

3C TV



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

October 1, 2014

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Executive Council
State House
Concord, New Hampshire 03301

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, 2014.

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,
Executive Director



STATE OF NEW HAMPSHIRE

NH LOTTERY COMMISSION®

ANNUAL REPORT

For Fiscal Year

July 1, 2013 through June 30, 2014

Pursuant to:

RSA 284:21-g

and

RSA 20:6 & 7

October 1, 2014

**HER EXCELLENCY MARGARET WOOD HASSAN
GOVERNOR
STATE OF NEW HAMPSHIRE**

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**THE HONORABLE JOSEPH D. KENNEY
COUNCILOR, FIRST DISTRICT**

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**THE HONORABLE COLIN VAN OSTERN
COUNCILOR, SECOND DISTRICT**

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

*

**THE HONORABLE CHRISTOPHER C. PAPPAS
COUNCILOR FOURTH DISTRICT**

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**THE HONORABLE DEBORA B. PIGNATELLI
COUNCILOR, FIFTH DISTRICT**

*

**CHARLES R. MCINTYRE
EXECUTIVE DIRECTOR, NH LOTTERY COMMISSION**

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 58 consisting of 40 classified, 4 unclassified and 14 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 1,250 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 7,681 subscriptions.

In September 1985, RSA 287-F established the Tri-State Lotto Commission whereby the Lottery Commission participates in the operation of Megabucks Plus, Gimme 5, 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 32 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-State, 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

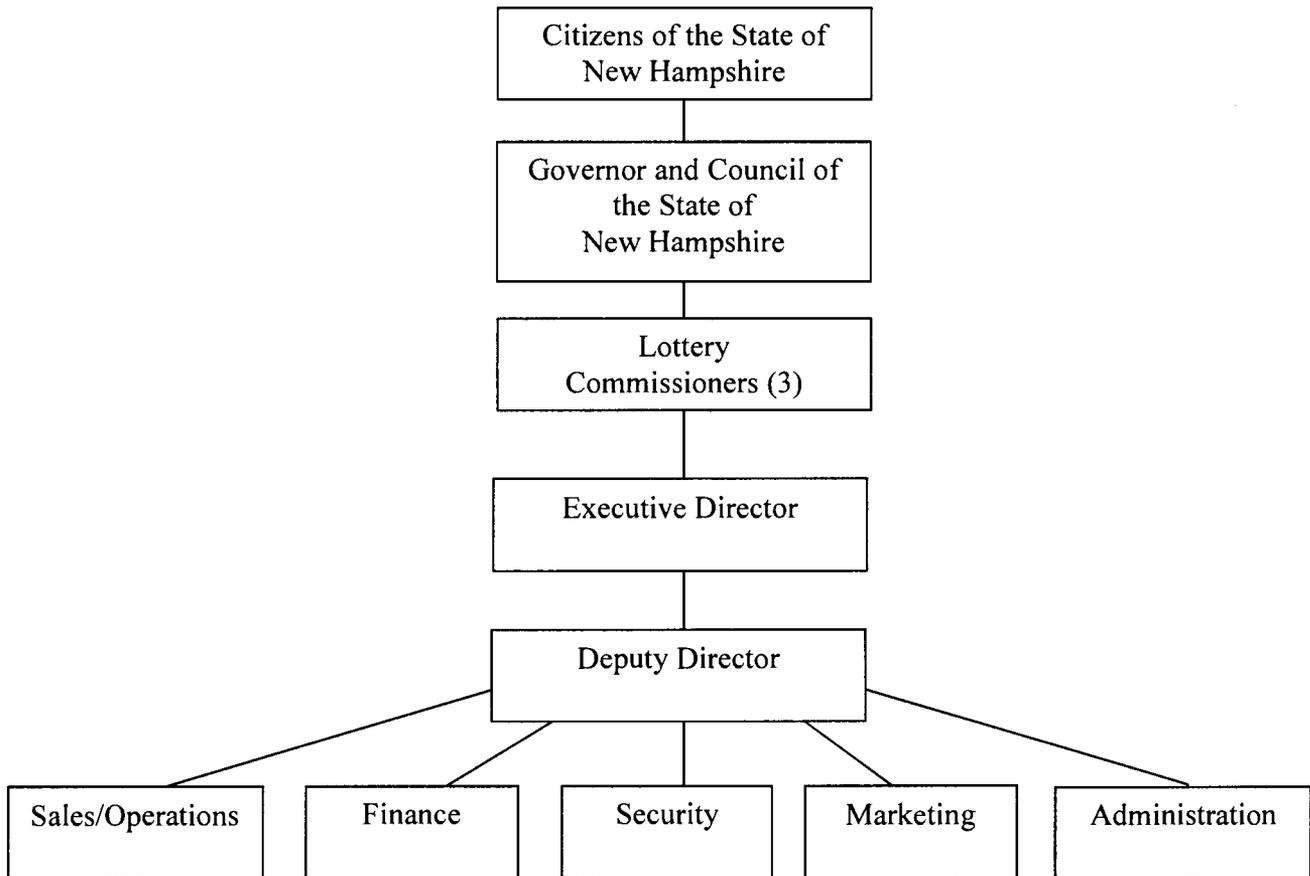
Appointed Officials

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

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

Doug Scamman
Commissioner
Term ended 6/29/2014*

Organizational Chart



*Currently in hold over status.

