



DC'S BEST BET

CREATING A BETTER COMMUNITY



Economic Development | Public Safety | Public Works | Human Support Services | Public Education | Public Transportation

2005
ANNUAL REPORT



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Welcome to
Washington

Government of the District of Columbia
 Anthony A. Williams, Mayor

EXECUTIVE DIRECTOR'S MESSAGE



On behalf of the D.C. Lottery and Charitable Games Control Board, I am pleased to present the agency's annual report for fiscal year 2005, October 1, 2004 – September 30, 2005. This year, we made invaluable contributions to the District of Columbia by transferring \$71.4 million to the city's General Fund and helping non-profit organizations raise \$4.6 million through charitable gaming.

The Mayor and City Council of the District of Columbia have oversight over the General Fund and distribute it to a variety of functions, including: community development, schools, health and welfare, and public transportation. More than 500,000 citizens, who reside in the Nation's Capital, benefit from these and other programs that are supported through the General Fund, and the D.C. Lottery is proud to assist in making the city a better place to live, work, and visit.

D.C. Lottery players purchased \$233.4 million in tickets and won \$120.5 million in prizes. Todd Zimmerman made Quick Ca\$h™ history when he won the grand prize six times for a total of \$1.5 million before we replaced this long-time favorite with DC Daily 6™. We also removed Hot Five™ from the product mix, but not before 16 players won the \$25,000 top prize.

In the upcoming year, we are going to continue to implement forward-thinking business strategies to reach our goals and make playing the D.C. Lottery a fun, exciting, and winning experience. I would like to thank our agents, who earned \$14.4 million in commissions, as well as our advisory council and staff. Your hard work and dedication enabled the D.C. Lottery to generate millions of dollars for the District of Columbia.

A handwritten signature in dark ink that reads "Jeanette A. Michael". The signature is written in a cursive, flowing style.

Jeanette A. Michael
Executive Director



Charitable Games

Non-profit organizations hold licensed charitable fund-raising events - Monte Carlo Night Parties, raffles, and bingo – to support worthy causes such as providing health care, feeding the hungry, housing the homeless, medical research, and education. By holding different events during the year, such as the Fight for Children (pictured), which was attended by boxing legends Ken Norton, Larry Holmes, Hector Camacho, Joe Frazier, and others, 144 charitable organizations raised \$4.6 million.

ANTHONY A. WILLIAMS
Mayor of the District of Columbia



On behalf of the citizens of the District of Columbia, it is my pleasure to thank the D.C. Lottery and Charitable

Games Control Board for its efforts to improve the economic climate of the District. The resources from the D.C. Lottery help to enhance the safety, health, and education of the citizens of this great city.

NATWAR M. GANDHI
Chief Financial Officer
of the District of Columbia



The District of Columbia works to ensure that there are sufficient resources to meet critical needs and

avoid excessive debt. The revenue that the D.C. Lottery and Charitable Games Control Board contributes to the General Fund helps the city achieve these goals.

MISSION

On March 10, 1981, Initiative #6, the “Law to Legalize Lotteries, Daily Numbers Games, Bingo and Raffles for Charitable Purposes in the District of Columbia” took effect. Ticket sales began on August 25, 1982, and since then, the D.C. Lottery has transferred \$1.34 billion to the District of Columbia’s General Fund to fulfill its mission of providing District residents with financial benefits by generating revenue to supplement the District’s General Fund through the operation of a lottery and by regulating charitable gaming.

As a self-supporting agency under the purview of the Office of the Chief Financial Officer of the District of Columbia, the D.C. Lottery does not spend Federal or District tax dollars to operate and continues to generate revenue for the Nation’s Capital, which supports vital city services and programs that benefit those who live, work, and visit the District.

WHERE THE MONEY GOES

Revenue that the D.C. Lottery generates is transferred to the District of Columbia’s General Fund, which is controlled by the District’s City Council. Tax dollars from the General Fund support many functions, including public works, public safety and justice, the public education system, and human support services.

