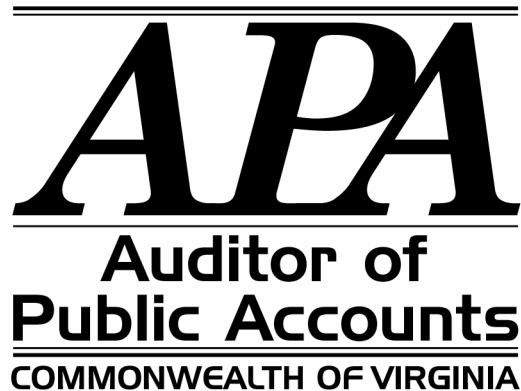


**STATE LOTTERY DEPARTMENT
RICHMOND, VIRGINIA**

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2002 THROUGH MARCH 31, 2003**



August 15, 2003

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

Independent Auditor's 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 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, 2002 through March 31, 2003, and the Virginia Lottery's receivable or payable as of March 31, 2003. Virginia Lottery is responsible for its records of the financial information associated with Lotto South. This engagement to apply agreed-upon procedures was performed 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 specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures prescribed 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 the Lotto South "Draw Activity" and the "Fixed Prize Analysis" reports for the period April 1, 2002 through March 31, 2003 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) draw dates from the period April 1, 2002 through March 31, 2003:

April 12, 2002	December 18, 2002
May 11, 2002	January 4, 2003
September 21, 2002	
- 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 fixed 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, 2003 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, 2003 and found them to be in agreement.
- I. We selected the only draw date whereby the Virginia Lottery had a Lotto South Jackpot Prize Winner as referenced on the “Draw Activity” report attached as Exhibit I, reviewed the appropriate files and/or documentation and verified 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 specified above and is not intended to be and should not be used by anyone other than these specified parties.

AUDITOR OF PUBLIC ACCOUNTS

KKH:whb
whb:33

Exhibit I

Lotto South
Virginia State Lottery Department
Draw Activity
For the Period Ending March 31, 2003

Draw Dates	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (Purchased by VA)
4/3/2002	\$642,008	\$105,844	\$106,298	\$ -
4/6/2002	835,949	133,253	147,376	-
4/10/2002	763,963	116,870	125,671	-
4/13/2002	1,029,563	170,814	165,134	3,122,425
4/17/2002	755,530	126,375	127,416	-
4/20/2002	739,269	129,974	128,439	-
4/24/2002	639,440	114,391	108,541	-
4/27/2002	758,854	128,965	127,734	-
5/1/2002	673,733	116,838	110,812	-
5/4/2002	800,309	138,257	135,671	-
5/8/2002	691,900	115,225	122,779	-
5/11/2002	805,337	137,354	140,179	-
5/15/2002	710,445	124,399	122,145	-
5/18/2002	832,816	137,328	134,771	-
5/22/2002	733,365	125,523	119,200	-
5/25/2002	850,561	138,560	138,778	-
5/29/2002	753,018	124,573	129,370	-
6/1/2002	902,496	154,008	155,652	-
6/5/2002	827,292	130,658	142,137	-
6/8/2002	957,618	162,442	168,186	-
6/12/2002	864,135	155,053	145,696	-
6/15/2002	721,496	113,152	119,758	-
6/19/2002	603,015	112,466	107,698	-
6/22/2002	717,288	128,836	119,461	-
6/26/2002	619,533	106,183	109,539	4,600,000
6/29/2002	664,910	126,193	115,274	-
7/3/2002	605,690	97,108	100,667	-
7/6/2002	697,178	117,954	110,647	-
7/10/2002	645,370	107,555	113,096	-
7/13/2002	776,725	129,102	136,390	-
7/17/2002	695,619	120,325	120,974	-
7/20/2002	787,982	126,017	134,775	-
7/24/2002	689,754	119,468	117,616	-
7/27/2002	798,331	124,785	133,958	-
7/31/2002	707,961	122,048	119,871	-
8/3/2002	844,385	150,726	149,269	-
8/7/2002	740,265	133,704	130,468	-
8/10/2002	855,132	151,504	151,943	-
8/14/2002	758,100	129,217	122,702	-
8/17/2002	877,357	133,899	147,391	-
8/21/2002	784,268	121,050	127,554	-
8/24/2002	917,610	156,999	154,129	-
8/28/2002	589,831	93,330	95,716	-
8/31/2002	706,713	110,966	120,247	-
9/4/2002	603,502	111,474	106,852	-
9/7/2002	720,478	117,088	125,191	-
9/11/2002	619,811	118,267	108,109	-
9/14/2002	745,711	112,054	123,387	-
9/18/2002	644,605	105,835	106,393	-
9/21/2002	757,537	110,368	125,680	-
9/25/2002	670,081	124,253	119,688	-
9/28/2002	786,680	132,017	137,569	-
10/2/2002	708,205	122,646	122,438	11,600,000

