

NEW MEXICO LOTTERY SHINING STARS

PARTNERS

PLAYERS

PRIZES

PROFITS



FISCAL YEAR 2008 BOARD OF DIRECTORS

PRINCIPALS



RETA D. JONES
Chair



HERMAN J. TABET
Vice-Chair



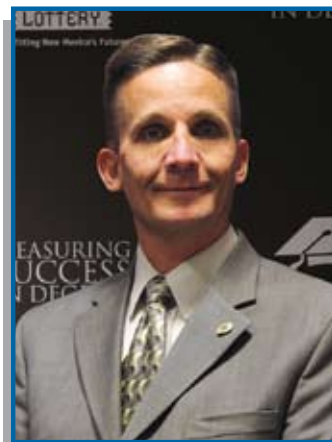
NINO TRUJILLO
Secretary



CLIFFORD STROUD
Treasurer



RUDY GARCIA
Assistant Secretary-Treasurer



JOHN M. FRANCIS
July 2007 – February 2008



DANIEL J. MACKE
July 2007 – January 2008

A LETTER FROM THE CEO AND THE BOARD OF DIRECTORS

PARTNERS, PLAYERS, PRIZES AND PROFITS

The New Mexico Lottery weathered great change in Fiscal Year 2008. Gaming competition continued to grow. The Lottery cut personnel, advertising, retailer sales incentives, prize expenses and other expenses by more than 4% to return a set percentage of revenue to the Legislative Lottery Scholarship program. Record-high gas prices kept more people at home managing tighter budgets.

Although we did not reach our FY '08 net sales goal of \$150.8 million, we accomplished many good things. The Lottery generated net sales of \$147.1 million and returned record profits of \$40.8 million. We also celebrated big milestones 12 years in the making — nearly \$1.5 billion in gross revenues, \$1 billion in claimed prizes including several multi-million-dollar jackpots, and \$361.7 million for education. Since 1996, more than 54,000 students have attended college on Legislative Lottery Scholarships.

The hidden heroes in this story are the 1,100 Lottery retailers. Clerks and cashiers around the state reminded players of growing jackpots. They spread the word about exciting options that multiply non-jackpot prizes in the *Hot Lotto*® and *Powerball*® games. They suggested that peppermint-scented *Scratchers*™ would make great holiday gifts. Day in and day out, retailers asked for the sale and their customers said “yes” on many occasions.

Thanks to our retailers, FY '08 net sales were down only \$900,000 (less than 1%) from FY '07 net sales of \$148 million.

We are very proud to be in business with retail partners who share the state's commitment to make higher education possible for New Mexico's children. In periods of great change, our retailers remain constant.

It is with great pride that we present the New Mexico Lottery's annual report for the fiscal year ending June 30, 2008.

Sincerely,

TOM ROMERO
CEO

RETA D. JONES
Chair, Board of Directors



TOM ROMERO
CEO

PARTNERS IN SUCCESS

Since 1996, New Mexico Lottery and its network of retailers have sold nearly \$1.5 billion in Lottery tickets and raised more than \$361.7 million for education in our state. What a partnership!