By the end of fiscal year 2005, the agency had transferred \$71.4 million to the General Fund, while total revenue reached \$235.6 million. This money was used to fund various city efforts. One of the District of Columbia’s major initiatives was neighborhood revitalization. Throughout the city, old buildings were revitalized, while new construction was underway bringing affordable housing and luxury homes to the District.



Government of the District of Columbia's General Fund

Year Ended September 30, 2005*
(\$000s)

Expenditures and Uses	ACTUAL
Governmental direction and support	\$294,778
Economic development and regulation	193,456
Public safety and justice	805,471
Public education system	1,018,959
Public education AY06 expenditure	63,218
Human support services	1,258,537
Public works	328,997
Workforce investments	-
Wilson building	3,259
Contingency reserves – baseball	29,743
Repay bonds and interest	342,683
Bond fiscal charge	4,935
Interest on short term borrowing	4,666
Certificates of participation	10,904
Settlements and judgments fund	19,323
Tax increment financing	5,557
Equipment lease operating	22,058
Pay-go contingency	-
Pay-go capital	20,550
Cash reserve	-
Non-departmental agency	-
Total Expenditures and Uses	4,427,094

*Figures from FY 2005 Comprehensive Annual Financial Report



Quick Ca\$h™

Todd Zimmerman made Quick Ca\$h™ history by becoming the first and only person to win the \$250,000 grand prize with the same six combinations on two separate tickets. After 16 years in the marketplace, the Lottery sold its last Quick Ca\$h ticket on August 27, 2005.

Quick CASH

In addition to residential projects, commercial development was also taking place. National retail chains announced that they are coming to the District of Columbia, which means new jobs and a stronger economy.

Executive Director Jeanette A. Michael makes it a point to reinforce the importance of the Lottery's transfer. "I use every opportunity that I have to remind D.C. Lottery staff that we must reach our sales and transfer goals. It is extremely important that we do so because the city needs the money to fund necessary programs and services. Every day, the entire agency receives an e-mail that provides them with the daily sales information. All day, every day, we understand why we come to work."



DC'S BEST BET



GAMES

Diversity is what keeps DCLB games fresh and exciting.

DC Daily 6™ and Quick Ca\$h™

In fiscal year 2005, the agency introduced DC Daily 6 to its product mix to replace its long-time game – Quick Ca\$. This new online game offers players seven chances to win prizes from \$2 to \$250,000.

DC Lucky Numbers™ and DC-4™

Once again, sales for the numbers games remained solid for DCLB's most popular games. DC-4 sales totaled \$74.1 million, while DC Lucky Numbers sales came in at \$68.6 million. DCLB sold the first DC Lucky Numbers ticket on August 22, 1983. Since then, players have remained loyal to the three-digit game, as well as the four-digit game in which ticket sales started on March 25, 1985.

POWERBALL® and HOT LOTTO®

For a \$1 wager, players have the chance to become millionaires with the multi-state games POWERBALL and HOT LOTTO. Large jackpots are the main attraction for POWERBALL, which has the Power Play feature in which POWERBALL winnings, except the jackpot, can be increased by 2, 3, 4, or 5 times for an additional \$1. Along with the District, POWERBALL is played in 27 states and the U.S. Virgin Islands.

The HOT LOTTO jackpot starts at \$1 million and grows until it is won. Prizes range from \$2 to the multi-million dollar rolling cash jackpot. HOT LOTTO

is also offered in Iowa, Minnesota, Montana, New Hampshire, South Dakota, and West Virginia.

D.C. Keno™

With more places to sit and watch the numbers pop-up every four minutes, ticket sales for this rapid-draw game increased 22.19 percent over 2004. Also, for \$1, players can multiply their winnings by up to 10 times with the KENO SPIN option.

Hot Five™

With a top prize of \$25,000, 16 players correctly matched 5 out of 33 numbers to become Hot Five™ grand prizewinners. Sales in 2005 were 4.37 percent higher than 2004 sales.

