

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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



Nearly \$2 Billion and Counting for our Schools

NEW HAMPSHIRE LOTTERY COMMISSION
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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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The logo for the New Hampshire Lottery is a large, semi-transparent watermark in the background. It features the words "New Hampshire Lottery" in a stylized font. The "N" is orange, "H" is grey, "S" is orange, "H" is grey, "I" is orange, "R" is grey, "E" is orange, "L" is grey, "O" is orange, "T" is grey, "T" is orange, "E" is grey, "R" is orange, "Y" is grey, and "COMMISSION" is in a smaller, grey font below it.

Nearly \$2 Billion and Counting for our Schools
Prepared by the Finance Department of the
New Hampshire Lottery Commission

Charles R. McIntyre, Executive Director
James C. Duris, Chief Financial Officer

NEW HAMPSHIRE LOTTERY®

\$5

BLACK AND GOLD

15 CHANCES ON FRONT PLUS 5 MORE ON THE BACK!

WIN UP TO \$100,000!

**SCRATCH THE BACK
FOR ANOTHER GAME!**

Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win the PRIZE shown for that number. Reveal a "\$" symbol, automatically win the PRIZE shown for that symbol. Reveal a "\$50" symbol, instantly win \$50! Each game played separately.

WINNING NUMBERS	YOUR NUMBERS				

SCRATCH TO CASH **WIN UP TO 20 TIMES!** 000 ■

As New Hampshire's second double sided ticket, the power of playing on both sides continued to delight players, prompting a re-order. With the double sided ticket being the best-selling \$5 for fiscal years 2017 and 2018, it has established a new category for growth at the \$5 price point.

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50X the Money featured fluorescent yellow and a popular multiplier theme. It was one of the top selling games within its price point and overall in fiscal year 2018.

Introductory Section (Unaudited)

\$25

NEW HAMPSHIRE LOTTERY®

GRANITE STATE GOLD

WIN UP TO \$2,000,000!

40 PRIZES FROM \$10,000 TO \$200,000!

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 the prize shown for that symbol. Get a "10X" symbol, win 10 times the prize shown for that symbol. Get a "\$200" symbol, win \$200 automatically!

WINNING NUMBERS



YOUR NUMBERS



WIN UP TO 25 TIMES! SCRATCH TO CASH

000 ■

Granite State Gold was New Hampshire's third \$25 game and the most successful to date in terms of sales and profitability. It impressed players with its length of 10 inches compared to previous \$25 games of 8 inches – allowing for a larger play area.



Nearly \$2 Billion and Counting for our Schools

GOVERNOR Christopher T. Sununu
CHAIRMAN Debra M. Douglas
COMMISSIONER Paul J. Holloway
COMMISSIONER J. Christopher Williams
EXECUTIVE DIRECTOR Charles R. McIntyre

December 19, 2018

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, 2018. 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 authorized Lottery personnel.
- Security cameras are located in key locations throughout the inside and outside of the Lottery headquarters building, recording activity at all times and monitored by security personnel.
- Criminal record checks are performed on all new lottery employees, Keno retailers, and other employees performing services at Lottery headquarters.
- All scratch 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 recorded 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, 2018. 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

Lottery Division

The lottery industry in the United States is comprised of 44 state lotteries, the District of Columbia, the U.S. Virgin Islands, and Puerto Rico¹. 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 Commission is appointed for a staggered term of three years by the Governor and Executive Council to oversee the Lottery.

The Lottery headquarters is located in the capital 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. 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 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 (MUSL), which is comprised of many state lotteries, and as such, operates a number of on-line games under those jurisdictions; and Lucky for Life, which as of December 19, 2018, is comprised of twenty-six state lotteries. The following paragraphs describe the products offered by the Lottery.

Instant Games

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 a component that allows entry into a drawing). The instant games offer a wide variety of themes and ticket prices. Players can win from one dollar to \$2 million, with ticket prices ranging from \$1 to \$25. The Lottery offered 107 instant games during fiscal year 2018.

¹ The Mississippi House passed a bill in August 2018 enacting the state's first lottery; it will launch in 2019 and proceeds will fund infrastructure and education.

Tri-State Lottery Draw-Based Games



Pick 3/Pick 4 has been offered in New Hampshire since 1977, and by Tri-State since 1985. This is the only game that offers tickets for less than a dollar: players can wager from 50 cents to \$5 for daily drawings that take place at mid-day and in the evening. Players select a three- (Pick 3) or a four- (Pick 4) 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 \$2.50 to \$25,000, depending on the amount bet. Although the Pick 3/Pick 4 game is considered a mature product, it continues to maintain strong sales through its loyal player base.



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-style 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 six of 30 matrix and a weekly drawing each Saturday. The matrix changed to six of 36 in 1986 and to six of 40 in 1988. In 1990, the Tri-State Lotto Commission added a second weekly jackpot drawing. More changes came to the game in 1997 with the addition of a bonus number, a new matrix of six of 42, and a guaranteed jackpot of \$500,000. In July, 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 choose to be paid in cash or as an annuity in 25 annual installments. Although this game is over 30 years old, it still remains a profitable product for the Lottery with a committed player base. This game is available as a subscription.



Fast Play is a Tri-State game that began in June, 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: players know instantly if they have won. Each Fast Play game has a shelf life of approximately three months, and up to fifteen different Fast Play games are offered each year. This keeps the product fresh and exciting. Examples of the different games offered are Money Tree, Fabulous 5, and Blackjack Bonanza. Tickets cost \$1, \$2, or \$5 each depending on the game. Top prizes range from \$500 to \$5,000. In April, 2015, the Lottery introduced progressive jackpot Fast Play games for sale at \$1, \$2, and \$5 price points. 2017 saw \$2, \$5, and \$10 Fast Play Progressive Jackpot 7s.

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



Multi-State Lottery Draw-Based Games (MUSL)

New Hampshire Hot Lotto was sponsored by MUSL, the Multi-State Lottery Association. In October 2017, the game ended and a new game replaced it called Lotto America. Due to limited resources and competing product launches, New Hampshire did not join Lotto America in fiscal year 2018. Prior to the change, 14 state lotteries and the District of Columbia participated in Hot Lotto. This \$1 per draw game was similar to others in that each ticket had a two-part play. Players selected five numbers from a matrix of 1 to 47 and one Hot Ball number from a matrix of 1 to 19. Players could pay an additional \$1 to add the Sizzler feature, which would increase their winnings, except the jackpot, by three times. Drawings were held on Wednesday and Saturday evenings. The jackpot started at \$1 million and grew until someone won the all cash, tax-free prize. In addition to the jackpot, there were eight other ways to win from \$2 up to \$30,000. This game also offered ticket sales through subscription.



New Hampshire Powerball is an online game jointly operated by the member lotteries of MUSL. A total of 47 lotteries participate in the sale of Powerball tickets, including the 37 MUSL members (which consist of 34 state lotteries, the U.S. Virgin Islands, Puerto Rico, and the District of Columbia) and the Mega Millions group (which consists of ten state lotteries). This game was introduced in New Hampshire in November, 1995, although it has been operated by MUSL since April, 1992. Powerball holds the record for the largest national lottery jackpot of \$1,586,000,000. Players select one set of five numbers and one additional number designated as the Powerball for each draw. The matrix is five numbers of a field of 1 through 69 plus one Powerball number from a field of 1 of 26. 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, players can choose the Power Play multiplier option for the chance to increase their winnings (except for the jackpot prize) up to \$2,000,000. A jackpot winner may choose to be paid in cash or as a graduated annuity in 30 annual installments. Drawings are held at the Florida Lottery's studio on Wednesdays and Saturdays. This game also offers ticket sales through subscriptions.





New Hampshire Mega Millions sales began in January of 2010. Like Powerball, Mega Millions is a MUSL game; although prior to January 31, 2010 any state that sold Powerball could not sell Mega Millions and vice versa. There are a total of 44 states, the U.S. Virgin Islands, and the District of Columbia that currently participate. Originally a \$1 per play game, a multiplier option for an additional \$1 was added. In October, 2017, the game changed to \$2 per play, plus \$1 Megaplier option. Players select five numbers from a field of 1 to 70 and a Megaball from a field of 1 to 20. Jackpots start at \$40 million, and other prizes range from \$2 to \$5,000,000. Jackpot winners may choose to be paid in cash or as a graduated annuity in 30 annual installments. Drawings are held in Atlanta, Georgia on Tuesdays and Fridays. This game also offers ticket sales through subscriptions.



Lucky for Life sales began in March of 2012. It is a multi-jurisdictional game originally operated by the six New England state lotteries but expanded in January, 2015, and now includes 25 states and the District of Columbia. Players choose five numbers from a field of 1 to 48, and one Lucky Ball from a field of 1 to 18. Easy Pick remains a choice as well. For \$2 per chance, players have the opportunity to win from 10 different prize levels ranging from \$3 up to \$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 in Hartford, Connecticut.

New Hampshire Lottery Draw-Based Game



Keno was signed into law as an exclusive revenue source for kindergarten funding in New Hampshire in July, 2017. Branded KENO 603, it launched on December 15, 2017 and is unique in that each municipality must vote whether to allow it in its jurisdiction. Retail locations are limited to adult environments such as restaurant bars and taverns, so applicants must hold a valid liquor license. Players can use either a paper play slip or conduct their drawing at a self-service kiosk. They wager from \$1 to \$25 per draw, and can add the multiplier option Keno Plus, which gives winners the chance to multiply their prize by 3, 4, 5, or 10 times. The players choose between one and 12 numbers ("spots") from a field of 1 to 80. Every five minutes, the computer randomly picks 20 numbers, and players win based on the number of spots they match. Up to 20 consecutive draws can be played, and the game runs from 11 a.m. to 1 a.m. seven days a week.

Racing and Charitable Gaming Division

The Racing and Charitable Gaming Division (RCGD) of the New Hampshire Lottery is charged with the regulation, enforcement, and compliance of pari-mutuel wagering, charitable bingo, Lucky 7 ticket sales, and games of chance under three different and distinct statutes.

In 1933, RSA 284 was enacted that allowed for public wagering on live horse racing. Subsequently in 1971 and 1980, RSA 284 was amended to include greyhound racing and simulcast wagering respectively. In 2009, live greyhound racing in New Hampshire was banned by the legislature. Live horse racing was discontinued in New Hampshire due to unfavorable economic conditions and has not been re-instated to date.

In 1949, RSA 287 was enacted to allow bingo games and sale of Lucky 7 tickets for charitable purposes only. In 1977 RSA 287-D was enacted to allow for Games of Chance for charitable purposes. RSA 287 was repealed and re-enacted in 1983 with various amendments as RSA 287-E.

The Division's duties include the adjudication of hearings; the licensing of racetracks, racetrack occupations (drivers, owners, trainers, vendors, security, et cetera), charitable organizations, gaming entities (operators, distributors, manufacturers, facilities, and so on); and the collection of taxes and fees associated with Bingo, Lucky 7, games of chance, and Pari-Mutuel wagering. All revenues received by the RCGD net of administrative costs are required by statute to be transferred to the State's Education Trust Fund.

Local Economy

New Hampshire is a small state with a population of approximately 1.3 million. According to the United States Census Bureau, New Hampshire had the highest standard of living in the U.S. between the years 2009-2013. New Hampshire ranked as the fourth highest state for having adults aged 25 and above with high school degrees or better. The U.S. Census Bureau also ranked New Hampshire as the 8th highest state for adults having college degrees or better (as of the writing of this report, 2013 data is the most recent). In 2014, several national news agencies, such as USA Today and The Washington Post have utilized data collected through research conducted by the Organization for Economic Co-operation and Development (OECD) to rank states by quality of life and found that New Hampshire ranked as the top state in the U.S.

There is no sales tax, use tax, broad-base income tax, or capital gains tax in New Hampshire and the Tax Foundation ranked New Hampshire 7th best in America for overall tax in 2018. The Tax Foundation, a nonprofit fiscal policy research group, ranked New Hampshire's 2018 local and state tax burden as 44th in the United States (1 being the highest tax burden), at 7.9% of income; the U.S. average of state and local tax burden for 2012 is 9.9% of income (2012 was the latest data reported for local and state tax burden). A state's business tax climate measures how each state's tax laws affect economic performance.

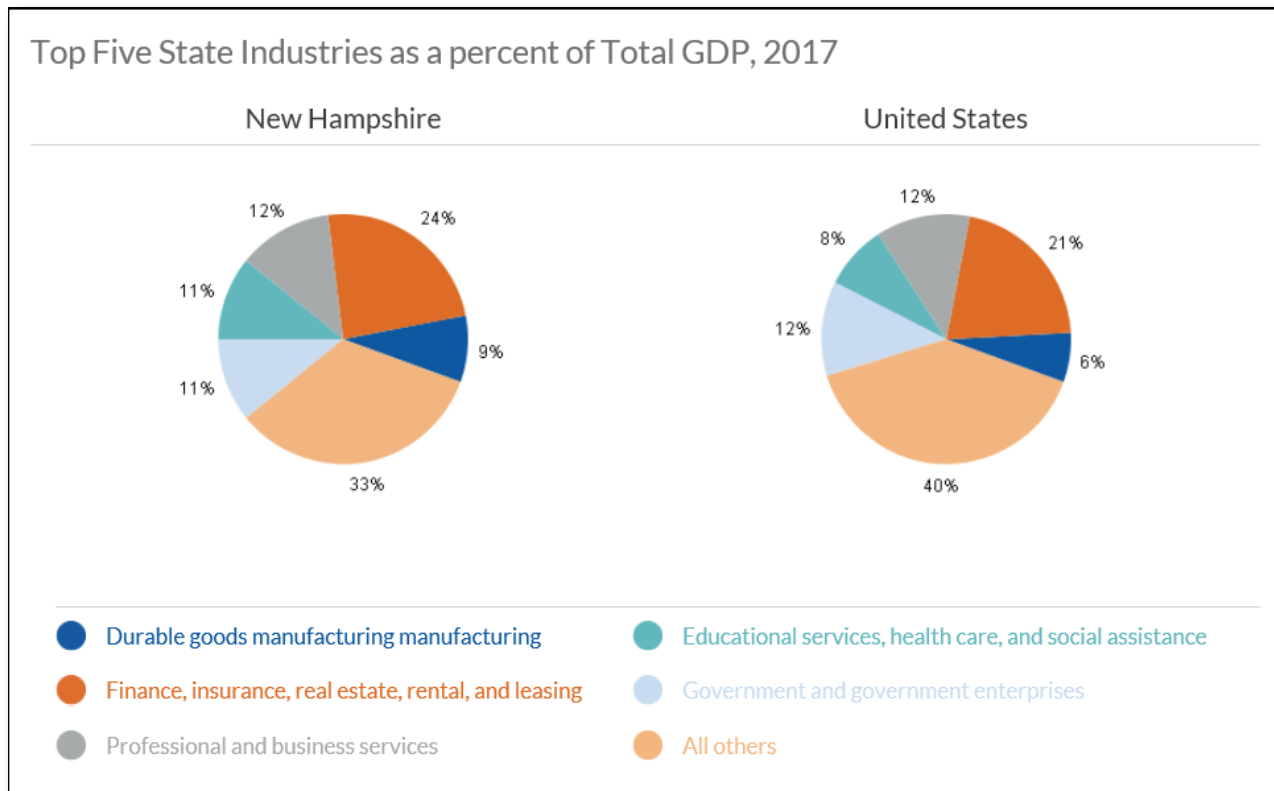
For July 2018, according to the State of New Hampshire Economic and Labor Market Information Bureau, the seasonally adjusted unemployment rate for New Hampshire was 2.7%, compared with the national average of 3.9%. This rate for New Hampshire was level with the rate in July, 2017.

The most recent data from The Bureau of Economic Analysis (BEA) states New Hampshire's per capita personal income ranks 7th highest in the nation for calendar year 2017, at \$57,574, which is higher than the United States average of \$50,392. New Hampshire's 2017 current dollar Gross Domestic Product (GDP1), reported by BEA, ranked 39th in the United States (1 being the highest GDP) at \$80.5 billion. In 2017, real GDP for New Hampshire grew 1.9% compared to 2.1% growth for the nation and the compound annual growth rate was 1.0% for New Hampshire, compared to the compound annual growth rate for the nation of 1.2%. BEA reported that in 2016 the largest industries in New Hampshire were finance, insurance, real estate, rental, and leasing. These industries accounted for 24.0% of New Hampshire GDP. The second largest industry in New Hampshire was professional and business services at 12.3% of New Hampshire GDP. According to BEA the largest contributor to real GDP growth in New Hampshire for 2017 were professional and business services. The second largest contributor was durable goods manufacturing.

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.

The New Hampshire Lottery does well in per capita sales. When compared with the other lotteries in the United States, New Hampshire ranks 15th highest in per capita sales for fiscal year 2018. Unaudited fiscal year 2018 traditional game sales for all U.S. lotteries increased 6.58%. According to LaFleur's Magazine, a research company that reports facts and statistics on lotteries, ten of the 44 lotteries saw increases in fiscal year 2018 sales, three saw decreases, and the remaining 31 remained at the same level overall, of which New Hampshire was one.

The graph below was taken directly from the BEA website for BEARFACTS, GDP for New Hampshire, 2017.



LaFleur's also estimates U.S. lotteries paid over \$46 billion to prize winners and nearly \$21.5 billion to the government in fiscal year 2018. According to LaFleur's, instant ticket sales for U.S. lotteries were up \$2.84 billion or 6.29% to \$47.9 billion. Instant ticket sales represent 63% of the U.S. lotteries total traditional sales. In New Hampshire, draw game sales of Mega Millions and Powerball were up 23% or \$10 million for fiscal year 2018 from fiscal year 2017. Powerball increased modestly at 13.4%, and Mega Millions increased a dramatic 50.1% due to the price change from \$1 to \$2 per ticket.

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 Separate Trading of Registered Interest and Principal of Securities (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

House Bill 517 was signed into law in June, 2017. It allows the Commission to “to sell lottery tickets on the Internet and by mobile applications and create certain practices to address problem gaming in such sales.” This law was passed the same day as the Keno bill, but the limitation of resources dictated that only one initiative could be taken on at a time. Following Keno’s successful launch in December 2017, Internet Lottery (branded “iLottery”) was developed and launched in the first quarter of fiscal year 2019.

In December, 2018, both the Fiscal Committee of the Legislative Budget Assistant and the Governor and Executive Council approved the Lottery Commission’s request to enter into a purchase and sale agreement for the current headquarters building at 14 Integra Drive. The intent is to complete this purchase and sale transaction prior to the expiration of the lease in December, 2018.