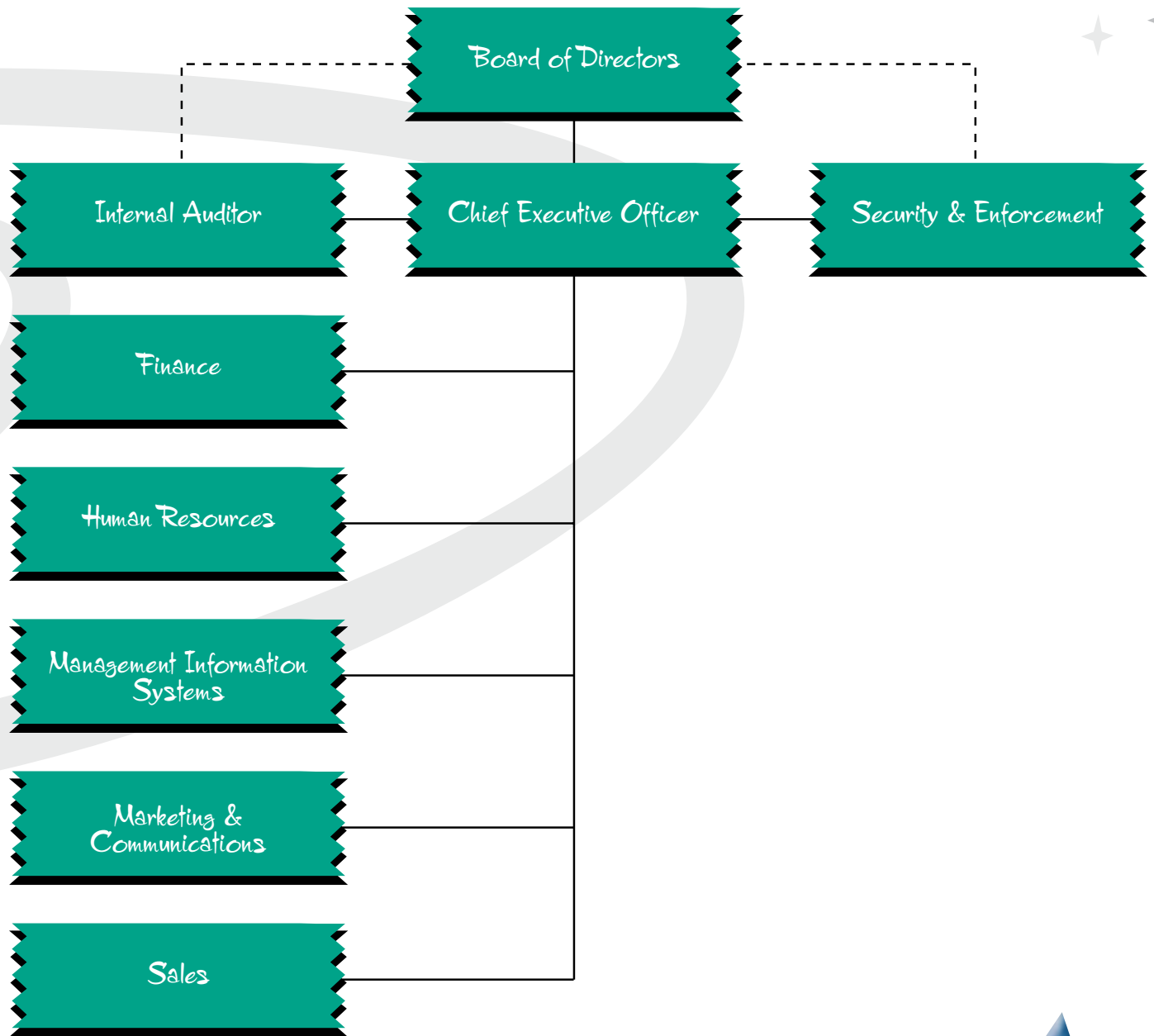
TOP-SELLING LOTTERY RETAILER BIEN MUR INDIAN MARKET CENTER



TOP 25 RETAILERS IN FISCAL YEAR 2008

BIEN MUR INDIAN MARKET CENTER	\$635,369	GIANT STATION #6069	\$351,645
100 Bien Mur Drive, Albuquerque		6570 Paradise Blvd NW, Albuquerque	
CIRCLE K #00379	\$443,140	JOHN BROOKS LADERA	\$351,197
1200 San Pedro SE, Albuquerque		3301 Coors Blvd NW, Albuquerque	
SUNLAND PARK GROCERY	\$429,435	NORTHGATE CHEVRON #24	\$347,722
2167 McNutt Road, Sunland Park		1311 W. Pierce Street, Carlsbad	
ST. MICHAELS SHELL #82	\$426,622	DIAMOND SHAMROCK #1246	\$345,277
711 St. Michaels Drive, Santa Fe		7940 Ladera Drive NW, Albuquerque	
DIAMOND SHAMROCK #1220	\$421,209	FOUR WINDS TRAVEL CENTER	\$341,767
2505 Southern Blvd SE, Rio Rancho		2401 12th Street NW, Albuquerque	
PEPPERS	\$421,022	CIRCLE K #01481	\$341,568
812 E. Florida Street, Deming		3213 N. Main Street, Roswell	
LOWE'S #55	\$406,856	FOOD JET #2	\$334,964
675 10th Street, Alamogordo		3102 National Parks Highway, Carlsbad	
ALBERTSON'S #915	\$400,426	DIAMOND SHAMROCK #1236	\$332,539
6200 Coors Blvd NW, Albuquerque		3440 Isleta Blvd NW, Albuquerque	
STIRES MINI MART	\$396,364	JOHN BROOKS SUPERMARKET	\$330,129
300 McCombs Road, Chaparral		1130 Candelaria Road NW, Albuquerque	
FOOD JET #1	\$383,948	PIC QUIK #70	\$329,230
1095 N. Canal Street, Carlsbad		3901 N. Main, Las Cruces	
DIAMOND SHAMROCK #1247	\$380,111	PIC QUIK #11	\$326,396
601 E. Reinken, Belen		2701 Elks Drive, Las Cruces	
GIANT STATION #109	\$376,680	RIO RANCHO SHELL #99	\$317,012
NM State Highway 264, Tse Bonito		4001 Sara Road SE, Rio Rancho	
FRUIT-N-SAVE	\$355,925		
1090 Country Club Suite A, Sunland Park			

ORGANIZATIONAL DIVISIONS



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 ↓
FY '08	\$147.8 Million ↓	\$40.8 Million ↑
TOTALS	\$ 1.5 Billion**	\$361.7 Million**

- Legislative Lottery Scholarship/Lottery Tuition Fund: \$295,195,765 (1996 to present)
- Public School Capital Outlay Fund: \$66,553,850 (1996 to 2001)
- Raised for public education through Fiscal Year 2008: \$361,749,615

(*) Represents partial fiscal year of April 27 – June 30

** Rounded



Legislative Lottery Scholarship recipient Marcia Mundt, pictured with Lottery CEO Tom Romero, graduated from New Mexico State University with a triple major in government, communications and Spanish.

