

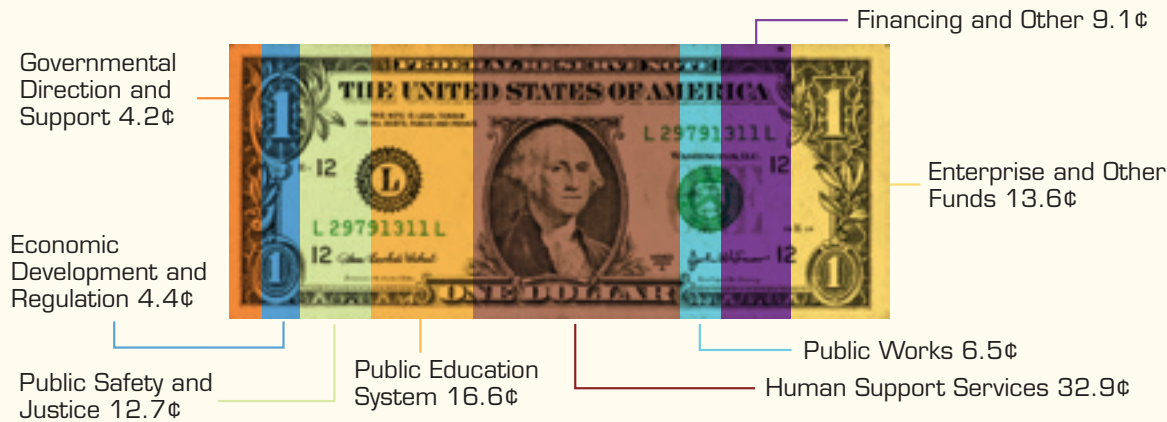


Your
INVITATION
to **WIN**

D.C. Lottery FINANCIAL HIGHLIGHTS

Money Well Spent

How much of each tax dollar goes where:



Government of the District of Columbia's General Fund

EXPENDITURES AND USES

Year Ended September 30, 2008
(Dollar amounts in thousands)

	Local Source	
	Original Budget	Actual
Governmental direction and support	337,175	354,402
Economic development and regulation	241,756	304,405
Public safety and justice	963,107	976,359
Public education system	1,284,308	1,322,403
Public education AY09 expenditure	-	91,829
Public schools medicaid write off	-	26,601
Human support services	1,541,417	1,497,740
Child & family services medicaid write off	-	82,875
Public works	409,247	408,983
Workforce investments	21,044	-
Wilson building	4,190	4,147
Repay bonds and interest	440,707	420,827
Repay revenue bonds and interest	12,000	2,512
Bond fiscal charge	60,000	16,216
Interest on short term borrowing	13,334	7,849
Certificates of participation	32,288	30,664
Settlements and judgments fund	21,015	21,015
Baseball tax transfer	46,397	46,397
Equipment lease operating	43,755	29,896
Pay-go capital	108,152	139,488
Schools modernization fund	6,435	4,716
District retiree health contribution	110,907	110,907
Cash reserve	50,000	-
Non-departmental agency	20,609	-
Total Expenditures and Uses	5,767,843	5,900,231

SOURCE: FY 2008 District of Columbia's Comprehensive Annual Financial Report

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Welcome to *Your*
INVITATION to WIN

The D.C. Lottery and Charitable Games Control Board is a proud agency of the District of Columbia that touts economic development, public safety and justice, education, and public works among the varied and crucial areas of responsibility supported by the District's General Fund from D.C. Lottery generated revenue.

In Fiscal Year 2008, the D.C. Lottery and Charitable Games Control Board transferred \$70.3 million to the city's General Fund, generated revenue of \$253.3 million, awarded our valued players \$135.0 million in prizes, and helped local nonprofits raise \$4.7 million in support of social causes. It was a *winning* year, but not without challenges.

While sales totaled \$252.3 million, the agency found itself in a quandary in FY '08. Initially, the approved budget commanded \$265.2 million in sales and \$1.5 million in investments and other income with a transfer goal of \$73.3 million. With the downturn in the economy and a higher than anticipated prize payout, the agency adjusted its budget to \$260.5 million in sales and a transfer of \$70.0 million.