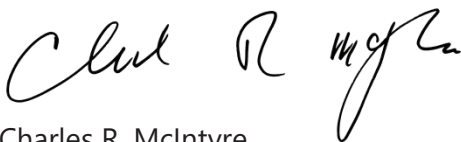
Awards and Acknowledgements

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, 2017. This was the eighteenth 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, product development, and marketing departments are greatly appreciated. We would also like to recognize Commission Chair Debra Douglas, Commissioner Paul Holloway, Commissioner J. Christopher Williams, and the Governor and Executive Council of 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



James C. Duris
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, 2017

Christopher P. Morrill

Executive Director/CEO

NEW HAMPSHIRE LOTTERY COMMISSION

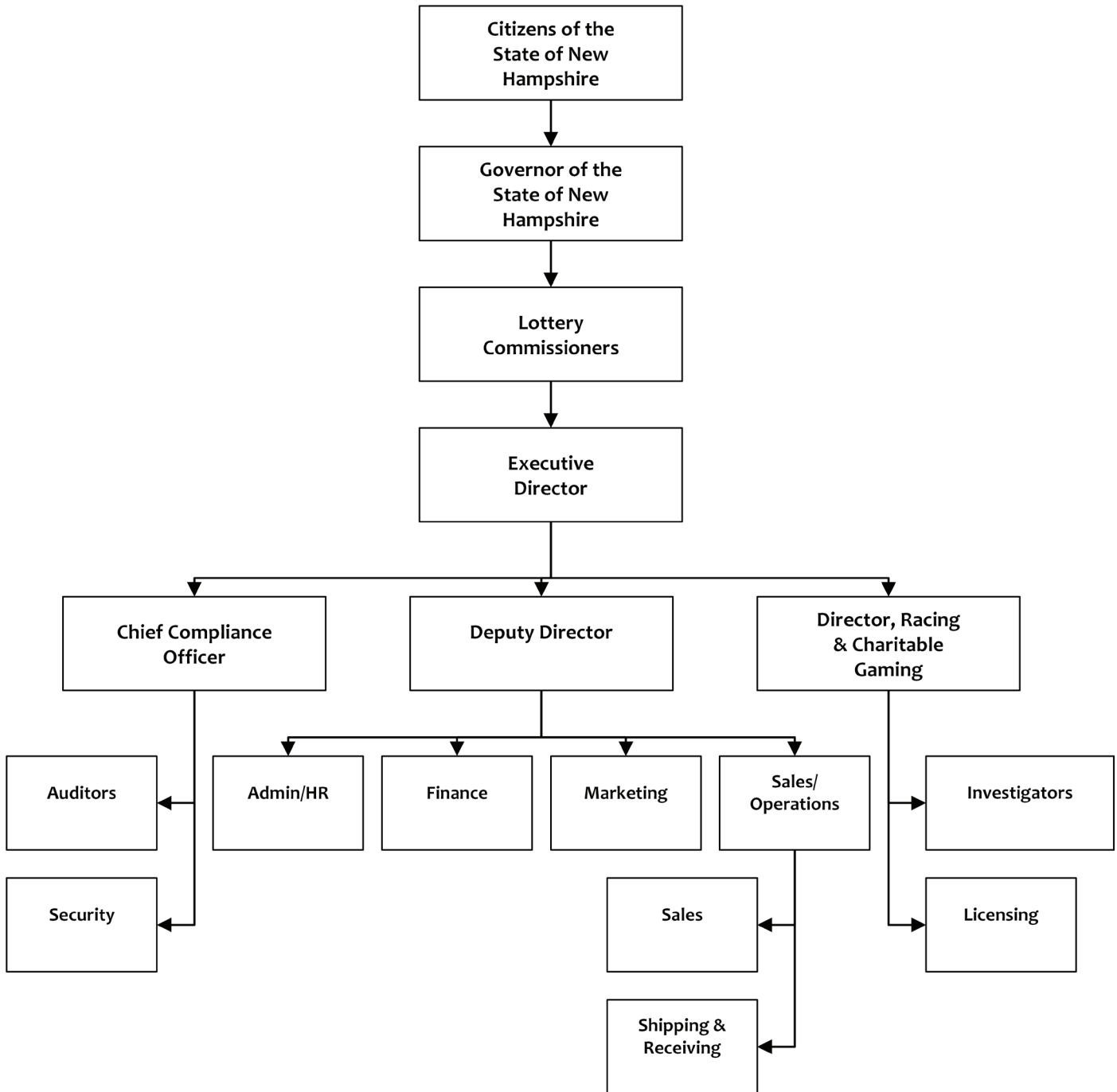
Appointed Officials and Organizational Chart

Appointed Officials

Debra M. Douglas
Commission Chairman
Term ends 6/29/2019

Paul J. Holloway
Commissioner
Term ends 6/29/2021

J. Christopher Williams
Commissioner
Term ends 6/29/2020



Financial Section

\$1

NEW HAMPSHIRE LOTTERY®

Scratch and reveal a "603" and win the prize shown.

603

CANNON MOUNTAIN

SCRATCH TO CASH

WIN UP TO \$1,000

000 ■

The image shows a scratch-off lottery ticket with an orange border. The background is a scenic view of Cannon Mountain ski resort, showing ski runs, a chairlift, and evergreen trees. The number '603' is printed in large, orange, semi-transparent digits across the top center. Below the number, the words 'CANNON MOUNTAIN' are written in a smaller, orange, sans-serif font. In the top left corner, there is a '\$1' price tag. In the top right corner, it says 'NEW HAMPSHIRE LOTTERY®'. On the left side, there is a small text box that says 'Scratch and reveal a "603" and win the prize shown.' At the bottom left, the words 'SCRATCH TO CASH' are written in a bold, white, blocky font. At the bottom center, it says 'WIN UP TO \$1,000' in a large, white, sans-serif font. At the bottom right, there is a small white box containing the number '000' followed by a small black square.

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State of New Hampshire

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

STEPHEN C. SMITH, CPA
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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, 2018, and the related Statements of Revenues, Expenses, and Changes in Net Position and Cash Flows for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise the New Hampshire Lottery Commission's basic 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 net position of the New Hampshire Lottery Commission as of June 30, 2018, and the changes in its net position, and its cash flows for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

Reporting Entity

As discussed in Note 1, the financial statements present only the New Hampshire Lottery Commission and do not purport to, and do not, present fairly the financial position of the State of New Hampshire, as of June 30, 2018, the changes in its financial position, or its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Pronouncements

As discussed in Note 1 to the financial statements, effective July 1, 2017, the New Hampshire Lottery Commission, adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to these matters.

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 21 through 33 and the Schedules of the Lottery Commission's Proportionate Share of the Net Pension Liability and Lottery Commission's Contributions on page 53, and the Schedule of the Lottery Commission's Proportionate Share of the Total Other Postemployment Benefits Liability on page 54 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.

Supplementary And 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 basic financial statements.

The Supplemental Schedule of Revenues, Expenses, and Distributions on page 55 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 19, 2018 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 19, 2018



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Management's Discussion and Analysis (Unaudited)

As management of the New Hampshire Lottery Commission (Lottery), 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, 2018. 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 3.

Financial Highlights

- Operating revenues for the Lottery program increased by \$33.6 million, or 11% for the current fiscal year. MUSL games revenue increased \$8.6 million or 18.4%, while revenue from instant scratch games increased \$15.5 million or 6.9%, exceeding \$200 million in sales for the fourth year in a row. MUSL games contributed 16.3% to total revenue and instant scratch games contributed 70.7%. Tri-State games, which contributed 7.4% to total revenue, netted to an increase in sales of approximately \$1.0 million or 4.4%. Lucky for Life sales increased \$0.12 million or 2.4% during fiscal year 2018.
- Operating revenues for the Racing & Charitable Gaming Division (RCGD) were \$5.0 million. Primary sources of revenue for this division include simulcast racing tax, games of chance and Bingo/Lucky 7 tax, and license fees from race tracks, charitable organizations, game operators, facilities, manufacturers and distributors. RCGD revenues contributed 1.5% to total Lottery revenues.
- The Lottery's administrative costs for the current fiscal year decreased approximately \$0.2 million, or 2.2%.
- A restatement of net position is reflected in the financial statements. GASB 75 requires Other Postemployment Benefits to be stated at an agency level. An entry was made to record this liability in Net OPEB Liability and Net Position as of July 1, 2017. The result was a restated beginning Net Position of \$(20.2) million.
- Lottery's assets increased \$0.6 million, or 4.4% from the previous fiscal year. Liabilities increased \$16.0 million or 102.8%, from the end of the previous fiscal year as a result of implementing GASB 75 relative to other post-employment benefits.
- Keno was introduced in December 2017. Specific to New Hampshire, this draw-based game plays every five minutes with wagers ranging from \$1 to \$25. Retailers earn 8% commission on sales, approximately 72% goes into prize payouts, one percent (1%) is transferred to the New Hampshire Department of Health and Human Services for problem gambling programs, 2% covers administrative costs, and the remaining 17% is transferred to the Education Trust Fund.
- Distributions to the Education Trust Fund increased \$11.1 million or 14.6% due to strong increases in sales across all games and the addition of Keno during fiscal 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the New Hampshire Lottery's (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 on page 34 presents information on all of the Lottery's assets, liabilities, deferred inflows and outflows of resources. The total liabilities and deferred inflows of resources of the Lottery exceeded total assets and deferred outflows of resources at fiscal year ending June 30, 2018 by \$20.1 million.

The statement of revenues, expenses and changes in net position on page 35 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 on page 36 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 detailed 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 and the regulation of the State's Racing and Charitable Gaming activities. 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 2018, the Lottery produced \$337.8 million in total operating revenues, an 11% increase from fiscal year 2017's \$304.2 million. Instant scratch games sales were up from the previous fiscal year by approximately \$15.5 million or 6.9%. Multi-State (MUSL) games revenues increased \$8.6 million or 18.4% during fiscal year 2018 as compared to fiscal year 2017. Tri-State games revenues increased by \$1.0 million or 4.4% for fiscal year 2018 as compared to fiscal year 2017. Lucky for Life game revenue increased \$0.12 million in fiscal year 2018 as compared to fiscal year 2017. The Lottery introduced Keno in December of the fiscal year contributing \$8.4 million in new revenue. The Lottery distributed \$87.2 million of operating income to the Education Trust Fund in fiscal year 2018, an \$11.1 million increase from fiscal year 2017, \$1.3 million being due to the trust fund as of June 30, 2018. Total revenues since the inception of the Lottery in 1963 are more than \$6.6 billion and the Lottery has distributed nearly \$2 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), as well as the Lottery's unrestricted net deficit for pension liability and other postemployment benefits liability.

The total liabilities and deferred inflows of resources of the Lottery exceeded total assets and deferred outflows of resources at fiscal year ending June 30, 2018 by \$20.1 million. An adjustment was made to restate the beginning balance of net position due to the implementation of GASB 75. An increase of \$106,872 was recorded in 2018 due to the change in restricted deposits compared to the restated beginning balance of \$(20.2) million.

Comparable figures for total assets at June 30, 2018 and 2017 were \$15.4 million and \$14.8 million, respectively. This represents an increase of \$0.6 million from fiscal year 2017 to 2018. Cash and cash equivalents were \$5.8 million at June 30, 2018 and \$6.3 million at June 30, 2017. The decrease in cash and cash equivalents was primarily attributable to an increase in accounts receivable.

Accounts receivable were \$3.9 million at June 30, 2018 and \$2.4 million at June 20, 2017. Due from other funds for fiscal year 2018 consisted of the amount due from the state Liquor Commission for tickets sold and interest income due from Treasury. Instant scratch games ticket inventories were \$1.0 million at June 30, 2018 and \$1.2 million at June 30, 2017. The decrease in inventory reflects lower inventories on hand at June 30, 2018 due to timing of instant ticket purchases. There is a balance due to the State's Education Trust Fund (ETF) of \$1.3 million; the Lottery estimates the profits for June and transfers the funds to the ETF based on that estimate, June's estimate was understated. Noncurrent, restricted deposits, which represent New Hampshire's share of prize reserve funds held by MUSL and Tri-State, remained steady during fiscal year 2018. Capital assets, net of depreciation, decreased during fiscal year 2018 from \$145 thousand at June 30, 2017 to \$72 thousand at June 30, 2018. Deferred outflows of resources, which represent a consumption of net assets that are applicable to a future period, are specifically related to pension and other postemployment benefit expenses for the Lottery.

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, 2018, and June 30, 2017

	2018	2017
Current and other assets	\$ 15,345,816	\$ 14,629,454
Capital assets (net of accumulated depreciation)	72,309	145,234
Total assets	<u>15,418,125</u>	<u>14,774,688</u>
Deferred outflows of resources	1,343,000	1,402,000
Current liabilities	10,617,725	10,176,534
Noncurrent liabilities	20,943,174	5,382,654
Total liabilities	<u>31,560,899</u>	<u>15,559,188</u>
Deferred inflows of resources	5,271,000	214,000
Net position:		
Net investments in capital assets	72,309	145,234
Restricted assets	4,189,371	4,082,500
Unrestricted (deficit)	(24,332,454)	(3,824,234)
Total net position	<u>\$ (20,070,774)</u>	<u>\$ 403,500</u>

Liabilities

The Lottery's current liabilities consist primarily of accounts payables, unclaimed prizes, accrued payroll and benefits, and ticket sales for future draws (draws occurring after June 30). Noncurrent liabilities consist of compensated absences and net pension liability (Note 6) and other postemployment benefits payable (Note 7). Total liabilities during the current fiscal year increased \$16.0 million or 102.8%. The year end balances for total liabilities for fiscal years 2018 and 2017 were \$31.6 million and \$15.6 million, respectively. Unclaimed prizes decreased \$0.9 million, unearned revenue for future draws decreased \$116 thousand and net pension liability \$0.5 million being offset with an increase of \$1.3 million in funds due to the State's Education Trust Fund. The decrease in unclaimed prizes for fiscal year 2018 is due mostly to a decrease in the amount of instant ticket prizes remaining unclaimed compared to fiscal year 2017. Lottery winners have one year to claim their prizes. Accounts Payable increased in fiscal year 2018 by \$87 thousand, primarily due to the timing of expense accruals. Deferred inflows of resources, which represent an acquisition of net assets that are applicable to a future period, are specifically related to pension and OPEB expense for the Lottery.

Operating Revenues: Game Sales

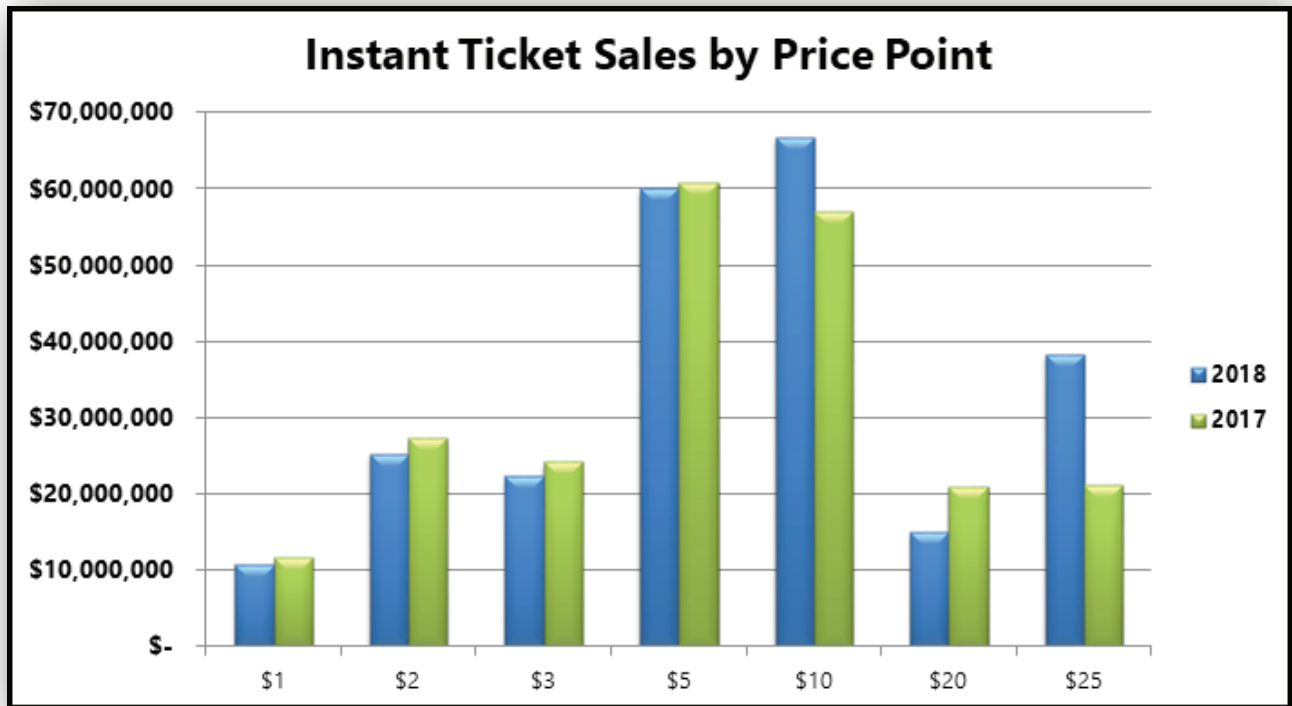
The New Hampshire Lottery's game revenues result from the sales of a variety of instant and online lottery products. The Lottery is an active member of three separate joint venture arrangements; the Tri-State Lotto Commission (Tri-State), the Multi-State Lottery Association (MUSL), and Lucky for Life, operating several online games under those jurisdictions. MUSL online games consist of Powerball, Mega Millions, and Hot Lotto. Tri-State games consist of Megabucks, Pick 3, Pick 4, Fast Play, and Gimme 5. Lucky for Life is the name of the game and also the joint venture, of which the Lottery became a member in March 2012. Keno was introduced in during the year producing a new revenue stream during fiscal year 2018.

The following table shows operating revenues by Lottery game for the years' ended June 30, 2018 and 2017. Tri-State Other represents Fast Play and Gimme 5.

Game	2018	2017	\$ Change	% Change
Instant Scratch Games	\$ 238,866,572	\$ 223,368,115	\$ 15,498,457	6.9%
Keno	8,357,389	-	8,357,389	100.0%
MUSL Powerball	36,780,498	32,445,820	4,334,678	13.4%
MUSL Mega Millions	16,947,560	11,287,424	5,660,136	50.1%
MUSL Hot Lotto	1,322,044	2,749,292	(1,427,248)	-51.9%
Tri-State Megabucks	8,740,106	7,644,951	1,095,155	14.3%
Tri-State Pick 3	5,455,938	5,830,725	(374,787)	-6.4%
Tri-State Pick 4	4,928,155	4,978,232	(50,077)	-1.0%
Lucky for Life	5,444,744	5,319,096	125,648	2.4%
Tri-State Other	5,909,020	5,531,042	377,978	6.8%
Racing & Charitable Gaming	5,010,203	4,891,729	118,474	2.4%
Other income	30,590	175,002	(144,412)	-82.5%
Total operating revenues	\$ 337,792,819	\$ 304,221,428	\$ 33,571,391	11.0%

The Lottery saw an 11% increase in total operating revenues for fiscal year 2018. Instant scratch games sales continue to be the Lottery's most popular product contributing approximately 70.7% and 73.4%, respectively to total revenue for fiscal years 2018 and 2017. Instant scratch games sales increased \$15.5 million or 6.9% in fiscal year 2018 over fiscal year 2017. The increase in instant scratch games sales can be attributed to continuous efforts towards creative and innovative design of new games, and increases in prizes awarded to players.