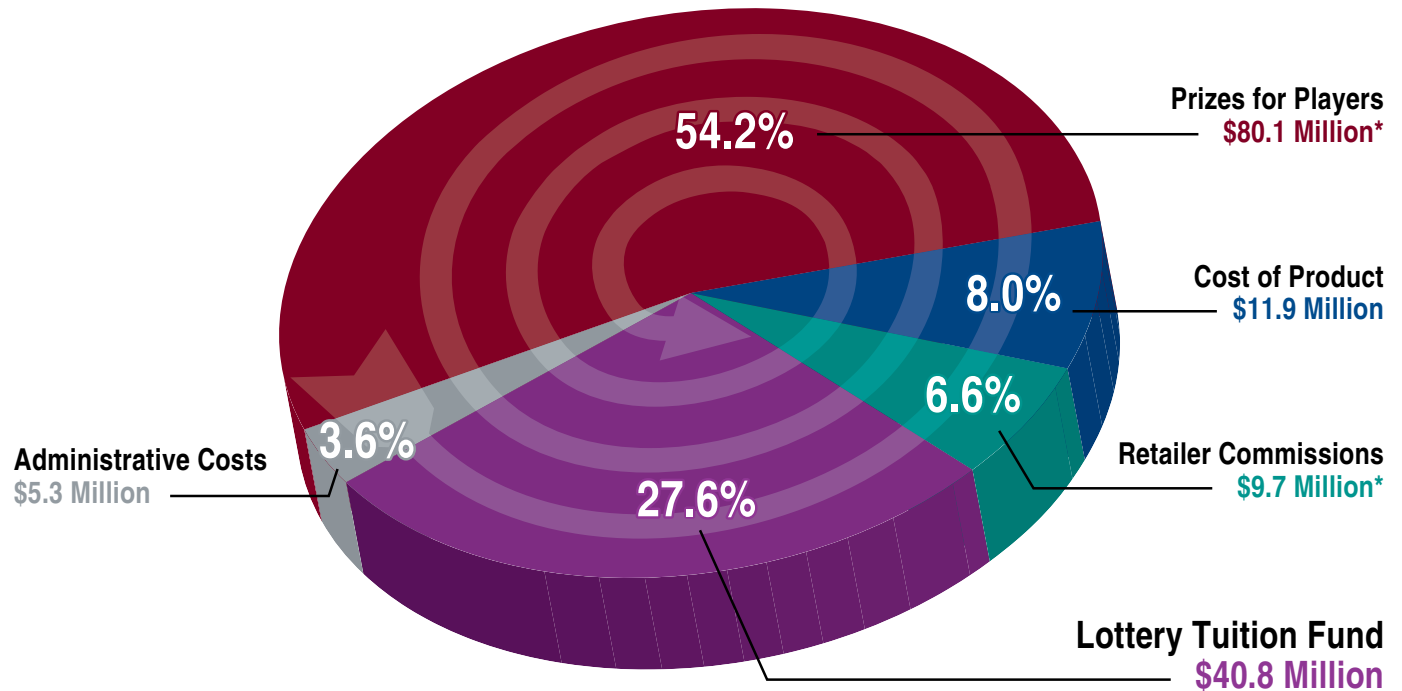
As a Fulbright Scholar, Mundt is pursuing a master's degree in peace studies at the University of Bradford in the United Kingdom.

PROFITS

WHERE THE MONEY GOES

\$147.8 Million in Gross Revenues for the New Mexico Lottery Fiscal Year 2008: A Financial Overview

(Numbers are rounded)



By Statute, the Lottery is required to return 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 paid, the Lottery delivers all net proceeds to the State Treasurer to fund the Legislative Lottery Scholarship program in New Mexico.

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



54,458 High School Graduates and GED Recipients Have Attended College on Legislative Lottery Scholarships

Legislative Lottery Scholarship Program Student Count By County Fall 1997 — Spring 2008

County	Attended College	Total Awards	Total Grads So Far
Bernalillo	16,590	\$ 89,222,975	6,674
Catron	80	\$ 393,136	38
Chaves	1,853	\$ 6,367,670	726
Cibola	665	\$ 2,359,837	303
Colfax	308	\$ 1,383,458	138
Curry	1,473	\$ 4,165,702	557
De Baca	100	\$ 385,144	44
Doña Ana	5,922	\$ 27,314,433	2,462
Eddy	1,715	\$ 6,128,414	762
Grant	955	\$ 4,164,352	417
Guadalupe	136	\$ 540,603	50
Harding	62	\$ 273,376	34
Hidalgo	145	\$ 703,643	74
Lea	1,270	\$ 2,665,912	510
Lincoln	547	\$ 2,166,971	216
Los Alamos	942	\$ 5,065,202	413
Luna	470	\$ 1,961,098	183
McKinley	1,477	\$ 5,080,748	506
Mora	158	\$ 688,458	75
Otero	1,771	\$ 7,193,444	792
Quay	343	\$ 1,196,620	133
Rio Arriba	1,513	\$ 5,513,494	640
Roosevelt	780	\$ 2,597,964	306
San Juan	2,839	\$ 8,919,671	1,204
San Miguel	950	\$ 3,982,620	425
Sandoval	2,728	\$ 13,354,483	943
Santa Fe	3,594	\$ 15,459,226	1,347
Sierra	220	\$ 1,051,799	83
Socorro	390	\$ 1,933,651	171
Taos	824	\$ 3,370,172	295
Torrance	396	\$ 1,792,603	158
Union	136	\$ 603,554	61
Valencia	2,244	\$ 8,911,105	867
Other*	691	\$ 2,062,795	170
No Response†	171	\$ 688,085	95
Total	54,458	\$239,662,418	21,872

* "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 students that did not provide county information on their admission forms; this information is requested, but not required

• Source: New Mexico Higher Education Department (NMHED), (800) 279-9777 / www.hed.state.nm.us; table represents Legislative Lottery Scholarship (LLS) draws through Spring 2008

• 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

• 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 associate's degree and continued for a bachelor's degree; degrees include bachelor's, associate's, 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 allocated previously 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



