We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the fiscal year ended June 30, 2013. The Lottery paid $379.2 million to the State’s General Fund for the fiscal year ended June 30, 2013. 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 $1.5 million over the fiscal year ended June 30, 2012. The Lottery’s gross profit from gaming operations before operating expenses totaled $385.9 million for the fiscal year ended June 30, 2013. Video lottery accounted for $316.4 million or 82% of total gross profit.

Net video lottery revenue decreased by approximately 1.2% compared to the prior year. On-line and instant ticket revenue increased 1.7% and 1.3%, respectively, over prior year amounts. The Lottery’s operating expenses totaled approximately $7.5 million for the year ended June 30, 2013.

Casino-style table gaming was implemented at Twin River, the State’s largest video lottery facility, in June 2013. Net revenue from table games totaled $1.9 million for the limited time period such games were in operation during fiscal 2013. After commissions paid to Twin River, the State’s share of net revenue from table games amounted to $.3 million.

The Lottery disclosed contingencies relating to anticipated competition from casinos authorized in nearby Massachusetts. The Lottery also disclosed an increase in the percentage of net terminal income payable to Newport Grand - the commission increased by 2.25% beginning July 1, 2013 and continuing through June 30, 2015.

We concluded that the Lottery’s financial statements for the year ended June 30, 2013 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. Our audit found no matters required to be reported under Government Auditing Standards.

However, our report contains three management comments relating to assessing compliance with General Fund transfer requirements, new pension accounting standards that could impact future transfers to the General Fund, and General Law provisions regarding the State and Twin River’s share of net table game revenue.

Audit Highlights

- The Lottery paid $379.2 million to the State’s General Fund for the year ended June 30, 2013 – an increase of $1.5 million compared to the prior fiscal year.
- Video lottery accounted for $316.4 million or 82% of the Lottery’s gross profit from gaming operations in fiscal 2013.
- We expressed an unqualified opinion on the Lottery’s financial statements.
- Casino-style table games commenced in June 2013 at Twin River.
- The Lottery disclosed contingencies related to anticipated competition from the expansion of gaming in Massachusetts.