

You Play...

M I L L I O N S
W I N

2006

A N N U A L R E P O R T

Success seems to be connected
with action. Successful people
keep moving. They make
mistakes, but they don't quit.

C O N R A D H I L T O N

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You Play... **M I L L I O N S W I N**

Dear Citizens of the District of Columbia

Once again, the D.C. Lottery and Charitable Games Control Board had a record breaking sales year. We ended fiscal year 2006, October 1, 2005 – September 30, 2006, with players purchasing \$266.2 million in lottery tickets and winning \$146.6 million in prizes - the highest amount ever won by D.C. Lottery players since ticket sales began in August of 1982.

We also transferred \$73.8 million to the city's General Fund, which is used for economic development and regulation, public safety and justice, the public education system, human support services, public works, and other city services. We achieved this tremendous success with the help of our agents who sell our lottery products and earned more than \$16.5 million in sales commissions during fiscal year 2006.

Additionally, we continued to regulate charitable gaming and issued 146 licenses for non-profit organizations to hold charita-

ble gaming events. Through bingo, raffles, Monte Carlo Night Party events, and Texas Hold 'Em, these groups raised \$4.8 million to support programs that provided for those in need in FY '06.

As the D.C. Lottery moves forward to fiscal year 2007, we reflect upon the accomplishments of FY '06 and once again thank our players and agents, as well as D.C. Lottery employees, an award-winning staff, for their contributions to making Washington, D.C. a better place to live, work, and play.



Jeanette A. Michael

Jeanette A. Michael
Executive Director



Adrian M. Fenty

Adrian M. Fenty
Mayor of the District of Columbia



Natwar M. Gandhi

Natwar M. Gandhi
Chief Financial Officer of the
District of Columbia

2006

MISSION

The D.C. Lottery and Charitable Games Control Board's mission is to provide District residents with financial benefits by generating revenue to supplement the District's General Fund through operating a lottery and regulating charitable gaming.



Government of the District of Columbia's General Fund

YEAR ENDED SEPTEMBER 30, 2006*
(\$000S)

Expenditures and Uses	Actual
Governmental direction and support.....	333,547
Economic development and regulation	251,762
Public safety and justice	894,748
Public education system	1,101,639
Public education AY07 expenditure.....	69,064
Human support services	1,389,575
Public works	363,798
Workforce investments.....	—
Wilson building.....	3,830
Repay bonds and interest.....	370,128
Bond fiscal charge	9,196
Interest on short term borrowing	6,650
Certificates of participation.....	10,941
Settlements and judgments fund	29,956
Tax increment financing	1,423
Equipment lease operating	24,574
Pay-go capital.....	265,023
Schools modernization fund.....	—
District retiree health contribution.....	138,000
Cash reserve	—
Non-departmental agency	—
Total Expenditures and Uses	5,263,854

*Figures from FY 2006 Comprehensive Annual
Financial Report from the Government of the District
of Columbia



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Charitable Games

In fiscal year 2006, the D.C. Lottery, as the licensing agent for all charitable gaming in the District, issued 146 charitable gaming licenses. Throughout the District of Columbia, non-profit organizations provide charitable services and by doing so, they strengthen the city's social safety net. The money from those fund-raising activities was used to maintain a variety of programs and services, such as: defraying hospital expenses of severely ill children, supporting medical research, and advancing higher education.

Collectively, the charitable groups raised \$4.8 million. To do so, they held raffles, bingo, and Monte Carlo Night Party Events, which are the D.C. Lottery's traditional charitable fund-raising activities. And, in FY '06, the agency

added Texas Hold 'Em style poker. The funds raised from Texas Hold 'Em went directly to cancer research, prevention, and educational and youth awards programs designed to build character and foster community service, personal development, and citizenship.



► Poker players are enjoying themselves while raising money for The Congressional Awards, a non-profit organization that held a charitable gaming Texas Hold 'Em event aboard the Capital Elite Yacht at Pier 4 in Southwest.