To meet the revised target goals and place the organization on a successful trajectory through the year, the agency enacted a strategic realignment of the D.C. Lottery's business plan. For example, the D.C. Lottery teamed up with the Virginia Lottery for the first time to jointly promote and sell the \$2 *Washington Nationals*® Scratch Ticket. The considerable success of this and many other instant scratch ticket games propelled the agency to increase instant product sales by 11.44 percent.

Through greater use of the agency's website and capitalizing on available media, the agency strengthened its Winner Awareness program and promoted its then-slogan, "People are winning with the D.C. Lottery." To be exact, the agency paid out \$135.0 million in prizes in FY '08. This effort was crystallized in July 2008 when Lionel Holmes became the newest member of the D.C. Lottery's millionaire winners when he maximized what was initially a \$200,000 POWERBALL® win into

\$1 million by selecting the Power Play option for an additional dollar. Mr. Holmes' winning experience was televised on several local television stations, garnering valuable earned media for the D.C. Lottery. With the winner and the store located in the same ward, the story easily developed into a boon for economic development, highlighting Starlight Food proprietor Nesro Hassen and accenting the D.C. Lottery's contribution to the growth of small business development in the District.

The agency continued its commitment to assist local nonprofit organizations through its Charitable Gaming initiatives, licensing 156 groups to hold raffles, bingo, Monte Carlo Night Parties, and Texas Hold 'Em Tournament activities. In total, \$4.7 million was raised in support of organizations that tackle social issues such as cancer prevention, affordable housing for low-income residents, kidney disease prevention, and a host of additional educational- and health-related concerns.

The D.C. Lottery and Charitable Games Control Board's responsibility to provide quality, profitable gaming products and charitable gaming activities to the citizens of the District of Columbia could not be accomplished without the loyalty of our players, agents, advisory council, staff, and other stakeholders. It is through their contributions that we were able to realize the accomplishments of Fiscal Year 2008. Please accept this "Invitation to Win" from the D.C. Lottery in return.



Jeanette A. Michael
Executive Director



Adrian M. Fenty
Mayor



Natwar M. Gandhi
Chief Financial Officer

Your INVITATION to Play

The D.C. Lottery's "Invitation to Win" is extended to players through its exciting games. Every day, the D.C. Lottery sells thousands of winning tickets, making players throughout the Washington, D.C. Metropolitan Area winners! Variety is the key to attracting and maintaining a strong customer base. The agency's product line includes the long-time favorite three- and four-digit games, DC Lucky Numbers™ and DC-4™ along with the hometown hit ROLLING CASH 5™. For those who love jackpot games and the chance to become a millionaire, the D.C. Lottery offers POWERBALL® and Hot Lotto®. And, for the players who want to win immediately, the agency has its D.C. Scratchers instant scratch ticket games that are increasingly becoming more popular and profitable. So, as we say at the D.C. Lottery, "We've Got a Game for You!"

In Fiscal Year 2008, instant ticket sales were \$45.0 million, which is an 11.44 percent increase over Fiscal Year 2007 sales. One of the hottest tickets of the year was the *Washington Nationals*® D.C. Scratcher. For the first time, the D.C. Lottery partnered with the Virginia Lottery to sell an instant scratch ticket. The D.C. Lottery kicked off ticket sales with a promotional event at then-newly-inaugurated Nationals Park, encouraging baseball enthusiasts to buy the \$2 ticket for a chance to win up to \$5,000, as well as enter a second chance drawing in which the prizes were tickets to a regular season home game or cool Washington Nationals® Officially Licensed *MLB*® merchandise.

The *Washington Nationals* ticket was a component of the overall business strategies that were implemented to maintain sales, despite the lagging economy.



