



Audit Summary

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Rhode Island Lottery

Fiscal Year Ended June 30, 2017

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2017. The Lottery paid \$362.7 million to the State's General Fund for the fiscal year ended June 30, 2017. The amounts paid to the General Fund represent the Lottery's net income after payment of prize awards, commissions, and operating expenses.

The total amount transferred to the State decreased \$7.1 million over the previous fiscal year ended June 30, 2016. The Lottery's gross profit from gaming operations before operating expenses totaled \$372.9 million for the fiscal year ended June 30, 2017. Video lottery accounted for \$289.0 million or 77.5% of total gross profit.

Net video lottery revenue decreased by approximately 1.3% compared to the prior year. On-line revenue decreased 5.4% and instant ticket revenue decreased 2.1% over prior year amounts. The Lottery's operating expenses totaled approximately \$10.9 million for the year ended June 30, 2017.

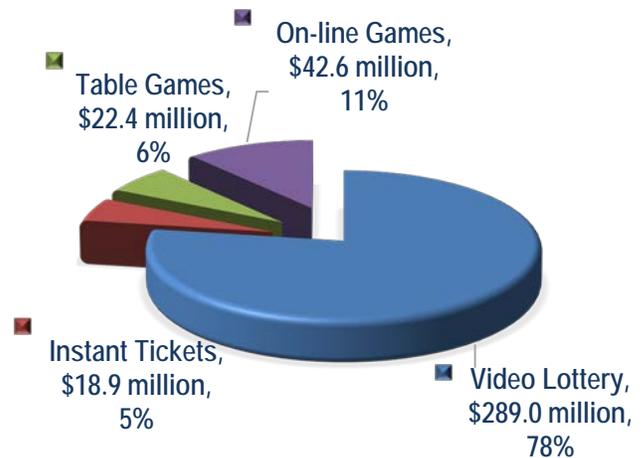
Net revenue from Twin River table games totaled \$140.1 million for the year ended June 30, 2017 - the fourth full-year of table game operations. After commissions paid to Twin River and the Town of Lincoln, the State's share of net revenue from table games amounted to \$22.4 million.

We concluded that the Lottery's financial statements for the year ended June 30, 2017 were fairly presented in accordance with accounting principles generally accepted in the United States of America. Our report highlighted the Lottery's disclosures regarding increasing competition and its potential impact on generating income for transfer to the State's General Fund.

Management's Discussion and Analysis, which accompanies the financial statements, includes discussion of the Twin River - Tiverton casino under construction, plans for new gaming activities, and competition from existing or future gaming venues in neighboring states.

We also issued our *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. Our audit found no matters required to be reported under *Government Auditing Standards*.

Lottery Gross Profit from Gaming Operations By Game Type – Fiscal 2017



Our report included two management comments.

- One contained recommendations for the Lottery to further enhance its information technology (IT) oversight and monitoring by strengthening contract terms with providers to ensure critical technology meets evolving IT security standards.
- A second comment related to the anticipated implementation of a new accounting standard for postemployment benefits other than pensions (retiree healthcare).

Audit Highlights

- The Lottery paid \$362.7 million to the State's General Fund for the year ended June 30, 2017 – a decrease of \$7.1 million compared to the prior fiscal year.
- Video lottery accounted for \$289.0 million or 77.5% of the Lottery's gross profit from gaming operations in fiscal 2017.
- Table games at Twin River accounted for \$22.4 million of gross profit for the Lottery.
- We expressed an unmodified opinion on the Lottery's financial statements.