Rhode Island Department of Revenue
Lottery Division

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015

Prepared by the Finance Department

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015

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Introductory Section

Rhode Island Department of Revenue
Lottery Division

December 14, 2015

The Honorable Gina M. Raimondo, Governor
Marilyn McConaghy, Acting Director of Revenue

We are pleased to present to you the COMPREHENSIVE ANNUAL FINANCIAL REPORT of the Rhode Island Lottery (the Lottery) for the fiscal year ended June 30, 2015. This report has been prepared by the Finance Department of the Lottery. The Lottery is responsible for the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures.

The Lottery is a division of the Department of Revenue of the State of Rhode Island, and its financial statements are included in the State's Comprehensive Annual Financial Report. This report presents Lottery activity in a single enterprise fund. Only the activity of the Lottery, and no other data or information related to any other State agency or fund, is included in this report.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Lottery's MD&A can be found immediately following the report of the independent auditors.

The Lottery was created by Constitutional Amendment passed on November 6, 1973. The legislation to create the Lottery was passed in March of 1974, and the Lottery began in May of 1974. The Lottery is operated like a business within the framework of State laws and regulations. Like any business, the Lottery's goal is to maximize income. As a State agency, however, the challenge lies in accomplishing this while maintaining the trust and best interest of the citizens of Rhode Island. It is our goal to achieve both.

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History of the Lottery Industry

State run lotteries have long represented to governments an attractive alternative to other taxation methods, since their profits were returned to the public through community works, cultural activities, or financing of various projects. Two examples are the Vatican Museums and the Rialto Bridge in Venice.

To fully understand the history of lotteries in America, one must recognize the fact that the American colonies, at the time of their founding, lacked the capital, both in the public and private sector, needed to start the process of economic and cultural development.

As the English settled in America, the model of development that stressed private rather than public investment motivated them. Royalty in England were simply unwilling to spend their own money or tax their subjects to subsidize the development of the colonies, and lotteries became an important method of raising capital for both the public and private initiatives. In fact, the "Great Standing Lottery" held in London in 1612, was staged to help bail the Virginian Company, the corporation in charge of the settlement of Virginia, out of debt. A notable outcome for the first drawing of this lottery was that Anglican churches held two of the three winning tickets.

Perhaps one of the most poignant lottery stories is that of the abortive attempts to bail Thomas Jefferson out of an $80,000 debt by holding a lottery on his behalf on the 50th anniversary of the adoption of the Declaration of Independence, an anniversary that coincided with the precise day of his death.

In the 1700s, many other founding fathers also supported American lotteries and used them for projects such as the financing of cannons for the Revolutionary War (Benjamin Franklin), the rebuilding of historic Faneuil Hall in Boston (John Hancock) and the financing of construction on the Mountain Road, which opened westward expansion from Virginia (George Washington).

The period from 1740 to 1820 witnessed an explosion of public works construction, such as roads, bridges, and canals, much of which was financed by lottery proceeds.

Many of America's elite, private universities, Yale, Princeton, Harvard, University of Pennsylvania, and Columbia, have buildings funded through the proceeds of lotteries. The fact of the matter was that lacking the endowments built up over centuries by places like Oxford and Cambridge, American higher education had no choice but to resort to lotteries.

Many of the principal religious denominations of America (ironically, many of those which would, in the middle part of the 19th Century, lead the fight against lotteries) actually depended heavily on lotteries to get their start.

While very few people in America would have denied there was a need to raise money to build colleges, bridges, roads, or churches, then as now, America differed over whether lotteries were the appropriate way to raise those funds. The arguments for and against lotteries have not changed significantly over the course of the 200 years, from the 17th Century Puritan and Quaker denunciations of all games of chance, to those similarly voiced by fundamentalist Protestant religious groups in the 19th and 20th Centuries.

The concern about gambling, however, was often overwhelmed by the recognition that the lottery was a means that enabled the accomplishment of useful public projects. William Ames, a Cambridge teacher of many of the leaders of the Massachusetts Bay colony, denounced the playing of the lottery solely for the purpose of gain, but defended lotteries as long as they were intended for some pious end. The settlers of New England would find many virtuous purposes toward which to direct lottery proceeds. During the colonial period, the

New England colonies authorized more lotteries than any other region of the country, which benefited colleges, churches, and every other manner of public works construction one could think of.

By the time of the Revolution, most every American colony joined the New England colonies in using lotteries as a primary method for financing both public works and private economic development. This reliance on lotteries was the result of the coming together of two powerful forces, a desperate need for capital to fight the war against Great Britain and the reluctance to impose taxes. It is during this time in history that some of America's most respected statesmen publicly campaigned for lotteries as a means of raising revenues. The two most well-known for this were Thomas Jefferson and Alexander Hamilton.

Thomas Jefferson described a lottery as a "salutary instrument . . . where men run small risks for the chance of obtaining a high prize." It was, he said, a "tax laid only on the willing," and was therefore more accepted than any other form of direct taxation. Alexander Hamilton described lotteries as a means by which an ordinary man could "hazard a trifling sum for the chance of considerable gain." Hamilton offered advice, which has been relevant to every lottery organizer since that time. He said there were two cardinal rules for a successful lottery: keep it simple, so that everyone understands the rules, and keep the tickets cheap, so that everyone could afford to participate.

The period of time from 1800 to the Civil War was the most active time for lotteries. There were an incredible number of lotteries in America during this period, some held for public purposes, some for a mixture of public and private purposes, and some for private purposes as entrepreneurs attempted to raise money for their own projects. It was at this time in history that charges of fraud and deception, which coincided with a resurgence of religious opposition to lotteries as being sinful, began.

By the 1820s, there was a vast array of lotteries being conducted, sometimes at the same time on the same day, and although the lottery ticket sellers became increasingly clever in their efforts (P.T. Barnum was a lottery agent), the market was overwhelmed. Because of that, there were many instances where the proceeds from the lottery were not sufficient to pay the prizes, a problem that often resulted in lottery organizers leaving town with the money in hand before the drawing could be held.

Charges of fraud and deception surrounded lotteries of the 19th Century, and the two most commonly believed reasons for these were dishonest lottery promoters and increasing religious opposition. There were, however, many other factors, including the growth of the banking institution, which offered an alternative means for entrepreneurs to raise money; an economic boom in the 19th Century which created sources of excess capital that could be used for investment in public works; and lastly, the willingness of state governments to step in and raise taxes to finance worthwhile public projects.

The full history of the decline of the lottery in America lasted from the Civil War until the resumption of the lottery in 1964 when New Hampshire established a state-run lottery for the purpose of raising money for education. New York, which had been the State to pass the first constitutional prohibition of lotteries in the United States in the 1820s, followed New Hampshire's return into the lottery business in 1967. In 1971, the State of New Jersey started their lottery and introduced a computer-based weekly game, which offered inexpensive tickets (50 cents), convenience of sale, and a weekly prize of $50,000. In its first year of operation, the New Jersey Lottery grossed $142.5 million and set the trend for the lottery industry. New York and New Hampshire revamped their systems, and other states introduced lotteries utilizing New Jersey's operation as a model.

Lotteries, through the years, have become more diversified. The vast array of lottery games in existence today caters to a variety of consumer tastes. These changes are largely attributable to the work of marketing experts. With greater selections, come increased sales. Considerable changes and new possibilities were introduced in

lotteries through major technological innovations such as centralized on-line computer systems (1971) and magnetic strip tickets (1992).

By developing and tailoring products to the needs of clientele, the lottery has established itself as an everyday element in today's society.

History of the Rhode Island Lottery

In 1744, Rhode Island's first lottery raised money for a bridge at Weybosset Street in Providence. Tickets cost about $12 each and raised approximately $6,500 for the bridge. Several other lotteries were conducted throughout the 1700s including a lottery used to partially finance the building of a brick Colony House, which became Rhode Island's first State House following the Declaration of Independence. One of the most successful lotteries in Rhode Island was the one authorized to build Thames Street in Newport. It paid over $1 million in prizes and was so popular that the people of Newport were able to build, pave and extend streets throughout the city.

On November 6, 1973, more than a three to one margin passed a Constitutional Amendment to create a lottery in Rhode Island. The amendment mandated that the General Assembly prescribe and regulate all future lotteries in Rhode Island. Legislation was passed to start the Lottery in March 1974, and it began two months later in May. The original purpose of the Rhode Island Lottery was to make up for the revenue lost from allowing the value of a trade-in automobile toward the sales tax liability on a new automobile.

The Lottery's first drawing was held at the State House on May 30, 1974. This weekly 50-cent game had a top prize of $50,000. Rhode Island was the first state to televise a live lottery drawing in January of 1975, at no expense to the Lottery, which is still the case today. That same year Rhode Island became the first state to have a weekly lottery television program. The Numbers Game began on February 13, 1976 and continues today.

The first instant ticket game, Play Ball, was introduced on May 11, 1976. Since that time an additional 852 instant ticket games have been introduced.

On-line games started in February of 1978, and Lottery sales doubled with this new addition. The 4/40 Game began in the spring of 1981, with variations to that game being made throughout the years.

The Multi-State Lottery Association (MUSL) was formed in 1988 for the purpose of affording small states the opportunity to offer games with a higher jackpot than their population alone would generate. Along with Rhode Island, the initial members were the District of Columbia, Iowa, Oregon, Kansas and West Virginia. The first such game was called Lotto-America, which was replaced with PowerBall® on April 22, 1992. In February of 1998, Rhode Island replaced the Multi-State Daily Millions Game with the introduction of its own lotto game called Roll Down. This lotto game was succeeded by Easy Win in March 2000, Money Roll in November 2000 and the current game of Wild Money in January 2002. The Rhode Island Lottery began offering Mega Millions® on January 30, 2010 through its participation in the Multi-State Lottery Association.

Keno was introduced in the State on September 13, 1992, becoming the second U.S. Lottery (Oregon was first) to do so. Around this same time, Video Lottery Terminals (VLTs) went on-line at the State's two pari-mutuel facilities.

On July 1, 2005, due to the separation of powers law previously passed, the Rhode Island Lottery Commission was disbanded, and the Division of Lotteries of the Rhode Island Department of Administration was formed. On July 1, 2006, the Division of Lotteries became the State Lottery Division of the State of Rhode Island Department of Revenue.

In June 2013, casino table gaming opened at Twin River in Lincoln, Rhode Island, having passed statewide and local referenda in November 2012. The casino began offering nine different table games including black jack, craps, roulette, Pai Gow poker, Spanish 21, three card poker, mini baccarat, let it ride, and a big six wheel.

History of Lottery Games

Lotto Games

The Germans were the first to bring the modern lotto game to the market. Norwest Lotto in northwestern Germany launched the first game on October 9, 1955. Players simply marked 6 figures out of a total of 49 on their coupon. The idea quickly took off, and many other countries soon followed the Germans' lead.

With the "quick pick" feature, players can have the computer generate their numbers at random. Most lotteries offer this option.

Alexandre Fichet (1799-1862), who designed a system to replace manual draws using balls, developed technology for lotto drawings in France. He invented a way to carry out lottery drawings using wheels with numbers from 1 to 9 around the rim. At the end of the wheel's rotation, the winning number was clearly shown through a window.

In 1985, the launch of Tri-State Lotto, the first multi-state lottery, linked Maine, New Hampshire and Vermont state lotteries.

Instant Tickets

The first instant lottery ticket was marketed in 1974 in the Commonwealth of Massachusetts, which became the first state lottery to develop and sell an instant game. Today, all state lotteries offer instant tickets, and this type of lottery game is recognized as one of the most popular lottery offerings in North America.

Video Lottery

Although the invention of the "slot" machine dates back to 1890, it was only in 1976 that the first black and white video technology was developed. Color video terminals were launched on the market several months later.

Initially, video lottery machines were only associated with casinos; however, in 1985, the State of Nebraska changed its legislation and allowed the Nebraska Lottery to test a video lottery that was not linked to a central system. The experiment was terminated that same year.

Several years later, when the South Dakota Lottery was searching for new sources of revenue, it took up the idea of video lottery. In March of 1989, legislation allowing the establishment of the first server-connected video lottery was approved. In the fall of 1990, South Dakota offered the first operational video lottery in all of the United States. On June 30, 1992, the Rhode Island Division of State Lottery received authorization to conduct video lottery games at pari-mutuel facilities in operation on that date. By the end of calendar year 1992, Oregon, Rhode Island, and Louisiana had video lottery terminals up and running in their respective states.

Table Games

The precise origin of casino gambling is unknown, but it is generally believed that gambling in some form or another has existed in most societies in history. The first known European gambling house was established in Italy in 1638. In American history, early gambling establishments were called saloons and were popular in cities such as New Orleans, Chicago, San Francisco, and St. Louis. Casino gambling as we know it today was legalized in Nevada in 1931, and America's first legal casinos were set up there. In 1978, New Jersey allowed casino gaming, and Atlantic City became America's second largest gambling city.

Casino gambling began in New England in 1986. In 2012, legislation was enacted in Rhode Island authorizing State operated table games to be conducted at Twin River, the State's largest video lottery facility. In June 2013, traditional card and dice games were added to video lottery terminals already at the facility.

Keno

Keno originated in China more than 2,000 years ago. Legend has it that this game financed the Great Wall of China. The original Chinese game was played with characters from the "Thousand Character Classic", an ancient poem of luck by Confucius. Keno subsequently spread far beyond the borders of China and was well established in both Europe and the United States by the turn of the 20th Century. Today, Keno is a very popular lottery offering because of its flexibility in the number of spots that can be played, which in effect means there are actually several games going on at the same time all with different odds of winning a prize. Daily Keno drawings have proven more successful than those held two or three times a week. Rhode Island is one of only a handful of lotteries offering a new Keno draw every 4 minutes.

Rhode Island Lottery Product Offerings

The Rhode Island Lottery provides the opportunity to participate in the following games:

Instant Tickets

Instant (or scratch) tickets are played by scratching the latex covering off the play area on the ticket. In order to win, the player must match two or three of a kind, match or beat your numbers to the winning numbers, get like symbols or wild features. Instant ticket offerings in Rhode Island include card games, as well as whimsical, sports, money, and holiday themes. Also offered are extended play games with second chance drawings for additional prizes, including Patriots prize packs and season tickets and a trip to Las Vegas to play The Price is Right. In fiscal year 2015, the Monopoly Millionaires' Club™ instant ticket launched with second chance winners going to Las Vegas, Nevada to take part in the nationally televised games show.

Daily Numbers

The Daily Numbers game has been very popular in Rhode Island since its inception in 1976. Players can wager on 2, 3, or 4 digits. Wagers on 3 and 4 digits can be played in exact or any order. Players can select their own numbers or utilize the computer "quick pick." The Daily Numbers drawing is televised live Monday through Saturday at 7:00 p.m. and at 6:30 p.m. on Sunday.

The Lottery added an Instant Match feature to the Daily Numbers game in September 2002. Instant Match offers the player the chance to win up to $500 instantly on a Daily Numbers ticket, for an additional $1 per wager.

In May 2014, the midday drawing was added offering additional wagers to the evening drawing. The midday drawing is held daily at 1:30 p.m., and players may view it on YouTube™ or on the Lottery's website.

Keno

Keno was introduced in September of 1992 and quickly proved to be a very popular game. Rhode Island Keno has a 10 of 20 of 80 matrix, with a $100,000 top prize. Players can wager on 1 to 10 numbers (spots) utilizing their own number selection or a computer "quick pick." In January of 2000, Keno drawings increased from every 5 minutes to every 4 minutes. These Keno drawings occur from 5:00 a.m. to 12:45 a.m., Monday through Saturday and 7:00 a.m. to 12:45 a.m. on Sunday. In April of 2001, Keno Plus was introduced. Players have the option to purchase this feature that could increase their winnings by ten times, thus giving Keno players the potential to win up to $1,000,000. Multi Chance Keno started in April 2011, and offers players a chance to win free bonus games and higher prizes up to $500,000.

Bingo

Bingo is a monitor game that was introduced to the Rhode Island Lottery on October 14, 2012. The game is played on a traditional bingo style board, where players must make one of eight patterns to win a prize. For each drawing, 30 numbered balls are drawn. Players can wager $1, $2, $5, or $10 per board, with a top prize of $100,000.

PowerBall®

PowerBall® is a Multi-State Lottery Association game offered in 44 states (including Rhode Island), plus the District of Columbia, Puerto Rico, and U.S. Virgin Islands. For $2, players select "5 out of 59" numbers and a PowerBall® "1 out of 35." Players can select their own numbers or utilize a computer "quick pick." Jackpots start at $40 million and grow by a minimum of $10 million for each drawing not producing a jackpot winner. Televised drawings are shown on Wednesday and Saturday at 10:59 p.m. For an additional $1, players can choose the PowerPlay® option to increase their non-jackpot prizes. The PowerPlay® feature is now a random multiplier whereby players are able to win up to 5X the value of set prizes. The multiplier does not apply to the grand prize jackpot.

Mega Millions®

The Rhode Island Lottery began offering Mega Millions® on January 30, 2010 through its participation in the Multi-State Lottery Association. Players select "5 out of 75" numbers and a Mega Ball "1 out of 15." Players can select their own numbers or utilize a computer "quick pick." Jackpots start at $15 million and grow by a minimum of $5 million for each drawing not producing a jackpot winner. Drawings are held on Tuesday and

Friday at 11:00 p.m. Megaplier®, which is a multiplier option for Mega Millions® winnings, allows players who choose this option on their Mega Millions® ticket to have the chance to increase their winnings by up to 5 times. The multiplier does not apply to a jackpot win.

Wild Money

Wild Money is an on-line game with a starting jackpot of $20,000 that continues to grow until a player matches 5 numbers selected out of a field of 35. Its first jackpot of $315,869 was won on April 13, 2002 and the highest was $601,207 on March 25, 2006. Drawings are held Tuesday, Thursday, and Saturday at 7:30 p.m.

Lucky for Life®

Lucky for Life® is a regional game which expanded to sixteen lotteries in fiscal year 2015. Players select "5 out of 48" numbers and a Lucky ball "1 out of 18" and have a chance to win $1,000 a day for life. There is also a second chance prize to win $25,000 a year for life. Drawings are held Monday and Thursday at 10:38 p.m. in Connecticut and can be viewed at www.neluckyforlife.com.

Video Lottery

Video Lottery debuted in Rhode Island in September of 1992. There are a total of 5,637 video lottery terminals (VLTs) located in the State's two pari-mutuel facilities, Twin River and Newport Grand. As of June 30, 2015, Twin River has 4,540 VLTs and Newport Grand has 1,097 VLTs. Various virtual and multi-layer display games are offered on the VLTs.

Table Games

Table gaming opened in Rhode Island in June 2013 at the Twin River Casino in Lincoln, Rhode Island. There are 92 tables available at the Twin River Casino offering traditional card and dice games.

Pull Tabs

Rhode Island General Laws mandate that pull tab tickets be sold only by non-profit organizations. The Rhode Island Lottery oversees the sale of pull tab tickets to these groups.

Rhode Island Economic Outlook

Rhode Island's population remained approximately the same over a twelve month period at 1.05 million as of July 1, 2015. As of June 2015, the unemployment rate was 5.9%; which was above the national rate of 5.1%.

Lottery Industry Economic Outlook

Despite current economic conditions, the United States Lottery Industry experienced growth in fiscal year 2015. Based on unaudited figures from the North American Association of State & Provincial Lotteries (NASPL), sales increased from $71.1 billion in fiscal year 2014 to $73.9 billion in fiscal year 2015, up 3.86%.

