



LOUISIANA LOTTERY CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

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PREPARED BY ACCOUNTING DEPARTMENT

KAREN B. FOURNET

SENIOR VICE PRESIDENT

SECRETARY TREASURER

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COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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August 28, 2009

Board of Directors, Louisiana Lottery Corporation
Rose J. Hudson, President, Louisiana Lottery Corporation

INTRODUCTION

The Louisiana Lottery Corporation is pleased to submit its Comprehensive Annual Financial Report for the fiscal years ended June 30, 2009 and 2008. Lottery management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge, the information presented is accurate and complete in all material respects and fairly depicts the financial activities and position of the Lottery.

This report is organized into four sections. The introductory section includes this letter of transmittal and an organizational chart. The financial section includes the independent auditor's report, management's discussion and analysis, and the audited financial statements with accompanying notes. Historical, demographic, and industry comparative data are presented in the statistical section of this report. A report on compliance and internal control is included in the last section.

The Louisiana Lottery Corporation was created in October 1990 and began operating on January 15, 1991. Ticket sales began on September 6, 1991. The Lottery is considered a component unit of the State of Louisiana and is reported as an enterprise fund within the state's Comprehensive Annual Financial Report. The fund is operated in a manner similar to a private business enterprise.

During its 18 years of operation, the Lottery has offered a variety of instant and on-line products. The instant games consist of preprinted "scratch-off" tickets, which contain various symbols and captions covered by latex material. Players instantly determine the winning or non-winning status of their tickets by removing the latex. On-line game tickets are produced through terminals at lottery retailer locations based on player instructions for number selection. Drawings are conducted to determine winning combinations. Historical data for all lottery products are presented in the financial and statistical sections of this report.

FINANCIAL CONDITION AND ACCOMPLISHMENTS

The Corporation's financial condition continues to be strong and stable. At June 30, 2009, net assets are \$22.9 million. Financial results exceeded budgeted and prior-year levels for revenue, net income, and transfers to the state treasury. Total sales were at the highest level in the past 16 years. The transfers to the state were 9.9% higher than budget and 3.1% greater than prior year transfers. Current year transfers include \$2.5 million in surplus funds generated from the increase in sales and efficiency of operations. Investments of \$47.8 million are available to fund current operations, provide adequate reserves for funding potential prize liabilities, and maintain financial protection from future unexpected costs.

An analysis of comparative financial data is included in *Management's Discussion and Analysis* beginning on page 10. The notes to the financial statements that begin on page 25 contain information about investments (note 3), prize liabilities (note 8), risk management (note 12), and net assets (note 14). A historical perspective of the Corporation's performance and financial condition is included in the statistical section beginning on page 44.

Other accomplishments in fiscal year 2009 included the following:

- Completion of the gaming system procurement that will result in future technology upgrades and substantial cost savings
- Effective operational recovery from hurricanes Gustav and Ike
- Expansion of an efficient electronic payment system for vendors, players, and employees

GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting (page 7) to the Louisiana Lottery Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the eleventh consecutive year that the Lottery has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report 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.

ORGANIZATIONAL INFORMATION

Enterprise Operations

The corporate structure of the Lottery enables it to be managed in an entrepreneurial and business-like manner. The Louisiana Lottery's basic business purpose is to provide enjoyable and secure lottery games to the people of the state of Louisiana while maximizing transfers to the state's Lottery Proceeds Fund. The operations involve the sale of lottery tickets, the determination of winning tickets, the payment of prizes, compensation to lottery retailers, and all necessary administrative functions. As intended by the enabling statutes, the Corporation is accountable to the governor, the legislature, and the people of the state through a system of audits, reports, legislative oversight, and thorough financial disclosure.

Operational results are included in the financial and statistical sections of this report.

Internal Control Framework

Management is responsible for the design and operation of the control environment and corporate policies and procedures. This internal control structure should provide reasonable assurance that corporate objectives will be achieved in the following categories:

- Reliability of financial reporting
- Safeguarding of corporate assets
- Compliance with applicable laws and regulations

Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The Lottery has segregated duties in several key areas including the following:

- Human resources and payroll processing
- Daily cash management and bank account reconciliations
- Cash disbursement authorization and bank account reconciliations
- Purchasing and accounts payable
- Cash disbursement authorization and accounts payable
- Retailer licensing and retailer accounts receivable
- General ledger accounts receivable and retailer accounts receivable
- Data center processing and programming
- Drawing department and information systems department

Operational policies and procedures have been established to communicate management guidelines and requirements for daily operations. Employee compliance with these standards is constantly monitored and evaluated.

Budgetary Controls

The Corporation is required to submit its annual fiscal year budget to the Board of Directors and the Joint Legislative Committee on the Budget for review and approval. All levels of management are involved in the budgeting process. Available resources are determined based on projected revenue and are allocated to specific areas based on the goals and objectives contained in the Lottery's annual business plan. Operational efficiency is emphasized to direct resources to areas that are expected to maximize revenues, profitability, and the return to the State of Louisiana.

Actual performance is compared to the approved budget on a monthly basis by department managers and senior management. Variances are monitored and future plans are reviewed for potential adjustments.

Debt Administration

Lotto and Powerball game grand prize winner installment obligations are funded by investments in U.S. Treasury zero coupon bonds as required by statute. These liabilities are paid as the bonds mature at or near the winning draw date anniversaries.

Cash Management

Cash due from retailers for lottery transactions is collected on a weekly basis through an electronic funds transfer system and deposited into an operating account. Operating cash balances are used to fund daily lottery operations such as prize and vendor payments. Minimal operating account balances are maintained and are invested overnight in U.S. government securities repurchase agreements. Excess operating funds are invested daily in short-term U.S. government securities money market mutual funds. Funds not needed for liquidity purposes are invested in a portfolio of intermediate-term U.S. government and agency securities. All investment purchases are restricted by guidelines contained in a board-adopted Investment Policy Statement and all associated state statutes.

Risk Management

The Lottery has purchased various commercial insurance policies for protection from significant economic loss. These policies include coverage for standard automobile liability, general liability, worker's compensation claims, property, electronic data processing equipment, employee crimes against the corporation, directors' and officers' liability, and retirement plan fiduciary liability. In addition, contracts for major purchases of goods or services contain requirements for vendor indemnification of the Lottery and vendor insurance and performance bond coverages. Management has also segregated a portion of net assets for a litigation and prize reserve to cover unanticipated losses.

MAJOR INITIATIVES

Management has developed the Corporation's objectives and goals for the 2010 fiscal year. Two of the major initiatives are as follows:

- Planning, testing, and implementing the new gaming system and related retailer terminals and equipment
- Issuing a request for proposals for instant ticket printing services, evaluate the responses, execute a contract with the successful vendor, and begin implementation

INDEPENDENT AUDIT

The Louisiana Legislative Auditor performs an annual audit of the Lottery's financial statements as required by Louisiana statutes. The audits are conducted in accordance with generally accepted auditing standards and generally accepted government auditing standards. The independent auditor's opinion on the Lottery's financial statements for the years ended June 30, 2009, and June 30, 2008, is included in the financial section of this report.