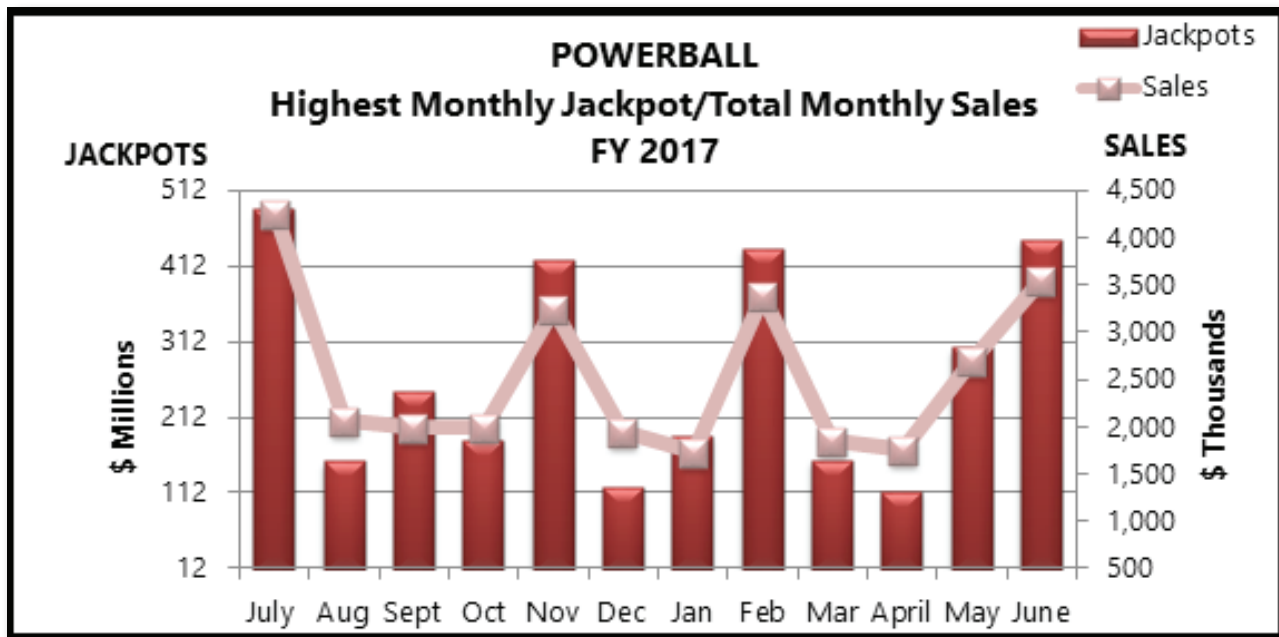
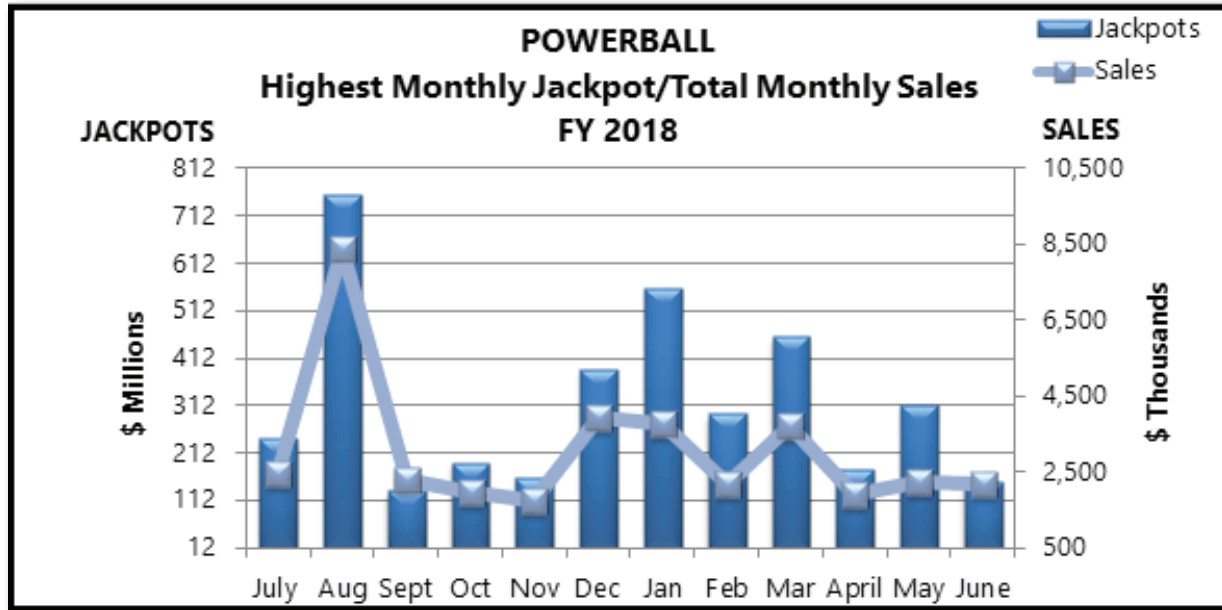
The following graph shows Instant scratch games sales for fiscal year 2018 and 2017 by selling price of ticket.



The sales in big jackpot games are directly related to the size of the jackpot, which causes a high level of uncertainty for revenues. The more frequently jackpots are won, the smaller the jackpot amount, which consequently lowers demand for tickets. When jackpots are won less frequently, they have more time to accrue. As jackpots rise in amount, so does the demand for tickets. This trend has shown that the public demands higher jackpot amounts every year before there is a noticeable increase in sales.

Powerball, a game in the MUSL jurisdiction, is the Lottery's second most popular product contributing 10.9% and 10.7% to total fiscal year 2018 and 2017 sales, respectively. Powerball revenues for fiscal year 2018 increased 13.4%, from \$32.4 million to \$36.8 million.

The following two graphs show the relationship between jackpot amount and sales for fiscal years 2018 and 2017.



Mega Millions is another high jackpot MUSL game sold by the Lottery. Mega Millions sales for fiscal year 2018 were \$16.9 million, an increase of \$5.7 million over 2017. In October, 2017, the Mega Millions ticket price increased from \$1 to \$2 per play. During fiscal year 2018, two Mega Millions jackpots exceeded \$450 million.

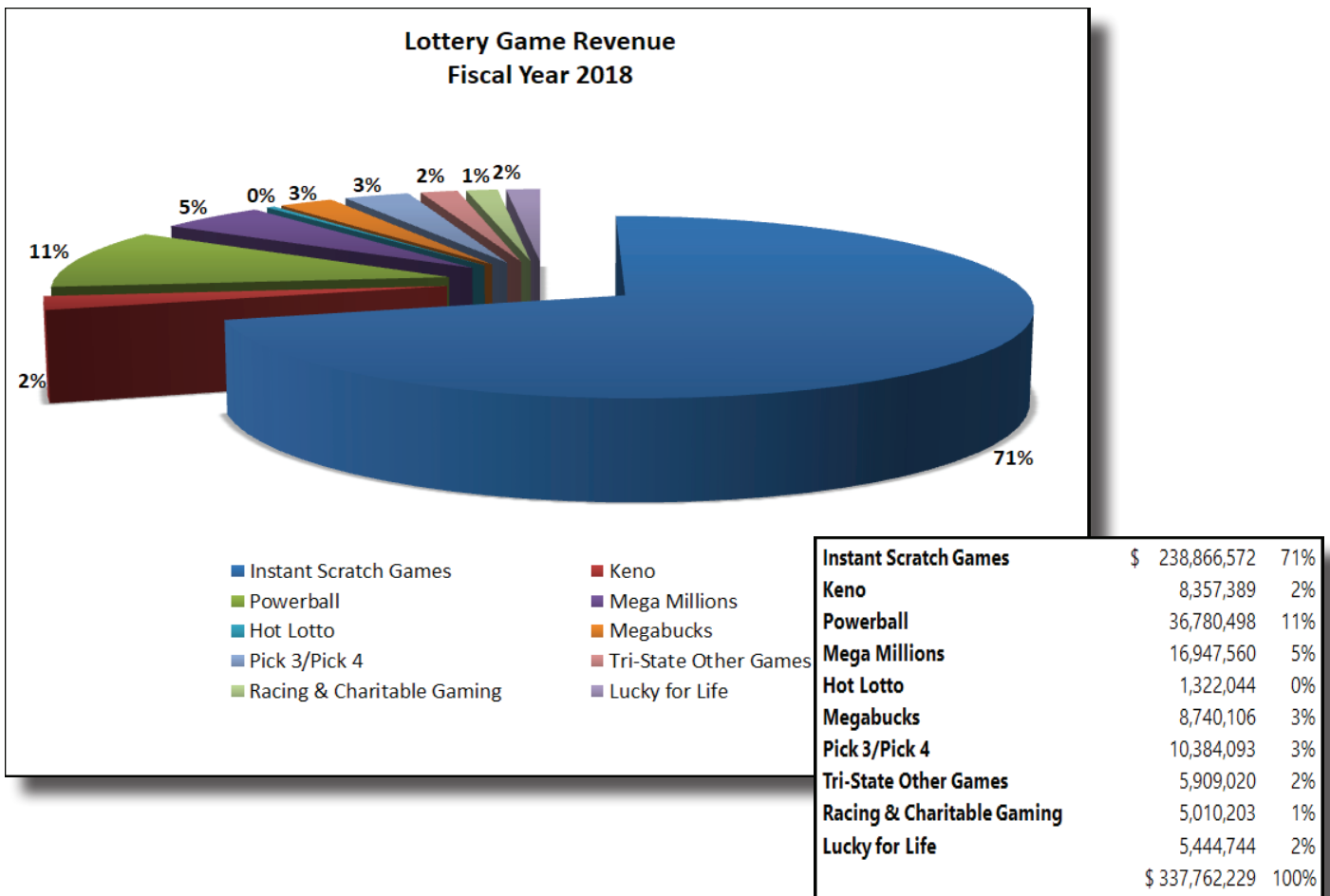
Hot Lotto, a MUSL game, ended in October 2018. Sales for fiscal year 2018 totaled \$1.3 million.

Megabucks, a draw game offered by the Tri-State Lottery, had sales of \$8.7 million for fiscal year 2018, an increase of \$1.1 million or 14.3% over the prior fiscal year. The last time that Megabucks experienced an increase in sales was fiscal year 2010 when the game was restructured, increasing the ticket price from \$1 to \$2. Megabucks is the oldest jackpot style game the Lottery offers, holding strong at 33 years. Megabucks retains a committed player base and accounts for 2.6% of revenues.

Pick 3 and Pick 4 remained relatively consistent from fiscal year 2017 to fiscal year 2018 with slight decrease for both games. Pick 3 decreased \$375 thousand and Pick 4 decreased \$50 thousand from the previous year. Other Tri-State sales revenues increased \$378 thousand or 6.8% overall; with slight increases in both Gimme 5 and Fast Play games sales. Tri-State games' combined sales increased \$1.0 million over 2017, gaining 4.4% between the two fiscal years. Tri-State games in total amounted to 7.4% and 7.9% of total Lottery sales for fiscal years 2018 and 2017, respectively.

Lucky for Life sales revenues were relatively flat in fiscal year 2018 at \$5.4 million, an increase of \$.12 million over 2017. When a game goes on the market, sales begin at a higher rate due to consumer interest in a new product, then reach a point where they level off. We have observed this in Lucky for Life.

The following graph displays Lottery revenues by product/game for the fiscal year ended June 30, 2018. Tri-State Other Games include GIMME 5 and Fast Play.



Operating Expenses – Cost of Sales: Prizes

Prizes are the largest operating expense of the Lottery. Prize expense in general will increase or decrease from year to year in proportion to the increase or decrease in sales for that particular game. Fiscal year 2018 prize expense of \$211.5 million reflects a 10.3% increase from fiscal year 2017 prize expense of \$191.8 million. This increase in prizes reflects a corresponding increase in total operating revenues.

Games in which the player wins instantly pay out at a higher percentage than draw games. Therefore, net profit will grow more quickly with an increase in the sales of draw games as compared to instant win type games. Instant win games on average have a 62% to 79% (of possible sales) prize pay-out built into each game, whereas draw games typically have a 50% to 60% (of sales) prize pay-out built into the design of the game. Keno has a prize payout of approximately 69%. More specifically, for instant scratch games, the higher the price point 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 62% prizes to sales ratio while a \$20 ticket will have a nearly 75% prizes to sales ratio.

The following two tables show prizes to sales (operating revenues) profit margin for Lottery games by venture for the years ended June 30, 2018 and 2017.

2018	Gross Games Revenues	Prize Expense	Gross Profit After Prizes	Profit Margin After Prizes
Instant Scratch Games	\$238,866,572	\$162,587,401	\$76,279,171	31.9%
Keno	8,357,389	5,727,033	2,630,356	31.5%
Tri State Games	25,033,219	13,429,680	11,603,539	46.4%
MUSL Games	55,050,102	26,494,672	28,555,430	51.9%
Lucky for Life	5,444,744	3,293,573	2,151,171	39.5%

2017	Gross Games Revenues	Prize Expense	Gross Profit After Prizes	Profit Margin After Prizes
Instant Scratch Games	\$223,368,115	\$153,259,505	\$70,108,610	31.4%
Tri State Games	23,984,950	12,602,382	11,382,568	47.5%
MUSL Games	46,482,536	22,575,938	23,906,598	51.4%
Lucky for Life	5,319,096	3,223,925	2,095,171	39.4%

As the tables above show, 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.

The actual prizes paid percentage can be slightly less than the designed prize percentage built into the game due to unclaimed prizes (prizes that winners never claim). Lottery prize winners have one year (365 days) to claim their prizes. Expired 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, 2018 and 2017. Tri-State Other represents Gimme 5 and Fast Play.

Game	2018	2017	\$ Change	% Change
Instant Scratch Games	\$ 162,587,401	\$ 153,259,505	\$ 9,327,896	6.1%
Keno	5,727,033	-	5,727,033	100.0%
MUSL Powerball	17,623,212	15,596,479	2,026,733	13.0%
MUSL Mega Millions	8,329,581	5,606,497	2,723,084	48.6%
MUSL Hot Lotto	541,879	1,372,962	(831,083)	-60.5%
Tri-State Megabucks	4,558,213	3,771,251	786,962	20.9%
Tri-State Pick 3	2,727,719	2,912,763	(185,044)	-6.4%
Tri-State Pick 4	2,464,223	2,489,182	(24,959)	-1.0%
Tri-State Other	3,679,525	3,429,185	250,340	7.3%
Lucky for Life	3,293,573	3,223,925	69,648	2.2%
Other - contributed prizes	1,146	116,654	(115,508)	-99.0%
Total prize expense	\$ 211,533,505	\$ 191,778,403	\$ 19,755,102	10.3%

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, Keno licensing expense and expense pool costs (administrative costs) for joint ventures. These other costs of sales totaled \$28.5 million for fiscal year 2018 and \$25.6 million for fiscal year 2017. The increase was primarily due to the increase in ticket sales. Retailer commissions were up \$2.7 million or 15.7% for fiscal year 2018 over fiscal year 2017. 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 2018 were relatively flat over fiscal year 2017. 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, 2018 and 2017 (excluding RCGD).

Game	2018	% of Sales	2017	% of Sales
Retailer commissions	\$ 19,908,681	6.0%	\$ 17,203,877	5.7%
Vendor fees	5,792,012	1.7%	5,575,258	1.9%
Keno license expense	10,165	0.0%	-	0.0%
Cost of instant tickets	2,647,866	0.8%*	2,680,952	0.9%*
Expense pools	118,669	0.0%	187,357	0.1%
Other cost of sales	28,477,393	8.6%	25,647,444	8.6%
Prize expense	211,533,505	63.6%	191,778,403	64.1%
Total cost of sales	\$ 240,010,898	72.2%	\$ 217,425,847	72.6%

*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, 2018 and 2017 (excluding RCGD).

Total Lottery Games	2018	2017	\$ Change	% Change
Gross Revenues	\$ 332,782,616	\$ 299,329,699	\$ 33,452,917	11.2%
Cost of Sales	240,010,898	217,425,847	22,585,051	10.4%
Gross profit	\$ 92,771,718	\$ 81,903,852	\$ 10,867,866	13.3%
Gross profit margin	27.9%	27.4%		

Other Operating Expense

Administrative costs decreased \$0.23 million in fiscal year 2018 from fiscal year 2017. The supplemental schedule of revenues, expenses, and distributions located after the notes to the financial statements, itemizes the components of other operating expenses.

Non-operating Revenues (Expenses)

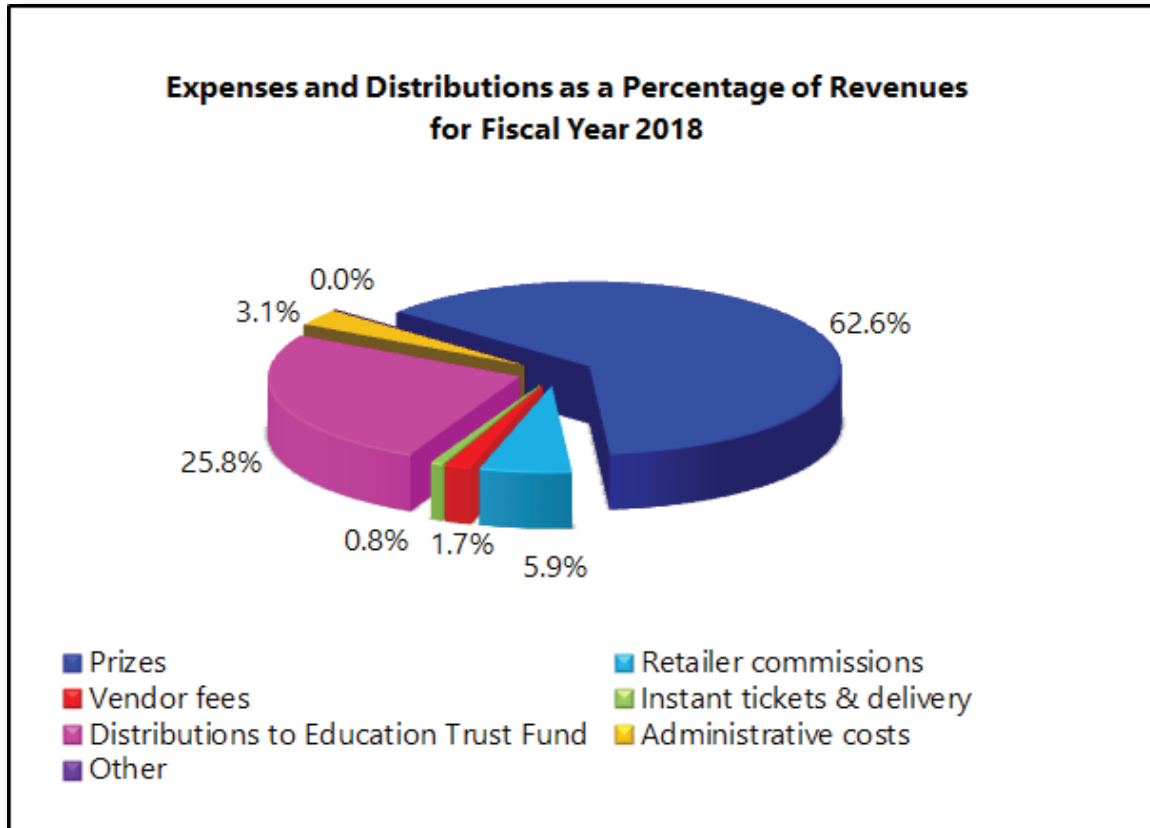
Non-operating revenues totaling \$0.1 million consist of income earned on deposits held with the Tri- State Lotto joint venture and interest from NH Treasury on Lottery cash balances.

Non-operating expenses are distributions to the Education Trust Fund and to the Department of Health and Human Services. The Lottery is required by law to transfer all revenues in excess of its operating costs to the Education Trust Fund, excluding the portion dedicated to DHHS. Fiscal year 2018 distributions were \$87.3 million and fiscal year 2017 distributions were \$76.1. The fiscal year 2018 \$11.2 million increase over fiscal year 2017 was due to increased sales almost across the spectrum and the addition of Keno.

The following table shows total revenues, expenses, and change in net position for the Lottery for the years ended June 30, 2018 and 2017.