Highlights of Fiscal Year 2015

- For fiscal year 2015, $381,935,511 was transferred to the State's General Fund an increase of $5.6 million over fiscal 2014.

- A new video lottery terminal provider was added to both video facilities. The video lottery progressive game expanded their game area to include the states of Maryland, Delaware, Ohio, and West Virginia.

- Table games at Twin River casino generated net table game revenue of $106.6 million for fiscal year 2015. The number of tables available increased to 92 offering traditional card and dice games including black jack, craps, roulette, and various card games.

- The Lottery introduced a new retailer website where Lottery retailer chains can log into the website to retrieve their weekly invoice information as well as Lottery product sales and instant ticket information.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Rhode Island Lottery for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This was the eighteenth consecutive year that the Lottery has achieved this prestigious award (1997 through 2014). In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. This report must comply with both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Rhode Island Lottery received a certificate on its first submission, in May of 1998, and on each subsequent attempt. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Accounting Systems and Procedures

The Rhode Island Lottery operates the Lottery fund, an enterprise fund that, like a private business, utilizes the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned; and expenses are recognized at the time the related liabilities are incurred.

Budgetary Controls

The operating budget of the Rhode Island Lottery is submitted to the State Budget Office, through the Department of Revenue, for inclusion into the Governor's State Budget to the General Assembly. The State Budget is ultimately legally enacted by the General Assembly.

The Revenue Estimating Conference continues to adopt revenue estimates for the Lottery, which are incorporated into the State Budget.

Internal Control Environment

Management of the Lottery is responsible for establishing and maintaining an internal control structure designed to ensure that assets are protected from loss, theft, or misuse and to ensure that the accounting system allows for recovery of complete, accurate and timely financial information. The structure is designed to provide reasonable assurance, rather than absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

Since the Lottery manages a valuable ticket inventory, controls the disbursement of prizes, operates and regulates video lottery activity at the State's two pari-mutuel facilities, and operates and regulates table gaming at the Twin River Casino, the following steps are taken to ensure the operations remain honest and secure:

- Employing an Information Technology Security Manager.
- Employing specialized security staff.
- Maintaining secure Lottery facilities and limiting access to them.
- Performing background checks on retailers, vendors, and employees.
- Printing lottery tickets with special security features.
- Independent Information Technology security audits of Lottery networks.
- Implementing additional Information Technology security control requirements over each video lottery facility's system to protect the integrity of the data within the systems and the financial data used by the Lottery.
- Providing a variety of access and other controls in Information Technology systems and environments.
- Implementing a Video Lottery System Monitoring Plan to ensure the integrity of video lottery games and to ensure that control procedures are operating as designed.
- Monitoring video lottery terminals on a daily basis and reconciling to a cash management system.
- Processing daily transaction data of all retailer activity by Lottery personnel using the Lottery's internal control system programs and reconciling transactions to reports generated by the on-line system.
- Implementation of comprehensive information security objectives for the Lottery's on-line and video lottery systems as provided by its central system provider.
- Monitoring regulated casino procedures and controls over net table game revenue.
- Assignment of table games compliance inspectors and investigators to assess potential violations of regulatory and compliance requirements and game play, and to determine grounds for turning over to law enforcement.

- Continuous monitoring of table games cash and chip management, required financial documents, and surveillance of games in play.

- Implementation of financial, operational, and compliance minimum internal control requirement standards for casino management.

The Lottery currently has 78 employees, 46 of whom are located at the headquarters in Cranston, Rhode Island. Separated from the headquarters, the drawing studio is located at the Twin River pari-mutuel facility. Additionally, 32 employees are located at the Twin River facility operating and regulating table games to ensure compliance with Rhode Island statutory requirements and Lottery rules and regulations.

Future Initiatives

In October 2015, the Powerball® game was enhanced to offer larger jackpots and also increase other significant prizes. In addition, the PowerPlay® option offers the chance to multiply most winnings up to ten times any time the advertised annuitized jackpot is $150 million or less. This does not apply to the jackpot or the $1 million prize, which automatically increases to $2 million regardless of the PowerPlay® number. An additional enhancement increases the prize for matching four white balls and the Powerball from $10,000 to $50,000.

In August 2015, Twin River added an additional 12 table games on the second floor in the non-smoking area of the facility. In early December 2015, Twin River added a Poker room to the second floor of the facility.

In September 2015, the Lottery launched its first mobile application enabling players to check their own tickets, obtain winning numbers, view the latest jackpot amounts, locate nearby retailers, access how to play games information, and identify top prize amounts remaining in instant games.

The Lottery continues to enhance its website to allow for second-chance drawings. These drawings allow players to participate by logging onto the website and entering specified serial numbers from tickets that have been purchased at retailer locations.

In addition to the Lottery's on-going Play Responsibly Program and the Lottery-sponsored 24-hour Problem Gambling Helpline, the legislation that passed allowing for the implementation of Table Games in Rhode Island requires the Lottery to establish additional problem gambling programs, with annual reimbursement of expenses by Twin River and Newport Grand of no less than $100,000 in aggregate. The Lottery's contract with CODAC in Rhode Island has resulted in a gambling treatment services program, called "Problem Gambling Services of Rhode Island", which is administered by CODAC and offers treatment at locations around the state for all individuals regardless of insurance coverage. The Lottery continues to serve on the Rhode Island Council on Problem Gambling and maintains its memberships with the National Council on Problem Gambling, the Northeast Consortium of Problem Gambling Councils, and the Association of Problem Gambling Service Administrators. Marketing campaigns are conducted throughout the year promoting the Helpline, and Treatment Services, and the overall Play Responsibility Program.

The Twin River and Newport Grand video lottery terminal facilities continue to coordinate their regular promotions with their promotional points programs. Both facilities also plan to continue providing entertainment to complement their marketing programs and generate additional revenue. Additionally, reimbursement for certain marketing expenses are paid to the facilities after specific statutory requirements are met, for those marketing expenses as authorized and allowed by the Lottery.

Independent Audit

The Rhode Island General Laws require an annual audit to be performed by the State Auditor General. The fiscal year 2015 audit of the financial statements has been completed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. The Independent Auditor's Report on the Lottery's financial statements is included in the financial section of this report. In accordance with *Government Auditing Standards*, the 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*, was issued by the Auditor General.

Acknowledgements

Preparation of this report was accomplished with the significant efforts of Sandra Lee, Anissa Colson, and Kevin San.

This Comprehensive Annual Financial Report reflects our commitment to maintain the Rhode Island Lottery's financial statements and record keeping systems in compliance with the highest standards of accountability.

Respectfully submitted,

Gerald S. Aubin
Director

Daniel R. Sarro
Finance Administrator

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Rhode Island Lottery

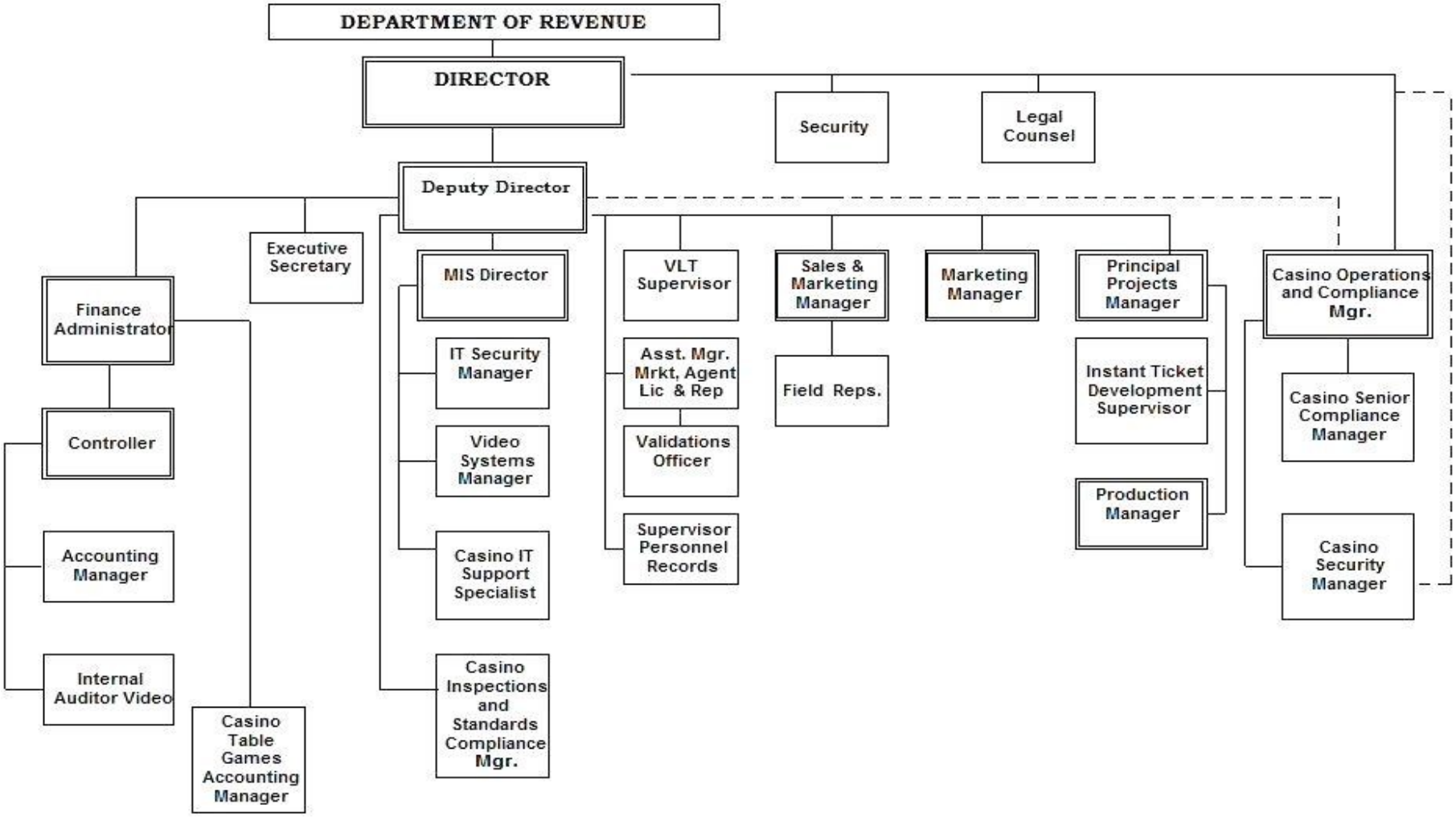
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

Rhode Island Lottery
Organizational Chart
June 30, 2015



PRINCIPAL OFFICIALS

GERALD S. AUBIN
DIRECTOR

MARGARET D. ROSE
DEPUTY DIRECTOR

DANIEL R. SARRO
FINANCE ADMINISTRATOR

SANDRA M. LEE
CONTROLLER

JOSEPH R. SANTURRI
DIRECTOR OF MANAGEMENT INFORMATION SYSTEMS

KEITH J. TUCKER
CASINO OPERATIONS AND COMPLIANCE MANAGER

DONALD J. CATALDI
SALES AND MARKETING MANAGER

MELISSA JUHNOWSKI
MARKETING MANAGER

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Financial Section

Office of the Auditor General
State of Rhode Island and Providence Plantations - General Assembly
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INDEPENDENT AUDITOR'S REPORT

Joint Committee on Legislative Services, General Assembly,
State of Rhode Island and Providence Plantations:

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Lottery (Lottery), an enterprise fund of the State of Rhode Island and Providence Plantations, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Lottery's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lottery as of June 30, 2015, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2(l), implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* required the Lottery to restate beginning net position to recognize its proportionate net pension liability as a participating employer in the cost-sharing multiple employer State Employees' Retirement System plan.

As discussed in Note 13(b), the Lottery's ability to generate income for transfer to the State's General Fund could be adversely impacted by current or planned gaming activities of competitors in neighboring states.

As discussed in Note 2(b), the financial statements present only the Lottery enterprise fund and do not purport to, and do not, present fairly the financial position of the State of Rhode Island and Providence Plantations, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19 through 28, Schedule of the Lottery's Proportionate Share of the Net Pension Liability – Employees' Retirement System Plan on page 60, and the Schedule of the Lottery's Contributions – Employees' Retirement System Plan on page 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Lottery's basic financial statements. The supplementary information included

in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015 on our consideration of the Lottery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lottery's internal control over financial reporting and compliance.

Dennis E. Hoyle, CPA
Auditor General

September 30, 2015

RHODE ISLAND LOTTERY

Management's Discussion and Analysis

Management of the Lottery provides this *Management's Discussion and Analysis* of their financial performance for the readers of the Lottery's financial statements. This narrative provides an overview of the Lottery's financial activity for the fiscal year ended June 30, 2015. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of the Lottery's financial activities based on facts, decisions, and conditions currently facing management.

Understanding the Lottery's Financial Statements

The Lottery, a division of the Department of Revenue of the State of Rhode Island and Providence Plantations (State), is accounted for as an enterprise fund that reports all assets and liabilities using the accrual basis of accounting, much like a private business entity. In accordance with accounting principles generally accepted in the United States of America, this report consists of a series of financial statements, along with notes to the financial statements and a supplementary schedule detailing operating revenue and the cost of gaming operations for each lottery game. The financial statements immediately follow this *Management's Discussion and Analysis* and are designed to highlight the Lottery's net position and changes in net position resulting from Lottery operations.

The most important relationship demonstrated within the Lottery's financial statements is the requirement that the Lottery transfer net income to the State's General Fund. Accordingly, the primary focus of these financial statements is determining net income available for payment to the State's General Fund rather than the change in net position of the Lottery. It is also important to note that most financial statement balances have a direct relationship to revenue. Generally, as lottery revenues increase for a particular game, the related amount paid to the State's General Fund also increases. Similarly, increases in revenue for a particular lottery game result in direct increases to the related prize awards and commissions expense.

Most assets included on the Statement of Net Position represent current amounts such as cash and accounts receivable from Lottery retailers. Most current liabilities represent prize awards owed, vendor commission payments, and amounts due to the State's General Fund. Current assets approximate the amounts required to satisfy current liabilities at year-end.

The deficit in net position of $18.3 million reported at June 30, 2015 relates to the Lottery's sale of its exclusive rights to operate its gaming systems and the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In fiscal 2003, the Lottery sold the exclusive right to operate its current gaming systems for a 20-year period at a cost of $12.5 million and immediately paid the proceeds to the State's General Fund. According to the terms of the agreement, if for any reason, this contract is voided prior to its completed term; the Lottery will be required to refund a pro-rata share of the sales price to the gaming system provider. In accordance with generally accepted accounting principles, the Lottery recognizes the revenue related to this transaction over the 20 year life of the contract. The deficit net position at June 30, 2015 includes the remaining balance of $5 million representing unearned contract revenue. The balance of $13.3 million represents the Lottery's proportionate share of the net pension liability as of June 30, 2015, as a participating employer of the Employee's Retirement System of RI. Further details of the Lottery's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* can be found in the notes to the financial statements.

Financial Highlights

- The Lottery transferred $381.9 million to the State's General Fund in fiscal 2015, an increase of $5.6 million over fiscal 2014.

- Instant ticket sales increased by $6.6 million or 7.8% in fiscal year 2015. During fiscal year 2015, the Lottery introduced a new family of games offering between 5 and 100 times the prize money on its $1, $2, $5 and $10 tickets. The Lottery also introduced a higher price point ticket on one of its most popular games, and improved the features and number of plays on its $10 holiday ticket.

- Keno sales increased by $2.3 million or 2.9% in fiscal year 2015. Improved economic conditions including maintaining the retailer base, and the addition of new retailers resulted in additional sales.

- Video lottery net terminal income increased by $9.2 million or 1.8% in fiscal year 2015. Increases in general marketing expenditures, promotions, and additional bonus play resulted in additional video lottery play.

- Net table game revenue at Twin River increased $18.5 million or 21.03%. This resulted in net income of $12.8 million from operations after the payment of related commissions and operating expenses. Continued marketing efforts and adjustments to the mix of games enhanced table games revenue.

Analysis of Comparative Financial Position

The Lottery's net position (deficit) at June 30, 2015 and June 30, 2014 is summarized below:

	June 30, 2015	June 30, 2014
Assets:		
Current assets		
Cash and cash equivalents	$ 19,719,804	$ 18,563,846
Accounts receivable, net	5,422,615	6,543,195
Other	954,132	741,075
Total current assets	26,096,551	25,848,116
Long-term assets		
Capital assets, net	455,395	460,135
Total assets	26,551,946	26,308,251
Deferred outflows of resources	1,183,029	-
Liabilities:		
Current liabilities		
Due to State's General Fund - net income from operations	$ 1,062,175	$ 270,580
Due to State's General Fund - operating expenses	331,090	270,308
Accounts payable	14,263,901	12,520,990
Prize obligations	5,580,128	7,907,347
Compensated absences	205,303	208,938
Other liabilities	5,433,555	5,467,729
Total current liabilities	26,876,152	26,645,892
Long-term liabilities		
Compensated absences	300,794	287,359
Net Pension liability	13,315,141	-
Unearned contract revenue	4,375,000	5,000,000
Total long-term liabilities	17,990,935	5,287,359
Total liabilities	44,867,087	31,933,251
Deferred inflows of resources	1,165,997	-
Net Position:		
Net investment in capital assets	455,395	460,135
Unrestricted	(18,753,504)	(6,085,135)
Total net position (deficit)	$ (18,298,109)	$ (5,625,000)

The majority of the Lottery's assets represent current resources necessary to pay the current liabilities owed to vendors, prize winners, video lottery participants, and ultimately the State's General Fund. At June 30, 2015, the Lottery's assets included $19.7 million in cash and cash equivalents as compared with $18.6 million at June 30, 2014. The Lottery's accounts receivable approximated $5.4 and $6.5 million, respectively, at June 30, 2015 and 2014.

The Lottery's current liabilities included at the balance sheet date are amounts owed for vendor payables, prize obligations and a residual amount owed to the State's General Fund for June net operations and operating expenses. The amount owed to the General Fund for June net operations approximated $1.1 million at June 30, 2015 and $0.3 million at June 30, 2014. At June 30, 2015, vendor payables, made up largely of commissions due to video lottery participants, and prize obligations, attributable mostly to instant ticket games were $14.3 million and $5.6 million, respectively. In comparison, vendor payables and prize obligations at June 30, 2014 were $12.5 million and $7.9 million, respectively.

The deficit in net position reported at June 30, 2015, as previously explained, relates to the Lottery's immediate transfer, in a prior fiscal year, to the State's General Fund, of all proceeds received from the sale of its exclusive rights over the operation of its gaming systems. At June 30, 2015, a deficit balance of $5 million remains relating to deferred contract revenue to be recognized proportionately over the remaining term of the Master Contract with its gaming systems provider. Additionally, the Lottery's implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in fiscal 2015 resulted in the restatement of beginning net position to recognize the Lottery's proportionate share of the net pension liability as a participating employer in the cost-sharing multiple employer Employees' Retirement System plan (see note 2(l) to financial statements).

