

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

*Financial Statements*

**September 30, 1999 and 1998**

**(With Independent Auditors' Report Thereon)**



**Mitchell & Titus, LLP**

Certified Public Accountants  
and Consultants

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

**September 30, 1999 and 1998**

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## Independent Auditors' Report

To the Mayor and Members of  
The Council of the District of Columbia

We have audited the accompanying balance sheets of the District of Columbia Lottery and Charitable Games Control Board (Lottery), an enterprise fund of the District of Columbia (District), as of September 30, 1999 and 1998, and the related statements of revenue, expenses and changes in retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Lottery's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 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 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 1, the financial statements present only the Lottery and are not intended to present fairly the financial position, results of operations, and cash flows of the District of Columbia in conformity with generally accepted accounting principles.

As more fully discussed in Note 1, the District of Columbia Financial Responsibility and Management Assistance Authority (Authority) was established by Congress because of continuing, operating and cash deficits incurred by the District. The Authority was created to promote financial stability, management responsibility, and service delivery efficiency within the District government. In the Act that created the Authority, Congress defined a "Control Period." The District currently remains in the initial control period and continues to face significant unresolved future funding issues. The outcome of these issues may result in additional changes to the District's structure and level of services, and in turn, those of the Lottery.

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, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

*Mitchell & Titus, LLP*

December 22, 1999  
Washington, D.C.

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

**Balance Sheets  
As of September 30  
(in thousands)**

**ASSETS**

	<b>1999</b>	<b>1998</b>
<b>Current assets</b>		
Cash and cash equivalents	\$10,637	\$ 13,925
Accounts receivable, net	2,958	1,643
Inventory	467	455
Prepaid expenses and other	23	5
<b>Total current assets</b>	14,085	16,028
Property and equipment, net	399	527
Restricted investments	81,518	93,103
<b>Total assets</b>	<b>\$96,002</b>	<b>\$109,658</b>

**LIABILITIES AND RETAINED EARNINGS**

<b>Current liabilities</b>		
Accounts payable	1,939	2,861
Compensation liabilities	576	586
Deferred revenue, net	151	131
Accrued prizes	8,572	9,775
Other accrued liabilities	19	50
<b>Total current liabilities</b>	11,257	13,403
Obligations for unpaid prizes	81,518	93,103
<b>Total liabilities</b>	92,775	106,506
Retained earnings	3,227	3,152
<b>Total liabilities and retained earnings</b>	<b>\$96,002</b>	<b>\$109,658</b>

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

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

**Statement of Revenue, Expenses and Changes in Retained Earnings  
For the Fiscal Years Ended September 30  
(in thousands)**

	<u>1999</u>	<u>1998</u>
Gaming revenue	\$207,091	\$226,429
<b>Operating expenses:</b>		
Prizes	110,520	110,510
Agent commission	11,108	12,150
Contractor fees	13,200	14,496
Advertising	3,213	3,659
Administration	6,934	7,672
Amortization and depreciation	<u>234</u>	<u>321</u>
<b>Total operating expenses</b>	<u>145,209</u>	<u>148,808</u>
<b>Operating income</b>	61,882	77,621
Non operating revenue, principally interest	<u>2,418</u>	<u>3,780</u>
<b>Income before operating transfers</b>	64,300	81,401
Operating transfers to the District of Columbia general fund	<u>64,225</u>	<u>81,300</u>
<b>Net income</b>	75	101
Retained earnings, beginning of the year	<u>3,152</u>	<u>3,051</u>
Retained earnings, end of year	<u>\$ 3,227</u>	<u>\$ 3,152</u>

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

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

**Statements of Cash Flows  
For the Fiscal Years Ended September 30  
(in thousands)**

	<u>1999</u>	<u>1998</u>
<b>Cash flow from operating activities</b>		
Cash receipts from customers	\$205,795	\$226,959
Cash payments to vendors	(19,507)	(26,734)
Cash payments to employees	(4,832)	(4,388)
Cash payments for prizes and commissions	<u>(122,831)</u>	<u>(119,610)</u>
<b>Net cash provided by operating activities</b>	58,625	76,227
<b>Cash used in capital and related financing activities</b>		
Acquisition of fixed assets	(106)	(59)
Cash used in noncapital financing activities		
Operating transfers out	<u>(64,225)</u>	<u>(81,300)</u>
<b>Net cash used in capital and noncapital financing activities</b>	(64,331)	(81,359)
<b>Cash provided by investing activities</b>		
Receipt of interest and dividends	<u>2,418</u>	<u>3,709</u>
<b>Decrease in cash</b>	(3,288)	(1,423)
Cash and cash equivalents, beginning of year	<u>13,925</u>	<u>15,348</u>
Cash and cash equivalents, end of year	<u>\$ 10,637</u>	<u>\$ 13,925</u>

