



AUDIT SUMMARY

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INTEGRITY ♦ RELIABILITY ♦ INDEPENDENCE ♦ ACCOUNTABILITY

OCTOBER 2006

RHODE ISLAND LOTTERY

FISCAL YEAR ENDED JUNE 30, 2006

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2006. The Lottery's financial statements indicate that \$323.9 million was paid to the State's General Fund for the fiscal year ended June 30, 2006. This amount represents the Lottery's income after payment of prize awards, commissions and operating expenses.

The amount paid to the General Fund increased \$16.3 million or 5.3% over the fiscal year ended June 30, 2005. Lottery sales for the fiscal year ended June 30, 2006 were \$1.7 billion with video lottery comprising \$1.5 billion or 85% of total sales. Total prizes paid approximated \$1.2 billion. The Lottery's operating expenses totaled \$7.3 million for the fiscal year ended June 30, 2006.

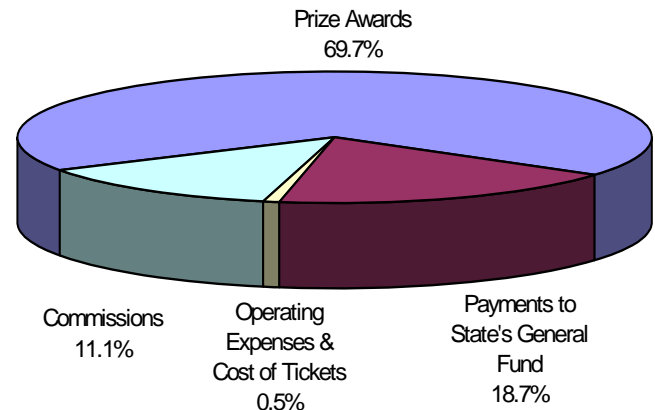
Total lottery sales increased \$95 million or 5.8% for the fiscal year ended June 30, 2006 over the fiscal year ended June 30, 2005. Most of the increase resulted from video lottery sales.

We concluded that the Lottery's financial statements for the fiscal year ended June 30, 2006 were fairly presented in accordance with accounting principles generally accepted in the United States of America.

We did not find any material instances of noncompliance with laws, regulations and contracts or other matters that we were required to report under *Government Auditing Standards*.

We did report a matter involving the Lottery's internal control over financial reporting. As of June 30, 2006, the Lottery implemented a formal comprehensive security plan related to its computerized systems. However, material

Distribution of Lottery Revenue



compliance by the Lottery's gaming system provider has not yet been achieved. Material compliance with the Lottery's comprehensive security plan is vital to ensuring that access is appropriately restricted to authorized individuals and any unauthorized access is detected by the Lottery on a timely basis with appropriate follow-up.

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 \$323.9 million to the State's General Fund for the year ended June 30, 2006.
- Total Lottery sales increased approximately \$95 million or 5.8% - mostly attributable to video lottery.
- Total prizes paid approximated \$1.2 billion.
- We expressed an unqualified opinion on the Lottery's financial statements.