	2018	2017	\$ Change	% Change
Operating revenues				
Instant and online ticket sales	\$ 332,752,026	\$ 299,154,697	\$ 33,597,329	11.2%
Revenues from RCGD	5,010,203	4,891,729	118,474	2.4%
Other Income	30,590	175,002	(144,412)	-82.5%
Total operating revenues	<u>337,792,819</u>	<u>304,221,428</u>	<u>33,571,391</u>	11.0%
Operating expenses				
Cost of sales	240,010,898	217,425,847	22,585,051	10.4%
Administrative costs	10,426,289	10,659,628	(233,339)	-2.2%
Depreciation expense	72,925	82,262	(9,337)	-11.4%
Total operating expenses	<u>250,510,112</u>	<u>228,167,737</u>	<u>22,342,375</u>	9.8%
Operating Income	<u>87,282,707</u>	<u>76,053,691</u>	<u>11,229,016</u>	14.8%
Non-operating Revenues				
Interest	103,295	100,168	3,127	3.1%
Net profit before transfers	<u>87,386,002</u>	<u>76,153,859</u>	<u>11,232,143</u>	14.7%
Nonoperating expenses				
Distributions to Education Trust Fund	(87,203,035)	(76,119,818)	(11,083,217)	14.6%
Distributions to DHHS	(76,095)	-	(76,095)	-100.0%
Change in net position	106,872	34,041	72,831	214.0%
Net position - July 1 (FY 2018 restated)	<u>(20,177,646)</u>	<u>369,459</u>	<u>(20,547,105)</u>	-5561.4%
Net position - June 30	<u>\$ (20,070,774)</u>	<u>\$ 403,500</u>	<u>\$ (20,474,274)</u>	-5074.2%
Distributions to Education Trust Fund (net profit) as a percentage of operating revenues	-25.8%	-25.0%	-0.8%	

The following graph displays expenses and distributions to the Education Trust Fund as a percentage of operating revenues for the Lottery for the year ended June 30, 2018.



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. 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.

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 2018 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, Finance Department, Chief Financial Officer, 14 Integra Drive, Concord, NH 03301.

New Hampshire Lottery Commission
Statement of Net Position
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 5,719,008
Cash and cash equivalents - Restricted (Note 1)	116,182
Accounts receivable	3,925,833
Due from other funds (Liquor)	418,816
Instant scratch games ticket inventories	976,521
Prepaid expenses and other	85
Total current assets	11,156,445

Noncurrent assets:

Restricted deposits (Note 1)	4,189,371
Capital assets net of accumulated depreciation (Note 4)	72,309
Total noncurrent assets	4,261,680
Total assets	15,418,125

Deferred outflows of resources (Notes 6 and 7)	1,343,000
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LIABILITIES

Current liabilities:

Accounts payable	2,066,361
Accrued payroll and benefits	315,514
Ticket sales for future draws	984,101
Restricted deposits - Hinsdale (Note 1)	116,182
Unclaimed prizes net of estimated expired prizes (Note 1)	5,775,159
Compensated absences (Note 3)	75,624
Workers Compensation Claims	1,000
Due to Education Trust Fund	1,265,304
Due to DHHS	18,480
Total current liabilities	10,617,725

Noncurrent liabilities:

Compensated absences (Note 3)	397,028
Postemployment benefits liability (Note 7)	16,144,146
Net pension liability (Note 6)	4,402,000
Total noncurrent liabilities	20,943,174
Total liabilities	31,560,899

Deferred inflows of resources (Notes 6 and 7)	5,271,000
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NET POSITION

Net investments in capital assets	72,309
Restricted for prize funds (Note 1)	4,189,371
Unrestricted (deficit)	(24,332,454)
Total net position	\$ (20,070,774)

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, 2018

Operating revenues:	
Instant scratch games	\$ 238,866,572
Keno	8,357,389
Multi-State online games	55,050,102
Tri-State online games	25,033,219
Lucky for Life game	5,444,744
Bingo/Lucky 7/Racing & Charitable Gaming	5,010,203
Other income	30,590
Total operating revenues	<u>337,792,819</u>
Operating expenses:	
Cost of sales:	
Prizes	211,533,505
Retailers' commissions	19,908,681
Other	8,568,712
Total cost of sales	<u>240,010,898</u>
Administration	10,426,289
Depreciation	72,925
Total operating expenses	<u>250,510,112</u>
Operating income	<u>87,282,707</u>
Nonoperating revenues (expenses):	
Interest income	103,295
Distributions to the State's Education Trust Fund	(87,203,035)
Distributions to DHHS	(76,095)
Total nonoperating revenues (expenses)	<u>(87,175,835)</u>
Change in net position	<u>106,872</u>
Net position, July 1 - restated (Note 1)	<u>(20,177,646)</u>
Net position, June 30	<u>\$ (20,070,774)</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers, retailers and joint ventures (net of retailer commissions and prizes paid by retailers)	\$ 517,578,001
Payments to winners and joint ventures	(415,604,288)
Payments to suppliers (goods and services)	(11,424,546)
Payments to employees for salaries and benefits	(5,200,965)
Net cash provided by operating activities	<u>85,348,202</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Distributions to Education Trust Fund	(85,852,151)
Distributions to DHHS	(57,615)
Net cash used for noncapital financing activities	<u>(85,909,766)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sales of equipment and capital assets	-
Purchase of capital assets	-
Net cash used by capital and related financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and other income received	60,913
Net cash provided by investing activities	<u>60,913</u>
Net increase in cash and cash equivalents	(500,651)
Cash and cash equivalents, July 1	<u>6,335,841</u>
Cash and cash equivalents, June 30	<u>\$ 5,835,190</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 87,282,707
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	72,925
Change in net postemployment benefits payable	69,000
Change in net pension liability, net of deferred amounts	64,000
(Increase) decrease in accounts receivable/due from other funds	(1,420,083)
(Increase) decrease in instant scratch games ticket inventory	265,381
(Increase) decrease in prepaid expenses and other	1,364
(Increase) decrease in restricted deposits	(106,872)
Increase (decrease) in accounts payable and other liabilities	96,428
Increase (decrease) in unclaimed prizes	(860,657)
Increase (decrease) in ticket sales for future draws	(115,991)
Total adjustments	<u>(1,934,505)</u>
Net cash provided by operating activities	<u>\$ 85,348,202</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, 2018

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). Effective July 1 of 2015, Chapter 276, Section 121 of the Laws of 2015, transferred authority for the regulation of racing and charitable gaming in the State from the former Racing and Charitable Gaming Commission (RCGC) to the New Hampshire Lottery Commission. Hence the Lottery assumed all the powers, rights, duties and responsibilities granted to the RCGC. The Lottery is now comprised of the Lottery division and the Racing and Charitable Gaming division. Accordingly, the financial statements include the consolidated operations of the two divisions. The Lottery has three commissioners appointed by the Governor and Council for a staggered term of three years. The administration of the Lottery is overseen by an executive director, appointed by the Commissioners for a term of four years. 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. 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 <http://das.nh.gov/accounting/cafr.asp>.

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.

Cash and Cash Equivalents-Restricted represent all simulcast racing revenues received from Hinsdale Harness LLC. RSA 284:23 I.(c) restricts the use of these revenues by stipulating that all amounts collected from an entity licensed to simulcast a running horse race or running horse meet in Cheshire county shall be held in escrow for a period of not more than 36 months by the state treasurer. If the licensee has commenced to hold a live race meet within the 36-month period the escrowed amounts shall be paid to the Lottery to offset any expenses incurred for the services required to hold such meet. If there is no live race meet within the 36-month period all sums so escrowed shall be for the use of the state. As of June 30, 2018, the Lottery has received \$116,182 from simulcast racing at Hinsdale Harness LLC. Accordingly, all such amounts are reported as restricted deposits.

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.

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 10).

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 prize 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 state 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, 2018 MUSL reserves were \$2,601,017 and Tri-State reserves were \$1,588,355.

Compensated absences represent accrued leave for the Lottery's 66 full-time, classified employees at June 30, 2018. 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.

Deferred outflows of resources and deferred inflows of resources; deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred

inflows of resources decrease net position, similar to liabilities.

Net Pension Liability; for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position of the New Hampshire State Retirement System (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

Postemployment Benefits Payable; for purposes of measuring other postemployment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense have been determined on the same basis as reported by the State OPEB Plan. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms.

Ticket sales for future draws consists of subscriptions for Megabucks, Powerball, Hot Lotto, Mega Millions, and Lucky For Life and online ticket sales prior to fiscal year end for game draws subsequent to June 30, 2018. 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 2018 of \$5,775,159 is the net amount after being reduced by an estimate of \$933,092 for Powerball, Hot Lotto, and Mega Millions prizes expected to expire as unclaimed. The Lottery also receives unclaimed prize money from the racetracks for simulcast racing. However, the liability for unclaimed tickets cannot be determined. Based on past history, any amount claimed is immaterial. Accordingly, unclaimed racing ticket liability is not recorded in the financial statement of net position.

Operating revenues represents gross lottery game sales less any sales adjustments and promotional tickets, revenue from racing and charitable gaming, and other income. Other income includes 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, licensing expense 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.

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

Non-operating 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, 2018 MUSL reserves were \$2,601,017 and Tri-State reserves were \$1,588,355. The Tri-State reserves are committed to be returned to the players upon dissolution or termination of participation in the joint venture.

Use of estimates; the preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Adoption of new accounting pronouncements; during the fiscal year ended June 30, 2018, the Lottery Commission adopted the following new accounting standards issued by the Government Accounting Standards Board (GASB):

GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, (GASB 75) improves the financial reporting for post-employment benefits other than pensions (OPEB) to include information provided by employers about financial support for OPEB that is provided by other entities. This statement requires enhanced notes disclosures and schedules for required supplementary information be presented. Under the new standard, the State will report net/total other postemployment benefits and related amounts of deferred outflows of resources and deferred inflows of resources associated with other postemployment benefits provided through the NHRS and the State. As shown below, the State has restated net position as of July 1, 2017 for the effect of implementation of the new standard. The new disclosures resulting from implementation of this statement can be found in Note 7 and in the required supplementary information (RSI).

Net Position, as previously reported	\$ 403,500
Less: GASB 75 Beginning Balance Adjustment	<u>(20,581,146)</u>
Net Position, as restated	<u><u>\$ (20,177,646)</u></u>

GASB No. 81, Irrevocable Split-Interest Agreements (GASB 81) improves the financial reporting for irrevocable split-interest agreements by providing guidance for situations in which a government is a beneficiary of an agreement. This statement requires governments that receive resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement and recognize assets representing its beneficial interests that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The implementation of GASB 81 did not have an impact on the financial statements.

GASB No. 85, Omnibus 2017 (GASB 85) addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including blending component units, goodwill, fair value measurement, and postemployment benefits. The new disclosures resulting from implementation of this statement can be found in the OPEB Note 7 and in the required supplementary information (RSI).

GASB No. 86, Certain Debt Extinguishment Issues (GASB 86) improves financial reporting and notes to the financial statements for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. In addition, the statement improves financial reporting for prepaid insurance on debt that is extinguished. The implementation of GASB 86 did not have an impact on the financial statements.

Note 2 – Cash and Cash Equivalents

The Lottery's cash and cash equivalents and restricted cash as reported on the Statement of Net Position as of June 30, 2018 consists of the following:

Cash in banks (carrying amount)	\$ 966,224
Cash and cash equivalents in State Treasury*	4,863,966
Petty cash	<u>5,000</u>
Total cash and cash equivalents	<u><u>\$ 5,835,190</u></u>

*Includes \$116,182 restricted cash

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.

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, 2018 the Lottery's total deposits held with financial institutions were \$1,034,366 (bank balance), all of which were insured and collateralized.

Note 3 – Compensated Absences

A summary of compensated absences activity for year ended June 30, 2018 is presented below.

	Beginning Balance 6/30/2017	Increases	Decreases	Ending Balance 6/30/2018	Amounts Due Within One Year
Compensated Absences	\$517,445	\$439,963	\$484,756	\$472,652	\$75,624

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance 6/30/2017	Increases	Decreases	Ending Balance 6/30/2018
<u>Capital Assets</u>				
Equipment & Vehicles	\$643,955	-	-	\$643,955
Total capital assets	\$643,955	-	-	\$643,955
<u>Accumulated depreciation</u>				
Equipment & Vehicles	\$498,721	\$94,659	\$21,734	\$571,646
Total accumulated depreciation	498,721	94,659	21,734	571,646
Total capital assets, net	\$145,234	\$(94,659)	\$21,734	\$ 72,309

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 – Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System.

As of June 30, 2018, the Lottery Commission reported a liability of \$4.4 million for its proportionate share of the net pension liability of the Plan. This net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll the total pension liability forward to June 30, 2017. The State's proportion of the net pension liability was based on the State's share of contributions to the Plan relative to the contributions of all participating employers, actuarially determined. The Lottery Commission's net pension liability and pension expense, along with related deferred outflows of resources and deferred inflows of resources was calculated using an allocated proportion among the State's governmental and business-type activities (0.4513%), based on percentage of pension plan contributions. For the year ended June 30, 2018, the Lottery Commission recognized pension expense of \$0.4 million.

As of June 30, 2018, the Lottery Commission reported deferred outflows and inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 42
Differences between expected and actual experience	11	58
Change in actuarial assumptions	467	-
Changes in employer proportion	98	93
Change in employer proportion (entity)	63	198
Contributions subsequent to the measurement date	330	-
Total (in thousands)	<u>\$969</u>	<u>\$391</u>

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount (in thousands)
2019	\$ 52
2020	171
2021	125
2022	(100)
2023	-
Total	<u>\$248</u>

Actuarial Assumptions. The Plan total pension liability, measured as of June 30, 2017, was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study, which was for the period from July 1, 2010 to June 30, 2015.

Long-Term Rates of Return. The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Geometric Rate of Return
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
International Equities (unhedged)	13.00%	4.50%
Emerging International Equities	7.00%	6.25%
Total international equity	20.00%	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	-0.25%
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute return fixed income	7.00%	1.26%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total real estate investments	10.00%	
Total	100.00%	

Discount Rate. The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are determined based on the expected payroll of current members only. Employer contributions are determined based on the Plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The following table illustrates the sensitivity of the Lottery Commission's proportionate share of the Plan's net pension liability to changes in the discount rate. In particular, the table presents the Lottery Commission's proportionate share of the Plan's net pension liability measured at June 30, 2017 assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the single discount rate (in millions):

1% Decrease to 6.25%	Current single rate assumption 7.25%	1% Increase to 8.25%
\$5.7	\$4.4	\$3.3

Note 7 – Postemployment Benefits

The State participates in two Other Postemployment Benefit (OPEB) plans, the New Hampshire Retirement System cost-sharing multiple-employer defined benefit OPEB plan and the State's single employer defined benefit OPEB plan.

Plan Description: RSA 21-I:30 specifies that the State provide certain health care benefits for retired employees and their spouses through a single employer (primary government with component units) defined benefit plan. These benefits include group hospitalization, hospital medical care, surgical care and other medical care. Substantially all of the State's employees who were hired on or before June 30, 2003 and have 10 years of service, may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pensions on a periodic basis rather than a lump sum. During fiscal year 2004, legislation was passed that requires State Group I employees hired on or after July 1, 2003 to have 20 years of state service in order to qualify for health benefits. During fiscal year 2011, legislation was passed that requires Group II employees to have 20 years of State service to qualify for retiree health benefits. Additionally, during fiscal year 2012, legislation was passed requiring Group I employees hired after July 1, 2011 to have 25 years of state service and increased the normal retirement age for Group I and Group II employees hired after July 1, 2011. These and similar benefits for active employees and retirees are authorized by RSA 21-I:30 and provided through the Employee and Retiree Benefit Risk Management Fund, a single-employer group health plan (Plan), which is the state's self-insurance internal service fund implemented in October 2003 for active state employees and retirees. The Plan funds the cost of medical and prescription drug claims by charging actuarially developed working rates to State agencies for participating employees, retirees and eligible spouses. An additional major source of funding for retiree benefits is from the NHRS medical subsidy payment described earlier. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Other Postemployment Benefits (OPEB) Liability: The Lottery Commission's proportionate share of the Total OPEB liability of \$16,144,000 was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2016, adjusted forward. The Lottery Commission's proportionate share of the Total OPEB liability is the ratio attributable to each fund/component unit based on each participant's calculated liability.

As of the measurement date, the Lottery Commission's proportion was 0.724%, which was a decrease of four basis points from its proportion measured as of the previous measurement date. Subsequent to the measurement date, the State decided to implement a Medicare Advantage plan, effective January 1, 2019. It is estimated that this change will decrease the overall State's OPEB liability by \$170 million.

Actuarial Assumptions and other inputs: the Total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.25%
Salary Increases:	Group I employees: 13.25% decreasing over 9 years to an ultimate level of 3.75%
	Group II employees: 25.25% decreasing over 8 years to an ultimate level of 4.25%
Discount Rate:	3.58% as of June 30, 2017 and 2.85% as of June 30, 2016
Healthcare Cost Trend Rates:	Medical: under 65, 7.4% for one year then 4.5% per year; over 65, 1.4% for one year then 4.5% per year
	Prescription Drug: under 65, 12.8% for one year then 9.0% decreasing by 0.5% each year to an ultimate level of 4.5% per year; over 65, (6.1)% for one year then 9.0% decreasing by 0.5% an ultimate level of 4.5% per year
	Contributions: Retiree contributions are expected to increase with a blended medical and prescription drug trend

The discount rate was based on the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index (2.85% as of June 30, 2016 and 3.58% as of June 30, 2017). This determination is in accordance with GASB Statement No 75.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table projected generationally for males and females with Scale MP-2015.

The assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study by New Hampshire Retirement System for the period July 1, 2010 through June 30, 2015.

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations.

Sensitivity of the Total OPEB liability to changes in the discount rate: The following presents sensitivity of the Lottery Commission's proportionate share of the Total OPEB liability to changes in the discount rate. In particular, the table presents the Lottery Commission's proportionate share of the Total OPEB liability measured at June 30, 2017 if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (in millions):

1% Decrease to 2.58%	Current Discount Rate 3.58%	1% Increase to 4.58%
\$18.7	\$16.1	\$14.0

Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates: The following presents sensitivity of the Lottery Commission's proportionate share of the total OPEB liability to changes in the healthcare cost trend rates. In particular, the table presents the Lottery Commission's proportionate share of the Total OPEB liability measured at June 30, 2017, if it were calculated using healthcare cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare trend cost rates (in millions):

1% Decrease	Current Trend Rate	1% Increase
\$13.9	\$16.1	\$19.0

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the Lottery Commission recognized OPEB expense of \$0.44 million. As of June 30, 2018, the Lottery Commission reported deferred outflows and inflows of resources on its government-wide financial statements related to OPEB of \$4.88 million (excluding \$ 374 thousand in contributions subsequent to the measurement date) from the following sources.

(in thousands)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 48
Change in assumptions	-	4,733
Changes in employer proportion		99
Contributions subsequent to the measurement date	374	-
Total	<u>\$374</u>	<u>\$4,880</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	Amount (in thousands)
2019	\$ 976
2020	976
2021	976
2022	976
2023	976
Total	<u>\$4,880</u>

Note 8 – 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, 2019. The total building lease cost for fiscal years 2018 and 2017 amounted to \$411,897 for both years. The Lottery's commitment for future lease payments required under the operating lease is \$ 343,248. See table below showing future obligations for the remaining term of the lease.

<u>Fiscal Year</u>	<u>Amount</u>
2019	<u>\$343,248</u>
Total	<u><u>\$343,248</u></u>

Note 9 – 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 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. Tri-State and MUSL joint ventures are audited by separate audit firms hired by the particular joint venture. For fiscal year 2018 Macpage, LLC, of South Portland, Maine audited Tri-State and LWBJ 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, 2018, Tri-State reported total installment prize obligations owed to jackpot winners of \$24.2 million, payable through the year 2045.

Each member state, and 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, 2018 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 \$1,588,355. 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 withdraws, 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 2018 is summarized below:

<u>Tri-State</u>	
Operating revenues	\$25,033,219
Operating expenses	
Prizes	13,429,679
Retailer Commissions	1,441,935
Advertising and promotional	1,354,281
Vendor Fees	418,486
Other operating expenses	107,046
Total operating expenses	<u>16,751,427</u>
Net operating income	8,281,792
Interest income	59,915
Net Income from Tri-State	<u>\$ 8,341,707</u>

The Tri-State Lotto Commission maintains its own financial statements, which have been audited by an independent CPA firm. The report dated October 22, 2018 issued an unqualified opinion on the Tri-State Lotto financial statements for the fiscal year ended June 30, 2018. 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 36 member state lotteries, including the District of Columbia, Puerto Rico, and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit.

