



# New Mexico Lottery Authority Year In Review: FY 2006



**Ten years ago, they were thinking about their future.  
So was New Mexico.**

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Benefitting New Mexico's Future

*Complete financial information for Fiscal Year 2006 and previous New Mexico Lottery Authority annual reports are available on-line at [www.nmlottery.com](http://www.nmlottery.com)*



## Ten Years And Counting . . .

Over the past 10 years, more than 43,000 students from across the state have attended New Mexico public universities and colleges with the help of a Lottery Success Scholarship.



In FY 2006,  
gross sales  
exceeded  
\$154.6  
million,  
an increase  
of 11.0%

## A Message from the Board of Directors

### *A Year of Records*

As the Board of Directors of the New Mexico Lottery Authority (NMLA), we are pleased to announce that Fiscal Year 2006 (FY '06) was a record-breaking year. The New Mexico Lottery ended FY '06 with record sales and, more importantly, record returns for public education in New Mexico.

Gross sales for FY '06 exceeded \$154.6 million, an increase of nearly \$15.4 million (11.0%) over the previous fiscal year. NMLA profits earmarked for the Lottery Success Scholarship program were \$36.9 million, an increase of approximately \$4.6 million (14.35%) over the previous year and topping \$30 million for the fourth straight year.

As NMLA board members, we are unpaid citizen volunteers appointed by the Governor and confirmed by the State Senate. Our mission is to provide the Lottery with the private-sector perspective of a large marketing enterprise and to make every effort to exercise sound and prudent business judgment in the management and promotion of the Lottery. Our goal is to do so in a responsible manner while ensuring that the Lottery maintains the highest level of integrity.

The NMLA Board is composed of seven members who reside in New Mexico and meet regularly to review Lottery operations. By statute, board membership must include professionals in the fields of accounting, law,

business and law enforcement. No more than four members shall be from one political party. There were four new appointments made during FY '06: Nino Trujillo, a real estate broker from Belen, elected as Secretary; John Francis, a law enforcement veteran and Public Information Officer for the Rio Rancho Department of Public Safety; Herman Tabet of Belen, a business executive, elected as Treasurer; and Clifford Stroud of Carlsbad, Office Leader with Los Alamos National Laboratory — Carlsbad Operations. Returning members included Reta D. Jones, an Albuquerque CPA, elected as Chair; Cody Kelley, an Albuquerque attorney, re-elected as Vice-Chair; and Rudy Garcia, a Gallup business executive, elected as Assistant Secretary/Treasurer.

Our statutory responsibilities as board members include, but are not limited to: the adoption of rules, policies and procedures; maximizing net revenue for Lottery beneficiaries; appointment and supervision of the Lottery's CEO, setting and oversight of the Lottery's annual budget; approving all major procurement; setting policies; determining types and forms of lottery games to be offered and preparing quarterly and annual reports.

We are honored to serve as board members of an organization that has such a positive impact in our State — helping students achieve their dream of a higher education. The following report is provided to the people of New Mexico and highlights the Lottery Authority's goals, challenges and achievements in ten years of operations.

Respectfully submitted,

*Reta D. Jones, Chair  
Cody Kelley, Vice-Chair  
Nino Trujillo, Secretary  
Herman Tabet, Treasurer  
Rudy Garcia, Assistant Secretary-Treasurer  
John Francis, Member  
Clifford Stroud, Member*

The New Mexico Lottery Authority  
Board of Directors  
Fiscal Year 2006

*From left to right,  
Back row: John Francis,  
Clifford Stroud, Herman  
Tabet. Front row: Rudy  
Garcia, Reta D. Jones,  
and Nino Trujillo.  
Cody Kelley not shown*



# Working Together To Build the Lottery For the Future

## Letter from the CEO

On behalf of the New Mexico Lottery Authority, I am pleased to submit this annual report to the citizens of New Mexico for the fiscal year ended June 30, 2006.

As the Board of Directors announced, FY '06 was a year of record sales. Remarkably, the Lottery was able to achieve this sales increase of more than \$15 million while maintaining, and in some cases decreasing, many of our expenses. That made FY '06 a year of record returns as well.

Some changes took place when I was appointed Interim CEO in November 2005. Since my appointment became official in August 2006, there have been many more. We have been working hard to identify areas to cut costs without negatively impacting sales and we continue to look for ways to increase sales in a responsible manner. Here are a few initiatives that are underway at the New Mexico Lottery.