14,403 Legislative Lottery Scholarships — Spring Semester 2008

Name of School	Students	Total LLS Awards (Fall '97 – Spring '08)
RESEARCH UNIVERSITIES		
New Mexico Institute of Mining and Technology — Socorro	403 ♦	\$ 7,107,232
New Mexico State University — Las Cruces (Main Campus)	3,605	\$ 70,363,374
University of New Mexico — Albuquerque (Main Campus)	6,608 ♦	\$ 131,627,329
COMPREHENSIVE UNIVERSITIES		
Eastern New Mexico University — Portales (Main Campus)	748	\$ 11,046,512
New Mexico Highlands University — Las Vegas ⁽¹⁾	264	\$ 3,468,279
Northern New Mexico College — Española & El Rito ⁽⁴⁾	101	\$ 695,747
Western New Mexico University — Silver City	166	\$ 2,252,862
TWO-YEAR BRANCH COLLEGES		
Eastern New Mexico University — Roswell	178	\$ 934,307
Eastern New Mexico University — Ruidoso	28	\$ 99,848
New Mexico State University — Alamogordo	110	\$ 884,235
New Mexico State University — Carlsbad	69	\$ 756,229
New Mexico State University — Doña Ana	382 ♦	\$ 2,093,145
New Mexico State University — Grants	30	\$ 315,905
University of New Mexico — Gallup	128 ♦	\$ 633,621
University of New Mexico — Los Alamos	40	\$ 448,870
University of New Mexico — Taos	36	\$ 250,407
University of New Mexico — Valencia (Los Lunas)	174	\$ 1,093,130
INDEPENDENT COMMUNITY/JUNIOR COLLEGES		
Central New Mexico Community College ⁽⁵⁾	733 ♦	\$ 2,812,569
Clovis Community College	78	\$ 508,028
Luna Community College — Las Vegas ⁽¹⁾⁽²⁾	–	\$ 27,535
Mesalands Community College — Tucumcari ⁽³⁾	29	\$ 198,403
New Mexico Junior College — Hobbs	76	\$ 398,009
New Mexico Military Institute — Roswell	26	\$ 118,289
San Juan College — Farmington	250	\$ 904,440
Santa Fe Community College	141	\$ 822,543
TOTAL CAMPUSES — 25⁽¹⁾		
TOTAL STUDENTS SPRING 2008 SEMESTER⁽⁶⁾⁽⁷⁾	14,403	
TOTAL SINCE INCEPTION THROUGH SPRING 2008⁽⁶⁾⁽⁷⁾		\$ 239,860,848

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
Fall '07 (11,415 students)	\$ 17,671,062
Spring '08 (14,224 students)	\$ 21,106,409
TOTAL ⁽⁶⁾⁽⁷⁾	\$240,587,604

Data provided by New Mexico Higher Education Department for the Legislative Lottery Scholarship program through FY '08⁽⁶⁾

- (1) Some satellite campuses are reflected in main campus information
 (2) Luna Community College was formerly known as Luna Vocational Technical Institute
 (3) Mesalands Community College was formerly known as Mesa Technical College
 (4) Northern New Mexico College was formerly known as Northern New Mexico Community College; it now offers both two- and four-year programs
 (5) Central New Mexico Community College 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 '08 semester

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

FISCAL YEAR 2008

FINANCE

- ▶ For the 13th consecutive fiscal year, independent public accountants gave the Lottery an unqualified opinion on its FY '08 financial statements. There were no adjusting journal entries or passed adjusting journal entries and no current year audit findings.
- ▶ The Claims Center:
 - Paid more than \$12 million in drawing and instant ticket prizes including the cash value on *Hot Lotto*® jackpots of \$1 million and \$5.6 million
 - Withheld \$3.9 million in federal taxes and approximately \$1 million in state taxes from prizes paid
 - Sold \$55,000 in instant tickets and \$80,000 in drawing tickets
 - Intercepted approximately \$26,000 owed by prize winners for child support arrearages and transferred the payments to the New Mexico Human Services Child Support Enforcement Division
- ▶ With the assistance of all divisions, the Lottery began sending retailers weekly statements electronically in April 2008. The Lottery estimates it will save approximately \$23,000 a year in postage, stationery, and personnel expenses.

HUMAN RESOURCES

- ▶ Replaced six of the vacant positions
- ▶ Developed and implemented Compensation Guidelines that were approved by the board of directors
- ▶ Initiated a new Performance Review process

MARKETING

- ▶ Provided marketing support for:
 - *New Year's Eve Raffle*™
 - Eight *Scratcher*™ games
 - "Get Outta Town with Free Gas" promotion
 - *Hot Lotto* promotion
 - *Powerball*® *Power Play*® 10X promotion
 - *Powerball*, *Hot Lotto* and *Roadrunner Cash*™ jackpot alerts
 - Legislative Lottery Scholarship program
- ▶ Promoted responsible gaming and the New Mexico Council on Problem Gambling helpline
- ▶ Participated in 13 events
- ▶ Coordinated 258 radio promotions to support drawing game and *Scratcher* sales

- ▶ Produced three publications to keep Lottery constituents informed:
 - Fiscal Year 2007 Annual Report
 - "Retail Round-Up" — a quarterly newsletter for Lottery retailers
 - "Your Lottery Snapshot" — a quarterly newsletter for state legislators
- ▶ Issued news releases pertaining to Lottery games, winners, financials and the Lottery's efforts toward converting to a new gaming system in FY '09
- ▶ Produced content for Lottery drawing shows on KOB-TV, signage at the Albuquerque Sunport and at www.nmlottery.com to promote new games, jackpots, the Legislative Lottery Scholarship program and winner awareness
- ▶ Assisted with efforts to convert to a new gaming system in FY '09
- ▶ Hosted winner celebrations at Chevron Redi-Mart #20 in Albuquerque and 7-2-11 in Farmington and christened those stores as "Lucky Landmarks" for selling winning *Hot Lotto* tickets worth \$5.6 million and \$1 million respectively

