



AUDIT SUMMARY

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INTEGRITY ♦ RELIABILITY ♦ INDEPENDENCE ♦ ACCOUNTABILITY

NOVEMBER 2007

RHODE ISLAND LOTTERY

FISCAL YEAR ENDED JUNE 30, 2007

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2007. The Lottery's financial statements indicate that \$320.9 million was paid to the State's General Fund for the fiscal year ended June 30, 2007. This amount represents the Lottery's income after payment of prize awards, commissions and operating expenses.

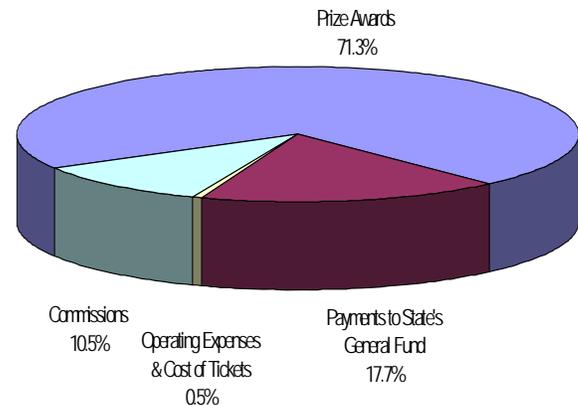
The amount paid to the General Fund decreased \$3.0 million or 0.9% over the fiscal year ended June 30, 2006. Lottery sales for the fiscal year ended June 30, 2007 were \$1.8 billion with video lottery comprising \$1.6 billion or 86% of total sales. Total prizes paid approximated \$1.3 billion. The Lottery's operating expenses totaled \$8.2 million for the fiscal year ended June 30, 2007.

Total lottery sales increased \$75 million or 4.3% for the year ended June 30, 2007 over the year ended June 30, 2006. Most of the increase resulted from video lottery sales.

We concluded that the Lottery's financial statements for the year ended June 30, 2007 were fairly presented in accordance with accounting principles generally accepted in the United States of America.

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* and Management Comments separately. We reported two issues concerning the Lottery's internal control over financial reporting. These issues related to the monitoring of video lottery operations and the reconciliation of the Lottery and State accounting systems. We deemed these issues to be significant deficiencies as defined by auditing standards generally accepted in the United States of America.

Distribution of Lottery Revenue



Our audit did not disclose any instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards*.

As part of this separate communication, we also provided additional comments and recommendations to the Lottery intended to enhance compliance with laws, regulations, and contracts, improve internal control, or result in other operational efficiencies.

Copies of this audit report can be obtained by calling 222-2435 or by visiting our website at www.oag.ri.gov.

Audit Highlights

- The Lottery paid \$320.9 million to the State's General Fund for the year ended June 30, 2007.
- Total Lottery sales increased approximately \$75 million or 4.3% - mostly attributable to video lottery.
- Total prizes paid approximated \$1.3 billion.
- We expressed an unqualified opinion on the Lottery's financial statements.