Lottery Operations

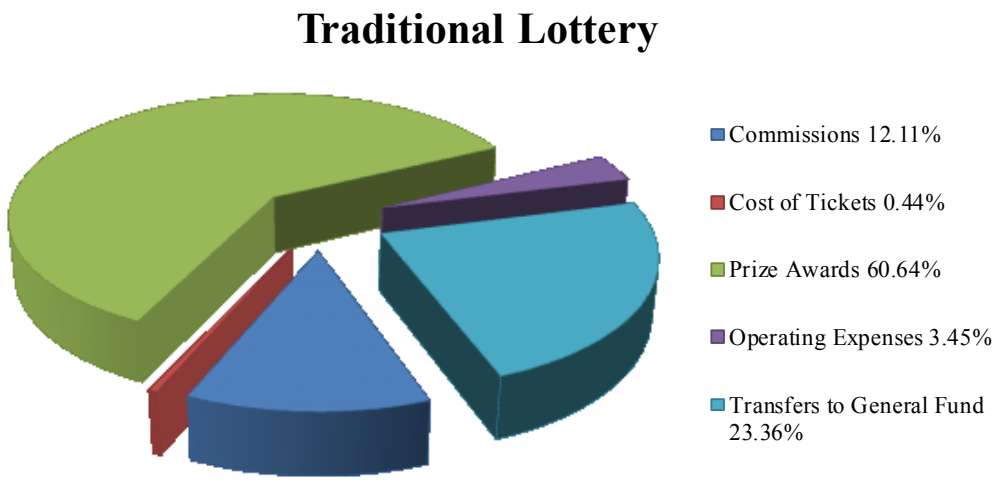
	June 30, 2015	June 30, 2014
Revenue:		
On-line games	$ 152,565,645	$ 158,810,169
Instant games	90,526,129	83,975,581
Video lottery, Net	516,262,400	507,056,712
Table games	106,640,942	88,108,367
Other income	1,058,965	1,131,429
Total revenue	867,054,081	839,082,258
Expenses:		
Cost of gaming operations	(474,010,858)	(451,679,526)
Operating expenses	(10,282,674)	(10,473,985)
Total expenses	(484,293,532)	(462,153,511)
Income before transfers	382,760,549	376,928,747
Transfers to State's General Fund	(381,935,511)	(376,327,120)
Transfers from RI Capital Plan Fund	-	23,373
Increase in net position	825,038	625,000
Total net position (deficit), beginning of year	(5,625,000)	(6,250,000)
Cumulative effect of GASB Statement No. 68 Implementation*	(13,498,147)	-
Total net position (deficit), beginning as restated	(19,123,147)	-
Total net position (deficit), end of year	$ (18,298,109)	$ (5,625,000)

***See note 2(l) for an explanation of the restatement.**

Revenue

Traditional Lottery

- Traditional Lottery games consist of on-line and instant ticket games. Distribution of the year's traditional lottery revenue was as follows:



- On-line games offered were PowerBall®, Mega Millions®, Keno, Bingo, Daily Numbers, Wild Money and Lucky for Life® during fiscal 2015. In total, on-line revenue decreased by $6.2 million. Significant changes in on-line game revenue from the prior year included:

    - In October 2014, sales began for the Monopoly Millionaires' Club™ Online Game. Due to disappointing sales performance, the game was suspended in December 2014 after generating only $288,275 in sales.

    - Revenue from Keno sales increased $2.3 million over the prior year. Improved economic conditions including maintaining the retailer base and the addition of new organizations as retailers resulted in additional sales.

    - Revenue from Powerball® decreased $5.5 million for fiscal 2015 over the prior year in large part from higher rolling jackpots in the prior year.

    - Revenue from Mega Millions® decreased $1.2 million for fiscal 2015 over the prior year due in large part from higher rolling jackpots in the prior year, including a record $636 million jackpot in December 2013.

    - Revenue from Lucky for Life® sales decreased $1.3 million from the prior year.

- Instant ticket revenue for the fiscal year ended June 30, 2015 increased $6.6 million over the preceding fiscal year. During fiscal year 2015, the Lottery introduced a new family of games offering between 5 times and 100 times the prize money on its $1, $2, $5 and $10 tickets. The Lottery also introduced a higher price point ticket on one of its most popular games, and improved the features and number of plays on its $10 holiday ticket.

The following graph depicts the Lottery's on-line sales for the fiscal years ended June 30, 2015 and 2014.

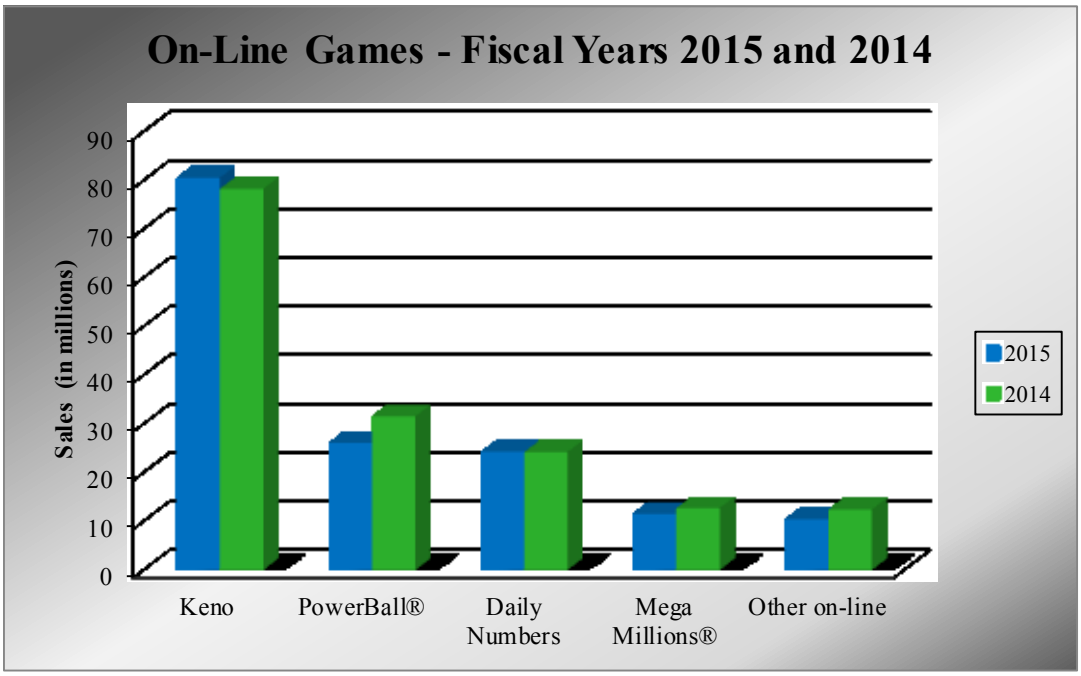
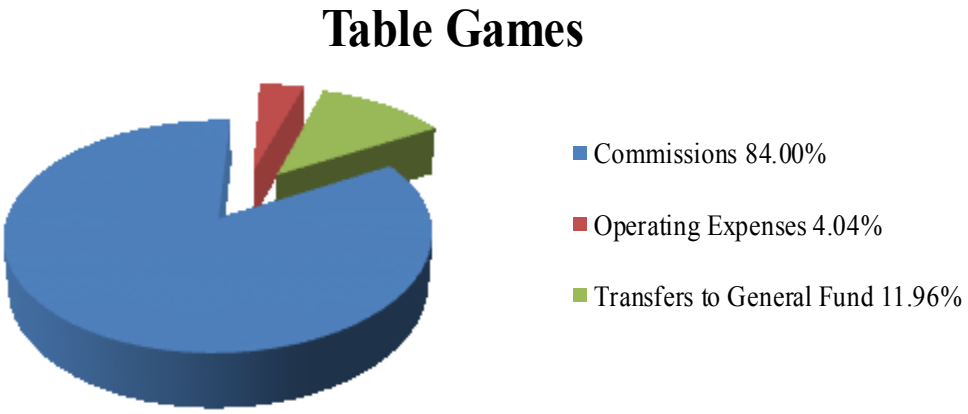


Table Games

- For the fiscal year ending June 30, 2015, net table game revenue was $106.6 million, an increase of 21.03%. During the fiscal year ending June 30, 2015 the number of available gaming tables were 80. Continuing targeted marketing promotions and adjustments to the mix of tables games offered resulted in increased net table game revenue.

Distribution of the year's net table game revenue was as follows:

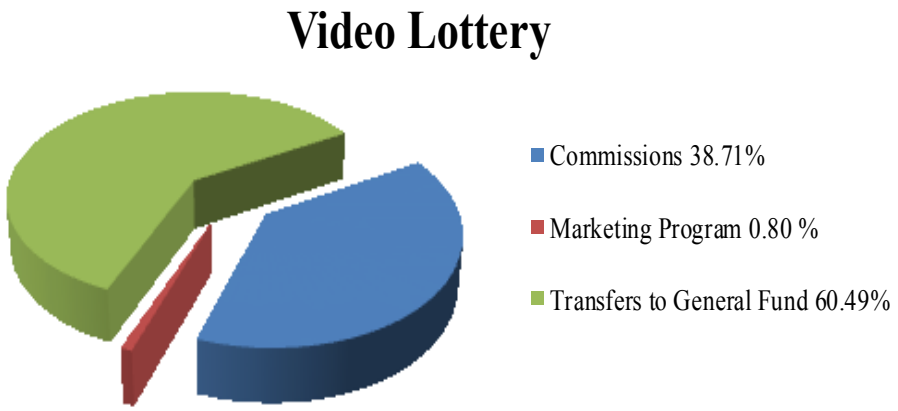


Video Lottery

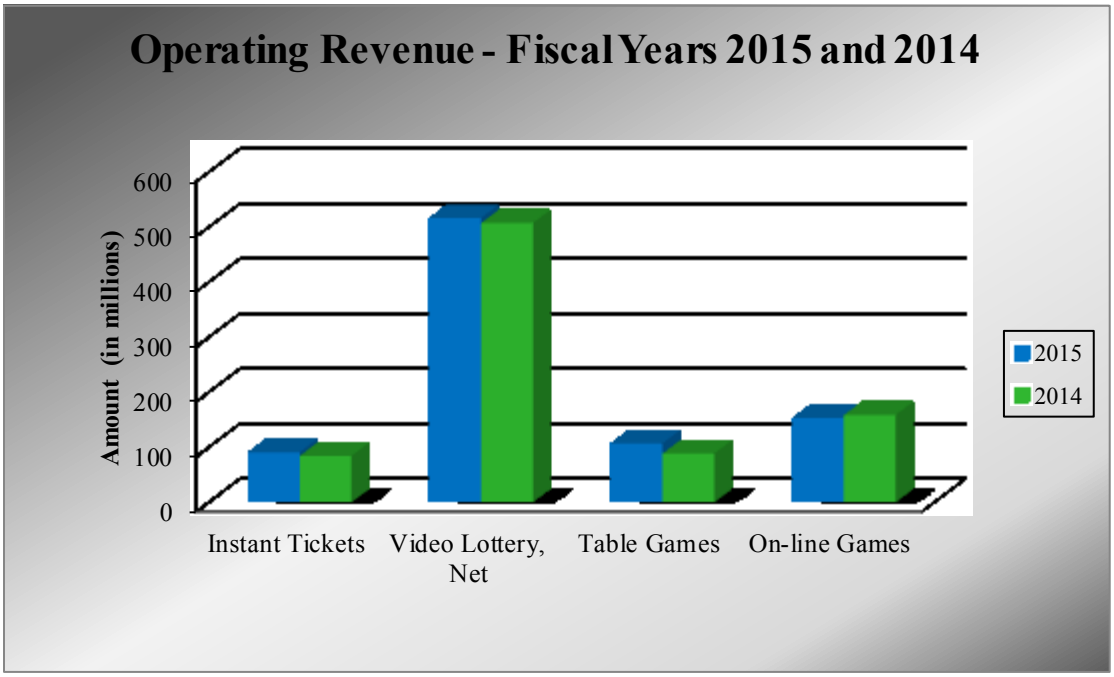
- Video lottery net revenue increased $9.2 million or 1.8% over the prior fiscal year. During fiscal year 2015, video terminal inputs (cash and credits transferred) increased by $106 million; and, patrons cashed out (terminal outputs) $97 million more as compared to the prior year.

  Net terminal income at Twin River totaled $470.7 million, a 1.8% increase compared to fiscal 2014. Net terminal income at Newport Grand totaled $45.5 million, a 1.8% increase compared to fiscal 2014. Net terminal income increased over the prior fiscal year due to increased general marketing expenditures, promotions, and additional promotional points offered to players.

Distribution of the year's video lottery revenue was as follows:

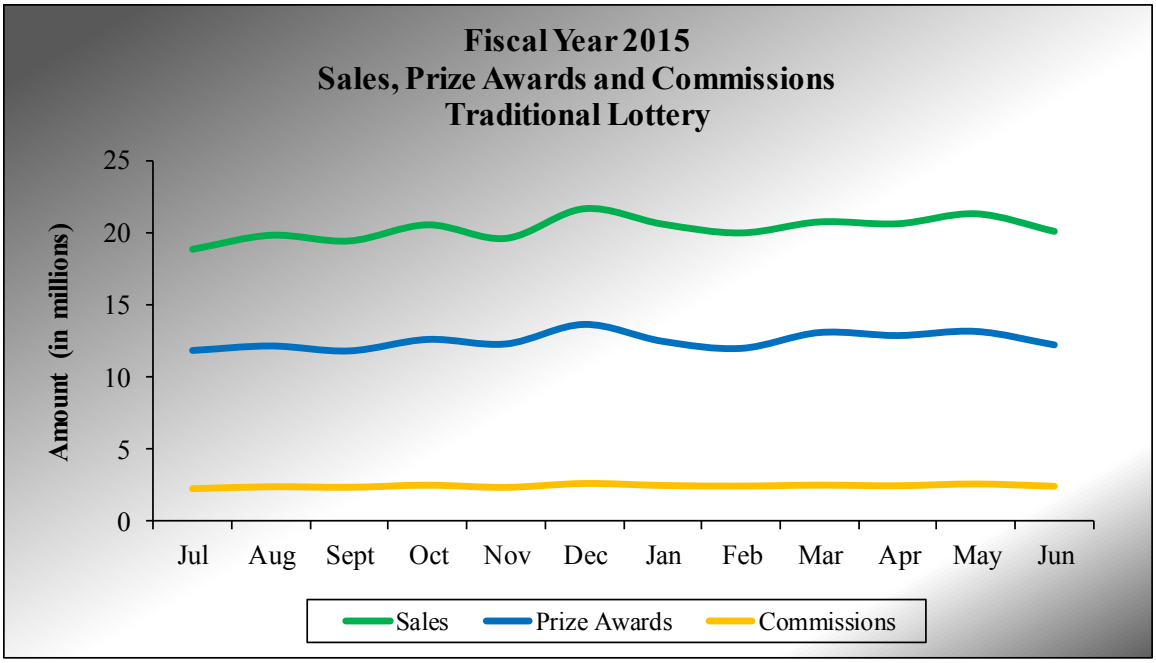


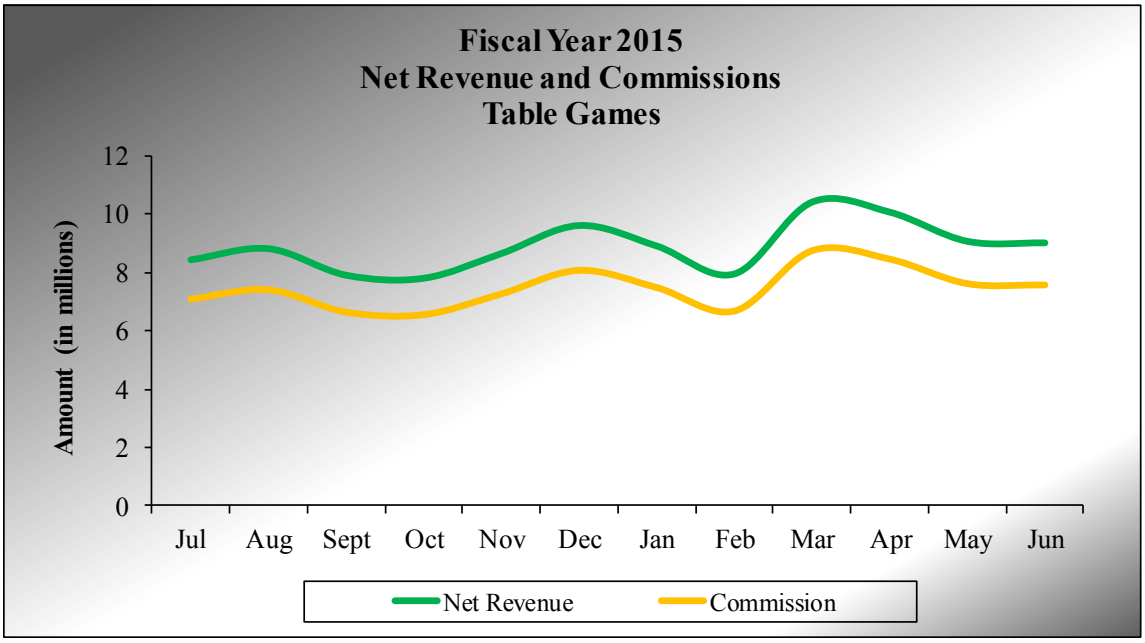
The following graph depicts the Lottery's operating revenue for instant tickets, video lottery, table games, and on-line games for the fiscal year ended June 30, 2015 in comparison to fiscal year ended June 30, 2014.

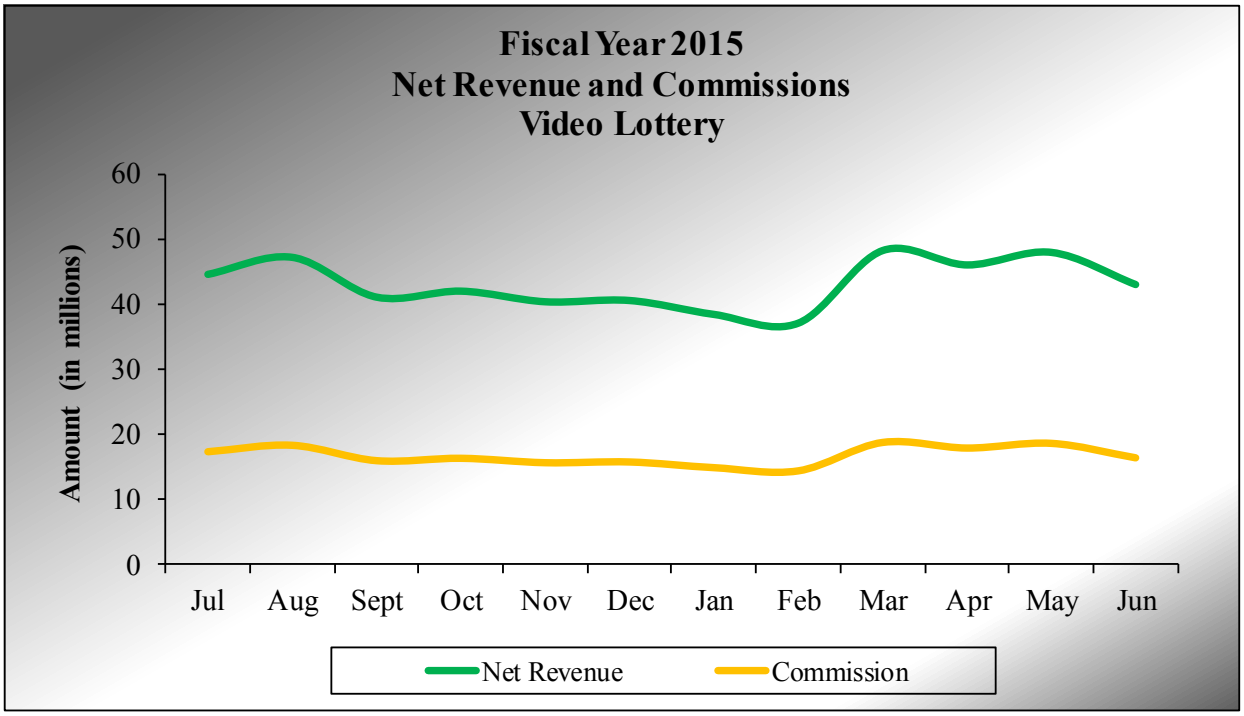


Commissions and Prize Awards Expense

As the following graphs depict, the Lottery's most significant expenses (commissions and prize awards) are predictable because they have a direct correlation to sales. As lottery revenues increase, so do the related prizes and commissions paid by the Lottery. While each Lottery game has a designed prize payout structure, the overall amount paid as prize awards expense is consistent in relation to sales. The second and third graphs compare table games net revenue and video lottery net revenues to their related commissions.