Instant Games

Instant “scratch” ticket games remain a DCLB staple. Sales reached \$36.1 million, making instant tickets the third best selling Lottery product. The agency made history by offering a collectable Negro Leagues Instant “scratch” ticket. At the \$5 price point, players had the chance to win a top prize of \$50,000 and up to \$10,000 in the second chance drawing, as well as collect the top part of the ticket that featured four teams: the Homestead Grays, Kansas City Monarchs, New York Black Yankees, and Indianapolis Clowns.



AGENTS

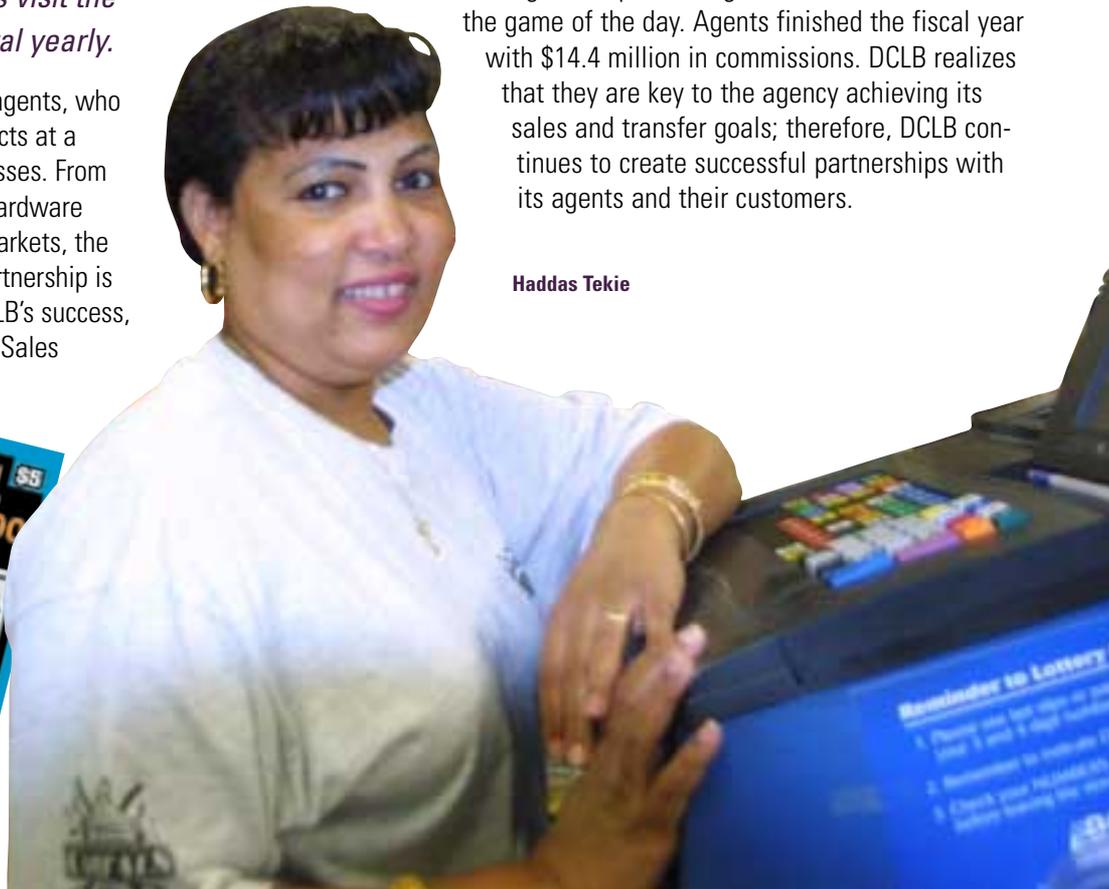
For those who enjoy playing lottery games, there are 460 agents throughout the city who are ready to sell tickets. More than half a million people live within the 61.4 square miles of the District of Columbia. And, one million or more people commute to the city Monday through Friday, while nearly 20 million tourists visit the Nation's Capital yearly.

