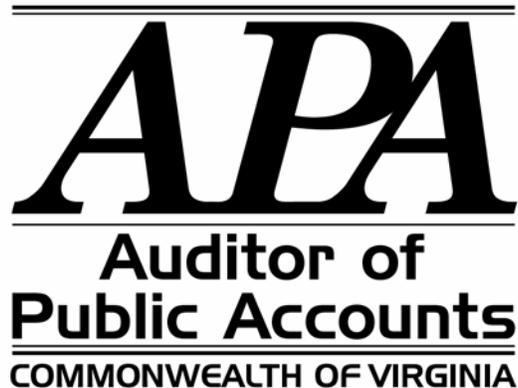


**STATE LOTTERY DEPARTMENT
RICHMOND, VIRGINIA**

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2003 THROUGH MARCH 31, 2004**





Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

August 13, 2004

The Members of the Virginia State Lottery Board
900 East Main Street
Richmond, Virginia

Independent Auditors' Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Virginia Lottery Department and the other member lotteries in the states of Georgia and Kentucky (referred to as the "Member Lotteries"), which operate Lotto South, solely to assist the Virginia Lottery and the Member Lotteries with respect to the evaluation of the following financial information associated with Lotto South: Virginia Lottery's sales and prize expense for the period April 1, 2003, through March 31, 2004, and the Virginia Lottery's receivable or payable as of March 31, 2004. Virginia Lottery is responsible for its records of the financial information associated with Lotto South. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Virginia Lottery and Member Lotteries. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

A. We obtained from the Virginia Lottery Department the "Draw Activity" and the "Fixed Prize Analysis" reports for the period April 1, 2003, to March 31, 2004, and attached those as Exhibits I and II, respectively. We proved the mathematical accuracy of the schedules with no exceptions noted.

B. We randomly selected the following five (5) Lotto South draw dates from the period April 1, 2003, to March 31, 2004:

August 2, 2003	January 14, 2004
September 20, 2003	March 27, 2004
November 5, 2003	

C. For each draw date selected in step "B" above, we compared the total amount of sales as shown on the daily sales report produced by the Virginia Lottery's gaming system and the total amount of sales shown on the related daily sales report produced by the Internal Control System ("ICS"), with the balance listed in the

"sales" column for the respective draw date on the "Draw Activity" report attached as Exhibit I and found them to be in agreement.

- D. We calculated the total dollar amount of the actual and share prizes for the draw dates selected in step "B" above, based on the total number of winners from the Virginia Lottery's gaming system for each prize level and the prize structure of the Lotto South's shared prizes (as defined in the official game rules). We compared the calculated expense with the amount listed in the "Actual Fixed Prizes" column for the respective draw date on the "Draw Activity" report attached as Exhibit I and found them to be in agreement.
- E. For each draw date selected in step "B" above, we compared the amount of sales, actual fixed prizes, and share of fixed prizes shown on the "Draw Activity" report attached as Exhibit I to the amounts shown on the applicable Lotto South Settlement Reports and found them to be in agreement.
- F. We compared the amounts shown as the total of the actual fixed prizes and the total of the shared fixed prizes on the "Draw Activity" report attached as Exhibit I to the applicable amounts shown on the "Fixed Prize Analysis" report attached as Exhibit II and found them to be in agreement.
- G. We compared the total of the quarterly transfers to/from the Virginia Lottery for settlement of the shared prize liability as shown in the Virginia Lottery's cash disbursement subsidiary records to the amount listed in the "Qtrly/Yrly Settlements Transfers In (Out)" column on the "Fixed Prize Analysis" report attached as Exhibit II and found them to be in agreement.
- H. We compared the balance listed as the Virginia Lottery's payable/receivable as of March 31, 2004, for the fixed prizes as shown on the "Fixed Prize Analysis" report attached as Exhibit II to the Virginia Lottery's financial accounting records and to the Lotto South Prize Settlement Report as of March 31, 2004, and found them to be in agreement.
- I. We selected the only draw date whereby the Virginia Lottery Department had a Lotto South Jackpot Prize Winner (if any) as referenced on the "Draw Activity" report attached as Exhibit I, and reviewed the appropriate files and/or documentation to verify the following:
 - 1) If the winner selected the annuity option, the lottery purchased annuities in accordance with Lotto South Operational Procedures, Section 4., Type of Investments.
 - 2) Regardless of annuity or cash option, the Jackpot Prize was validated in accordance with Lotto South Operational Procedures, Section 13., Ticket Validation.

We were not engaged to, and did not perform an audit or an examination, the objective of which would be the expression of an opinion on the specified financial information associated with Lotto South. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Virginia Lottery and Member Lotteries as specified above and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

KJS:whb
whb:37

Lotto South
Virginia State Lottery Department
Draw Activity
For the Period Ending March 31, 2004

