We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2011. The Lottery paid $354.9 million to the State’s General Fund for the fiscal year ended June 30, 2011. 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 increased $10.2 million over the fiscal year ended June 30, 2010. The Lottery’s gross profit from gaming operations before operating expenses totaled $360.2 million for the fiscal year ended June 30, 2011. Video lottery accounted for $301 million or 83% of total gross profit.

Net video lottery revenue increased approximately 5.3% compared to the prior year while revenue from on-line and instant ticket games decreased slightly over prior year amounts.

In fiscal 2011, the Lottery began reimbursing a share of certain marketing and promotional expenses incurred by the video lottery facilities. These expenses totaled $2.2 million in fiscal 2011.

Beginning in fiscal 2011, the Lottery reported net video lottery revenue in its financial statements rather than the gross revenue (terminal inputs) and prize award (terminal outputs) amounts previously reported.

The Lottery disclosed certain contingencies related to the financial difficulties experienced by its licensed video lottery facilities as well as pending legislative efforts in Massachusetts to allow three casinos and one slot parlor in that State. The Rhode Island General Assembly authorized a statewide referendum (November 2012) to allow casino style gaming at Twin River.

We concluded that the Lottery’s financial statements for the year ended June 30, 2011 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. That report noted a matter required to be reported under Government Auditing Standards and a matter intended to enhance the Lottery’s internal control and security over its information systems.

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

Audit Highlights

- The Lottery paid $354.9 million to the State’s General Fund for the year ended June 30, 2011.
- Video lottery accounted for $301 million or 83% of the Lottery’s gross profit from gaming operations in fiscal 2011.
- We expressed an unqualified opinion on the Lottery’s financial statements.
- The Lottery disclosed contingencies related to the financial difficulties experienced by its video lottery facilities and competition from the proposed expansion of gaming in nearby Massachusetts.

Copies of this report are available on our website www.oag.ri.gov.