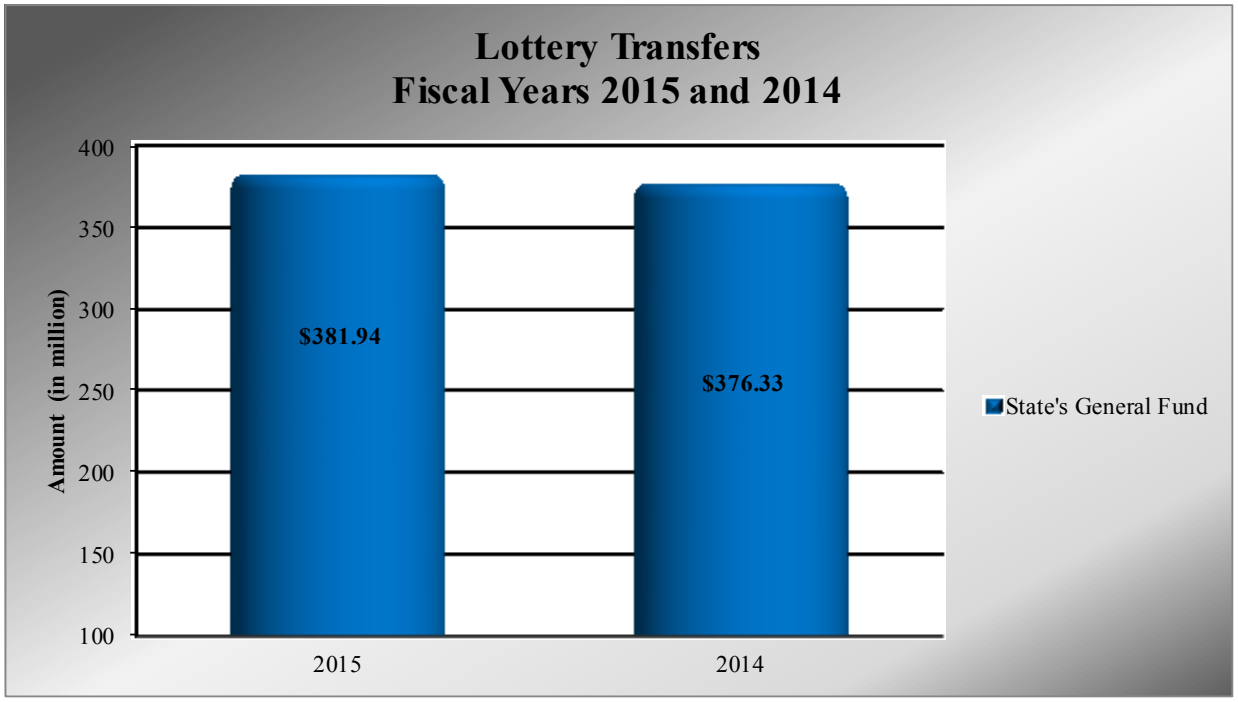






Lottery Transfers

Net income transferred by the Lottery for the fiscal years ended June 30, 2015 and June 30, 2014 was $381.94 million and $376.3 million, respectively. All fiscal 2015 transfers were made by the Lottery directly to the State's General Fund, as required by the General Laws.



Debt Administration

Jackpot prizes awarded under PowerBall® and Mega Millions® are satisfied through investments purchased by the Multi-State Lottery Association (MUSL). MUSL purchases United States government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for PowerBall® jackpot awards which are payable in installments from funds provided by MUSL.

The Lucky for Life® regional game offers top and second prize winners an annuity or cash option payment. If selected by the winner, the Lucky for Life® regional game requires each selling lottery to purchase an insurance annuity to fully fund the top and second prizes won in that state. All participating lotteries share in the cost of the insurance annuity or cash option, however, the selling lottery is responsible for settling the top and second prize liabilities. Annuities shall be purchased in accordance with the applicable laws of the state purchasing the annuity. Qualified insurance companies must meet the minimum rating requirements established by each participating state. Rhode Island has not had a top prize winner to date but plans to purchase its annuities for any future top prize winners through MUSL with an insurance company with an AM Best rating of A or better. Rhode Island has purchased its second prize winners' annuities through MUSL in accordance with insurance company rating requirements.

Capital Assets

The Lottery purchases and maintains property and equipment necessary to sell lottery products, pay prizes and perform other lottery operations.

For further information, refer to Notes to Financial Statements, Note 4.

Potential Factors Impacting Future Operations

The Lottery's mission is to maximize revenues for the purpose of maximizing payments to the State's General Fund. A continuous assessment of the State's financial environment and the Lottery's own product lines and operations are essential to accomplish this mission. The following considerations have been presented to inform those interested in the Lottery's operations about potential factors that could affect future operations:

- Newport Grand, one of the State's video lottery gaming facilities, was purchased in July 2015, by Premier Entertainment II, LLC. whose principal owners are the Twin River Management Group, which own the State's only other gaming facility. The acquisition placed both gaming facilities under a common ownership and management group. This ownership group is currently exploring the feasibility of building a new gaming facility in Tiverton and relocating the gaming operations from Newport in the future.

- Master video lottery contracts and amendments thereto with its video lottery facilities, Twin River and Newport Grand, include provisions for the continued operation of promotional play programs where the facilities reward patrons with free video terminal play up to an amount authorized by the Lottery. These agreements also require the Lottery to reimburse the facilities for its net terminal income share of certain qualified marketing and promotional expenses. These agreements provide significant incentives for the facilities to continue to invest appropriately in the promotion of their facilities and the Lottery's video and table games activities. See Note 12 to the financial statements for details regarding these agreements.

- The Lottery's gaming operations currently compete with casinos in nearby Connecticut and Massachusetts. In addition, both neighboring States have already approved or are considering additional casino expansion likely to increase gaming competition in New England. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states.

- Beginning in October 2015, changes to the Powerball® game structure designed to increase the frequency of larger jackpot drawings are planned. Such changes are designed to generate an increase in game play and overall sales. The Lottery, in conjunction with their gaming partners, continuously explore new games and modifications to existing games in attempts to maximize revenue.

Contacting the Lottery's Financial Management

This financial report is designed to provide a general overview of the Lottery's financial activity for all those interested in the Lottery's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Administrator, Rhode Island Lottery, 1425 Pontiac Avenue, Cranston, RI, 02920.

RHODE ISLAND LOTTERY

Statement of Net Position

June 30, 2015

Assets		
Current assets:		
Cash and cash equivalents (note 3)	$	19,719,804
Accounts receivable-less allowance for doubtful accounts of $100,363		5,422,615
Deposits with Multi-State Lottery Association (MUSL) (note 1)		42,175
Ticket inventory		911,957
Total current assets		26,096,551
Capital assets, net (note 4)		455,395
Total assets		26,551,946
Deferred outflows of resources (note 9)		1,183,029
Liabilities		
Current liabilities:		
Due to State's General Fund - net income from operations (note 5)	$	1,062,175
Due to State's General Fund - operating expenses (note 5)		331,090
Accounts payable		14,263,901
Obligation for unpaid prize awards		5,580,128
Accrued expenses		4,559,072
Compensated absences (note 7)		205,303
Advances for future drawings		226,211
Unearned contract revenue (note 8)		625,000
Other current liabilities		23,272
Total current liabilities		26,876,152
Long-term liabilities:		
Compensated absences (note 7)		300,794
Net Pension liability (note 9)		13,315,141
Unearned contract revenue (note 8)		4,375,000
Total long-term liabilities		17,990,935
Total liabilities		44,867,087
Deferred inflows of resources (note 9)		1,165,997
Net Position		
Net position, net investment in capital assets (note 8)		455,395
Unrestricted (deficit) (note 8)		(18,753,504)
Total net position (deficit)	$	(18,298,109)

See accompanying notes to financial statements.

RHODE ISLAND LOTTERY

Statement of Revenue, Expenses and Changes in Net Position

Year Ended June 30, 2015

Operating Revenue (schedule 1):		
On-line games	$	152,565,645
Instant games		90,526,129
Video lottery (note 2)		516,262,400
Table games (note 2)		106,640,942
Total revenue		865,995,116
Cost of gaming operations (schedule 1):		
Commissions (note 6)		319,140,026
Prize awards, online and instant games		150,062,564
Incentive programs, video lottery		4,119,330
Advertising		2,227,887
Unclaimed prize recovery		(2,618,608)
Cost of tickets		1,079,659
Total cost of gaming operations		474,010,858
Gross profit		391,984,258
Operating expenses:		
Personal services		9,276,808
Contract services		109,948
Depreciation and amortization		101,746
Other		794,172
Total operating expenses		10,282,674
Operating income		381,701,584
Non-operating income (expenses):		
Investment income		106,509
Other income (expenses)		952,456
Income before transfers		382,760,549
Transfers to State's General Fund (note 5)		(381,935,511)
Increase in net position		825,038
Total net position (deficit), beginning as restated (note 2(l))		(19,123,147)
Total net position (deficit), end of year (note 8)	$	(18,298,109)

See accompanying notes to financial statements.

RHODE ISLAND LOTTERY

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities:		
Receipts from lottery sales, online and instant games	$	244,225,203
Receipts from video lottery operations		516,262,400
Receipts from table games		106,640,942
Receipts from MUSL for grand prize winners		423,000
Receipts from problem gambling program		100,000
Receipts from sale of other tickets		64,639
Other receipts		274,671
Payments for on-line and instant ticket prizes		(149,773,735)
Payments to MUSL grand prize winners		(423,000)
Payments for commissions - retailers		(9,633,389)
Payments for commissions - video lottery		(202,655,186)
Payments for commissions - table games		(87,465,347)
Payments to facilities - video lottery incentive program		(4,074,749)
Payments for commissions - on-line games contractor		(17,760,618)
Payments to suppliers for goods and services		(4,473,338)
Payments to employees for services		(9,441,122)
Net cash provided by operating activities		382,290,371
Cash flows from noncapital financing activities:		
Transfers to State's General Fund		(381,143,916)
Net cash used for noncapital financing activities		(381,143,916)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(97,006)
Net cash used for capital and related financing activities		(97,006)
Cash flows from investing activities:		
Interest income		106,509
Net cash provided by investing activities		106,509
Net increase in cash and cash equivalents		1,155,958
Cash and cash equivalents at July 1, 2014		18,563,846
Cash and cash equivalents at June 30, 2015	$	19,719,804

See accompanying notes to financial statements.

Continued.

RHODE ISLAND LOTTERY

Statements of Cash Flows (Continued)

Year Ended June 30, 2015

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 381,701,584
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation and amortization	101,746
Miscellaneous receipts classified as operating activities	52,651
Rental income and other receipts	274,804
(Increase) decrease in assets and deferred outflows of resources:	
Accounts receivable	1,120,580
Deposits with MUSL	(133)
Prepaid expense	3,374
Inventory	(216,299)
Deferred outflows of resources	(55,566)
Increase (decrease) in liabilities and deferred inflows of resources:	
Due to State's General Fund - operating expenses	60,782
Accounts payable	1,742,911
Obligation for unpaid prize awards	(2,327,219)
Accrued expenses and other	(29,421)
Net pension liability	(1,310,469)
Advances for future drawings	5,049
Deferred inflows of resources	1,165,997
Total adjustments	588,787
Net cash provided by operating activities	$ 382,290,371

See accompanying notes to financial statements.

(1) *Organization*

The Lottery was created in 1974 under the General Laws of the State of Rhode Island (General Laws) to establish and operate lottery games for the purpose of generating resources for the State's General Fund. The Lottery is a division of the Department of Revenue of the State of Rhode Island (the State).

The Lottery offers the following games to the public:

(A) On-line (lottery drawing) games that include:

i) Traditional in-state drawing games including Daily Numbers – Midday and Evening, Keno, Bingo, and Wild Money. The drawings for these games are administered by the Rhode Island Lottery and offer patrons set prize amounts or smaller progressive jackpots. Keno and Bingo are considered monitor games where drawings are held every 4 or 8 minutes, respectively, on "monitors' in sales locations across the State.

ii) Multi-state games, which include Powerball®, Mega Millions®, and Monopoly Millionaires' Club™ which are operated in accordance with rules and agreements established by the Multi-State Lottery Association (MUSL). These games offer jackpot prize awards to patrons in participating states. Specific details regarding the operations of these games are as follows:

(a) *PowerBall®*

The Lottery sells PowerBall® tickets, collects all revenues, and remits prize funds to MUSL net of low-tier prize awards. Jackpot prizes are payable in either a lump-sum cash distribution or annual installments. Annual installments are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating state lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

The prize pool for PowerBall® is 50% of each drawing period's ticket sales. MUSL may place up to 5% of each drawing period's ticket sales for PowerBall®, included as part of each member's prize liability, in prize reserve funds. The prize reserve deduction begins at 2% when an annuity jackpot exceeds $120 million and 4% when an annuity jackpot exceeds $250 million. The maximum balance on the prize reserve funds for PowerBall® is $80 million. Once the prize reserve funds exceed this designated cap, the excess becomes part of the prize pool. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize liabilities, and these reserve funds are to be used at the discretion of the MUSL Board of Directors. The prize reserve funds are refundable to MUSL members if the MUSL disbands or if a member leaves MUSL. Members leaving MUSL must wait one year before receiving their remaining share, if any, of prize reserve funds.

(1) *Organization* - (Continued)

At June 30, 2015, the prize reserve funds for the PowerBall® game reported a balance of $109.9 million of which the Lottery's share was $1.4 million. The Lottery has charged amounts placed into the prize reserve funds to prize awards expense as the related sales have occurred.

All investment earnings relating to the prize reserve funds are credited to an unreserved account for each member state. This account can be utilized to offset operating costs or for the promotion of any MUSL game as approved by the MUSL Board of Directors. The Lottery has recorded all income and operating expenses related to its unreserved account and has reported the balance of $42,175 at June 30, 2015 on the Statement of Net Position in "Deposits with MUSL".

(b) *Mega Millions®*

MUSL participates as a member (or party) lottery of the Mega Millions® Product Group (a group of lotteries participating under an agreement between the Mega Millions® lotteries and MUSL to offer the Mega Millions® game within their State jurisdictions). The Rhode Island Lottery participates as a member of MUSL, in the sale of tickets, payment of prizes, and associated activities related to the Mega Millions® lottery game. As such, the Lottery sells Mega Millions® tickets, collects all revenues, and remits prize funds to MUSL net of low-tier prizes. Jackpot prizes are payable either in a lump-sum cash distribution or annual installments. Annual installments are satisfied through investments purchased by MUSL. MUSL purchases U.S. government obligations, which are held in irrevocable trusts established by MUSL for the benefit of participating lotteries. Accordingly, the Lottery does not record an obligation for jackpot awards which are payable in installments from funds provided by MUSL.

(c) *Monopoly Millionaires' Club™*

In October 2014, sales began for Monopoly Millionaires' Club™ new national drawing game. The game offered three ways to become a millionaire. Due to disappointing sales performance, the game was suspended in December 2014 after generating only $288,275 in sales.

(1) *Organization* - (Continued)

iii) Lucky for Life®, a regional game, expanded to include ten additional lotteries in fiscal year 2015, operates under an agreement between the six New England states ("New England Lotteries") to offer a game with a top prize of $1,000 per day for life. The Lottery sells Lucky for Life® tickets, collects all revenues, and pays prizes based on its share of total sales, as a party lottery operating the regional game. The party lotteries have entered into an agreement with MUSL to administer certain aspects of the game. MUSL communicates and collects the share of prize amounts owed by each party lottery. The top prize and second prize is paid in accordance with official game rules and is shared based on each state's percentage of sales in proportion to the total top prize liability. Total low-tier prizes are shared based on a percentage of sales in proportion to the total low-tier prize liability.

Top Prize Settlement

All top prizes are funded through the purchase of insurance annuities with an alternative cash option. For the annuity option top prizes are based on a $365,000 deferred annuity paid annually based on the winner's natural life with a minimum payment period of 20 years. If there is more than one top prize winner, up to 14 winners, the annuitized prize will be split equally, including the number of top prize winners exercising the cash option, with a minimum value of $500 per week to each winner exercising the annuity option.

For top prizes claimed in Rhode Island, the Lottery will utilize MUSL to purchase insurance annuities to satisfy the prize liability. The Lottery has adopted the following minimum qualification requirements for insurance companies providing insurance annuities for top prize winners:

- An AM Best rating of A or better;
- At least $100 million in capital and surplus;
- At least $1 billion in assets per the balance sheet of the company's most recently audited financial statements prepared by an independent certified public accountant; and
- A National Association of Insurance Commissioners' (NAIC) risk based capital (RBC) ration of 200% or greater.

In the event of default on an insurance annuity for a Rhode Island winner, the Lottery may be contingently liable for any remaining prize amounts due the winner.

As an alternative to the annuitized payment option, the top prize winner may request the top prize cash option payment of $5,750,000. If there is more than one top prize winner, the top prize cash option will be divided by the total number of prize winners, including top prize winners selecting the annuitized payment option.

(1) *Organization* - (Continued)

If more than 14 top prize winners, the top prize liability will be split equally among all top prize winners and paid in one lump sum cash payment, without an annuitized option.

Second Tier Prize Settlement

For up to 20 second prize winners, including those who exercise the cash option, the annuity payment option will be $25,000 per year for life to second prize winners exercising the annuity option. For up to 20 second prize winners, including those who exercise the annuity option, the cash option will be $390,000 to each second prize winner exercising the cash option.

If more than 20 second prize winners, the second prize liability is capped and will be split equally among all second prize winners and paid in one lump sum cash payment, without an annuitized option.

All low-tier prizes (all levels except the top prize and second prizes) are paid in one lump sum cash payment through the Selling Lottery. There is a reconciliation by the Game Administrator for both low-tier and unclaimed expired prizes (prize levels 2-10) when a party lottery varies from its projected prize liabilities and its unclaimed expired prizes.

In January 2015, Lucky for Life® sales expanded to sixteen lotteries. A new prize structure offers larger low-tier prizes and better odds.

(B) Instant (or scratch) ticket offerings sold through licensed lottery retailers include a wide array of themed games where patrons must match two or three of a kind, get like symbols or wild features, or meet other game requirements to win the prize shown.

(C) Video lottery games are operated through 5,637 video lottery terminals (VLTs) at two licensed facilities, Twin River Casino and Newport Grand. Video lottery offers various virtual and multi-layer display games, hosting a wide array of card and theme games to the public.

