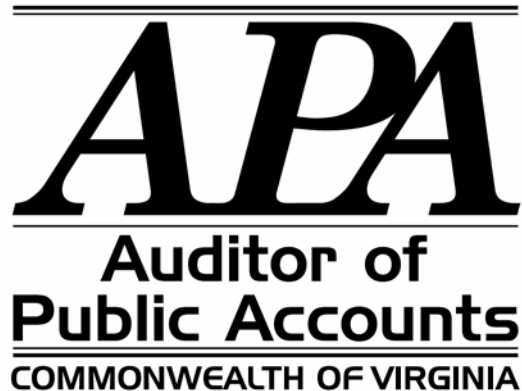


STATE LOTTERY DEPARTMENT

**REPORT ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2004 THROUGH MARCH 31, 2005**





Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

August 4, 2005

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, 2004 through March 31, 2005, and the Virginia Lottery's receivable or payable as of March 31, 2005. 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 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 the "Draw Activity" and the "Fixed Prize Analysis" reports for the period April 1, 2004 through March 31, 2005 and attached those as Exhibits I and II, respectively. We verified the mathematical accuracy of the schedules.
- B. We randomly selected the following five Lotto South draw dates from the period April 1, 2004 through March 31, 2005:

May 15, 2004
July 3, 2004
November 6, 2004

February 5, 2005
March 12, 2005

- C. For each Lotto South 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 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 shares 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, 2005 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, 2005 and found them to be in agreement.
- I. We selected draw dates whereby the Virginia Lottery had a Lotto South Jackpot Prize Winner 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 Virginia 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 specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

LCR/kva

LOTTO SOUTH
 VIRGINIA LOTTERY DEPARTMENT
 DRAW ACTIVITY
 For the period ending March 31, 2005

Draw Date	Sales	Actual Prizes	Fixed Prizes	Share of Prizes	Fixed Prizes	Cost of Jackpot Prizes (Purchased by VA)
04/03/04	\$ 952,014	\$ 154,815		\$ 157,701		\$ -
04/07/04	605,314		92,260	100,219		-
04/10/04	725,094		119,048	127,093		-
04/14/04	605,511		97,960	105,333		-
04/17/04	718,811		134,393	126,213		-
04/21/04	615,372		101,807	106,538		-
04/24/04	724,160		120,804	122,062		-
04/28/04	629,983		105,372	108,899		-
05/01/04	760,485		120,593	131,953		-
05/05/04	676,851		107,944	111,566		-
05/08/04	795,230		143,583	141,944		-
05/12/04	677,317		113,320	109,657		-
05/15/04	781,310		127,803	139,224		-
05/19/04	548,763		86,355	90,217		-
05/22/04	642,402		102,278	110,312		-
05/26/04	551,834		89,962	91,705		-
05/29/04	675,291		115,542	119,188		-
06/02/04	534,153		96,926	95,172		-
06/05/04	649,182		123,399	114,746		-
06/09/04	543,777		89,880	91,357		-
06/12/04	668,494		120,608	113,647		-
06/16/04	602,632		96,913	98,482		-
06/19/04	729,645		139,860	121,918		-
06/23/04	554,632		98,244	94,859		-
06/26/04	680,733		108,845	116,530		-
06/30/04	629,924		102,133	105,815		-
07/03/04	816,041		129,261	133,083		-
07/07/04	594,568		101,817	98,398		-
07/10/04	727,669		110,749	120,979		-
07/14/04	625,429		106,342	102,638		-
07/17/04	654,634		120,894	116,361		-
07/21/04	555,558		88,020	92,600		-
07/24/04	665,730		113,975	113,616		-
07/28/04	566,895		81,939	93,376		-
07/31/04	692,040		116,503	117,750		-
08/04/04	598,253		106,122	106,841		-
08/07/04	708,417		120,136	124,344		-
08/11/04	611,612		94,029	103,238		-
08/14/04	717,740		124,239	124,442		-
08/18/04	635,719		100,095	106,675		-
08/21/04	745,169		125,274	131,302		-
08/25/04	660,395		115,979	117,436		-
08/28/04	767,614		127,202	125,707		-
09/01/04	534,878		101,103	91,990		-
09/04/04	649,944		111,032	113,554		-
09/08/04	538,438		91,313	87,236		-
09/11/04	650,362		111,314	115,718		-
09/15/04	576,234		96,732	99,915		-
09/18/04	676,496		110,127	117,273		-
09/22/04	589,176		99,410	96,060		-
09/25/04	611,993		101,139	103,178		-
09/29/04	521,035		85,160	87,336		-
10/02/04	654,707		106,598	106,519		-

