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Over \$1 billion to education

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

October 1, 2012

His Excellency, Governor John H. Lynch  
and the Honorable Executive Council  
State House  
Concord, New Hampshire 03301

*No Cost*

**REQUESTED ACTION**

Pursuant to RSA 284:21-g and RSA 20:6 & 7, the New Hampshire Lottery Commission® presents its **ANNUAL REPORT** for the fiscal year ended June 30, 2012.

**EXPLANATION**

This report contains the following information:

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The Lottery Commissioners, Executive Director and staff wish to thank the Governor and Executive Council for their continued support in an effort to maximize revenue for the benefit of public education in New Hampshire.

Respectfully submitted,  
*Charles R. McIntyre*  
Charles R. McIntyre,  
Executive Director





**STATE OF NEW HAMPSHIRE**

**NH LOTTERY COMMISSION®**

**ANNUAL REPORT**

**For Fiscal Year**

**July 1, 2011 through June 30, 2012**

**Pursuant to:**

**RSA 284:21-g**

**and**

**RSA 20:6 & 7**

**October 1, 2012**

**HIS EXCELLENCY JOHN H. LYNCH  
GOVERNOR  
STATE OF NEW HAMPSHIRE**

\*

**THE HONORABLE RAYMOND S. BURTON  
COUNCILOR, FIRST DISTRICT**

\*

**THE HONORABLE DANIEL ST. HILAIRE  
COUNCILOR, SECOND DISTRICT**

\*

**THE HONORABLE CHRISTOPHER T. SUNUNU  
COUNCILOR, THIRD DISTRICT**

\*

**THE HONORABLE RAYMOND J. WIECZOREK  
COUNCILOR FOURTH DISTRICT**

\*

**THE HONORABLE DAVID K. WHEELER  
COUNCILOR, FIFTH DISTRICT**

## ORGANIZATION AND FUNCTIONS

The New Hampshire Lottery Commission® (the Commission) was established in 1964 in accordance with the provisions of Chapter 284:21-a of the New Hampshire Revised Statutes Annotated (RSA). It was the first lottery created and remains the oldest state lottery currently operating in the United States. The Commission has three members appointed by the Governor and Council. The Commission per RSA 284:21-i I, hires the executive director. Including the executive director, the commission also employs a staff of 63 consisting of 46 classified, 4 unclassified and 13 temporary employees.

The Commission is authorized to operate both instant and on-line games for the sole purpose of funding state aid to education pursuant to RSA 198:39, the Education Trust Fund. In 1990, the New Hampshire Constitution was amended by Part 2, Article 6-b, which restricted all lottery revenue and interest, after the deduction of necessary administration costs, exclusively for the benefit of public education.

The primary purpose of the Commission is to raise revenue for the benefit of public education through the sale of lottery tickets. On-line and instant tickets are sold through a computer system used by 1271 retailers, consisting of private retailers, state liquor stores and Lottery outlets located in Salem and Concord. Online tickets are also sold through subscription programs for the Megabucks Plus, Powerball, Mega Millions, and Hot Lotto games, currently there are approximately 9,105 subscriptions.

In September 1985, RSA 287-F established the Tri-State Lotto Commission whereby the Lottery Commission participates in the operation of Megabucks Plus, Weekly Grand, Fast Play, Pick3, and Pick4 games with the states of Maine and Vermont.

In November 1995, the Commission joined the Multi-State Lottery (MUSL) in accordance with RSA 284:21-h and began selling NH Powerball tickets. In April 2002, the Commission began selling Hot Lotto tickets, and in January 2010 Mega Millions tickets, two additional games offered through MUSL. MUSL is currently comprised of 33 member state lotteries.

In March 2012 the Commission became a member of the New England regional lottery game known as Lucky for Life. The game began sales on March 11, 2012, with the first drawing held on March 15, 2012. Lucky for Life is currently comprised of the six New England states' lotteries.

The net proceeds from the Tri-Stat, Multi-State, and Lucky for Life games are combined with funds generated from the instant ticket program for aid to education.

