



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

Financial Statements

September 30, 2001 and 2000

(With Independent Auditors' Reports Thereon)

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

September 30, 2001 and 2000

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2001 M Street, N.W.  
Washington, D.C. 20036

## Independent Auditors' 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 as of and for the years ended September 30, 2001 and 2000. 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in note 2, these financial statements only present the financial activity of the District of Columbia Lottery and Charitable Games Control Board and are not intended to present the financial position, results of operations, and cash flows of the District of Columbia taken as a whole.

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, 2001 and 2000, and the results of its operations and the cash flows for the years 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 December 28, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**KPMG LLP**

December 28, 2001



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

Balance Sheets

September 30, 2001 and 2000  
(dollars presented in thousands)

<b>Assets</b>	<u><b>2001</b></u>	<u><b>2000</b></u>
Current assets:		
Cash and cash equivalents	\$ 9,385	8,846
Accounts receivable, net	3,930	3,951
Inventory	557	556
Prepaid expenses	5	6
Total current assets	<u>13,877</u>	<u>13,359</u>
Property and equipment, net	1,328	480
Restricted investments	<u>79,795</u>	<u>76,878</u>
Total assets	<u><u>\$ 95,000</u></u>	<u><u>90,717</u></u>
<b>Liabilities and Retained Earnings</b>		
Current liabilities:		
Accounts payable	\$ 2,816	1,763
Accrued payroll and related liabilities	640	613
Deferred revenue	113	133
Accrued prizes and commissions	7,841	7,730
Other current liabilities	420	325
Obligations for unpaid prizes, current portion	<u>8,631</u>	<u>8,631</u>
Total current liabilities	<u>20,461</u>	<u>19,195</u>
Obligations for unpaid prizes, long-term portion	<u>71,164</u>	<u>68,247</u>
Total liabilities	<u>91,625</u>	<u>87,442</u>
Retained earnings	<u>3,375</u>	<u>3,275</u>
Total liabilities and retained earnings	<u><u>\$ 95,000</u></u>	<u><u>90,717</u></u>

See accompanying notes to the financial statements.

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

Statements of Revenues, Expenses, and Changes in Retained Earnings

For the years ended September 30, 2001 and 2000  
 (dollars presented in thousands)

	2001	2000
Operating revenues:		
Gaming revenues	\$ 224,885	215,938
Operating expenses:		
Prizes	105,594	112,813
Agent commissions	11,637	11,721
Contractor fees	11,962	11,686
Advertising	3,837	3,605
Administration	9,008	7,995
Amortization and depreciation	226	155
Total operating expenses	142,264	147,975
Operating income	82,621	67,963
Non-operating revenue:		
Interest	1,479	1,534
Income before transfers	84,100	69,497
Transfers:		
Operating transfers to General Fund of the District	(84,000)	(69,450)
Net income	100	47
Retained earnings, beginning of the year	3,275	3,228
Retained earnings, end of the year	\$ 3,375	3,275

See accompanying notes to the financial statements.

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

Statements of Cash Flows

For the years ended September 30, 2001 and 2000  
(dollars presented in thousands)

	2001	2000
Cash flows from operating activities:		
Operating income	\$ 82,621	67,963
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization and depreciation	226	155
Decrease (increase) in assets:		
Accounts receivable, net	21	(993)
Inventory	(1)	(89)
Prepaid expenses	1	17
Increase (decrease) in liabilities:		
Accounts payable	1,053	(176)
Accrued payroll and related liabilities	27	37
Deferred revenue	(20)	(18)
Accrued prizes and commissions	111	(842)
Other current liabilities	95	306
Net cash provided by operating activities	84,134	66,360
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(1,074)	(235)
Cash flows from noncapital and related financing activities:		
Operating transfers to General Fund of the District	(84,000)	(69,450)
Cash flows from investing activities:		
Receipt of interest	1,479	1,534
Net increase (decrease) in cash and cash equivalents	539	(1,791)
Cash and cash equivalents, beginning of the year	8,846	10,637
Cash and cash equivalents, end of the year	\$ 9,385	8,846

See accompanying notes to the financial statements.