LOTTO SOUTH
 VIRGINIA LOTTERY DEPARTMENT
 DRAW ACTIVITY
 For the period ending March 31, 2005

EXHIBIT I

Draw Date	Sales	Actual Prizes	Fixed Prizes	Share of Prizes	Fixed Prizes	Cost of Jackpot Prizes (Purchased by VA)
10/06/04	545,489	96,944		95,040		-
10/09/04	657,314	120,708		116,700		-
10/13/04	504,062	80,804		84,500		-
10/16/04	608,181	107,357		104,956		-
10/20/04	524,938	90,132		93,301		-
10/23/04	635,562	105,271		107,252		-
10/27/04	546,888	91,024		94,522		-
10/30/04	654,810	118,728		114,144		-
11/03/04	576,934	98,828		96,082		-
11/06/04	687,964	112,320		119,784		8,600,000
11/10/04	506,084	85,995		89,959		-
11/13/04	610,665	103,573		103,751		-
11/17/04	535,929	82,505		90,415		-
11/20/04	655,007	112,345		109,340		-
11/24/04	525,139	83,507		89,516		-
11/27/04	575,996	94,835		97,906		-
12/01/04	535,150	84,665		88,872		-
12/04/04	632,187	97,176		105,592		4,600,000
12/08/04	505,007	82,190		83,613		-
12/11/04	598,752	103,106		103,580		-
12/15/04	521,159	81,542		89,397		-
12/18/04	627,999	109,136		109,049		-
12/22/04	567,430	89,805		91,709		-
12/25/04	573,948	98,043		93,412		-
12/29/04	579,010	92,727		95,229		-
01/01/05	671,682	108,142		113,272		-
01/05/05	622,789	100,061		102,423		-
01/08/05	736,082	132,535		125,498		-
01/12/05	655,296	110,544		103,641		-
01/15/05	792,387	136,217		138,865		-
01/19/05	660,781	115,778		104,716		-
01/22/05	738,392	128,082		130,713		-
01/26/05	690,998	116,567		111,530		-
01/29/05	800,706	150,470		140,209		-
02/02/05	758,562	146,219		135,331		-
02/05/05	896,026	139,133		151,434		-
02/09/05	835,229	137,567		136,727		-
02/12/05	969,808	193,240		172,336		20,600,000
02/16/05	563,107	98,587		100,528		-
02/19/05	676,976	108,649		117,907		2,600,000
02/23/05	557,310	85,951		95,243		-
02/26/05	670,575	116,322		112,204		-
03/02/05	577,814	97,299		99,758		-
03/05/05	695,879	104,065		112,457		-
03/09/05	591,631	105,624		102,597		-
03/12/05	707,733	116,393		121,178		-
03/16/05	617,796	104,502		101,572		-
03/19/05	720,076	123,096		115,244		-
03/23/05	629,051	102,287		105,001		-
03/26/05	755,842	124,574		128,221		-
03/30/05	649,434	97,361		105,462		-
Total	\$ 67,359,226	\$ 11,329,682		\$ 11,451,603		\$ 36,400,000

LOTTO SOUTH
 VIRGINIA LOTTERY DEPARTMENT
 FIXED PRIZE ANALYSIS
 For The Period Ending March 31, 2005

EXHIBIT II

	Balance as of April 1, 2004	Actual Fixed Prizes	Share of Fixed Prizes	Qtrly/Yrly Settlements Transfers In/(Out)	Balance as of March 31, 2005
	Receivable/ (Payable)				Receivable/ (Payable)
Georgia	\$ 51,105	\$ 11,609,428	\$ 11,502,973	\$ 82,781	\$ 74,779
Kentucky	11,762	3,137,280	3,121,814	21,789	5,439
Virginia	(62,867)	11,329,682	11,451,603	(104,570)	(80,218)
Total	\$ -	\$26,076,390	\$ 26,076,390	\$ -	\$ -