(D) Table games are operated at the Twin River Casino in Lincoln, Rhode Island. Chapter 42-61.2 of the General Laws authorizes the State to operate casino gaming, and the Lottery Division to promulgate rules and regulations and set policy for table gaming. This chapter stipulates the allocation of net table games revenue. Consistent with the General Laws, net table games revenue derived from Twin River is deposited in the State Lottery Fund for administrative purposes with commissions distributed to Twin River, the Town of Lincoln, RI, and the balance being remitted to the General Fund. During fiscal 2015, commissions to Twin River and the Town of Lincoln were 83% and 1%, respectively.

(1) *Organization* - (Continued)

(A) Prize payout percentages and amounts required to be paid to the State's General Fund as stipulated in the General Laws are summarized below for the various games operated by the Lottery.

Game	Prize Payout	Mandated Payments to the State
Daily Numbers Instant Ticket Games PowerBall® Mega Millions® Monopoly Millionaires' Club™ Wild Money Lucky for Life® Bingo	Not less than 45% or more than 65% of sales	Payments to the General Fund – net of prizes, commissions, administrative and operating expenses.
Keno	Not less than 45% or more than 72% of sales	Payments to the General Fund – net of prizes, commissions, administrative and operating expenses.
Video Lottery	Prize payout not established by law	Payments to the General Fund - net terminal income (video lottery credits purchased less credits redeemed or redeemable, including prize contributions to multi-state video lottery progressive jackpots) minus commission payments and incentive program reimbursements.
Table Games	Prize payout not established by law	Payments to the General Fund - net table game revenue minus commission payments and table game administrative and operating expenses.

(2) *Summary of Significant Accounting Policies*

(a) *Basis of Accounting*

The financial records of the Lottery, an enterprise fund, are accounted for using the economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the related liabilities are incurred. The Governmental Accounting Standards Board (GASB) has the responsibility for establishing generally accepted accounting principles for governmental proprietary fund type activities.

The Lottery has considered the impact and requirements of newly effective GASB Statements in the preparation of these financial statements. For fiscal 2015, the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, resulted in the restatement of the Lottery's beginning net position to recognize its proportionate net pension liability as a participating employer of the Employees' Retirement System of RI. See note 2(l) for additional details of the restatement. In addition, due to the implementation of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the Lottery also recognized a deferred outflow of resources for pension contributions made subsequent to the measurement date (June 30, 2014).

(b) *Reporting Entity*

The Lottery, a division of the Department of Revenue of the State of Rhode Island and Providence Plantations (State), is accounted for as an enterprise fund for financial reporting purposes.

Accordingly, its annual financial statements are included in the State's Comprehensive Annual Financial Report (CAFR). The accompanying financial statements are not intended to present the financial position and results of operations of the State.

(c) *Revenues and Expenses*

The Lottery defines all revenues and expenses deriving from on-line, instant ticket, video lottery, and table games as operating. The Lottery accrues for the maximum prizes payable. Prize obligations, other than those relating to prizes payable in installments, that remain unclaimed one year after the drawing date are reported as a reduction to cost of sales.

(2) *Summary of Significant Accounting Policies* – (Continued)

Revenue from the sale of lottery tickets, video lottery, and table games and expenses for prizes and commissions are recognized as follows:

1. On-line lottery games with specific drawing dates - when the related drawings are held. For the Mega Millions®, Powerball®, and Monopoly Millionaires' Club™ games, prize awards expense is recorded equal to the required contributions to the jackpot pool and low-tier prizes won. For the Lucky for Life® game, prize awards expense is recorded equal to the estimated cost of actual prizes won. Prize awards expense is subsequently adjusted based on the Lottery's share of purchased annuities for the top prize and a settlement for actual low tier prizes won in all participating states.

2. Instant ticket lottery games - when ticket packets are charged to retailers. Prize expense is recognized in proportion to the number of tickets sold based on the stated prize structure for a specific instant ticket game.

3. Video lottery games - are reported on a net basis. Gross revenue is recognized when game credits are purchased via cash or credit redemption at the terminal (gross terminal inputs). Related prizes are recognized when game credits are issued by a video lottery terminal making them redeemable as credits in another video terminal or for cash by a patron (gross terminal outputs).

   The gross video lottery terminal inputs and outputs for fiscal 2015 and reported video lottery net revenue are detailed in the following schedule:

Schedule of Video Lottery Net Revenue
For the Fiscal Year Ended June 30, 2015

Video Terminal Cash-In (Gross Terminal Inputs):	
Cash collected from video lottery terminals	$ 1,509,870,996
Plus: Credit vouchers redeemed for play in video lottery terminals	1,877,608,219
Total cash in reported by video lottery terminals	3,387,479,215
Less:	
Video Terminal Cash-out (Gross Terminal Outputs):	
Video lottery credit vouchers issued by video lottery terminals	2,871,010,394
Plus: Contributions to progressive video jackpots from patron play	206,421
Total cash-out amounts reported by video lottery terminals	2,871,216,815
Video lottery revenue, net	$ 516,262,400

(2) *Summary of Significant Accounting Policies* – (Continued)

4. Table games are reported on a net table game (win) basis from the Twin River facility. Net table game revenue, calculated daily at each table, is cash in the drop box, plus front money (patron funds left on deposit with the facility that are drawn for chips at a table), plus markers issued for credit, less fills, plus credits, less beginning chip inventory, plus ending chip inventory.

   The State, through the Division of State Lottery, has operational control and regulating authority to collect casino gaming gross receipts, allocate receipts according to statute, define and limit the rules of play and odds of authorized games including minimum and maximum wagers and payouts for each game. Amounts required by statute to be paid to Twin River are reported as commissions. The statute further stipulates that the Division of State Lottery establish rules and regulations and set policy for table games. These policies, and regulations (promulgated in accordance with the Lottery's established minimum control standards and federal and State statute) stipulate that the table games retailer (Twin River) be responsible for obtaining approved equipment (tables, dice, cards, etc.) and bearing all risk for the management, security, and monitoring of authorized table games. Twin River is also responsible for marketing table games and all related expenses. The Lottery Division incurs operating and administrative costs relating to the oversight and regulation of casino operations which are netted against the State's statutory share of net table game revenue prior to transferring the balance to the State's General Fund.

All expenses directly attributable to providing or promoting lottery games to the public are considered costs of gaming operations and are reported as such on the Lottery's Statement of Revenue, Expenses, and Changes in Net Position. These expenses predominantly include commissions to lottery retailers, gaming facilities, video lottery terminal providers, gaming system operators, and the cities/towns that host the Lottery's gaming facilities, in addition to advertising, marketing and promotional expenses.

All other expenses directly attributable to the Lottery's support and oversight of gaming activities are reported as operating expenses. Operating expenses mostly consist of personnel costs, contract services, depreciation/amortization expenses, and other expenses associated with the maintenance of the Lottery's headquarters and internal computer network.

All other revenues and expenses are defined as non-operating. Non-operating revenues include income from pull tab tickets (the Lottery is not responsible for prizes won), rental income, and refunds from the Multi-state Lottery Association.

(2) *Summary of Significant Accounting Policies* – (Continued)

(d) *Capital Assets*

Capital assets are stated at historical cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. Asset and useful lives are as follows:

Asset Category	Useful Life	Threshold
Buildings	50 years	$1,000,000
Building Improvements	20 years	$1,000,000
Computer Equipment	5 years	$5,000
Furniture and Equipment	5 years	$5,000
Automobiles	5 years	$5,000

In addition, the Lottery capitalizes certain intangible assets and amortizes those assets over their expected benefit period. The Lottery adheres to the State's capitalization thresholds and estimated useful lives for capital asset categories.

(e) *Cash Equivalents*

Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest which approximates fair value.

(f) *Ticket Inventory*

Inventory consists of the cost of tickets for the instant games, which is expensed as a percentage of sales from instant ticket games.

(g) *Advances for Future Drawings*

Tickets can be purchased in advance of scheduled drawing dates. Revenue from advance ticket sales is recognized during the period in which the related drawing is held.

(h) *Unearned Contract Revenue*

Unearned contract revenue relates to the sale of the exclusive rights to the operation of the Lottery's gaming systems. The revenue is recognized ratably over the life of the contract.

(i) *Incentive Programs – Video Lottery*

The Lottery reimburses its contracted video lottery facilities for the State's share (net terminal income percentage) of certain marketing and promotional expenses incurred by the facilities. Complete details of the Lottery's reimbursement are disclosed in Note 12, Commitments.

(2) *Summary of Significant Accounting Policies* – (Continued)

(j) *Compulsive and Problem Gambling Program*

Pursuant to section 42-61.2-14 of the Rhode Island General Laws, the Lottery is required to establish a program for compulsive and problem gamblers in conjunction with Twin River and Newport Grand to include awareness, player self-exclusion, and promotion of a problem gambling hotline. The program is funded through aggregate reimbursements made by Twin River and Newport Grand totaling not less than $100,000 annually. At June 30, 2015, the Lottery included $23,272 in other current liabilities representing the unexpended portion of the annual reimbursements from the facilities for the compulsive and problem gambling program.

(k) *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) and the additions to/deductions from ERS' fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) *Restatement of prior year financial statements*

In accordance with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Lottery has restated beginning net position to recognize its proportionate net pension liability at June 30, 2014 (measurement date) as a participating employer in the Employees' Retirement System Plan, a cost-sharing multiple employer plan.

As illustrated in the table below, restatements due to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* resulted in an increase of $13,498,147 in the Lottery's reported net position deficit at June 30, 2014.

Net Position (deficit) previously reported at June 30, 2014	($ 5,625,000)
Restatements due to:	
Implementation of GASB Statement No. 68	($ 13,498,147)
Net Position (deficit) at June 30, 2014, as restated	($ 19,123,147)

(2) *Summary of Significant Accounting Policies* – (Continued)

(m) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those amounts.

(3) *Deposits and Investment Risk*

(a) *Deposits*

The Lottery's cash deposit balances at June 30, 2015 totaled $9,326,437, with corresponding bank balances totaling $9,354,858. The bank balances consisted of $493,662 in demand deposit accounts and $8,861,196 in collateralized deposit investment accounts.

All deposits were in the custody of the State General Treasurer. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Lottery's (or State's) name.

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the cash deposits of the Lottery were required to be collateralized at June 30, 2015 pursuant to Chapter 35-10.1 of the General Laws. However, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the uninsured deposit amounts. Of the total bank deposit balance totaling $9,354,858 at year end, the entire amount was either covered by federal depository insurance or collateralized by securities held by an independent third party custodian.

(b) *Investments*

All investments, principally cash equivalent type investments, are made by the State General Treasurer in accordance with guidelines established by the State Investment Commission (SIC), which is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the General Laws, the SIC may, in general, "invest in securities as would be acquired by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and the preservation of their capital."

(3) *Deposits and Investment Risk*– (Continued)

At June 30, 2015, the Lottery had investments consisting of $10,393,367 in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer. The Lottery's investment accounted for less than 2% of the total investment in OSIP at June 30, 2015. Agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State may invest in OSIP. OSIP operates in a manner consistent with SEC Rule 2a-7 like pools, and thus reports all investments at amortized cost rather than fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

Custodial Credit Risk: Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government and are held by either: a) the counterparty or b) the counterparty's trust department or agent but not in the government's name.

Pursuant to guidelines established by the SIC, securities purchased, or underlying collateral, are required to be delivered to an independent third party custodian.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Based on SIC policy, the State's short-term investment portfolio, whenever possible, will be structured to minimize interest rate risk, by matching the maturities of investments with the requirements for funds disbursement. The Lottery's investments are typically money market mutual funds or investments with maturities less than 30 days thereby minimizing the Lottery's exposure to interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The SIC has adopted policies regarding acceptable short-term investment types. Credit risk is mitigated by the SIC's minimum rating criteria policy, collateralization requirements, and limiting the maximum participation by any one issuer to 35% of the State's total short-term investment portfolio. Credit risk policies have been developed for investments in commercial paper.

Concentration of Credit Risk: The SIC has adopted limitations as to the maximum percentages of the State's total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities.

(3) *Deposits and Investment Risk* – (Continued)

(c) *Cash and Cash Equivalents*

Cash and cash equivalents on the Statement of Net Position consist of the following:

Cash deposit balance per books	$ 9,326,437
Investments classified as cash equivalents	10,393,367
Cash and cash equivalents	$ 19,719,804

(4) *Capital Assets*

Lottery headquarters are situated on land owned by the State of Rhode Island. The State has assigned custody, control and supervision of the land to the Lottery at no cost. However, since title to such land remains vested in the State, it is not recorded in the statement of net position.

A summary of capital assets follows:

	Estimated Useful Life	Balance at June 30, 2014	2015 Additions	2015 Disposals	Balance at June 30, 2015
Cost					
Building	50	$ 1,437,912			$ 1,437,912
Building improvements	20	1,944,601			1,944,601
Ticket production equipment	5	11,486			11,486
Office equipment	5	101,237			101,237
Furniture and fixtures	5	90,856			90,856
Lottery drawing equipment	5	99,402	17,950		117,352
Automobiles	5	426,744	61,518	(78,034)	410,228
Computer equipment	5	169,695	17,538		187,233
Trucks	5	22,445			22,445
Intangible Assets	7	175,424			175,424
Total		$ 4,479,802	$ 97,006	$ (78,034)	$ 4,498,774
Less: Accumulated Depreciation and Amortization					
Building		$ 1,437,912			$ 1,437,912
Building improvements		1,843,068	7,932		1,851,000
Ticket production equipment		11,486			11,486
Office equipment		101,235			101,235
Furniture and fixtures		90,856			90,856
Lottery drawing equipment		98,396	2,531		100,927
Automobiles		210,786	60,669	(78,034)	193,421
Computer equipment		163,804	5,553		169,357
Trucks		22,445			22,445
Intangible Assets		39,679	25,061		64,740
Total		$ 4,019,667	$ 101,746	$ (78,034)	$ 4,043,379
Capital assets, net		$ 460,135	$ (4,740)	$ -	$ 455,395

(5) *Transfers to the State*

(a) The Lottery is required to transfer net proceeds from the Lottery's games in accordance with RI General Laws sections 42-61-15 and 42-61.2-7. Transfers to the State's General Fund for fiscal 2015 are reported as follows in the Lottery's financial statements:

Due to State's General Fund, beginning of year	$ 270,580
Transfers to State's General Fund	381,935,511
Cash paid during fiscal year	(381,143,916)
Due to State's General Fund, end of year	$ 1,062,175

The General Assembly modified the requirements for transfers to the State General Fund in anticipation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, becoming effective in fiscal 2015. The Lottery transfers net income to the State's General Fund based on the Lottery's actual contributions (which is the actuarially determined contribution required to be made by law) to the State Employees' pension plan. Pension expense reported in the Lottery's financial statements in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* will be a different amount reflecting the change in the net pension liability during the fiscal year. The table below details the amount transferred to the General Fund as required by RI General Laws:

Description	Amount
Income before Transfers	$ 382,760,549
Less: Actuarially Determined Contributions Reported as Deferred Outflows of Resources	(1,183,029)
Add: Pension Expense in accordance with GASB Statement No. 68	982,991
Less: Contract revenue recognized in 2015 transferred to the General Fund in prior period	(625,000)
Transfers to State's General Fund	$ 381,935,511

(b) The Lottery also reimburses the State's General Fund for a variety of operating expenses associated with personnel costs, information technology resources, utilities, etc. Amounts owed to the General Fund at year-end for operating expenses totaled $331,090. This amount is reported on the Statement of Net Position separate of amounts due to the State's General Fund-net income from operations.

(6) *Commissions*

The Lottery pays commissions to ticket retailers and its on-line games contractor based on a percentage of gross ticket sales. Video lottery commissions, as specified in the General Laws, are paid to the facility operators, technology providers (video lottery terminal providers), the central communications provider and others based on various percentages of net terminal income (video lottery credits purchased less credits redeemed or redeemable plus progressive jackpots). Table games commissions, as specified in the General Laws, are paid to Twin River and the Town of Lincoln, RI.

The General Laws provide for reductions of certain video lottery commissions. The amount reduced is to be credited to the State's Distressed Communities Relief Fund, which is part of the State's General Fund. The Lottery has reflected the actual video commissions paid as an expense. The amount to be credited to the Distressed Communities Relief Fund is included in the payments to the State's General Fund.

(7) *Compensated Absences*

The Lottery accrues an estimated liability for vested benefits relating to future compensated absences. This includes an expected obligation in connection with vacation credits, pay reduction credits, and accumulated vested sick pay for those employees eligible for retirement. The liability for compensated absences was approximately $506,097 as of June 30, 2015 and is recorded as a liability in the Statement of Net Position. The current portion of $205,303 as reported was estimated based on a three year average of employee utilization.

Changes in the reported liability for compensated absences for fiscal 2015 are as follows:

	Balance at July 1, 2014	Increase	Decrease	Balance at June 30, 2015
Liability for Compensated Absences	$496,297	$349,973	$340,173	$ 506,097

(8) *Net Position - (Deficit)*

Components of Unrestricted (Deficit):

- *Balance of prior year advance to the General Fund prior to contract revenue recognition* - On May 12, 2003, the Lottery entered into a 20-year contract, effective July 1, 2003, with its gaming system provider. The contract granted the provider the right to be the Lottery's exclusive vendor of hardware and software, together with the related services necessary for the operation of the Lottery's computerized games, through June 30, 2023. In return, the provider made a one-time payment of $12.5 million to the Lottery as consideration for this exclusive contract right. The Lottery recorded unearned contract revenue in the amount of $12.5 million and transferred the cash to the State's General Fund on June 30, 2003. This prior year transfer of unearned contract revenue resulted in a deficit in net position at June 30, 2015 of $5 million. As the contract revenue is recognized over the twenty-year life of the contract, the deficit in net position will be reduced by $625,000 per year. Accordingly, the Lottery has recognized $625,000 as the current portion of unearned revenue as of June 30, 2015.

- *Proportionate share of Net Pension Liability in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions* – The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal 2015 resulted in the Lottery restating their fiscal 2014 financials to recognize their proportionate share of the State's net pension liability in an amount of $14,625,610 at June 30, 2014. The Lottery's net pension liability at June 30, 2015 is $13,315,141, which constitutes a significant portion of the unrestricted deficit reported on the Statement of Net Position at June 30, 2015.

Net investment in capital assets:

- The Lottery's net position (deficit) at June 30, 2015 also includes its net investment in capital assets. The Lottery had no debt related to capital assets at June 30, 2015.

(9) *Retirement Plans*

Defined Benefit Pension Plan

Plan description - Certain employees of the Lottery participate in a cost-sharing multiple-employer defined benefit pension plan –the Employees' Retirement System Plan - administered by the State of Rhode Island Employees' Retirement System (System). Under a cost sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at http://www.ersri.org.

Benefit provisions - The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80% or 75%. For those hired after June 30, 2012, the benefit accrual rate is 1% per year with a maximum benefit accrual of 40%. Members eligible to retire at September 30, 2009 may retire with 10 years of service or after 28 years of service at any age. The retirement eligibility age increases for other members reflecting accumulated service credits until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service connected death and certain lump sum death benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80%. Until the plans reach an 80% funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after five years of service and service-connected disability benefits with no minimum service requirement.

(9) *Retirement Plans* - (Continued)

Contributions - The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. Lottery employees are required to contribute 3.75% of their annual covered salary. The Lottery is required to contribute at an actuarially determined rate; the rate was 23.33% of annual covered payroll for the fiscal year ended June 30, 2015. The Lottery contributed $1,183,029, $1,127,463 and $730,252 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

The ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans administered by the ERS. The report may be obtained at http://www.ersri.org. This report also includes a summary of significant accounting policies and a more comprehensive description of 1) the groups of employees covered 2) the types of benefits provided, and 3) the elements of the respective pension benefit formula.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015 the Lottery reported a liability of $13,315,141 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014. The Lottery's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014 the Lottery's proportion was 0.74724190%.