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

Notes to Financial Statements

September 30, 2001 and 2000  
(dollars presented in thousands)

**(1) Organization**

**(a) Organization**

The Lottery and Charitable Games Control Board (Lottery) was established by Public Law 3-172 as an independent agency of the Government of the District of Columbia (District). In accordance with the law, the Lottery must remit its monthly gaming revenues, less prizes, operating expenses and a reserve not to exceed 2% of projected annual prize payments to the General Fund of the District.

**(b) Financial Responsibility and Management Assistance Authority Oversight**

The District of Columbia Financial Responsibility and Management Assistance Authority (Financial Responsibility Authority) was created in 1995 with the enactment of Public Law 104-8 to review and approve the budget, legislation, contracts (including collective bargaining agreements) and borrowing activities of the District.

The Financial Responsibility Authority suspended all activities on September 30, 2001 as it satisfied all the conditions for suspension in PL 104-8.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Lottery's financial transactions are accounted for as an enterprise fund in the District's financial statements. The accompanying financial statements are only those of the Lottery and are not intended to present the financial position, results of operations, and cash flows of the District taken as a whole. The District provides certain legal, central accounting, and other services to the Lottery. The costs and revenue associated with these services are not reflected in these financial statements.

**(b) Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting. Under this method, revenues are reported when earned and expenses are reported at the time the related liabilities are incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Lottery has elected not to follow the Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued after November 30, 1989.

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

Notes to Financial Statements

September 30, 2001 and 2000  
(dollars presented in thousands)

**(c) Cash and Cash Equivalents**

The Lottery participates in the District's pooled cash program whereby cash that is not needed for immediate disbursement is pooled with that of the District and used to purchase current investments. In accordance with the law, the District may invest the pooled cash directly in, or through repurchase agreements, obligations of the United States or its agencies, which are fully guaranteed by the federal government, and in certificates of deposit, which are issued by federally insured banks. In accordance with District policies, substantially all deposits in the pooled cash program were insured or collateralized with securities held by the District or its agent in the District's name. Interest income from the investment of pooled cash is allocated to the Lottery based on the amount the Lottery invests in the pool. The Lottery considers the pooled cash to be cash equivalents for the purpose of cash flows because the pool may not hold the securities for more than 91 days.

**(d) Inventory**

Inventory, consisting of instant lottery tickets, is valued at cost. The costs of the instant lottery tickets are recorded as an expense when the tickets are sold.

**(e) Property and Equipment**

Property and equipment are recorded at cost. The cost of major remodeling, betterments, and improvements are capitalized. Repairs and maintenance costs are expensed as incurred. When property and equipment are retired or sold, the cost and related accumulated depreciation are removed from the appropriate property and equipment accounts, and resulting gains or losses are recorded.

Amortization and depreciation expense are calculated using the straight-line method over the following estimated useful lives:

<u>Category</u>	<u>Estimated Useful Life</u>
Machinery and equipment	5-8 years
Office furniture and fixtures	5-8 years
Leasehold improvements	5-15 years

**(f) Gaming Revenue**

Revenue from on-line tickets is recorded as gaming revenue when the drawings are held. On-line tickets sold in advance are recorded as deferred revenue until the drawings are held. Revenue from instant tickets is recorded as gaming revenue when the tickets are activated.



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

Notes to Financial Statements

September 30, 2001 and 2000  
(dollars presented in thousands)

**(e) Prize Expense**

Instant tickets prize expense is based on the prize payout percentage for each instant lottery game and is accrued as the related gaming revenue is earned. Prize expenses for on-line games, excluding PowerBall, are accrued based on the draw liability associated with drawings for the specific games. PowerBall prize expense is recorded at the rate of 50% of ticket sales. The accrued prize liability represents a payable for prize amounts that have not been claimed as of the balance sheet date.

**(f) Compensated Absences**

The Lottery permits employees to accumulate earned but unused vacation and sick pay benefits. Employees may not accumulate more than 240 hours of vacation benefits depending on the employee's length of service. The Lottery accrues for accumulated vacation as the benefits are earned by employees.