ACKNOWLEDGMENTS

The Accounting Department staff prepared each section of the Comprehensive Annual Financial Report. Their efforts have greatly contributed to the success of this informative document. In addition, we appreciate the efforts of the Legislative Auditor's Office in providing assistance with technical requirements.

We are committed to providing thorough and relevant financial information to the users of our financial statements. Our preparation of this Comprehensive Annual Financial Report reflects this commitment. The additional presentations and disclosures required will assist readers in obtaining an understanding of the Lottery's historical and current financial results.

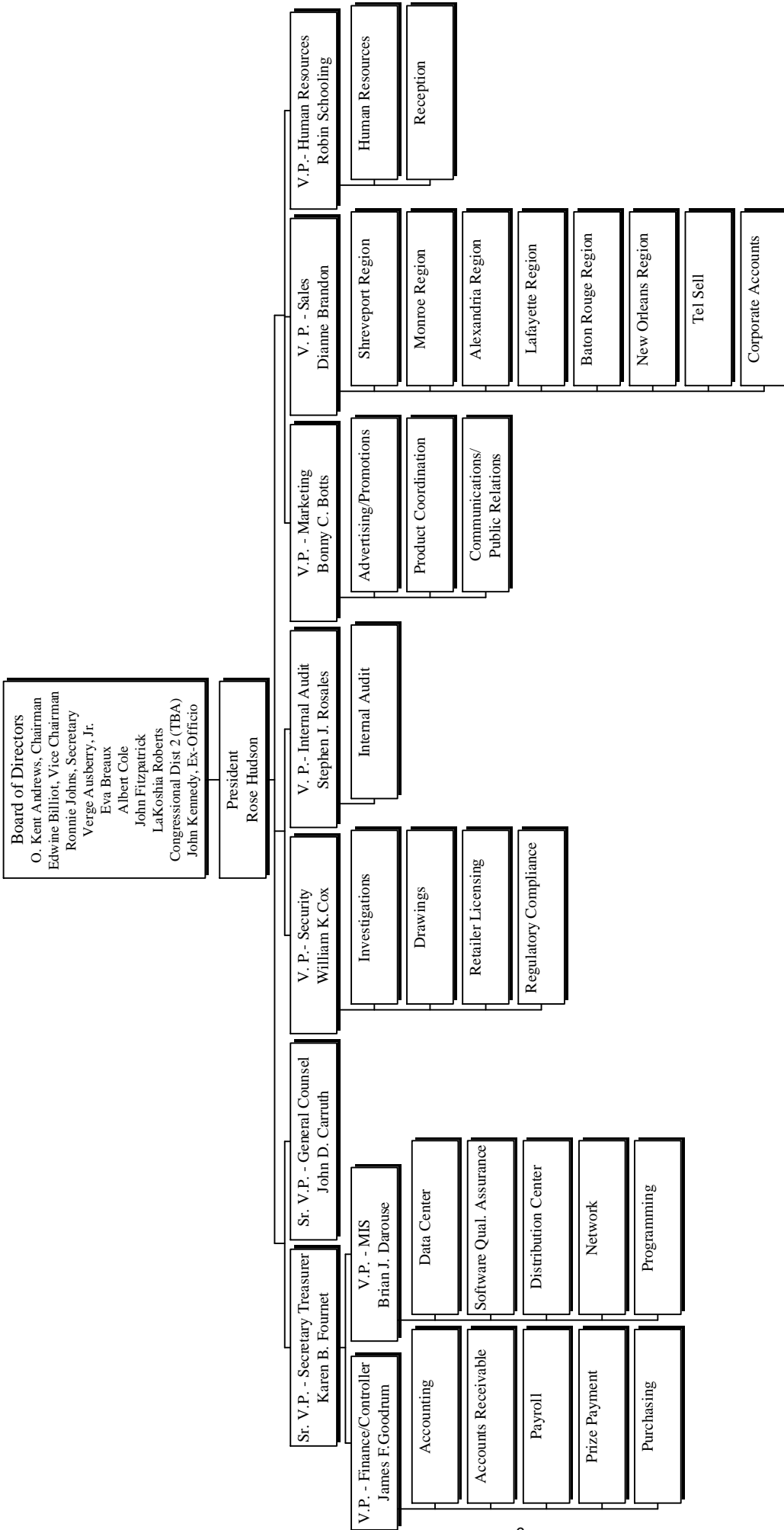
Respectfully submitted,

LOUISIANA LOTTERY CORPORATION



Karen B. Fournet
Senior Vice President and Secretary Treasurer

LOUISIANA LOTTERY CORPORATION Organizational Chart with Principal Officials



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Louisiana Lottery Corporation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

August 28, 2009

Independent Auditor's Report

**BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the accompanying basic financial statements of the Louisiana Lottery Corporation, a component unit of the State of Louisiana, as of and for the years ended June 30, 2009, and June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Lottery Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Lottery Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Lottery Corporation as of June 30, 2009, and June 30, 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

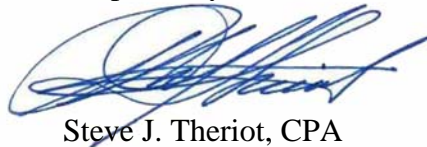
In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2009, on our consideration of the Louisiana Lottery Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's discussion and analysis on pages 10 through 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Louisiana Lottery Corporation's basic financial statements. The accompanying supplemental information schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplemental information schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BF:WDD:EFS:PEP:dl

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**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Management's Discussion and Analysis
For the Years Ended June 30, 2009, and June 30, 2008**

This discussion of the Louisiana Lottery Corporation's financial statements provides an overview and analysis of the Corporation's financial results and position for the fiscal years ended June 30, 2009, and June 30, 2008. Please read it in conjunction with the financial statements and notes to the financial statements.

Our annual report consists of three types of financial statements and accompanying notes that provide narrative explanations and additional details of accounting policies, account balances and activities. Account balances and activities are shown as of and for the fiscal year ended June 30, 2009, with comparative totals for June 30, 2008. The statement of net assets; the statement of revenues, expenses, and changes in fund net assets; and the notes are presented using the accrual method of accounting. Under this method, financial transactions are recorded when earned or incurred regardless of when cash is received or disbursed. The statement of cash flows reflects cash receipts and disbursements during the fiscal year.

The statement of net assets on page 20 includes all assets, liabilities, and net assets of the Corporation. Assets consist of money held in investments and bank accounts, amounts owed to the Corporation from licensed lottery retailers and other outside parties, inventory, property, and other financial resources. Liabilities represent amounts owed to vendors, employees for wages and benefits, prize winners and the state treasury. Assets and liabilities are classified as either current or noncurrent. A current classification indicates that an asset or liability is expected to be received or paid, respectively, within the subsequent one-year period while a noncurrent classification indicates a period of greater than one year. Net assets represent the portion of assets that are not encumbered by liabilities. It serves as an indicator of the net worth of the Corporation.

