We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2012. The Lottery paid $377.7 million to the State's General Fund for the fiscal year ended June 30, 2012. 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 $22.8 million over the fiscal year ended June 30, 2011. The Lottery's gross profit from gaming operations before operating expenses totaled $383.6 million for the fiscal year ended June 30, 2012. Video lottery accounted for $320.8 million or 84% of total gross profit.

Net video lottery revenue increased approximately 7.1% compared to the prior year. On-line and instant ticket revenue also increased 7.9% and 8.7%, respectively, over prior year amounts. The Lottery's operating expenses totaled approximately $6.2 million for the year ended June 30, 2012.

The Lottery, along with the other New England states, introduced the Lucky for Life regional game in March 2012, which offers a top prize of $1,000 a day for life. Sales for this game totaled $3.8 million in fiscal 2012.

The Lottery disclosed certain contingencies involving legislation enacted to allow three casinos and one slot parlor in Massachusetts. The Rhode Island General Assembly authorized a statewide referendum in November 2012 to allow casino-style gaming at Twin River and Newport Grand as a response to future gaming competition from Massachusetts.

We concluded that the Lottery’s financial statements for the year ended June 30, 2012 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.