We completed an audit of the financial statements of the Rhode Island Lottery (Lottery) for the year ended June 30, 2000. The Lottery’s financial statements indicate that $150.3 million was transferred to the State’s General Fund for the year ended June 30, 2000. This amount represents the Lottery’s income after payment of prize awards, commissions and operating expenses.

The amount transferred to the General Fund increased $16.8 million or 12.6% over the year ended June 30, 1999. Lottery sales for the year ended June 30, 2000 were $864 million with video lottery comprising $671 million or 78% of total sales. Total prizes paid were $591 million. The Lottery’s operating expenses were approximately $5.7 million for the year ended June 30, 2000.

Total lottery sales increased approximately $122.9 million or 16.6% for the year ended June 30, 2000 over the year ended June 30, 1999. Most of the increase resulted from video lottery sales.

We concluded that the Lottery’s financial statements for the year ended June 30, 2000 were fairly presented in accordance with generally accepted accounting principles.

We reported that the Lottery paid prizes during fiscal 2000 which exceeded the maximum allowable percentage of Lottery revenue as mandated in the Rhode Island General Laws. Effective for fiscal year 2001, the General Laws were amended to increase the maximum prize award percentages for the Lottery’s games.

We also reported a matter involving the Lottery’s internal control over financial reporting. We recommended that access security to the computer systems used to operate the Lottery’s games should be improved by strengthening certain aspects of system security and implementing a formal comprehensive security plan in conjunction with its on-line and video lottery games contractor. The Lottery is in the process of implementing a comprehensive system security plan.

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