Lottery Products

Online Games

POWERBALL



October 19, 2005 - **New Hampshire Senator Judd Gregg (R)** won \$853,492 with POWERBALL, making him the District's most profiled winner, as national and world news media covered Gregg's win. At that time, the POWERBALL jackpot was at a record high of \$340 million setting the bonus prize pool in effect and adding \$653,492 to Gregg's \$200,000 win for correctly matching five white balls. The excitement over POWERBALL rose to a new high in February of 2006 when the jackpot soared even higher to \$365 million. With thousands of winners in the District, the publicity of these record jackpots helped drive POWERBALL sales to exceed those of the prior year by 64.16 percent.

HOT LOTTO

April 19, 2006 - **Charles E. Cary, Jr.** of Upper Marlboro, Maryland became the D.C. Lottery's first HOT LOTTO jackpot

winner. Cary correctly matched all five white balls plus the orange "HOT" ball to win \$1.6

million making him another D.C. Lottery big winner. Hot Lotto, a multi-state game, was added to the D.C. Lottery's product line in 2004 and continues to be a great game for players who enjoy lotto style games.



DC DAILY 6

March 24, 2006 - This day turned out to be doubly lucky for **Wilbur Thomas**, who played his DC Daily 6 winning numbers two times to win the top prize of \$250,000 twice for a grand total of \$500,000. Launched just five weeks before the beginning of FY '06, sales for the D.C. Lottery's six-digit game totaled \$4.7 million. This game offers players seven chances to win with two plays for \$1. They can select six numbers between 1 and 39, or use the Quick Pick option. Drawings take place daily. In addition to Thomas, three other players won the top prize of \$250,000.



ROLLING CASH 5

January 6, 2006 - **Mary Nunn** of Washington, D.C. became the first ROLLING CASH 5 jackpot winner when she won the grand prize of \$183,000 just two months after ticket sales for this new rolling jackpot, five-digit game began. The D.C. Lottery introduced ROLLING CASH 5 into the marketplace on November 20, 2005, and a few weeks later grabbed players' attention with a commercial featuring local D.C. music icon Chuck Brown, the godfather of Go-Go. Players have four chances to win by matching 2, 3, 4, or 5 numbers ranging from 1 to 35 and can win \$1, \$10, and \$100 prizes, as well as the jackpot which starts at \$20,000 and rolls until it's won.



D.C. KENO

January 17, 2006 - **Young Ja Seo** started off 2006 with a D.C. Keno win of \$37,500. Seo was one of many players who hit the right spot and won thousands of dollars with this exciting game that is still attracting people, especially



You Play... **MILLIONS WIN**

those who want to play an exciting rapid-draw game in a friendly, outgoing social setting. With D.C. Keno, players have the chance to sit down and relax, while having the opportunity to make a wager every four minutes on games ranging from the one spot to the 10 spot with the top prize of \$100,000. Select the KENO SPIN option and multiply winnings by 2, 3, 4, 5, or 10 times for an additional \$1. In fiscal year 2006, D.C. Keno sales were 10.96 percent higher than FY '05 sales at \$13.1 million.

DC LUCKY NUMBERS AND DC-4

DC LUCKY NUMBERS™

June 20, 2006 - Gloria Stewart of Southeast, D.C. won \$35,000 playing DC-4. Stewart had seven tickets, each worth the top prize of \$5,000 and was among the plethora of DC-4 winners throughout the fiscal year. DC-4 and DC LUCKY NUMBERS are the D.C. Lottery's most popular products as they provide players with the option to make a .50 cent or \$1 bet. The top prize for DC LUCKY NUMBERS is \$500, while DC-4 offers a grand prize of \$5,000. Fiscal year 2006 sales for

the three-digit DC LUCKY NUMBERS totaled \$70.3 million with a prize payout of \$34.2 million. Players won \$47.1 million with DC-4; sales totaled \$80 million.