Subsequent to June 30, 2014 (the measurement date), litigation challenging the various pension reform measures enacted in previous years by the General Assembly (2009, 2010, and 2011) was settled. The final settlement approved by the Court on July 8, 2015 also included enactment of the pension settlement provisions by the General Assembly.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (as the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.

- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.

(9) *Retirement Plans* - (Continued)

- Retirees will receive two $500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.

- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014.

An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for state employees (determined on a funding basis) decreased from 57.4% to 56.1%.

For the year ended June 30, 2015, the Lottery recognized pension expense of $982,991. At June 30, 2015 the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Contributions subsequent to the measurement date	$ 1,183,029
Total Deferred Outflows of Resources	$ 1,183,029

Deferred Inflows of Resources	
Change of assumptions	$ 144,618
Net difference between projected and actual earnings on pension plan investments	1,021,379
Total Deferred Inflows of Resources	$ 1,165,997

$1,183,029 reported as deferred outflows of resources related to pensions resulting from the Lottery's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(9) *Retirement Plans* - (Continued)

Year ended June 30	Net Deferred Outflows (Inflows) of Resources:
2016	$ (288,284)
2017	(288,284)
2018	(288,284)
2019	(288,284)
2020	(12,861)
Thereafter	-

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality rates were based on 115% (males) and 95% (females) of the RP-2000 combined healthy mortality tables with white collar adjustments projected with scale AA from 2000.

The actuarial assumptions used in the June 30, 2013 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

(9) *Retirement Plans* - (Continued)

Asset Class	Target Allocation	Medium-Term Expected Real Rate of Return
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge Funds	8%	4.75%
Absolute Return Hedge Funds	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%
	100%	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) calculated using the discount rate of 7.5 percent as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

(9) *Retirement Plans* - (Continued)

1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
$16,445,383	$13,315,141	$10,120,719

Defined Contribution Plan:

Plan Description - Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. The Retirement Board is the plan administrator and plan trustee. The Employees may choose among various investment options available to plan participants. The State Investment Commission is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Plan contributions - Employees contributed 5% of their annual covered salary and employers contribute 1% of annual covered salary. Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly. As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

The Lottery contributed and recognized as pension expense $50,709 for the fiscal year ended June 30, 2015, equal to 100% of the required contributions for the fiscal year.

Plan vesting and contribution forfeiture provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at http://www.ersri.org.

(10) *Postemployment Healthcare Plan*

Plan Description:

The Lottery contributes to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including the Lottery.

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB system issues a stand-alone financial report. A copy can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02908.

Funding Policy

RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20% of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0% to 50% based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

For fiscal 2015, employers were required to contribute 6.75% of covered payroll. The employer required contribution rate is determined on an actuarially determined basis consistent with a funding approach outlined in the General Laws and as adopted by the OPEB System Board. The Lottery fully funded its required contribution to the plan for the years ended June 30, 2015, 2014 and 2013 which were $342,283, $345,821 and $236,522 respectively.

(11) *Deferred Compensation*

Employees of the Lottery may participate in a deferred compensation plan offered by the State. Required disclosures are reported in the State's CAFR.

(12) *Commitments*

(a) Gaming Systems Provider – International Game Technology (IGT) and GTECH merged in April 2015. All contractual requirements remain separate.

During May 2003, the Lottery entered into a 20-year master contract with its gaming systems provider granting them the right to be the exclusive provider of information technology hardware, software, and related services for all lottery games. This contract is effective from July 1, 2003 through June 30, 2023, and amends all previous agreements between the parties.

As consideration for this exclusive right, the gaming systems provider paid the Lottery $12.5 million. In the event that the contract term is not fulfilled, the Lottery will be obligated to refund a pro-rata share of this amount to the gaming systems provider. Additionally, GTECH was obligated to invest $100 million in connection with the construction of a new corporate headquarters and expansion of its manufacturing operations in the State. The gaming system contractor is also required to employ no less than 1,000 full time active employees during the term of the agreement.

The contract mandates commission percentages as detailed in the following chart.

Commission Percentages	
On-Line and Instant Tickets	
Total Lottery Sales in the Year	Percent Thereof
$0 - $275 Million	5.00%
Over $275 Million - $400 Million	1.00%
Over $400 Million	5.00%
Video Lottery Central System	
Total Net Terminal Income for the Year	Percent Thereof
$0 - $500 Million	2.50%
Over $500 Million - $1 Billion	1.00%
Over $1 Billion	2.50%

The Lottery also leases to the vendor a portion of its headquarters to house the computer hardware and office space necessary for the operation of the Lottery's games. The term of the lease is five (5) years, commencing October 19, 2012 and the square footage leased is 5,101 square feet. The annual lease amount for the first year approximated $117,000 and the four (4) remaining years will increase by four percent (4%) per annum, effective October 19. The tenant has one (1) four (4) year term renewal option. The base rate for the renewal options will be an increase of four percent (4%) per annum unless a mutually acceptable rate is negotiated.

(12) *Commitments* - (Continued)

(b) Video Lottery Facility – UTGR, Inc. (Twin River)

On July 18, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with UTGR, Inc. (UTGR), the owners of Twin River, to manage one of the State's licensed video lottery facilities. The contract entitles UTGR to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility. UTGR and the lottery extended the contract and signed the first five-year extension term commencing on July 18, 2010. The second term would commence on July 18, 2015. Certain extensions are contingent on UTGR's compliance with full-time employment mandates.

The Master Contract has been amended in recent years to reflect the statutory authorization of a promotional points program at Twin River. In fiscal 2015, Twin River was authorized and issued approximately $38 million in promotional points to facility patrons.

The Master Contract has also been amended to reflect the statutory requirement that the Lottery reimburse UTGR for allowable marketing expenses at an amount not to exceed $6 million multiplied by the Lottery's percentage of net terminal income (61.04% and 61.02% for fiscal years 2015 and 2014, respectively). The reimbursement of marketing expenses by the Lottery occurs only after UTGR has incurred $4 million in qualified marketing expenses (with marketing expenses defined by the Lottery). The Master Contract has been amended to reflect legislation regarding the Lottery's reimbursement to UTGR for allowable marketing expenses not to exceed an additional $3 million multiplied by the Lottery's percentage of net terminal income. The reimbursement of marketing expenses by the Lottery occurs after UTGR has incurred an additional $4 million in qualified marketing expenses defined by the Lottery.

(12) *Commitments* - (Continued)

(c) Video Lottery Facility – Newport Grand Jai Alai, LLC (Newport Grand)

On November 23, 2005, the Lottery entered into a five (5) year Master Video Lottery Terminal Contract with Newport Grand to continue to manage one of the State's licensed video lottery facilities. Newport Grand and the Lottery extended the contract and signed the first five-year extension term of the contract commencing on November 23, 2010. The second term, which would commence on November 23, 2015, is contingent on Newport Grand's compliance with full-time employment mandates specified in the 2010 law. The contract, as amended, entitles Newport Grand to compensation equal in percentage of net terminal income to that of Twin River. Legislation increased the percentage of net terminal income by 2.25% effective July 1, 2013, and expiring June 30, 2015. Recent legislation increased the percentage of net terminal income by 1.9% to be used for approved marketing expenses at Newport Grand.

The Master Contract has been amended in recent years to reflect the statutory authorization of a promotional points program at Newport Grand. In fiscal 2015, Newport Grand was authorized and issued approximately $5.5 million in promotional points to facility patrons.

The Master Contract has also been amended to reflect the statutory requirement that the Lottery reimburse Newport Grand for allowable marketing expenses at an amount not to exceed $840,000 multiplied by the Lottery's percentage of net terminal income (59.41% and 59.23% for fiscal years 2015 and 2014, respectively). The reimbursement of marketing expenses by the State occurs only after Newport Grand has incurred $560,000 in qualified marketing expenses (with marketing expenses to be defined by the Lottery).

(13) *Contingencies*

(a) The Lottery's master contracts with its video lottery facilities contain revenue protection provisions in the event that existing video lottery facilities incur revenue losses caused by new gaming ventures within the State.

(b) The Lottery's gaming operations currently compete with casinos in nearby Connecticut and Massachusetts. In addition, both neighboring States have already approved or are considering additional casino expansion likely to increase gaming competition in New England. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states.

(13) *Contingencies* – (Continued)

(a) The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in the Rhode Island Superior Court on or about September 28, 2011, challenging, *inter alia*, the constitutionality of the Rhode Island Casino Gaming Act ("Act") on the grounds that it would not be "state-operated" and the Act "delegates unconstitutional authority to a private corporation". On or about June 29, 2012, the Rhode Island Superior Court found that the Narragansett Indian Tribe had not sustained their burden of proof beyond a reasonable doubt that the Act is facially unconstitutional. The Narragansett Indian Tribe filed a notice of appeal of that decision with the Rhode Island Supreme Court. On or about March 4, 2015, the Rhode Island Supreme Court issued a decision upholding the Superior Court. The remaining issues in the case relating to whether the State "operates" Twin River and Newport Grand facilities remain pending in the Superior Court.

(b) In the event of default on an insurance annuity contract for a Rhode Island winner of the Lucky for Life® jackpot prize award, the Lottery may be contingently liable for any remaining prize amounts due the winner.

(14) *Risk Management*

The Lottery is exposed to various types of risk related to its operations. These risks can result in losses incurred from property damage or destruction, inability to operate gaming activities and worker compensation claims. The Lottery manages these risks through the purchase of commercial insurance. During fiscal 2015, the Lottery maintained its amount of purchased insurance coverage. Claims and settlements incurred for fiscal years 2015, 2014 and 2013 have not exceeded the Lottery's insurance coverage.

The Lottery participates in the health insurance program for all State employees.

(15) *Subsequent Event*

Newport Grand, one of the State's video lottery gaming facilities, was purchased in July 2015, by Premier Entertainment II, LLC. whose principal owners are the Twin River Management Group, which owns the State's only other gaming facility.

Required Supplementary Information

RHODE ISLAND LOTTERY
Schedule of the Lottery's Proportionate Share of the Net Pension Liability
Employees' Retirement System Plan

	2015
Lottery's proportion of the net pension liability	0.74724193%
Lottery's proportionate share share of the net pension liability	$13,315,141
Lottery's covered-employee payroll	$4,891,380
Lottery's proportionate share of the net pension liability as a percentage of its covered-employee payroll	272.22%
Plan fiduciary net position as a percentage of the total pension liability	58.60%

Notes:

1.) The amounts presented for each fiscal year were determined as of June 30 measurement date prior to the fiscal year-end.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

RHODE ISLAND LOTTERY

Schedule of the Lottery's Contributions
Employees' Retirement System Plan

		2015
Statutorily required contribution	$	1,183,029
Contributions in relation to the statutorily required contribution		1,183,029
Contribution deficiency (excess)	$	-
Lottery's Covered-employee payroll	$	5,070,849
Contributions as a percentage of covered-employee payroll		23.33%

Notes:

1.) Employers participating in the State Employees' Retirement System are required by RI General Law, Section 36-10-2, to contribute at an actuarially determined contribution rate each year.

2.) Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

Supplementary Information

Schedule 1 – Operating Revenue and Cost of Gaming Operations

RHODE ISLAND LOTTERY

Operating Revenue and Cost of Gaming Operations

Year Ended June 30, 2015

Schedule 1

	Revenue [2]	Commissions	Prize Awards Expense	Unclaimed Prize Recovery	Cost of Tickets	Advertising	Incentive Programs	Cost of Gaming Operations	Gross Profit/(Loss)
Lottery games:									
On-line games									
Keno	$ 80,465,002	$ 10,460,209	$ 52,492,447	$ (253,181)	$ -	$ 193,107	$ -	$ 62,892,582	$ 17,572,420
Bingo	949,606	122,945	627,018	(5,479)	-	1,195	-	745,679	203,927
PowerBall®	26,049,095	3,384,943	12,938,805	(316,341)	-	585,242	-	16,592,649	9,456,446
Monopoly Millionaires Club™	288,275	41,260	277,936	(16,033)		214,788		517,951	(229,676)
Daily Numbers	24,197,096	3,145,003	12,048,961	(194,778)	-	62,108	-	15,061,294	9,135,802
Mega Millions®	11,465,226	1,489,216	5,702,557	(164,493)	-	443,957	-	7,471,237	3,993,989
Wild Money	3,695,696	479,881	2,001,278	(49,354)	-	14,601	-	2,446,406	1,249,290
Lucky for Life®	5,455,649	719,906	2,499,058	(142,035)	-	198,291	-	3,275,220	2,180,429
	152,565,645	19,843,363	88,588,060	(1,141,694)	-	1,713,289	-	109,003,018	43,562,627
Instant tickets	90,526,129	9,633,389	61,474,504	(1,246,060)	1,079,659	514,598	-	71,456,090	19,070,039
Video Lottery [1]	516,262,400	200,084,883	-	(230,854)	-	-	4,119,330	203,973,359	312,289,041
Table Games	106,640,942	89,578,391	-	-	-	-	-	89,578,391	17,062,551
Totals	$ 865,995,116	$ 319,140,026	$ 150,062,564	$ (2,618,608)	$ 1,079,659	$ 2,227,887	$ 4,119,330	$ 474,010,858	$ 391,984,258

Video Lottery Commissions - Detail	
Facilities	$ 143,713,545
Technology Providers	35,618,805
Central Communications Provider	12,666,612
City/Town	7,285,619
Narragansett Indian Tribe	800,302
Total	$ 200,084,883

(1) See note 2 (c) (3) for detail of gross video lottery terminal activity.
(2) See note 2 (c) for details of revenue accounting policy.

See accompanying notes to financial statements.

Statistical Section

Statistical Section

This part of the Lottery's comprehensive annual financial report presents detailed information as to the context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the financial health of the State of Rhode Island, the Lottery and the lottery industry.

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Lottery Statistics – Rhode Island 63

These schedules contain trend information to help the reader understand how the Lottery's financial performance and well-being have changed over time.

Rhode Island Demographics 69

These schedules offer demographic and economic indicators to help give the reader a better understanding of the Lottery's and the State of Rhode Island's environment.

Lottery Statistics – National 72

These schedules contain financial information to help the reader understand the Lottery's performance compared to the other lottery jurisdictions within the United States of America.

Lottery Statistics – Rhode Island

RHODE ISLAND LOTTERY

Principal Revenue Sources

Fiscal Years 2006 through 2015

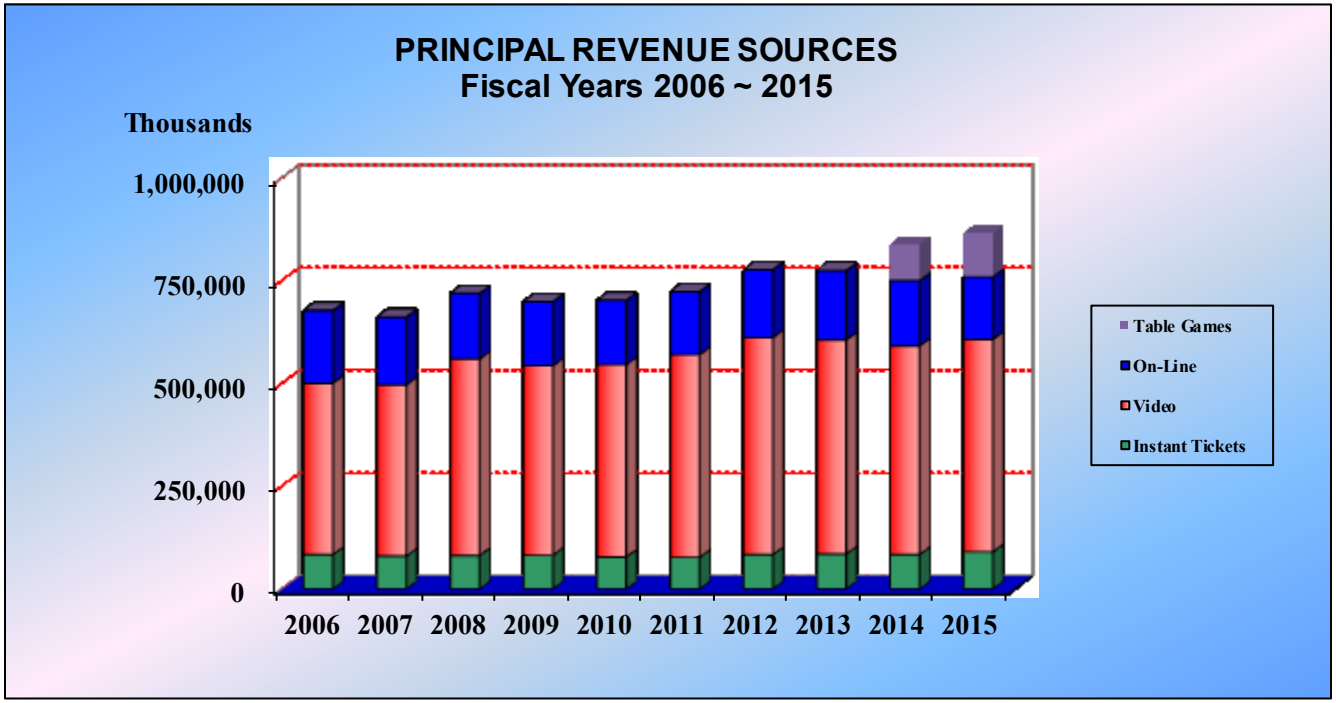
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating Revenue										
Instant tickets										
Instant tickets	$ 84,018,698	$ 79,980,026	$ 81,557,881	$ 82,348,042	$ 77,978,026	$ 77,217,452	$ 83,950,804	$ 85,003,754	$ 83,975,581	$ 90,526,129
Percentage of total revenues	12.4%	12.0%	11.3%	11.7%	11.1%	10.7%	10.8%	10.9%	10.0%	10.4%
Video										
Video lottery	416,502,488	416,793,363	477,773,837	460,895,733	467,772,084	492,594,189	527,323,124	520,747,106	507,056,712	516,262,400
Percentage of total revenues	61.3%	62.7%	66.2%	65.8%	66.5%	68.0%	67.8%	67.0%	60.5%	59.6%
Table games										
Table games	-	-	-	-	-	-	-	1,881,238	88,108,367	106,640,942
Percentage of total revenues	-	-	-	-	-	-	-	0.2%	10.5%	12.3%
On-line										
Keno	85,708,538	83,189,252	77,646,539	76,036,908	77,708,084	81,061,025	82,251,847	78,964,759	78,203,765	80,465,002
Bingo	-	-	-	-	-	-	-	1,381,565	1,094,274	949,606
PowerBall®	57,196,851	47,082,311	48,856,098	46,583,080	42,684,765	28,175,659	32,858,107	40,949,997	31,502,543	26,049,095
Monopoly Millionaires Club™	-	-	-	-	-	-	-	-	-	288,275
Daily Numbers	27,838,055	27,835,994	27,446,355	25,814,615	25,176,010	24,933,177	25,412,018	24,522,578	24,141,676	24,197,096
Mega Millions®	-	-	-	-	4,067,206	11,543,667	13,943,638	7,930,357	12,622,344	11,465,226
Wild Money	5,415,054	5,708,730	5,140,754	5,185,904	4,755,803	5,261,888	4,891,994	3,583,753	4,525,777	3,695,696
Lucky for Life	-	-	-	-	-	-	3,774,422	8,726,218	6,719,790	5,455,649
Hot Trax®	944,912	48,097	-	-	-	-	-	-	-	-
Rhody Poker™	-	1,003,564	590,426	109,943	-	-	-	-	-	-
Raffle	-	-	-	2,399,740	2,254,980	2,399,880	2,399,940	2,301,580	-	-
Total on-line	177,103,410	164,867,948	159,680,172	156,130,190	156,646,848	153,375,296	165,531,966	168,360,807	158,810,169	152,565,645
Percentage of total revenues	26.0%	24.8%	22.1%	22.3%	22.3%	21.2%	21.3%	21.7%	18.9%	17.6%
Total revenue	**677,624,596**	**661,641,337**	**719,011,890**	**699,373,965**	**702,396,958**	**723,186,937**	**776,805,894**	**775,992,905**	**837,950,829**	**865,995,116**
Non-operating income										
Investment income	1,216,873	1,412,256	1,404,108	445,149	98,194	76,759	92,061	114,980	108,350	106,509
Net pull tab sales	161,363	155,177	130,736	116,311	98,594	70,582	65,891	63,322	44,672	44,851
Contract revenue	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000
Miscellaneous	339,382	443,289	354,257	402,289	206,708	396,278	162,823	406,683	353,407	282,605
Total non-operating revenues	**2,342,618**	**2,635,722**	**2,514,101**	**1,588,749**	**1,028,496**	**1,168,619**	**945,775**	**1,209,985**	**1,131,429**	**1,058,965**
Percentage of total revenues	0.3%	0.4%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Total revenues	**$ 679,967,214**	**$ 664,277,059**	**$ 721,525,991**	**$ 700,962,714**	**$ 703,425,454**	**$ 724,355,556**	**$ 777,751,669**	**$ 777,202,890**	**$ 839,082,258**	**$ 867,054,081**