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

Each member state participates in the sale of Powerball tickets. Each member state including the Lottery shares in all joint venture sales and expenses, including prize expenses, based on its pro-rata share of sales. Each week MUSL allocates 50 percent of sales to the prize pool. Two percent of that prize pool is placed into two Powerball prize reserve funds. One of these funds, the Powerball prize reserve fund, acts as a contingency reserve to protect MUSL members against unforeseen liabilities and is to be used at the discretion of the MUSL Board of Directors. The prize reserve fund monies, which are maintained on MUSL's balance sheet, are refundable after a one-year waiting period if a member leaves the Association or if the Association disbands. New Hampshire's total share of prize reserves held by MUSL amounted to \$2,601,017 at June 30, 2018.

At June 30, 2018, the total MUSL Powerball prize reserve fund had a balance of \$81,746,568. New Hampshire's portion of the prize reserve fund balance amounted to \$1,071,632. 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, 2018, the total MUSL – Powerball set prize reserve fund had a balance of \$35,410,219. New Hampshire's portion of the prize reserve fund balance amounted to \$463,582. The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$15,072,214 at June 30, 2018. New Hampshire's portion of this unreserved fund amounted to \$76,196. 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 elected to participate in the sale of Hot Lotto tickets through October 2017. Hot Lotto had been offered since April 2002. MUSL allocated 50 percent of the weekly sales to the prize pool. At June 30, 2018 the MUSL Hot Lotto prize reserve fund was \$6,918,607 with New Hampshire's share being \$307,106. Each participating member paid for a share of Hot Lotto operating expenses based upon the member's proportionate share of total Hot Lotto game sales. Hot Lotto sales ended in October 2017 due to declining sales and was replaced with Lotto America. New Hampshire Lottery does not currently participate in Lotto America.

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, 2018 the MUSL Mega Millions prize reserve fund was \$58,073,937 with New Hampshire's share being \$758,697. 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 2018 is summarized below:

MUSL	
Operating revenues	\$55,050,102
Operating expenses	
Prizes	26,494,672
Retailer Commissions	3,056,670
Advertising and promotional	627,627
Vendor Fees	859,699
Other operating expenses	3,829
Total operating expenses	<u>31,042,497</u>
Net operating income	24,007,605
Interest income	<u>997</u>
Net Income from MJSL	<u><u>\$24,008,602</u></u>

MUSL maintains its own financial statements, which have been audited by an independent CPA firm. The report dated October 18, 2018 issued an unqualified opinion on the MUSL financial statements for the fiscal year ended June 30, 2018. 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 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 lotteries in 25 states and the District of Columbia. 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.

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 top two prize tiers' liability for each Lucky for Life drawing is shared by each member Lottery based on an amount equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of the total jackpot/grand prize liability to total Lucky for Life sales. The member Lotteries are responsible for the prize liability for low-tier/set prizes (prize levels two through ten) as follows: each member Lottery is responsible for an amount equal to a percentage of that member Lottery's Lucky for Life sales, said percentage being the proportion of total Lucky for Life prize liability to total Lucky for Life sales.

The Lucky for Life game was designed to have a total prize percentage payout of 60 percent of sales, providing approximately one jackpot/grand prize winner annually and 17 second prize tier winners annually. The prize percentage of 60 percent is broken down to include a jackpot/grand prize amount equal to 10% of total sales, second highest prize tier equal to 12% of sales, and low-tier prizes of 38% of sales. Online lottery games are designed to provide an average payout over an extended period of time.

The New Hampshire Lottery Commission's portion of the Lucky for Life game for fiscal year 2018 is summarized below:

<u>Lucky for Life</u>	
Operating revenues	\$ 5,444,744
Operating expenses	
Prizes	3,293,573
Retailer Commissions	288,358
Advertising and promotional	31,589
Vendor Fees	84,423
Other operating expenses	<u>7,793</u>
Total operating expenses	<u>3,705,736</u>
Net Income from Lucky For Life	<u>\$ 1,739,008</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 twenty-one jurisdictions' directors and finance members prior to the startup of Lucky for Life.

Note 10 – 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. The Replay program was discontinued in December 2017.

Note 11 – 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 12 – Prize Annuity Due Winner

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

New Hampshire Lottery Commission
Required Supplementary Information (Unaudited)
Fiscal Year Ended June 30, 2018

The tables below and on the following page display information about the New Hampshire Retirement System Plan and Postemployment Benefits:

Schedule of the Lottery Commission's Proportionate Share of the Net Pension Liability (dollars in thousands)	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Lottery's Proportion of the Net Pension Liability	0.09%	0.09%	0.09%	0.09%
Lottery's Proportionate Share of the Net Pension Liability	\$4,402	\$4,948	\$3,675	\$3,400
Lottery's Covered Payroll	\$2,652	\$2,688	\$2,622	\$2,465
Lottery's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	166.01%	184.08%	140.16%	137.93%
NHRS Fiduciary Net Position as a Percentage of the Total Pension Liability	62.66%	58.30%	65.47%	66.32%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2018, 2017, 2016, 2015. Schedule is intended to show 10 years; additional years will be added as they become available.

Schedule of the Lottery Commission's Contributions (dollars in thousands)	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Required Lottery Contribution	\$ 330	\$ 330	\$ 330	\$ 300	\$ 294
Actual Lottery Contributions	\$ 330	\$ 330	\$ 330	\$ 300	\$ 294
Excess/(Deficiency) of Lottery Contributions	-	-	-	-	-
Lottery's Covered Payroll	\$2,714	\$2,808	\$2,617	\$2,648	\$2,465
Lottery Contribution as a Percentage of its Covered Payroll	12.16%	11.75%	12.61%	11.33%	11.93%

Note: Schedule is intended to show 10 years; additional years will be added as they become available.

See accompanying independent auditor's report.

**Schedule of the Lottery Commission's
Proportionate Share of the
Total OPEB Liability**

(dollars in thousands)	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Lottery's Proportion of the total OPEB Liability	0.724129%	0.728277%
Lottery's Proportionate Share of the total OPEB Liability	\$16,144	\$20,943
Lottery's Covered Payroll	\$ 2,652	\$ 2,688
Lottery's Proportionate Share of the total OPEB Liability as a Percentage of its Covered Payroll	608.75%	779.13%

Note: The amounts presented were determined as of and for the measurement periods ended June 30, 2017 and 2016. Schedule is intended to show 10 years; additional years will be added as they become available.

Changes in assumptions reflect trend assumption revisions to reflect current experience and future expectations. The discount rate increased from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

See accompanying independent auditor's report.

New Hampshire Lottery Commission
Other Supplementary Information
Supplemental Schedule of Revenues, Expenses, and Distributions
For the Year Ended June 30, 2018

Operating Revenues	
Instant tickets	\$ 238,866,572
Keno	8,357,389
MUSL Powerball	36,780,498
MUSL Mega Millions	16,947,560
Tri-State Megabucks	8,740,106
Tri-State Pick 3	5,455,938
Tri-State Pick 4	4,928,155
Lucky for Life	5,444,744
MUSL Hot Lotto	1,322,044
Tri-State Gimme 5	2,658,231
Tri-State Fast Play	3,250,789
Racing & Charitable Gaming	5,010,203
Other income	30,590
Total operating revenues	337,792,819
Operating Expenses	
Cost of sales	
Prize awards	
Instant tickets	162,587,401
Keno	5,727,033
MUSL Powerball	17,623,212
MUSL Mega Millions	8,329,581
Tri-State Megabucks	4,558,213
Tri-State Pick 3	2,727,719
Tri-State Pick 4	2,464,223
Lucky for Life	3,293,573
MUSL Hot Lotto	541,879
Tri-State Gimme 5	1,408,855
Tri-State Fast Play	2,270,670
Other - contributed prizes paid	1,146
Total prize awards	211,533,505
Retailers' commissions	19,908,681
Vendor fees	5,792,012
Keno License Fees	10,165
Cost of instant scratch games (printing and delivery)	2,647,866
Expense pools	118,669
Total cost of sales	240,010,898
Administration:	
Salaries and benefits	5,409,923
Advertising and promotional	3,681,110
Space rental	411,897
Information technology	267,861
Other expenses	655,498
Total administration	10,426,289
Depreciation expense	72,925
Total operating expenses	250,510,112
Operating income	87,282,707
Nonoperating revenues	
Interest and miscellaneous income	103,295
Net income	87,386,002
Distributions to Education Trust Fund	(87,203,035)
Distributions to DHHS	(76,095)
Change in net position	\$ 106,872

See accompanying independent auditor's report.

\$1

NEW HAMPSHIRE LOTTERY®

Scratch and reveal a "603" and win the prize shown.

603

PORTSMOUTH

SCRATCH TO CASH

WIN UP TO \$1,000

000 ■

The image shows a scratch-off lottery ticket with a purple border. The background is an illustration of a city street in Portsmouth, New Hampshire, featuring brick buildings, trees with yellow leaves, and street lamps. The number '603' is prominently displayed in the center, with 'PORTSMOUTH' written below it. The ticket is valued at \$1 and offers a chance to win up to \$1,000. A scratch-off area is indicated by a small '603' in the top left. The text 'Scratch and reveal a "603" and win the prize shown.' is written in a stylized font. The 'NEW HAMPSHIRE LOTTERY®' logo is in the top right. The 'SCRATCH TO CASH' logo is in the bottom left, and 'WIN UP TO \$1,000' is in the bottom center. A small box with '000' and a square symbol is in the bottom right.

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Statistical Section (Unaudited)

\$1

Scratch and reveal a "603" and win the prize shown.

603

NEW HAMPSHIRE LOTTERY®

WHITE MOUNTAINS



SCRATCH TO CASH

WIN UP TO \$1,000

■ □ □ □

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Description of Statistical Section Contents

This part of the New Hampshire Lottery Commission's comprehensive annual financial report presents detailed information as a context for understanding the content of the financial statements, note disclosures, and supplementary information. It is intended to illustrate the Lottery's overall financial health.

Financial Trends: 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. These trends are illustrated in the tables and graphs that reflect the last ten fiscal years and include:

- Revenues, Expenses, and Changes in Net Position
- Sales by Game
- Expenses
- Distributions to the Education (Net Profit)
- Powerball and Instant Sales
- Instant versus Online Sales

Operating Information: These schedules illustrate miscellaneous statistics by comparing certain information contained in the Lottery's financial report as it relates to the programs it offers and the activities it performs:

- Game Statistics
- Prizes by Game

Demographic and Economic Information: 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 it derives its revenues. The data includes nine to ten fiscal years of the following areas:

- Top Ten Revenue Producers
- State's Top Ten Ranked Employers
- Lottery Commission Employee Statistics
- New Hampshire Demographic Economic Statistics

Industry Comparisons: This data is sourced from the leading industry almanac and offers an understanding of New Hampshire Lottery's performance in comparison to other state lotteries in Fiscal Year 2018:

- Unaudited Lottery Sales, Prizes, Gross Gaming Revenue and Government Transfers by GDP
- Sales by Game
- Fiscal Year 2018 versus 2017 Instant Sales by Price Point
- Fiscal Year 2018 versus 2017 Prize Payout by Price Point
- US Lotteries Ranked by Consolidated Revenues
- US Lotteries Ranked by Traditional Sales

Revenues, Expenses, and Changes in Net Position for Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues (in thousands)										
Instant Scratch Games	\$170,823	\$160,536	\$161,378	\$176,912	\$192,475	\$195,293	\$208,938	\$218,037	\$223,368	\$238,867
Keno	-	-	-	-	-	-	-	-	-	8,357
MUSL Powerball	39,994	37,705	26,537	33,022	46,160	35,034	28,669	42,546	32,446	36,780
MUSL Mega Millions	-	3,057	11,601	14,986	8,765	13,499	12,533	11,265	11,287	16,948
MUSL Hot Lotto	4,324	4,149	3,698	3,183	3,168	3,160	3,697	2,699	2,749	1,322
Tri-State Megabucks	8,687	12,708	10,537	9,459	9,177	8,105	7,432	7,838	7,645	8,740
Tri-State Daily Pick 3/Pick 4	10,489	10,383	10,380	10,310	9,933	9,855	9,968	10,333	10,809	10,384
Tri-State Other Games	5,266	5,235	4,734	3,499	1,833	4,304	4,623	5,329	5,531	5,909
Lucky for Life	-	-	-	3,289	7,826	6,361	5,272	5,295	5,319	5,445
Racing & Charitable Gaming	-	-	-	-	-	-	-	5,038	4,892	5,010
Income Other than Ticket Sales	677	348	353	1,200	1,132	375	1,850	188	275	134
Total Sales and Other Revenue ²	\$240,260	\$234,121	\$229,218	\$255,860	\$280,469	\$275,986	\$282,982	\$308,568	\$304,321	\$337,895
Operating Expenses										
Prizes	142,050	138,907	139,262	158,887	173,357	171,846	176,415	192,963	191,778	211,534
Retailer Commissions & Incentives	13,070	12,739	12,925	14,832	16,626	15,823	16,256	18,057	17,204	19,909
Other Costs of Sales	8,430	8,338	6,758	7,071	7,618	7,217	7,800	8,262	8,444	8,569
Administration & Depreciation Expenses	8,358	7,942	8,024	8,147	8,533	8,624	8,264	10,205	10,742	10,499
Total Expenses	171,908	167,926	166,969	188,937	206,134	203,510	208,735	229,487	228,167	250,510
Non-operating Expenses										
Transfer in of RCGC operations	-	-	-	-	-	-	-	(1,089)	-	-
Distributions to Education	68,150	66,222	62,207	66,768	74,335	72,380	74,325	79,185	76,120	87,279
Change in Net Position										
Change in Net Position ¹	202	(27)	41	155	-	96	(78)	(1,193)	34	107
Net Position										
Invested in capital assets	164	97	42	13	133	246	187	211	145	72
Restricted for prize funds	3,965	3,938	3,979	4,134	4,134	4,230	4,152	4,048	4,083	4,189
Unrestricted Deficit ^{3,4}	(164)	(97)	(42)	(13)	(133)	(246)	(2,777)	(3,890)	(3,824)	(24,332)
Ending Net Position ⁵	\$3,965	\$3,938	\$3,979	\$4,134	\$4,134	\$4,230	\$1,562	\$369	\$404	\$(20,071)

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.

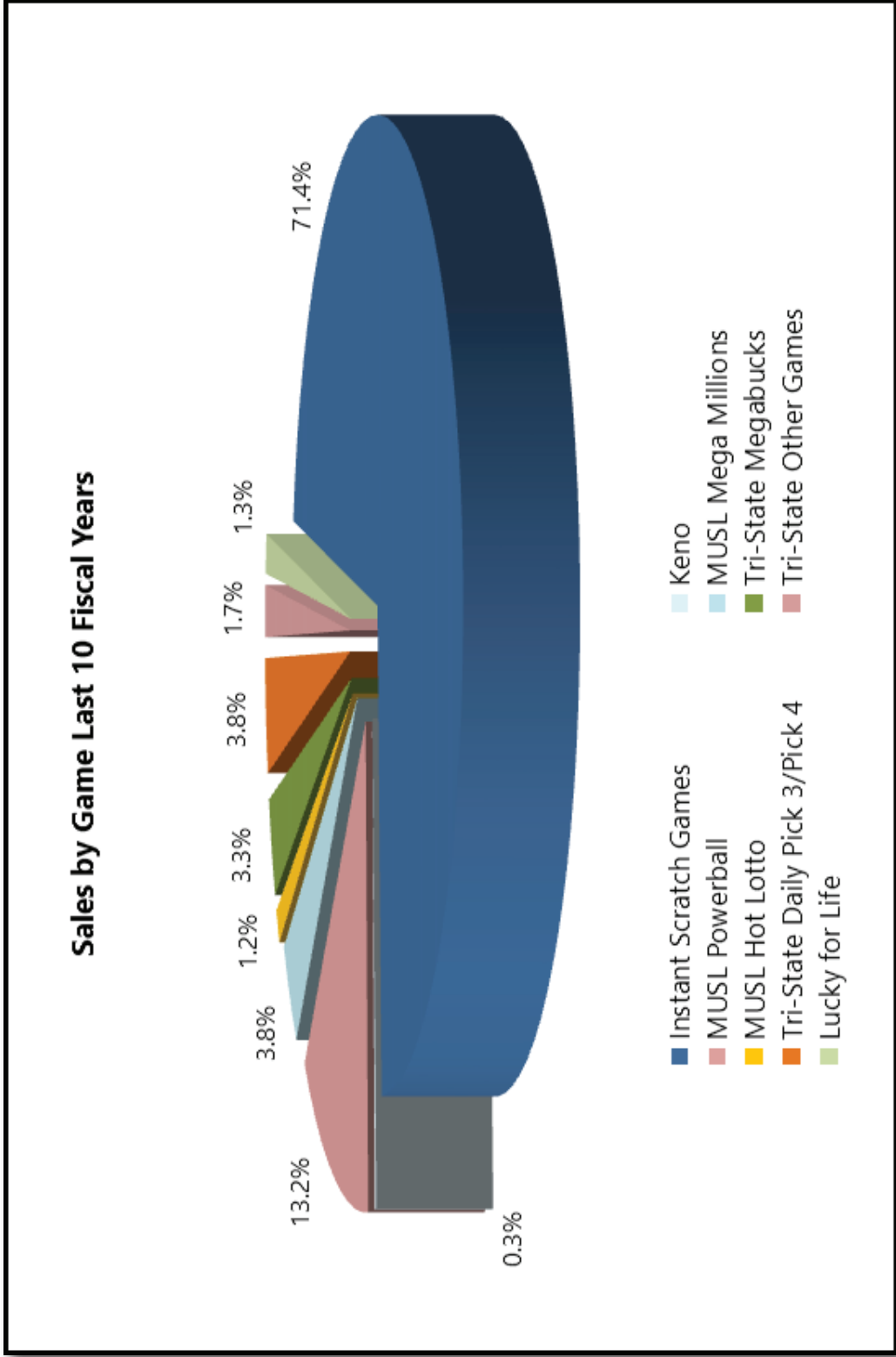
² State law restricts the maximum sales amount of a ticket to \$30.

