

1 9 9 9   a n n u a l   r e p o r t

# New Mexico's **Lucky** Numbers





# \$46,000,000

## Board of Directors

**SERVING THE LOTTERY IN FISCAL YEARS 1999 - 2000**

**T**he New Mexico Lottery Authority's Board of Directors is a seven-member body appointed by the Governor of New Mexico, with confirmation by the State Senate. These dedicated citizens set policy and provide their advice and guidance to the lottery staff. They are volunteers, and are not paid for their services.

Beginning in FY 99, the membership included S. Bert Atkins of Alamogordo, an attorney in private practice and former district attorney; Kathryn Cordova of Taos, a college

instructor and journalist; Claydean Elkins, Mayor of Jal; former Lieutenant Governor Casey Luna of Belen; Fred L. Ragsdale, a Corrales attorney; Peggy O. Roberts, an Albuquerque CPA; and Bruce Wiggins, an Albuquerque attorney.

Various changes occurred. Mr. Wiggins resigned in the first quarter of FY 99, and Mr. Ragsdale resigned during the second quarter of FY 99. Steve Gabaldon, a Farmington business executive, was appointed by the Governor to replace Mr. Ragsdale. Former Secretary of

Economic Development Gary Bratcher was appointed to replace Mr. Wiggins.

At the close of FY 99, board officers were: Ms. Roberts, chair; Mr. Atkins, vice chair; Mayor Elkins, secretary; and, Mr. Gabaldon, treasurer.

Albuquerque attorney Cody Kelly and Carlsbad business executive Karen Westall have been nominated by the Governor as board designees and are awaiting Senate confirmation.

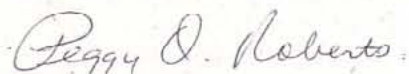
# *in FY99 cash & prizes claimed by* *New Mexico Lottery Players* *during FY99*

As the New Mexico Lottery Authority enters its fifth fiscal year, students and parents around the State have reasons to smile, as do Lottery players and retailers. Since the Lottery's inception in fiscal year 1996 through the end of the 1999 fiscal year, players in New Mexico have won more than \$140 million in prizes. Lottery retailers have earned nearly \$19 million in commissions and the Lottery has transferred over \$64.3 million to the Treasurer of the State of New Mexico with 100 percent of those proceeds designated for public education. Of that, approximately \$37.2 million were earmarked for public school capital outlay. From inception through FY 99, 42 school districts were assisted. During the same period of time, almost \$27.1 million funded the Lottery Success Scholarship program. More than 7,800 students attended New Mexico colleges

and universities during the 1999 spring semester with Lottery scholarships.

New Mexico Lottery's fourth fiscal year of operations brought challenges. The Lottery launched a "more games more often" strategy, which worked. . . for a while. However, during the year we suffered what most other lotteries experienced earlier in their lives . . . nicknamed the "sophomore slump." A serious reduction in sales of instant "Scratcher" games occurred because, apparently even with new games, players felt they weren't winning often enough. Immediate action was required. Management recommended, and the Board approved, that the prize pool for Scratchers be increased from 52 percent to 64 percent of sales. Word-of-mouth news spread quickly throughout the lottery retailer and player communities. More people were winning more money. The

downward trend in instant sales was reversed, but this placed pressure on profits. Even as sales reached record levels, profits dipped this year with the increased prizes. Our goal for fiscal years 2000-2001 is to continue to increase our gross sales to a point that produces a record level of net profit to the State. The Board and Management's commitment is to continually improve the New Mexico Lottery operation and maintain our proud role of investing in the education of New Mexicans.



Peggy O. Roberts  
Chair, Board of Directors



Gary D. Bratcher  
Interim Chief Executive Officer



# \$12,000,000

## Fiscal Year 1999 – The Year In Review

### NEW PRODUCTS

For the lottery to be fun for its players and beneficial for education, it must be kept fresh. New games were introduced, existing games were modified, and some popular contests were brought back on a seasonal basis.

### SCRATCHERS

Our instant games continue to be the popular backbone of the lottery, with more than 52 percent of total lottery sales. For the first half of FY 99, though, Scratchers actually accounted for less than half of total sales. We continued with a "more games, more often" approach. At its peak in FY 98, two new games at a time were launched every two weeks. In FY 99, it was scaled back to two to three new games every four weeks. However, players grew bored with prize payouts that were at or below industry averages, about 52 percent of the Scratchers' prize pool.

In the second half of FY 99, a higher prize payout was phased in as new games were introduced. With relatively little advertising or news coverage about the increase, word-of-mouth success brought players back: "the more you play, the more you win, the more you play." This helps increase sales, but adversely affects profits. Claimed Scratcher prizes paid out approximately 55 percent of Scratcher sales over the entire FY 99, demonstrating the phased-in increase.

The most successful Scratchers during FY1999 were "Trucks and Bucks II" and "\$50,000 Jackpot," the Lottery's first \$5 instant game. More than 168,000 second chance tickets were entered into the "Trucks and Bucks" drawing; seven pick-up trucks in all were awarded, six instantly and one in a second-chance drawing. Nearly 1.4 million "Trucks and Bucks" tickets were sold.

### ON-LINE GAMES

Lotto-style games accounted for approximately 48 percent of total sales.

### POWERBALL

Two large jackpot run-ups exceeding \$100 million helped drive on-line sales. The fiscal year opened with a climbing annuitized jackpot that eventually reached \$295 million. The fiscal year ended with another huge Powerball jackpot, this time with an annuitized value of more than \$145 million. These run-ups also helped offset the

*"This truly has been a success story."*  
GOV. GARY JOHNSON



**LOTTERY FRIENDS:** Gov. Gary Johnson, left, and House Speaker Raymond Sanchez, D-Albuquerque, often political opponents, smile together Thursday while speaking about the success of the New Mexico Lottery in supporting public education.

### Lottery Scholarships Make Grade

Behind Gov. Johnson and Speaker Sanchez are Estancia Municipal Schools superintendent Carolyn Allen-Renteria, Commission on Higher Education chair Ronald Toya, and UNM director of recruitment Terry Babbitt.

Scratcher sales slump for the first half of FY 99. This marked the first full fiscal year in which the smallest annuitized Powerball jackpot was \$10 million, double the original minimum jackpot. Powerball sales in New Mexico totaled almost \$36 million, or just over 40 percent of FY 99 sales.

Even though New Mexico did not have a Powerball multi-million dollar jackpot winner during the fiscal year, there were 1,044,733 Powerball winners statewide. Prizes totaled almost \$17 million. The \$100,000 second-place NMLA Powerball numbers were drawn 19 times during FY 99, along with 95



*distributed to*

# build and renovate

*schools across New Mexico*

\$5,000 third-prize winners, occurring in all corners of the state. (As of this printing, the second prize has been won 62 times since the Lottery's inception.)

It is interesting to note that two \$100,000 Powerball prizes went unclaimed in FY 99. Despite intense publicity, two winners failed to redeem those tickets.

## **ROADRUNNER CASH**

Increased playship of Roadrunner Cash continued, with an increase in drawings from two to four each week. Players like the ease of a New Mexico-only lotto-style game, with odds better than Powerball. During FY 99, the \$15,000 first prize was reached 29 times. Three of those occurred during a special promotion, which doubled the top prize to \$30,000.

In addition to the top prize, 4,024 players won the \$100 second prize in this 12-month period. In all, there were nearly 879,000 Roadrunner Cash winners during FY 99.

Roadrunner Cash sales exceeded \$5 million during the fiscal year, or nearly 5.65 percent of all ticket sales. Claimed prizes totaled approximately \$2.7 million, or about 53 percent of Roadrunner Cash sales for the fiscal year.

During the fourth quarter of FY 99, NMLA began studying ways to improve Roadrunner Cash even more. Options included a rolling jackpot "lotto" or higher top prizes. Following extensive research, it was determined to increase drawings from four to six per week, beginning in the second quarter of FY 00. The attainable \$15,000 prize (1:169,000 odds) will remain. (As of this printing, the top prize has been won 61 times since the game's introduction.)



*About a third of the NMLA staff is pictured following the 1999 "Trucks and Bucks II" second chance drawing at Cottonwood Mall.*

## **MEGA MATCH 4**

Mega Match 4 was launched during the second quarter of FY 99, and was discontinued shortly before the end of the fiscal year. It generated almost \$1.9 million in sales and resulted in more than \$1.3 million in prizes claimed, including two \$500,000 top

prizes, the largest ever awarded by NMLA. There were a total of 315,884 Mega Match 4 winners during the game's FY 99 run, including three second-place \$10,000 winners.

Even with an unexpectedly high prize payout of more than 69 percent (driven up by the two jackpots), public response was below expectations in New Mexico, as well as most of the 17 other states where Mega Match 4-style games were introduced. Sales represented only about 2.13 percent of total FY 99 ticket sales.

## **POWERBALL FANTASY FIESTA**

This highly-visible spring promotion rewarded New Mexicans using \$375,000 in unclaimed prizes. For a limited period, a \$5 Powerball purchase automatically generated one entry form. There were more than 110,000 entries received, either by mail or at Lottery headquarters. The first 32 nightly broadcast

drawings awarded prizes such as trips to the next Super Bowl, vacation packages, pre-paid debit cards, a motorboat and home spas. On the thirty-third and final night, all entries were dumped in a huge pile on the floor at Lottery headquarters. One winning ticket was selected for the grand prize, a 1999 Ford Expedition "Eddie Bauer Edition" package, worth nearly \$56,000.



