

WHEN NEW MEXICO PLAYS,
NEW MEXICO WINS!™



Benefitting New Mexico's Future®

NEW MEXICO LOTTERY • FISCAL YEAR 2007 ANNUAL REPORT



Top to bottom: Reta D. Jones, Chair; John M. Francis, Vice-Chair; Nino Trujillo, Secretary; Clifford Stroud, Treasurer; Rudy Garcia, Assistant Secretary-Treasurer; Herman Tabet, Member; Daniel J. Macke, Member

A Letter from the Board of Directors

As the Board of Directors of the New Mexico Lottery Authority, we are pleased to announce that the Lottery posted its second-best year of sales in Fiscal Year 2007.

Net sales for all games totaled \$148.0 million. Lottery profits delivered to the Legislative Lottery Scholarship program totaled \$34.8 million.

For the fifth year in a row, Lottery profits topped \$30 million. Since its inception in 1996, the Lottery has raised more than \$320 million for education in our state. As of the Spring 2007 semester, more than 48,000 students have received Legislative Lottery Scholarships to attend the state's public colleges and universities.

As a board, our responsibility is to provide the Lottery with the private-sector perspective of a large marketing enterprise and to exercise sound and prudent business judgment in the management and promotion of the Lottery. Foremost, we ensure that the Lottery operates with the highest level of integrity to help maintain the public's trust and confidence in the Lottery as a fair and honest enterprise.

It is a privilege to serve as board members of an organization that raises millions of dollars each year to help our state's young people pursue their dreams of a college education. A college education helps give individual students more opportunities in life while a well-educated population attracts more businesses. Business growth, in turn, creates more jobs and contributes to a stronger, more vibrant state economy.

The following annual report is provided to the people of New Mexico. It highlights the Lottery's goals, challenges and accomplishments during Fiscal Year 2007.

Respectfully submitted,

Reta D. Jones, *Chair*
John M. Francis, *Vice-Chair*
Nino Trujillo, *Secretary*
Clifford Stroud, *Treasurer*
Rudy Garcia, *Assistant Secretary-Treasurer*
Herman Tabet, *Member*
Daniel J. Macke, *Member*

The New Mexico Lottery Authority
Board of Directors
Fiscal Year 2007

Board Responsibilities

The New Mexico Lottery Authority Board is composed of seven members who reside in New Mexico and meet regularly to review Lottery operations. Board members are unpaid citizen volunteers appointed by the Governor and confirmed by the State Senate.

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.

The board members' statutory responsibilities 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 overseeing the Lottery's annual budget;
- ♦ Approving all major procurement;
- ♦ Setting policies;
- ♦ Determining types and forms of lottery games to be offered;
- ♦ Preparing quarterly and annual reports.



A Letter from the CEO

It is with great pride that I present the New Mexico Lottery Authority's annual report for the fiscal year ending June 30, 2007.

As the Board of Directors announced, the Lottery posted its second-best year of sales in Fiscal Year 2007 with net ticket sales of \$148.0 million. Our beneficiary — the Legislative Lottery Scholarship program, which provides tuition assistance for eligible New Mexico residents attending the state's public colleges and universities — received Lottery profits of \$34.8 million.

In Fiscal Year 2007, the Lottery experienced many significant changes. *Scratcher* games accounted for 62 percent of all Lottery sales. Players responded enthusiastically to our broader array of *Scratcher* games by purchasing a record \$91.4 million in tickets, up \$6.6 million from Fiscal Year 2006.

We also introduced *Hot Lotto*®, known by the nickname of “little *Powerball*®” because of its smaller jackpots at better odds. Players gave *Hot Lotto* a warm reception, spending \$3.5 million on tickets. The game's popularity continues to grow.

On the operations front, the Lottery reduced its Fiscal Year 2007 budget by approximately \$3.1 million. We cut game expenses by approximately \$2.6 million and personnel and operations expenses by approximately \$497,000. As the result of a workforce-restructuring plan started in October 2006, the Lottery eliminated 11 positions, bringing the workforce down to 55 people, our lowest employment figure ever.

These cuts enabled the Lottery to deliver an additional \$285,000 to the scholarship program for a total return of \$34.8 million for Fiscal Year 2007. Since 1996, the Lottery has raised more than \$320 million for education in our state.

The most exciting news came from the Higher Education Department's tally of scholarship students since the Spring 2007 semester. From Chama to Carlsbad and Gallup to Clovis, more than 48,000 students have attended college on Legislative Lottery Scholarships since the Lottery's inception in 1996, and more than 18,000 have graduated. What a tremendous success story for the State of New Mexico.