There is not a maximum limitation on the amount of unused sick pay benefits that employees may accumulate. The Lottery does not accrue for non-vesting accumulating rights to receive sick pay benefits. At the time of retirement, unused sick pay benefits are credited at the rate of 22 days for each month of service and are added to the retirees' years of service in the retirement programs. The Lottery accrues for earned sick pay benefits to the extent that it is probable the benefits will result in termination payments at time of retirement rather than used for sick leave. The Lottery estimates the sick pay benefits liability based on the sick pay accumulated at the balance sheet date by employees who are currently eligible for retirement and to receive sick leave payments upon separation, or who are expected to become eligible in the future to receive such payments.

**(g) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Notes to Financial Statements

September 30, 2001 and 2000  
(dollars presented in thousands)

**(3) Accounts Receivable**

The components of accounts receivable as of September 30, 2001 and 2000 are as follows:

<b>Description</b>	<b>2001</b>	<b>2000</b>
Due from agents:		
On-line games	\$ 1,931	1,714
Instant games	2,369	2,502
Total due from agents	4,300	4,216
Other	86	191
Total accounts receivable	4,386	4,407
Less allowance for doubtful accounts	(456)	(456)
Total accounts receivable, net	\$ 3,930	3,951

**(4) Property and Equipment**

A summary of property and equipment as of September 30, 2001 and 2000 is as follows:

<b>Description</b>	<b>2001</b>	<b>2000</b>
Machinery and equipment	\$ 2,533	2,203
Office furniture and fixtures	321	321
Leasehold improvements	758	605
Total property and equipment	3,612	3,129
Less accumulated amortization and depreciation	(2,284)	(2,649)
Total property and equipment, net	\$ 1,328	480

**(5) Multi-State Lottery Association**

**(a) Background**

The Lottery is a member of the Multi-State Lottery Association (MUSL). MUSL has 22 members and administers a multi-state lottery game. PowerBall, the current game, was initiated on April 20, 1992 and is a semi-weekly pari-mutual drawing with a minimum grand prize of \$10,000. MUSL previously administered the Lotto-America game which was terminated on April 18, 1992. All MUSL members remit a portion of their PowerBall revenue to MUSL for the prize payments and administrative expenses of PowerBall.

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
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Notes to Financial Statements

September 30, 2001 and 2000  
(dollars presented in thousands)

**(b) *Restricted Investments and Obligations for Unpaid Prizes***

Lotto-America and PowerBall prizes of \$250 or greater are payable to the winner in annual installments over 25 years. The Lottery is responsible for sending the annual payments to Lotto-America and PowerBall winners who purchased their winning tickets from the Lottery. MUSL is responsible for providing the Lottery cash to fund these installment payments.

As of September 30, 2001 and 2000, MUSL had purchased for the Lottery, U.S. government securities aggregating \$106,056 and \$114,687, respectively to fund future installment payments for the Lottery's Lotto-America and PowerBall winners. The market value of these securities was \$79,795 and \$76,878 as of September 30, 2001 and 2000, respectively. The investments provide the Lottery cash payments corresponding to the Lottery's obligations to send the annual installments to the prize winners. The Lottery has reflected the market value of the securities as restricted investments and as corresponding obligations for unpaid prizes on the balance sheet.

All restricted investments are insured and registered or are held by the Lottery or its agent in the Lottery's name.

**(c) *MUSL Prize Reserves***

The prize pool for PowerBall consists of 50% of each drawing period's sales, including tax. Two percent of the prize pool is placed in MUSL prize reserve fund and a MUSL set prize reserve fund. These reserve funds serve as contingency funds to protect MUSL from unforeseen liabilities. As of September 30, 2001 and 2000, the total MUSL prize reserve fund was approximately \$52,000, of which the Lottery's share was approximately \$1,887. In addition, the total MUSL set prize reserve fund as of September 30, 2001 and 2000, was approximately \$25,000, of which the Lottery's share is approximately \$839. In 1998, MUSL also established a prize reserve fund for the Cash for Life jackpot introduced in March 1998. As of September 30, 2001 and 2000, the Cash For Life reserve fund is \$0 and \$6,629 respectively, of which the Lottery's share is \$0 and \$450 respectively. Cash for Life game was discontinued effective September 2000.