# \$8,000,000

## NEW PROGRAMS

We continued our ongoing expansion and improvements for retailers and players.

- In-counter Scratcher dispensers now hold 14 different games
- Retailers can now pull their inventory reports electronically, via the on-line game computer terminals at their locations
- Another 150 tall, colorful play centers were placed at retailers across the state, in addition to the 900 during FY 98
- Another 200 neon roadrunner-logo Lottery signs were distributed to New Mexico retailers, in addition to the 750 installed during FY 98
- A new print, broadcast and outdoor advertising "Dream" campaign highlights not only the fun of playing and winning, but the Lottery's educational beneficiaries



During 1998, the Lottery helped sponsor the New Mexico State Fair (pictured at far right) and Kodak Albuquerque International Balloon Fiesta (above). A busy special events schedule helped generate revenue through ticket sales, and increase awareness of both the Lottery and its educational beneficiaries.

## NEW EVENTS AND SPONSORSHIPS

Through ticket sales and related functions, NMLA participated in more than 100 promotional activities during FY 99, and was a sponsor of nearly two dozen events. Activities included all parts of the State.

First-time sponsorships included:

- Cinco de Mayo (Albuquerque)
- Las Vegas Fourth of July Fiesta
- Mariachi Spectacular (Albuquerque)
- Rodeo de Santa Fe
- Tour of the Gila National Forest Bike Race (Grant County)
- University of New Mexico Sports

Popular repeat sponsorship and/or promotional activities included:

- Clovis Music Festival
- Deming Great American Duck Race
- Gathering of Nations Pow Wow
- Kodak Albuquerque International Balloon Fiesta
- Mesilla Valley Fiesta
- New Mexico State Fair
- Summer Fun Tradeshow (Farmington)
- UFO Encounter (Roswell)

During the third quarter of FY 99, NMLA highlighted the crucial role of the State Legislature and the Governor in developing an honest, profitable Lottery to benefit New Mexico's students. A special event was held at the State Capitol rotunda in Santa Fe, during which dozens of public officials, recipients of Critical Capital Outlay Fund awards and Lottery Success Scholarship recipients came together.



*transferred to the*

# Lottery Tuition Fund

## RETAILERS

There were 1,186 Lottery retailers at the beginning of FY 99. Over the course of the year, 80 were lost, mostly because of businesses that closed due to non-Lottery related matters. However, 104 new retailers offset the losses, for a net gain of 24. The NMLA ended FY 99 with 1,210 retailers.

In FY 98, NMLA formed a Retailer Council, with approximately 16 members. Council representatives met several times during FY 99. The purpose of these on-going sessions is to exchange views, and for the Lottery to implement recommendations from its front-line partners at the retail level. This included increased winner awareness within regions and surge protector/suppressor installation for some retailers' electrical lines.

It is important to recognize the role NMLA retailers play. After all, it is they who actually sell the tickets. And every sale is another investment in New Mexico education.

NMLA's overall top retailer locations, by sales, for FY 99 were:

## Independent

1. Sunland Park Grocery, Sunland Park
2. Loaf 'N Jug, Raton
3. Billy Crews, Santa Teresa
4. Drivers Travelmart, San Jon
5. Peppers Supermarket, Deming
6. J.R.'s Country Store #508, Raton

## Chain

1. Cigarette Outlet, Santa Teresa
2. Stires Mini-Mart, Chaparral
3. Stires Supermarket, Chaparral
4. Town & Country Texaco, Texico
5. John Brooks Supermarket #1, Albuquerque
6. St. Michael's Shell #82, Santa Fe

## RESEARCH AND ANALYSIS

NMLA funded an extensive operational audit for the Legislative Finance Committee (LFC). During a joint meeting with the LFC, Lottery Oversight Committee (LOC) and NMLA Board in March, members of SRI Consulting of Menlo Park, California, an internationally-recognized firm, issued a number of findings. Management satisfactorily addressed all issues.

Additionally, NMLA launched an extensive statewide research

effort during the fourth quarter of FY 99, using Angus Reid and Co., North America's largest polling and research firm that specializes in the lottery industry. While complete marketing results were not available until FY 00, preliminary information revealed that the New Mexico Lottery continues to have broad support across the state. Just as important, the well-researched and highly-segmented study helped dispel unsubstantiated rumors that poor New Mexicans play the Lottery at a disproportionately higher rate than others. However, the data shows that respondents spend more on casino gambling and slots than on the Lottery at all income levels.





# \$5,900,000

## COMPETITION

Besides existing and expanded tribal casino and racetrack gambling, FY 99 ended as fraternal organizations and racetracks were eligible to obtain gambling licenses for video slot machines. While some organizations already had so-called "gray" machines in place prior to legalization, the effects on Lottery sales will not be known until well into FY 00, or possibly FY 01.

As the Angus Reid study noted, additional gaming competition includes lotteries from adjacent non-Powerball states during their jackpot run-ups (particularly Texas and, to a lesser extent, Colorado), resort-destination casinos (such as Las Vegas, Laughlin, Atlantic City, New Orleans or Colorado), raffles, office pools, and both legal and illegal Internet wagering. And, as indicated previously, New Mexicans spend considerably more on other forms of gambling than they do on the Lottery, although the Lottery and its beneficiaries remain popular.

While the bulk of New Mexico Lottery players are from our state, residents of adjoining non-Powerball jurisdictions including Colorado, Texas and Chihuahua (Mexico) cross state lines to play the New Mexico Lottery, especially when Powerball jackpots rise. This helps not only the NMLA's financial base, but also contributes to New Mexico

education. The cross-border traffic benefiting NMLA is readily apparent when Powerball jackpots reach the \$75 million to \$90 million range; the cross-border increase is dramatic when the magic \$100 million jackpot threshold is crossed, which occurred twice during FY 99.

But according to data and analysis provided by GTECH, a net loss of approximately \$1.42 million left New Mexico in FY 99 to play Texas Lottery instant and on-line games. Much of that cross-border traffic comes from areas such as Clovis, Hobbs, Las Cruces, Portales and Tucumcari. There are several reasons, according to GTECH's analysis.

1. Texas' Lottery is considerably older and more established than New Mexico's
2. Many eastern and southern New Mexicans who regularly go to Texas for shopping or other business routinely play the Texas Lottery
3. Texas media, particularly television in markets such as Amarillo, El Paso, Lubbock and Midland/Odessa, are often more prevalent in eastern and southern New Mexico. Although NMLA

actively uses local print and radio media in eastern New Mexico, resources are not available to advertise in all west Texas media that penetrate these portions of our State.

However, Texas per capita sales dropped considerably, largely attributed to legislation which lowered the prize payout for instant games. That move was rescinded earlier this year. As GTECH has noted, New Mexico's Lottery has developed credibility, maturity and name



*Customer service representative Claudia Romero (left) and lottery sales representative Yvette Quintana (right) held one of many promotional wheel spins for retailers and their customers across the state, to help kick off Mega Match 4.*

recognition that may not have existed previously during NMLA's infancy.

GTECH has concluded that cross-border Lottery traffic from New Mexico to Texas is "likely to increase depending upon the success of Texas' recovery efforts with their renewed payouts."



*in*

# commissions & bonuses

*paid to New Mexico Lottery retailers*

## COMPULSIVE GAMBLING

With research and bids started in FY 1999, the Lottery will finalize in FY 00 contract services for a toll-free compulsive gambling telephone hotline.

Additionally, the toll-free number will be printed on both instant and on-line tickets, be posted on play stations and at retail locations, and be available from the Lottery's telephone call center and internet website. An informational brochure will be developed, as well.

This type of proactive effort by the NMLA began long before compulsive gambling issues were debated at the national level during FY 99. Additionally, the NMLA has never targeted any audience based on ethnicity, gender or socio-economics. Bi-lingual information and advertising by the NMLA is aimed at residents 18 years of age or older.

The Lottery's guidelines clearly emphasize that the Lottery is entertainment, and should never replace a solid work ethic. This message is

continually reinforced in presentations to a variety of organizations across New Mexico. Additionally, field representatives periodically remind retailers that, while the Lottery is designed to be fun to play and win, responsible playing is essential. The importance of the principal beneficiary, New Mexico education, is also reinforced.



### LUCILA SANCHEZ

*Clovis Community College/New Mexico State University*  
Lucila Sanchez, a student and Lottery Success Scholarship recipient at Clovis Community College, prepares to be interviewed by comedian Scotty Goff for the NMLA's television commercials. Sanchez worked on campus to help pay for her college education. Having transferred to New Mexico State University, she is majoring in physical therapy. "The Lottery scholarship is helping me big time," she said. "It is helping me get a better future."



A production crew crisscrossed the State during the fourth quarter of FY 99, gathering footage for an ambitious NMLA marketing campaign. While it touts that the "New Mexico Lottery is the stuff dreams are made of," the campaign points out that getting an education with Lottery-funded assistance is just as viable a dream as winning. The commercials began airing toward the end of FY 99, and were launched in earnest in early FY 2000. New Mexico-raised Scotty Goff, an educator-turned-comedian, is the featured talent in the TV spots.





## YEAR 2000 READINESS DISCLOSURE

The Year 2000 ("Y2K") issue is the result of shortcomings in many computer systems and other electronic equipment that may adversely affect the New Mexico Lottery's operations beginning in calendar year 2000. The "Y2K Bug," sometimes called the "Millennium Bug" or the "Year 2000 Virus," is the consequence of computer programs that use only two digits to identify the year "99," rather than four digits, "1999." These programs, therefore, assume that the first two digits of the year are "19" when, in fact, in the near future the first two digits may be "20." If not corrected, this problem may lead to miscalculations or even computer shutdowns.