MIS

- ▶ Developed prize structures for 54 *Scratcher* games with Instant Product Manager
- ▶ Implemented processes for Product Development to manage prize percentage payout by price point, which helped enable the Lottery to return 27.6% of revenue
- ▶ Deployed Secure Web-based e-mail access, including Smart Phones
- ▶ Installed Secure Sockets Layer (SSL) Certificates permitting secure web transactions by encrypting information and providing authentication; SSL Certificates are the standard for E-Commerce transaction security
- ▶ Implemented communication network structure, firewalls and WAN connections to support the conversion to a new gaming system vendor
- ▶ Preparation of technical specifications and programing for gaming system conversion
- ▶ Developed New Mexico Instant System Pass-Through message formats allowing us to process *Scratcher* validations, pack movements, and various reporting functions with the new gaming system vendor
- ▶ Redesigned Corporate Intranet to improve content management and take advantage of new development tools

SALES

- ▶ Serviced approximately 1,100 retail locations
- ▶ Conducted more than 25,000 retailer visits
- ▶ Coordinated numerous retailer in-store events statewide, including wheel spins and "Lucky Landmark" presentations
- ▶ Staffed 13 community events
- ▶ Worked with retailers in preparation for gaming system conversion
- ▶ Provided information and additional retailer support by fielding more than 205,000 calls:
 - 26,000 inbound calls
 - 179,000 outbound calls

SECURITY

- ▶ Conducted:
 - 144 criminal investigations, including, but not limited to, fraud, burglary and stolen ticket cases
 - 134 NMLA employee and vendor/vendor employee background checks
 - 93 retailer background checks
 - 30 big winner investigations, including:
 - \$5.6 million *Hot Lotto* winner
 - \$1 million *Hot Lotto* winner
 - Four \$125,000 *New Year's Eve Raffle* winners
 - 60 *Scratcher* ticket game prints
 - Special promotional draws:
 - *Trucks and Bucks*
 - *Space Invaders*®
 - *New Year's Eve Raffle*
 - "Get Outta Town with Free Gas" promotion
 - 710 retailer inspections
- ▶ Assisted Sandia Pueblo Police in the investigation of stolen tickets; case submitted for prosecution of two store employees
- ▶ Assisted Lincoln County Sheriff's Department in the investigation of a felony embezzlement; warrant issued for suspect
- ▶ Lottery agent submitted a case to the Bernalillo County District Attorney for prosecution for embezzlement/larceny/fraud
- ▶ Assisted Deming Police in investigation of stolen Lottery tickets; case submitted to district attorney for prosecution

PERFORMANCE

\$1 BILLION IN PRIZES CLAIMED!

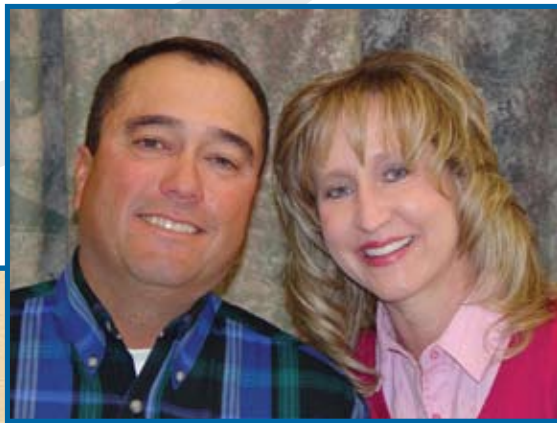
Players have claimed \$1 billion in prizes since 1996. Many prize winners from Fiscal Year 2008 have a personal connection to the Legislative Lottery Scholarship program.



CHARLENE NORMAN & MARTHA GALLEGOS of Bayard won **\$175,000** playing **Roadrunner Cash**. "Martha's family has four children graduating from high school... so the scholarship program is really important to us."



GLORIA VALENCIA of Albuquerque won **\$210,000** playing **Roadrunner Cash™**. "I'm going to keep playing — we still have children to educate."



DANA & JACK SANDERS of Los Lunas won **\$250,000** playing a **\$250,000 Cash Xcitement** Scratcher "We play for our children's educations," Dana Sanders said, explaining that daughters JoDee and Shaylyn received Legislative Lottery Scholarships to attend college.



DANIEL & AMALIA VALLES of Albuquerque won **\$250,000** playing a **\$250,000 Cash Celebration** Scratcher "College is every parent's dream," Daniel Valles said.



TIMOTHY & MARGUERITE PADILLA of Farmington won **\$200,000** playing **Powerball®**. Timothy's sister attends UNM on a Legislative Lottery Scholarship.



