 50.8           |       |
| South Carolina       | 45.7                                  | 80.8              | 30.6              | 170.5             | 478.3             | -                 | 805.9             | 167.9        | 758.6             | 36      | Nebraska   | 43.9           |       |
| South Dakota         | 4.6                                   | 4.4               | 5.6               | 5.4               | 2.6               | 2.7               | 25.3              | 31.6         | 24.4              | 37      | Kansas   | 43.7           |       |
| Tennessee            | Price Point Sales not Available       |                   |                   |                   |                   |                   |                   | 1,089.0      | 167.5             | 1,049.7 | 38   | Louisiana      | 35.5  |
| Texas                | 193.1                                 | 396.1             | 382.3             | 1,039.1           | 585.8             | 626.2             | 3,222.6           | 122.1        | 3,086.1           | 39      | New Mexico   | 33.3           |       |
| Vermont              | 5.5                                   | 8.2               | 6.1               | 28.6              | 14.6              | 11.3              | 74.3              | 123.8        | 74.6              | 40      | South Dakota   | 31.6           |       |
| Virginia             | 85.5                                  | 119.1             | 53.0              | 324.0             | 155.7             | 149.8             | 887.1             | 106.9        | 842.1             | 41      | Oregon   | 30.0           |       |
| Washington           | 22.1                                  | 68.1              | 28.7              | 124.9             | 53.8              | 58.3              | 355.9             | 50.8         | 318.1             | 42      | Oklahoma   | 22.9           |       |
| W. Virginia          | 22.2                                  | 55.2              | 5.6               | 17.0              | 8.7               | -                 | 108.7             | 57.2         | 117.9             | 43      | Montana  | 17.2           |       |
| Wisconsin            | 22.7                                  | 58.8              | 44.1              | 81.8              | 60.7              | 56.1              | 324.2             | 56.9         | 320.1             | 44      | North Dakota   | -              |       |
| <b>Total</b>         | <b>\$ 2,703.2</b>                     | <b>\$ 5,777.5</b> | <b>\$ 3,153.6</b> | <b>\$10,198.7</b> | <b>\$ 7,609.0</b> | <b>\$ 6,781.7</b> | <b>\$37,544.8</b> |              | <b>\$35,707.3</b> |         |  |                |       |

Note: Fiscal Year 2013 is the latest data available. The fiscal year for most states ends on June 30, except for New York (March 31);

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Source: The 2014 LaFleur's World Lottery Almanac and NH Lottery Results





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