A summary of the financial results of operations for the reported 12-month period is presented in the statement of revenues, expenses, and changes in fund net assets on pages 21 and 22. The categories of activities included on this statement provide reasons for increases or decreases in net assets. Operating revenues include sales of lottery tickets and other fees associated with the Corporation's network of retailers and operations. Direct costs and administrative expenses comprise the operating expenses section of this report. Direct costs are variable expenses that fluctuate with the level of sales. Marketing and overhead costs are included in the administrative expenses category. Nonoperating revenues and expenses consist of interest and market value gains or losses from investments, any recognized gain or loss from the disposal of capital assets, and the accrued required and surplus remittances to the state as explained in note 15 to the financial statements on page 40.

The statement of cash flows on pages 23 and 24 includes cash receipts and disbursements from operating, noncapital financing, capital financing, and investing activities. This statement also consists of a reconciliation of operating income

presented on the accrual basis of accounting to net cash provided by operating activities.

The notes to the financial statements that begin on page 25 present information on accounting policies, cash, investments, accounts receivable, prepaid expenses, capital assets, deposits, prizes payable, vacation and sick leave, changes in noncurrent liabilities, retirement benefits, risk management, lease and rental commitments, net assets, payments to the state treasury, and the board of directors. These notes are an integral part of the financial statements.

These statements and notes provide information that is necessary to evaluate the Corporation's financial performance and condition. Each fiscal year's performance affects the end of year financial position. To assist readers with this evaluation, a condensed comparison of financial results between the current year ended June 30, 2009, and the prior years ended June 30, 2008, and June 30, 2007, is presented below followed by further analysis of changes in key performance indicators.

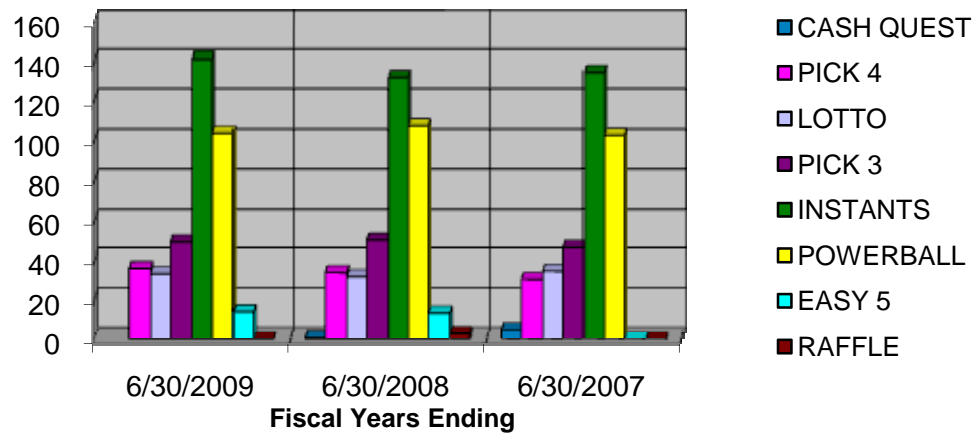
| | As of and for the Year Ended June 30, 2009 | As of and for the Year Ended June 30, 2008 | As of and for the Year Ended June 30, 2007 |
|--------------------------------------|---|---|---|
| Operating revenues | | | |
| Instant ticket sales | \$141,393,769 | \$132,048,433 | \$134,652,721 |
| On-line sales | 237,129,984 | 241,645,621 | 219,540,017 |
| Allowance for uncollectible accounts | (21,426) | (7,481) | (9,697) |
| Other operating revenues | 9,509 | 86,020 | 15,931 |
| Total operating revenues | 378,511,836 | 373,772,593 | 354,198,972 |
| Nonoperating revenues | | | |
| Investment and other income | 2,636,767 | 2,967,323 | 2,743,684 |
| Total revenues | 381,148,603 | 376,739,916 | 356,942,656 |
| Operating expenses | | | |
| Direct costs: | | | |
| Prize expense | 193,331,767 | 192,800,091 | 179,410,211 |
| Retailer commission and incentives | 21,056,534 | 20,912,784 | 19,661,356 |
| Other direct costs | 13,598,523 | 13,569,127 | 12,511,948 |
| Total direct costs | 227,986,824 | 227,282,002 | 211,583,515 |
| Administrative expenses | 17,735,988 | 17,645,772 | 17,012,217 |
| Total operating expenses | 245,722,812 | 244,927,774 | 228,595,732 |
| Payments to state treasury | 135,908,240 | 131,861,525 | 128,263,375 |
| Total expenses | 381,631,052 | 376,789,299 | 356,859,107 |
| Change in net assets | (\$482,449) | (\$49,383) | \$83,549 |

Operating revenues increased and the Corporation transferred over \$128 million to the state treasury for the third consecutive year. The \$135.9 million transferred to the state was the highest fiscal year transfer in the past 16 years and the second largest in the Corporation's history. The reasons for the activity in each component outlined below provide the rationale for these positive results of operations.

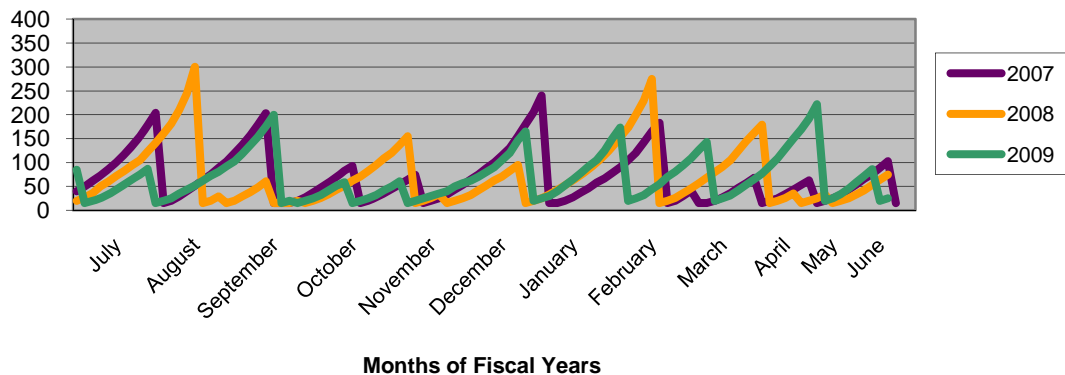
Operating revenues

The charts presented below reflect sales levels for each of the lottery games offered during the three fiscal years and Powerball jackpot levels experienced during those time periods. The purpose of these presentations is to emphasize the correlation between Powerball jackpots and the level of sales for that on-line game and the other lottery games. Discussions of changes in operating revenues follow these charts.