NEW MEXICO LOTTERY AUTHORITY
STATEMENTS OF NET ASSETS
 June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,359,828	\$ 6,828,460
Accounts receivable (net of allowance for doubtful accounts)	1,817,274	1,650,965
Reserves on deposit	2,542,282	2,338,018
Inventory	15,680	15,790
Prepaid expenses	<u>93,705</u>	<u>95,603</u>
 Total current assets	 9,828,769	 10,928,836
 CAPITAL ASSETS, NET		
 Total assets	 <u>249,252</u>	 <u>359,236</u>
 CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 1,239,586	\$ 2,550,728
Prizes payable	5,885,786	5,576,596
Due to Lottery Tuition Fund	<u>2,952,649</u>	<u>3,160,748</u>
 Total liabilities	 <u>\$10,078,021</u>	 <u>\$11,288,072</u>
 NET ASSETS		
Invested in capital assets	\$ 249,252	\$ 359,236
Unrestricted net assets (deficit)	<u>(249,252)</u>	<u>(359,236)</u>
 Total net assets	 <u>\$ —</u>	 <u>\$ —</u>

NEW MEXICO LOTTERY AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Instant ticket sales	\$ 89,925,612	\$ 95,729,489
Powerball sales	44,504,959	42,625,468
Roadrunner Cash sales	6,552,774	7,934,309
Hot Lotto sales	6,004,241	3,476,503
Pick 3 sales	2,327,283	2,058,844
Raffle game sales	1,001,400	-
4 This Way! sales	215,546	653,662
Retailer fees	46,782	45,791
Prize tickets	(3,333,227)	(4,335,817)
Spoiled, stolen, and promotional tickets	(92,911)	(107,995)
Total revenues	<u>147,152,459</u>	<u>148,080,254</u>
GAME EXPENSES		
Prize expense	80,091,765	85,119,755
Retailer commissions	9,676,366	9,754,742
On-line vendor fees	6,999,633	6,597,580
Advertising	2,192,858	2,913,129
Ticket vendor fees	1,648,674	1,444,683
Shipping and postage	376,029	415,265
Promotions	368,766	650,133
Drawing game	142,298	109,704
Responsible gaming	81,120	81,120
Instant ticket vending machine lease	81,000	253,932
Game membership	66,135	10,242
Reserve Fund expense	-	830,813
Total game expenses	<u>101,724,644</u>	<u>108,181,098</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,387,288	3,685,704
Leases and insurance	617,220	632,380
Utilities and maintenance	421,690	415,924
Professional fees	402,993	320,784
Depreciation and amortization	191,907	391,824
Materials and supplies	108,370	203,024
Travel	73,312	66,340
Other	69,339	65,848
Total operating expenses	<u>5,272,119</u>	<u>5,781,828</u>
OPERATING INCOME	<u>40,155,696</u>	<u>34,117,328</u>
NON-OPERATING INCOME		
Interest income	492,351	582,916
Other income	162,524	129,892
Total non-operating income	<u>654,875</u>	<u>712,808</u>
Net income before transfers	40,810,571	34,830,136
Transfers to Lottery Tuition Fund	<u>(40,810,571)</u>	<u>(34,880,136)</u>
Change in net assets	-	(50,000)
Net assets at beginning of year	-	50,000
Net assets at end of year	<u>\$ -</u>	<u>\$ -</u>

NEW MEXICO LOTTERY AUTHORITY
STATEMENTS OF CASH FLOWS
 Years ended June 30, 2008 and 2007

Increase (Decrease) in Cash and Cash Equivalents

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Cash received:		
From retailers – sales net of commissions, incentives, and prize, spoiled, and stolen ticket credits	\$ 137,504,704	\$ 137,670,500
From MUSL – Powerball and Hot Lotto Jackpots	4,117,513	29,450,223
Cash payments:		
To prize winners and related taxes	(70,519,847)	(100,723,950)
To suppliers of goods or services	(15,680,192)	(15,163,549)
To MUSL	(13,380,242)	(11,765,140)
To employees for services and related taxes	(2,793,486)	(3,124,154)
Net cash provided by operating activities	<u>39,248,450</u>	<u>36,343,930</u>
Cash flows from investing activities		
Additions to MUSL Reserve Accounts	–	6,225
Receipts of interest	258,773	369,496
Receipts of rent	131,204	126,404
Other	319	234
Net cash provided by investing activities	<u>390,296</u>	<u>502,359</u>
Cash flows from noncapital financing activities		
Transfers to Lottery Tuition Fund	<u>(41,018,670)</u>	<u>(34,387,617)</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(88,708)	(98,771)
Principal payments under capital lease	–	(106,091)
Net cash used by related financing activities	<u>(88,708)</u>	<u>(204,862)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,468,632)	2,253,810
Cash and cash equivalents at beginning of year	<u>6,828,460</u>	<u>4,574,650</u>
Cash and cash equivalents at end of year	<u>\$ 5,359,828</u>	<u>\$ 6,828,460</u>

NEW MEXICO LOTTERY AUTHORITY
STATEMENTS OF CASH FLOWS, CONTINUED
 Years ended June 30, 2008 and 2007

Increase (Decrease) in Cash and Cash Equivalents

	2008	2007
Reconciliation of operating income to net cash provided by operating activities		
Operating Income	\$ 40,155,696	\$ 34,117,328
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	191,907	391,824
Change in MUSL Accounts	-	(6,225)
Interest on MUSL Unreserved Account	179,283	24,478
Vendor's non-cash transactions	(2,775)	(3,250)
Net changes in assets and liabilities:		
Accounts receivable	28,611	(655,012)
Reserves on Deposit	(204,264)	1,747
Inventory	110	142
Prepaid expenses	1,898	24,479
Accounts payable and other liabilities	(1,311,142)	324,738
Accrued	(100,064)	42,793
Prizes payable	309,190	2,080,888
Net cash provided by operating activities	\$ 39,248,450	\$ 36,343,930