The balance remaining in the reserve funds are refundable to MUSL members if a member leaves or if MUSL disbands. If a member leaves, the member must wait one year before their portion of the prize reserve funds is returned. The balance in the reserve funds may be used at the discretion of MUSL's board of directors. Accordingly, the Lottery's share of the reserve funds is not reflected in the accompanying financial statements.

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

Notes to Financial Statements

September 30, 2001 and 2000  
(dollars presented in thousands)

**(6) Gaming Revenues and Expenses**

Gaming revenues and expenses for the fiscal years ended September 30, 2001 and 2000, are as follows:

		Fiscal Year Ended September 30, 2001								
		Lucky Number	DC Four	Powerball	Quick Cash	Cash for Life	Hot Five	Instant Games	Other	Total
Ticket revenue	\$	70,583	65,505	45,854	4,160	—	5,300	32,462	1,021	224,885
Prizes		(31,837)	(27,353)	(21,689)	(973)	29	(2,519)	(21,252)	—	(105,594)
Agent commissions		(3,798)	(3,234)	(2,029)	(196)	1	(282)	(2,099)	—	(11,637)
Gross margin	\$	<u>34,948</u>	<u>34,918</u>	<u>22,136</u>	<u>2,991</u>	<u>30</u>	<u>2,499</u>	<u>9,111</u>	<u>1,021</u>	<u>107,654</u>

		Fiscal Year Ended September 30, 2000								
		Lucky Number	DC Four	Powerball	Quick Cash	Cash for Life	Hot Five	Instant Games	Other	Total
Ticket revenue	\$	74,180	66,428	31,612	4,344	979	5,809	32,419	167	215,938
Prizes		(36,837)	(34,972)	(14,484)	(1,492)	(315)	(3,176)	(21,537)	—	(112,813)
Agent commissions		(4,117)	(3,413)	(1,480)	(205)	(38)	(322)	(2,146)	—	(11,721)
Gross margin	\$	<u>33,226</u>	<u>28,043</u>	<u>15,648</u>	<u>2,647</u>	<u>626</u>	<u>2,311</u>	<u>8,736</u>	<u>167</u>	<u>91,404</u>

**(7) Operating Transfers to the General Fund of the District**

The District Budget Act (PL 4-162) (the Act) of 1983 requires the Lottery to transfer its revenues less expenses and less a reserve not to exceed 2% of projected annual prize payments, to the General Fund of the District. The Mayor may approve a change in the reserve limit, as necessary, upon the request of the Lottery. During the fiscal years ended September 30, 2001 and 2000, the Lottery's net transfers to the General Fund of the District were \$84,000 and \$69,450 respectively. The Lottery was in compliance with the Act for the fiscal years ended September 30, 2001 and 2000.

**(8) Retirement Programs**

**(a) Defined Benefit Pension Plan**

The majority of the full-time Lottery employees hired before October 1, 1987 are covered by the Federal Civil Service Retirement System (5 U.S.C. 833 1). The Federal Civil Service Retirement System is a cost-sharing multiple employer pension plan. The U.S. Civil Service Commission is responsible for administering the Federal Civil Service Retirement System, including collecting the contributions and disbursing the benefits.

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

Notes to Financial Statements

September 30, 2001 and 2000  
 (dollars presented in thousands)

In accordance with the Balance Budget Act of 1997 (Public Law 105-33), the Lottery contributes 8.51% and employees contribute 7.25% of employees' covered compensation to the Federal Civil Service Retirement System. The Lottery's contribution will decrease to 7.50% in October 2002 and to 7.00% in January 2003. Contributions by the Lottery amounted to \$295 and \$274 for the years ended September 30, 2001 and 2000, respectively. For the years ended September 30, 2001 and 2000, the number of Lottery employees covered under the Federal Civil Service Retirement System is 45 and 43, respectively.