Sales in Millions (\$)



Powerball Jackpots in Millions (\$)



For the year ended June 30, 2009

Total sales of \$378.5 million surpassed the 15-year high established in the previous fiscal year. Instant ticket sales were at the highest level since fiscal year ended June 30, 1994. On-line sales were at the second-highest level on record and were only \$4.5 million under the fiscal year record established in 2008.

Instant ticket sales increased over 7% to \$141.4 million. A shift in consumer buying patterns to higher-price-point games and improvement in inventory distribution are the main reasons for the growth in sales.

Sales of on-line games, except Powerball, were stable or slightly increased during the fiscal year. Pick 4 sales increased over 6%. The prize payouts for this game continue to exceed 50%. Lotto sales were about \$1.5 million higher than sales in the previous year mainly because of larger jackpots. Sales for the Pick 3 game and the Easy 5 game, when combined with the Cash Quest game, were slightly lower. Powerball sales decreased \$3.9 million because only one jackpot surpassed \$200 million during the fiscal year. The on-line Raffle game was not offered for sale.

For the year ended June 30, 2008

Total sales of \$373.7 million were at the highest level in the past 15 years while on-line sales of \$241.6 million established a new fiscal year record.

Instant ticket sales stabilized above \$132 million. The growth trend that began in fiscal year 2006 and continued through fiscal year 2007 brought sales for this product to a new higher level. Sales for fiscal year 2008 were maintained at this level.

On-line sales increased \$22.1 million because of the performance of the Powerball game, daily numbers games, and the new Easy 5 and Raffle games. Powerball sales increased \$5 million because of two jackpots above \$250 million and two other jackpots above \$150 million during the fiscal year. The combination of Pick 3 and Pick 4 daily games sales increased by 9% mainly because of the high payouts discussed in the direct costs section on the following page. In September 2007, the Corporation replaced the Cash Quest game with the Easy 5 game, including the EZ Match feature. Partial year sales for Cash Quest and Easy 5 combined exceeded the previous fiscal year's Cash Quest sales by \$9.7 million. The new Raffle game generated \$3 million in additional sales.

Historical sales data for all games are presented in the statistical section of this report.

Nonoperating revenues

Total earnings on investments decreased by \$347,000 in fiscal year 2009 and increased by \$229,000 in fiscal year 2008.

As stated in note 3 to the financial statements, a portion of the Corporation's investment portfolio consists of money market mutual fund investments in short-term government securities. The federal funds rate was less than 0.25% at June 30, 2009, and was

2.00% at June 30, 2008. The Federal Reserve significantly decreased this rate in fiscal year 2009 because of the severe economic downturn and problems in the credit and financial markets. These fluctuations had a direct effect on the amount of short-term investment income earned by the Corporation. The average rate of return earned on short-term investments in the fiscal year ended June 30, 2009, was 0.59%, as compared to rates of 3.43% and 4.76% in the fiscal years ended June 30, 2008 and 2007, respectively. As a result, the Corporation's interest earnings from current investments decreased to \$71,000 in fiscal year 2009 from \$631,000 in fiscal year 2008. Fiscal year 2007 earnings were \$1.07 million.

Because of the fluctuations in short-term investment earnings from year to year and the impact of these changes in cash flow on the annual operating budget, the Corporation maintains an actively-managed intermediate-term portfolio of U.S. government and agency securities. Funds not needed for liquidity and working capital purposes are invested in this portfolio. The annual rate of return is consistently in the 4% to 5% range.

The Corporation's investment return from its intermediate-term portfolio consists of interest earned on investments and changes in the fair value of investments as follows:

| | <u>For the Year Ended June 30, 2009</u> | <u>For the Year Ended June 30, 2008</u> | <u>For the Year Ended June 30, 2007</u> |
|-------------------------|---|---|---|
| Interest | \$1,606,146 | \$1,100,769 | \$1,100,100 |
| Change in Fair Value | <u>740,885</u> | <u>670,492</u> | <u>31,103</u> |
| Total | <u><u>\$2,347,031</u></u> | <u><u>\$1,771,261</u></u> | <u><u>\$1,131,203</u></u> |

As shown in the chart above, the interest component of these intermediate securities increased during the 2009 fiscal year. A \$10 million allocation of short-term investments to this portfolio in June 2008, the transfer of almost \$3 million from investments held by the Multi-State Lottery Association, and the reinvestment of all interest and principal receipts were the main reasons for the higher interest earnings.

The changes in fair value were caused by the inverse relationship of the market value of debt securities to market interest rates and the length of time to maturity of the securities in the portfolio. The majority of the maturities of the securities in the portfolio are within an intermediate range of one to ten years. The intermediate-term five-year Treasury note market yield decreased by .78% and 1.6% in fiscal years 2009 and 2008, respectively, and was nearly unchanged in fiscal year 2007. The decreases in the yield in 2009 and 2008 were factors in the increase in the portfolio's fair value. The increase in the amount of funds in the portfolio at the end of fiscal year 2009 also contributed to the fair value gain. The 2007 change in fair value was very low because of the stability of market interest rates.

Most increases or decreases in fair value are not realized by the Corporation. Investment disposals occur at maturity and when overall investment return performance, including interest earned and market value, can be enhanced by the sale of portfolio holdings and replacement with other quality securities. In addition, some of the gains or losses realized upon the disposal of securities are the result of a discount

or premium paid at the time of original purchase. Net realized gains or losses from disposals of investments were a gain of \$317,000 in fiscal year 2009 and losses of \$312,000 and \$99,000 in fiscal years 2008 and 2007, respectively. Further disclosures on investments and interest rate risk are included in note 3 to the financial statements beginning on page 27.

Total revenues earned during the 2009 and 2008 fiscal years were \$381.1 million and \$376.7 million, respectively. Revenues that are generated each fiscal year are used to fund lottery operations including payment of prizes, retailer compensation, other direct operating costs, administrative expenses, and required payments to the state treasury. Revenue not needed to fund current operations increases net assets or if determined to be surplus to the Corporation's future needs, is remitted as an additional transfer to the state treasury. A historical allocation of expenses as a percentage of total revenue is presented in the statistical section of this report on page 53.

Direct costs

Direct costs are expenses that fluctuate directly with the level of sales. The changes in sales for the fiscal years presented resulted in corresponding changes in direct costs. Prize expense, as a percentage of operating revenues, was 51.07% in fiscal year 2009, 51.58% in fiscal year 2008, and 50.65% in fiscal year 2007. Fluctuations in fixed-prize payouts for the Pick 3 and Pick 4 daily games and changes in operating budget funding levels for instant game prizes caused the annual variations in prize expense percentages.