The New Mexico Lottery has been committed to addressing this problem since start up of the Lottery in 1996. At start up, the Lottery was cognizant of the problem and tried to ensure that most of the equipment and software acquired was Year 2000 compliant. Since that time, programming changes and upgrades made to Year 2000 compliant software and hardware were made in keeping with Year 2000 compliance.

In 1998 the Lottery performed an inventory of the computer systems and other electronic equipment that could be affected by the Year 2000 issue and that were necessary to

conducting Lottery operations. An assessment of this inventory was made to identify what equipment and software needed remediation for Year 2000 issues. In addition, critical third-party contractors and vendors were identified and information concerning their Year 2000 compliance was requested.

Beginning in 1998 critical hardware and software were upgraded to increase performance and to address Year 2000 issues. In July 1999 the New Mexico Lottery performed the testing and validating of the software and hardware that was identified as critical to the continued operations of the Lottery. In this testing and validation the Lottery did not experience any complications related to Y2K issues.

Non-critical systems of the Lottery have also been inventoried and a Y2K assessment made. The systems have either been tested by the Lottery or the Lottery has obtained letters of Y2K compliance from the manufacturer of the systems.

Critical contractors of the Lottery have been identified. For each of these contractors, a review of their testing procedures and the results of the testing has been made, testing has been performed by the Lottery and/or a letter of Y2K compliance has been obtained. Third-party

vendors, such as the utility and communication companies, have been identified and confirmation of Y2K compliance has been obtained from their individual web pages.

During the final quarter of calendar year 1999, the New Mexico Lottery will be performing Y2K drills and refining its contingency plans for emergencies during the transition into Y2K. To address any issues resulting during the rollover into the year 2000, the Management Information Systems (MIS) division and the Security Division, among others, will be on-site at the Lottery and on-line vendor personnel will be at the vendor location.

The New Mexico Lottery believes that its mission-critical systems are ready for date changes associated with the Year 2000, but because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Therefore, Lottery management cannot fully assure that the New Mexico Lottery is or will be Year 2000 ready, that the New Mexico Lottery's remediation efforts will be successful in whole or in part, or that parties with whom the Lottery does business will be Year 2000 ready.



# prizes

*in lotto (on-line) games*

## Winner Spotlight



David Spencer of Artesia was the sixth winner during the Powerball Fantasy Fiesta. He won a \$6,000 vacation package. His winning entry form came from tickets purchased at Allsup's #211 in Artesia.

A Las Cruces family spent eight hours searching for their winning \$100,000 Powerball ticket from the July 11, 1998 drawing. Tiffany Sallee and Saul Gonzalez, along with their 3-year-old daughter and 1-year-old son, presented their ticket and became New Mexico's 34th Powerball \$100,000 winner. Sallee usually bought the family's \$2 quick-pick ticket but couldn't remember where she had placed it. After an eight-hour search, the ticket turned up in the family's vehicle. However, she

waited until the next day to check the numbers. Sallee gave the ticket to the clerk and said she heard the machine make a funny noise. "I just thought a wrong number or button was pushed," Sallee said. "And when the clerk said I won \$100,000 I couldn't believe it!" When Sallee arrived home, Gonzalez said she was stuttering, crying and shaking from the excitement. Gonzalez, a landscaper, couldn't believe it either, so he took the ticket to another retailer to have it verified a second time. "The first thing I did was thank the Lord!" Gonzalez said. "The most we've ever won was \$7, but I figured we'd just take our chances with the long odds - either way it still goes to education." The couple helped their family with the winnings, and is saving the rest for their kids. They purchased the winning ticket from Shorty's Food Mart, located at 7320 N. Main off Highway 70 in Las Cruces.

Coming in second place was no problem for two long-time Española residents. The pair, married 42 years, had five of the six winning numbers in the final PowerBall drawing of FY 99. The 50<sup>th</sup> PowerBall runners-up in New Mexico claimed their \$100,000 prize and requested anonymity. One watched the PowerBall

drawing results on television while the other was irrigating trees in his yard. When the husband came back in the house his wife teased him about the June 30, 1999, drawing. "How's your heart?" she asked him. "Fine," he replied. "Well, you didn't choose 'three' for the Powerball, so we didn't win the \$150 million," she said. "But we did have five numbers." "Oh," he responded. "I said, 'We did have five numbers.' That's \$100,000!" They described themselves as occasional Lottery players who otherwise don't gamble. The couple has three children, along with grandchildren and great-grandchildren. They plan to use their winnings to help their children and pay bills. The winning ticket was purchased at Quick Stop #4, 1213 Riverside in Española.



With the end of the school year, UNM graduate student Nancy Gillard had a lot of things on her mind. Winning a 1999 Eddie Bauer package Ford Expedition worth nearly \$56,000 wasn't one of them. She won the grand prize during the Powerball Fantasy Fiesta. Her winning entry form came from tickets purchased at Texaco #5100 in Albuquerque.





Alfredo Castillo of Deming (center) was the second \$500,000 grand prizewinner in Mega Match 4. Pictured with his family (left), Castillo also gave 10 percent to his church. During a community celebration, the Lottery presented City Drug of Deming co-owners Leo Lopez and Allen Plymale (center-right) a "Lucky Landmark" bonus for selling the winning ticket. At right are former State Representative G. X. McSherry and State Senator John Arthur Smith, chairman of the Lottery Oversight Committee, both of Deming.

## Winner Spotlight, cont.



Richard Beasley of Farmington  
wins the NMLA's first

**\$500,000 Jackpot!**

(The forklift was not included.)

Timing was uncanny for the big winners. The first was shortly after the game began. The second was shortly before it ended.

Richard Beasley of Farmington had quite a run of luck the day he parlayed a \$1

quick pick into a \$500,000 winning ticket. The route driver for Earthgrain/Rainbow Bread Co. found a dime, then a penny, and then \$15. "I returned the \$15 to a customer who had apparently dropped it at the checkout counter, and that's where I decided to buy my tickets." Along with his \$500,000 ticket, Beasley also purchased one Roadrunner Cash ticket and one Powerball ticket. Both were winners, for a total of another \$4. "I was just saying the week before I was gonna quit playing 'cus I never win anything," Beasley said. "I'm glad I didn't — you can't win if you don't play!" Beasley worked late the night of the drawing, and it wasn't until he heard a newscast indicating that the first big Mega Match 4 winner came from northwest New Mexico. He got his ticket from a dresser drawer and had it checked at a convenience store on his delivery route. When the clerks yelled that he had won ... and told him how much ... he was stunned. "I couldn't believe it," he said. "I knew they were joking." They weren't, and Beasley put the ticket in a safe deposit box until he redeemed it. Relatives agreed that the first big win couldn't have happened to a nicer person. "He'd give you the shirt off his back," said sister Bonnie Jackowski. The winning ticket was purchased at Sundial #6, 1241 Highway 170, La Plata.

Alfredo Castillo of Deming turned 62 the day before he claimed the second Mega Match 4 top prize of one-half million dollars. It was also Castillo's second big Lottery win. Last year, he won a cruise package valued at almost \$3,000 in the "Your Ship Has Come In" Scratcher game. Castillo forgot about the ticket that he had purchased until he went to Pepper's Supermarket in Deming to buy roasted chicken. He had a store clerk check the ticket in a Lottery terminal. "The machine started playing winning music and the clerk opened her eyes wide," Castillo said when he claimed his prize. "She showed the print-out to everyone else before she showed it to me!" The print-out said that he had won \$500,000. Castillo calmly took it, and the roasted chicken, home. The winning ticket was sold at City Drug of Deming, 122 W. Spruce. Castillo was a heavy machinery mechanic with the New Mexico Highway Department for 25 years, and has since retired. Before winning the cruise, Castillo's wife of 36 years, Mariaelena, had needled him about playing the Lottery but not winning. The winning cruise ticket was purchased at a Furr's Supermarkets in Silver City. Castillo was supposed to bring home a roasted chicken; instead, he brought home the bacon. But his first order of business was to donate 10 percent of his winnings to his church.



*the stuff*  
**dreams**  
*are made of...*

## Winner Spotlight, cont.



Myrne (l) and Jack (r) Berkowski of Carlsbad are interviewed by Scotty Goff for one of the NMLA's television commercials.

University of New Mexico Lobos football kicker Michael Prokopiak was a 28<sup>th</sup> round draft pick for the old Chicago Cardinals in 1953, and he thought that he had won big-time. The former honorable mention All American, who now lives in Los Lunas, won again — the third of seven Ford pick-up trucks given away in "Trucks and Bucks II." He was the second winner in two days, and the third winner in just over one week. His fully-loaded midnight blue 1999 Ford F-150 is valued at \$34,400, including the taxes, title, license and first tank of gas paid by the Lottery. Prokopiak bought two Scratcher

tickets at the Pump N Save #38 at 3465 Highway 47 in Los Lunas. When he and a store clerk thought that he had won, he immediately hopped in his car and drove to Lottery headquarters to verify and redeem his ticket. "I looked at it [the ticket] again and again," Prokopiak said. "I won a lot of [football] games, but this is the first truck I ever won!" Prokopiak said that he and his wife are regular Lottery players, "ever since you started it," including Scratcher games, Roadrunner Cash and Powerball.