D.C. LOTTERY GAMES FY08 Sales

DC LUCKY NUMBERS
\$66.4 million

DC-4
\$84.1 million

ROLLING CASH 5
\$3.1 million

DC DAILY 6
\$4.3 million

D.C. KENO
\$13.7 million

HOT LOTTO
\$2.9 million

POWERBALL
\$32.8 million

D.C. SCRATCHERS
\$45.0 million



Cathleen Sampson
Double Platinum
Payout - \$25K



John Broxton
D.C. KENO - \$800

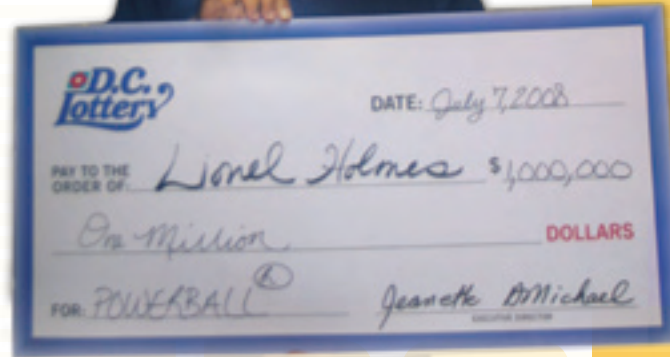


Abraha Mesghinna
DC-4 - \$7,500



Allen Underwood
D.C. KENO - \$650

Lionel Holmes
POWERBALL
\$1,000,000



Carolina Wotherspoon
D.C. KENO -
\$803 & \$1,600



Carlos Castillo
ROLLING CASH 5 -
\$136,853



George Chavis
DC-4 - \$90K

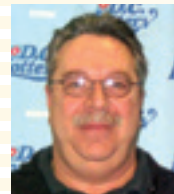


Chun Ok Joung
POWERBALL - \$10K

D.C. Lottery WINNERS



Dipson Abass
Hot Lotto - \$10K



Basil Dundas
POWERBALL - \$10K



Dominique Hopkins
DC-4 - \$5K



Robert McQueen
DC Daily 6 - \$10K



Delores Anderson
DC-4 - \$75K

DeLaise Montgomery, Jr. (left)
Washington Auto Show
D.C. Lottery Second
Chance Drawing Winner



Sandra Keys
D.C. KENO - \$4,000



Robin Smith
D.C. KENO - \$10K



Vincent Flythe
DC-4 - \$10K



Your INVITATION to Riches

On any given day, D.C. Lottery players take almost 2,000 winning tickets* to agent locations for validation, making D.C. Lottery players and agents winners daily. Whether a resident, commuter, or visitor, D.C. Lottery players are from all walks of life.

Washington, D.C. native Lionel Holmes was the biggest winner of Fiscal Year 2008. He won \$1 million by playing POWERBALL®. The Federal Government retiree selected the Power Play option for an additional \$1, and when he correctly matched all five white balls for the July 5, 2008 drawing, the Power Play number was five, making his \$200,000 POWERBALL win worth \$1 million!

During the year, many D.C. Lottery winners claimed their prizes and used them to pay off debt, take vacations, put family members through college, stash in their savings account, and much more. Meet a few of our most memorable Fiscal Year 2008 winners.

*Source: Lottery Technology Enterprises figures for FY2007 DCLB winning ticket validations.

D.C. Lottery PROMOTIONS



(Left): Unveiling of DCLB's 2008 Black History Calendar at WUSA 9

(Right): Hoop Dreams Group
(Below, left): D.C. Scratchers at Nationals Park



(Above): For Sisters Only at the Washington Convention Center

(Below): Deal or No Deal Giveaway at Verizon Center



(Above): D.C. United player Jaime Moreno signing at La Feria De La Familia



(Above): Chuck Brown greets fans at DCLB's 25th Anniversary Celebration at South Capital Shell.



(Above): Stone Soul Picnic at RFK Stadium

Your Next INVITATION to WIN

Game promotions are how the D.C. Lottery and Charitable Games Control Board directly brings its *Invitation to Win* to audiences. Each year, the D.C. Lottery is involved in highly anticipated trade, showcase, and cultural events throughout the city. At these activities, the D.C. Lottery features instant scratch ticket and merchandise giveaways, the thrilling *Money Machine*, and infectious excitement that D.C. Lottery staff shares with players.

In Fiscal Year 2008, the D.C. Lottery partnered with the Washington Area New Auto Dealers Association (WANADA) for the eighth year as a 2008 Washington Auto Show exhibitor. Once again, the D.C. Lottery conducted a *Washington Auto Show D.C. Lottery Second Chance Drawing*. Players who participated in the POWERBALL®/Power Play drawing had the chance to win a 2008 Chevy Corvette, and that's exactly what DeLaise Montgomery, Jr. of Charles County, Maryland did. He submitted his entry vouchers and won a brand new red Chevy Corvette.