The Lottery's accomplishments would not be possible without the support of many partners committed to making higher education possible to high school students and GED recipients regardless of income, location or course of study. The insight, encouragement and excitement shared with us by past and present legislators, board members, staff, our vital network of 1,100 retailers, vendors and certainly our players inspires the New Mexico Lottery to responsibly grow sales, entertain the public and maximize revenues for higher education.

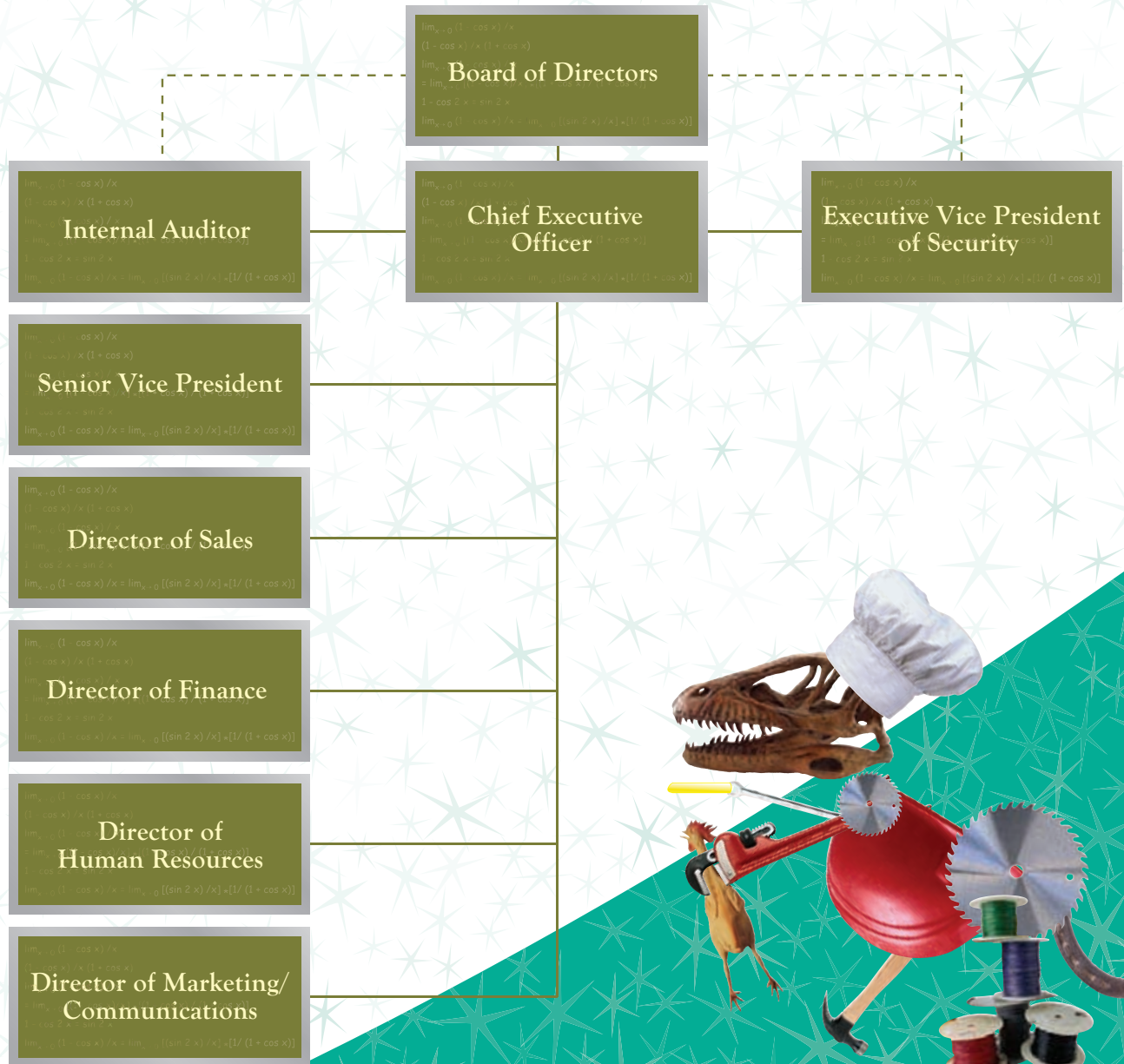
When New Mexico Plays, New Mexico Wins!™

Sincerely,

A handwritten signature of Tom Romero in black ink. The signature is stylized and cursive, with the first name 'Tom' being more prominent than the last name 'Romero'.