- Licensed Scratcher games like *Deal or No Deal™*, *\$50,000 Hold 'Em Poker™* and *Magic 8 Ball™* are helping to increase sales by appealing to new players
- More player promotions are increasing loyalty among current players

- *Hot Lotto*, the new multi-state numbers game, is filling a niche between *Roadrunner Cash* (with its more winnable but smaller top prize) and *Powerball* (with its huge jackpots and long odds)



- Rebidding our online vendor contract
- Conducting research to identify our strengths and weaknesses and potential new strategies such as player loyalty clubs and lottery gift cards
- New Scratcher distribution methods are helping to keep ticket dispensers full

The mission of the New Mexico Lottery is to provide a fair and honest lottery for the entertainment of the public and to maximize sales for education in New Mexico. And, by working together, we continue to strengthen and build the Lottery for the future.

Thanks to past and present legislators, governors, retailers, players, vendors, board members and staff, students are achieving their dreams of obtaining a higher education and making New Mexico an even greater place to live. According to recent figures released by the Higher Education Department, more than 43,000 New Mexico students have benefitted from a Lottery Success Scholarship. I am proud to be part of a group of dedicated and hardworking individuals who take their mission to heart and are committed to the success of the Lottery and the Lottery Success Scholarship program.

I'd like to thank everyone for their support of the New Mexico Lottery and for all their efforts that helped to make FY '06 such a success.

Sincerely,

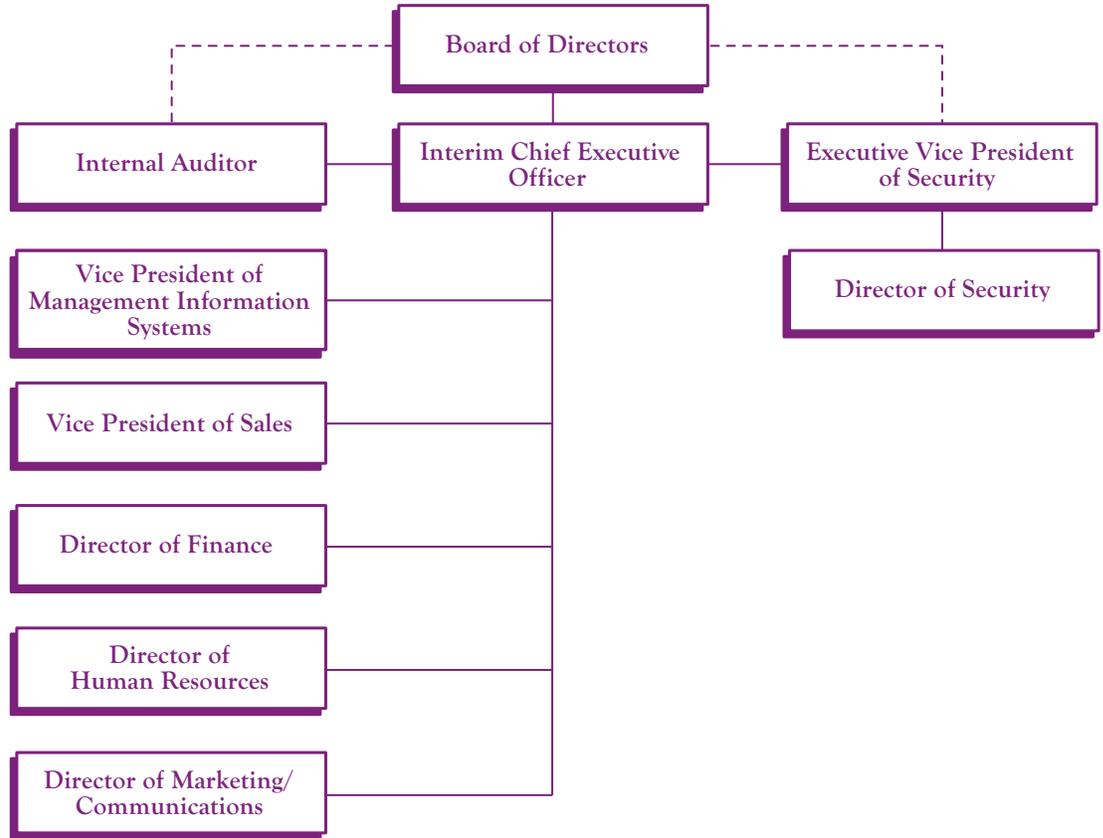
Tom Romero, CEO



# Organizational Divisions

*New Mexico Lottery Authority (Direct Reports)*

In FY 2006,  
Lottery  
profits for  
the Lottery  
Success  
Scholarship  
were \$36.9  
million, an  
increase of  
14.35%



# Fiscal Year 2006

## The Year in Review

Two record *Powerball* jackpot run-ups exceeding \$300 million helped to make this a record year for the New Mexico Lottery. Sales for *Powerball*, the multi-state lottery game, were \$54.1 million and accounted for more than one-third of the Lottery's sales for FY '06.