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

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

**Statements of Cash Flows (Continued)  
For the Fiscal Years Ended September 30  
(in thousands)**

	<b>1999</b>	<b>1998</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$61,882	\$77,621
Amortization and depreciation	234	321
Miscellaneous non-operating revenue	-	70
Decrease (increase) in assets:		
Receivables	(1,315)	604
Inventory	(12)	(290)
Prepaid expenses and other	(18)	161
Increase (decrease) in liabilities:		
Accounts payable	(922)	1,688
Compensation liabilities	(10)	144
Accrued prizes	(1,203)	3,050
Deferred revenue	20	(34)
Other accrued liabilities	(31)	(7,108)
<b>Net cash provided by operating activities</b>	<b><u>\$58,625</u></b>	<b><u>\$76,227</u></b>

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

# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

### 1. Organization and Summary of Significant Accounting Policies

#### *Organization*

The District of Columbia Lottery and Charitable Games Control Board (Lottery) was established by D.C. Public Law 3-172 as an independent agency of the District of Columbia government (District). By law, the Lottery must remit its monthly gaming income less operating expenses and prizes to the District's General Fund. The Lottery's financial transactions are accounted for as an enterprise fund in the District's financial statements.

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.

#### *Control Period*

The District of Columbia entered a control period and the Financial Responsibility and Management Assistance Authority (Authority) was created April 17, 1995 by Public Law 104-8 Sec. 210(c). A control period commences upon the occurrence of a borrowing from the U.S. Treasury pursuant to DC Code 47-3401, a cash deficit estimated to last beyond the current fiscal year or the first half of the subsequent fiscal year, or failure to pay debt service, payroll, employee benefits, or interstate compact payments. A control year is a fiscal year which commences during a control period. Consistent with those regulations, fiscal year 1999 was a control year.

The Authority consists of five members appointed by the President of the United States (President). The Authority has broad powers during control years. All acts passed by the District's City Council during control years, along with fiscal impact statements, must be submitted to the Authority. The Authority has seven business days after submission of such acts, within which to review such legislation. This period can be extended for additional seven business day periods. The Authority may disapprove a City Council Act, if it determines that the Act is significantly inconsistent with its financial plan and budget. The District may not borrow funds during a control year without prior consent of the Authority. The proceeds of the annual federal appropriation, borrowings by the District, and borrowings by the Authority for the use of the District, are deposited into an escrow account held by the Authority and allocated to the District in such amounts and at such times as the Authority considers to be consistent with its financial plan and budget.



# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

The Authority may, at any time, submit recommendations to the District, President, or United States Congress to ensure compliance with the financial plan and budget or otherwise to promote the financial stability, management responsibility, and delivery of services to the District. In addition, the Authority may, at any time, issue such orders, rules, or regulations, as it considers appropriate, to carry out the purposes of Public Law 104-8. Amendments are made thereto, to the extent that the issuance of such orders, rules, or regulations are within the authority of the Mayor or the head of any department or agency of the District government. These orders, rules, or regulations are legally binding to the same extent as if issued by the Mayor or head of any District department or agency. The Authority's decision to issue such an order, rule, or regulation is final and not subject to judicial review.

### ***Basis for Reporting***

The accompanying financial statements are those only of the Lottery and are not intended to present the financial position, results of operations, and cash flows of the District of Columbia as a whole, in conformity with generally accepted accounting principles.

The accompanying financial statements are prepared on the accrual basis of accounting, whereby revenues and expenses are reported as earned and/or incurred, respectively, rather than when cash is received or paid. Revenue from the sale of tickets, net of related agent commission expenses, are deferred until the drawings are held.

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 applies all applicable GASB pronouncements and has elected to apply only those Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and Accounting Research Bulletins, issued on or before November 30, 1989, that do not conflict with or contradict GASB Pronouncements.