Tom Romero, CEO

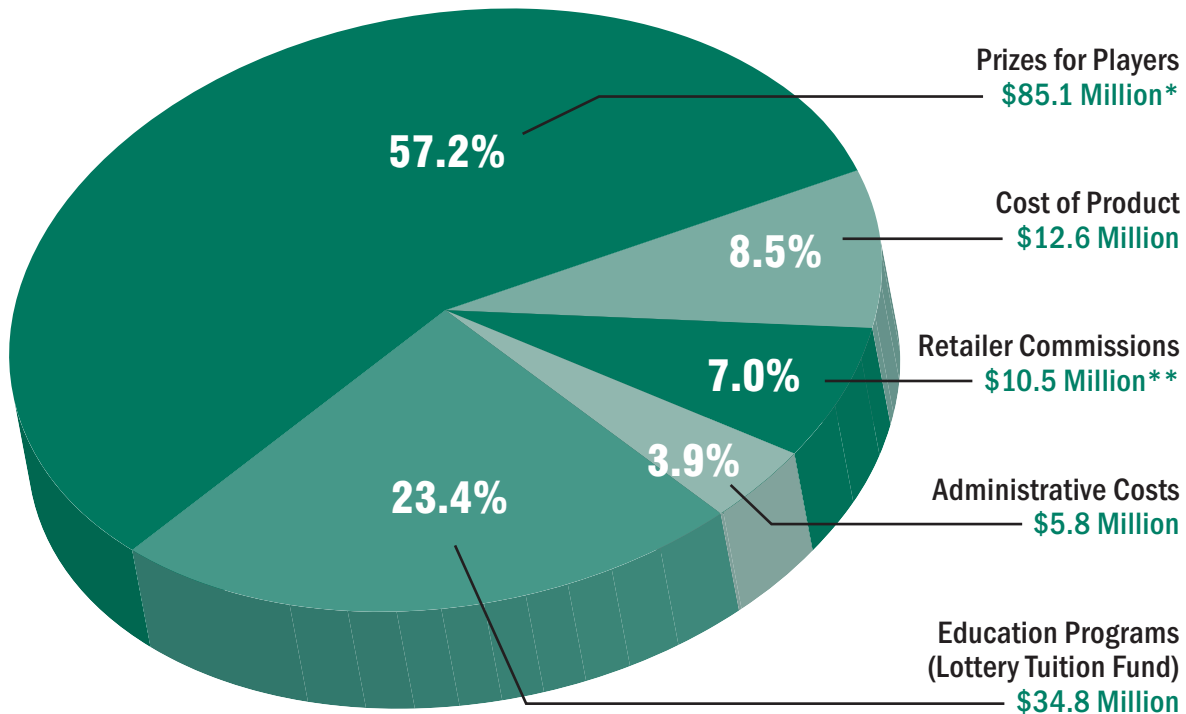
Organizational Divisions



Where \$148.8 Million in FY 2007 Gross Revenues Goes

Gross Revenues for the New Mexico Lottery
Fiscal Year 2007: A Financial Overview

(rounded)



The Lottery returns a minimum of 50% of proceeds to players in the form of prizes. Funds are also allocated to cover the cost of product, as well as retailer commissions and administrative costs. Once these expenses have been covered, the Lottery turns over all net proceeds to the State Treasurer for use in funding education in New Mexico.

*Includes jackpot prize payments to the Multi-State Lottery Association for *Powerball* and *Hot Lotto*

**Includes \$723,000 for FY 2007 which in the audited financial statements is charged to Reserve Fund expense

Historical Review

	GROSS REVENUES	NET PROFITS FOR PUBLIC EDUCATION
FY '96(*)	\$28.5 Million	\$6.3 Million
FY '97	\$82.4 Million ↑	\$21.9 Million ↑
FY '98	\$85.4 Million ↑	\$20.1 Million ↓
FY '99	\$89.7 Million ↑	\$19.6 Million ↓
FY '00	\$111.2 Million ↑	\$24.5 Million ↑
FY '01	\$113.7 Million ↑	\$25.9 Million ↑
FY '02	\$129.5 Million ↑	\$29.6 Million ↑
FY '03	\$133.6 Million ↑	\$33.1 Million ↑
FY '04	\$142.6 Million ↑	\$35.9 Million ↑
FY '05	\$134.7 Million ↓	\$32.2 Million ↓
FY '06	\$150.6 Million ↑	\$36.9 Million ↑
FY '07	\$148.8 Million ↓	\$34.8 Million ↓
TOTALS	\$ 1.35 Billion	\$320.9 Million**

- *Legislative Lottery Scholarship/Lottery Tuition Fund: \$254,385,194 (1996 to present)*
- *Public School Capital Outlay Fund: \$66,553,850 (1996 to 2001)*
- *Raised for public education through Fiscal Year 2007: \$320,939,044*

(*) represents partial fiscal year

** Rounded

Since its inception in 1996, the Lottery has raised more than \$320 million for education in our state. Fiscal Year 1996 sales were from April 27-June 30; all other fiscal years ran between July 1 and June 30. Of the total money transferred to New Mexico education, \$66.5 million was used for school construction and repairs from Fiscal Year 1997 through Fiscal Year 2001. All annualized figures are rounded.