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

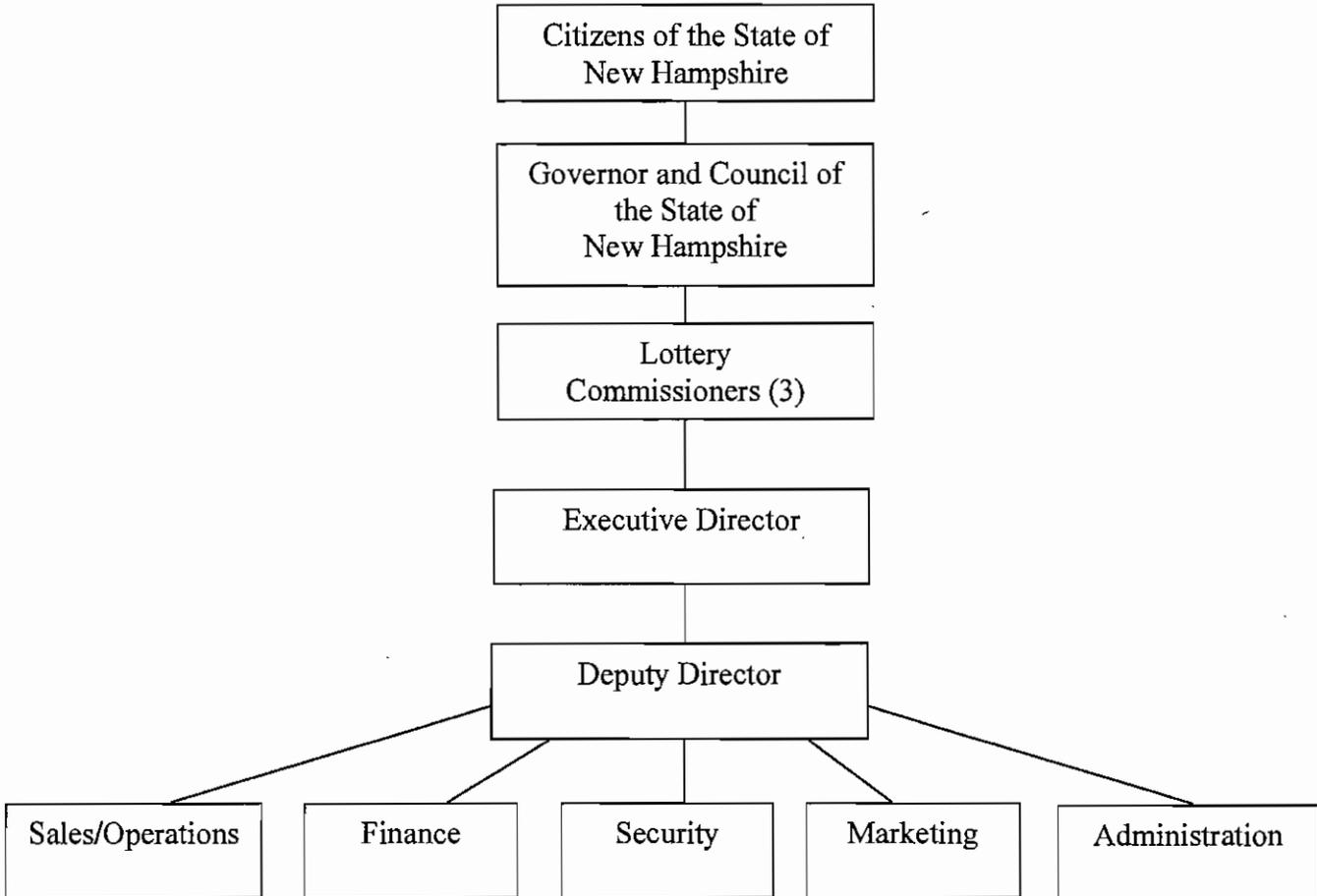
**Appointed Officials**

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

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

**Doug Scamman**  
Commissioner  
Term ends 6/29/2014

**Organizational Chart**



## FISCAL YEAR 2012 HIGHLIGHT OF OPERATIONS

1. For fiscal year 2012, the lottery program produced \$254.9 million in revenues. This was an increase of \$25.8 million, or 11.3% over the previous fiscal year. Total revenues since the inception of the lottery in 1963 have exceeded \$4.8 billion. The net proceeds for education were \$66.8 million for fiscal year 2012; this was an increase of \$4.6 million or 7.4% over the previous fiscal year. This brings the total transfers to date to Education approximately \$1.5 billion.
2. Instant ticket sales increased approximately \$15.5 million or 9.6% compared to last fiscal year, while online games sales increased \$10.3 million or 15.2% in fiscal year 2012.
3. Pursuant to RSA 284:21-v, the lottery intercepted \$13,199 in child support arrearages from prize payments during the fiscal year for a total of \$516,987 since the inception of the program in November 1993.
4. The Lottery paid \$14.8 million in commissions to New Hampshire retailers for selling lottery products.
5. The Lottery paid \$158.9 million to lucky prize winners during fiscal year 2012.
6. The Commission submitted its comprehensive annual financial report (CAFR) for the previous fiscal year ended June 30, 2011 to the Government Finance Officers Association of the United States and Canada (GFOA) for review under the strict program requirements of the Certificate of Excellence in Financial Reporting. The Certificate is awarded to government units who publish an easily readable and efficiently organized CAFR. The report must comply with program standards and must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is a prestigious national award, which recognizes conformity with the highest standards for preparation of state and local government financial reports. The Commission is proud to announce that its CAFR received the Certificate for Excellence in Financial Reporting, which represents a significant accomplishment for the management of the Commission.
7. In fiscal year 1998, the Commission, in accordance with a request from the U.S. Department of Justice, surveyed all of its lottery retailers for compliance with the Americans with Disabilities Act (ADA). Many retailers were brought into compliance during that fiscal year and many others have been brought into compliance since. At the end of fiscal year 2012, approximately 96% of all retailers are fully compliant. The remaining 7% are substantially compliant. The Commission will continue to work with these retailers to bring them into full compliance. The Commission's goal is 100% ADA compliance.
8. The Lottery budget lapsed unexpended appropriations of \$282,835 in fiscal 2012 for transfer to education.

