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GOVERNOR Margaret Wood Hassan
CHAIRMAN Debra M. Douglas
COMMISSIONER Paul J. Holloway
COMMISSIONER David L. Gelinis
EXECUTIVE DIRECTOR Charles R. McIntyre

September 21, 2015

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, 2015.

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, 2014 through June 30, 2015

Pursuant to:

RSA 284:21-g

and

RSA 20:6 & 7

September 21, 2015

**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**

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

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

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**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 59 consisting of 41 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 1,236 retailers, consisting of private retailers, state liquor stores and the Lottery outlet located in Concord. Online tickets are also sold through subscription programs for the Megabucks Plus, Powerball, Mega Millions, and Hot Lotto games, currently there are approximately 8,059 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 37 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 15 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

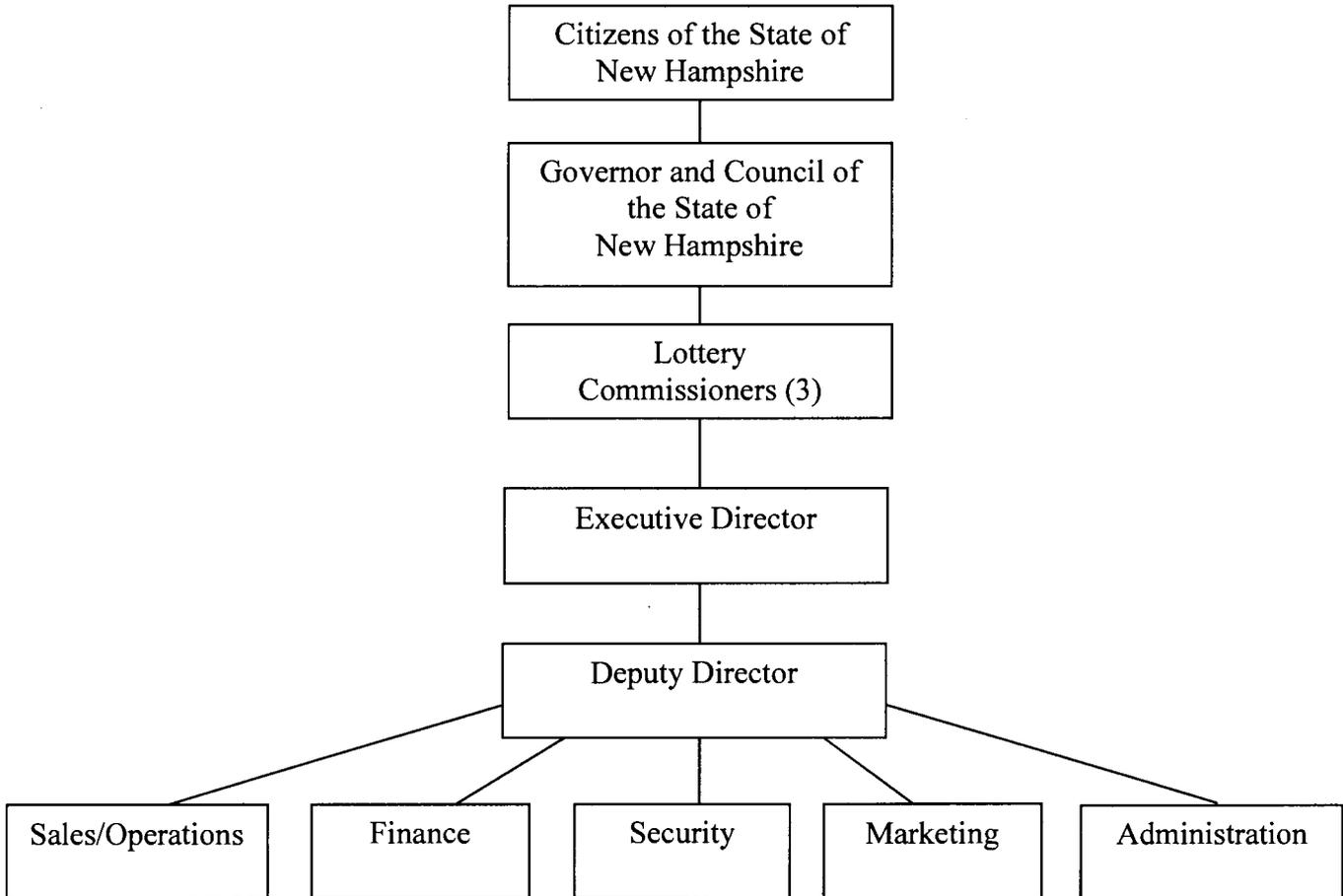
Appointed Officials

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

Paul J. Holloway
Commissioner
Term ends 6/29/2018

David Gelinis
Commissioner
Term ends 6/29/2017

Organizational Chart



FISCAL YEAR 2015 HIGHLIGHT OF OPERATIONS

1. For fiscal year 2015, the Lottery program produced \$283 million in revenues. This was an increase of \$7.1 million, or 2.6% from the previous fiscal year. Total revenues since the inception of the lottery in 1963 have reached more than \$5.7 billion.
2. The net proceeds for education were \$74.3 million for fiscal year 2015; this was an increase of \$1.8 million or 2.5% from the previous fiscal year. This brings the total transfers to Education since Lottery began to more than \$1.7 billion.
3. Instant scratch ticket sales increased approximately \$13.7 million or 7.1% compared to last fiscal year, while online games sales decreased \$8.1 million or 10.12% in fiscal year 2014.
4. Pursuant to RSA 284:21-v, the lottery intercepted \$27,370 in child support arrearages from prize payments during the fiscal year for a total of \$585,894 since the inception of the program in November 1993.
5. The Lottery paid \$16.3 million in commissions to New Hampshire retailers for selling lottery products.
6. The Lottery paid \$176.4 million to lucky prize winners during fiscal year 2015.
7. The Commission submitted its comprehensive annual financial report (CAFR) for the previous fiscal year ended June 30, 2014 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 \$573,749 in fiscal 2015 for transfer to education.