A mix of new and traditional Scratchers helped push Scratcher sales to \$89.4 million, the second-best year of sales since sales began in 1996. The New Mexico Lottery's first \$20 Scratcher game, *\$500,000 Extravaganza*, was introduced just prior to the beginning of the fiscal year and became the year's best-selling game with sales of \$4.8 million. At the same time, traditional Crossword games continued to be popular with New Mexico Lottery players. *Bonus Letter Crossword* was the second most popular Scratcher game and *\$32,000 Crossword* came in fourth. Combined sales for these two games were \$6.67 million and accounted for 7.5% of total Scratcher sales.

*Roadrunner Cash* sales of \$8.3 million were spurred by the top prizes of \$200,000 to \$390,000, as well as by increasing the number of drawings from six to seven nights per week.

Sales for New Mexico's *Pick 3* game were \$2 million and just under \$800,000 for *4 This Way!*

### WORKING TOGETHER

The individual departments of the New Mexico Lottery work together to focus on raising funds for public education in New Mexico. FY '06 is a great example of this teamwork. Below are some of the FY '06 initiatives listed by department.

■ **Sales Department** — Focused on increasing retailer promotions (including a statewide "Mystery Shopper" promotion that took place late in the FY '06), replaced older Scratcher ticket dispensers and recruited new retailers. At the beginning of FY '06, 1,104 retailers were licensed to sell New Mexico Lottery tickets. That number increased to 1,117 by fiscal year-end.

■ **Marketing & Communications Department** — Provided marketing support for the Lottery's tenth anniversary, the *Powerball* re-launch and *Roadrunner Cash* branding campaigns. New promotions included *Power Play 10X*, *Roadrunner Cash Sunday Drawings* and six Scratcher radio campaigns. Participation in 30 statewide events were negotiated and executed, which included fairs, fiestas and sporting events. Additionally, 25 statewide retailer promotions and a media event at Westside TVI in

Albuquerque were held to commemorate the Lottery's tenth anniversary.

■ **Management Information Systems Department** — Implemented new, state-of-the-art network security features and enhanced the Customer Relationship Management System and the Lottery's facility power management systems. MIS worked with product development and sales to provide analysis and recommendations for game management.

■ **Human Resources Department** (Staff falls within the Executive Department) — Recruited and hired eight new employees and gathered salary and position descriptions on benchmark positions from 40 US lotteries.

■ **Finance Department** — Conducted a fixed-assets physical inventory; procured, accounted for and distributed gift cards for the "Mystery Shopper" promotion; integrated the prize warrants into the Great Plains Bank Reconciliation and assisted with the "Mystery Shopper" promotion and the numerous retailer promotions celebrating the Lottery's tenth anniversary.

■ **Security & Enforcement Department** — Security Division agents worked with the Albuquerque Police Department on multiple cases culminating in the arrests of several individuals and helped to solve numerous burglaries, not only of Lottery retailers, but also of video stores. The Department completed 189 background investigations for employment candidates, vendors and retailers; performed 726 retailer inspections; and conducted the nightly drawings for the Lottery's in-state numbers games (*Roadrunner Cash*, *Pick 3* and *4 This Way!*) as well as special promotional drawings, such as the *\$500,000 Extravaganza 2nd Chance Drawing*.

By fiscal year-end, the Lottery had raised more than \$286 million for public education in New Mexico. That includes over \$219.5 million that has been transferred to the Lottery Tuition Fund and over \$66.5 million that was previously transferred to the state's Public School Capital Outlay Fund. The Lottery-funded distributions for capital outlay were made from 1997 through 2002, for school construction and repairs in grades K-12 in 61 school districts.