A quick trip to the store on a Sunday afternoon turned into a \$50,000 prize for a 29-year old man from San Juan County. He

**NEW MEXICO LOTTERY**  
**SCRATCHERS**  
 INSTANT FUN MADE FROM SCRATCH

became the first winner in the New Mexico Lottery's "\$50,000 Jackpot," NMLA's first \$5 Scratcher game. The life-long San Juan County resident, who asked to remain anonymous, visited family members after buying his ticket at a 7-2-11 Convenience Store in Farmington, but did not scratch the playing fields until later. The \$50,000 prize was the last spot he scratched. When he realized he had won, "I was screaming by myself in the car," he said. Although he told family members, he said that he is remaining low-key about winning. He said he will use his jackpot to pay bills "and take my family to Disney World." A regular player since the New Mexico Lottery began, the man

has also won two \$100 PowerBall prizes, as well as numerous smaller prizes. His advice to other Lottery players: "Don't give up, and good luck!"



Manuel Chavez of Albuquerque (center) won the seventh Ford F-150 during "Trucks and Bucks II." Six trucks were won instantly in the popular game with marketing partner Rich Ford. A seventh was drawn from among 168,000 entries in a second-chance drawing. Valued at more than \$34,000, the package included the truck, taxes, title, license and first tank of gas. Chavez was joined by NMLA board chair Peggy Roberts (left) and sales vice president Steve Schwartz (right).





## Winner Spotlight, cont.

Claiming a \$15,000 prize is nice any time — especially when it's on your birthday. That's what happened to some retirees from Las Cruces. The couple won a \$15,000 top prize in a Roadrunner Cash drawing. The pair asked to remain anonymous. He bought the ticket for the June 10 drawing. They came to Lottery headquarters on her

birthday to redeem it. The ticket was purchased at Lil Abner's Quick Trip and Tackle in Caballo. The couple goes fishing at Caballo Reservoir and nearby Elephant Butte Reservoir. "It took a while for the shock to set in," said one of the winners. "I was pretty numb." The couple watched the Roadrunner Cash results on television, but had

doubts about the numbers matching. They watched television news again the next morning to double-check the numbers. Then they went to the retailer. "He was really surprised," said the husband. "We don't play the Lottery that much," said the wife. "Sometimes we win \$3, sometimes we win \$5. Now we know people do win."



### Ann O. Nymous of Las Cruces

Roadrunner Cash ticket purchased at Lil Abner's Quick Trip and Tackle  
in Caballo for the June 10, 1999 drawing



# Money

*for students*



## New Mexico Wins!

### INVESTING IN NEW MEXICO'S EDUCATION AND OUR FUTURE

Thanks to the New Mexico Lottery, college enrollment is again growing at our public colleges and universities. And bricks-and-mortar projects are back on track for some financially-strapped school districts. Here are several success stories that New Mexicans are helping write each time they play the Lottery:



### ROSALIA GARCIA

*New Mexico Institute of Mining and Technology*

Rosalia Garcia is a technical communications major at New Mexico Institute of Mining and Technology in Socorro. She is from Grants, and represented Lottery scholarship recipients during ceremonies in their honor at the State Capitol Rotunda.

Garcia said that paying for her college education was not an option for her parents. Without the Lottery Success Scholarship, continuing her education after graduating from Grants High School would have been in doubt. She said she had no idea how she would pay for college. A bridge scholarship covered her first semester, and the lottery-financed scholarship helped her after that.

"When we go to buy our books, the first thing we say is, 'Yay, Lottery!'" she told the assembled crowd of state leaders.

Garcia is pictured with fellow NM Tech student and Lottery Success Scholarship recipient Javier Baca of Española (left).

### SUZANNE ZMAYEFSKI and ERIC VALENCIA

*New Mexico Military Institute/University of New Mexico*

Two top students from New Mexico Military Institute have shown what the Lottery Success Scholarship can help develop. Suzanne Zmayefski of Corrales (l) and Eric Valencia (r) of Socorro both served as cadet officers (photo shown above), leadership roles in the corps of cadets. Zmayefski graduated with an AA degree, and is completing her bachelor's degree at the University of New Mexico's main campus in Albuquerque, which has the largest number of Lottery Success Scholarship recipients. Valencia, an honors student and outstanding athlete, will finish his bachelor's degree after graduating NMMI with an AA degree this coming spring.

"It's a really great program," Valencia said of the Lottery tuition fund.

"The Lottery scholarship helps students because it serves as an opportunity for those who really need it," noted Zmayefski.





# money

## for schools

The Luis E. Armijo Elementary School benefited from some of the nearly \$2.4 million in Lottery-provided critical capital outlay funds awarded the Las Vegas West Public Schools. This primary school is decked out in primary colors. Walls look like building blocks. Principal Eddie Atencio calls it as "a school of many colors," describing not only the exterior, but also the make-up of the students and staff. It's a positive atmosphere for the kindergarten and first graders who make up the student body. Many of the students have "graduated" from the Head Start program on an adjacent campus. There is also a developmentally-delayed program for preschool children, preparing them for public schooling.

## New Mexico Wins!



### SILVER CONSOLIDATED SCHOOLS

When a temporary metal classroom was installed at G. W. Stout Elementary School in Silver City in 1966, no one expected that it would still be in use more than 30 years later. Whenever there's a heavy rain, the building floods. The first of a two-to-three phase replacement plan is in the works, thanks to Critical Capital Outlay Funds provided by Lottery proceeds (left).

"This is like a godsend," said Stout Elementary principal John Lathrop. "I can't tell you how important it is. Otherwise, we'd be stuck with this building for another 20 years instead of another three or four. There are a lot of critical needs because of the one substandard building. It was horrible. Without the capital outlay help, it wouldn't have happened."

### ESTANCIA MUNICIPAL SCHOOLS

"Two years ago, Estancia was at a critical state as our elementary student population continued to grow. The district had a 57 percent increase in elementary school population over the past six years. Our elementary school was at maximum capacity. We were ready to hang an imaginary sign in front of our elementary school which read, 'NO VACANCY.'

"With funding from the New Mexico Lottery, we no longer have classrooms in the teachers' lounge, on the gymnasium floor, in the media center, and we don't have to utilize a storage closet for counseling and nursing services.

"Without the New Mexico Lottery and the Public School Capital Outlay Committee support, we would not have been able to build the needed additional Elementary School. If the Estancia School District had not had an avenue to go to for acquiring money for the new schools, I cannot even envision the disaster we would have had for the community's most precious resource – their children."

—Carolyn Allen-Renteria,  
Superintendent,  
Estancia Municipal Schools





Since the Lottery began, Raton Public Schools have received more than \$1 million in critical capital outlay funds. All five schools have received assistance. Many projects included bringing the campuses and classrooms into compliance with the Americans with Disabilities Act.



Los Lunas Public Schools represent one of the fastest growing districts in the State. Daniel Fernandez Intermediate School represents one of four projects that qualified for nearly \$2.5 million in Lottery-funded critical capital outlay awards.

## Fiscal Year 1999 –

### A FINANCIAL OVERVIEW

The Lottery exceeded sales goals and net profit for the fiscal year, a first for the New Mexico Lottery.

During fiscal year 1999, the New Mexico Lottery Authority had total revenues of approximately \$89.2 million. A profit of more than \$19.6 million was declared for New Mexico education programs. Almost \$11.8 million was earmarked for

the Critical Capital Outlay Fund. The remaining net revenues were allocated to the Lottery Tuition Fund.

Revenues were \$1.7 million higher and profits for the State of New Mexico were \$1.3 million more than expected.

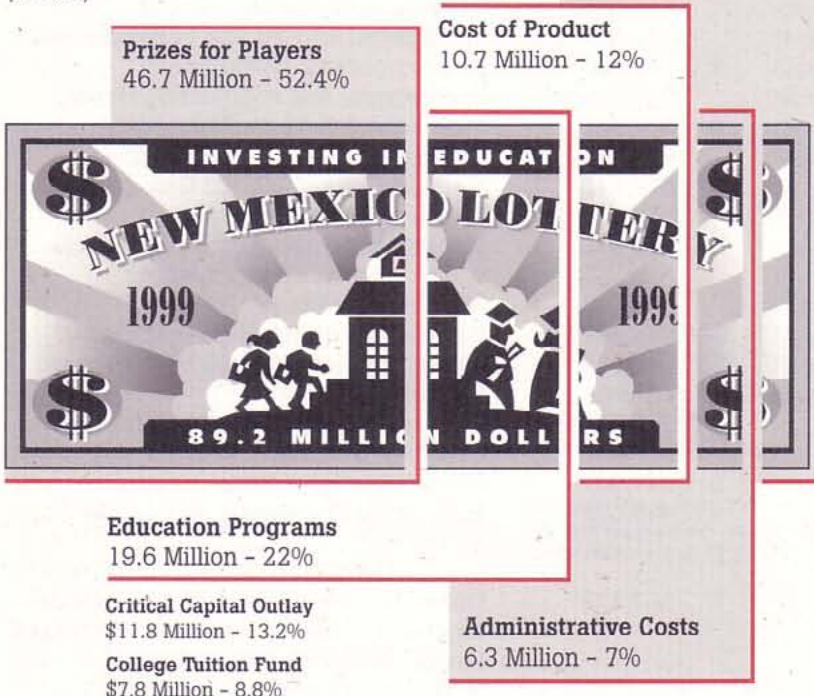
Our audited financial statements are found at the end of this report.



Former Lottery CEO David M. Miller (left) and Moriarty Municipal Schools Superintendent Elna Stowe (right) have an animated discussion about the benefits of Lottery funding. A Lottery critical capital outlay award helped build Route 66 Elementary School. And 132 Moriarty High School graduates have attended college with Lottery Success Scholarships.