Administrative expenses

Even with fluctuations in annual sales caused mainly by variances in Powerball jackpot levels, the Corporation has maintained high profitability levels for the benefit of the State of Louisiana by controlling its administrative costs each year. These marketing and overhead expenses have remained consistent and under budget during the past nine fiscal years. These efficiencies have enabled the Corporation to maintain financial stability, fund higher-than-average prize payouts, and transfer additional surplus funds to the state when available.

Payments to state treasury

Note 15 to the financial statements on page 40 includes a discussion of the statutory requirements for payments to the state treasury. Payments increased by \$4.0 million to approximately \$135.9 million in fiscal year 2009 because of higher operating revenues and a \$2.5 million surplus transfer. Surplus funds were not available for an additional transfer in fiscal year 2008 because of high prize payouts for the Pick 3 and Pick 4 games. The payments for fiscal year 2007 include a \$3.3 million additional transfer for surplus at June 30, 2007. Total payments to the state treasury since the Lottery's inception have exceeded \$2.13 billion.

The financial performance reflected above affected the overall financial position of the Corporation at June 30, 2009, and June 30, 2008. A summarized version of the statement of net assets presented on the following page reflects the Corporation's overall change in financial resources and claims on those resources.

| | <u>As of June 30, 2009</u> | <u>As of June 30, 2008</u> | <u>As of June 30, 2007</u> |
|----------------------------|------------------------------------|------------------------------------|------------------------------------|
| Assets | | | |
| Current assets | \$39,754,854 | \$39,760,922 | \$51,252,180 |
| Noncurrent assets: | | | |
| Capital assets | 5,370,229 | 5,485,927 | 5,626,480 |
| Other noncurrent assets | 89,264,254 | 98,421,916 | 93,827,674 |
| Total noncurrent assets | <u>94,634,483</u> | <u>103,907,843</u> | <u>99,454,154</u> |
| Total assets | <u>134,389,337</u> | <u>143,668,765</u> | <u>150,706,334</u> |
| Liabilities | | | |
| Current liabilities | 49,614,267 | 47,066,046 | 46,225,084 |
| Noncurrent liabilities | <u>61,902,634</u> | <u>73,247,834</u> | <u>81,076,982</u> |
| Total liabilities | <u>111,516,901</u> | <u>120,313,880</u> | <u>127,302,066</u> |
| Net assets | | | |
| Invested in capital assets | 5,370,229 | 5,485,927 | 5,626,480 |
| Unrestricted | <u>17,502,207</u> | <u>17,868,958</u> | <u>17,777,788</u> |
| Total net assets | <u><u>\$22,872,436</u></u> | <u><u>\$23,354,885</u></u> | <u><u>\$23,404,268</u></u> |

Current assets

The fluctuation of current assets for the three years presented was mainly caused by changes in investments, accounts receivable balances, and investments in government securities.

Investments decreased in fiscal year 2008 because of the transfer of approximately \$10 million from the money market mutual fund to the intermediate-term portfolio for the reasons discussed in the nonoperating revenue section. In addition, current investment balances are affected by the timing of deposits of the receivables and payments to vendors and the state treasury.

Retailer accounts receivable balances changed because of sales volume differences at the end of the fiscal years and the timing of the collection of these receivables.

Several securities in the Corporation's current investments in government securities matured in fiscal year 2008 and the proceeds were reinvested in noncurrent investments in government securities. In fiscal year 2007, several securities were reclassified from noncurrent assets to current assets because the maturity dates were within one year from June 30, 2007. Further information about investments and investments in government securities is included in note 3 to the financial statements beginning on page 27.

Capital assets

Capital assets decreased in fiscal year 2009 and 2008 because depreciation expense was greater than capital asset acquisitions. Details of capital asset additions, deletions, and depreciation are included in note 6 to the financial statements on page 31.

Other noncurrent assets

Noncurrent investments in government securities increased by \$5.8 million in fiscal year 2009 and \$12.6 million in fiscal year 2008 because of the changes in investment strategy discussed in the nonoperating revenue section, the increase in fair value of the investments, and the reinvestment of the proceeds from the maturity of securities that were classified as current investments in government securities in the previous years.

The difference between the reclassification of annual grand prize payments, with a face value of \$15,627,000, from noncurrent assets to current assets and the change in the market value of noncurrent investments in prize annuities accounts for some of the change in this asset category for both fiscal years. This annual transfer between asset categories is a result of the maturities of investments in prize annuities for the payment of current year obligations and the classification of all investments scheduled to mature within the next fiscal year as current investments in prize annuities. The market value adjustment is necessary to reflect the investment balances at fair value as required by governmental accounting standards. This adjustment is dependent upon the investments' face values, purchase prices, stated interest rates, maturity dates, and market interest rates at the end of the fiscal year. These recurring annual changes in these investment accounts resulted in net decreases in noncurrent assets of \$11.8 million and \$8.5 million in fiscal years 2009 and 2008, respectively. Additional information on investments in prize annuities is included in note 3 to the financial statements beginning on page 27 and the related prizes payable information is contained in note 8 on page 33.

Deposits with the Multi-State Lottery Association (MUSL) decreased because of the investment transfer discussed in the nonoperating revenue section. These deposits increased in fiscal year 2008 because interest earnings were greater than the reductions for the Corporation's share of operating expenses and the use of prize reserve funds. Note 7 to the financial statements that begins on page 32 contains further information about MUSL and the prize reserve accounts.

Finally, as discussed in note 5 to the financial statements on page 30, prepaid expenses declined by approximately \$297,000 each year from the amortization of a one-time lump sum payment for the use of an instant ticket accounting and administrative computer system.

Current liabilities

For the year ended June 30, 2009

Current liabilities increased by \$2.5 million. Accounts payable, accrued payment to state treasury, and prizes and withholdings payable account for most of this change.

Accounts payable increased by \$311,000 because of differences in the timing and amount of expenses and payments between the two fiscal years.

The accrued payment to state treasury increased by \$2.4 million mainly because the accrual at June 30, 2009, included a surplus transfer of \$2.5 million.

Prizes and withholdings payable decreased by \$213,000 because of several factors. All components of this liability category are presented in note 8 to the financial statements on page 33.

The fair value adjustment for the current portion of annual prize annuity payments increased \$134,000.

Instant prizes payable decreased \$702,000 because prize structures contained fewer high-tier prizes that had not been claimed by the end of the fiscal year.

On-line prizes payable increased \$1.1 million mainly because of a large Lotto jackpot prize and a Powerball \$1 million prize that both were not claimed as of June 30, 2009.

Finally, state tax withholdings of \$810,000 for a \$16.2 million Powerball jackpot prize paid in June 2008 were paid to the state in July 2008. This is the main reason for the \$763,000 decrease in tax withholdings payable.

For the year ended June 30, 2008

Current liabilities increased by \$841,000. Accounts payable, accrued payment to state treasury, and prizes and withholdings payable account for most of this change.

Accounts payable increased by \$732,000 because of differences in the timing and amount of expenses and payments between the two fiscal years.