### ***Cash and Cash Equivalents***

Cash that is not needed for immediate disbursements is pooled with that of the District and used to purchase current investments. Pooled cash may be invested directly in, or through repurchase agreements collateralized by 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. Unrestricted investments may not be held for more than 91 days. As such, for the purpose of cash flows, such investments are

# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

considered to be cash equivalents. The market value of securities collateralizing deposits or underlying repurchase agreements is at least equal to the amount of cash deposited or invested. All securities are held by the District or by its agent in the District's name. Interest income from the investment of pooled cash is allocated to the Lottery based on the amount of money the Lottery invests in the pool.

The District controls the availability of the Lottery's cash and investments and determines when to pay the Lottery's current and future bills. The District has projected that sufficient cash flows will not be available in fiscal year 2000 to pay planned costs without the use of its pooled cash and investments. The Lottery's ability to pay vendors is dependent on the District's ability and intent regarding such payments.

### *Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

### *Inventory*

Inventory, consisting of instant lottery tickets, is valued at cost.

### *Property and Equipment*

Property and equipment are stated at cost. Amortization and depreciation expense are calculated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Estimated Life</u>
Furniture and fixtures	5-8 years
Equipment	5-8 years
Leasehold improvements	5-15 years

# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

When assets 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 included in current income. The cost of major remodeling, betterments, and improvements that are greater than \$5,000 are capitalized. Repairs and maintenance are expensed as incurred.

### *Accrued Prizes*

Accrued prizes represent the Lottery's liability for its prizes payable to certain winners for ticket winnings that have not been claimed as of the balance sheet date.

### 2. **Accounts Receivable**

The components of accounts receivable at September 30th are as follows (in thousands):

	<u>1999</u>	<u>1998</u>
Due from agents:		
On-Line Games	\$1,095	\$ 836
Instant Games	<u>2,102</u>	<u>1,026</u>
Total due from agents	3,197	1,862
Other	<u>217</u>	<u>237</u>
Total	3,414	2,099
Less allowance for doubtful accounts	<u>(456)</u>	<u>(456)</u>
	<u>\$2,958</u>	<u>\$1,643</u>

### 3. **Properties and Equipment**

A summary of property and equipment at September 30th is as follows (in thousands):

	<u>1999</u>	<u>1998</u>
Machinery and equipment	\$2,292	\$2,186
Office furniture and fixtures	301	301
Leasehold improvements	<u>560</u>	<u>560</u>
Total	3,153	3,047
Less accumulated amortization and depreciation	<u>(2,754)</u>	<u>(2,520)</u>
	<u>\$ 399</u>	<u>\$ 527</u>

# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

Depreciation and amortization expenses for 1999 and 1998 were approximately \$234,000 and \$321,000 respectively.

#### 4. **Contractual Services**

The operations of the Lottery's on-line terminals for the following programs are provided by Lottery Technologies Enterprises (LTE):

Lucky Numbers  
DC Four  
Quick Cash  
Powerball  
Daily Millions  
Cash 4 Life  
Hot Five

During 1999 and 1998, the Lottery incurred fees of approximately \$10,354,000 and \$11,815,000 respectively, under its contract with LTE. The current contract expires in November 2009.

#### 5. **Multi-State Lottery Association**

The Lottery is a member of the Multi-State Lottery Association (MUSL). MUSL, consisting of the Lottery and 21 other state lotteries, has the responsibility of administering 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 \$10,000,000. MUSL previously administered the Lotto-America game which was terminated on April 18, 1992.

#### *MUSL Investments and Obligations for Unpaid Prizes*

Lotto-America and Powerball prizes of \$250,000 or greater are payable to the winner in annual installments over 25 years, with the first payment being made by the Lottery at the time of the drawing. U.S. government securities, backed by the full faith and credit of the United States or its agencies, provide payments corresponding to the Lottery's obligations to these prize winners and are purchased by MUSL in the name of the Lottery. MUSL holds these securities, liquidates the securities when due and forwards amounts due to the Lottery's account on or before the anniversary date of the winning.

# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

As of September 30, 1999 and 1998, MUSL had purchased, for the Lottery, U.S. government securities to fund future installment payments aggregating \$123,317,940 and \$131,949,288 respectively. The market value of these securities, included under restricted investments in the financial statements, was \$80,636,662 and \$93,103,124 at September 30, 1999 and 1998, respectively. Disbursements for these prizes are charged against the Obligations for Unpaid Prizes Liability.