Source: Rhode Island Lottery

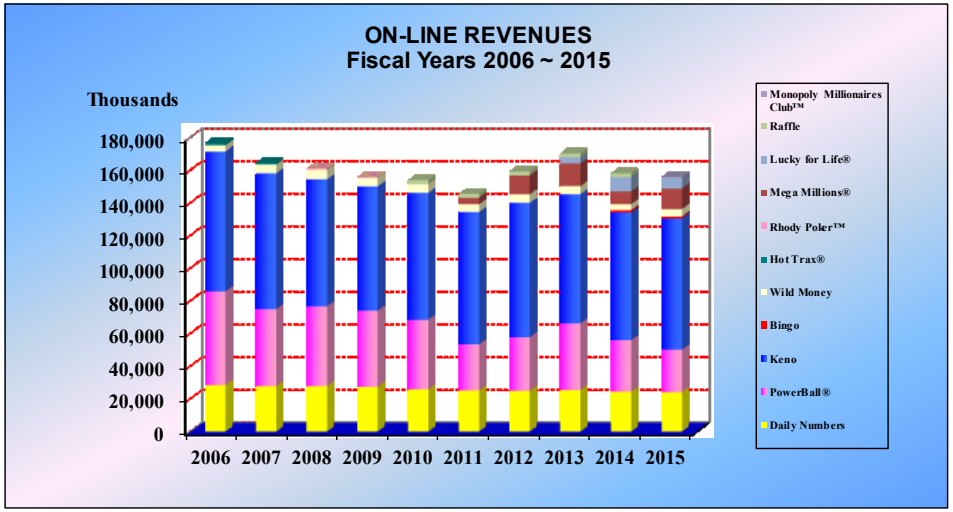
RHODE ISLAND LOTTERY

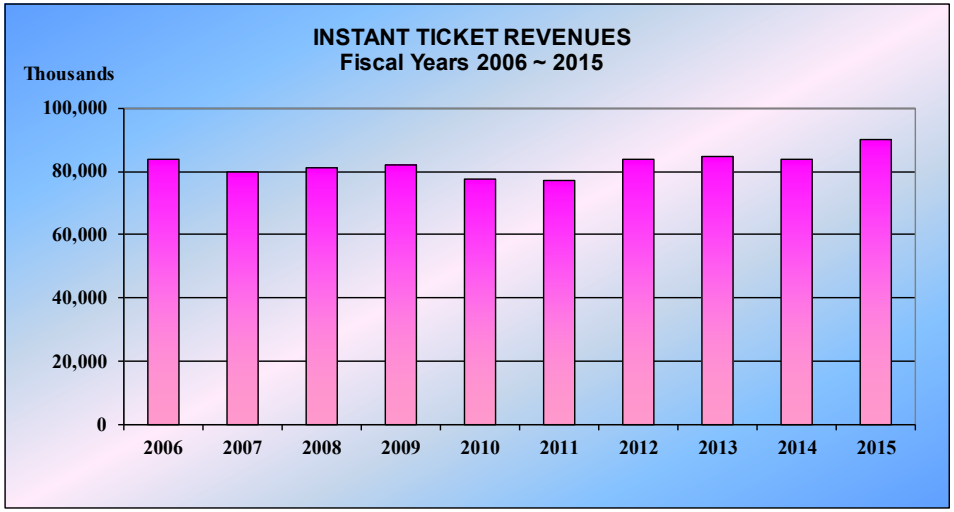
Principal Revenue Sources

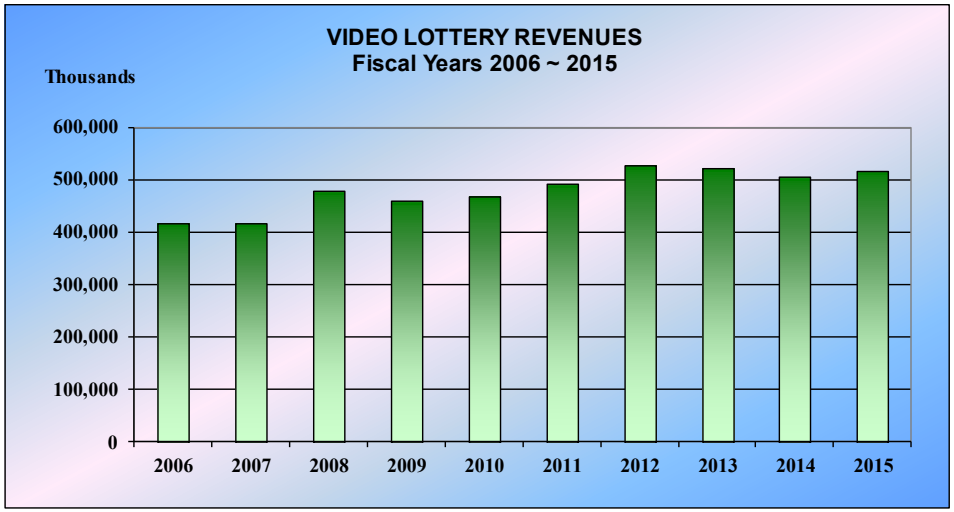
Fiscal Years 2006 through 2015

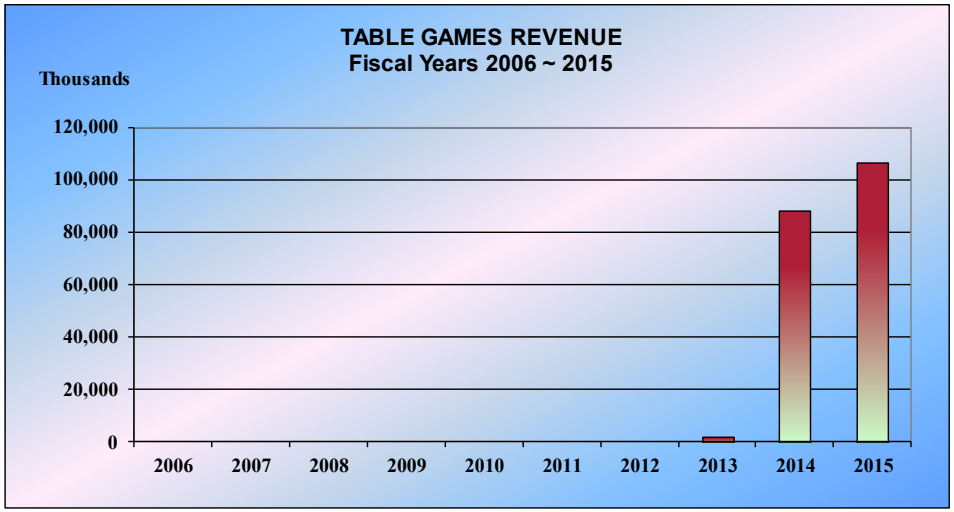


Source: Rhode Island Lottery









Source: Rhode Island Lottery

RHODE ISLAND LOTTERY

Change in Net Position

Fiscal Years 2006 through 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues										
On-line	$ 177,103,410	$ 164,867,948	$ 159,680,172	$ 156,130,190	$ 156,646,848	$ 153,375,296	$ 165,531,966	$ 168,360,807	$ 158,810,169	$ 152,565,645
Instant tickets	84,018,698	79,980,026	81,557,881	82,348,042	77,978,026	77,217,452	83,950,804	85,003,754	83,975,581	90,526,129
Video lottery	416,502,488	416,793,363	477,773,837	460,895,733	467,772,084	492,594,189	527,323,124	520,747,106	507,056,712	516,262,400
Table games	-	-	-	-	-	-	-	1,881,238	88,108,367	106,640,942
Total operating revenue	677,624,596	661,641,337	719,011,890	699,373,965	702,396,958	723,186,937	776,805,894	775,992,905	837,950,829	865,995,116
Cost of gaming operations										
Retailer/vendor commissions	31,987,214	29,833,892	29,388,939	29,044,890	28,670,310	28,150,798	30,440,073	30,919,173	29,575,451	29,476,752
Video commissions	160,092,955	159,561,783	181,939,172	175,984,230	178,828,883	189,461,494	202,701,572	200,429,711	196,693,434	200,084,883
Table games commissions	-	-	-	-	-	-	-	1,542,615	72,248,861	89,578,391
Prizes	157,936,589	147,612,474	147,609,517	144,856,173	144,273,818	142,324,102	155,108,308	153,205,932	148,570,701	150,062,564
Unclaimed prize recovery	(3,303,355)	(3,979,177)	(3,315,397)	(3,198,266)	(3,270,897)	(2,368,721)	(2,619,903)	(3,328,183)	(2,611,675)	(2,618,608)
Cost of tickets	1,475,528	1,454,429	1,437,347	1,193,898	1,226,637	1,109,481	1,299,406	1,098,515	1,043,555	1,079,659
Advertising and promotion	2,018,181	2,361,834	2,139,525	2,203,027	2,441,014	2,088,973	2,281,816	2,159,542	2,089,016	2,227,887
Incentive programs, video	-	-	-	-	-	2,212,253	4,003,153	4,076,294	4,070,183	4,119,330
Total cost of gaming operations	350,207,112	336,845,235	359,199,103	350,083,952	352,169,765	362,978,380	393,214,425	390,103,599	451,679,526	474,010,858
Gross Profit	**327,417,484**	**324,796,102**	**359,812,787**	**349,290,013**	**350,227,193**	**360,208,557**	**383,591,469**	**385,889,306**	**386,271,303**	**391,984,258**
Operating Expenses										
Personal services	4,232,168	4,450,807	4,753,505	4,764,132	4,727,577	4,826,364	5,178,848	6,212,132	9,438,106	9,276,808
Contract services	95,493	136,973	159,549	58,480	57,509	80,732	133,469	61,413	56,822	109,948
Depreciation and amortization	292,694	261,956	245,940	240,281	246,683	234,375	220,856	151,218	114,087	101,746
Other	615,256	967,257	974,820	898,064	926,177	749,718	672,676	1,097,061	864,970	794,172
Total operating expenses	5,235,611	5,816,993	6,133,814	5,960,957	5,957,946	5,891,189	6,205,849	7,521,824	10,473,985	10,282,674
Operating Income	**322,181,873**	**318,979,109**	**353,678,973**	**343,329,056**	**344,269,247**	**354,317,368**	**377,385,620**	**378,367,482**	**375,797,318**	**381,701,584**
Non-operating income (expenses)										
Interest income	1,216,873	1,412,256	1,404,108	445,149	98,194	76,759	92,061	114,980	108,350	106,509
Contract revenue	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000
Other	500,745	598,466	484,993	518,600	305,302	466,860	228,714	470,005	398,079	327,456
Total non-operating income (expenses)	2,342,618	2,635,722	2,514,101	1,588,749	1,028,496	1,168,619	945,775	1,209,985	1,131,429	1,058,965
Income Before Transfers	**324,524,491**	**321,614,831**	**356,193,074**	**344,917,805**	**345,297,743**	**355,485,987**	**378,331,395**	**379,577,467**	**376,928,747**	**382,760,549**
Transfers from (to) State's General Fund	(323,899,491)	(320,989,831)	(354,321,087)	(337,515,478)	(344,672,743)	(354,860,987)	(377,706,395)	(379,224,717)	(376,327,120)	(381,935,511)
Transfers from (to) RI Capital Plan Fund	-	-	-	-	-	-	-	272,250	23,373	-
Transfers from (to) Permanent School Fund	-	-	(1,152,762)	(6,777,327)	-	-	-	-	-	-
Transfers from (to) RI Council on the Arts	-	-	(94,225)	-	-	-	-	-	-	-
Increase (decrease) in Net Position	**$ 625,000**	**$ 625,000**	**$ 625,000**	**$ 625,000**	**$ 625,000**	**$ 625,000**	**$ 625,000**	**$ 625,000**	**$ 625,000**	**$ 825,038**

Source: Rhode Island Lottery

RHODE ISLAND LOTTERY

Net Position

June 30, 2006 through 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Position at Year-End										
Net investment in capital assets	$ 1,314,290	$ 1,138,619	$ 908,218	$ 808,117	$ 690,870	$ 469,496	$ 266,828	$ 402,288	$ 460,135	$ 455,395
Unrestricted (deficit)	(11,939,290)	(11,138,619)	(10,283,218)	(9,558,117)	(8,815,870)	(7,969,496)	(7,141,828)	(6,652,288)	(6,085,135)	(18,753,504)
Total Net Position (Deficit)	$ (10,625,000)	$ (10,000,000)	$ (9,375,000)	$ (8,750,000)	$ (8,125,000)	$ (7,500,000)	$ (6,875,000)	$ (6,250,000)	$ (5,625,000)	$ (18,298,109)

Source: Rhode Island Lottery

RHODE ISLAND LOTTERY

Changes in Cash and Cash Equivalents

Fiscal Years 2006 through 2015

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cash Flows from Operating Activities										
Receipts from lottery sales, online and instant games	$ 261,375,505	$ 243,904,024	$ 245,433,184	$ 238,317,868	$ 236,400,252	$ 229,312,781	$ 246,010,593	$ 253,639,499	$ 243,577,754	$ 244,225,203
Receipts from video lottery operations	416,502,488	416,793,363	477,773,837	460,895,733	467,772,084	492,594,189	527,323,124	520,747,106	507,056,712	516,262,400
Receipts from table games	-	-	-	-	-	-	-	1,881,238	88,108,367	106,640,942
Receipts from MUSL for grand prize winners	6,251,891	6,245,000	8,069,149	10,095,229	3,549,000	3,293,000	249,359,349	2,333,000	2,333,000	423,000
Receipts from MUSL for Lucky for Life® top prize winners	-	-	-	-	-	-	-	-	711,604	-
Receipts from problem gambling program	-	-	-	-	-	-	-	-	100,000	100,000
Receipts from sale of other tickets	238,707	228,582	191,079	171,072	143,942	103,042	96,476	92,835	67,069	64,639
Other receipts	258,364	219,906	414,776	390,203	452,624	489,956	204,397	409,444	347,042	274,671
Payments for on-line and instant ticket prizes	(154,189,884)	(144,690,653)	(144,571,030)	(141,253,003)	(141,845,470)	(140,191,970)	(149,317,420)	(150,828,237)	(145,938,994)	(149,773,735)
Payments to MUSL grand prize winners	(6,251,891)	(6,245,000)	(8,069,149)	(10,095,229)	(3,549,000)	(3,293,000)	(249,359,349)	(2,333,000)	(2,333,000)	(423,000)
Payments for commissions - retailers	(18,959,373)	(8,469,884)	(8,672,377)	(8,763,660)	(8,334,037)	(8,208,460)	(8,931,584)	(9,035,425)	(8,932,729)	(9,633,389)
Payments for commissions - video lottery	(159,580,145)	(157,009,564)	(184,316,798)	(176,354,565)	(177,252,004)	(187,874,908)	(200,322,843)	(202,426,041)	(196,559,997)	(202,655,186)
Payments for commissions - table games	-	-	-	-	-	-	-	-	(73,602,436)	(87,465,347)
Payments to facilities - video lottery incentive program	-	-	-	-	-	-	(2,199,328)	(4,007,075)	(4,079,733)	(4,074,749)
Payments for commissions - on-line games contractor	(12,028,077)	(21,551,637)	(20,696,559)	(21,232,654)	(20,363,068)	(19,933,400)	(22,427,886)	(21,883,748)	(20,642,722)	(17,760,618)
Payments to suppliers for goods and services	(3,964,374)	(5,057,261)	(4,630,285)	(4,551,759)	(4,965,158)	(3,926,542)	(4,592,414)	(3,670,584)	(4,286,788)	(4,473,338)
Payments to employees for services	(4,412,858)	(4,431,229)	(4,790,432)	(4,634,479)	(4,567,917)	(4,867,093)	(5,213,577)	(6,221,555)	(9,331,812)	(9,441,122)
Net cash provided by operating activities	325,240,353	319,935,647	356,135,395	342,984,756	347,441,248	357,497,595	380,629,538	378,697,457	376,593,337	382,290,371
Cash Flows from Noncapital Financing Activities										
Transfers from (to) State's General Fund	(324,349,647)	(319,099,489)	(356,789,829)	(336,474,883)	(344,588,425)	(353,775,229)	(377,904,813)	(380,910,701)	(376,903,899)	(381,143,916)
Transfers from (to) RI Capital Plan Fund	-	-	-	-	-	-	-	272,250	23,373	-
Transfers from (to) from State's Permanent School Fund	-	-	-	(7,939,748)	9,659		-	-	-	-
Transfers fom (to) RI Council on the Arts	-	-	(94,225)	-	-	-	-	-	-	-
Negative cash balance implicitly financed	(23,964)	-	-	-	-	-	-	-	-	-
Net cash used for noncapital financing activities	(324,373,611)	(319,099,489)	(356,884,054)	(344,414,631)	(344,578,766)	(353,775,229)	(377,904,813)	(380,638,451)	(376,880,526)	(381,143,916)
Cash Flows from Capital and Related Financing Activities										
Purchase of capital assets	(57,214)	(86,285)	(15,539)	(146,153)	(131,578)	(13,000)	(18,188)	(294,330)	(171,934)	(97,006)
Proceeds from sale of capital assets	-	-	16,500	-	-	-	-	7,652	-	-
Net cash provided by (used for) capital and related financing activities	(57,214)	(86,285)	961	(146,153)	(131,578)	(13,000)	(18,188)	(286,678)	(171,934)	(97,006)
Cash Flows from investing Activities										
Proceeds from maturity of investments for jackpot awards	-	-	-	-	-	-	-	-	-	-
Interest income	1,216,872	1,412,256	1,404,109	445,149	98,194	76,759	92,061	114,980	108,350	106,509
Net cash provided by investing activities	1,216,872	1,412,256	1,404,109	445,149	98,194	76,759	92,061	114,980	108,350	106,509
Net increase (decrease) in cash and cash equivalents	2,026,400	2,162,129	656,411	(1,130,879)	2,829,098	3,786,125	2,798,598	(2,112,692)	(350,773)	1,155,958
Cash and cash equivalents, beginning of year	7,899,429	9,925,829	12,087,958	12,744,369	11,613,490	14,442,588	18,228,713	21,027,311	18,914,619	18,563,846
Cash and cash equivalents, end of year	**$ 9,925,829**	**$ 12,087,958**	**$ 12,744,369**	**$ 11,613,490**	**$ 14,442,588**	**$ 18,228,713**	**$ 21,027,311**	**$ 18,914,619**	**$ 18,563,846**	**$ 19,719,804**

Source: Rhode Island Lottery

Rhode Island Demographics

RHODE ISLAND LOTTERY

Rhode Island Demographics

Rhode Island Population by County - As of July 1

Population	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Bristol County	50,574	50,138	49,979	49,878	49,542	49,846	49,284	49,238	49,263	49,060
Kent County	170,551	169,416	168,658	168,635	168,752	166,009	165,306	164,900	164,923	165,128
Newport County	82,794	83,367	81,305	80,699	80,300	83,158	83,003	82,884	82,457	82,358
Providence County	633,405	630,186	628,280	627,437	627,690	626,965	627,922	629,368	630,171	631,974
Washington County	127,665	127,089	126,787	126,853	126,925	127,100	126,505	126,247	126,540	126,653
Total Rhode Island Population	1,064,989	1,060,196	1,055,009	1,053,502	1,053,209	1,053,078	1,052,020	1,052,637	1,053,354	1,055,173
Percent Increase/(Decrease)	(.60%)	(.45%)	(.30%)	(.33%)	(.03%)	(.01%)	(.10%)	.06%	.07%	.17%

Total Personal Income, Per Capita Personal Income and Unemployment Rate Data - Calendar Years 2005 - 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Personal Income (in thousands)	39,021,066	41,288,639	43,158,834	44,181,315	43,526,207	45,278,588	46,814,769	48,584,164	49,409,582	51,532,166
Per Capita Personal Income	36,640	38,944.35	40,908	41,938	41,327	42,996	44,500	46,155	46,907	48,838
Unemployment Rate	5.0%	4.9%	5.0%	7.5%	11.3%	11.2%	11.1%	10.4%	9.2%	7.7%

Source: *U.S. Census Bureau and U.S. Department of Labor Bureau of Labor Statistics*
As of result of revised census data, amounts for various calendar years may differ from the amounts presented in the same tables in the June 30, 2014 report.