The accrued payment to state treasury decreased by \$3.1 million mainly because the accrual at June 30, 2007, included a surplus transfer of \$3.33 million.

Prizes and withholdings payable increased by \$3.2 million because of several factors. All components of this liability category are presented in note 8 to the financial statements on page 33.

The fair value adjustment for the current portion of annual prize annuity payments increased \$189,000.

Instant prizes payable increased \$435,000 because prize structures contained more high-tier prizes. The larger prizes typically accrue to the prize liability accounts over a long period of time and are won less frequently. The funding of these prizes usually remains in the liability account for an extended period.

On-line prizes payable increased by \$964,000. The introduction of the Easy 5 on-line game with the EZ Match feature and the discontinuance of the Cash Quest game resulted in a net increase in on-line prizes payable of \$267,000. Powerball prize liability accounts were \$630,000 higher at the end of fiscal year 2008 because of two

outstanding Match 5 \$200,000 prizes and other prizes that had not been validated by year-end. The remaining difference of \$67,000 is attributable to minor changes in other prize liability accounts.

The projected net use of unclaimed prizes to fund instant prize structures in fiscal year ending June 30, 2009, is \$244,000 more than the projection for fiscal year 2008 that was included in the current portion of unclaimed prizes payable at June 30, 2007.

The amount due to MUSL for the Powerball prize pool is higher by \$652,000 at June 30, 2008, because of differences in sales levels and prizes won in Louisiana at the end of each fiscal year.

Finally, the state tax withholdings of \$810,000 for a \$16.2 million Powerball jackpot prize paid in June 2008 were not due to the state until July 15, 2008. This is the main reason for the \$709,000 increase in tax withholdings payable.

Noncurrent liabilities

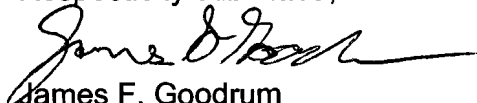
The changes in noncurrent investments in prize annuities discussed previously caused equal changes in the corresponding noncurrent liabilities to prize winners. In addition, unclaimed prizes payable increased because prizes that were not claimed during the statutory claim period exceeded the use of these funds to enhance prize payouts for instant ticket games. Further disclosures on noncurrent prizes payable are included in notes 8 and 10 to the financial statements on pages 33 and 35, respectively.

Net assets

Finally, net assets decreased \$482,000 in fiscal year 2009 and \$49,000 in fiscal year 2008 because of the net income generated during these years and the amount of remittances to the state treasury. The specified uses of unrestricted net assets are presented in note 14 to the financial statements on pages 39-40.

This financial overview of the Louisiana Lottery Corporation is provided as a supplemental analysis of the financial position and activities of the Corporation as of and for the years ended June 30, 2009, and June 30, 2008. It is based on currently known facts and decisions and includes information about transactions, events, and conditions that are reflected in the financial statements and accompanying notes. The additional presentations and disclosures are included to assist the users of this report in understanding the financial results of the Corporation.

Respectfully submitted,



James F. Goodrum
Vice President of Finance and Controller



Karen B. Fournet
Senior Vice President and Secretary Treasurer

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Net Assets, June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash (note 2) | \$46,176 | \$59,548 |
| Investments (note 3) | 11,781,253 | 12,173,151 |
| Accounts receivable, net (note 4) | 11,313,694 | 11,265,139 |
| Investments in government securities (note 3) | 591,345 | 343,487 |
| Investments in prize annuities (note 3) | 15,608,662 | 15,466,188 |
| Prepaid expenses (note 5) | 399,972 | 439,669 |
| Other current assets | 13,752 | 13,740 |
| Total current assets | <u>39,754,854</u> | <u>39,760,922</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land (note 6) | 1,542,415 | 1,542,415 |
| Depreciable capital assets, net (note 6) | 3,827,814 | 3,943,512 |
| Investments in government securities (note 3) | 35,411,388 | 29,585,153 |
| Investments in prize annuities (note 3) | 49,468,842 | 61,232,063 |
| Deposits with Multi-State Lottery Association (note 7) | 4,364,960 | 7,289,508 |
| Prepaid expenses (note 5) | 19,064 | 315,192 |
| Total noncurrent assets | <u>94,634,483</u> | <u>103,907,843</u> |
| TOTAL ASSETS | <u>134,389,337</u> | <u>143,668,765</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 2,904,718 | 2,593,229 |
| Wages, benefits, and withholdings payable | 107,906 | 110,419 |
| Accrued payment to state treasury | 12,485,915 | 10,048,130 |
| Prizes and withholdings payable (note 8) | 33,764,021 | 33,977,184 |
| Compensated absences payable (note 9) | 351,707 | 337,084 |
| Total current liabilities | <u>49,614,267</u> | <u>47,066,046</u> |
| Noncurrent liabilities: | | |
| Noncurrent prizes payable (notes 8 and 10) | 61,902,634 | 73,247,834 |
| TOTAL LIABILITIES | <u>111,516,901</u> | <u>120,313,880</u> |
| NET ASSETS | | |
| Invested in capital assets | 5,370,229 | 5,485,927 |
| Unrestricted (note 14) | 17,502,207 | 17,868,958 |
| TOTAL NET ASSETS | <u>\$22,872,436</u> | <u>\$23,354,885</u> |

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Revenues, Expenses, and
Changes in Fund Net Assets
For the Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--------------------------------------|--------------------|--------------------|
| OPERATING REVENUES | | |
| Instant ticket sales | \$141,393,769 | \$132,048,433 |
| On-line sales | 237,129,984 | 241,645,621 |
| Allowance for uncollectible accounts | (21,426) | (7,481) |
| Retailer license fees | 9,110 | 8,665 |
| Retailer security deposits | 3,700 | 3,410 |
| Miscellaneous revenue | (3,301) | 73,945 |
| Total operating revenues | <u>378,511,836</u> | <u>373,772,593</u> |
| OPERATING EXPENSES | | |
| Direct costs: | | |
| Instant ticket prize expense | 74,303,840 | 68,425,482 |
| On-line prize expense | 119,027,927 | 124,374,609 |
| Retailer commission | 19,720,991 | 19,420,658 |
| Retailer incentives | 1,335,543 | 1,492,126 |
| Lottery system vendor fees | 10,715,039 | 10,913,319 |
| Communications | (219) | (4,399) |
| Cost of instant tickets | 2,302,057 | 2,174,907 |
| Courier service | 581,646 | 485,300 |
| Total direct costs | <u>227,986,824</u> | <u>227,282,002</u> |
| Administrative expenses: | | |
| Advertising | 7,054,108 | 7,216,159 |
| Contract labor | 132,955 | 154,628 |
| Depreciation | 497,470 | 557,095 |
| Equipment lease (note 13) | 24,982 | 25,805 |
| Insurance | 500,459 | 438,860 |
| Postage | 83,040 | 78,703 |
| Professional fees | 424,216 | 379,232 |
| Rent (note 13) | 224,366 | 227,127 |
| Repairs and maintenance | 274,211 | 279,819 |
| Salaries, benefits, and taxes | 7,075,078 | 6,948,904 |
| Supplies | 485,225 | 465,249 |
| Telephone | 213,515 | 220,962 |
| Travel | 113,771 | 125,952 |
| Utilities | 215,738 | 223,921 |
| Other general and administrative | 416,854 | 303,356 |
| Total administrative expenses | <u>17,735,988</u> | <u>17,645,772</u> |
| Total operating expenses | <u>245,722,812</u> | <u>244,927,774</u> |

