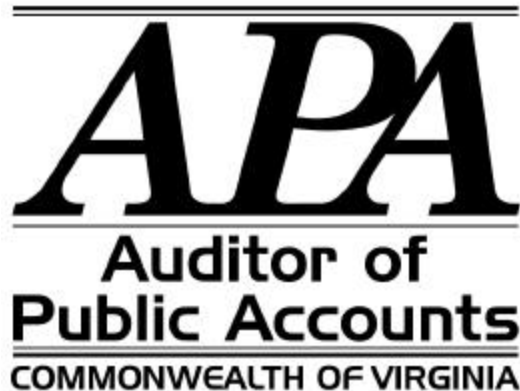


**STATE LOTTERY DEPARTMENT  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEARS ENDED  
JUNE 30, 2000 AND JUNE 30, 2001**



## **AUDIT SUMMARY**

Our audit of the State Lottery Department of the Commonwealth of Virginia for the years ended June 30, 2001 and 2000, found:

- the financial statements are presented fairly, in all material respects;
- no internal control matters that we consider material weaknesses; and
- no instances of noncompliance required to be reported under Government Auditing Standards.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
INDEPENDENT AUDITOR'S REPORT:	
Report on Financial Statements	1
Report on Compliance and on Internal Control Over Financial Reporting	2
FINANCIAL STATEMENTS:	
Balance Sheet	4
Statement of Revenues, Expenses and Changes in Retaining Earnings	5
Statement of Cash Flows	6
Notes to Financial Statements	8-13
AGENCY OFFICIALS	14

August 27, 2001

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

We have audited the accounts and records of the **State Lottery Department of the Commonwealth of Virginia** as of and for the years ended June 30, 2001 and 2000, and submit herewith our complete reports on financial statements and compliance and internal controls.

#### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of the State Lottery Department as of June 30, 2001 and 2000, and the related statement of revenues, expenses and changes in retained earnings, and the statement of cash flows for the years then ended. The financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1A, the financial statements of the Department are intended to present the financial position and results of its operations and cash flows on only that portion of the financial reporting entity of the Commonwealth of Virginia that is attributable to the transactions of the Department.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State Lottery Department as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the State Lottery Department as of and for the years ended June 30, 2001 and 2000, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, and contracts in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over financial reporting and its operation that we consider to be material weaknesses.

The "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting" is intended solely for the information and use of the Governor and General Assembly of Virginia, the Virginia State Lottery Board and Lottery management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on October 3, 2001.

AUDITOR OF PUBLIC ACCOUNTS

KKH:whb  
whb:32

## **FINANCIAL STATEMENTS**

STATE LOTTERY DEPARTMENT  
BALANCE SHEET  
As of June 30, 2001 and 2000

	2001	2000
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (Note 2 )	\$ 23,419,088	\$ 16,187,052
Cash held as collateral (Note 2)	233,477,079	1,025,487
Accounts receivable	32,589,851	27,171,760
Due from the General Fund of the Commonwealth (Note 4)	439,460	58,113
Instant ticket inventory (Note 3 )	3,097,723	2,364,598
Deferred expenses	1,484,014	1,909,785
Short-term investments (Note 2 )	56,368,389	58,683,433
<b>Total current assets</b>	<b>350,875,604</b>	<b>107,400,228</b>
Investments (Note 2 )	405,274,523	443,902,533
Fixed assets: (Note 1D)		
Furniture, fixtures, and equipment	55,422,399	49,082,018
Less: Accumulated depreciation	(33,799,672)	(39,068,831)
Net fixed assets	21,622,727	10,013,187
<b>Total assets</b>	<b>\$ 777,772,854</b>	<b>\$ 561,315,948</b>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
Current liabilities:		
Accounts payable	\$ 9,309,238	\$ 10,152,052
Obligations under securities lending (Note 2)	233,477,079	1,025,487
Prizes payable: (Note 5 )		
Jackpot prizes payable	56,368,389	58,683,433
Other	58,011,632	43,825,020
Deferred revenue	2,401,226	2,172,836
Installment notes payable (Note 6)	2,080,373	-
<b>Total current liabilities</b>	<b>361,647,937</b>	<b>115,858,828</b>
Long-term liabilities:		
Installment notes payable (Note 6)	9,318,027	-
Jackpot prizes payable (Note 5 )	405,274,523	443,902,533
Accrued compensated absences (Note 7 )	1,532,367	1,554,587
<b>Total liabilities</b>	<b>777,772,854</b>	<b>561,315,948</b>
Retained earnings	-	-
<b>Total liabilities and retained earnings</b>	<b>\$ 777,772,854</b>	<b>\$ 561,315,948</b>

The accompanying notes to financial statements are an integral part of this statement.