Summer was hot, but the *Hot Lotto*® promotion was blazing, as the D.C. Lottery added the Sizzler feature to the Hot Lotto game, tripling all Hot Lotto prizes, except the jackpot.

Rounding out the fiscal year, the D.C. Lottery called on its players to make a deal with the licensed instant scratch ticket game *Deal or No Deal*, bringing the fun and excitement of the TV game show to the fingertips of its players. Debuting in the District's flourishing Chinatown business corridor, D.C. Lottery employees passed out the *Deal or No Deal* D.C. Scratcher when the advertisement appeared on the giant Jumbotron screen atop the bustling Gallery Place metro station. The \$5 game featured cash prizes up to \$50,000 with a second chance drawing that included a trip to Hollywood for two lucky D.C. Lottery players to meet game show host Howie Mandel, and play the game for a chance to win up to \$2.5 million.

AGENTS

D.C. Lottery AGENTS



(Left): Metropolitan Square News
(Below, left): Me & My Super Market



(Left): Takoma Liquors



(Right): Union Liquors



(Below): NY Avenue Citgo



(Above): JJ Liquors

Your INVITATION *to Support* DISTRICT BUSINESSES

When D.C. Lottery players buy tickets, they interact with the agency's business partners – 460 licensed retailers. Residents, commuters, and tourists alike can easily spot the blue D.C. Lottery signs indicating that the establishment sells D.C. Lottery games. As the D.C. Lottery's point-of-contact with the players, retailers are critical to executing the agency's marketing and sales plans. With strategically placed advertisements and counter displays, retailers keep customers informed about game promotions, second chance drawings, and new game launches. Additionally,

the D.C. Lottery's Sales Coordinators assist retailers in increasing their lottery sales, as well as growing their businesses overall, which contributes to the District of Columbia's economic development.

In Fiscal Year 2008, retailers sold winning tickets that culminated in players receiving \$135.0 million in prizes and agents earning a total of \$15.8 million in commissions, making D.C. Lottery retailers from Northwest to Northeast and Southwest to Southeast D.C. Lottery winners.

Your INVITATION to Celebrate COMMUNITY

A caring and committed community partner, the D.C. Lottery has made substantial contributions to initiatives benefiting Washington, D.C.'s residents, neighborhoods, and organizations for more than a generation through its Community Advertising Program.

From Adams Morgan to Anacostia; the H Street Festival to The Choral Arts Society; from organizations focusing on HIV/AIDS, the elderly, the homeless, cancer prevention, economic development, and youth mentorships—the breadth of the D.C. Lottery's involvement reflects the diversity of interests of the District's community-focused initiatives.

Listed below is an abbreviated list of organizations the D.C. Lottery supported through its Community Advertising Program during FY 2008:

- Adams Morgan Day
- Choral Arts Society's Annual Choral Tribute to Dr. Martin Luther King, Jr.
- Anacostia Economic Development Corporation
- D.C. Kitchen/Capital Food Flight
- Fiesta D.C.
- Fraternal Order of Police
- Greater Washington Urban League
- March of Dimes
- George Washington University's Cancer Institute
- N Street Village

Understanding the value of investing in D.C.'s grassroots and community-centered activities, the D.C. Lottery's Community Advertising is another example of our commitment to the community we serve.

2008 BBQ Battle
(Below and Right)
Pennsylvania Avenue, N.W.



WUSA 9 News Anchor JC Hayward (center)
recognizes DCLB at Elderfest
(Above) Freedom Plaza, N.W.



Chuck Brown with DCLB Staff at Live!
on Woodrow Wilson Plaza
(Above) Ronald Reagan Building and
International Trade Center, N.W.

Ben's Chili Bowl
(Below and Below right)
50th Anniversary Celebration.
U Street Corridor, N.W.



