

AUDIT SUMMARY

Ernest A. Almonte, CPA, CFE - Auditor General

Rhode Island Lottery Fiscal Year Ended June 30, 1998

We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the year ended June 30, 1998. These financial statements and our independent auditor's report are included in the Lottery's Comprehensive Annual Financial Report for the fiscal year ended June 30, 1998. The Lottery's financial statements indicate that \$115.1 million was transferred to the State's General Fund for the year ended June 30, 1998. This amount represents the Lottery's income after payment of prize awards, commissions and operating expenses.

The amount transferred to the General Fund increased \$15 million or 15% over the prior fiscal year. Lottery sales for the year ended June 30, 1998 were \$634.1 million with video lottery comprising \$464.1 million or 73.2% of total sales. Total prizes paid were \$429.3 million. The Lottery's operating expenses were approximately \$5.2 million for the year.

Total lottery sales increased approximately \$85.4 million or 15.6% in fiscal 1998 over the prior year. Most of the increase resulted from video lottery sales.

We concluded that the Lottery's financial statements for the year ended June 30, 1998 were fairly presented in accordance with generally accepted accounting principles, except for the effects of adjustments, if any, which might have been necessary had we been able to examine evidence regarding Year 2000 disclosures. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the Year 2000 and thereafter.

Accordingly, insufficient audit evidence exists to support the disclosures included in the Lottery's 1998 financial statements.

We did not find any material instances of noncompliance with laws, regulations and contracts that we were required to report under Government Auditing Standards. We also did not find any matters involving the Lottery's internal control over financial reporting that we considered to be reportable conditions or material weaknesses.

Copies of this audit report can be obtained by calling 222-2435.

Audit Highlights

- The Lottery transferred \$115.1 million to the State's General Fund for fiscal 1998.
- Total Lottery sales increased approximately \$85.4 million or 15.6% - mostly attributable to video lottery.
- Total prizes paid were \$429.3 million.

Distribution of Lottery Revenue