Ryan Boyce, student in the Woodworking Program at Santa Fe Community College, was one of many students who starred in "Do Something Interesting", the Lottery's 2007 TV ad campaign. See page 9 for more information.

48,791 High School Graduates and GED Recipients Have Received Legislative Lottery Scholarships Since Inception

Legislative Lottery Scholarship Program Student Count By County Fall 1997 – Spring 2007

County	Attended College	Total Awards	Total Grads So Far
Bernalillo	14,738	\$ 74,407,904	5,531
Catron	71	\$ 332,704	34
Chaves	1,740	\$ 5,387,252	627
Cibola	599	\$ 1,997,489	268
Colfax	286	\$ 1,190,727	116
Curry	1,343	\$ 3,564,528	489
De Baca	91	\$ 332,269	41
Doña Ana	5,192	\$ 22,725,373	2,042
Eddy	1,594	\$ 5,320,337	653
Grant	879	\$ 3,518,727	346
Guadalupe	120	\$ 439,034	40
Harding	56	\$ 241,604	29
Hidalgo	133	\$ 608,443	64
Lea	1,160	\$ 2,287,570	458
Lincoln	489	\$ 1,803,931	185
Los Alamos	845	\$ 4,240,703	342
Luna	426	\$ 1,618,923	158
Mckinley	1,313	\$ 4,294,775	417
Mora	144	\$ 612,765	66
Otero	1,596	\$ 6,126,621	691
Quay	308	\$ 1,030,138	118
Rio Arriba	1,377	\$ 4,726,093	556
Roosevelt	708	\$ 2,224,275	267
San Juan	2,575	\$ 7,588,178	1,051
San Miguel	880	\$ 3,393,060	352
Sandoval	2,412	\$ 10,903,973	755
Santa Fe	3,230	\$ 13,055,111	1,159
Sierra	187	\$ 848,282	67
Socorro	347	\$ 1,567,791	139
Taos	730	\$ 2,819,168	252
Torrance	359	\$ 1,549,464	134
Union	126	\$ 515,215	47
Valencia	1,994	\$ 7,520,238	729
Other*	575	\$ 1,390,104	144
No Response†	168	\$ 660,633	90
Total	48,791	\$ 200,843,402	18,457

* 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 Legislative Lottery 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 Legislative Lottery Scholarship (LLS) draws through Spring 2007

• 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 Legislative Lottery 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 LLS, 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 Legislative 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

13,826 Legislative Lottery Scholarships for Spring Semester 2007

Name of School	Students	Total LLS Awards (Fall '97 – Spring '07)
RESEARCH UNIVERSITIES		
New Mexico Institute of Mining and Technology – Socorro	384 ♦	\$ 5,770,154
New Mexico State University – Las Cruces (Main Campus)	3,352	\$ 59,610,466
University of New Mexico – Albuquerque (Main Campus)	6,452 ♦	\$ 109,297,200
COMPREHENSIVE UNIVERSITIES		
Eastern New Mexico University – Portales (Main Campus)	777 ♦	\$ 9,508,218
New Mexico Highlands University – Las Vegas ⁽¹⁾	289 ♦	\$ 2,996,972
Northern New Mexico College – Española & El Rito ⁽⁴⁾	118	\$ 608,730
Western New Mexico University – Silver City	157	\$ 1,882,276
TWO-YEAR BRANCH COLLEGES		
Eastern New Mexico University – Roswell	172	\$ 796,860
Eastern New Mexico University – Ruidoso	24	\$ 82,949
New Mexico State University – Alamogordo	126 ♦	\$ 774,041
New Mexico State University – Carlsbad	63	\$ 689,006
New Mexico State University – Doña Ana	378 ♦	\$ 1,690,265
New Mexico State University – Grants	40	\$ 286,404
University of New Mexico – Gallup	107 ♦	\$ 519,377
University of New Mexico – Los Alamos	59	\$ 414,182
University of New Mexico – Taos	42	\$ 214,243
University of New Mexico – Valencia (Los Lunas)	137	\$ 936,150
INDEPENDENT COMMUNITY/JUNIOR COLLEGES		
Central New Mexico Community College ⁽⁵⁾	592	\$ 2,365,220
Clovis Community College	113	\$ 453,302
Luna Community College – Las Vegas ⁽¹⁾⁽²⁾	–	\$ 27,535
Mesalands Community College – Tucumcari ⁽³⁾	11	\$ 173,050
New Mexico Junior College – Hobbs	54	\$ 360,873
New Mexico Military Institute – Roswell	23	\$ 93,547
San Juan College – Farmington	208	\$ 765,840
Santa Fe Community College	148	\$ 725,265
TOTAL CAMPUSES – 25⁽¹⁾		
TOTAL STUDENTS SPRING 2007 SEMESTER⁽⁶⁾⁽⁷⁾	13,826	
TOTAL SINCE INCEPTION THROUGH SPRING 2007⁽⁶⁾⁽⁷⁾		\$ 201,042,125