STATE LOTTERY DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
For the Years Ended June 30, 2001 and 2000

	2001	2000
Revenue:		
Ticket sales	\$ 1,002,828,896	\$ 972,971,875
Less:		
Prize expense	557,252,771	537,306,306
Retailer compensation	55,870,238	55,177,099
Instant ticket printing	5,651,860	4,827,512
Gross margin	<u>384,054,027</u>	<u>375,660,958</u>
Operating expenses:		
Advertising and promotion	20,576,474	17,457,216
General and administration	46,798,184	44,949,036
Total operating expenses	<u>67,374,658</u>	<u>62,406,252</u>
Income from operations	<u>316,679,369</u>	<u>313,254,706</u>
Non-operating revenue:		
Interest income	11,366,160	8,870,097
Other income	1,096,863	1,350,206
Total non-operating income	<u>12,463,023</u>	<u>10,220,303</u>
Net income	329,142,392	323,475,009
Transfer to the General Fund of the Commonwealth	(329,581,852)	(323,533,122)
Due from the General Fund of the Commonwealth	439,460	58,113
Retained earnings at July 1	<u>-</u>	<u>-</u>
Retained earnings at June 30	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.



STATE LOTTERY DEPARTMENT  
STATEMENT OF CASH FLOWS  
For the Years Ended June 30, 2001 and 2000

	2001	2000
Cash flows from operating activities:		
Cash received from ticket sales	\$ 997,639,195	\$ 981,271,288
Cash payments for prizes	(618,269,137)	(648,496,061)
Discounts for retailer compensation	(55,870,238)	(55,177,099)
Cash payments to supplier of instant tickets	(6,384,985)	(5,380,616)
Cash payments to suppliers of other goods and services	(26,199,485)	(28,610,851)
Cash payments to employees for services	(18,953,785)	(17,058,840)
Cash payments to the Literary Fund for unclaimed prizes (Note 9)	(7,461,034)	(10,881,724)
Net cash provided by operating activities	<u>264,500,531</u>	<u>215,666,097</u>
Cash flows from noncapital financing activities:		
Proceeds from other income	1,096,863	1,350,206
Repayment of Treasury loan (Note 8)	-	(12,000,000)
Transfers to the General Fund of the Commonwealth	(329,523,739)	(324,315,793)
Net cash used by noncapital financing activities	<u>(328,426,876)</u>	<u>(334,965,587)</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	(15,410,757)	(2,451,281)
Net cash used for capital financing activities	<u>(15,410,757)</u>	<u>(2,451,281)</u>
Cash flows from investing activities:		
Purchase of investment securities	(22,830,932)	(32,738,552)
Sale of investment securities	39,105,910	89,062,493
Proceeds from maturing securities	58,928,000	61,948,000
Interest proceeds from cash balances	11,366,160	8,870,097
Net cash provided by investing activities	<u>86,569,138</u>	<u>127,142,038</u>
Net increase in cash and cash equivalents	7,232,036	5,391,267
Cash and cash equivalents at July 1	<u>16,187,052</u>	<u>10,795,785</u>
Cash and cash equivalents at June 30	<u>\$ 23,419,088</u>	<u>\$ 16,187,052</u>
Reconciliation of operating income to net cash provided by operating activities:		
Income from operations	\$ 316,679,369	\$ 313,254,706
Adjustments to reconcile operating income to net cash:		
Depreciation	3,801,217	4,207,528
Accreted interest on investment securities	(34,259,924)	(38,037,417)
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	(5,418,091)	8,130,676
(Increase) in instant ticket inventory	(733,125)	(553,104)
Decrease in deferred expenses	425,771	623,427
Increase (Decrease) in accounts payable	(842,814)	819,129
Increase in current prizes payable	11,871,568	1,141,744
Increase in deferred revenue	228,390	168,737
Increase in installment notes payable	11,398,400	-
Increase (Decrease) in accrued compensated absences	(22,220)	204,753
(Decrease) in noncurrent prizes payable	(38,628,010)	(74,294,082)
Net cash provided by operating activities	<u>\$ 264,500,531</u>	<u>\$ 215,666,097</u>

The accompanying notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

STATE LOTTERY DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The State Lottery Department (Virginia Lottery) was established by Chapter 531 of the 1987 Acts of Assembly and operates as an independent agency in accordance with the provisions of Chapter 40 of Title 58.1 of the Code of Virginia.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Virginia Lottery is an agency of the Commonwealth of Virginia and is included in the general-purpose financial statements of the Commonwealth.