Instant Games

August 1, 2006

- Arnulfo Mejia

"strikes it rich" as

a \$50,000 grand prize winner. He won one of two top prizes for the \$5 D.C. Scratcher *Strike It Rich*. Interest in higher-price point instant "scratch" ticket games was on the rise in FY '06 as sales for instant games topped those of FY '05 by 10.18 percent to reach \$39.7 million. D.C. Lottery players still love \$1 and \$2 games such as *Find the 9's* and *Betty Boop*, respectively. Yet, specific initiatives were executed to attract players to the \$5 and \$10



2006

D.C. Lottery in the Community

Throughout the year, the D.C. Lottery works with a variety of local businesses, civic groups, and community organizations to market and advertise the agency's products. These unique partnerships create opportunities for the D.C. Lottery to be involved in its community by supporting activities in the nation's capital, while fulfilling its mission to generate revenue for the District of Columbia.

Some of the Sponsorship activities in fiscal year 2006 included:

DC Hospital Association
National Council of Negro Women
Southeastern University
DC Federation of Civic Associations, Inc.
DC Central Kitchen
Institute of Caribbean Studies
Gay Men's Chorus of Washington
Heritage Signature Chorale
Anacostia Economic Development Corporation
Dr. Martin Luther King Jr. Memorial Breakfast
The George Washington University Cancer Institute
Greater Washington Urban League
Howard University
N Street Village
Mentors, Inc
Friendship House Assoc.
Health Outreach, Inc.

Restaurant Association Metro Washington
DC Filmfest
Concerned Black Men
UDC Jazz
March of Dimes
Taken By Storm
DC Caribbean Carnival
Leadership Greater Washington
National Kidney Foundation
Washington Bar Association
Metropolitan Police Department
YMCA
American Cancer Society
Cultural Tourism DC
Family & Child Services

🔍 Jeff Anderson, the D.C. Lottery's chief of charitable games (left) and Bob Hailey, chief of communications (right) represent the D.C. Lottery at a summertime event.



You Play... **MILLIONS WIN**

Promotions

As part of the entertainment industry within the nation's capital, the D.C. Lottery held promotional events to increase awareness that playing lottery games is fun, exciting, and can be a winning experience.

Awards

D.C. Lottery staff take pride in their work and in FY '06 were recognized for their achievements.

♥ D.C. Lottery Executive Director Jeanette A. Michael (second from left) congratulated the Charitable Games Department for winning the OCFO/LMPSC Team Award. From left to right: Chul Hong, Michael, Sarita Curtis, Frank Warner, and Jeff Anderson.

At the annual North American Association of State and Provincial Lotteries Conference, the D.C. Lottery won:

- Powers Award in Operations
- Ott Brown NASPL Scholarship Award
- Batchy Award for best Radio Advertising – Daily Draw Games
- Hickey Award for best Audio/Visual Presentation

Additionally, D.C. Lottery staff were honored at the Annual Office of the Chief Financial Officer Labor-Management Partnership Steering Committee (OCFO/LMP-SC) Awards Ceremony for their outstanding performance.

- Stabilizer Award
- Team Award



▶ D.C. Lottery's Public Affairs Officer Janice Frink Brown (foreground) and Writer/Editor Vanessa E. Newton (background) assist players during a Free Fuel Friday event with radio partner MAJIC 102.3 FM.



▶ Chuck Brown, the godfather of Go-Go music, performs on top of the historic Big Chair in Anacostia directly in front of the D.C. Lottery's headquarters.

2006

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Agents

Northwest, Northeast, Southwest, Southeast – in every quadrant of the District of Columbia there are D.C. Lottery agents. The D.C. Lottery's agents are our partners – our team that helped the D.C. Lottery reach its record sales of \$266 million.

As small business owners in the community, D.C. Lottery agents earned \$16.5 million in commissions for selling Lottery products and validating prizes. D.C. Lottery Sales Representatives work with agents to help them sell Lottery games; they also work with storeowners to assist them in improving their business overall.

In addition to the one-on-one customized service that the D.C. Lottery provides its agents, the agency also has an agent hot-line, newsletter, and hands-on training to ensure that D.C. Lottery agents have the tools they need to increase sales and provide good customer service to our players.