LEGISLATIVE LOTTERY SCHOLARSHIP RECIPIENTS AND AMOUNTS AWARDED BY SEMESTER

Fall '97 (2,192 students)	\$ 1,398,445
Spring '98 (5,087 students)	\$ 3,024,521
Fall '98 (4,139 students)	\$ 2,809,491
Spring '99 (7,802 students)	\$ 5,230,796
Fall '99 (6,406 students)	\$ 5,001,758
Spring '00 (10,014 students)	\$ 7,686,597
Fall '00 (7,593 students)	\$ 6,773,604
Spring '01 (10,429 students)	\$ 8,849,942
Fall '01 (8,181 students)	\$ 8,369,094
Spring '02 (11,001 students)	\$ 10,605,208
Fall '02 (8,875 students)	\$ 9,532,303
Spring '03 (11,352 students)	\$ 11,735,843
Fall '03 (9,608 students)	\$ 10,833,452
Spring '04 (12,288 students)	\$ 13,089,784
Fall '04 (10,219 students)	\$ 12,711,544
Spring '05 (13,497 students)	\$ 16,205,026
Fall '05 (10,714 students)	\$ 14,802,211
Spring '06 (13,123 students)	\$ 17,350,460
Fall '06 (11,076 students)	\$ 16,259,849
Spring '07 (13,826 students)	\$ 19,540,205
TOTAL ⁽⁶⁾⁽⁷⁾	\$201,810,133

(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) Legislative Lottery Scholarship (LLS) 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) LLS 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 LLS enrollment for the Spring '07 semester

Data provided by New Mexico Higher Education Department, formerly known as the Commission on Higher Education, for the Legislative Lottery Scholarship program through FY '07⁽⁶⁾

Fiscal Year 2007

SECURITY

Conducted:

- ♦ 486 Retailer Inspections
- ♦ 113 Employee/Vendor Background Investigations
- ♦ 26 Big Winner Investigations (\$100,000 and over)
- ♦ 80 Retailer Background Investigations
- ♦ 120 Criminal Reports/Investigations written
- ♦ 4 Special Promotional Drawings:
 - "Holiday Cash Giveaway"
 - "50,000 Hold 'Em Poker"
 - "Space Invaders"
 - "Trucks & Bucks"
- ♦ 52 *Scratcher* game print inspections

Criminal Investigations:

- ♦ Assisted the Las Cruces and Ruidoso Police Departments in the investigations of thefts involving Lottery tickets
- ♦ Presented, or assisted in presenting, six cases in which felony charges or criminal indictments are pending

MARKETING

- ♦ Provided Marketing Support for:
 - Introduction of new online game, *Hot Lotto*
 - 11 *Scratcher* radio campaigns
 - Legislative Lottery Scholarship program
 - Problem Gambling Awareness
- ♦ Produced new benefit awareness commercials focusing on non-traditional careers and featuring three New Mexico community colleges
- ♦ Produced new, shorter-length jackpot awareness television commercials to increase efficiency of media budget
- ♦ Participated in sports sponsorships at five New Mexico universities
- ♦ Participated in 26 fairs and events statewide
- ♦ Coordinated 130 radio promotions
- ♦ Produced four issues of *Retail Round-Up* to keep retailers informed of Lottery activities
- ♦ Produced Fiscal Year 2006 Annual Report
- ♦ Assisted with legislative analysis and communication
- ♦ Participated in National Problem Gambling Week by airing radio and television commercials and a statewide print ad that ran in more than 45 newspapers statewide that provided contact information for the New Mexico Council on Problem Gambling

- ♦ Responded to numerous requests for information received via telephone, US mail and Lottery website
- ♦ Issued news releases regarding Lottery financial information, product information and winners
- ♦ Produced content to maintain Lottery website
- ♦ Produced a statewide newspaper insert featuring the benefits that the Lottery provides to New Mexico