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statements of Revenues, Expenses, and
Changes in Fund Net Assets
For the Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|----------------------------|----------------------------|
| OPERATING INCOME | <u>\$132,789,024</u> | <u>\$128,844,819</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Interest earned on investments | 1,862,321 | 2,279,826 |
| Net increase in the fair value of investments | 740,885 | 670,492 |
| Net gain on disposal of assets | 33,561 | 17,005 |
| Payments to state treasury - required (note 15) | (133,408,240) | (131,861,525) |
| Payments to state treasury - surplus (note 15) | <u>(2,500,000)</u> | |
| Total nonoperating revenues (expenses) | <u>(133,271,473)</u> | <u>(128,894,202)</u> |
| CHANGE IN NET ASSETS | (482,449) | (49,383) |
| TOTAL NET ASSETS AT BEGINNING OF YEAR | <u>23,354,885</u> | <u>23,404,268</u> |
| TOTAL NET ASSETS AT END OF YEAR | <u><u>\$22,872,436</u></u> | <u><u>\$23,354,885</u></u> |

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND

Statement C

Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--|------------------------|-----------------------------|
| Cash flows from operating activities | | |
| Cash received from retailers - net of commission and incentives | \$360,223,995 | \$354,108,304 |
| Cash from other sources (note 8) | 10,930 | 71,719,539 |
| Cash payments for prizes and related taxes (note 8) | (208,887,643) | (276,727,761) |
| Cash payments to suppliers of goods or services | (26,563,472) | (26,146,289) |
| Cash payments to employees for services | <u>(6,309,242)</u> | <u>(6,138,898)</u> |
| Net cash provided by operating activities | <u>118,474,568</u> | <u>116,814,895</u> |
| Cash flows from noncapital financing activities | | |
| Cash payments to the Lottery Proceeds Fund | <u>(133,470,455)</u> | <u>(134,974,760)</u> |
| Cash flows from capital financing activities | | |
| Proceeds from disposal of capital assets | 33,561 | 20,235 |
| Payments for acquisition of capital assets | <u>(377,966)</u> | <u>(376,336)</u> |
| Net cash used in capital financing activities | <u>(344,405)</u> | <u>(356,101)</u> |
| Cash flows from investing activities | | |
| Receipts of interest | 1,734,780 | 1,737,938 |
| Net withdrawals of short-term investments | 391,898 | 10,141,620 |
| Proceeds from investments in government securities | 16,453,037 | 5,539,764 |
| Payments for investments in government securities | (21,785,638) | (14,520,503) |
| Maturity of investments in prize annuities | 15,627,000 | 15,627,000 |
| Net withdrawals of deposits with Multi-State Lottery Association | <u>2,905,843</u> | <u> </u> |
| Net cash provided from investing activities | <u>15,326,920</u> | <u>18,525,819</u> |
| Net (decrease) increase in cash | (13,372) | 9,853 |
| Cash, beginning of year | <u>59,548</u> | <u>49,695</u> |
| Cash, end of year | <u><u>\$46,176</u></u> | <u><u>\$59,548</u></u> |

(Continued)

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
PROPRIETARY FUND - ENTERPRISE FUND**

**Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008**

| | <u>2009</u> | <u>2008</u> |
|---|----------------------|----------------------|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income | \$132,789,024 | \$128,844,819 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation | 497,470 | 557,095 |
| Accrued capital financing activities | (4,733) | (46,091) |
| Multi-State Lottery Association income and expenses | 46,782 | 13,339 |
| Uncollectible accounts | 25,813 | 41,107 |
| Changes in assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 16,613 | (1,381,881) |
| Decrease in prepaid expenses | 335,891 | 251,423 |
| (Increase) decrease in other current assets | (12) | 56 |
| Decrease (increase) in deposits with Multi-State Lottery Association | 8,740 | (306,212) |
| Increase in accounts payable | 311,486 | 731,813 |
| (Decrease) increase in wages, benefits, and withholdings payable | (2,513) | 5,197 |
| Increase in compensated absences payable | 14,623 | 15,101 |
| Increase in prizes and withholdings payable | 62,384 | 3,716,129 |
| (Decrease) in annual grand prizes payable | (15,627,000) | (15,627,000) |
| Total Adjustments | <u>(14,314,456)</u> | <u>(12,029,924)</u> |
| Net Cash Provided by Operating Activities | <u>\$118,474,568</u> | <u>\$116,814,895</u> |
| Non Cash Investing, Capital, and Financing Activities | | |
| Net increase in the fair value of investments | \$740,885 | \$670,492 |
| Interest accrued on deposits with Multi-State Lottery Association | \$144,717 | \$543,072 |

(Concluded)

The accompanying notes are an integral part of this statement.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

Notes to the Financial Statements
For the Years Ended June 30, 2009 and 2008

INTRODUCTION

The Louisiana Lottery Corporation (the Corporation) was created in accordance with Louisiana Revised Statutes (R.S.) 47:9000-9081 and 14:90(C) and began operating January 15, 1991. The Corporation is organized to provide for lottery games, operations, activities, and payment of prizes. The affairs of the Corporation are administered by a board of directors appointed by the governor, subject to confirmation by the Senate. The Corporation is domiciled in East Baton Rouge Parish and operates five regional offices. For the fiscal years ended June 30, 2009, and June 30, 2008, the Corporation employed 132 employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Governmental Accounting Standards Board (GASB) Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Corporation is considered a component unit of the State of Louisiana because the state has financial accountability for fiscal matters as follows: (1) the board of directors is appointed by the governor; (2) upon dissolution of the Corporation, title to all property owned by the Corporation shall vest in the State of Louisiana; and (3) the Corporation provides financial benefits to the state in the form of transfer of funds to the state treasury. The accompanying financial statements present information only as to the transactions of the programs of the Corporation, a component unit of the State of Louisiana. The Corporation is reported as an enterprise fund within the State of Louisiana's Comprehensive Annual Financial Report.

B. BASIS OF PRESENTATION

The Corporation uses a proprietary fund (enterprise fund) to report on its financial position and results of operations. The enterprise fund accounts for the activities relative to conducting a lottery, including, but not limited to, incurring and paying administrative costs and payment of prizes. The fund is operated in a manner similar to a private business enterprise where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, management control, accountability, or other purposes. Activities accounted for in the proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, but not after this date.