**Cherry Blossom Festival Tree
Planting Ceremony**
(Above and Right)
Anacostia Park, S.E.



D.C. Lottery **COMMUNITY PARTNERSHIPS**

D.C. Lottery CHARITABLE GAMES

Your INVITATION to SOCIAL Responsibility



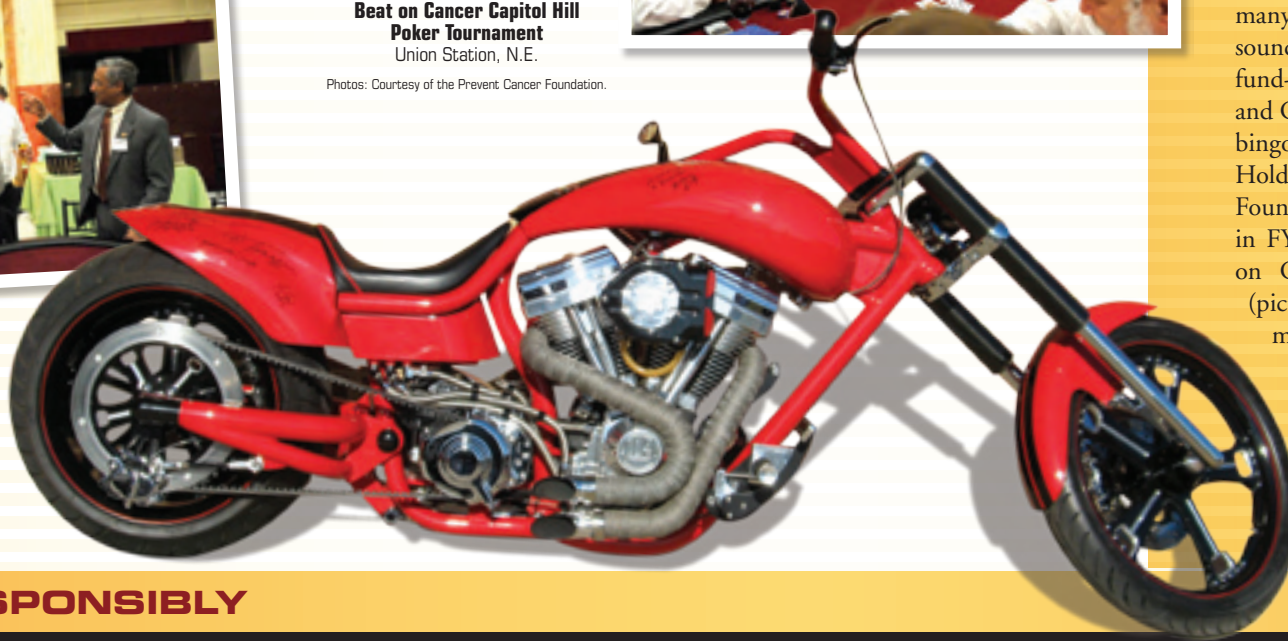
The Fourth Annual Bad Beat on Cancer Capitol Hill Poker Tournament
Union Station, N.E.

Photos: Courtesy of the Prevent Cancer Foundation.



Fight Night
Hilton Washington, N.W.

Photo courtesy of Fight For Children, Inc.



Every day, there is someone in need. There is a cancer patient waiting for a new treatment. There is a college student researching grants and scholarships. There is a single parent looking for job training skills. And, there are nonprofit organizations dedicated to supporting these interests and many more. To keep their programs financially sound, these groups hold charitable gaming fund-raising events offered by the D.C. Lottery and Charitable Games Control Board: raffles, bingo, Monte Carlo Night Parties, and Texas Hold 'Em Tournaments. Prevent Cancer Foundation is one of those organizations and in FY '08 held its Fourth Annual Bad Beat on Cancer Texas Hold 'Em Tournament (pictured) at Union Station, where they raised more than \$350,000 to support cancer research, education, and community outreach. Fiscal Year 2008 concluded with the D.C. Lottery licensing 156 organizations to hold charitable gaming activities. Collectively, they raised \$4.7 million.

PLAY RESPONSIBLY

Lottery games are a fun and exciting source of entertainment, and playing the lottery is a fun investment not a financial one. The D.C. Lottery and Charitable Games Control Board is a socially responsible business in the Washington, D.C. community that consistently recommends for people to play within their means. The agency's "Play Responsibly" program provides a helpline and referral service for those who are compulsive gamblers or may be exhibiting compulsive gambling behavior. The D.C. Lottery provides 24-hour assistance with its helpline at 1-800-522-4700.