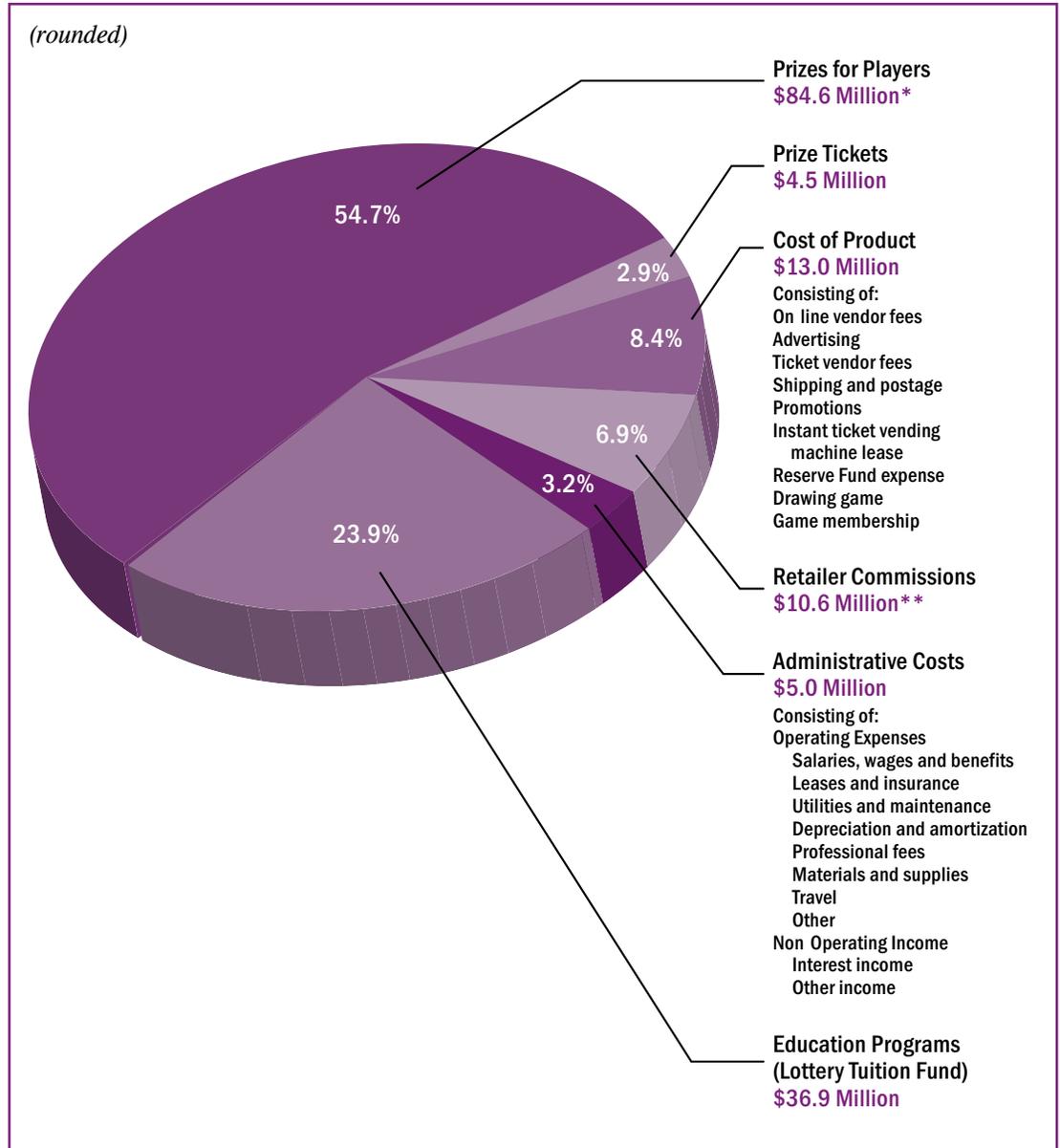
According to the New Mexico Higher Education Department, as of the Spring 2006 semester, more than 43,000 students have benefitted from a Lottery Success Scholarship.

# Where \$154.6 Million in Ticket Sales Go

Gross Ticket Sales for the New Mexico Lottery

Fiscal Year 2006: A Financial Overview

More than \$286 Million has been raised for New Mexico education from FY 1996 to FY 2006



(\*) Includes jackpot prize payments to Multi-State Lottery Association for Powerball

(\*\*) Includes \$766,491 for FY 2006 which in the audited financial statements is charged to Reserve Fund expense



# Historical Review

## *A History of New Mexico Lottery Performance*

The following is a history of New Mexico Lottery gross sales and net revenues (profits) since inception. Fiscal Year 1996 sales were from April 27 - June 30; all other fiscal years run July 1 - June 30.

Of the total amount of money transferred to New Mexico public education, \$66.5 million was allocated for school construction and repairs from FY '96 through FY '01.

All annualized figures are rounded.

	<i>Gross Sales (**)</i>	<i>Net Profits for New Mexico Public Education</i>
FY '96(*)	\$28.4 Million	\$6.3 Million
FY '97	\$82.1 Million ↑	\$21.9 Million ↑
FY '98	\$84.9 Million ↑	\$20.1 Million ↓
FY '99	\$89.5 Million ↑	\$19.6 Million ↓
FY '00	\$110.7 Million ↑	\$24.5 Million ↑
FY '01	\$115.7 Million ↑	\$25.9 Million ↑
FY '02	\$134.0 Million ↑	\$29.6 Million ↑
FY '03	\$137.0 Million ↑	\$33.1 Million ↑
FY '04	\$148.7 Million ↑	\$35.9 Million ↑
FY '05	\$139.2 Million ↓	\$32.2 Million ↓
FY '06	\$154.6 Million ↑	\$36.9 Million ↑
<b>TOTALS:</b>	<b>\$1.2 Billion</b>	<b>\$286.0 Million (***)</b>
Lottery Tuition Fund (Lottery Success Scholarships):	\$219,505,058 (FY '96 - '06)	
Public School Capital Outlay Fund:	\$ 66,553,850 (FY '96 - '01)	
<b>Cumulative Total Through Fiscal Year 2006:</b>	<b>\$286,058,908</b>	