MIS

- ♦ Completed laying the network and systems components for advanced web/internet-based applications such as players' club applications, retailer accounting and field sales representative reporting tools
- ♦ Provided the project management, software development, and acceptance testing for the implementation of the new online game, *Hot Lotto*
- ♦ Implemented processes enabling Product Development and Customer Service to manage and monitor several key performance indicators related to the Instant and Online product lines including: game sales-life performance, sales velocity, product mix optimization, inventory management, customer relationship management and other performance analysis activities
- ♦ Developed the graphics and prize structure for 61 instant *Scratcher* games that launched in Fiscal Year 2007
- ♦ The Customer Service Department handled more than 116,000 phone calls including:
 - 87,919 outbound calls to retailers, and
 - 28,910 inbound calls from a variety of callers including retailers, vendors and the public

SALES

- ♦ Serviced approximately 1,100 Lottery retail locations and conducted approximately 24,000 retailer visits
- ♦ Installed more than 200 additional instant ticket facings and increased the number of *Scratcher* games merchandised in Lottery retailers
- ♦ Performed more than 2,000 in-depth *Hot Lotto* training sessions with retailers
- ♦ Participated in a record number of community events around the state, including the Amazing Roswell UFO Festival, the Chili Cook-Off in Carlsbad, and the Great American Duck Race in Deming

- ♦ Conducted numerous retailer in-store events including wheel spins and "Lucky Landmark" presentations

FINANCE

- ♦ For the twelfth consecutive year, received an unqualified opinion from the independent public accountants on the Lottery's Financial Statements with no adjusting journal entries or passed adjusting entries
- ♦ With the assistance of all departments, formulated a budget for Fiscal Year 2008 to return more than 27% of revenues to the State
- ♦ Paid out nearly \$42.5 million in Online and Instant prizes, including a \$62.8 million *Powerball* jackpot paid at the cash value of \$29.5 million
- ♦ Contributed sales of more than \$76,000 in Instant tickets and more than \$86,000 in Online tickets through the claim center sales area
- ♦ Withheld more than \$10 million in federal taxes and more than \$2.4 million in state taxes from prizes paid out in Fiscal Year 2007
- ♦ Intercepted more than \$21,000 in amounts owed by prize winners for child support arrearages and transferred the payments to the New Mexico Human Services Child Support Enforcement Division
- ♦ Collected \$78.4 million in 52 weekly sweeps from retailers in Fiscal Year 2007
- ♦ Held bad debt write-offs to only \$5,736, less than .007% of the total amount swept
- ♦ Paid close to \$10.5 million in retailer commissions
- ♦ Facilitated the issuance of four Requests for Proposals for:
 - Voice Data
 - Trucks to be used as prizes in "Trucks & Bucks" *Scratcher* game
 - Financial Audit Services
 - Online Gaming System
- ♦ Identified 35 new vendors during the year and purchased goods from 25 of these new vendors
- ♦ Processed checks and wires totaling nearly \$19.7 million dollars to pay the Lottery's vendors

HUMAN RESOURCES

- ♦ Recruited for vacant positions
- ♦ Began a salary evaluation study to determine if Lottery salaries are in line with similar positions and agencies

Do Something Interesting!



Angel Vialpando
Culinary Arts Program
Santa Fe Community College



Stuart Helvie
Welding Program
Central New Mexico
Community College



McKayla Mc Kinney
Fine Arts/Bronze Program – Mesalands Community College

The New Mexico Lottery ad campaign titled “Do Something Interesting!” was designed to raise awareness of the educational opportunities available through the state’s community colleges with Legislative Lottery Scholarships. The campaign featured six TV ads starring students enrolled at Mesalands Community College in Tucumcari, Central New Mexico Community College in Albuquerque and Santa Fe Community College.

This series of ads won first-place in the “Coordinated Campaign” category in the national “Batchy Awards” competition for lottery advertising and business communications. This annual competition is sponsored by the North American Association of State and Provincial Lotteries (NASPL). NASPL is a non-profit association representing 51 lottery organizations.

The concept for the ads originated with New Mexico Lottery Marketing Director Adriana Binns. The campaign was produced by Kilmer & Kilmer, Inc. and filmed by Southwest Productions. Both companies are based in Albuquerque.

A Legislative Lottery Scholarship Can Help.



New and Licensed Products

To broaden its appeal among players and grow revenues for Legislative Lottery Scholarships, the New Mexico Lottery introduced the *Hot Lotto*® game in November 2007. Played in 10 states and the District of Columbia, *Hot Lotto* offers a starting \$1 million jackpot that rolls by at least \$50,000 until won. The game quickly became a hot property with players who purchased 3.5 million tickets in eight months. The work of building awareness and player enthusiasm will continue in Fiscal Year 2008 with new *Hot Lotto* promotions and game enhancements, including a \$1 per-play option to multiply non-jackpot prizes by three.