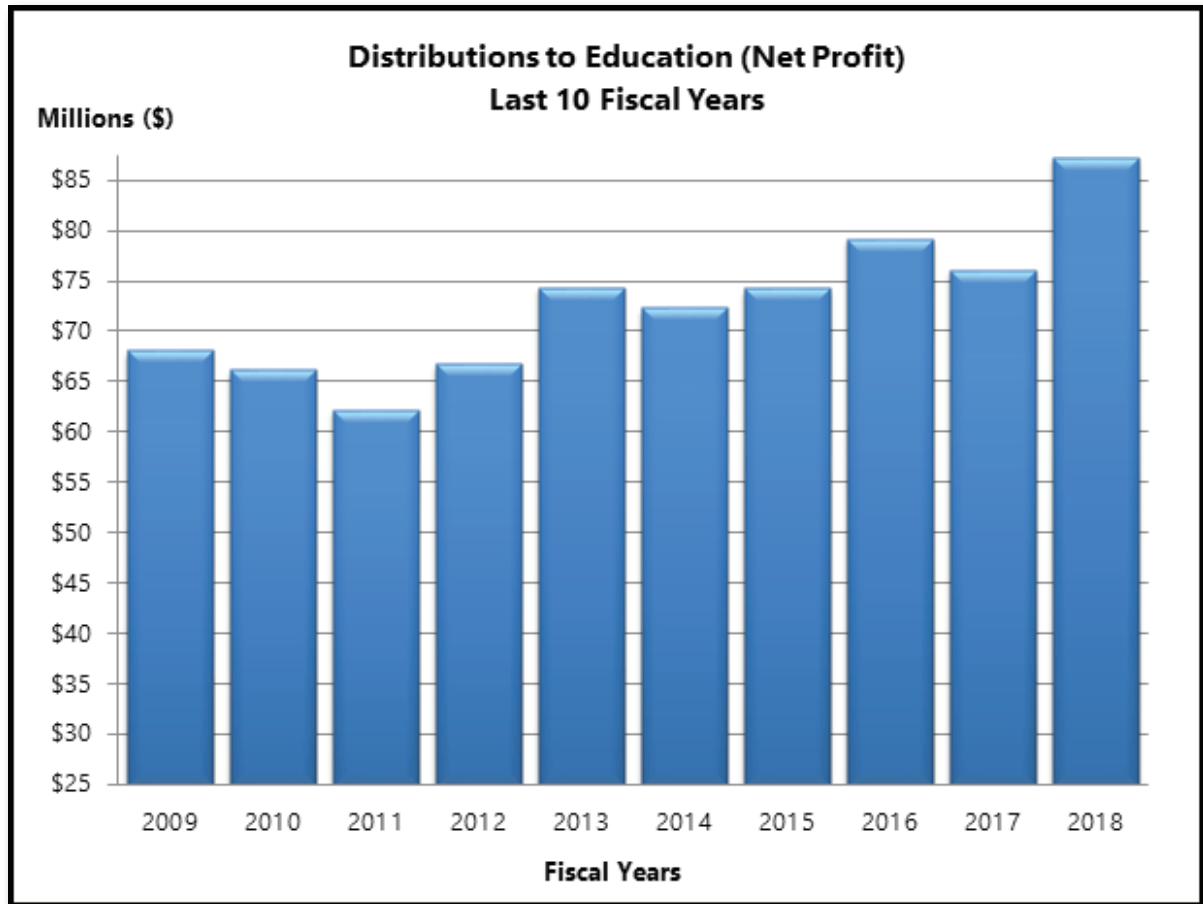
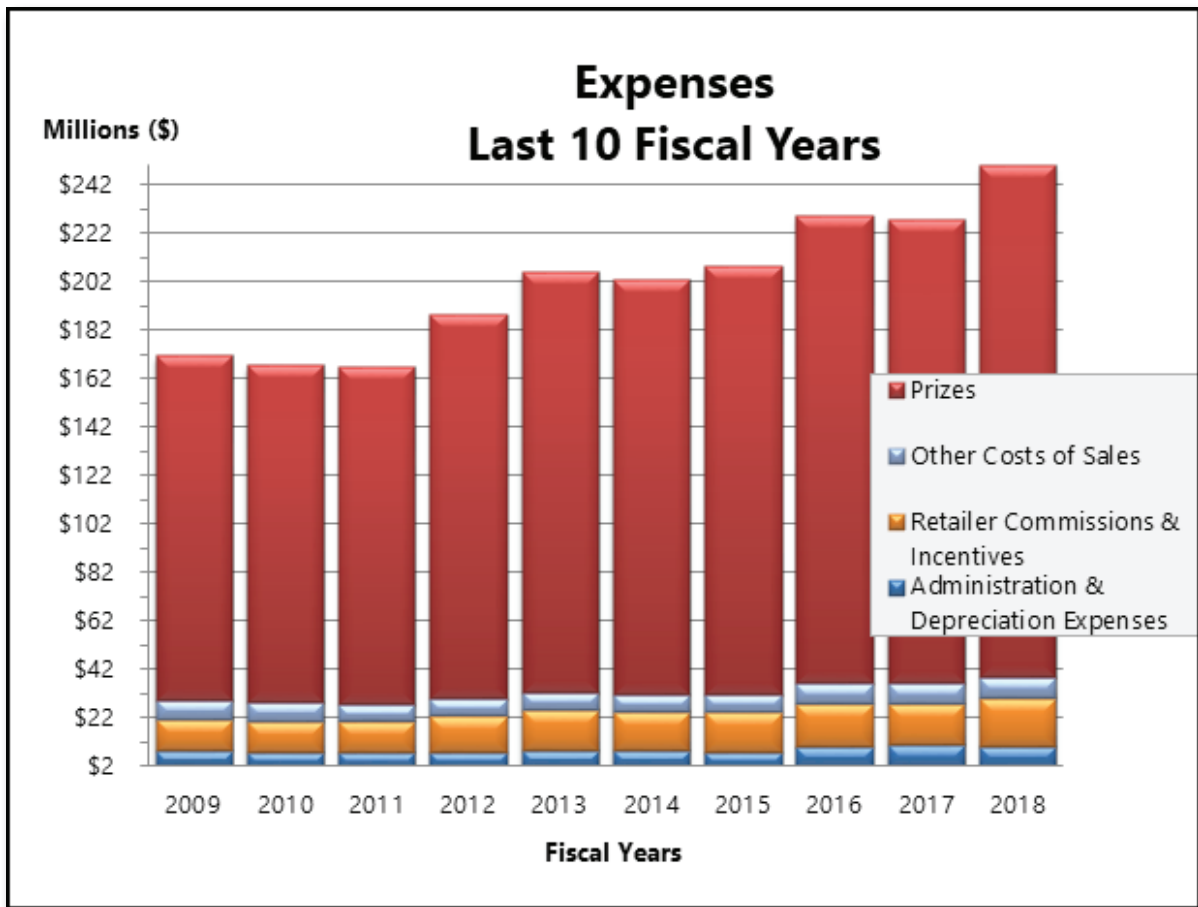
³ The increase in Unrestricted Deficit was due to an accounting change for fiscal year 2015 in accordance with GASB Statement No. 68

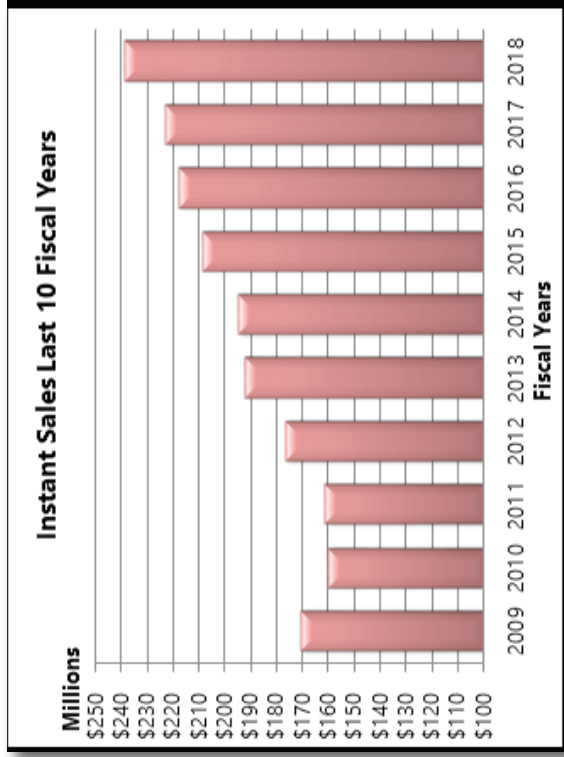
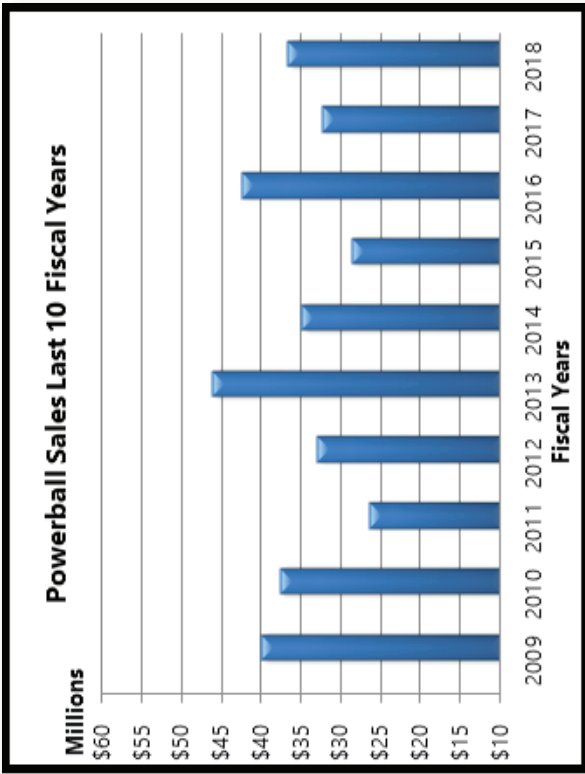
⁴ The increase in Unrestricted Deficit in 2016 was due to the merger with Racing and Charitable Gaming (RCGC). See Note 12

⁵ FY 2018 restated. See Note 1.

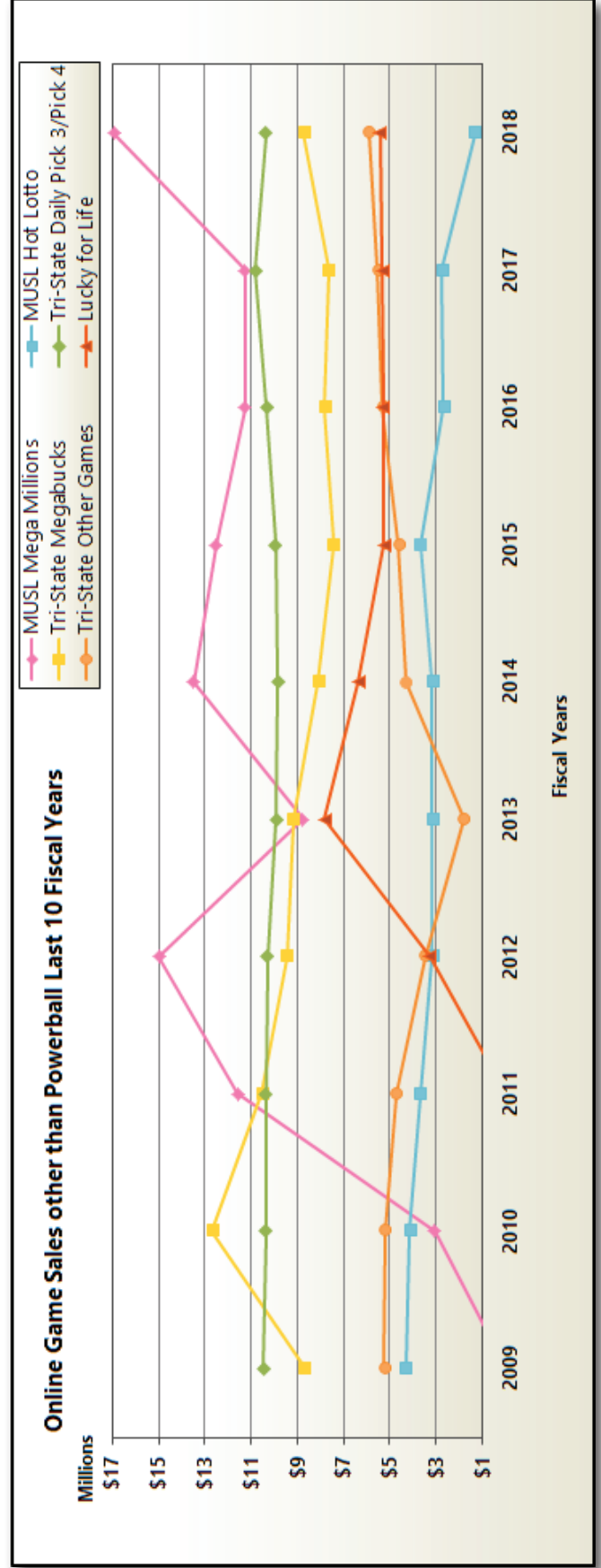
Sales by Game for Last Ten Fiscal Years

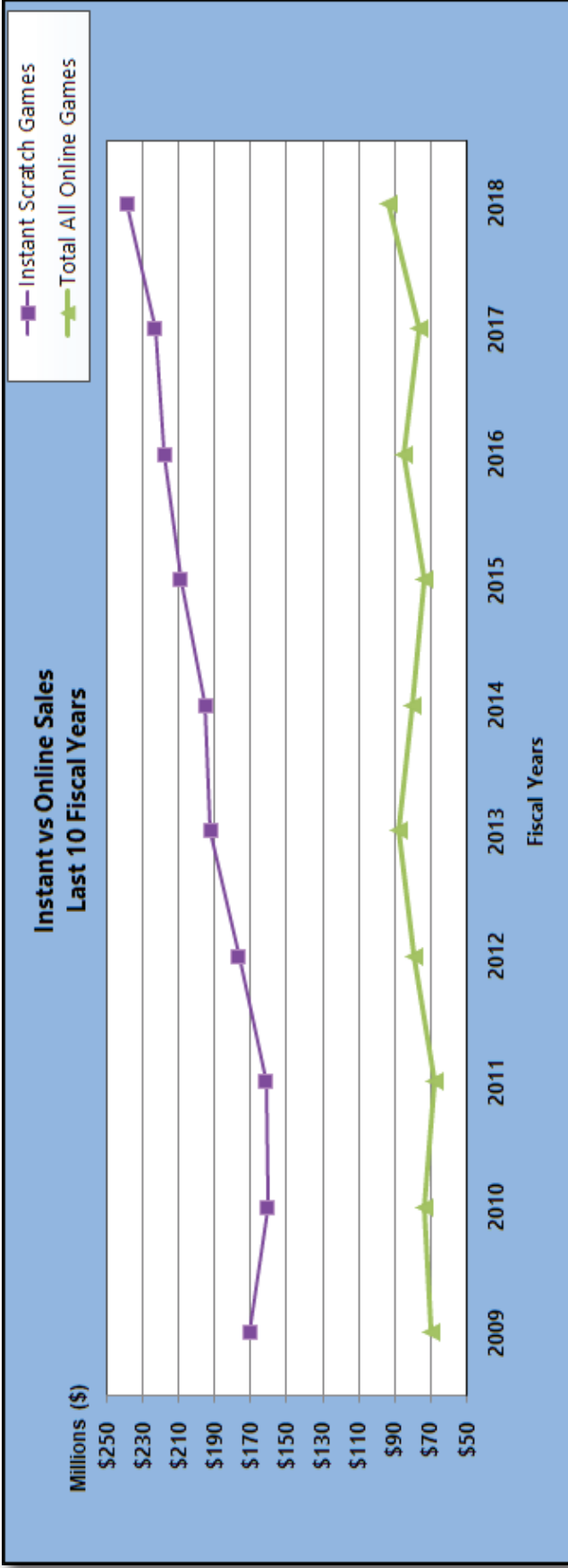






Over the last ten years Instant Scratch Games sales were the strongest of all lottery products. Instant Games are, for the most part, an impulse purchase depending on discretionary spending. Consumers' demand for more technologically advanced types of gambling also has affected sales. Powerball sales fluctuated widely over the last ten years due to the number and size of jackpots. A \$300 million jackpot can 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 2016, Powerball had a record breaking jackpot of \$1.6 billion. In 2017, the highest Powerball jackpot was \$487 million and was won in New Hampshire. There were also 65 Powerball draws with jackpots of \$100 million or more.





The table below shows Prizes as a Percentage of Sales for Instant and Online Games (in thousands)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instant Games										
Sales	\$170,823	\$160,536	\$161,378	\$176,912	\$192,475	\$195,293	\$208,938	\$218,037	\$223,368	\$238,867
Prizes	108,427	102,801	105,524	118,288	129,046	132,361	141,186	149,753	153,260	162,587
Prizes as a % of sales	63.47%	64.04%	65.39%	66.86%	67.05%	67.78%	67.57%	68.68%	68.61%	68.07%
Online Games										
Sales	\$68,760	\$73,237	\$67,487	\$77,748	\$86,862	\$80,318	\$72,193	\$85,305	\$75,787	\$93,885
Prizes	33,623	36,106	33,738	40,599	44,311	39,485	35,229	43,210	38,519	48,947
Prizes as a % of sales	48.90%	49.30%	49.99%	52.22%	51.01%	49.16%	48.80%	50.65%	50.83%	52.13%

Game Statistics for the Last Ten Fiscal Years

Fiscal Year	Number of Lottery Retailers	Number of Online Games Offered ⁴	Number of Instant Games On the Market	Highest Priced Instant Ticket	Number of Subscriptions	Number of Replay Members	Number of Powerball Jackpot Runs Exceeding \$100 Million	Highest Powerball Jackpot Amount ²	Expired Unclaimed Powerball Prizes ³
2018	1348	10 ⁸	106	\$25	8,188	313,536 ⁹	7	\$758,700,000	\$723,363 ⁵
2017	1228	9	101	\$25	8,808	285,465	8	\$487,000,000	\$564,363
2016	1239	9	107	\$25	8,857	300,822	7	\$1,586,400,000	\$790,051
2015	1236	10 ¹	95	\$25	8,059	194,553	6	\$564,100,000	\$330,239
2014	1239	9	86	\$25	7,681	283,212	8	\$448,400,000	\$452,677
2013	1254	9	80	\$20	9,474	200,000	7	\$590,500,000	\$1,613,229
2012	1282	8	84	\$20	9,960 ⁷	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	33,111 ⁶	139,039	7	\$261,600,000	\$723,209
2009	1255	7	111	\$30	21,395	98,617	5	\$232,100,000	\$736,202

¹Monopoly offered from 10/24/14 - 12/26/14. ²The higher the jackpot amount, the more ticket sales increase. ³Expired unclaimed Powerball prize money goes to the Education Trust Fund. ⁴Pick 3 & Pick 4 counted as two games. ⁵This is an estimate. ⁶The 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. ⁷The Lottery lost subscription purchases due to the cost of Powerball doubling from \$1 to \$2 per bet. ⁸Hot Lotto ended in FY18. Last drawing held on 10/28/17. ⁹Replay ended 12/16/17.

Prizes by Game for the Last Ten Fiscal Years

Fiscal Year	Instant Games	Keno ^b	MUSL Powerball	MUSL Other Lotto	Tri-State Megabucks	Tri-State Pick 3 & Pick 4	Tri-State Other	Lucky for Life ^a	Other - Replay ^c	Fiscal Year Total Prizes
2018	\$162,587,401	\$5,727,033	\$17,623,212	\$8,871,460	\$4,558,213	\$5,191,942	\$3,679,525	\$3,293,573	\$1,146	\$211,533,505
2017	\$153,259,505	-	\$15,596,479	\$6,979,459	\$3,771,251	\$5,401,945	\$3,429,185	\$3,223,925	\$116,654	\$191,778,403
2016	\$149,752,984	-	\$20,582,304	\$6,843,711	\$4,197,978	\$5,166,995	\$3,398,390	\$2,913,422	\$107,604	\$192,963,388
2015	\$141,186,490	-	\$13,974,195	\$7,928,740	\$3,800,663	\$4,970,674	\$2,707,801	\$1,735,469	\$111,321	\$176,415,353
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

^aLucky for Life began March 2012. ^bKeno began 12/15/17. ^cReplay ended 12/6/17.