(\*) Represents partial fiscal year, April 27 - June 30, 1996

(\*\*) Historical data have been revised to better reflect prize ticket and spoiled, stolen and promotional ticket credits

(\*\*\*) Rounded to reflect cumulative total

# 43,089

*High School Graduates and GED Recipients Have Received Lottery Success Scholarships Since Inception*

**Lottery Success Scholarship Program Student Count By County  
Fall 1997 – Spring 2006**

County	Attended College	Total Awards	Total Grads So Far
Bernalillo	12,958	\$ 60,805,566	4,466
Catron	62	\$ 279,386	30
Chaves	1,541	\$ 4,418,898	508
Cibola	530	\$ 1,697,444	229
Colfax	253	\$ 1,009,766	97
Curry	1,187	\$ 3,013,543	395
De Baca	80	\$ 270,624	33
Doña Ana	4,515	\$ 18,600,528	1,668
Eddy	1,447	\$ 4,514,462	542
Grant	774	\$ 2,942,798	296
Guadalupe	102	\$ 343,107	33
Harding	53	\$ 206,873	25
Hidalgo	118	\$ 529,887	59
Lea	1,088	\$ 1,940,244	384
Lincoln	420	\$ 1,468,411	159
Los Alamos	764	\$ 3,487,914	279
Luna	373	\$ 1,299,302	122
McKinley	1,163	\$ 3,492,881	353
Mora	133	\$ 535,402	50
Otero	1,416	\$ 5,110,991	571
Quay	285	\$ 881,802	101
Rio Arriba	1,254	\$ 3,979,672	471
Roosevelt	617	\$ 1,873,367	222
San Juan	2,340	\$ 6,194,334	864
San Miguel	779	\$ 2,852,357	299
Sandoval	2,083	\$ 8,690,713	576
Santa Fe	2,877	\$ 10,821,278	932
Sierra	162	\$ 694,031	56
Socorro	304	\$ 1,229,356	113
Taos	653	\$ 2,311,007	202
Torrance	320	\$ 1,289,328	103
Union	113	\$ 419,421	40
Valencia	1,789	\$ 6,183,571	622
Other*	385	\$ 975,129	114
No Response <sup>‡</sup>	151	\$ 649,251	81
<b>TOTAL:</b>	<b>43,089</b>	<b>\$ 165,012,644</b>	<b>15,095</b>

- \* "Other" includes New Mexico students who graduated from a Texas or Arizona high school under a reciprocal agreement with the State Department of Education and Arizona residents on the Navajo Reservation who qualify for Lottery Success Scholarships
- ‡ "No Response" accounts for the students that did not provide county information on their admissions form; this information is requested, but not required
- Source: New Mexico Higher Education Department (NMHED), (800) 279-9777 / www.hed.state.nm.us; represents Lottery Success Scholarship draws through Spring '06
- This report was prepared using the institution-supplied student and student financial aid files
- Student count is cumulative and includes all students that were awarded a Lottery Success Scholarship at any time
- These figures will always differ slightly in different categories because of official reconciliation and adjustments between NMHED and the various institutions
- Some students may be counted more than once because of transfers or other factors, according to NMHED
- Graduates so far: non-graduates may still be enrolled, may no longer be on LSS, or may have left the institution
- Graduates and degrees may include duplicates if a student attained more than one degree — i.e., a student received an Associates degree and continued for a Bachelors degree; degrees include bachelors, associate, certificate and professional; several graduate students are also included, because their Lottery scholarships applied to undergraduate tuition that was part of their simultaneous graduate programs
- Rio Rancho High School's first graduating class was in FY '99; some student data may be split between Bernalillo and Sandoval Counties
- \$66,553,850 in Lottery revenues were previously allocated to the Public School Capital Outlay Fund for State-awarded school construction and repair grants. Following action by the New Mexico Legislature, the Lottery's contribution to this fund ended in FY '01 and the last grants made with Lottery revenues occurred in FY '02

Since 1996,  
43,089  
students have  
received  
a Lottery  
Success  
Scholarship