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (Purchased by VA)
04/02/03	\$ 615,593	\$ 105,056	\$ 102,155	-
04/05/03	736,891	141,519	127,466	-
04/09/03	643,577	96,488	108,577	-
04/12/03	635,555	90,708	104,714	-
04/16/03	541,575	84,473	89,744	-
04/19/03	667,646	109,646	109,946	-
04/23/03	572,541	98,192	95,467	-
04/26/03	690,191	121,251	121,880	-
04/30/03	595,540	85,816	99,818	-
05/03/03	715,748	110,142	124,023	-
05/07/03	624,552	96,921	103,896	-
05/10/03	740,924	119,288	123,809	-
05/14/03	532,421	87,930	88,367	-
05/17/03	624,747	105,527	105,696	-
05/21/03	541,049	93,921	88,305	-
05/24/03	628,375	125,512	109,154	-
05/28/03	536,848	95,043	93,158	-
05/31/03	667,481	114,680	119,269	-
06/04/03	597,555	102,758	98,361	-
06/07/03	719,909	134,507	124,845	-
06/11/03	627,000	96,231	106,979	-
06/14/03	768,259	137,525	135,997	-
06/18/03	703,712	124,908	114,080	-
06/21/03	892,448	143,362	149,023	-
06/25/03	709,680	116,904	115,792	-
06/28/03	809,823	123,549	131,971	-
07/02/03	576,161	97,095	99,597	-
07/05/03	666,144	115,329	117,677	-
07/09/03	622,533	99,967	106,759	-
07/12/03	699,848	108,522	116,128	-
07/16/03	610,211	96,241	98,562	-
07/19/03	716,006	135,788	127,174	-
07/23/03	542,241	86,298	95,471	-
07/26/03	645,123	112,674	101,533	-
07/30/03	566,990	90,389	95,202	-
08/02/03	696,172	121,458	118,843	-

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (Purchased by VA)
08/06/03	602,467	97,940	99,004	-
08/09/03	720,207	117,051	114,520	-
08/13/03	621,724	102,428	104,225	-
08/16/03	730,217	117,939	128,483	-
08/20/03	645,673	106,499	113,607	-
08/23/03	753,934	125,021	126,332	-
08/27/03	656,216	118,370	115,500	-
08/30/03	790,928	130,772	129,487	-
09/03/03	697,698	122,101	122,990	-
09/06/03	819,160	137,984	142,293	-
09/10/03	731,958	124,412	125,591	-
09/13/03	854,997	163,768	147,086	-
09/17/03	771,306	133,186	126,869	-
09/20/03	485,856	77,805	86,434	-
09/24/03	523,456	86,229	84,915	-
09/27/03	655,459	104,915	106,420	-
10/01/03	598,642	99,449	105,620	-
10/04/03	695,056	127,896	119,876	-
10/08/03	540,953	94,912	95,138	-
10/11/03	644,127	108,445	112,768	-
10/15/03	557,133	86,890	93,359	-
10/18/03	668,571	109,691	109,067	-
10/22/03	581,653	97,326	100,403	-
10/25/03	687,352	111,773	119,607	-
10/29/03	603,684	98,560	95,446	-
11/01/03	733,751	125,033	122,506	-
11/05/03	658,394	120,415	109,299	-
11/08/03	773,772	123,814	131,013	-
11/12/03	686,466	121,146	120,018	-
11/15/03	795,229	135,737	136,186	-
11/19/03	688,500	119,722	122,296	-
11/22/03	807,374	124,691	133,332	-
11/26/03	754,078	119,883	122,180	-
11/29/03	795,325	138,790	134,561	-
12/03/03	775,743	141,232	137,778	-
12/06/03	846,937	157,566	145,917	-
12/10/03	812,048	128,425	139,624	-
12/13/03	943,853	145,053	161,135	-
12/17/03	568,630	95,095	101,559	-
12/20/03	672,154	117,800	120,106	-
12/24/03	702,110	133,998	123,854	-
12/27/03	712,553	134,362	127,004	-

Draw Date	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (Purchased by VA)
12/31/03	840,473	141,341	140,026	-
01/03/04	757,287	126,953	129,886	-
01/07/04	669,511	119,610	117,877	-
01/10/04	749,686	116,408	121,571	-
01/14/04	696,256	110,447	122,533	-
01/17/04	815,058	135,215	136,052	-
01/21/04	700,071	119,960	124,730	-
01/24/04	849,103	144,815	134,843	-
01/28/04	513,106	77,102	85,655	-
01/31/04	692,757	120,866	115,205	-
02/04/04	576,979	95,921	100,356	-
02/07/04	698,952	125,032	122,774	-
02/11/04	621,302	109,760	104,367	-
02/14/04	761,404	122,455	135,269	-
02/18/04	654,949	115,556	116,525	-
02/21/04	861,434	141,432	152,946	-
02/25/04	683,820	118,065	109,266	-
02/28/04	796,440	128,908	133,049	-
03/03/04	715,816	134,194	120,440	-
03/06/04	841,844	127,903	138,004	-
03/10/04	713,016	130,431	112,421	-
03/13/04	839,947	135,402	138,919	-
03/17/04	738,551	122,716	122,263	-
03/20/04	852,178	133,671	138,680	-
03/24/04	742,637	128,747	127,114	-
03/27/04	863,343	142,047	140,057	-
03/31/04	771,451	125,594	130,121	-
	<u>\$ 72,863,784</u>	<u>\$ 12,260,293</u>	<u>\$ 12,251,640</u>	<u>\$ -</u>

Lotto South
 Virginia State Lottery Department
 Fixed Prize Analysis
 For the Period Ending March 31, 2004

	Balance as of April 1, 2003	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In(Out)	Balance as of March 31, 2004
	Receivable (Payable)				Receivable (Payable)
Georgia	\$ 41,833	\$ 13,061,983	\$ 12,983,035	\$ 69,676	\$ 51,105
Kentucky	56,714	4,207,273	4,192,719	59,506	11,762
Virginia	(98,547)	12,260,293	12,353,795	(129,182)	(62,867)
Total		<u>\$ 29,529,549</u>	<u>\$ 29,529,549</u>		