State of Rhode Island and Providence Plantations Principal Employers

2014

Rank	Employer	Employed	% of Total Employment
1	Lifespan	11,582	2.08%
2	Care New England	8,063	1.45%
3	CVS Caremark Corporation	7,000	1.26%
4	RBS Citizens Financial Group	5,250	0.94%
5	Brown University	4,326	0.78%
6	Fidelity Investments	3,934	0.71%
7	Stop & Shop	3,880	0.70%
8	Roman Catholic Diocese of Providence	3,500	0.63%
9	General Dynamics Corp	3,400	0.61%
10	Naval Undersea Warfare Center	2,566	0.46%
	Total employment	557,728	9.62%

2005

Rank	Employer	Employed	% of Total Employment
1	Lifespan	10,597	1.89%
2	Care New England	6,526	1.16%
3	Royal Bank of Scotland	5,500	0.98%
4	CVS Corporation	5,314	0.95%
5	Stop and Shop Supermarket Co., Inc.	4,455	0.79%
6	Brown University	3,251	0.58%
7	Bank of America	3,240	0.58%
8	Shaw's Super Market	2,240	0.40%
9	General Dynamics Corp	2,200	0.39%
10	The Jan Company	2,115	0.38%
	Total employment	561,000	8.10%

Source: *Rhode Island Commerce Corporation.*
Some employers are not listed because they did not wish to participate.
2014 information is provided by the RI Department of Labor and Training.

RHODE ISLAND LOTTERY

Rhode Island Lottery Employees by Function

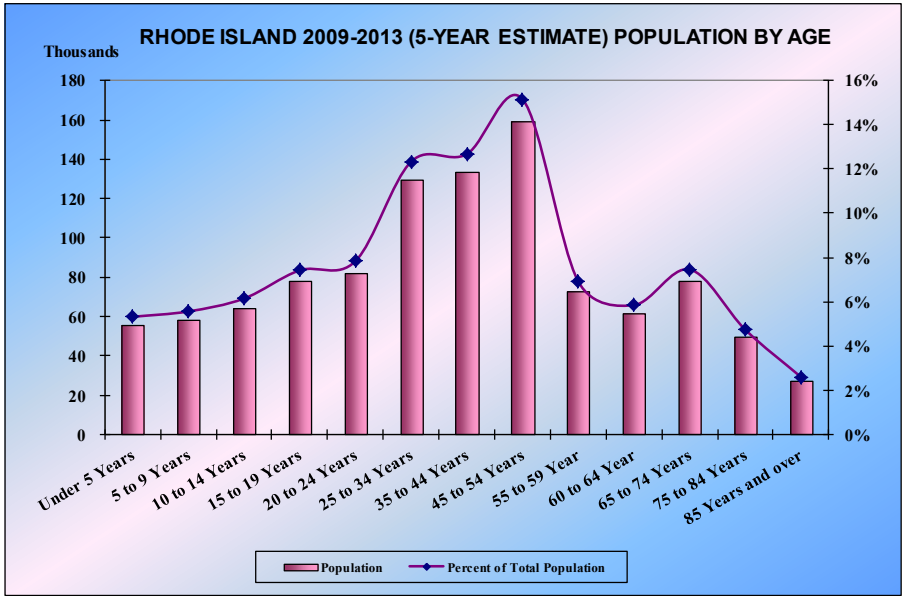
Total Employees

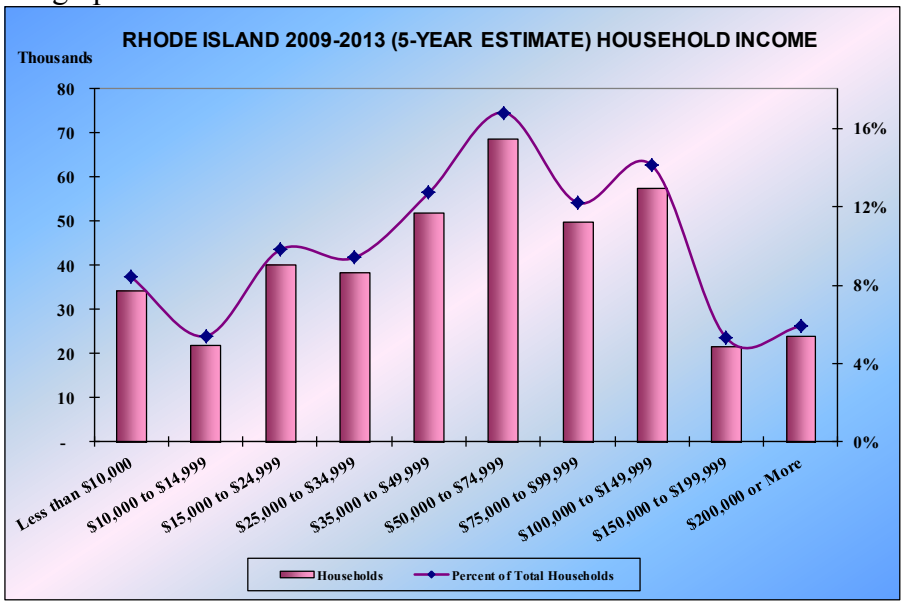
Categories	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Officials/Managers/Administrators	5	6	6	6	5	5	6	8	8	8
Professionals	14	13	13	12	11	12	12	19	19	16
Technicians	4	5	5	5	4	4	5	6	6	6
Protective Services	2	2	2	2	2	2	2	10	9	10
Para Professionals	16	17	17	16	17	17	16	28	29	27
Administrative Support	12	12	11	7	8	8	8	9	9	9
Maintenance	3	2	2	2	2	2	2	2	1	2
Total	56	57	56	50	49	50	51	82	81	78

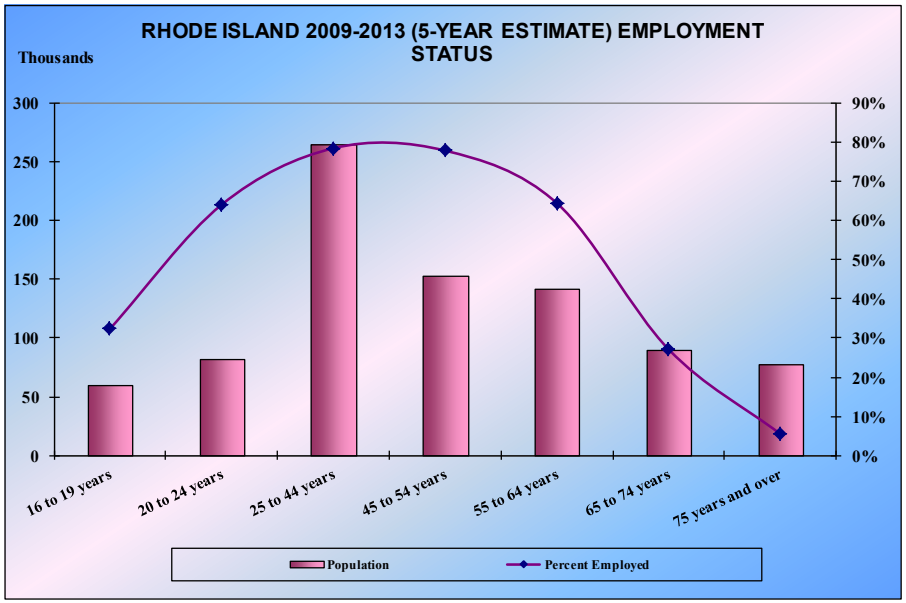
Source: Rhode Island Lottery

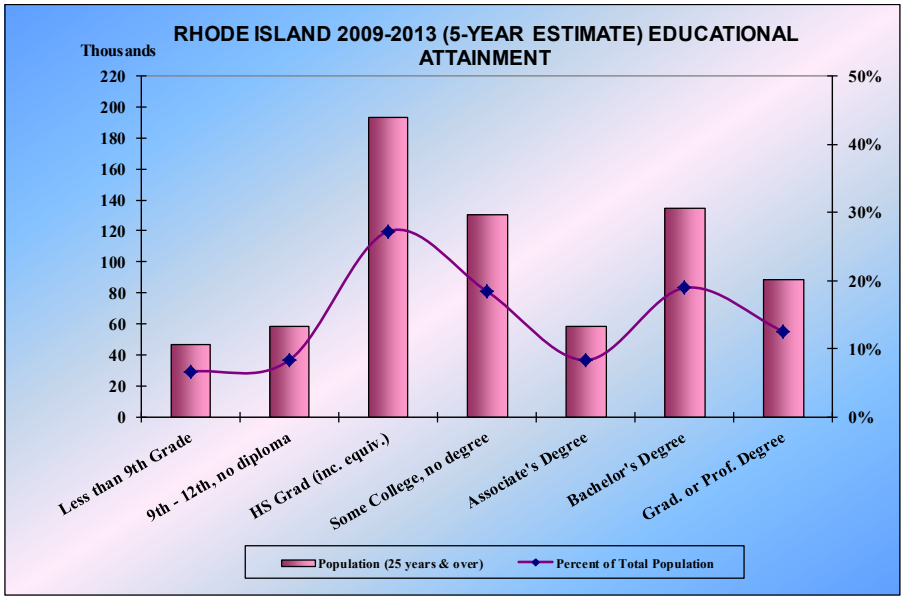
RHODE ISLAND LOTTERY

Rhode Island Demographics









Source: U.S. Census Bureau

Lottery Statistics – National

U.S. LOTTERIES RANKED BY FISCAL YEAR 2015 SALES

RANK	LOTTERY	FY '14 SALES ($M)	FY '15 SALES ($M)
1	New York	9,226.49	9,156.34
2	Florida	5,368.23	5,583.33
3	California	5,034.66	5,524.85
4	Massachusetts	4,852.38	5,003.44
5	Texas	4,384.60	4,529.70
6	Georgia	4,022.20	4,195.15
7	Pennsylvania	3,799.57	3,819.64
8	Ohio	3,180.72	3,665.00
9	New Jersey	2,901.65	3,000.53
10	Illinois	2,802.71	2,841.45
11	Maryland	2,557.99	2,799.09
12	Michigan	2,596.41	2,771.93
13	North Carolina	1,839.26	1,972.22
14	Virginia	1,810.82	1,843.88
15	Tennessee	1,417.07	1,475.79
16	South Carolina	1,264.44	1,401.66
17	West Virginia	1,214.28	1,164.00
18	Connecticut	1,112.40	1,143.97
19	Missouri	1,157.05	1,127.35
20	Oregon	1,052.81	1,116.86
21	Indiana	1,018.73	1,040.66
22	Kentucky	858.86	899.12
23	***Rhode Island****	***837.95***	***866.00***
24	Arizona	723.95	749.97
25	Washington	594.52	600.35
26	Delaware	597.19	598.40
27	Wisconsin	568.84	574.63
28	Minnesota	531.52	546.87
29	Colorado	545.03	538.03
30	Louisiana	448.97	452.45
31	Arkansas	410.07	409.05
32	Iowa	314.06	324.77
33	New Hampshire	275.61	281.41
34	Maine	229.96	253.07
35	South Dakota	239.33	250.31
36	Kansas	245.71	250.03
37	District of Columbia	216.02	212.35
38	Idaho	208.89	210.19
39	Oklahoma	191.13	171.63
40	Nebraska	157.90	159.97
41	New Mexico	136.00	137.02
42	Vermont	102.31	111.75
43	Montana	53.28	52.53
44	North Dakokta	26.90	27.01
45	Wyoming	0.00	17.53
	TOTAL	**71,128.47**	**73,871.29**

***Above schedule reflects net VLT sales.*

Results are unofficial and unaudited

U.S. LOTTERIES RANKED BY SALES % CHANGE

RANK	LOTTERY	% CHANGE
1	Ohio	15.2%
2	South Carolina	10.9%
3	Maine	10.1%
4	California	9.7%
5	Maryland	9.4%
6	Vermont	9.2%
7	North Carolina	7.2%
8	Michigan	6.8%
9	Oregon	6.1%
10	Kentucky	4.7%
11	South Dakota	4.6%
12	Georgia	4.3%
13	Tennessee	4.1%
14	Florida	4.0%
15	Arizona	3.6%
16	Iowa	3.4%
17	New Jersey	3.4%
18	***Rhode Island****	***3.3%***
19	Texas	3.3%
20	Massachusetts	3.1%
21	Minnesota	2.9%
22	Connecticut	2.8%
23	Indiana	2.2%
24	New Hampshire	2.1%
25	Virginia	1.8%
26	Kansas	1.8%
27	Illinois	1.4%
28	Nebraska	1.3%
29	Wisconsin	1.0%
30	Washington	1.0%
31	Louisiana	0.8%
32	New Mexico	0.7%
33	Idaho	0.6%
34	Pennsylvania	0.5%
35	North Dakokta	0.4%
36	Delaware	0.2%
37	Wyoming	0.0%
38	Arkansas	-0.2%
39	New York	-0.8%
40	Colorado	-1.3%
41	Montana	-1.4%
42	District of Columbia	-1.7%
43	Missouri	-2.6%
44	West Virginia	-4.1%
45	Oklahoma	-10.2%
		3.86%

Source: North American Association of State & Provincial Lotteries

U.S. LOTTERIES RANKED BY FISCAL YEAR 2015 PROFIT

RANK	LOTTERY	FY '14 PROFIT ($M)	FY '15 PROFIT ($M)
1	New York	3,172.96	3,110.57
2	Florida	1,495.41	1,477.00
3	California	1,349.60	1,390.25
4	Texas	1,220.72	1,242.70
5	Ohio	1,004.34	1,095.02
6	Pennsylvania	1,081.50	1,060.86
7	Massachusetts	974.56	985.88
8	Georgia	945.10	980.50
9	Maryland	891.87	964.68
10	New Jersey	965.01	960.00
11	Michigan	743.90	796.49
12	Illinois	815.41	690.34
13	Oregon	516.67	544.46
14	Virginia	538.55	533.76
15	North Carolina	504.13	520.64
16	West Virginia	553.13	508.33
17	***Rhode Island***	***376.33***	***381.94***
18	Tennessee	337.27	347.79
19	South Carolina	330.70	343.52
20	Connecticut	321.80	319.70
21	Missouri	277.54	270.70
22	Indiana	251.15	242.67
23	Kentucky	226.13	236.10
24	Delaware	216.29	203.34
25	Louisiana	170.66	184.75
26	Arizona	175.62	176.02
27	Wisconsin	168.77	166.83
28	Washington	147.67	141.26
29	Minnesota	127.01	135.83
30	Colorado	130.11	127.98
31	South Dakota	106.22	112.07
32	Kansas	74.29	75.02
33	Iowa	73.97	74.52
34	New Hampshire	72.38	74.31
35	Arkansas	81.69	72.82
36	Oklahoma	67.68	60.86
37	Maine	52.42	54.65
38	D.C.	54.97	54.29
39	Idaho	49.09	45.00
40	New Mexico	40.94	41.12
41	Nebraska	38.00	37.11
42	Vermont	22.56	22.76
43	Montana	12.20	11.66
44	North Dakokta	7.82	6.72
45	Wyoming	0.00	0.00
	TOTAL	**20,784.15**	**20,882.82**

Results are unofficial and unaudited

U.S. LOTTERIES RANKED BY PROFIT % CHANGE

RANK	LOTTERY	% CHANGE
1	Ohio	9.0%
2	Louisiana	8.3%
3	Maryland	8.2%
4	Michigan	7.1%
5	Minnesota	6.9%
6	South Dakota	5.5%
7	Oregon	5.4%
8	Kentucky	4.4%
9	Maine	4.3%
10	South Carolina	3.9%
11	Georgia	3.7%
12	North Carolina	3.3%
13	Tennessee	3.1%
14	California	3.0%
15	New Hampshire	2.7%
16	Texas	1.8%
17	***Rhode Island***	***1.5%***
18	Massachusetts	1.2%
19	Kansas	1.0%
20	Vermont	0.9%
21	Iowa	0.7%
22	New Mexico	0.4%
23	Arizona	0.2%
24	Wyoming	0.0%
25	New Jersey	-0.5%
26	Connecticut	-0.7%
27	Virginia	-0.9%
28	Wisconsin	-1.1%
29	Florida	-1.2%
30	D.C.	-1.2%
31	Colorado	-1.6%
32	Pennsylvania	-1.9%
33	New York	-2.0%
34	Nebraska	-2.4%
35	Missouri	-2.5%
36	Indiana	-3.4%
37	Washington	-4.3%
38	Montana	-4.4%
39	Delaware	-6.0%
40	West Virginia	-8.1%
41	Idaho	-8.3%
42	Oklahoma	-10.1%
43	Arkansas	-10.9%
44	North Dakokta	-14.1%
45	Illinois	-15.3%
		0.47%

Source: North American Association of State & Provincial Lotteries