# 13,123

## Spring Semester 2006 Lottery Success Scholarships

Name of School	Students	Total LSS Awards (Fall '97 – Spring '06)
<b>RESEARCH UNIVERSITIES</b>		
New Mexico Institute of Mining and Technology — Socorro	372 ♦	\$ 4,602,809
New Mexico State University — Las Cruces (Main Campus)	3,151	\$ 50,067,745
University of New Mexico — Albuquerque (Main Campus)	5,996 ♦	\$ 89,142,951
<b>COMPREHENSIVE UNIVERSITIES</b>		
Eastern New Mexico University — Portales (Main Campus)	703	\$ 8,114,747
New Mexico Highlands University — Las Vegas <sup>(1)</sup>	237	\$ 2,517,872
Northern New Mexico College — Española & El Rito <sup>(4)</sup>	111	\$ 422,509
Western New Mexico University — Silver City	170 ♦	\$ 1,544,035
<b>TWO-YEAR BRANCH COLLEGES</b>		
Eastern New Mexico University — Roswell	204 ♦	\$ 731,391
Eastern New Mexico University — Ruidoso	10	\$ 70,570
New Mexico State University — Alamogordo	100	\$ 660,227
New Mexico State University — Carlsbad	91	\$ 590,302
New Mexico State University — Doña Ana	321 ♦	\$ 1,301,663
New Mexico State University — Grants	29	\$ 256,037
University of New Mexico — Gallup	95 ♦	\$ 404,752
University of New Mexico — Los Alamos	65	\$ 363,904
University of New Mexico — Taos	33	\$ 176,380
University of New Mexico — Valencia (Los Lunas)	143	\$ 773,286
<b>INDEPENDENT COMMUNITY/JUNIOR COLLEGES</b>		
Clovis Community College	131 ♦	\$ 383,977
Central New Mexico Community College <sup>(5)</sup>	641	\$ 1,952,302
Mesalands Community College — Tucumcari <sup>(3)</sup>	11	\$ 152,338
Luna Community College — Las Vegas <sup>(1)(2)</sup>	0	\$ 27,150
New Mexico Junior College — Hobbs	80	\$ 325,982
New Mexico Military Institute — Roswell	18	\$ 109,541
Santa Fe Community College	167	\$ 627,909
San Juan College — Farmington	244	\$ 689,700
<b>TOTAL CAMPUSES — 25<sup>(1)</sup></b>		
<b>TOTAL STUDENTS SPRING 2006 SEMESTER<sup>(6)(7)</sup></b>		<b>13,123</b>
<b>TOTAL USED SINCE INCEPTION THROUGH SPRING 2006<sup>(6)(7)</sup></b>		<b>\$ 166,010,079</b>

- (1) Some satellite campuses are reflected in main campus information
  - (2) LCC was formerly known as Luna Vocational Technical Institute
  - (3) MCC was formerly known as Mesa Technical College
  - (4) NNMC was formerly known as Northern New Mexico Community College; it now offers both two- and four-year programs
  - (5) CNM was formerly known as Albuquerque Technical Vocational Institute
  - (6) Lottery Success Scholarship (LSS) debits and student count may be adjusted by New Mexico Higher Education Department (NMHED) in subsequent semesters, pending reviews, audits and/or appeals; these may also reflect minor financial differences due to overall decimal point rounding, and are statistically insignificant
  - (7) LSS transfer, draw and usage figures will always differ slightly in different categories because of official reconciliation and adjustments between NMHED and the various institutions
- ♦ Reflects record LSS enrollment for the Spring '06 semester

Source:  
New Mexico Higher Education  
Department, (800) 279-9777  
www.hcd.state.nm.us

### LOTTERY SUCCESS SCHOLARSHIP RECIPIENTS AND AMOUNTS AWARDED BY SEMESTER

Fall '97	\$ 1,398,445	(2,192 students)	Fall '02	\$ 9,532,303	(8,875 students)
Spring '98	\$ 3,024,521	(5,087 students)	Spring '03	\$ 11,735,843	(11,352 students)
Fall '98	\$ 2,809,491	(4,139 students)	Fall '03	\$ 10,833,452	(9,608 students)
Spring '99	\$ 5,230,796	(7,802 students)	Spring '04	\$ 13,089,784	(12,288 students)
Fall '99	\$ 5,001,758	(6,406 students)	Fall '04	\$ 12,711,544	(10,219 students)
Spring '00	\$ 7,686,597	(10,014 students)	Spring '05	\$ 16,205,026	(13,497 students)
Fall '00	\$ 6,773,604	(7,593 students)	Fall '05	\$ 14,802,211	(10,714 students)
Spring '01	\$ 8,849,942	(10,429 students)	Spring '06	\$ 17,350,460	(13,123 students)
Fall '01	\$ 8,369,094	(8,181 students)			
Spring '02	\$ 10,605,208	(11,001 students)	<b>TOTAL</b>	<b>\$ 166,010,079</b>	<b><sup>(6)(7)</sup></b>

Data provided by New Mexico Higher Education Department and its predecessor, the Commission on Higher Education, for the Lottery Success Scholarship program through FY '06<sup>(6)</sup>