FISCAL YEAR 2014 HIGHLIGHT OF OPERATIONS

1. For fiscal year 2014, the Lottery program produced \$276 million in revenues. This was a decrease of \$4.5 million, or 1.6% from the previous fiscal year. Total revenues since the inception of the lottery in 1963 have reached more than \$5.4 billion.
2. The net proceeds for education were \$72.5 million for fiscal year 2014; this was a decrease of \$1.8 million or 2.4% from the previous fiscal year. This brings the total transfers to Education since Lottery began to more than \$1.6 billion.
3. Instant scratch ticket sales increased approximately \$2.8 million or 1.4% compared to last fiscal year, while online games sales decreased \$6.5 million or 7.4% in fiscal year 2014.
4. Pursuant to RSA 284:21-v, the lottery intercepted \$21,098 in child support arrearages from prize payments during the fiscal year for a total of \$558,524 since the inception of the program in November 1993.
5. The Lottery paid \$15.8 million in commissions to New Hampshire retailers for selling lottery products.
6. The Lottery paid \$171.8 million to lucky prize winners during fiscal year 2014.
7. The Commission submitted its comprehensive annual financial report (CAFR) for the previous fiscal year ended June 30, 2013 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.
8. 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 2014, approximately 98% of all retailers are fully compliant. The remaining 2% 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.
9. The Lottery budget had unexpended appropriations of \$261,796 in fiscal 2014 for transfer to education.

NH Lottery Commission
 Statements of Net Position
 Fiscal Years June 30, 2010 through 2014

	2014*	2013	2012	2011	2010
Assets					
Cash and Cash Equivalents	\$ 2,247,304	\$ 8,697,625	\$ 5,455,170	\$ 3,174,116	\$ 1,404,769
Accounts Receivable	3,921,134	3,665,710	2,391,975	3,241,328	1,317,345
Due From Education	224,182	-	495,169	692,449	-
Instant Ticket Inventory	778,775	1,027,187	777,678	961,290	752,999
Prepaid Expenses	38,340	52,627	48,363	132,230	178,179
Equipment and Vehicles	546,289	504,761	482,349	517,847	517,847
Accumulated Depreciation	(300,619)	(371,505)	(469,162)	(475,522)	(420,866)
Restricted for Prize Funds	4,230,258	4,134,458	4,133,859	3,979,267	3,937,517
Total Assets	11,685,664	17,710,863	13,315,401	12,223,005	7,687,790
Liabilities					
Accounts Payable	1,602,150	2,083,755	2,968,369	2,966,213	1,163,694
Accrued Payroll & Benefits	160,965	164,709	167,008	223,714	231,909
Allowance for Compensated Absences	373,642	412,154	425,663	412,689	449,817
Ticket sales for future draws	1,047,379	1,049,251	1,062,957	1,065,899	741,709
Due to Education	-	1,150,540	-	-	246,465
Unclaimed Prizes	4,271,270	8,715,996	4,557,545	3,575,223	916,679
Total Liabilities	7,455,406	13,576,405	9,181,542	8,243,738	3,750,273
Net Position					
Net Investments in Capital Assets	245,670	133,256	13,187	42,325	96,981
Restricted for Prize Funds	4,230,258	4,134,458	4,133,859	3,979,267	3,937,517
Unrestricted (deficit)	(245,670)	(133,256)	(13,187)	(42,325)	(96,981)
Total Net Position	\$ 4,230,257	\$ 4,134,458	\$ 4,133,859	\$ 3,979,267	\$ 3,937,517

* Fiscal year is unaudited

**NH Lottery Commission
Statements of Revenues, Expenses and Changes in Net Position
For Fiscal Years ended June 30, 2010 - 2014**

	2014*	2013	2012	2011	2010
Operating Revenues:					
Instant Games	\$ 195,292,751	\$ 192,475,089	\$ 176,911,812	\$ 161,377,862	\$ 160,536,160
Multi-State On-line Games	51,693,099	58,092,924	51,191,746	41,835,942	44,911,850
Tri-State On-line Games	22,264,887	20,943,174	23,267,503	25,651,510	28,325,603
Lucky for Life	6,360,538	7,826,337	3,288,909	-	-
Revenue Other than Ticket Sales	374,405	1,132,253	1,200,016	353,467	348,024
Net Lottery Revenue	275,985,680	280,469,777	255,859,986	229,218,781	234,121,637
Operating Expenses					
Cost of Sales:					
Prizes	171,846,304	173,357,468	158,887,340	139,262,421	138,906,719
Retailer Commissions	15,822,516	16,625,951	14,832,273	12,925,318	12,739,661
Vendor Fees	5,145,260	5,187,258	4,807,253	4,283,024	5,928,775
Cost of Instant Tickets Printing & Ship	1,853,376	2,202,676	2,113,431	2,296,812	2,231,687
Joint Venture Operating Fees	218,096	227,435	149,964	177,418	177,170
Total Cost of Sales	194,885,552	197,600,788	180,790,261	158,944,993	159,984,012
Administration:					
Salaries and Benefits	3,664,162	3,616,707	3,381,146	3,423,552	3,472,689
Advertising & Promotional Materials	3,692,347	3,765,329	3,531,645	3,257,999	3,281,315
Other Operating Expenses	1,267,546	1,151,596	1,234,292	1,342,936	1,188,807
Total Administrative Expenses	8,624,055	8,533,632	8,147,083	8,024,487	7,942,811
Total Operating Expenses	203,509,607	206,134,420	188,937,344	166,969,480	167,926,823
Net Operating Profit:	72,476,073	74,335,357	66,922,642	62,249,301	66,194,814
Net Profit Before Transfers	72,476,073	74,335,357	66,922,642	62,249,301	66,194,814
Transfers to Education Trust Fund	(72,380,273)	(74,334,758)	(66,768,050)	(62,207,551)	(66,222,171)
Change in Net Position (restricted prize funds)	\$ 95,800	\$ 599	\$ 154,592	\$ 41,750	\$ (27,357)

* Fiscal year is unaudited

Distribution to Education
Last 10 Fiscal Years