**(b) Defined Contribution Plan**

All full-time employees hired after September 30, 1987 are covered by the District-sponsored defined contribution plan. Employees do not contribute to this plan and are eligible to participate after one year of service. The Lottery contributes 5% of an eligible employee's base salary, which amounted to \$127 and \$117 for the fiscal years ended September 30, 2001 and 2000, respectively. Contributions and earnings vest fully after four years of service following a one-year waiting period. Contributions and earnings are forfeited if separation occurs before five years of credited service. These contributions are not considered assets of the Lottery or the District, which have no further liability to this plan.

**(c) Deferred Compensation Plan**

Lottery employees are eligible to participate in the District-sponsored deferred compensation plan (D.C. Code 47-3601) created in accordance with Internal Revenue Code Section 457. Employees may defer up to 25% of their compensation, not to exceed \$8. Compensation deferred and income earned are taxable when paid or made available to the participant or beneficiary upon retirement, death, termination, or unforeseeable emergency. Contributions are not assets of the Lottery or District, which have no further liability to the plan.

**(d) Operating Leases**

The Lottery leases certain facilities under long-term, non-cancelable, and operating leases. The total future minimum rental commitments for the fiscal years ending September 30, 2002 and beyond are as follows:

Year ending September 30,	
2002	\$ 1,225
2003	1,241
2004	1,240
2005	1,241
2006	1,240
Thereafter	413
	\$ 6,600
	6,600

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

Notes to Financial Statements

September 30, 2001 and 2000  
 (dollars presented in thousands)

Rent expense for the fiscal years ended September 30, 2001 and 2000 is as follows:

	<b>2001</b>	<b>2000</b>
Gross rental expense	\$ 1,219	1,315
Less income from subleases	(170)	(170)
Net rent expense	\$ 1,049	1,145

**(9) Commitments and Contingencies**

**(a) Risk of Loss**

The Lottery is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery or District covers all of the Lottery's claim settlements and judgments out of the Lottery revenues or the District's General Fund resources.

**(b) Annuity Contracts**

Prizes awarded for the Lucky Lotto game, which ended effective May 1, 1989, are payable to the winners in annual installments over 10 or 20 years. The first installment payments were made by the Lottery at the time of the drawing. The Lottery had entered into agreements with insurance companies under which the Lottery purchased annuities contracts that provide the annual installment payments to the Lucky Lotto prize winners. As the insurance companies are responsible for the annual installment payments, neither the present value of the annuities nor the present value of the related future payments is reflected in the accompanying financial statements. The Lottery would be liable for such future installment payments if the insurance companies were to default on their payments. As of September 30, 2001 and 2000, future installment payments due to Lucky Lotto winners were approximately \$9,323 and \$11,343, respectively.

During 1991, Executive Life Insurance Company (ELIC), with whom the Lottery holds two annuities, was placed into conservancy with the Los Angeles, California Superior Court (Superior Court). In 1993, the Superior Court approved the terms of a rehabilitation plan and the purchase of ELIC by the Aurora National Life Insurance Company. As a result, the Lottery is required to fund a percentage of the annual installment payments for these annuities. The Lottery's accrued prize liability as of September 30, 2001 and 2000 includes \$236 and \$374, respectively, for the Lottery's percentage of the annual installment payments to these Lucky Lotto winners.



2001 M Street, N.W.  
Washington, D.C. 20036

**Independent Auditors' Report on Compliance and on Internal Control Over  
Financial Reporting 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 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, 2001, and have issued our report thereon dated December 28, 2001. 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.

Compliance

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 grants, 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 the following instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 assurance on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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.

This report is intended solely for the information and use of the Mayor, Council, the Inspector General of the Government of the District of Columbia, the Financial and Management Assistance Authority, management of the Lottery, the U.S. General Accounting Office, and the U.S. Congress and is not intended to be, and should not be used by anyone other than these specified parties.

**KPMG LLP**

December 28, 2001



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association