# STATEMENTS OF NET ASSETS

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 4,574,650	\$ 3,520,285
Accounts receivable (net of allowance for doubtful accounts)	837,420	763,744
Reserves on deposit	2,339,765	2,281,913
Inventory	15,932	16,135
Prepaid expenses	<u>120,082</u>	<u>125,372</u>
Total current assets	7,887,849	6,707,449
<b>CAPITAL ASSETS, NET</b>		
Total assets	<u>\$ 8,546,018</u>	<u>\$ 7,403,274</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 2,225,990	\$ 1,945,181
Current portion of capital lease obligation	106,091	141,454
Prizes payable	3,495,708	2,468,569
Due to lottery tuition fund	<u>2,668,229</u>	<u>2,691,979</u>
Total current liabilities	8,496,018	7,247,183
<b>LONG-TERM LIABILITIES</b>		
Noncurrent portion of capital lease obligation	<u>-</u>	<u>106,091</u>
Total liabilities	<u>\$ 8,496,018</u>	<u>\$ 7,353,274</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 552,078	\$ 448,280
Net assets – Restricted	50,000	50,000
Unrestricted net assets	<u>(552,078)</u>	<u>(448,280)</u>
Total net assets	<u>\$ 50,000</u>	<u>\$ 50,000</u>

In FY 2006,  
New Mexico  
Lottery  
players won  
more than  
\$84.6 million



# STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended June 30, 2006 and 2005

	2006	2005
<b>REVENUES</b>		
Instant ticket sales	\$ 89,367,670	\$ 90,840,412
Powerball sales	54,113,990	36,259,131
Roadrunner Cash sales	8,347,282	9,183,278
Pick 3 sales	2,009,560	2,063,825
4 This Way! sales	769,985	892,155
Retailer fees	47,180	42,618
Prize tickets	(4,533,193)	(4,741,715)
Spoiled, stolen, and promotional tickets	(80,074)	(70,542)
Total revenues	<u>150,042,400</u>	<u>134,469,162</u>
<b>GAME EXPENSES</b>		
Prize expense	84,626,456	76,173,863
Retailer commissions	9,859,881	8,938,622
On-line vendor fees	7,414,912	5,875,866
Advertising	2,816,695	2,566,777
Ticket vendor fees	1,282,575	1,351,089
Reserve Fund expense	1,071,934	767,634
Shipping and postage	370,751	359,250
Promotions	335,137	387,391
Instant ticket vending machine lease	275,940	331,750
Drawing game	94,264	124,994
Game membership	60,084	73,100
Total game expenses	<u>108,208,629</u>	<u>96,950,336</u>
<b>OPERATING EXPENSES</b>		
Salaries, wages, and benefits	3,644,557	3,640,793
Leases and insurance	636,560	616,968
Utilities and maintenance	440,678	380,152
Depreciation and amortization	409,138	424,025
Professional fees	191,021	240,687
Materials and supplies	68,397	85,835
Other	67,308	87,821
Travel	54,847	85,853
Total operating expenses	<u>5,512,506</u>	<u>5,562,134</u>
<b>OPERATING INCOME</b>	<u>36,321,265</u>	<u>31,956,692</u>
<b>NON-OPERATING INCOME</b>		
Interest income	394,225	133,058
Other income	140,066	140,767
Total non-operating income	<u>534,291</u>	<u>273,825</u>
Net income before transfers	36,855,556	32,230,517
Transfers to Lottery Tuition Fund	<u>(36,855,556)</u>	<u>(32,230,517)</u>
Change in net assets	-	-
Net assets at beginning of year	<u>50,000</u>	<u>50,000</u>
Net assets at end of year	<u>\$ 50,000</u>	<u>\$ 50,000</u>