Scratcher sales took off in Fiscal Year 2007, thanks in part to a larger investment in licensed properties. Marquee titles such as “Betty Boop™”, “Deal or No Deal™”, and “Monopoly™” helped give *Scratcher* games a higher profile and connected them with people’s interest in nostalgia, popular pastimes and pop culture. Licensed properties will continue to be an important marketing strategy.



Your Hot Ticket to Cool Cash.



Statements of Net Assets

June 30, 2007 and 2006

	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,828,460	\$ 4,574,650
Accounts receivable (net of allowance for doubtful accounts)	1,650,965	837,420
Reserves on deposit	2,338,018	2,339,765
Inventory	15,790	15,932
Prepaid expenses	95,603	120,082
Total current assets	10,928,836	7,887,849
CAPITAL ASSETS, NET	359,236	658,169
Total assets	\$ 11,288,072	\$ 8,546,018
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 2,550,728	\$ 2,225,990
Current portion of capital lease obligation	-	106,091
Prizes payable	5,576,596	3,495,708
Due to lottery tuition fund	3,160,748	2,668,229
Total liabilities	\$ 11,288,072	\$ 8,496,018
NET ASSETS		
Invested in capital assets, net of related debt	\$ 359,236	\$ 552,078
Restricted net assets	-	50,000
Unrestricted net assets (deficit)	(359,236)	(552,078)
Total net assets	\$ -	\$ 50,000

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2007 and 2006

	2007	2006
REVENUES		
Instant ticket sales	\$ 95,729,489	\$ 89,367,670
Powerball sales	42,625,468	54,113,990
Roadrunner Cash sales	7,934,309	8,347,282
Hot Lotto sales	3,476,503	-
Pick 3 sales	2,058,844	2,009,560
4 This Way! sales	653,662	769,985
Retailer fees	45,791	47,180
Prize tickets	(4,335,817)	(4,533,193)
Spoiled, stolen, and promotional tickets	(107,995)	(80,074)
Total revenues	148,080,254	150,042,400
GAME EXPENSES		
Prize expense	85,119,755	84,626,456
Retailer commissions	9,754,742	9,859,881
On-line vendor fees	6,597,580	7,414,912
Advertising	2,913,129	2,816,695
Ticket vendor fees	1,444,683	1,282,575
Reserve Fund expense	911,933	1,071,934
Promotions	650,133	335,137
Shipping and postage	415,265	370,751
Instant ticket vending machine lease	253,932	275,940
Drawing game	109,704	94,264
Game membership	10,242	60,084
Total game expenses	108,181,098	108,208,629

Statements of Revenues, Expenses, and Changes in Net Assets, *continued*

Years ended June 30, 2007 and 2006

	2007	2006
OPERATING EXPENSES		
Salaries, wages, and benefits	3,685,704	3,644,557
Leases and insurance	632,380	636,560
Utilities and maintenance	415,924	440,678
Depreciation and amortization	391,824	409,138
Professional fees	320,784	191,021
Materials and supplies	203,024	68,397
Travel	66,340	54,847
Other	65,848	67,308
Total operating expenses	5,781,828	5,512,506
OPERATING INCOME	34,117,328	36,321,265
NON-OPERATING INCOME		
Interest income	582,916	394,225
Other income	129,892	140,066
Total non-operating income	712,808	534,291
Net income before transfers	34,830,136	36,855,556
Transfers to Lottery Tuition Fund	(34,880,136)	(36,855,556)
Change in net assets	(50,000)	-
Net assets at beginning of year	50,000	50,000
Net assets at end of year	\$ -	\$ 50,000



Statements of Cash Flows

Years ended June 30, 2007 and 2006

Increase (Decrease) in Cash and Cash Equivalents

	2007	2006
Cash flows from operating activities		
Cash received:		
From retailers-sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 137,670,500	\$140,108,843
From MUSL — Powerball Jackpot	29,450,223	—
Cash payments:		
To prize winners and related taxes	(100,723,950)	(71,482,341)
To suppliers of goods or services	(15,163,549)	(15,284,239)
To employees for services and related taxes	(3,124,154)	(3,100,369)
To MUSL	(11,765,140)	(12,116,976)
Net cash provided by operating activities	36,343,930	38,124,918
Cash flows from investing activities		
Additions (deletions) to MUSL Reserve Accounts	6,225	(22,648)
Receipts of interest	369,496	239,832
Receipts of rent	126,404	121,704
Other	234	21,923
Net cash provided by investing activities	502,359	360,811
Cash flows from noncapital financing activities		
Transfers to Lottery Tuition Fund	(34,387,617)	(36,879,306)
Cash flows from capital and related financing activities		
Purchases of capital assets	(98,771)	(410,604)
Principal payments under capital lease	(106,091)	(141,454)
Net cash used by related financing activities	(204,862)	(552,058)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,253,810	1,054,365
Cash and cash equivalents at beginning of year	4,574,650	3,520,285
Cash and cash equivalents at end of year	<u>\$ 6,828,460</u>	<u>\$ 4,574,650</u>