Independent Auditor's Report

To the Mayor and Members of
The Council of the Government of the District of Columbia, and
The 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, 2008, as listed 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 September 30, 2007, were audited by other auditors whose report dated February 22, 2008, 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. Those 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Lottery's internal control over financial reporting. 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 2, 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, 2008, 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, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2009 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.

Raffa, P.C.

Washington, DC
January 30, 2009

D.C. Lottery FINANCIAL STATEMENTS

Government of the District of Columbia Lottery and Charitable Games Control Board

STATEMENTS OF NET ASSETS

Years Ended September 30, 2008 and 2007
(Dollar amounts in thousands)

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,562	\$ 8,824
Accounts receivables, net	7,098	5,728
Prepaid expenses and other	15	7
Restricted investments	8,631	8,631
Total Current Assets	23,306	23,190
Non-Current assets		
Capital assets	364	311
Restricted investments	32,748	38,094
Total Non-Current Assets	33,112	38,405
TOTAL ASSETS	\$ 56,418	\$ 61,595
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,407	\$ 2,625
Compensation liabilities	598	559
Deferred revenues	303	149
Accrued prizes and commissions	7,233	7,795
Other accrued liabilities	677	(11)
Obligations for unpaid prizes - current portion	8,631	8,631
Total Current Liabilities	19,849	19,748
Obligations for unpaid prizes	32,748	38,094
Total Liabilities	52,597	57,842
Net Assets		
Investment in capital assets	364	311
Unrestricted	3,457	3,442
Total Net Assets	3,821	3,753
TOTAL LIABILITIES AND NET ASSETS	\$ 56,418	\$ 61,595

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 CHANGES IN NET ASSETS

Years Ended September 30, 2008 and 2007
(Dollar amounts in thousands)

	2008	2007
OPERATING REVENUE		
Gaming Receipts	\$ 252,721	\$ 256,824
OPERATING EXPENSES		
Prizes	135,060	145,338
Contractor fees	16,390	16,000
Agents commissions	15,782	15,991
Advertising	4,618	5,361
Administration	10,992	9,447
Amortization and depreciation	139	200
Total Operating Expenses	182,981	192,337
Operating Income	69,740	64,487
Non-Operating Revenues - interest and dividends	628	940
Income Before Transfers	70,368	65,427
Transfers to District General Fund	(70,300)	(65,375)
CHANGE IN NET ASSETS	68	52
NET ASSETS, BEGINNING OF YEAR	3,753	3,701
NET ASSETS, END OF YEAR	\$ 3,821	\$ 3,753

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 CASH FLOWS

Years Ended September 30, 2008 and 2007
(Dollar amounts in thousands)

	2008	2007
Operating activities:		
Cash receipts from customers	\$ 251,110	\$ 255,271
Cash receipts from others	396	885
Cash payments to vendors	(25,462)	(24,735)
Cash payments to employees and commissions	(6,037)	(6,114)
Cash payments for prizes and commissions	(151,405)	(163,329)
Net cash provided by operating activities	68,602	61,978
Investing activities:		
Capital and related financing activities - acquisition of fixed assets	(192)	(129)
Non-capital financing activities - transfers out	(70,300)	(65,375)
Investing activities - interest and dividends	628	940
Net cash used in investing activities	(69,864)	(64,564)
Net increase (decrease) in cash	(1,262)	(2,586)
Cash and cash equivalents - beginning of year	8,824	11,410
Cash and cash equivalents - end of year	\$ 7,562	\$ 8,824
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 69,740	\$ 64,487
Amortization and depreciation	139	200
Decrease (increase) in assets:		
Receivables	(1,370)	(634)
Prepaid expenses	(8)	2
Increase (decrease) in liabilities:		
Accounts payable	(218)	(129)
Compensation liabilities	39	101
Deferred revenue	154	(35)
Accrued prizes	(562)	(2,000)
Other current liabilities	688	(14)
Net cash provided by operating activities	\$ 68,602	\$ 61,978

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



D.C. LOTTERY HEADQUARTERS

2101 Martin Luther King Jr. Avenue, S.E.

Washington, DC 20020

www.dclottery.com

202.645.8000

D.C. LOTTERY CLAIM CENTER

2000 14th Street, N.W.

in the Frank D. Reeves Municipal Center, Lobby Level

Washington, DC 20009

202.671.2605