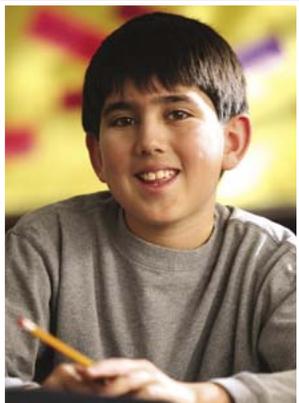
# STATEMENTS OF CASH FLOWS

Years ended June 30, 2006 and 2005

## Increase (Decrease) in Cash

	2006	2005
Cash flows from operating activities		
Cash received:		
From retailers-sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 140,108,843	\$ 126,518,699
Cash payments:		
To prize winners and related taxes	(71,482,341)	(65,935,366)
To suppliers of goods or services	(15,284,239)	(14,286,079)
To employees for services and related taxes	(3,100,369)	(3,031,448)
To MUSL	(12,116,976)	(10,827,230)
Net cash provided by operating activities	<u>38,124,918</u>	<u>32,438,576</u>
Cash flows from investing activities		
(Additions) deletions to MUSL Reserve Accounts	(22,648)	459,876
Receipts of interest	239,832	58,731
Receipts of rent	121,704	118,004
Other	21,923	28,606
Net cash provided in investing activities	<u>360,811</u>	<u>665,217</u>
Cash flows from noncapital financing activities		
Transfers to Lottery Tuition Fund	(36,879,306)	(32,271,752)
Cash flows from capital and related financing activities		
Purchases of capital assets	(410,604)	(219,386)
Principal payments under capital lease	(141,454)	(141,454)
Net cash used by related financing activities	<u>(552,058)</u>	<u>(360,840)</u>
NET INCREASE IN CASH	1,054,365	471,201
Cash at beginning of year	<u>3,520,285</u>	<u>3,049,084</u>
Cash at end of year	<u>\$ 4,574,650</u>	<u>\$ 3,520,285</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 36,321,265	\$ 31,956,692
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	409,138	424,025
Additional contributions (deletions) to MUSL Reserve Accounts	22,648	(459,876)
Interest on MUSL Unreserved Account	154,393	74,327
Vendors' non-cash transactions	(3,561)	(5,843)
Net changes in assets and liabilities:		
Accounts receivable	(73,676)	988,159
Reserves on deposit	(57,852)	385,856
Inventory	203	1,242
Prepaid expenses	5,290	(20,493)
Accounts payable and other liabilities	280,809	(359,192)
Accrued capital purchases	39,122	42,412
Prizes payable	1,027,139	(588,733)
Net cash provided by operating activities	<u>\$ 38,124,918</u>	<u>\$ 32,438,576</u>

In FY 2006,  
the NMLA  
celebrated its  
10th year of  
benefitting  
New Mexico's  
future



# BUDGET TO ACTUAL COMPARISON STATEMENTS

Years ended June 30, 2006 and 2005

	2006				2005			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>								
Instant ticket sales	\$ 90,000,000	\$ 91,000,000	\$ 89,367,670	\$ (1,632,330)	\$ 87,475,000	\$ 88,500,000	\$ 90,840,412	\$ 2,340,412
Powerball sales	50,000,000	50,000,000	54,113,990	4,113,990	51,600,000	40,000,000	36,259,131	(3,740,869)
Roadrunner Cash sales	8,000,000	8,500,000	8,347,282	(152,718)	7,500,000	8,500,000	9,183,278	683,278
Pick 3 sales	2,000,000	2,000,000	2,009,560	9,560	2,025,000	2,050,000	2,063,825	13,825
4 This Way! sales	1,000,000	800,000	769,985	(30,015)	1,375,000	1,000,000	892,155	(107,845)
Retailer fees	30,000	44,000	47,180	3,180	32,000	40,000	42,618	2,618
Prize tickets	(4,750,000)	(4,800,000)	(4,533,193)	266,807	(6,000,000)	(5,000,000)	(4,741,715)	258,285
Spoiled, stolen, and promotional tickets	(106,000)	(92,000)	(80,074)	11,926	(132,000)	(90,000)	(70,542)	19,458
Bad debts	(24,000)	(24,000)	-	24,000	(24,000)	(24,000)	-	24,000
<b>Total revenues</b>	<b>146,150,000</b>	<b>147,428,000</b>	<b>150,042,400</b>	<b>2,614,400</b>	<b>143,851,000</b>	<b>134,976,000</b>	<b>134,469,162</b>	<b>(506,838)</b>
<b>Total game expenses</b>	<b>106,139,000</b>	<b>106,888,000</b>	<b>108,208,629</b>	<b>1,320,629</b>	<b>103,031,000</b>	<b>97,117,000</b>	<b>96,950,336</b>	<b>(166,664)</b>
<b>Total operating expenses</b>	<b>6,333,000</b>	<b>5,854,000</b>	<b>5,512,506</b>	<b>(341,494)</b>	<b>6,285,000</b>	<b>5,880,000</b>	<b>5,562,134</b>	<b>(317,866)</b>
<b>Operating income</b>	<b>33,678,000</b>	<b>34,686,000</b>	<b>36,321,265</b>	<b>1,635,265</b>	<b>34,535,000</b>	<b>31,979,000</b>	<b>31,956,692</b>	<b>(22,308)</b>
<b>Total non-operating income</b>	<b>226,000</b>	<b>442,000</b>	<b>534,291</b>	<b>92,291</b>	<b>228,000</b>	<b>221,000</b>	<b>273,825</b>	<b>52,825</b>
<b>Net income before transfers to Lottery Tuition Fund</b>	<b>\$ 33,904,000</b>	<b>\$ 35,128,000</b>	<b>\$ 36,855,556</b>	<b>\$ 1,727,556</b>	<b>\$ 34,763,000</b>	<b>\$ 32,200,000</b>	<b>\$ 32,230,517</b>	<b>\$ 30,517</b>

For complete financial information, please visit our website at [www.nmlottery.com](http://www.nmlottery.com).



Benefitting New Mexico's Future

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