▲ Won Joon Cha, owner of Lobby Mart Convenience Store in Northwest, congratulates Hot Lotto grand prizewinner Charles E. Cary, Jr., who purchased his winning ticket worth \$1.6 million at Cha's store.

Agent Commissions

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Total Commissions	16,533,539.00	14,444,282.00	15,008,364.00	14,692,303.00	12,806,833.00

Five Year Fiscal History

Sales By Game

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
D.C. Scratchers	39,784,800.00	36,110,300.00	38,939,811.00	36,903,928.00	32,924,248.00
DC Lucky Numbers	70,310,061.00	68,600,928.00	69,512,517.00	70,267,795.00	72,194,229.00
Quick Ca\$h	0.00	3,931,114.00	4,160,855.00	4,216,984.00	4,199,952.00
DC-4	80,014,433.00	74,138,079.00	71,586,789.00	71,893,696.00	68,452,881.00
Powerball	51,769,590.00	31,536,742.00	40,871,439.00	44,360,050.00	27,723,251.00
Hot Five	554,387.00	4,534,783.00	4,345,292.00	4,840,694.00	5,066,881.00
Keno	13,164,625.00	11,865,195.00	9,710,537.00	3,791,611.00	0.00
Hot Lotto	2,431,651.00	2,200,039.00	1,355,859.00	0.00	0.00
DC Daily 6	4,738,172.00	513,900.00	0.00	0.00	0.00
Rolling Cash 5	3,435,209.00	0.00	0.00	0.00	0.00
Extra Games	0.00	0.00	142,897.00	960,647.00	562,253.00
Total Sales	266,202,928.00	233,431,080.00	240,625,996.00	237,235,405.00	211,123,695.00

Transfer to the General Fund

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Total Transfer	73,800,000.00	71,450,000.00	73,500,000.00	72,050,000.00	63,000,000.00

Prize Payout

	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
Total Prizes	146,687,206.00	120,525,035.00	122,317,778.00	123,563,895.00	110,741,353.00

* D.C. Keno sales started in FY '03.

* Hot Lotto was added to the product line in FY '04.

* DC Daily 6 was launched in FY '05 and replaced Quick Ca\$h.

* Rolling Cash 5 was introduced in FY '06 to replace Hot Five.

2006

2006 FINANCIALS

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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, 2006 AND 2005



TCBA

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2006

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**Independent Auditor's Report on Internal Control over
 Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial
 Statements Performed in Accordance with Government Auditing Standards**

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

We have audited the basic financial statements of the Lottery and Charitable Games Control Board (the Lottery), an enterprise fund of the Government of the District of Columbia (District), as of and for the year ended September 30, 2006, and have issued our report thereon dated January 19, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Lottery's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lottery's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

A Professional Corporation
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We noted certain matters that we reported to management of the Lottery in a separate letter dated January 19, 2007.
 This report is intended solely for the information and use of the Mayor, the Council, and the Inspector General of the Government of the District of Columbia and management of the Lottery, and is not intended to be, and should not be used by anyone other than these specified parties.

Washington, DC
 January 19, 2007
Thompson, Cobb, Bazilio & Associates, PC

District Of Columbia

Lottery And Charitable Games Control Board

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2006 AND 2005 (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, 2006. 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 increased by \$31,460 or 13.39% from prior year amounts;
- The Lottery generated record ticket sales of \$266,203 for an aggregate increase of \$32,772 or 14.04% over prior year totals;
- Total operating expenses increased \$29,841 or 18.19% as a result of overall increase in ticket sales and record payout in prizes for the D.C. Four game of 58.86%;

- Transfers to the District's General Fund increased \$2,350 equivalent to 3.29% 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. Prize payouts and Powerball sales have the most dramatic effect on transfer levels but are beyond the control of management.