## Disecting the Dollar

**WHERE \$89.2 MILLION IN TICKET SALES GO**  
(rounded)





# \$47,600,000

## Capital Outlay FY 1999

School District	Cumulative Lottery Totals	FY99 Awards
Alamogordo	\$ 181,818	-----
Belen	\$ 1,017,565	\$ 264,535
Bernalillo	\$ 1,835,659	\$ 302,326
Carrizozo	\$ 496,138	\$ 266,744
Cobre	\$ 151,163	\$ 151,163
Deming	\$ 242,424	-----
Des Moines	\$ 654,554	\$ 321,221
Dexter	\$ 2,021,930	\$ 179,506
Española	\$ 652,594	\$ 349,564
Estancia	\$ 2,700,847	\$ 718,023
Farmington	\$ 747,956	\$ 226,744
Fort Sumner	\$ 72,727	-----
Gadsden	\$ 2,476,339	\$ 400,581
Gallup	\$ 1,092,843	\$ 340,116
Grady	\$ 15,000	-----
Grants	\$ 245,640	\$ 245,640
Hagerman	\$ 565,962	\$ 302,326
Hatch	\$ 1,856,419	\$ 340,116
Hondo	\$ 725,317	\$ 188,953
Jemez Mountain	\$ 800,000	-----
Jemez Valley	\$ 731,892	\$ 98,256
Lake Arthur	\$ 747,692	\$ 340,116
Las Cruces	\$ 1,430,937	\$ 377,907
Las Vegas City	\$ 1,972,452	\$ 377,907
Las Vegas West	\$ 2,389,940	\$ 415,698
Lordsburg	\$ 733,702	-----
Los Lunas	\$ 2,468,030	\$ 552,878

### Projects

Vocational Technology Building  
Dennis Chavez and Gil Sanchez  
Elementary Schools  
Middle School and High School  
High School  
Central Elementary School  
Chaparral Elementary School  
Elementary School and High School  
Elementary School and Middle School  
Sombrillo Elementary School and Middle  
School  
Elementary School, High School, Library/  
Media Center  
Piedra Vista High School  
Home Economics Building  
Chaparral Elementary School, Chaparral  
Middle School, La Union Elementary  
School  
Indian Hills Elementary School,  
Mentmore Elementary School  
Classrooms, Kitchen and Commons Areas  
New school site development,  
architectural and engineering design  
High School, K-12 Multi-Purpose/  
Cafeteria  
Garfield Elementary, Rio Grande  
Elementary, New High School  
Hondo Elementary School, district  
wastewater treatment system  
Middle/High School  
Elementary School, High School  
Elementary School, K-12 Multi-Purpose  
Facility  
Highland Elementary School, MacArthur  
Elementary School  
Robertson High School  
Luis Armijo Elementary School, Old High  
School  
Traylor Elementary School  
Daniel Fernandez Intermediate School,  
Raymond Gabaldon Intermediate School,  
Los Lunas High School, Technical  
Vocational Academy



# awarded

*from the Critical Capital Outlay Fund*

School District	Cumulative Lottery Totals	FY99 Awards	Projects
• Magdalena	\$ 370,000	-----	K-12 Facility
• Maxwell	\$ 181,818	-----	Multi-purpose Classroom Building
• Mesa Vista	\$ 242,424	-----	High School
• Mora	\$ 1,243,460	\$ 283,430	Elementary School, Middle School
• Moriarty	\$ 2,647,315	\$ 566,860	Route 66 Elementary, Edgewood Middle School
• Mosquero	\$ 628,827	\$ 113,372	Elementary School, Cafeteria, Computer Lab, Agriculture/Vocational Building
• Mountainair	\$ 59,091	-----	Mountainair High School
• Pecos	\$ 775,000	-----	Elementary School, Middle School
• Peñasco	\$ 1,162,959	\$ 264,535	Elementary School
• Pojoaque	\$ 100,000	-----	High School
• Questa	\$ 115,498	-----	Cerro Elementary
• Raton	\$ 1,057,497	\$ 453,488	Columbian Elementary School, Keamy Elementary School, Longfellow Elementary School, Raton Middle School, Raton High School
• Rio Rancho	\$ 923,538	\$ 302,326	Northern Meadows Elementary School, Puesta Del Sol Elementary School
• Roy	\$ 151,163	\$ 151,163	Roy Elementary School, Roy High School
• San Jon	\$ 376,832	\$ 188,953	New Science Lab and Instructional TV Classrooms
• Santa Rosa	\$ 289,855	\$ 289,855	New Classrooms and Distance Learning Lab
• Silver City	\$ 377,907	\$ 377,907	Stout Elementary School
• Socorro	\$ 2,082,100	\$ 529,070	San Antonio Elementary School, Zimmerly Elementary School
• Springer	\$ 895,493	\$ 113,372	Springer Junior/Senior High School, Wilferth Elementary School, Portable Classrooms
• Tucumcari	\$ 2,163,390	\$ 755,814	New upper/lower Elementary School
• Tularosa	\$ 363,636	----	New Intermediate School
• Zuni	\$ 2,459,236	\$ 1,889,535	New High School
<b>TOTALS</b>	<b>(FY 97-00) \$ 47,694,579</b>	<b>\$ 13,040,000 (FY 99)</b>	

Source: New Mexico Public School Capital Outlay Committee, 505-827-6560  
 Other funding sources for all Capital Outlay awards include the General Fund, Severance Taxes and General Obligation Bonds  
 49 school districts now qualify for capital outlay assistance as of FY 00; 35 received Lottery-funded awards during FY 99  
 42 school districts qualified from FY 97 - FY 99



# 7,802

Spring Semester

# Lottery Success Scholarships

## Spring 1999 Semester

Name of School	Students
Albuquerque Technical Vocational Institute	253
Clovis Community College	91
Eastern New Mexico University -Main Campus, Portales	534
Eastern New Mexico University - Roswell	111
Eastern New Mexico University - Ruidoso	10
Luna Vocational Technical Institute - Las Vegas (*)	44
Mesa Technical College - Tucumcari	27
New Mexico Junior College -Hobbs	211
New Mexico Highlands University - Las Vegas (*)	137
NM Institute of Mining and Technology - Socorro	164
New Mexico Military Institute - Roswell	21
New Mexico State University - Alamogordo	85
New Mexico State University - Carlsbad	110
New Mexico State University - Doña Ana	151
New Mexico State University - Grants	61
New Mexico State University - Main Campus, Las Cruces	2,034
Northern New Mexico Community College	155
San Juan College - Farmington	243
Santa Fe Community College	193
University of New Mexico - Los Alamos	72
University of New Mexico - Gallup	72
University of New Mexico - Main Campus, Albuquerque	2,709
University of New Mexico - Taos	17
University of New Mexico - Valencia	158
Western New Mexico University - Silver City	139
<b>TOTAL CAMPUSES - 25 (*)</b>	<b>TOTAL RECIPIENTS 7,802</b>

Appropriated by New Mexico Commission on Higher Education  
for the Lottery Success Scholarship Program Through FY 1999:

Fall '97	\$ 1,385,445	(2,192 students)
Spring '98	\$ 3,024,530	(5,087 students)
Fall '98	\$ 2,805,931	(4,139 students)
Spring '99	\$ 5,230,222	(7,802 students)
<b>TOTAL</b>	<b>\$12,446,128</b>	

(\*) Some satellite campuses are reflected in the main campus information  
Source: New Mexico Commission on Higher Education, 800-279-9777



# 13,379

## High School Graduates

*have qualified for  
Lottery Success Scholarships*

School Year	Total	Total
School District	1998-99	1997-99
Alamogordo	214	304
Albuquerque	2,086	3,422
Animas	15	25
Artesia	92	147
Aztec	72	133
Belen	135	222
Bernalillo	20	35
Bloomfield	46	84
Capitan	25	41
Carlsbad	200	337
Carrizozo	2	3
Central	65	120
Chama Valley	15	28
Cimarron	22	39
Clayton	21	30
Cloudcroft	37	55
Clovis	191	284
Cobre	49	74
Corona	(**)	(**)
Cuba	8	16
Deming	82	130
Des Moines	(**)	(**)
Dexter	17	25
Dora	13	20
Dulce	1	2
Elida	6	9
Española	78	187
Estancia	8	17
Eunice	26	41
Farmington	215	396
Floyd	5	9
Fort Sumner	15	18
Gadsden	137	242
Gallup-McKinley County	173	310
Grady	9	19
Grants-Cibola County	119	184
Hagerman	4	6
Hatch Valley	19	31
Hobbs	150	247
Hondo Valley	4	5
House	2	3
Jal	12	22
Jemez Mountains	15	26
Jemez Valley	12	17
Lake Arthur	2	3
Las Cruces	643	1,094
Las Vegas City	66	113
Las Vegas West	38	58
Logan	6	8
Lordsburg	13	19
Los Alamos	139	230
Los Lunas	182	290