B. Basis of Accounting

The basis of accounting is an accrual basis where revenues are recognized when earned and expenses when incurred. Instant ticket revenue is recognized when tickets are sold to retailers. On-line ticket revenue is recognized as corresponding drawings are held.

C. Fund Accounting

The activities of the Virginia Lottery are accounted for in an enterprise fund, which is used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Enterprise fund accounting is used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate.

D. Property, Plant, and Equipment

Fixed assets are capitalized and depreciated on a straight-line basis over their useful lives. Fixed assets are valued at historical cost or estimated historical cost. Donated fixed assets are capitalized at estimated market value at the date of contribution. The Virginia Lottery capitalizes all property, plant, and equipment that have a cost or value equal to and greater than \$3,000 and an expected useful life of at least three years.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents represent cash with the Treasurer of Virginia, deposits and overnight repurchase agreements. Cash with the Treasurer of Virginia is held pursuant to Section 2.1-177, et seq., Code of Virginia. These funds are held in pooled accounts and, accordingly, are not categorized as to credit risk as defined by Statement 3 of the Governmental Accounting Standards Board. Cash on deposit is held in demand deposit accounts maintained for prize payments and is

covered by federal depository insurance with the balance in excess of this insurance collateralized in accordance with the Virginia Security for Public Deposits Act. Under that Act, banks holding public deposits in excess of the amounts insured by FDIC pledge collateral in the amount of 50 percent of deposits in excess of FDIC insurance coverage to a collateral pool held in the name of the State Treasury Board.

Investments (current and long-term) consist of U.S. Treasury STRIPS purchased to fund individual jackpot and "For Life" prizes. Investments are valued at cost plus accrued interest. Market values are reported for informational purposes as it is management's intention to hold these securities to maturity.

Statutes authorize the investment of funds held by the Virginia Lottery in obligations of the Commonwealth, the Federal Government, other states or political subdivisions thereof, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the Virginia Lottery may invest in prime quality commercial paper rated prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements, and money market funds comprised of investments which are otherwise legal investments of the Virginia Lottery.

Cash on deposit, short-term investments, and investments are categorized below to give an indication of the level of credit risk assumed by the Virginia Lottery. Credit risk is the risk that the Virginia Lottery may not be able to obtain possession of its investment instruments or collateral at maturity. Risk category 1 includes investments which are insured or registered or for which the securities are held by the Virginia Lottery or its safekeeping agent in the Virginia Lottery's name. Risk category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or safekeeping agent in the Virginia Lottery's name. There are no accounts or investments in this category. Risk category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the Virginia Lottery's name.

#### Securities Lending

As authorized by Section 2.1-328.6 of the Code of Virginia, the Virginia Lottery, through its master custodian, BankersTrust, New York, N.Y., N.A., lends securities to various security brokers and lenders on a temporary basis for a fee. Up to 100 percent of the securities may be available for loan. All security loan agreements are collateralized at loan inception at 102 percent of market value by cash or U.S. Government obligations and adjusted to market daily to cover market value fluctuations; therefore, management believes there is no assumed credit risk.

In accordance with Statement No. 28 of the Governmental Accounting Standards Board, balances for "Cash held as collateral" and "Obligations under securities lending," reflect the recommended reporting. For the year ended June 30, 2001, the market value of investment account securities on loan was \$230,576,478 secured by \$236,700,552 in cash deposits and \$185,705,275 secured by \$189,419,381 in market value securities that cannot be pledged or loaned. For the year ended June 30, 2000, the market value of investment account securities on loan was \$182,320,895 secured by \$185,967,313 in market value securities that cannot be pledged or loaned. There were no Lottery security lending transactions at June 30, 2000, secured by cash deposits.