NH Lottery Commission  
 Statements of Net Assets  
 Fiscal Years June 30, 2008 through 2012

	2012*	2011	2010	2009	2008
<b>Assets</b>					
Cash and Cash Equivalents	\$ 5,455,170	\$ 3,174,116	\$ 1,404,769	\$ 1,141,499	\$ 246,418
Accounts Receivable	2,391,975	3,241,328	1,159,239	1,209,563	2,909,736
Due From Education	495,169	692,449	-	-	-
Instant Ticket Inventory	777,678	961,290	752,999	1,069,436	832,099
Prepaid Expenses	48,363	132,230	178,178	244,417	142,123
Equipment and Vehicles	482,349	517,847	517,847	517,847	499,523
Accumulated Depreciation	(469,162)	(475,522)	(420,866)	(354,224)	(257,019)
Restricted for Prize Funds	4,133,859	3,979,267	3,937,515	3,964,874	3,762,879
<b>Total Assets</b>	<b>13,315,401</b>	<b>12,223,005</b>	<b>7,529,681</b>	<b>7,793,412</b>	<b>8,135,759</b>
<b>Liabilities</b>					
Accounts Payable	2,968,369	2,966,213	1,163,694	1,604,415	1,572,570
Accrued Payroll & Benefits	167,008	223,714	231,909	169,990	142,213
Allowance for Compensated Absences	425,663	412,689	449,817	442,382	380,812
Deferred Revenue	1,062,957	1,065,899	741,709	1,190,867	1,117,365
Due to Education	-	-	164,289	20,241	76,507
Unclaimed Prizes	4,557,545	3,575,223	840,749	400,642	1,083,413
<b>Total Liabilities</b>	<b>9,181,542</b>	<b>8,243,738</b>	<b>3,592,167</b>	<b>3,828,537</b>	<b>4,372,880</b>
<b>Net Assets</b>					
Invested in Capital Assets	13,187	42,325	96,981	163,623	235,145
Restricted for Prize Funds	4,133,859	3,979,267	3,937,515	3,964,874	3,762,879
Unrestricted (deficit)	(13,187)	(42,325)	(96,981)	(163,623)	(235,145)
<b>Total Net Assets</b>	<b>\$ 4,133,859</b>	<b>\$ 3,979,267</b>	<b>\$ 3,937,514</b>	<b>\$ 3,964,875</b>	<b>\$ 3,762,879</b>

\* Fiscal year is unaudited

**NH Lottery Commission  
Statements of Revenues, Expenses and Changes in Fund Net Assets  
For Fiscal Years ended June 30, 2008 - 2012**

	2012*	2011	2010	2009	2008
Operating Revenues:					
Instant Games	\$ 176,911,812	\$ 161,377,862	\$ 160,226,427	\$ 170,823,317	\$ 183,990,655
Multi-State On-line Games	51,191,746	41,835,942	44,951,416	44,318,065	49,958,343
Tri-State On-line Games	23,267,503	25,651,510	28,397,250	24,442,093	26,740,285
Lucky for Life and Other	3,553,246	289,056	313,601	348,635	442,519
Net Lottery Revenue	254,924,307	229,154,370	233,888,694	239,932,110	261,131,802
Operating Expenses					
Cost of Sales:					
Prizes	158,887,340	139,262,421	138,830,789	142,050,035	154,687,334
Retailer Commissions	14,832,273	12,925,318	12,739,661	13,070,280	14,278,699
Vendor Fees	4,807,253	4,283,024	5,928,775	5,986,670	6,514,123
Cost of Instant Tickets Printing & Ship	2,113,431	2,296,812	2,231,687	2,311,247	2,196,540
Joint Venture Operating Fees	149,964	177,418	177,170	131,936	144,972
Total Cost of Sales	180,790,261	158,944,993	159,908,082	163,550,168	177,821,668
Administration:					
Salaries and Benefits	3,381,146	3,423,552	3,472,689	3,349,329	3,152,276
Advertising & Promotional Materials	3,531,645	3,257,999	3,248,986	3,583,933	3,788,365
Other Operating Expenses	1,234,292	1,342,936	1,180,723	1,424,863	1,531,232
Total Administrative Expenses	8,147,083	8,024,487	7,902,398	8,358,125	8,471,873
Total Operating Expenses	188,937,344	166,969,480	167,810,480	171,908,293	186,293,541
Net Operating Profit:	65,986,963	62,184,890	66,078,214	68,023,817	74,838,261
Interest and Miscellaneous Income	935,679	64,411	34,423	328,089	813,781
Net Profit Before Transfers	66,922,642	62,249,301	66,112,637	68,351,906	75,652,042
Transfers to Education Trust Fund	(66,768,050)	(62,207,551)	(66,139,994)	(68,149,912)	(75,553,292)
Change in Net Assets (restricted prize funds)	\$ 154,592	\$ 41,750	\$ (27,357)	\$ 201,994	\$ 98,750

\* Fiscal year is unaudited



Distribution to Education  
Last 10 Fiscal Years