NEW MEXICO LOTTERY AUTHORITY

BUDGETARY COMPARISON STATEMENT

Years ended June 30, 2008 and 2007

	2008				2007			
	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	\$ 87,000,000	\$ 89,925,612	\$ 2,925,612	\$ 91,500,000	\$ 93,500,000	\$ 95,729,489	\$ 2,229,489
Powerball sales	45,000,000	43,000,000	44,504,959	1,504,959	50,000,000	45,000,000	42,625,468	(2,374,532)
Roadrunner Cash sales	8,500,000	7,300,000	6,552,774	(747,226)	8,500,000	8,500,000	7,934,309	(565,691)
Hot Lotto sales	5,100,000	5,300,000	6,004,241	704,241	2,500,000	3,000,000	3,476,503	476,503
Pick 3 sales	2,000,000	2,100,000	2,327,283	227,283	2,000,000	2,000,000	2,058,844	58,844
Raffle game sales	2,500,000	1,001,000	1,001,400	400	-	-	-	-
4 This Way! sales	-	215,000	215,546	546	800,000	600,000	653,662	53,662
Retailer fees	42,000	45,000	46,782	1,782	44,000	43,000	45,791	2,791
Prize tickets	(3,600,000)	(4,300,000)	(3,333,227)	966,773	(4,800,000)	(5,000,000)	(4,335,817)	664,183
Spoiled, stolen, and promotional tickets	(180,000)	(180,000)	(92,911)	87,089	(118,000)	(131,000)	(107,995)	23,005
Bad debts	(12,000)	(6,000)	-	6,000	(24,000)	(12,000)	-	12,000
Total revenues	150,850,000	141,475,000	147,152,459	5,677,459	150,402,000	147,500,000	148,080,254	580,254
Total game expenses	103,977,000	97,972,000	101,724,644	3,752,644	109,621,000	107,001,000	108,181,098	1,180,098
Total operating expenses	5,833,000	5,642,000	5,272,119	(369,881)	6,680,000	6,183,000	5,781,828	(401,172)
Operating income	41,040,000	37,861,000	40,155,696	2,294,696	34,101,000	34,316,000	34,117,328	(198,672)
Total non-operating income	460,000	491,000	654,875	163,875	386,000	456,000	712,808	256,808
Net income before transfers								
to Lottery Tuition Fund	\$ 41,500,000	\$ 38,352,000	\$ 40,810,571	\$ 2,458,571	\$ 34,487,000	\$ 34,772,000	\$ 34,830,136	\$ 58,136

NEW MEXICO LOTTERY AUTHORITY

SCHEDULE OF PERCENTAGE RETURN TO THE STATE OF NEW MEXICO

Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES		
Instant ticket sales	\$ 89,925,612	\$ 95,729,489
Powerball sales	44,504,959	42,625,468
Roadrunner Cash sales	6,552,774	7,934,309
Hot Lotto sales	6,004,241	3,476,503
Pick 3 sales	2,327,283	2,058,844
Raffle game sales	1,001,400	-
4 This Way! sales	215,546	653,662
Retailer fees	46,782	45,791
Prize tickets	(3,333,227)	(4,335,817)
Spoiled, stolen, and promotional tickets	(92,911)	(107,995)
Total revenues	<u>147,152,459</u>	<u>148,080,254</u>
NON-OPERATING INCOME		
Interest income	492,351	582,916
Other income	162,524	129,892
Total non-operating income	<u>654,875</u>	<u>712,808</u>
GROSS REVENUES	<u>147,807,334</u>	<u>148,793,062</u>
GAME EXPENSES		
Prize expense	80,091,765	85,119,755
Retailer commissions	9,676,366	9,754,742
On-line vendor fees	6,999,633	6,597,580
Advertising	2,192,858	2,913,129
Ticket vendor fees	1,648,674	1,444,683
Shipping and postage	376,029	415,265
Promotions	368,766	650,133
Drawing game	142,298	109,704
Responsible gaming	81,120	81,120
Instant ticket vending machine lease	81,000	253,932
Game membership	66,135	10,242
Reserve Fund expense	-	830,813
Total game expenses	<u>101,724,644</u>	<u>108,181,098</u>
OPERATING EXPENSES		
Salaries, wages, and benefits	3,387,288	3,685,704
Leases and insurance	617,220	632,380
Utilities and maintenance	421,690	415,924
Professional fees	402,993	320,784
Depreciation and amortization	191,907	391,824
Materials and supplies	108,370	203,024
Travel	73,312	66,340
Other	69,339	65,848
Total operating expenses	<u>5,272,119</u>	<u>5,781,828</u>
OPERATING INCOME	<u>40,155,696</u>	<u>34,117,328</u>
NET INCOME	<u>\$ 40,810,571</u>	<u>\$ 34,830,136</u>
GROSS REVENUE PERCENTAGE RETURN	<u>27.61%</u>	<u>23.41%</u>



PREPARING FOR THE FUTURE

During Fiscal Year 2008, the New Mexico Lottery selected Georgia-based technology supplier Intralot to provide a state-of-the-art gaming system, communications network and in-store sales terminals for 1,100 Lottery retailers statewide.

The selection of Intralot marked a major milestone in the Lottery's multi-year project to acquire advanced gaming technology at lower costs. Having negotiated contract rates that are among the industry's lowest, the Lottery will pay Intralot 1.50% — or \$18.2 million — on projected total net sales of \$1.15 billion. The Lottery expects to save \$35.4 million over previous contract rates.