Cash held as collateral from treasury security lending represents the Lottery's share of cash collateral received for security lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these securities lending transactions is

available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

At June 30, 2001				
	Category		Carrying Amount	Market Value
	1	3		
<u>Cash and Cash Equivalents</u>				
Cash on deposit	\$ (553,225)	\$ -	\$ (553,245)	\$ (553,245)
Repurchase agreements	-	2,527,852	2,527,852	2,527,852
Cash with Treasurer of Virginia	-	-	21,439,921	21,439,921
Petty cash	-	-	4,560	4,560
	<u>-\$ (553,225)</u>	<u>\$ 2,527,852</u>	<u>\$ 23,419,088</u>	<u>\$ 23,419,088</u>
<u>Cash held as collateral</u>				
Lottery securities lending	\$ -	\$ -	\$ 230,576,478	\$ 230,576,478
Treasury securities lending	-	-	2,900,601	2,900,601
			<u>\$ 233,477,079</u>	<u>\$ 233,477,079</u>
<u>Investments</u>				
U. S. Government Securities	<u>\$461,642,912</u>	<u>\$ -</u>	<u>\$461,642,912</u>	<u>\$508,713,974</u>

At June 30, 2000				
	Category		Carrying Amount	Market Value
	1	3		
<u>Cash and Cash Equivalents</u>				
Cash on deposit	\$ (220,670)	\$ -	\$ (220,670)	\$ (220,670)
Repurchase agreements	-	3,902,808	3,902,808	3,902,808
Cash with Treasurer of Virginia	-	-	12,500,374	12,500,374
Petty cash	-	-	4,540	4,540
	<u>-\$ (220,670)</u>	<u>\$ 3,902,808</u>	<u>\$ 16,187,052</u>	<u>\$ 16,187,052</u>
<u>Cash held as collateral</u>				
Treasury securities lending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,025,487</u>	<u>\$ 1,025,487</u>
<u>Investments</u>				
U. S. Government Securities	<u>\$502,585,966</u>	<u>\$ -</u>	<u>\$502,585,966</u>	<u>\$533,387,868</u>

3. INSTANT TICKET INVENTORY

Inventories are valued at cost and are expensed over the life of each game as it is sold to retailers.

4. DUE FROM THE GENERAL FUND OF THE COMMONWEALTH

The amount due from the General Fund of the Commonwealth represents Virginia Lottery net income receivable from the Commonwealth of Virginia's General Fund in accordance with Section 31.01(G) of Chapter 1073, 2000 Acts of Assembly, and Section 58.1-4022(D), Code of Virginia.

	Year Ended June 30, 2001	Year Ended June 30, 2000
Net Income	\$ 329,142,392	\$ 323,475,009
Less:		
Transfer of net income through June 30	<u>329,581,852</u>	<u>323,533,122</u>
Balance due from the General Fund of the Commonwealth	<u>\$ 439,460</u>	<u>\$ 58,113</u>

5. PRIZES PAYABLE

Jackpot prizes are paid in 20, 25, or 26 installments. The first installment is paid on the day the prize is claimed. The subsequent annual payments are funded with U.S. Treasury STRIPS purchased by the Virginia Lottery. Jackpot prizes payable also includes "For Life" estimated prizes payable monthly, quarterly, or annually for the life of the winner based on life expectancy tables from the Virginia Bureau of Insurance, and funded with a pool of U.S. Treasury STRIPS.

Jackpot prizes payable represent the future annual prize payments valued at cost plus accrued interest (present value) of the investment securities funding the payments.

	Year Ended June 30, 2001			Year Ended June 30, 2000
	<u>Jackpot</u>	<u>For Life</u>	<u>Total</u>	<u>Total</u>
Jackpot Prizes Payable:				
Due within one year	\$ 55,681,379	\$ 687,010	\$ 56,368,389	\$ 58,683,433
Due in subsequent years	<u>397,884,334</u>	<u>7,390,189</u>	<u>405,274,523</u>	<u>443,902,533</u>
Total (present value)	453,565,713	8,077,199	461,642,912	502,585,966
Add: Interest to maturity	<u>229,386,287</u>	<u>6,561,801</u>	<u>235,948,088</u>	<u>276,454,034</u>
Jackpot prizes payable at maturity	<u>\$682,952,000</u>	<u>\$14,639,000</u>	<u>\$ 697,591,000</u>	<u>\$ 779,040,000</u>

Other prizes payable represent unclaimed prizes from drawings or games which have ended and are redeemable up to 180 days after the drawing or game end. The "For Life" bonds that have not been purchased are reported as other prizes payable.