NH Lottery Commission
 Statements of Net Position
 Fiscal Years June 30, 2011 through 2015

	2015*	2014	2013	2012	2011
Assets					
Cash and Cash Equivalents	\$ 919,287	\$ 2,247,304	\$ 8,697,625	\$ 5,455,170	\$ 3,174,116
Accounts Receivable	1,771,648	3,921,134	3,665,710	2,391,975	3,241,328
Due From Education	-	224,182	-	495,169	692,449
Instant Ticket Inventory	534,178	778,775	1,027,187	777,678	961,290
Prepaid Expenses	53,219	38,340	52,627	48,363	132,230
Equipment and Vehicles	546,289	546,289	504,761	482,349	517,847
Accumulated Depreciation	(358,840)	(300,619)	(371,505)	(469,162)	(475,522)
Restricted for Prize Funds	4,152,374	4,230,258	4,134,458	4,133,859	3,979,267
Total Assets	7,618,155	11,685,664	17,710,863	13,315,401	12,223,005
Deferred Outflow of Resources	200,000	-	-	-	-
Total Assets and Deferred Outflows	7,818,155	11,685,664	17,710,863	13,315,401	12,223,005
Liabilities					
Accounts Payable	1,017,517	1,602,150	2,083,755	2,968,369	2,966,213
Accrued Payroll & Benefits	160,554	160,965	164,709	167,008	223,714
Allowance for Compensated Absences	377,953	373,642	412,154	425,663	412,689
Net Pension Liability	2,394,000	-	-	-	-
Ticket sales for future draws	1,015,226	1,047,379	1,049,251	1,062,957	1,065,899
Due to Education	192,832	-	1,150,540	-	-
Unclaimed Prizes	748,698	4,271,270	8,715,996	4,557,545	3,575,223
Total Liabilities	5,906,780	7,455,406	13,576,405	9,181,542	8,243,738
Deferred Inflow of Resources	349,000	-	-	-	-
Total Liabilities and Deferred Inflows	6,255,780	7,455,406	13,576,405	9,181,542	8,243,738
Net Position					
Net Investments in Capital Assets	187,449	245,670	133,256	13,187	42,325
Restricted for Prize Funds	4,152,374	4,230,258	4,134,458	4,133,859	3,979,267
Unrestricted (deficit)	(187,449)	(245,670)	(133,256)	(13,187)	(42,325)
Total Net Position	\$ 1,562,374	\$ 4,230,257	\$ 4,134,458	\$ 4,133,859	\$ 3,979,267

* Fiscal year is unaudited

**NH Lottery Commission
Statements of Revenues, Expenses and Changes in Net Position
Fiscal Years June 30, 2011 through 2015**

	2015*	2014	2013	2012	2011
Operating Revenues:					
Instant Games	\$ 209,003,017	\$ 195,292,751	\$ 192,475,089	\$ 176,911,812	\$ 161,377,862
Multi-State On-line Games	44,899,181	51,693,099	58,092,924	51,191,746	41,835,942
Tri-State On-line Games	22,022,091	22,264,887	20,943,174	23,267,503	25,651,510
Lucky for Life	5,272,097	6,360,538	7,826,337	3,288,909	-
Revenue Other than Ticket Sales	1,850,177	374,405	1,132,253	1,200,016	353,467
Net Lottery Revenue	283,046,563	275,985,680	280,469,777	255,859,986	229,218,781
Operating Expenses					
Cost of Sales:					
Prizes	176,415,353	171,846,304	173,357,468	158,887,340	139,262,421
Retailer Commissions	16,255,869	15,822,516	16,625,951	14,832,273	12,925,318
Vendor Fees	5,235,023	5,145,260	5,187,258	4,807,253	4,283,024
Cost of Instant Tickets Printing & Ship	2,324,375	1,853,376	2,202,676	2,113,431	2,296,812
Joint Venture Operating Fees	240,951	218,096	227,435	149,964	177,418
Total Cost of Sales	200,471,570	194,885,552	197,600,788	180,790,261	158,944,993
Administration:					
Salaries and Benefits	3,785,123	3,664,162	3,616,707	3,381,146	3,423,552
Advertising & Promotional Materials	3,432,750	3,692,347	3,765,329	3,531,645	3,257,999
Other Operating Expenses	1,045,796	1,267,546	1,151,596	1,234,292	1,342,936
Total Administrative Expenses	8,263,669	8,624,055	8,533,632	8,147,083	8,024,487
Total Operating Expenses	208,735,239	203,509,607	206,134,420	188,937,344	166,969,480
Net Operating Profit:	74,311,324	72,476,073	74,335,357	66,922,642	62,249,301
Net Profit Before Transfers	74,311,324	72,476,073	74,335,357	66,922,642	62,249,301
Transfers to Education Trust Fund	(74,389,208)	(72,380,273)	(74,334,758)	(66,768,050)	(62,207,551)
Change in Net Position (restricted prize funds)	\$ (77,884)	\$ 95,800	\$ 599	\$ 154,592	\$ 41,750

* Fiscal year is unaudited

Distribution to Education Last 10 Fiscal Years