DCLB values its agents, who sell lottery products at a variety of businesses. From gas stations to hardware stores to supermarkets, the agency-agent partnership is invaluable to DCLB's success, and the Lottery's Sales

Representatives work closely with the agents to develop customized plans, which are designed to grow their businesses overall, as well as lottery sales.

During fiscal year 2005, the sales representatives held Customer Appreciation Days at different agent locations. At the events, the sales representatives, store managers, and terminal operators teamed up to push specific products and offer players a choice of free gifts for purchasing a set dollar amount for the game of the day. Agents finished the fiscal year with \$14.4 million in commissions. DCLB realizes that they are key to the agency achieving its sales and transfer goals; therefore, DCLB continues to create successful partnerships with its agents and their customers.

Haddas Tekie



Pollin Award

National Teacher of the Year Jason Kamras, a seventh and eighth-grade mathematics teacher at John Philip Sousa Middle School in Washington, D.C. receives the Pollin Award, which honors individuals who demonstrate an outstanding level of dedication to servicing their community, from the D.C. Lottery for his achievements. "Our children are our future and education is the key to their success," said D.C. Lottery Executive Director Jeanette A. Michael (fourth from the left).

LEFT TO RIGHT: D.C. Lottery COO Jay Young, Wizards Guard/Forward Jarvis Hayes, Wizards Owner Abe Pollin, Michael, Kamras, and Sousa students Markus Franklin and Jakola Martin.

C'S BEST BET



FEDERAL RESERVE NOTE

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FINANCIALS

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FOR ALL DEBTS, PUBLIC AND PRIVATE

Walter E. Miller
Treasurer of the United States.

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GOVERNMENT OF THE DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS (WITH INDEPENDENT AUDITOR'S REPORT THEREON)

Years Ended September 30, 2005 and 2004



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DC'S BEST BET

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Independent Auditor's Report

To the Mayor and Members of
 The Council of the Government of the District of Columbia, and
 The District of Columbia Lottery and Charitable Games Control Board
 Washington, D.C.

We have audited the accompanying financial statements of the District of Columbia Lottery and Charitable Games Control Board, an enterprise fund of the Government of the District of Columbia, as of and for the year ended September 30, 2005, as stated in the Table of Contents. These financial statements are the responsibility of the District of Columbia Lottery and Charitable Games Control Board management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District of Columbia Lottery and Charitable Games Control Board as of and for the year ended September 30, 2004 were audited by other auditors whose report dated January 24, 2005 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 7, the financial statements only present the District of Columbia Lottery and Charitable Games Control Board and do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia as of September 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia Lottery and Charitable Games Control Board, as of September 30, 2005, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Professional Corporation
 www.tcbpa.com

In accordance with *Government Auditing Standards*, we have also issued a report dated January 18, 2006 on our consideration of District of Columbia Lottery and Charitable Games Control Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Washington, DC
 January 18, 2006

Thompson, Cobb, Bazilio & Associates, P.C.

GOVERNMENT OF THE DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

Management's Discussion and Analysis September 30, 2005 and 2004 (Dollar amounts in thousands)

The discussion and analysis of the D.C. Lottery and Charitable Games Control Board's (the Lottery) financial performance provides an overview of its financial activities for the fiscal year ended September 30, 2005. This discussion and analysis should be read in conjunction with the attached financial statements.

Background and Other Significant Information

The Lottery was established by Public Law 3-172 as an independent agency of the Government of the District of Columbia (District). In accordance with law, the Lottery is responsible for generating revenues through the sales of lottery products and required to remit monthly gaming revenues less prizes, operating expenses and a reserve not to exceed 2% of annual prize payments to the General Fund of the District.

The Lottery's financial transactions are accounted for as an enterprise fund in the District's basic financial statements.

Financial Highlights

- Gross revenue from lottery gaming activities decreased by \$6,202 or 2.58% from prior year amounts;
- Aggregate ticket sales for all games, excluding Powerball, increased \$2,140 or 1.08% for the year;
- Total operating expenses decreased 3,872 or 2.31% as a result of overall decrease in ticket sales;
- Transfers to the District's General Fund decreased \$2,050 equivalent to 2.79% of the prior year's total.