In announcing the end of contract negotiations in November 2007, CEO Tom Romero said the new rates would help the Lottery return more revenue to the Legislative Lottery Scholarship fund while the new equipment would enhance communication with players and provide the tools necessary for the Lottery to make more informed decisions about how to manage products and increase revenues responsibly.

The Lottery and Intralot immediately began the year-long process of building the gaming system, connecting it with 1,100 stores and installing in-store sales terminals that provide players better service, including tickets with larger, darker type and point-of-sale information about their total Lottery purchase and prize information.

The new gaming system went live on schedule in November 2008.



Above:
Self-Service Lottery Terminal



Left to right:
Customer Display Unit,
Player Advertising Display,
Play Slip Reader,
MicroLOT Terminal



WRITERS

Adriana Binns, Linda Hamlin

LAYOUT AND DESIGN

Jessica Quintana

CONTRIBUTING PHOTOGRAPHERS

Wendy Creel, Nadine Guillén, Linda Hamlin,
Randall Marshall, Jessica Quintana, Dominic Sedillo

FINANCIAL STATEMENTS

Sylvia A. Jaramillo, CPA

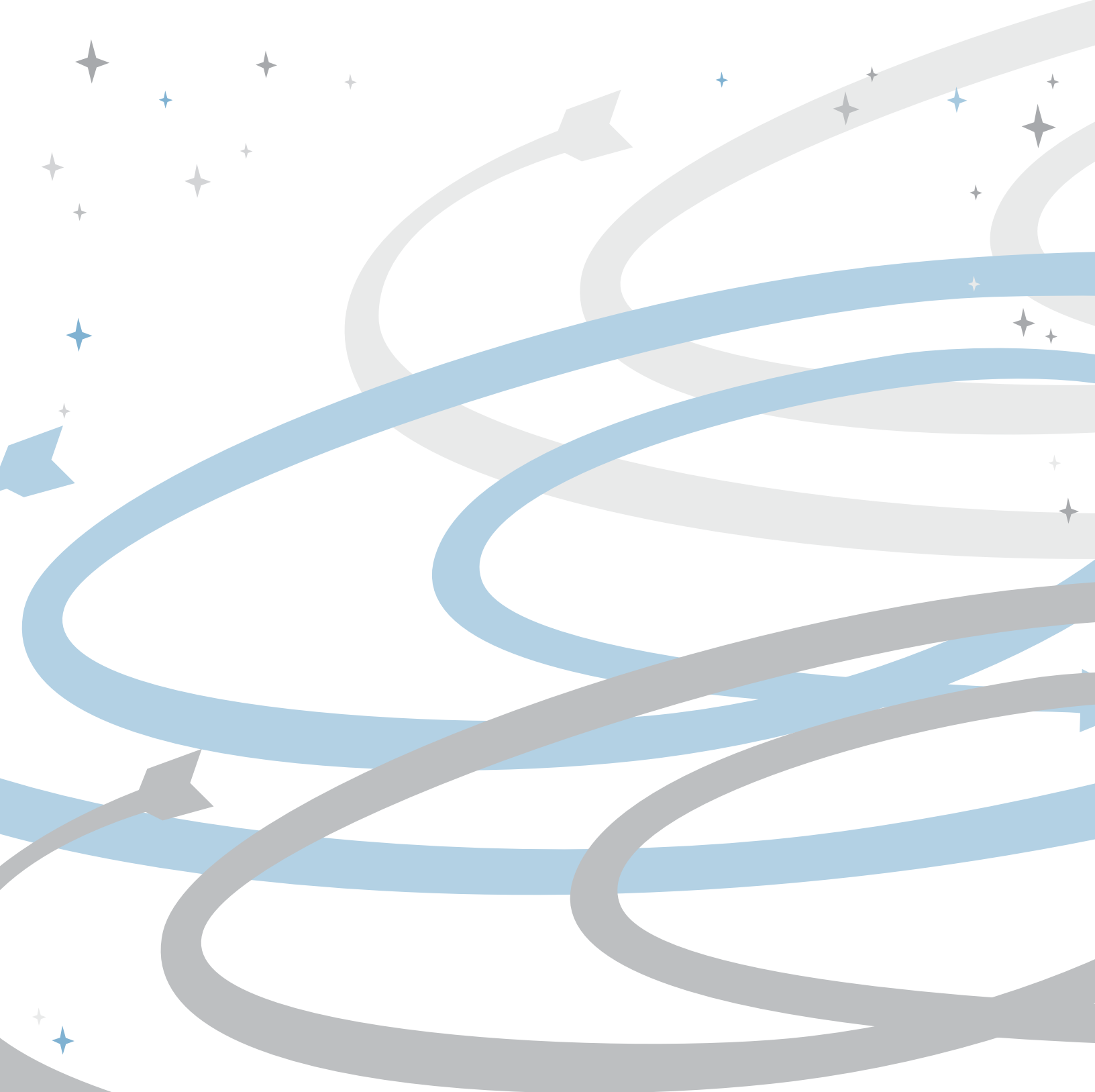
ADDITIONAL ASSISTANCE

New Mexico Higher Education Department:
Tashina Banks Moore, Yash Morimoto

*Complete financial information
for Fiscal Year 2008 and previous
New Mexico Lottery Authority
annual reports are available at
www.nmlottery.com*

0903PUBAR





Benefitting New Mexico's Future®

PO Box 93130 + Albuquerque, NM 87199-3130 + (505) 342-7600 + www.nmlottery.com