Top Ten Revenue Producers for Last Ten Fiscal Years
(in millions)

	2018		2017		2016		2015		2014		
Retailer	Amount	Retailer	Amount	Retailer	Amount	Retailer	Amount	Retailer	Amount	Retailer	Amount
Circle K	\$30.1	Circle K	\$26.9	Circle K	\$26.4	Circle K	\$22.8	Circle K	\$21.0	Circle K	
Cumberland Farms	20.3	Cumberland Farms	18.4	Cumberland Farms	18.9	Cumberland Farms	17.2	Hannaford Food & Drug	16.4	Hannaford Food & Drug	
Hannaford Food & Drug	18.0	Hannaford Food & Drug	17.6	Hannaford Food & Drug	18.4	Hannaford Food & Drug	17.2	Cumberland Farms	15.7	Cumberland Farms	
Demoulas Market Basket	17.7	Demoulas Market Basket	16.5	Demoulas Market Basket	16.3	Demoulas Market Basket	14.0	Demoulas Market Basket	15.0	Demoulas Market Basket	
7 - Eleven	12.8	7 - Eleven	11.6	Nouria Energy (Shell)	11.1	Nouria Energy (Shell)	10.4	Shaws Supermarket	9.6	Shaws Supermarket	
Nouria Energy (Shell)	11.8	Nouria Energy (Shell)	10.9	Shaws Supermarket	10.5	Shaws Supermarket	9.9	Nouria Energy (Shell)	9.5	Nouria Energy (Shell)	
NH State Liquor Comm	11.2	NH State Liquor Comm	10.5	NH State Liquor Comm	9.9	NH State Liquor Comm	9.5	NH State Liquor Comm	9.4	NH State Liquor Comm	
Shaws Supermarket	10.0	Shaws Supermarket	10.0	7-Eleven	8.8	7-Eleven	8.6	7-Eleven	8.6	7-Eleven	
Global Montello	6.7	Global Montello	5.5	Global Montello	5.8	Global Montello	5.4	Tedeschi Food Shops	5.0	Tedeschi Food Shops	
Cheshire Oil T-Birds	5.0	Cheshire Oil T-Birds	4.3	Tedeschi Food Shops	4.1	Tedeschi Food Shops	4.8	Global Montello	4.8	Global Montello	

	2013		2012		2011		2010		2009		
Retailer	Amount	Retailer	Amount	Retailer	Amount	Retailer	Amount	Retailer	Amount	Retailer	Amount
Circle K	\$20.5	Circle K	\$18.2	Circle K	\$15.4	Circle K	\$13.6	Circle K	\$14.0	Cumberland Farms	
Cumberland Farms	16.0	Cumberland Farms	15.0	Cumberland Farms	13.7	Cumberland Farms	13.6	Cumberland Farms	13.3	Cumberland Farms	
Hannaford Food & Drug	15.3	Hannaford Food & Drug	13.6	Hannaford Food & Drug	12.4	Hannaford Food & Drug	10.9	Hannaford Food & Drug	11.6	Hannaford Bros Co.	
Demoulas Market Basket	14.2	Demoulas Market Basket	12.3	Demoulas Market Basket	10.5	Demoulas Market Basket	10.5	Demoulas Market Basket	10.4	Demoulas Market Basket	
Shaws Supermarket	10.1	Shaws Supermarket	9.5	Shaws Supermarket	9.0	Shaws	8.9	Shaws	9.1	NH State Liquor Comm	
Nouria Energy (Shell)	8.9	NH State Liquor Comm	8.4	NH State Liquor Comm	7.8	NH State Liquor Comm	8.8	Shaws	8.9	NH State Liquor Comm	
7 - Eleven	8.8	7 - Eleven	7.9	7 - Eleven	7.1	7 - Eleven	7.2	7 - Eleven	7.4	7 - Eleven	
NH State Liquor Comm	8.7	Nouria Energy (Shell)	6.6	AGR Foodmart Inc (Shell)	4.8	AGR Foodmart Inc (Shell)	4.5	AGR Foodmart Inc (Shell)	5.0	AGR Foodmart Inc (Shell)	
Tedeschi Food Shops	5.1	Tedeschi Food Shops	4.2	Nouria Energy (Shell)	4.0	Nouria Energy (Shell)	3.7	Nouria Energy (Shell)	3.6	Store 24	
Global Montello	5.0	Cheshire Oil T-Birds	3.2	Tedeschi Food Shops	3.5	Tedeschi Food Shops	3.5	Tedeschi Food Shops	3.3	Nouria Energy (Shell)	

State's Top Ten Ranked Employers for the Last Nine Fiscal Years

2018		2017		2016			
Employer Rank*	# of Employees	% of State	Employer Rank	# of Employees	% of State		
1	State of New Hampshire	17,050	2.34%	1	State of NH	17,071	2.38%
2	Dartmouth-Hitchcock Medical Center	9,100	1.25%	2	Dartmouth-Hitchcock Medical Center	9,100	1.27%
3	Demoulas & Market Basket	9,000	1.24%	3	Demoulas & Market Basket	9,000	1.25%
4	Wal-Mart Stores Inc	7,886	1.08%	4	Wal-Mart Stores Inc	7,886	1.10%
5	University of New Hampshire	6,542	0.90%	5	University System of NH	6,284	0.88%
6	Fidelity Investments	5,700	0.78%	6	Fidelity Investments	5,400	0.75%
7	BAE Systems	5,400	0.74%	7	Liberty Mutual-Northern N.E. Division	4,924	0.69%
8	Liberty Mutual-Northern NE Division	5,058	0.70%	8	Hannaford Brothers	4,900	0.68%
9	Hannaford Brothers	4,900	0.67%	9	BAE Systems	4,500	0.63%
10	Elliot Hospital	3,800	0.52%	10	Elliot Hospital	3,727	0.52%
		<u>74,436</u>	<u>10.24%</u>			<u>72,792</u>	<u>10.15%</u>

2015		2014		2013			
Employer Rank	# of Employees	% of State	Employer Rank	# of Employees	% of State		
1	State of NH	17,756	2.50%	1	State of NH	17,921	2.54%
2	Demoulas & Market Basket	9,000	1.26%	2	Wal-Mart Stores Inc	8,008	1.14%
3	Dartmouth-Hitchcock Medical Center	8,852	1.24%	3	Demoulas & Market Basket	7,500	1.06%
4	Wal-Mart Stores Inc	7,886	1.11%	4	Dartmouth-Hitchcock Medical Center	6,404	0.91%
5	University System of NH	6,256	0.88%	5	University System of NH	6,029	0.85%
6	Fidelity Investments	5,400	0.76%	6	Fidelity Investments	5,000	0.71%
7	Hannaford Brothers	4,900	0.69%	7	Hannaford Brothers	4,900	0.69%
8	Liberty Mutual-Northern N.E. Division	4,700	0.66%	8	Liberty Mutual-Northern N.E. Division	4,700	0.67%
9	BAE Systems	4,500	0.63%	9	Elliot Hospital	3,485	0.49%
10	Elliot Hospital	4,000	0.56%	10	Shaw's Supermarkets	3,358	0.48%
		<u>73,250</u>	<u>10.29%</u>			<u>67,305</u>	<u>9.54%</u>

2012		2011		2010			
Employer Rank	# of Employees	% of State	Employer Rank	# of Employees	% of State		
1	State of NH	17,867	2.54%	1	State of NH	18,487	3.14%
2	Wal-Mart Stores Inc	8,166	1.16%	2	Wal-Mart Stores Inc	8,974	1.28%
3	Dartmouth-Hitchcock Medical Center	6,654	0.95%	3	Dartmouth-Hitchcock Medical Center	8,025	1.14%
4	University System of NH	6,159	0.88%	4	University System of NH	6,459	0.92%
5	Demoulas & Market Basket	6,000	0.85%	5	Demoulas & Market Basket	6,000	0.85%
6	Hannaford Brothers	4,817	0.68%	6	Hannaford Brothers	4,776	0.68%
7	Fidelity Investments	4,600	0.65%	7	Fidelity Investments	4,600	0.65%
8	BAE Systems	4,500	0.64%	8	BAE Systems	4,500	0.64%
9	Dartmouth College	4,250	0.60%	9	Shaw's Supermarkets	4,399	0.63%
10	Liberty Mutual-Northern N.E. Division	4,200	0.60%	10	Dartmouth College	4,399	0.63%
		<u>67,213</u>	<u>9.55%</u>			<u>70,619</u>	<u>10.56%</u>

*Data for 2018 does not report state or local government as an employer. Data for 2017 and older sourced from NH Business Review/Book of Lists 2017.

New Hampshire Lottery Commission Employee Statistics for Ten Fiscal Years

Fiscal Year	Number of Lottery Employees ¹	Salaries Paid to Employees	Benefits Paid to Employees	Number of Retirees and Spouses	Other Post-Employment Benefits Paid ²
2018	66	\$3,096,478	\$1,572,514	107	607,903
2017	64	3,181,302	1,462,336	113	614,028
2016	68	3,319,789	1,518,548	105	547,599
2015	52	2,296,906	1,109,007	65	373,195
2014	58	2,227,878	1,154,200	66	320,596
2013	56	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

¹Includes part-time employees.

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

New Hampshire Demographic and Economic Statistics

Calendar Year	Population	Personal Income ¹	Per Capita Personal Income ¹	Unemployment Rate ²
2017	1,343	77,309	57,574	2.70%
2016	1,331	74,687	55,945	2.90%
2015	1,330	72,549	54,543	3.40%
2014	1,327	69,624	52,400	4.30%
2013	1,323	68,262	61,611	5.10%
2012	1,321	68,482	51,844	5.50%
2011	1,318	65,340	49,562	5.40%
2010	1,316	62,088	47,154	5.80%
2009	1,316	60,201	45,742	6.20%
2008	1,316	61,011	46,365	3.90%

Source: US Dept. of Commerce, Bureau of Census

¹NH Dept. of Employment Security, Economic and Labor Market Information Bureau, NH Vital Signs

²NH Dept. of Employment Security, Economic and Labor Market Information Bureau, Economic Conditions Seasonally Adjusted June Estimated - September Issue

Fiscal 2018 U.S. Unaudited Lottery Sales, Prizes, Gross Gaming Revenues & Gov't Transfers Measured by GDP

Lottery	2017 Pop. ¹ (Mil)	1Q18 GDP ²					Total PC Sales	PC Gov't	Ticket Sales as % of GDP	Gov't Transfer as % of GDP	Prizes as % of Sales	Transfer as % of Ticket Sales	
			Total Ticket Sales ³	VLT (net)	Prizes ⁴	Gaming Revenue (GGR)							Gov't Transfer ⁵
Arizona	7.0	332,016	981.4		580.4	400.9	210.0	\$140	\$30	0.296%	0.063%	59.1%	21.4%
Arkansas	3.0	127,026	499.7		341.9	157.8		\$166		0.393%		68.4%	
California	39.5	2,827,104	6,977.2		4,483.9	2,493.3	1,710.1	\$176	\$43	0.247%	0.060%	64.3%	24.5%
Colorado	5.6	356,324	612.0		383.5	228.5	140.7	\$109	\$25	0.172%	0.039%	62.7%	23.0%
Connecticut	3.6	268,528	1,267.6		792.6	475.0	350.0	\$353	\$98	0.472%	0.130%	62.5%	27.6%
D.C.	0.7	134,521	212.1					\$306		0.158%			
Delaware ^{4,5}	1.0	75,797	231.6	347.8	138.4	93.2	254.5	\$241	\$265	0.306%	0.336%	59.7%	
Florida	21.0	996,280	6,700.8		4,844.8	1,856.0	1,757.6	\$319	\$84	0.673%	0.176%	72.3%	26.2%
Georgia	10.4	569,140	4,597.8		2,768.7	1,829.1	1,143.5	\$441	\$110	0.808%	0.201%	60.2%	24.9%
Idaho	1.7	73,870	265.1		176.1	89.0	53.8	\$154	\$31	0.359%	0.073%	66.4%	20.3%
Illinois	12.8	843,509	2,928.4		1,913.5	1,015.0		\$229		0.347%		65.3%	
Indiana	6.7	368,005	1,270.1		797.3	472.8	306.1	\$191	\$46	0.345%			
Iowa	3.1	193,756	371.0		227.2	143.8	87.1	\$118	\$28	0.191%	0.045%	61.2%	23.5%
Kansas	2.9	161,551	284.3		157.9	126.4	74.8	\$98	\$26	0.176%	0.046%	55.5%	26.3%
Kentucky	4.5	208,202	1,042.5		657.4	385.2	266.4	\$234	\$60	0.501%	0.128%	63.1%	25.6%
Louisiana	4.7	254,060	491.0		263.6	227.4	172.0	\$105	\$37	0.193%	0.068%		35.0%
Maine	1.3	63,015	288.9		192.5	96.3	63.0	\$216	\$47	0.458%	0.100%	66.6%	21.8%
Maryland ^{4,5}	6.1	404,555	2,033.7	1,046.7	1,246.8	786.9	1,252.3	\$336	\$207	0.503%	0.310%	61.3%	
Massachusetts	6.9	542,247	5,340.4		3,891.0	1,449.4	986.0	\$778	\$144	0.985%	0.182%	72.9%	18.5%
Michigan ⁶	10.0	517,682	3,543.7		2,174.1	1,369.6	937.8	\$356	\$94	0.685%	0.181%	61.4%	26.5%
Minnesota	5.6	356,761	596.5		370.6	225.9	145.1	\$107	\$26	0.167%	0.041%	62.1%	24.3%
Missouri	6.1	312,896	1,314.5		906.2	408.3	306.1	\$215	\$50	0.420%	0.098%	68.9%	23.3%
Montana	1.1	49,237	57.2		32.6	24.6	10.7	\$54	\$10	0.116%	0.022%	57.0%	18.7%
Nebraska	1.9	124,249	183.4		106.6	76.8	45.3	\$96	\$24	0.148%	0.036%	58.1%	24.7%
N. Hampshire	1.3	82,770	330.9		211.7	119.2	87.5	\$246	\$65	0.400%	0.106%	64.0%	26.5%
New Jersey	9.0	607,753	3,299.5					\$366		0.543%			
New Mexico	2.1	100,004	134.0		73.1	60.9	40.2	\$64	\$19	0.134%	0.040%	54.6%	30.0%
New York ^{4,5}	19.8	1,578,081	7,938.8	1,638.8	4,815.9	3,122.9	3,371.9	\$400	\$170	0.503%	0.214%	60.7%	
N. Carolina	10.3	553,425	2,605.3		1,647.8	957.5	655.1	\$254	\$64	0.471%	0.118%	63.2%	25.1%
N. Dakota	0.8	56,166	31.3					\$41		0.056%			
Ohio ^{4,5}	11.7	667,719	3,160.1	987.3	1,998.7	1,161.5	1,087.7	\$271	\$93	0.473%	0.163%	63.2%	
Oklahoma	3.9	193,340	221.1		126.6	94.5	63.2	\$56	\$16	0.114%	0.033%	57.3%	28.6%
Oregon ^{4,5}	4.1	243,207	368.4	934.0	227.4	140.9	726.1	\$89	\$175	0.151%	0.299%	61.7%	
Pennsylvania	12.8	775,680	4,200.6		2,733.8	1,466.8	1,093.6	\$328	\$85	0.542%	0.141%	65.1%	26.0%
R. Island ^{4,5}	1.1	61,268	258.4	481.4	162.1	96.3	365.0	\$244	\$344	0.422%	0.596%	62.7%	
S. Carolina	5.0	224,765	1,750.2		1,149.8	600.4	437.9	\$348	\$87	0.779%	0.195%	65.7%	25.0%
S. Dakota ^{4,5}	0.9	51,020	58.1	220.6	33.5	24.5	124.0	\$67	\$143	0.114%	0.243%	57.8%	
Tennessee	6.7	355,758	1,730.0			1,730.0	421.7	\$258	\$63	0.486%	0.119%		24.4%
Texas ⁶	28.3	1,770,282	5,613.3		3,722.6	1,890.7	1,438.1	\$198	\$51	0.317%	0.081%	66.3%	25.6%
Vermont	0.6	33,016	132.4		87.4	45.0	27.1	\$212	\$44	0.401%	0.082%	66.0%	20.5%
Virginia	8.5	523,758	2,139.8		1,307.7	832.1	606.2	\$253	\$72	0.409%	0.116%	61.1%	28.3%
Washington	7.4	524,277	733.9		460.5	273.4	182.7	\$99	\$25	0.140%	0.035%	62.8%	24.9%
W. Virginia ^{4,5}	1.8	79,534	177.0	877.2	106.5	70.5	477.1	\$97	\$263	0.223%	0.600%	60.2%	
Wisconsin	5.8	333,809	667.4					\$115		0.200%			
Wyoming	0.6	41,298	28.8		14.8	14.0	4.7	\$50	\$8	0.070%	0.011%	51.3%	16.5%
Total	309.6	19,017,261	77,669.9	6,637.3	46,327.5	27,132.1	21,482.9	\$251	\$	0.408%			

Fiscal year ends June 30 except New York and Canadian lotteries (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30).

¹ Source: U.S. Census Bureau; ² Source: U.S. Bureau of Economic Analysis; ³ This data only represents traditional lottery sales.

⁴ Prizes do not include VLT prizes paid; ⁵ Includes transfers for VLT/casino games ⁶ Estimated FY18

U.S. Lotteries' Unaudited Fiscal Year 2018 Sales by Game

	(in \$millions)															
	Pop. (M)	Instant	Pull Tab	3- Digit	4- In State Digit	Lotto	Small Bloc Lotto	Power Ball	Mega Millions	For Life	ITG	Quick Draw	Other	Total Sales	PC Sales	VLT ¹
Arizona	6.9	710.9	8.7	11.7		62.6		118.5	60.9		8.1			981.4	\$142	
Arkansas	3.0	407.6		7.7	4.5	7.9		36.7	19.6	2.9	12.7			499.7	\$167	
California	39.3	5,088.8		149.4	29.8	429.9		537.0	434.6			307.6		6,977.2	\$178	
Colorado	5.5	407.5		12.2		50.0		88.2	38.4	15.7				612.0	\$110	
Connecticut	3.6	730.7		121.6	120.9	56.0		88.1	42.2	19.6		86.4	2.1	1,267.6	\$354	
D.C.	0.7	49.1		40.3	53.3			11.1	6.8	2.2	11.8	15.4	22.2	212.1	\$311	
Delaware	1.0	70.6		27.0	22.8	4.6	3.4	24.6	12.1	3.0		8.8	54.7	231.6	\$243	347.8
Florida	20.6	4,652.3		366.1	259.3	578.6		474.0	220.6	59.2	17.8		72.9	6,700.8	\$325	
Georgia	10.3	3,163.4		525.4	282.6	127.2		155.9	125.6	9.8	9.5	190.9	7.4	4,597.8	\$446	
Idaho	1.7	146.9	45.4	2.4		3.5	2.7	33.1	13.6	3.3	11.1		3.1	265.1	\$158	
Illinois	12.8	1,880.5		278.1	248.8	228.4		161.2	125.0				6.5	2,928.4	\$229	
Indiana	6.6	935.0		36.4	35.0	89.3		108.1	45.9	5.4	11.8		3.1	1,270.1	\$191	
Iowa	3.1	244.3	10.9	7.7	4.3		8.6	58.5	21.3	5.6	9.7			371.0	\$118	
Kansas	2.9	171.6		7.1		11.9	9.6	40.1	17.3	6.0		14.2	6.5	284.3	\$98	
Kentucky	4.4	613.1		149.7	43.5	17.7		77.9	39.8	7.8		82.8	10.3	1,042.5	\$235	
Louisiana	4.7	217.2		52.1	48.7	34.9		96.2	41.9					491.0	\$105	
Maine	1.3	219.1		5.6	4.4	1.5	15.6	24.1	8.7	3.7	6.1			288.9	\$217	
Maryland	6.0	750.9		235.4	296.2	54.3		111.2	88.6	13.2		484.0		2,033.7	\$338	1,046.7
Massachusetts	6.8	3,651.3	0.7		325.2	111.2		127.3	88.9	24.2		1,011.6		5,340.4	\$784	
Michigan	9.9	1,465.3	32.4	363.0	460.6	107.6		127.0	129.3	14.6	75.0	646.8	122.1	3,543.7	\$357	
Minnesota	5.5	411.2		17.7		28.4	12.5	75.4	26.0	6.6	11.7		7.0	596.5	\$108	
Missouri	6.1	907.3		78.7	52.4	58.8		103.6	48.4	8.0		57.4		1,314.5	\$216	
Montana	1.0	18.6				7.6	2.7	13.6	4.9	2.7	3.8		3.2	57.2	\$55	
Nebraska	1.9	100.8		5.5		17.3	1.9	38.6	15.0	4.3				183.4	\$96	
New Hampshire	1.3	239.0		5.5	4.9		12.1	35.8	16.8	5.2	3.3	8.3		330.9	\$248	
New Jersey	8.9	1,852.3		421.3	267.2	223.0		231.8	180.3	41.3	29.3	53.0		3,299.5	\$369	
New Mexico	2.1	72.3		5.6		7.7	4.8	29.6	13.2		0.8		0.1	134.0	\$64	
New York	19.7	4,178.5		887.3	927.0	309.5		408.1	311.8	94.0		793.2	29.6	7,938.8	\$402	1,638.8
North Carolina	10.1	1,782.8		317.1	145.1	65.4		168.7	78.6	19.2		28.5		2,605.3	\$257	
North Dakota	0.8						7.5	14.3	6.3	3.2				31.3	\$41	
Ohio	11.6	1,600.6		340.1	205.1	87.4		148.1	120.1	20.7	164.5	432.7	40.8	3,160.1	\$272	987.3
Oklahoma	3.9	127.6		5.3		4.7	9.2	49.6	22.8	2.0				221.1	\$56	
Oregon	4.1	130.4			1.6	41.7		60.1	30.1			102.0	2.5	368.4	\$90	934.0
Pennsylvania	12.8	2,824.2		270.4	220.7	250.4		272.7	133.9	17.8	114.4	7.6	88.3	4,200.6	\$329	
Rhode Island	1.1	98.7	0.0		23.2	4.5		30.2	13.3	5.0		82.4	1.0	258.4	\$245	481.4
S. Carolina	5.0	1,260.6		213.1	101.1	23.9		93.2	45.5	12.7				1,750.2	\$353	
South Dakota	0.9	30.2				3.3	2.8	14.4	4.7	2.6				58.1	\$67	220.6
Texas	27.9	4,406.2		259.8	113.4	280.1		294.8	259.0					5,613.3	\$201	
Vermont	0.6	102.0		1.3	1.2		5.0	10.1	4.5	1.7	6.5			132.4	\$212	
Virginia	8.4	1,184.6		296.6	302.7	46.5		130.8	110.4	15.2	45.4		7.5	2,139.8	\$254	
Washington	7.3	507.9		18.9		73.9		72.9	54.7				5.7	733.9	\$101	
West Virginia	1.8	99.2		7.9	4.7	4.8	5.3	36.5	14.9			3.6		177.0	\$97	877.2
Wisconsin	5.8	419.4	1.0	23.9	13.9	70.7		98.2	39.5				0.8	667.4	\$115	
Wyoming	0.6					9.8		10.8	5.3	2.9				28.8	\$49	
Total	300.5	47,930.3	99.2	5,575.1	4,624.0	3,596.2	103.8	4,940.9	3,140.8	461.4	553.5	4,417.3	497.4	75,940.0	\$253	6,533.8