Draw Dates	Sales	Actual Fixed Prizes	Share of Fixed Prizes	Cost of Jackpot Prizes (Purchased by VA)
10/5/2002	666,931	118,020	114,985	-
10/9/2002	572,566	92,064	99,200	-
10/12/2002	673,212	128,290	119,657	-
10/16/2002	586,284	94,285	95,425	-
10/19/2002	700,057	120,359	117,485	-
10/23/2002	529,302	89,983	84,843	-
10/26/2002	638,992	111,065	113,276	-
10/30/2002	550,847	90,421	93,081	-
11/2/2002	688,285	115,105	119,051	-
11/6/2002	595,937	93,931	106,148	-
11/9/2002	722,586	130,860	127,633	-
11/13/2002	609,548	99,619	104,911	-
11/16/2002	714,363	118,503	120,215	-
11/20/2002	630,883	101,194	105,235	-
11/23/2002	740,431	116,642	125,201	-
11/27/2002	563,962	100,028	95,361	-
11/30/2002	628,168	108,083	110,377	-
12/4/2002	568,610	90,862	94,648	-
12/7/2002	618,935	105,990	109,377	-
12/11/2002	563,732	91,796	91,939	-
12/14/2002	693,490	130,054	115,983	-
12/18/2002	626,193	110,080	105,085	-
12/21/2002	777,771	136,460	138,929	-
12/25/2002	747,251	121,952	132,961	-
12/28/2002	828,827	138,363	145,580	-
1/1/2003	732,643	119,806	123,268	-
1/4/2003	868,887	166,910	152,773	-
1/8/2003	738,906	127,710	121,158	-
1/11/2003	884,276	135,773	143,027	-
1/15/2003	778,894	130,955	138,037	-
1/18/2003	877,929	146,605	151,524	-
1/22/2003	805,159	129,695	130,266	-
1/25/2003	913,831	146,252	151,030	-
1/29/2003	844,334	152,862	142,443	-
2/1/2003	1,010,884	186,096	173,422	-
2/5/2003	623,743	102,468	105,490	-
2/8/2003	714,922	124,043	122,490	-
2/12/2003	619,120	105,119	108,445	-
2/15/2003	719,309	123,004	124,268	-
2/19/2003	555,796	114,012	98,325	-
2/22/2003	711,060	136,935	126,232	-
2/26/2003	540,952	86,747	89,817	-
3/1/2003	666,471	116,010	117,921	-
3/5/2003	555,954	90,503	92,799	-
3/8/2003	659,289	112,513	116,042	-
3/12/2003	537,264	86,609	91,411	-
3/15/2003	658,306	104,803	111,786	-
3/19/2003	563,323	91,108	97,774	-
3/22/2003	652,593	106,907	111,570	-
3/26/2003	563,532	87,820	91,604	-
3/29/2003	697,759	116,202	117,554	-
TOTAL	\$74,361,023	\$12,574,769	\$12,673,497	\$19,322,425