School Year	Total	Total
School District	1998-99	1997-99
Loving	21	31
Lovington	65	111
Magdalena	8	14
Maxwell	3	5
Melrose	18	27
Mesa Vista	15	27
Mora	13	23
Moriarty	83	132
Mosquero	3	4
Mountainair	6	9
Pecos	23	41
Peñasco	14	40
Pojoaque	87	141
Portales	84	140
Quemado	4	8
Questa	4	9
Raton	22	41
Reserve	13	23
Rio Rancho	N/A	N/A
Roswell	230	381
Roy	6	10
Ruidoso	39	66
San Jon	9	15
Santa Fe	340	595
Santa Rosa	15	24
Silver	137	206
Socorro	49	85
Springer	9	18
Taos	61	118
Tatum	14	22
Texico	20	30
T or C	39	54
Tucumcari	39	63
Tularosa	22	30
Vaughn	1	2
Wagon Mound	1	2
Zuni	15	20
GEDs	204	339
Non-Public (*)	593	974
Home Schools	5	6
Other (**)	210	313
<b>TOTAL</b>	<b>8,070</b>	<b>13,379</b>

Source: New Mexico Commission on Higher Education, 800-279-9777

This report was prepared using the institution-supplied student and student financial aid files

(\*) Includes private, parochial, BIA and special State-assisted

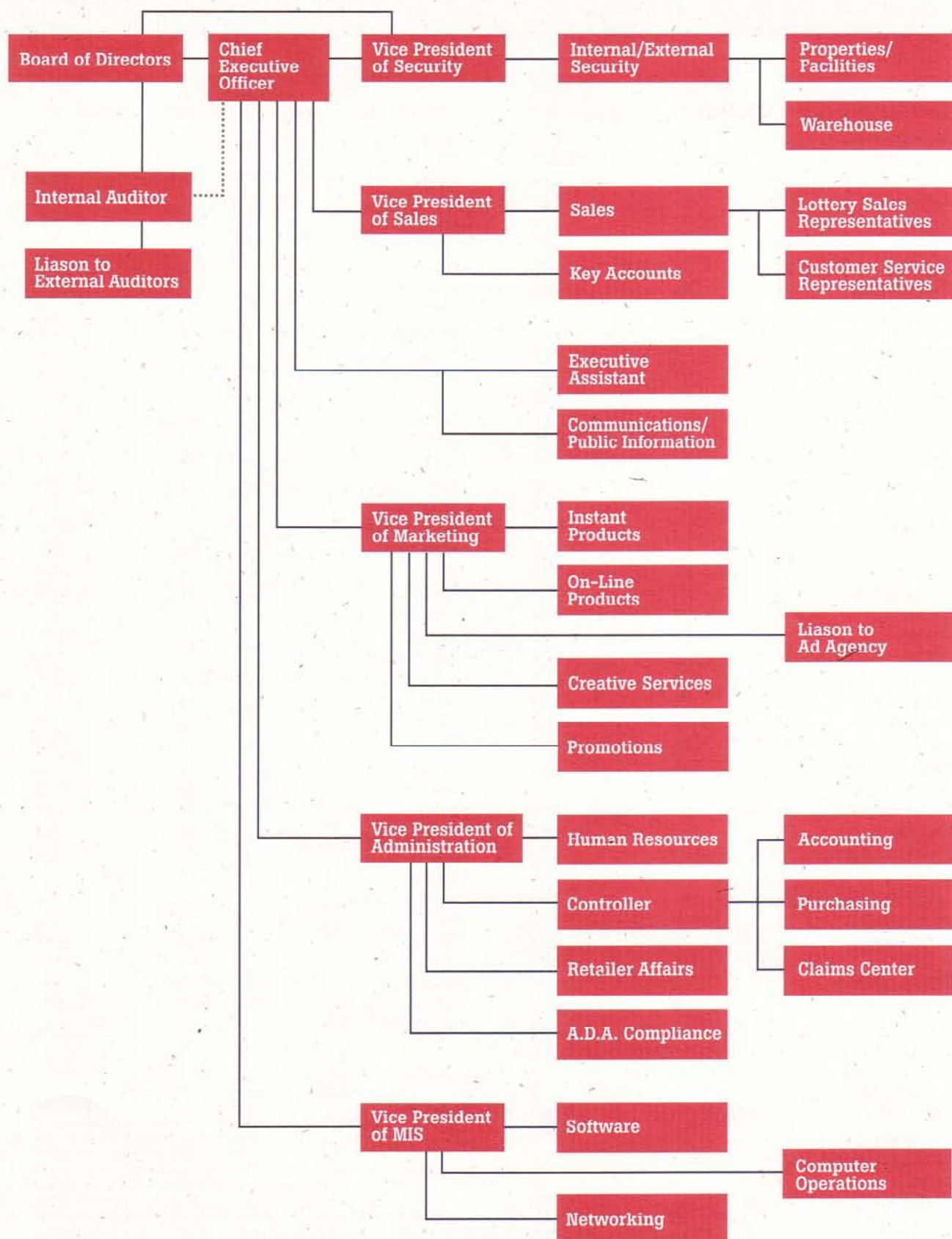
(\*\*) Districts that did not fully report data or where information was unavailable

CHE data does not include attrition, mid-semester transfers or other information that could affect expenses or savings

NA - Rio Rancho High School's first graduating class was in FY 1999; students will receive their first NMLA scholarships in the Spring 2000 semester, although they are currently eligible for bridge scholarships



# Organizational Chart





# Report of Independent Certified Public Accountants

## BOARD OF DIRECTORS NEW MEXICO LOTTERY AUTHORITY

We have audited the accompanying balance sheets of the New Mexico Lottery Authority, as of June 30, 1999 and 1998, and the related statements of revenue and expenses and changes in retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the management of the New Mexico Lottery Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial

statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the 1999 and 1998 financial statements referred to above present fairly, in all material respects, the financial position of the New Mexico Lottery Authority as of June 30, 1999 and 1998; and the results of its operations and its cash flows for the years then ended in

conformity with generally accepted accounting principles.

The additional information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Atkinson & Co., Ltd.*

### ATKINSON & CO., LTD.

Albuquerque, New Mexico  
August 31, 1999

*(except for Note 1 as to which the date is  
September 14, 1999)*



# Financial Statements

## Financial Report

### BALANCE SHEETS

(Dollars rounded)

	June 30 1999	June 30 1998
<b>CURRENT ASSETS</b>		
Cash (notes A3 and A13)	\$ 1,242,000	\$ 2,108,000
Accounts receivable (notes A4 and A8) (net of allowance for bad debts of \$165,000 in 1999 and \$176,000 in 1998)	3,448,000	1,139,000
Reserves on deposit (note A5)	2,623,000	2,597,000
Inventory (note A6)	352,000	673,000
Prepaid expenses	91,000	81,000
Total current assets	7,756,000	6,598,000
PROPERTY AND EQUIPMENT (notes A7 and B)	1,353,000	2,095,000
	\$ 9,109,000	\$ 8,693,000
<b>CURRENT LIABILITIES</b>		
Accounts payable (note G)	\$3,583,000	\$ 3,150,000
Prizes payable (notes A9 and A17)	1,919,000	1,611,000
Due to public school capital outlay (note C)	2,134,000	2,274,000
Due to lottery tuition fund (note C)	1,423,000	1,516,000
Reserve fund payable (notes A15 and C)	-	92,000
Total current liabilities	9,059,000	8,643,000
COMMITMENTS (notes E and F)	-	-
RETAINED EARNINGS (notes A16 and C)	50,000	50,000
	\$ 9,109,000	\$ 8,693,000

The accompanying notes are an integral part of these financial statements.



#### Northern New Mexico Community College

Students and administrators from Northern New Mexico Community College in Espanola were represented at Round House Rotunda ceremonies honoring Lottery scholarship and capital outlay recipients. Pictured (l to r) are Dr. Sigfredo Maestas, Community College president; Lottery scholarship recipients Phillip Martinez of Gallina and Jennifer Archuleta of Española; David M. Miller, former Lottery CEO; scholarship recipient Yvette Gallegos of El Rito; NNMCC financial aid officer Connie Manzanares; and, NNMCC financial aid director Alfredo Montoya.



## STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN RETAINED EARNINGS

(Dollars rounded)

Years Ended	June 30 1999	June 30 1998
Revenues (note A8)		
Instant tickets	\$ 46,525,000	\$ 48,567,000
Powerball sales	35,774,000	31,016,000
Daily Millions sales	-	2,361,000
Roadrunner Cash sales	5,037,000	2,933,000
Mega Match 4 sales	1,897,000	-
Retailer fees	13,000	22,000
Total revenues	89,246,000	84,899,000
Direct costs		
Prize expense (note A9)	46,716,000	42,794,000
Retailer commissions (note A10)	5,935,000	5,863,000
On-line vendor fees	6,969,000	6,173,000
Ticket printing	1,005,000	962,000
Shipping & postage	280,000	246,000
Drawing game	410,000	93,000
Total direct costs	61,315,000	56,131,000
Operating expenses		
Salaries & benefits	3,138,000	3,002,000
Advertising (note A11)	2,060,000	2,408,000
Depreciation and amortization (note A7)	1,192,000	1,199,000
Leases (note E)	995,000	1,032,000
Other (note H)	712,000	826,000
Promotions	364,000	539,000
Professional fees	262,000	119,000
Bad debt expense	-	30,000
Total operating expenses	8,723,000	9,155,000
Operating income	19,208,000	19,613,000
Non-operating income (expenses)		
Interest income	272,000	276,000
Other income	134,000	217,000
Other expenses	-	-
Total non-operating income (expenses)	406,000	493,000
Net income (note C)	19,614,000	20,106,000
Retained earnings at beginning of year	50,000	50,000
Distributions (note C)	(19,614,000)	(20,106,000)
Retained earnings at end of year	\$ 50,000	\$ 50,000

The accompanying notes are an integral part of these financial statements.