¹ VLT sales denote net machine income

U.S. Lotteries' Unaudited Fiscal Year 2018 vs. 2017 Instant Sales by Price Point

(in \$Millions)

	FY18							FY17						
	\$1	\$2	\$3/4	\$5	\$10/15	\$20	\$25+	\$1	\$2	\$3/4	\$5	\$10/15	\$20	\$25+
Arizona	17.7	76.3	26.2	144.4	168.7	176.4	101.3	17.2	77.1	26.3	131.8	152.2	172.4	55.7
Arkansas	20.1	32.7	30.0	105.8	128.3	90.6		21.0	32.6	29.9	104.5	101.0	79.5	
California	160.3	214.3	556.3	1,285.1	1,287.4	1,025.4	559.9	158.9	252.9	519.3	1,225.9	1,300.0	827.7	291.3
Colorado	21.3	22.7	39.9	120.3	90.6	81.4	31.3	24.8	22.7	37.1	114.2	85.9	73.3	22.2
Connecticut	24.4	43.6	62.9	156.4	223.3	147.4	72.7	26.2	41.2	67.5	161.9	232.1	130.5	61.2
D.C.	4.2	4.5	1.8	13.5	15.6	9.9		3.9	5.7	1.8	13.6	18.0	8.5	
Florida	195.5	558.2	145.0	1,036.3	822.0	959.8	935.5	194.4	508.2	154.2	867.6	655.2	1,146.3	717.6
Georgia	149.5	371.4	179.4	612.0	658.9	505.8	664.8	152.2	392.4	209.0	604.5	609.8	458.5	680.3
Idaho	6.2	7.0	16.7	42.5	28.1	26.9	19.6	6.3	7.0	15.9	41.3	22.1	21.2	23.3
Illinois	110.8	118.1	107.6	478.4	540.6	370.5	154.5	119.7	131.2	116.3	454.5	534.3	369.9	146.0
Indiana	50.8	76.9	47.0	269.3	210.8	110.3	170.1	56.4	81.9	50.7	264.6	222.3	102.0	132.0
Iowa	9.7	24.7	34.4	60.2	59.9	33.3	22.1	10.8	25.8	33.8	61.0	58.5	38.9	8.8
Kansas	15.4	48.5		42.3	31.1	28.0	6.3	18.7	49.0		36.7	28.6	31.4	
Kentucky	25.3	53.7	25.4	174.7	157.8	77.0	99.2	31.0	61.3	32.6	171.0	152.0	81.1	74.9
Louisiana	39.2	45.5	18.6	57.9	55.9			38.2	46.8	15.4	55.6	50.2		
Maine	11.9	28.5	24.0	65.7	40.0	21.2	27.7	13.2	28.3	27.8	60.2	39.6	20.8	22.6
Maryland	30.6	46.8	35.2	243.4	219.3	93.2	82.4	31.6	51.5	42.0	231.1	182.4	106.0	32.2
Massachusetts	94.6	371.1		925.1	1,145.0	453.4	662.1	106.2	410.3		949.3	976.2	454.9	621.7
Michigan	47.3	159.3	33.1	320.7	324.4	312.3	268.1	57.7	183.2	28.9	288.5	288.3	253.8	221.2
Minnesota	23.8	28.4	78.0	111.3	72.9	69.7	27.0	21.8	32.5	75.4	115.6	69.1	57.8	26.1
Missouri	61.4	116.5	80.0	273.2	135.4	112.9	127.7	61.5	120.3	82.1	247.0	120.8	122.6	115.0
Montana	2.5	5.2	2.3	3.5	2.9	2.2		2.7	5.4	2.3	3.1	2.2	2.0	
Nebraska	11.1	8.8	19.2	21.0	21.8	18.9		11.2	9.3	20.8	20.8	22.1	17.1	
New Hampshire	10.7	25.3	22.3	60.3	67.0	15.0	38.4	11.6	27.4	24.2	61.1	57.1	20.9	21.2
New Jersey	33.3	215.1	199.4	431.2	393.3	272.5	307.5	42.3	236.3	209.3	461.9	372.5	266.9	250.5
New Mexico	8.2	10.1	12.3	19.1	22.6			7.9	9.8	13.3	20.9	19.0	1.4	
New York	316.9	553.3	184.7	895.2	922.5	617.5	688.4	330.8	584.5	187.5	861.7	812.0	601.4	623.4
North Carolina	102.5	173.2	84.8	431.0	425.0	296.9	269.4	103.5	173.5	67.7	456.4	304.7	252.4	337.1
Ohio	109.0	166.8	79.2	401.6	309.4	287.9	246.8	116.1	185.8	56.5	381.0	312.4	259.0	215.6
Oklahoma	14.7	18.5	26.2	30.8	37.4			10.9	12.2	18.9	26.0			
Oregon	11.1	32.3	15.9	36.3	21.8	13.7		13.2	34.6	14.3	34.0	20.7	13.1	
Pennsylvania	96.1	164.3	149.5	875.3	587.3	643.6	308.2	98.0	175.3	146.3	870.8	561.0	631.4	243.8
Rhode Island	8.2	13.8	6.8	41.4	18.6	9.9		9.2	16.4	5.4	37.9	17.8	7.6	
S. Carolina	41.2	87.6	45.0	216.8	869.9			43.9	85.4	39.7	210.7	809.9		
South Dakota	3.0	4.9	5.2	7.8	4.3	5.1		2.9	4.3	4.8	7.8	3.7	2.6	
Texas	161.7	300.5	294.2	1,224.6	982.5	953.9	488.8	146.7	325.6	276.0	1,213.9	934.1	809.9	229.1
Vermont	5.2	9.3	11.6	40.5	24.9	10.5		5.7	9.9	10.1	40.8	20.8	9.1	
Virginia	71.0	107.9	58.5	341.1	250.6	196.1	159.4	64.7	98.9	63.2	338.9	237.0	180.7	134.3
Washington	23.5	64.0	36.0	154.4	95.9	75.5	58.7	24.7	62.2	33.9	158.6	69.0	69.5	54.3
West Virginia	11.0	35.9	15.2	19.2	10.5	7.3		12.1	36.4	15.4	18.3	6.6	5.6	0.0
Wisconsin	18.2	50.3	42.8	97.8	83.2	92.0	35.1	19.8	53.2	42.2	93.5	67.6	75.4	33.1
Total	2,179.1	4,496.1	2,852.6	11,887.5	11,567.4	8,224.1	6,632.8	2,249.9	4,708.5	2,817.6	11,518.6	10,548.9	7,782.9	5,394.2
% of Total	5%	9%	6%	25%	24%	17%	14%	5%	12%	7%	29%	27%	20%	14%

Source: La Fleur's 2018 World Lottery Almanac

U.S. lotteries ranked by FY18 total consolidated revenues (in US\$)

Rank		Pop. (M)	Total (\$M)
1	New York	19.8	9,973.5
2	California	39.5	6,977.2
3	Florida	21.0	6,700.8
4	Texas	28.3	5,613.3
5	Massachusetts	6.9	5,340.4
6	Georgia	10.4	4,597.8
7	Pennsylvania	12.8	4,200.6
8	Ohio	11.7	4,147.4
9	Maryland	6.1	3,721.8
10	Michigan	10.0	3,543.7
11	New Jersey	9.0	3,299.5
12	Illinois	12.8	2,928.4
13	North Carolina	10.3	2,605.3
14	Virginia	8.5	2,139.8
15	South Carolina	5.0	1,750.2
16	Missouri	6.1	1,323.2
17	Oregon	4.1	1,302.3
18	Indiana	6.7	1,270.1
19	Connecticut	3.6	1,267.6
20	West Virginia	1.8	1,091.2
21	Kentucky	4.5	1,042.5
22	Arizona	7.0	981.4
23	Rhode Island	1.1	885.6
24	Washington	7.4	733.9
25	Wisconsin	5.8	667.4
26	Delaware	1.0	634.0
27	Colorado	5.6	612.0
28	Minnesota	5.6	596.5
29	Arkansas	3.0	499.7
30	Louisiana	4.7	491.0
31	Iowa	3.1	371.0
32	New Hampshire	1.3	330.9
33	Maine	1.3	288.9
34	Kansas	2.9	284.3
35	South Dakota	0.9	278.7
36	Idaho	1.7	265.1
37	Oklahoma	3.9	221.1
38	D.C.	0.7	212.1
39	Nebraska	1.9	183.4
40	New Mexico	2.1	134.0
41	Vermont	0.6	132.4
42	Montana	1.1	57.2
43	North Dakota	0.8	31.3
44	Wyoming	0.6	28.8

U.S. lotteries ranked by FY18 total consolidated revenues PC (in US\$)

Rank		Pop. (M)	PC Sales
1	Rhode Island	1.1	\$836
2	Massachusetts	6.9	\$778
3	Delaware	1.0	\$659
4	Maryland	6.1	\$615
5	West Virginia	1.8	\$601
6	New York	19.8	\$502
7	Georgia	10.4	\$441
8	New Jersey	9.0	\$366
9	Ohio	11.7	\$356
10	Michigan	10.0	\$356
11	Connecticut	3.6	\$353
12	South Carolina	5.0	\$348
13	Pennsylvania	12.8	\$328
14	South Dakota	0.9	\$320
15	Florida	21.0	\$319
16	Oregon	4.1	\$314
17	D.C.	0.7	\$306
18	North Carolina	10.3	\$254
19	Virginia	8.5	\$253
20	New Hampshire	1.3	\$246
21	Kentucky	4.5	\$234
22	Illinois	12.8	\$229
23	Missouri	6.1	\$216
24	Maine	1.3	\$216
25	Vermont	0.6	\$212
26	Texas	28.3	\$198
27	Indiana	6.7	\$191
28	California	39.5	\$176
29	Arkansas	3.0	\$166
30	Idaho	1.7	\$154
31	Arizona	7.0	\$140
32	Iowa	3.1	\$118
33	Wisconsin	5.8	\$115
34	Colorado	5.6	\$109
35	Minnesota	5.6	\$107
36	Louisiana	4.7	\$105
37	Washington	7.4	\$99
38	Kansas	2.9	\$98
39	Nebraska	1.9	\$96
40	New Mexico	2.1	\$64
41	Oklahoma	3.9	\$56
42	Montana	1.1	\$54
43	Wyoming	0.6	\$50
44	North Dakota	0.8	\$41

U.S. lotteries ranked by % chg. FY18 consolidated revenues (in US\$)

Rank		Total (\$M)	% Chg.
1	Oklahoma	221.1	46%
2	Arizona	981.4	15%
3	North Dakota	31.3	13%
4	Wyoming	28.8	13%
5	California	6,977.2	12%
6	Arkansas	499.7	11%
7	New Hampshire	330.9	11%
8	Maryland	3,721.8	11%
9	Wisconsin	667.4	11%
10	Idaho	265.1	11%
11	Texas	5,613.3	11%
12	Colorado	612.0	10%
13	Washington	733.9	9%
14	Florida	6,700.8	9%
15	Vermont	132.4	8%
16	Louisiana	491.0	8%
17	Virginia	2,139.8	8%
18	Montana	57.2	7%
19	North Carolina	2,605.3	7%
20	South Carolina	1,750.2	7%
21	Maine	288.9	7%
22	South Dakota	278.7	7%
23	Michigan	3,543.7	6%
24	New Mexico	134.0	6%
25	Missouri	1,323.2	6%
26	Minnesota	596.5	6%
27	Nebraska	183.4	6%
28	Ohio	4,147.4	6%
29	Iowa	371.0	5%
30	Massachusetts	5,340.4	5%
31	Pennsylvania	4,200.6	5%
32	Indiana	1,270.1	5%
33	Oregon	1,302.3	4%
34	Kansas	284.3	4%
35	Connecticut	1,267.6	4%
36	Kentucky	1,042.5	4%
37	New Jersey	3,299.5	4%
38	New York	9,973.5	3%
39	Delaware	634.0	3%
40	Illinois	2,928.4	3%
41	Georgia	4,597.8	2%
42	Rhode Island	885.6	2%
43	West Virginia	1,091.2	1%
44	D.C.	212.1	-2%

Consolidated revenues represent traditional lottery sales as well as non-traditional revenues, such as video lottery terminal (VLT) net machine income, table games and electronic pulltabs.

**U.S. lotteries ranked by FY18 traditional sales
(in US\$) Excludes VLT revenue**

Rank		Pop. (M)	Total (\$M)
1	New York	19.8	7,938.8
2	California	39.5	6,977.2
3	Florida	21.0	6,700.8
4	Texas	28.3	5,613.3
5	Massachusetts	6.9	5,340.4
6	Georgia	10.4	4,597.8
7	Pennsylvania	12.8	4,200.6
8	Michigan	10.0	3,543.7
9	New Jersey	9.0	3,299.5
10	Ohio	11.7	3,160.1
11	Illinois	12.8	2,928.4
12	North Carolina	10.3	2,605.3
13	Virginia	8.5	2,139.8
14	Maryland	6.1	2,033.7
15	South Carolina	5.0	1,750.2
16	Missouri	6.1	1,314.5
17	Indiana	6.7	1,270.1
18	Connecticut	3.6	1,267.6
19	Kentucky	4.5	1,042.5
20	Arizona	7.0	981.4
21	Washington	7.4	733.9
22	Wisconsin	5.8	667.4
23	Colorado	5.6	612.0
24	Minnesota	5.6	596.5
25	Arkansas	3.0	499.7
26	Louisiana	4.7	491.0
27	Iowa	3.1	371.0
28	Oregon	4.1	368.4
29	New Hampshire	1.3	330.9
30	Maine	1.3	288.9
31	Kansas	2.9	284.3
32	Idaho	1.7	265.1
33	Rhode Island	1.1	258.4
34	Delaware	1.0	231.6
35	Oklahoma	3.9	221.1
36	D.C.	0.7	212.1
37	Nebraska	1.9	183.4
38	West Virginia	1.8	177.0
39	New Mexico	2.1	134.0
40	Vermont	0.6	132.4
41	South Dakota	0.9	58.1
42	Montana	1.1	57.2
43	North Dakota	0.8	31.3
44	Wyoming	0.6	28.8

**U.S. lotteries ranked by FY18 traditional PC
(in US\$) Excludes VLT revenue**

Rank		Pop. (M)	PC Sales
1	Massachusetts	6.9	\$778
2	Georgia	10.4	\$441
3	New York	19.8	\$400
4	New Jersey	9.0	\$366
5	Michigan	10.0	\$356
6	Connecticut	3.6	\$353
7	South Carolina	5.0	\$348
8	Maryland	6.1	\$336
9	Pennsylvania	12.8	\$328
10	Florida	21.0	\$319
11	D.C.	0.7	\$306
12	Ohio	11.7	\$271
13	North Carolina	10.3	\$254
14	Virginia	8.5	\$253
15	New Hampshire	1.3	\$246
16	Rhode Island	1.1	\$244
17	Delaware	1.0	\$241
18	Kentucky	4.5	\$234
19	Illinois	12.8	\$229
20	Maine	1.3	\$216
21	Missouri	6.1	\$215
22	Vermont	0.6	\$212
23	Texas	28.3	\$198
24	Indiana	6.7	\$191
25	California	39.5	\$176
26	Arkansas	3.0	\$166
27	Idaho	1.7	\$154
28	Arizona	7.0	\$140
29	Iowa	3.1	\$118
30	Wisconsin	5.8	\$115
31	Colorado	5.6	\$109
32	Minnesota	5.6	\$107
33	Louisiana	4.7	\$105
34	Washington	7.4	\$99
35	Kansas	2.9	\$98
36	West Virginia	1.8	\$97
37	Nebraska	1.9	\$96
38	Oregon	4.1	\$89
39	South Dakota	0.9	\$67
40	New Mexico	2.1	\$64
41	Oklahoma	3.9	\$56
42	Montana	1.1	\$54
43	Wyoming	0.6	\$50
44	North Dakota	0.8	\$41

**U.S. lotteries ranked % chg. FY18 traditional
(in US\$) Excludes VLT revenue**

Rank		Total (\$M)	% Chg.
1	Oklahoma	221.1	46%
2	South Dakota	58.1	18%
3	Arizona	981.4	15%
4	North Dakota	31.3	13%
5	Wyoming	28.8	13%
6	California	6,977.2	12%
7	Arkansas	499.7	11%
8	New Hampshire	330.9	11%
9	Oregon	368.4	11%
10	Wisconsin	667.4	11%
11	Idaho	265.1	11%
12	Texas	5,613.3	11%
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25	Missouri	1,314.5	6%
26	West Virginia	177.0	6%
27	New Mexico	134.0	6%
28	Minnesota	596.5	6%
29	Maryland	2,033.7	6%
30	Nebraska	183.4	6%
31	Iowa	371.0	5%
32	Ohio	3,160.1	5%
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34	Pennsylvania	4,200.6	5%
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41	New York	7,938.8	3%
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43	Georgia	4,597.8	2%
44	D.C.	212.1	-2%

Source: La Fleur's 2018 World Lottery Almanac

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