2006

Government Of The District Of Columbia Lottery And Charitable Games Control Board

STATEMENTS OF NET ASSETS SEPTEMBER 30, 2006 AND 2005 (DOLLAR AMOUNTS IN THOUSANDS)

Assets	2006	2005
<i>Current assets:</i>		
Cash and cash equivalents	\$ 11,410	\$ 8,225
Accounts receivable, net	5,094	4,783
Inventory	-	369
Prepaid expenses and other	9	20
Restricted investments	8,631	8,631
Total current assets	25,144	22,028
<i>Non-current assets:</i>		
Capital assets, net	382	771
Restricted investments	43,953	50,818
Total non-current assets	44,335	51,589
Total assets	69,479	73,617
Liabilities		
<i>Current liabilities:</i>		
Accounts payable	2,754	2,218
Compensation liabilities	458	466
Deferred revenues	184	450
Accrued prizes and commissions	9,795	7,413
Other accrued liabilities	3	(21)
Obligations for unpaid prizes – current portion	8,631	8,631
Total current liabilities	21,825	19,157
Obligations for unpaid prizes – non-current portion	43,953	50,818
Total liabilities	65,778	69,975
Net Assets		
Invested in capital assets, net of related debt	382	771
Unrestricted	3,319	2,871
Total net assets	\$ 3,701	\$ 3,642

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

Government Of The District Of Columbia Lottery And Charitable Games Control Board

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS YEARS ENDED SEPTEMBER 30, 2006 AND 2005 (DOLLAR AMOUNTS IN THOUSANDS)

	2006	2005
<i>Operating revenues:</i>		
Gaming revenues	\$ 266,391	\$ 234,931
<i>Operating expenses:</i>		
Prizes	146,687	120,525
Agent's commissions	16,534	14,444
Contractor fees	14,410	14,078
Advertising	5,249	4,935
Administration	10,638	9,684
Amortization and depreciation	389	400
Total operating expenses	193,907	164,066
Operating income	72,484	70,865
Non-operating revenues – interest and dividends	1,375	651
Income before transfers	73,859	71,516
Transfers to District General Fund	(73,800)	(71,450)
Change in net assets	59	66
Net assets, beginning of year	3,642	3,576
Net assets, end of year	\$ 3,701	\$ 3,642

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



2006

Government Of The District Of Columbia Lottery And Charitable Games Control Board

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2006 AND 2005 (DOLLAR AMOUNTS IN THOUSANDS)

	2006	2005
<i>Operating activities:</i>		
Cash receipts from customers	\$ 265,625	\$ 233,155
Cash receipts from others	188	1,500
Cash payments to vendors	(23,820)	(23,441)
Cash payments to employees	(5,545)	(6,336)
Cash payments for prizes and commissions	(160,838)	(135,414)
Net cash provided by operating activities	75,610	69,464
Capital and related financing activities – acquisition of fixed assets	-	(141)
Non-capital financing activities – transfers out	(73,800)	(71,450)
Investing activities – interest and dividends	1,375	651
Net increase (decrease) in cash	3,185	(1,476)
Cash and cash equivalents – beginning of year	8,225	9,701
Cash and cash equivalents – end of year	\$ 11,410	\$ 8,225
<i>Reconciliation of operating income to net cash provided by operating activities:</i>		
Operating income	\$ 72,484	\$ 70,865
Amortization and depreciation	389	400
Decrease (increase) in assets:		
Receivables	(311)	(421)
Inventory	369	116
Prepaid expenses	12	(6)
Increase (decrease) in liabilities		
Accounts payable	536	(732)
Compensation liabilities	(8)	(428)
Deferred revenue	(267)	144
Accrued prizes	2,382	(445)
Other current liabilities	24	(29)
Net cash provided by operating activities	\$ 75,610	\$ 69,464

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



Play Responsibly

Playing the lottery is a fun investment, not a financial investment, and as a member of the business community, the D.C. Lottery recognizes its social responsibility to the players and residents of the District of Columbia. The D.C. Lottery's *Play Responsibly* program provides a free helpline and referral service for those who may be exhibiting compulsive gambling behavior. For more information about the services available through the D.C. Lottery's helpline, call **1-800-522-5700**.

 **PLAY** 
RESPONSIBLY

2006

A N N U A L R E P O R T

Winners