# Financial Statements

## STATEMENTS OF CASH FLOWS

(Dollars rounded)

Increase (Decrease) in Cash

Years Ended	June 30 1999	June 30 1998
Cash flows from operating activities		
Net income	\$ 19,614,000	\$ 20,106,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,192,000	1,199,000
Change in assets and liabilities		
Accounts receivable	(2,309,000)	(52,000)
Reserves on deposit	(26,000)	(1,160,000)
Inventory	321,000	(94,000)
Prepaid expenses	(10,000)	(24,000)
Accounts payable	433,000	713,000
Prizes payable	308,000	(177,000)
Net cash provided by operating activities	19,523,000	20,511,000
Cash flows from investing activities		
Purchases of property and equipment	(450,000)	(474,000)
Net cash used in investing activities	(450,000)	(474,000)
Cash flows from noncapital financing activities		
Distributions paid to state	(19,939,000)	(21,219,000)
Net cash used in noncapital financing activities	(19,939,000)	(21,219,000)
Net decrease in cash	(866,000)	(1,182,000)
Cash balance at beginning of year	2,108,000	3,290,000
Cash balance at end of year	\$ 1,242,000	\$ 2,108,000
Cash paid during the year for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

### COMMUNITY OUTREACH

With their own funds, NMLA employees have been involved in a variety of community outreach projects. In FY 99, employees continued their holiday tradition of supporting Peanut Butter & Jelly Therapeutic Preschool, which provides both daycare for children and skills classes for their parents. Santa Claus shares his day-job with NMLA sales manager Dave Gore.





# Notes to Financial Statements

June 30, 1999 and 1998

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Reporting Entity

The New Mexico Lottery Authority (the Lottery) was established as an instrumentality of the state with the enactment of the New Mexico Lottery Act (the Act) on July 1, 1995. The Lottery was created and organized for the purpose of establishing and conducting the Lottery to provide revenues for the public purposes designated by the Act.

The Lottery commenced sales of instant tickets on April 27, 1996, and sale of on-line tickets on October 20, 1996.

### 2. Basis of Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Lottery has elected to follow all GASB pronouncements, and all Statements and Interpretations of the Financial Accounting Standards Board, Opinions of the Accounting Principles Board, Accounting Research Bulletins, and authoritative pronouncements of the American Institute of Certified Public Accountants (collectively representing the generally accepted private-sector accounting hierarchy). In instances where GASB guidance conflicts with private sector principles, the Lottery conforms to GASB.

### 3. Restricted Cash (rounded)

The Lottery is required by terms of its main office building lease agreement to deposit an amount equal to five months of rent in an interest-bearing escrow account. Accrued interest on the security deposit shall be paid in periodic payments every six months to the Lottery, beginning six months from the occupancy date. The amount of the security deposit shall be reduced every six months beginning six months from the occupancy date, by an amount equal to one month's monthly rent, until the security deposit equals the amount of one month's monthly rent which

shall remain the required security deposit for the balance of the term. The restricted cash is held in an escrow account at 3 percent interest. Restricted cash balances were \$20,000 and \$32,000 at June 30, 1999 and 1998, respectively.

### 4. Accounts Receivable

Accounts receivable represent the unremitted receipts on ticket sales, net of retailer commissions and prizes paid by the retailers. Receipts are transferred weekly from retailer bank accounts to the Lottery. Credit losses relating to contracted retailers have been within management expectations. Generally, collateral is not required on receivables. An allowance for doubtful accounts has been provided to recognize future uncollectible billings.

### 5. Reserves on Deposit (rounded)

On October 20, 1996, the Lottery began on-line ticket sales. The Lottery became a member of the Multi-State Lottery Association (MUSL) which operates games on behalf of participating state lotteries. MUSL operates the POWERBALL® game. Each MUSL member sells on-line game tickets through its agents and makes weekly wire transfers to MUSL in an amount equivalent to the member lottery's share of the estimated grand prize liability. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL® is 50% of each drawing period's sales. MUSL has included 2% of each drawing period's sales as part of each MUSL member's prize liability in prize reserve funds. MUSL has placed a \$62,000,000 cap on the prize reserve funds and once the prize reserve funds exceed this designated cap, the excess becomes part of the prize pool. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize liabilities and the money in this reserve fund is to be used at the discretion of the MUSL Board of Directors. The prize reserve fund monies are refundable to MUSL members if MUSL disbands or if a member leaves MUSL. Members leaving MUSL must wait one year before receiving their remaining share, if any, of the prize reserve funds. At June 30, 1999 and 1998, the Lottery's share of the POWERBALL® prize reserve was \$2,623,000 and \$2,243,000, respectively.

Grand prizes are paid out in 25 installments. Bonds at the discounted value of grand prize annuities are purchased by MUSL to fund all future installments and are held in trust. Maturities are staggered in order to provide adequate cash flow for each annual installment. MUSL is responsible for paying amounts owed to the grand prize winners. The assets and related liabilities are reflected in MUSL's financial statements and therefore are not reflected in the Lottery's financial statements.

On February 16, 1997, a second on line game, Daily Millions®, was started. On March 29, 1998, MUSL ended the Daily Millions® on-line game. The prize reserves minus any claimed prizes will be refunded two years from the game's conclusion. The prize pool for Daily Millions was 50% of each drawing's sales. MUSL has placed 4.856% of each drawing period's sales as a part of each MUSL members prize liability in prize reserve funds. At June 30, 1998 the Lottery's share of the prize reserve was \$353,000. On March 30, 1999, MUSL refunded this reserve to the New Mexico Lottery.

### 6. Inventory

Inventory, which consists of lottery instant tickets for future use, is carried at the lower of cost or market using the specific identification method.

### 7. Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of 2 to 5 years, except for leasehold improvements which are amortized over their expected useful lives or the lease term, whichever is shorter. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results from operations in the period of disposal.

### 8. Revenue and Account Receivable Recognition

Lottery games are sold to the public by contracted retailers and directly by the Lottery. Revenue and accounts receivable are recognized when instant ticket packs are settled and retailers are billed for the tickets. Revenues and accounts receivable for on-line games are recognized when drawings are held.

### 9. Prizes

Prize expense for instant ticket and on-line games is recorded based on an estimate of the predetermined prize structure for each game.

### 10. Commissions

Retailers receive a commission of 6 percent on gross ticket sales and a 1 percent cashing commission on winning ticket validations.



# Financial Statements

## 11. Advertising Costs

Advertising costs are expensed as incurred.

## 12. Income Taxes

The Lottery is exempt from Federal and New Mexico income taxes. Accordingly, no provision for income taxes has been made.

## 13. Cash (rounded) and Concentrations of Credit Risk

At June 30, 1999, the Lottery's cash deposits were categorized to give an indication of the level of risk assumed by the Lottery. Category One includes cash on hand, deposits insured by federal depository insurance, or amounts collateralized with securities held by the Lottery or by its agent in the Lottery's name. Category Two includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Lottery's name. The Company maintains its cash balances in two principal financial institutions. The balances for demand deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each institution. Category Three represents uncollateralized deposits and bank balances collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Lottery's name.

	One	Category Two	Three	Carrying Amount	Bank Balance
Demand deposits	\$ 120,000	\$ -	\$ 1,117,000	\$ 1,237,000	\$ 1,319,000
Cash on hand	5,000	-	-	5,000	-
Total	\$ 125,000	\$ -	\$ 1,117,000	\$ 1,242,000	\$ 1,319,000

## 14. Insurance

The Lottery is exposed to various risks of loss related to torts, theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery has purchased commercial insurance to cover these risks.

## 15. Reserve Fund (rounded)

In accordance with the Act (see note A1), the Board of Directors has elected to set aside up to 2 percent of gross revenues into a reserve account. At June 30, 1999 and 1998, the amounts which had been set aside were \$0 and \$100,000 respectively. Of these amounts, nothing had been spent as of June 30, 1999 or 1998. In accordance with the Act, \$100,000 or the full amount of the reserve account less \$50,000 was remitted to the State Treasurer for the Lottery Tuition Fund by August 1, 1998.

## 16. Retained Earnings (rounded)

In accordance with the Act "the authority shall transmit all net revenues to the state treasurer who shall deposit sixty percent of the revenues in the Public School Capital Outlay Fund and forty percent in the Lottery Tuition Fund." As of August 1, 1999 and 1998, the Lottery transferred \$19,939,000 and \$19,267,000, respectively of net income for the periods ended June 30, 1999 and 1998 to the New Mexico State Treasurer. The Act also requires that "an amount up to two percent of the gross annual revenues shall be set aside as a Reserve Fund to cover bonuses and incentive plans for lottery retailers, special promotions for retailers, purchasing special promotional giveaways, sponsoring special promotional events, compulsive gambling rehabilitation and other purposes as the Board deems necessary to maintain the integrity and meet the revenue goals of the Lottery." Any Reserve Fund amounts not expended by fiscal year end for the above defined purpose will be transferred to the Lottery Tuition Fund, except that unexpended amounts up to \$50,000 can be retained by the Lottery for future defined expenditures.

## 17. Unclaimed Prizes

The Act requires that prizes not claimed within the time period established by the Lottery are forfeited and shall be paid into the prize fund. Unclaimed prizes are offset against projected prize expense to reflect actual prizes paid.