The Lottery's restricted investments are categorized to give an indication of the level of risk assumed by the Lottery at year-end. Category I includes investments that are insured and registered or for which the securities are held by the Lottery or its agent in the Lottery's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Lottery's name. Category 3 includes uninsured and unregistered investments, with securities held by the counterparty, or by its trust department or agent but not in the Lottery's name.

All restricted investments at September 30, 1999 and 1998 are Category 1 investments. The reported cost and fair value of the investments at September 30, 1999 are \$82,637,208 and \$81,517,451, respectively and at September 30, 1998 are \$82,661,725 and \$93,107,725, respectively.

	1999		1998	
	Cost	Market	Cost	Market
Cash and cash equivalents	\$ -	\$ -	\$ 4,601	\$ 4,601
Restricted Investments	<u>82,637,208</u>	<u>81,517,451</u>	<u>82,657,124</u>	<u>93,103,124</u>
Total	<u>\$82,637,208</u>	<u>\$81,517,451</u>	<u>\$82,661,725</u>	<u>\$93,107,725</u>

### ***MUSL Prize Reserves***

Each MUSL participant sells Powerball tickets through its agents. The prize pool for Powerball consists of 50 percent of each drawing period's sales, including tax. Two percent of that prize pool is placed in a prize reserve and set prize reserve fund. These prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen liabilities; the money in the reserve funds is to be used at the discretion of MUSL's Board of Directors.

# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

The prize reserve and set prize reserve fund monies are refundable to MUSL members if MUSL disbands or if a member leaves. If a member leaves, MUSL must wait one year before reserved money is refunded. At September 30, 1999 and 1998, the total MUSL prize reserve fund had a balance of approximately \$52,000,000, respectively, of which the Lottery's portion was approximately \$1,900,000, respectively. In addition, the total MUSL set prize reserve fund had a balance at September 30, 1999 and 1998, of approximately \$25,000,000, respectively, of which the Lottery's portion was approximately \$840,000, respectively. The Lottery's portion of reserve funds is not recorded in the accompanying financial statements.

In 1998 MUSL established a prize reserve fund for the Cash for Life Jackpot introduced in March 1998. At September 30, 1999 and 1998 the Cash For Life reserve fund had a balance of \$6,189,827 and \$5,299,444, respectively of which the Lottery's portion was \$430,625 and \$398,244, respectively.

### 6. Retirement Plans

The majority of the Lottery's employees are covered by a cost-sharing multiple employer pension plan (Plan) in the Federal Civil Service Retirement System (5 U.S.C. 833 1).

Under the plan, employees may contribute up to 7 percent of their salaries to the Plan. The Lottery contributes an additional 7 percent. Contributions by the Lottery amounted to approximately \$113,294 and \$186,944 in 1999 and 1998, respectively. These amounts are paid to the U.S. Civil Service Commission, which is responsible for administering this system and disbursing the benefits hereunder.

In 1999 and 1998, the number of employees covered was 45 and 50, respectively.

All full-time employees hired after September 30, 1987 are covered by the District-sponsored defined contribution plan. The Lottery contributes 5 percent of an employee's base salary, which amounted to approximately \$106,052 and \$92,584 in 1999 and 1998, respectively. Employees do not contribute to this plan and become eligible for employer contributions after one year of service. Contributions and earnings vest fully after 4 years of service following a one-year waiting period. Contributions are reduced if separation occurs before 5 years of credited service. Contributions are not assets of the District nor does the District have additional liability to this plan.

# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

## Notes to Financial Statements September 30, 1999 and 1998

Lottery employees are eligible to participate in the District-sponsored deferred compensation plan (D.C. Code 47-3601), which is administered by independent contractors under Internal Revenue Code Section 457 and is accounted for as a separate Deferred Compensation Agency Fund of the District. Employees may defer up to 25 percent of the first \$30,000 of their annual compensation. Compensation deferred and income earned are taxable when paid or made available to the participant or beneficiary upon retirement, death, termination, or unforeseeable emergency.

### 7. **Obligation to Transfer Funds to District of Columbia Government**

The District of Columbia Budget Act (PL 4-162) (the Act) for 1983 requires the Lottery to transfer the excess of its revenues over expenses, net of a reserve not to exceed 2 percent of projected annual prize payments, to the District's General Fund. The Mayor may approve a change in the reserve limit, as necessary, upon the request of the Lottery. During 1999 and 1998, the Lottery made net transfers of \$64,225,000 and \$81,300,000, respectively, to the District's General Fund. For the years ended, September 30, 1999 and 1998, the Lottery was in compliance with the Act.