To effectively understand the Lottery's operations and to assess its financial activities, the reader must pay attention to individual game sales, related prize expenses and payout percentages, and the resulting impact on change in net assets or amounts transferred to the District's General Fund. Prize payouts and Powerball sales have the most dramatic effect on transfer levels but are beyond the control of management.

GOVERNMENT OF THE DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

Statements of Net Assets September 30, 2005 and 2004 (Dollar amounts in thousands)

Assets	2005	2004
<i>Current assets:</i>		
Cash and cash equivalents	\$ 8,225	\$ 9,701
Accounts receivable, net	4,783	4,362
Inventory	369	485
Prepaid expenses and other	20	14
Restricted investments	8,631	8,631
Total current assets	22,028	23,193
<i>Non-current assets:</i>		
Capital assets, net	771	1,030
Restricted investments	50,818	57,850
Total non-current assets	51,589	58,880
Total assets	73,617	82,073
Liabilities		
<i>Current liabilities:</i>		
Accounts payable	2,218	2,950
Compensation liabilities	466	894
Deferred revenues	450	306
Accrued prizes and commissions	7,413	7,858
Other accrued liabilities	(21)	8
Obligations for unpaid prizes – current portion	8,631	8,631
Total current liabilities	19,157	20,647
Obligations for unpaid prizes – noncurrent portion	50,818	57,850
Total liabilities	69,975	78,497
Net Assets		
Invested in capital assets	771	1,030
Unrestricted	2,871	2,546
Total net assets	\$ 3,642	\$ 3,576

GOVERNMENT OF THE DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

Statements of Revenues, Expenses, and Changes in Net Assets Years Ended September 30, 2005 and 2004 (Dollar amounts in thousands)

	2005	2004
Operating revenues:		
Gaming revenues	\$ 234,931	\$ 241,133
Operating expenses:		
Prizes	120,525	122,318
Agent's commissions	14,444	15,008
Contractor fees	14,078	14,342
Advertising	4,935	5,583
Administration	9,684	10,281
Amortization and depreciation	400	406
Total operating expenses	164,066	167,938
Operating income	70,865	73,195
Nonoperating revenues – interest and dividends	651	319
Income before transfers	71,516	73,514
Transfers to District General Fund	(71,450)	(73,500)
Change in net assets	66	14
Net assets, beginning of year	3,576	3,562
Net assets, end of year	\$ 3,642	\$ 3,576

GOVERNMENT OF THE DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

Statements of Cash Flows Years Ended September 30, 2005 and 2004 (Dollar amounts in thousands)

	2005	2004
Operating activities:		
Cash receipts from customers	\$ 233,155	\$ 239,520
Cash receipts from others	1,500	506
Cash payments to vendors	(23,441)	(23,070)
Cash payments to employees	(6,336)	(6,826)
Cash payments for prizes and commissions	(135,414)	(137,783)
Net cash provided by operating activities	69,464	72,347
Capital and related financing activities – acquisition of fixed assets	(141)	(82)
Non-capital financing activities – transfers out	(71,450)	(73,500)
Investing activities – interest and dividends	651	319
Net increase (decrease) in cash	(1,476)	(916)
Cash and cash equivalents – beginning of year	9,701	10,617
Cash and cash equivalents – end of year	\$ 8,225	\$ 9,701
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 70,865	\$ 73,195
Amortization and depreciation	400	406
Decrease (increase) in assets:		
Receivables	(421)	(1,141)
Inventory	116	162
Prepaid expenses	(6)	(2)
Increase (decrease) in liabilities:		
Accounts payable	(732)	198
Compensation liabilities	(428)	377
Deferred revenue	144	35
Accrued prizes	(445)	(456)
Other current liabilities	(29)	(427)
Net cash provided by operating activities	\$ 69,464	\$ 72,347



DC'S BEST BET



Headquarters

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"Our business in life is not to get ahead of others, but to get ahead of ourselves – to break our own records, to outstrip our yesterday by our today."

Stewart B. Johnson

2005
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