## 18. Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE B - PROPERTY AND EQUIPMENT

Property and equipment (rounded) at June 30, 1999 and 1998 consisted of:

	1999	1998
Data processing software	\$ 1,763,000	\$ 1,677,000
Data processing equipment	1,183,000	1,156,000
Tenant improvements	514,000	514,000
Furniture and fixtures	281,000	281,000
Equipment communications	243,000	243,000
Vehicles	483,000	201,000
Equipment warehouse	148,000	125,000
Equipment drawing	94,000	62,000
Equipment office	19,000	19,000
	4,728,000	4,278,000
Accumulated depreciation and amortization	(3,375,000)	(2,183,000)
Property and equipment, net	\$ 1,353,000	\$ 2,095,000

## NOTE C - ALLOCATION OF NET INCOME (rounded)

	Net Income	Due to Public School Capital Outlay	Due to Lottery Tuition Fund	Reserve Fund	Retained Earnings
Balance at June 30, 1998	\$ 3,932,000	\$ 2,274,000	\$ 1,516,000	\$ 92,000	\$ 50,000
Current year net income	19,614,000	11,768,000	7,846,000	-	-
Current year distributions	(19,909,000)	(11,908,000)	(7,939,000)	(92,000)	-
Balance at June 30, 1999	\$ 3,607,000	\$ 2,134,000	\$ 1,423,000	\$ -	\$ 50,000

## NOTE D - RETIREMENT PLAN (rounded)

The Lottery has two defined contribution plans which cover all full-time employees: the Money Purchase Pension Plan and the Deferred Compensation Plan.

In the Money Purchase Pension Plan, the Lottery makes a contribution of 10 percent of the employee's earned annual base salary. Eligibility for the plan was six months of service and 1,000 hours of service in a plan year as of the quarterly entry dates, unless the individual was employed on or before April 27, 1996. The plan commenced on January 1, 1996 and the Lottery's contributions vest over five years.

In the Deferred Compensation Plan, employees are allowed to contribute the lower of 10 percent of their gross compensation or \$5,000 into the plan in the calendar year ended December 31, 1998 and \$5,334 into the plan in the calendar year ended December 31, 1999. The Lottery matches employees' contributions at \$.50 on the dollar up to \$2,500 in the calendar year ended December 31, 1998 and \$2,667 in the calendar year ended December 31, 1999, or 5% of annual compensation. Eligibility for the plan is one hour of service as of the quarterly entry dates. The plan commenced on January 1, 1997 and the Lottery's contributions vest over five years.



In the fiscal year ended June 30, 1998, the Lottery recognized \$175,000 of pension expenses for the Money Purchase Plan, net of \$5,000 of pension forfeitures on salaries of \$2,281,000. As of June 30, 1998, \$106,000 was accrued and subsequent to year-end, paid.

In the fiscal year ended June 30, 1999, the Lottery recognized \$134,000 of pension expenses for the Money Purchase Plan, net of \$63,000 of pension forfeitures on salaries of \$2,428,000. As of June 30, 1999, all of the expense amount had been paid.

See Note I.

#### NOTE E - LEASES (rounded)

The Lottery has entered into operating leases for the rental of office and warehouse space, office equipment, vending machines and vehicles. Certain leases contain provisions for scheduled rental increases for inflationary purposes and are renewable at the option of the Lottery. Future minimum rental payments on non-cancelable leases with original terms of one year or more are scheduled as follows: (See Note I).

Year	Amount
2000	\$ 851,000
2001	845,000
2002	804,000
2003	287,000
2004	395,000
Thereafter	735,000
	<u>\$3,917,000</u>

Following is a schedule of the composition of net rental expense for all long-term operating leases:

	Year Ending June 30,	
	1999	1998
Minimum rentals	\$ 995,000	\$ 1,001,000
Less: Sublease rentals	(86,000)	(67,000)
	<u>\$ 909,000</u>	<u>\$ 934,000</u>

#### NOTE F - COMMITMENT (rounded)

On June 27, 1996, the Lottery entered into the agreement for the On-line Gaming System (the GTECH Agreement) with GTECH Corporation (GTECH). The term of the agreement is seven years with renewal options for up to five additional one-year extensions.

The GTECH Agreement calls for GTECH to provide on-line gaming systems and services, and entitles the Lottery to certain liquidated damages upon the occurrence of defined incidences. On January 15, 1998, the Lottery and GTECH agreed to settle disputed liquidated damages in the amount of \$243,000 by GTECH's delivery to the Lottery of 750 neon signs and 600 jackpot signs with a stated value of \$125,000. The January 15 Agreement also relieved GTECH of its contractual obligation to provide a pilot distribution program. The value of the pilot distribution program has not been determined.

#### NOTE G - LITIGATION SETTLEMENT

During 1997, the Lottery agreed to a settlement of certain litigation arising from the conduct of its operations. The agreement calls for the Lottery to make a cash payment to the plaintiffs which will be reimbursed by the Lottery's insurance. The agreement also requires the Lottery to expand its training and education of retailers on matters of the Americans with Disabilities Act. Management's estimates of amounts to be paid in excess of applicable insurance limits has been accrued as of June 30, 1997.

#### NOTE H - OTHER EXPENSES (rounded)

	1999	1998
Communications and utilities	\$ 183,000	\$ 189,000
Travel	148,000	164,000
Game membership	23,000	124,000
Repairs and maintenance	77,000	90,000
Insurance	90,000	79,000
Material & supplies	74,000	70,000
Other	70,000	66,000
Building maintenance and janitorial	47,000	44,000
	<u>\$ 712,000</u>	<u>\$ 826,000</u>

#### NOTE I - SUBSEQUENT EVENTS

**Deferred Compensation Pension Plan:** As of September 14, 1999, the Deferred Compensation Pension Plan was terminated and the assets of the Plan will be distributed to the participants.

**Money Purchase Pension Plan:** As of September 14, 1999, the Money Purchase Pension Plan changed its name to the New Mexico Lottery Retirement Plan. Each eligible employee will now receive a 13.25% contribution from the Lottery.

Effective September 14, 1999, David Miller resigned his position of CEO.



# Financial Statements

## Additional Information

### SCHEDULE OF NET REVENUES PER NEW MEXICO STATUTE 6-24-24-C AND RELATED DISTRIBUTIONS (dollars rounded)

Years Ended	June 30 1999	June 30 1998
Revenues (note A8)		
Instant tickets	\$ 46,525,000	\$ 48,567,000
Powerball sales	35,774,000	31,016,000
Daily Millions sales	-	2,361,000
Roadrunner Cash sales	5,037,000	2,933,000
Mega Match 4 sales	1,897,000	-
Retailer fees	13,000	22,000
Total revenues	89,246,000	84,899,000
Direct costs		
Prize expense (note A9)	46,716,000	42,794,000
Retailer commissions (note A10)	5,935,000	5,863,000
On-line vendor fees	6,969,000	6,173,000
Ticket printing	1,005,000	962,000
Shipping & postage	280,000	246,000
Drawing game	410,000	93,000
Total direct costs	61,315,000	56,131,000
Operating expenses		
Salaries & benefits	3,138,000	3,002,000
Advertising (note A11)	2,060,000	2,408,000
Depreciation & amortization (note A7)	1,192,000	1,199,000
Leases (note E)	995,000	1,032,000
Other (note H)	712,000	826,000
Promotions	364,000	539,000
Professional fees	262,000	119,000
Reserve fund (note A15)	-	100,000
Bad debt expense	-	30,000
Total operating expenses	8,723,000	9,255,000
Operating income	19,208,000	19,513,000
Non-operating income (expenses)		
Interest income	272,000	276,000
Other income	134,000	217,000
Other expenses	-	-
Total non-operating income (expenses)	406,000	493,000
Net income	19,614,000	20,006,000
Net revenue distribution		
60% to Public School Capital Outlay Fund	11,768,000	12,003,000
40% to Lottery Tuition Fund	7,846,000	8,003,000
	19,614,000	20,006,000
Retained net revenues	\$ -	\$ -



## **SCHEDULE OF NET REVENUES PER NEW MEXICO STATUTE 6-24-24-C AND RELATED DISTRIBUTIONS - CONTINUED**

**Years ended June 30, 1999 and 1998**  
(dollars rounded)

This schedule is provided to calculate net revenues as discussed in New Mexico Statute 6-24-24-C and demonstrate the distribution of net revenues according to New Mexico Statute 6-24-24-B.

This schedule is provided for informational purposes on the calculation of net revenues according to New Mexico Statutes and does not comply with generally accepted accounting principles.

The difference between this schedule and the Statement of Revenues and Expenses and Changes In Retained Earnings in the basic financial statements is the inclusion of the reserve funds of \$-0- and \$100,000 as expenses at June 30, 1999 and 1998, respectively. These expenses are specifically addressed in the New Mexico Statute 6-24-24-C.



*The New Mexico Lottery's portable "trolley" has been a familiar sight at many events across the state. Each time the trolley appears at an activity, it serves two purposes: to generate sales for New Mexico education, and to inform and educate players about both the Lottery and its beneficiaries. Players wait in line (above) at the Lottery Trolley to purchase Scratchers, Powerball, and Roadrunner Cash at the '98 Kodak Albuquerque International Balloon Fiesta.*

Writer:  
Contributing Photographers:  
Additional Photos:  
Newspaper Photo:  
Layout and Graphic Design:  
Additional Research:

Lance Ross  
Nadine Guillén, Pat Ratledge, Lance Ross  
Courtesy Los Lunas and Silver School Districts  
*The Albuquerque Journal*, Reprinted By Permission  
Wendy Creel, Pat Ratledge  
Cindy Archer, Leann Bigsby, Adriana Binns, Conny Bryceland,  
Nadine Guillén, Sylvia Moya, Kathleen Potts





# Investing in Education