Statements of Cash Flows, *continued*

Years ended June 30, 2007 and 2006

Increase (Decrease) in Cash and Cash Equivalents

	2007	2006
Reconciliation of operating income to net cash provided by operating activities		
Operating Income	\$ 34,117,328	\$ 36,321,265
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	391,824	409,138
Additional contributions (deletions) to MUSL Reserve Accounts	(6,225)	22,648
Interest on MUSL Unreserved Account	24,478	154,393
Vendor's non-cash transactions	(3,250)	(3,561)
Net changes in assets and liabilities:		
Accounts receivable	(655,012)	(73,676)
Reserves on Deposit	1,747	(57,852)
Inventory	142	203
Prepaid expenses	24,479	5,290
Accounts payable and other liabilities	324,738	280,809
Accrued purchases	42,793	39,122
Prizes payable	2,080,888	1,027,139
Net cash provided by operating activities	<u>\$ 36,343,930</u>	<u>\$ 38,124,918</u>



Budget to Actual Comparison Statements

Years ended June 30, 2007 and 2006

	2007				2006			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Instant ticket sales	\$ 91,500,000	\$ 93,500,000	\$95,729,489	\$ 2,229,489	\$ 90,000,000	\$ 91,000,000	\$ 89,367,670	\$ (1,632,330)
Powerball sales	50,000,000	45,000,000	42,625,468	(2,374,532)	50,000,000	50,000,000	54,113,990	4,113,990
Roadrunner Cash sales	8,500,000	8,500,000	7,934,309	(565,691)	8,000,000	8,500,000	8,347,282	(152,718)
Hot Lotto	2,500,000	3,000,000	3,476,503	476,503	-	-	-	-
Pick 3 sales	2,000,000	2,000,000	2,058,844	58,844	2,000,000	2,000,000	2,009,560	9,560
4 This Way! sales	800,000	600,000	653,662	53,662	1,000,000	800,000	769,985	(30,015)
Retailer fees	44,000	43,000	45,791	2,791	30,000	44,000	47,180	3,180
Prize tickets	(4,800,000)	(5,000,000)	(4,335,817)	664,183	(4,750,000)	(4,800,000)	(4,533,193)	266,807
Spoiled, stolen, and promotional tickets	(118,000)	(131,000)	(107,995)	23,005	(106,000)	(92,000)	(80,074)	11,926
Bad debts	(24,000)	(12,000)	-	12,000	(24,000)	(24,000)	-	24,000
Total revenues	150,402,000	147,500,000	148,080,254	580,254	146,150,000	147,428,000	150,042,400	2,614,400
 Total game expenses	 109,621,000	 107,001,000	 108,181,098	 1,180,098	 106,139,000	 106,888,000	 108,208,629	 1,320,629
 Total operating expenses	 6,680,000	 6,183,000	 5,781,828	 (401,172)	 6,333,000	 5,854,000	 5,512,506	 (341,494)
 Operating income	 34,101,000	 34,316,000	 34,117,328	 (198,672)	 33,678,000	 34,686,000	 36,321,265	 1,635,265
 Total non-operating income	 386,000	 456,000	 712,808	 256,808	 226,000	 442,000	 534,291	 92,291
 Net income before transfers								
to Lottery Tuition Fund	\$ 34,487,000	\$ 34,772,000	\$ 34,830,136	\$ 58,136	\$ 33,904,000	\$ 35,128,000	\$ 36,855,556	\$ 1,727,556

$$\lim_{x \rightarrow 0} (1 - \cos x) / x$$

Writers

Adriana Binns, Linda Hamlin

$$(1 - \cos x) / x (1 + \cos x)$$

Layout and Design

Jessica Quintana

$$\lim_{x \rightarrow 0} (1 - \cos x) / x$$

Contributing Photographers

Richard Kilmer, Jessica Quintana

$$= \lim_{x \rightarrow 0} [(1 - \cos x) / x] * [(1 + \cos x) / (1 + \cos x)]$$

Financial Statements

Sylvia A. Jaramillo, CPA

$$1 - \cos 2x = \sin 2x$$

Additional Assistance

New Mexico Higher Education Department:

Ofelia Morales, Yash Morimoto

$$\lim_{x \rightarrow 0} (1 - \cos x) / x = \lim_{x \rightarrow 0} (\sin 2x / 2x) * [1 / (1 + \cos x)]$$



Complete financial information for Fiscal Year 2007 and previous New Mexico Lottery Authority annual reports are available on-line at www.nmlottery.com





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