6. INSTALLMENT PURCHASE AND OPERATING LEASE COMMITMENTS

The Virginia Lottery is committed under various installment purchase agreements and operating lease agreements. Equipment acquired under installment purchase agreements has been capitalized at June 30, 2001. Expenses under operating lease agreements were \$5,509,661 and \$5,499,648 as of June 30, 2001 and 2000, respectively. A summary of future obligations under these agreements as of June 30, 2001 follows:

Year Ending June 30,	Operating Lease Obligation	Installment Purchase		
		Principal	Interest	Obligations
2002	\$5,154,630	\$ 2,080,373	\$ 491,268	\$ 2,571,641
2003	527,065	2,175,569	373,362	2,548,931
2004	268,131	2,275,123	273,808	2,548,931
2005	276,130	2,379,231	169,700	2,548,931
2006	<u>646,716</u>	<u>2,488,104</u>	<u>60,827</u>	<u>2,548,931</u>
Total commitments and gross minimum payments	<u>\$6,872,672</u>	<u>\$11,398,400</u>	<u>\$1,368,965</u>	<u>\$12,767,365</u>

7. COMPENSATED ABSENCES

Compensated absences represent the amounts of vacation, sick, and compensatory leave earned by employees of the Virginia Lottery but not taken at June 30, 2001 and 2000. Compensated absences were calculated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16 Accounting for Compensated Absences. The amount reflects all earned leave payable under the Commonwealth of Virginia's leave payout policies. Information on the Commonwealth's leave payout policy is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

8. LINE OF CREDIT

The State Comptroller has provided the Virginia Lottery with an interest-free line of credit not to exceed \$25,000,000 in accordance with Section 3-2.03 of Chapter 1073, 2000 Acts of Assembly, to fund administrative and operating expenses in the event unreserved cash is insufficient to cover these short-term costs. There were no borrowings as of June 30, 2001 and 2000.

9. LITERARY FUND AND SET-OFF DEBT COLLECTION PAYMENTS

Prizes unclaimed after 180 days are paid to the Literary Fund of the Commonwealth. Payments to the Literary Fund in the month of June 2001 total \$1,595,578. Payments totaled \$7,461,034 and \$10,881,724 for the years ended June 30, 2001 and 2000, respectively.

The Virginia Lottery participates in the Setoff Debt Collection Act whereby certain prize payments are withheld to set-off state obligations the prize winner owes. The Virginia Lottery made payments in the month of June 2001 totaling \$28,715. Payments totaled \$707,771 and \$789,241 for the years ended June 30, 2001 and 2000, respectively.

10. PENSION PLAN AND OTHER POST RETIREMENT BENEFITS

Employees of the Virginia Lottery are employees of the Commonwealth of Virginia. The employees participate in a defined benefit retirement plan administered by the Virginia Retirement System (VRS). The VRS also administers life insurance and health related plans for retired employees. Information relating to these plans is available at the statewide level only in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth of Virginia, not the Virginia Lottery, has the overall responsibility for contributions to these plans.

11. RISK MANAGEMENT

The Virginia Lottery is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Virginia Lottery participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and water craft plans. The Virginia Lottery pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

12. PENDING GASB STATEMENT

GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued June 1999, will be effective for the Commonwealth for fiscal year ending June 30, 2002. This Statement imposes new standards for financial reporting. The changes to the Virginia Lottery's financial statements will be minimal since its activity is accounted for in an enterprise fund. However, Lottery's management will be required to provide a management's discussion and analysis that gives readers an analysis of the agency's overall financial position and results of operations including a comparison of current year results with the prior year. The Virginia Lottery has identified necessary changes and is preparing to implement this Statement.



STATE LOTTERY DEPARTMENT  
Richmond, Virginia

STATE LOTTERY BOARD  
As of June 30, 2001

Stephen C. Fogleman, Chairman

Virginia D. Hall, Vice Chairman

Paul J. Lanteigne

Enoch W. Love, Jr.

Stuart C. Siegel

Penelope W. Kyle, Director