### 8. **Game Information**

Game information for the fiscal years ended September 30, 1999 and 1998, is as follows:

	1999 (in thousands)								
	Lucky Numbers	DC Four	Powerball	Quick Cash	Daily Millions	Cash 4 Life	Hot 5	Instant Games and Other	Total
Gaming revenue	\$73,197	\$60,210	\$34,104	\$5,129	\$ -	\$1,619	\$3,326	\$29,506	\$207,091
Prizes	(36,532)	(34,440)	(14,159)	(2,604)	83	(735)	(1,899)	(20,234)	(110,520)
Agent commissions	(4,024)	(3,142)	(1,466)	(265)	2	(75)	(184)	(1,954)	(11,108)
	<u>\$32,641</u>	<u>\$22,628</u>	<u>\$18,479</u>	<u>\$2,260</u>	<u>\$85</u>	<u>\$ 809</u>	<u>\$1,243</u>	<u>\$7,318</u>	<u>\$85,463</u>

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

**Notes to Financial Statements  
September 30, 1999 and 1998**

1998  
(in thousands)

	Lucky Numbers	DC Four	Powerball	Quick Cash	Daily Millions	Cash 4 Life	Instant Games and Other	Total
Gaming revenue	\$76,090	\$59,255	\$58,379	\$6,144	\$2,080	\$2,106	\$22,375	\$226,429
Prizes	(35,185)	(28,824)	(28,456)	(2,125)	(732)	(1,056)	(14,132)	(110,510)
Agent commissions	<u>(4,099)</u>	<u>(2,993)</u>	<u>(3,130)</u>	<u>(277)</u>	<u>(94)</u>	<u>(110)</u>	<u>(1,447)</u>	<u>(12,150)</u>
	<u>\$36,806</u>	<u>\$27,438</u>	<u>\$26,793</u>	<u>\$3,742</u>	<u>\$1,254</u>	<u>\$ 940</u>	<u>\$ 6,796</u>	<u>\$103,769</u>

**9. Commitments**

***Operating Leases***

The Lottery is currently leasing certain facilities under long-term, noncancellable, operating leases.

Total future minimum rental commitments are as follows for the fiscal year ended September 30, 1999 (in thousands):

2000	\$1,223
2001	1,193
2002	1,240
2003	1,240
2004	1,240
Thereafter	<u>3,722</u>
Total	<u>\$9,858</u>

Rent expense for the fiscal year ended September 30 was as follows (in thousands):

	<u>1999</u>	<u>1998</u>
Gross rental	\$1,272	\$1,305
Less subleases	<u>(170)</u>	<u>(170)</u>
Net rent expense	<u>\$1,102</u>	<u>\$1,135</u>



# DISTRICT OF COLUMBIA LOTTERY AND CHARITABLE GAMES CONTROL BOARD

Notes to Financial Statements  
September 30, 1999 and 1998

## 10. Contingencies

### *Annuity Contracts*

Prizes awarded for the Lucky Lotto game, curtailed effective May 1, 1989, are payable to the winners in annual installments over 10 or 20 years. The first of such payments are made by the Lottery at the time of the drawing. The Lottery has entered into certain agreements with insurance companies under which the Lottery purchased annuities under contracts that provide payments corresponding to the Lottery's obligations to these prize winners. As it is the intent of the Lottery that the insurance companies make future installment payments directly to each prize winner, 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 payments if the insurance companies were to default on their payments.

At September 30, 1999 and 1998, future installment payments due to Lucky Lotto winners were approximately \$13,363,000 and \$15,383,000, respectively.

During 1991, the 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). The total remaining payments as of September 30, 1999 and 1998 for annuities purchased from ELIC was \$1,804,458 and \$2,133,534, respectively. During 1993, the Superior Court approved the terms of a rehabilitation plan and purchase of ELIC by the Aurora National Life Insurance Company. As a result, the Lottery is required to fund a percentage of the annual payments for these annuities. The Lottery's liability for accrued prizes at September 30, 1999 and 1998 includes \$511,588 and \$634,971, respectively, for future obligations for these payments.

Potential claims and judgments for the Lottery are evaluated and included in the Comprehensive Annual Financial Report of the District of Columbia.