C. BASIS OF ACCOUNTING AND MEASUREMENT FOCUS

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Revenue

Operating revenue includes sales of lottery tickets and other fees related to operations. Nonoperating revenue includes investment earnings and gains from the disposal of assets. Sales are recognized when instant ticket packs are activated for sale and on-line game tickets are sold to the public by contracted retailers.

Prizes

Prize expense is recognized based on a predetermined prize structure for each instant ticket and on-line game as revenue is recognized. A portion of the instant ticket prize structures is funded with unclaimed prize money pursuant to R.S. 47:9025(D).

D. CAPITAL ASSET POLICY

The Corporation has established a \$1,000 threshold for capitalization of purchases of assets that have an estimated useful life of at least three years. In addition, substantial purchases may be capitalized even though the per unit cost may be less than \$1,000. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are derived from realistic expectations of the longevity of the assets based on past experience, published guidelines, and industry experience. The useful lives used in determining depreciation for the various types of assets are found in note 6 on page 32.

E. LEGISLATIVE BUDGET OVERSIGHT

R.S. 47:9010(A)(7) requires the Corporation, not later than 30 days before the beginning of each regular session of the legislature, to submit a proposed annual budget of the Corporation and projected net proceeds to the Joint Legislative Committee on the Budget for review and approval. The Corporation submitted its budget for fiscal year ended June 30, 2009, on February 27, 2008. The budget was approved by the Joint Legislative Committee on the Budget on March 19, 2008. A formal budgetary comparison is not required by GASB reporting standards for

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

proprietary funds and, therefore, a budgetary comparison for the fiscal year ended June 30, 2009, is not presented.

F. NONOPERATING EXPENSES

Nonoperating expenses only include payments to the state treasury.

2. CASH

Cash includes petty cash on hand of \$2,500 and demand deposits of \$43,676 at June 30, 2009, and petty cash on hand of \$2,000 and demand deposits of \$57,548 at June 30, 2008. Under state law, the Corporation may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, national banks having their principal offices in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

Under state law, demand deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in a joint custody safekeeping account in the name of the Corporation and the fiscal agent bank in the form of book entry deposits in the Federal Reserve Bank of New York.

3. INVESTMENTS, INVESTMENTS IN GOVERNMENT SECURITIES, AND INVESTMENTS IN PRIZE ANNUITIES

In accordance with state law and the Corporation's formal investment policy, funds may be invested in U.S. Treasury obligations and U.S. government agency obligations or in eligible mutual funds that invest in these securities, direct security repurchase agreements, and time certificates of deposit. The amount invested in U.S. agency securities cannot exceed sixty percent of all investments with maturities of 30 days or longer. In addition, for the purpose of payment of deferred prizes to winners, the Corporation may only invest in securities that are direct obligations of the U.S. Treasury. No specific credit ratings are required by the policy, but credit quality is inherently high because of limitations imposed by the policy.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Investments at June 30, 2009, consist of the following:

| Investment Type | Fair Value | Credit Quality Rating | % of Investments | Investment Maturities (In Years) | | | | |
|--|----------------------|-----------------------------|---------------------|----------------------------------|---------------------|---------------------|--------------------|--------------------|
| | | | | Less Than 1 | 1-5 | 6-10 | 11-20 | 21-30 |
| Investments: | | | | | | | | |
| JPMorgan 100% U.S. Treasury Securities Money Market Fund Capital Class | \$11,781,253 | Aaa | 10.44% | \$11,781,253 | | | | |
| Investments in government securities: | | | | | | | | |
| U.S. Treasury Notes | 16,554,363 | 1 | 14.67% | | \$7,438,541 | \$7,412,032 | \$1,703,790 | |
| Federal Farm Credit Banks (FFCB) Bonds and Notes | 2,096,644 | Aaa | 1.86% | 460,564 | 552,364 | 1,083,716 | | |
| Federal Home Loan Banks (FHLB) Bonds | 494,103 | Aaa | 0.44% | | 494,103 | | | |
| Federal Home Loan Mortgage Corporation (FHLMC) Notes | 399,531 | Aaa | 0.35% | 130,781 | 268,750 | | | |
| Federal National Mortgage Association (FNMA) Notes | 113,185 | Aaa | 0.10% | | 113,185 | | | |
| FHLMC Mortgage-Backed Securities | 5,668,399 | unrated 2 | 5.02% | | 743,387 | 3,204,309 | 1,193,875 | \$526,828 |
| FNMA Mortgage-Backed Securities | 10,085,241 | unrated 2 | 8.94% | | 1,547,400 | 5,206,094 | 1,521,172 | 1,810,575 |
| Government National Mortgage Association (GNMA) Mortgage-Backed Securities | 591,267 | 1 | 0.52% | | 35,703 | 57,692 | 376,368 | 121,504 |
| | 36,002,733 | | 31.90% | 591,345 | 11,193,433 | 16,963,843 | 4,795,205 | 2,458,907 |
| Investments in prize annuities: | | | | | | | | |
| U.S. Treasury Zero Coupon Bonds | 65,077,504 | 1 | 57.66% | 15,608,662 | 43,797,007 | 5,671,835 | | |
| Total Investments | \$112,861,490 | | 100.00% | \$27,981,260 | \$54,990,440 | \$22,635,678 | \$4,795,205 | \$2,458,907 |

* Credit quality ratings obtained from Moody's Investors Service.

1 Credit quality ratings not required for U.S. government and agency securities that are explicitly guaranteed by the U.S. government.

2 FHLMC and FNMA mortgage-backed securities are implicitly guaranteed by the U.S. government but are not rated by Moody's Investors Service.

Investments represent the fair value of U.S. Treasury money-market mutual fund shares held by the Corporation to finance daily operations. Investments in government securities are funds not needed for liquidity purposes that are invested in a portfolio of direct longer-term investments in U.S. government and agency securities. These securities are also recorded at fair value.

Investments in prize annuities totaling \$40,468,693 at June 30, 2009, and \$49,664,905 at June 30, 2008, are in the form of U.S. Treasury zero coupon bonds. These investments were purchased to finance the grand prizes of the Lotto game and the selected top prizes of two instant ticket games that are payable over a 20-year period.

Investments in prize annuities totaling \$24,608,811 and \$27,033,346 at June 30, 2009, and June 30, 2008, respectively, were purchased to finance the Louisiana grand prize winners of the Multi-State Lottery Association (MUSL) Powerball game. The MUSL purchased U.S. Treasury zero coupon bonds to fund the grand prizes that are payable over 20 years. As the bonds mature, the funds are transferred to the Corporation for the annual prize payments to the winners.

The zero coupon bonds are reported at fair value as required by GASB Statement 31. The corresponding liability to the prize winners is recorded in prizes payable and is disclosed in note 8. Cash receipts from the maturity of investments in prize annuities totaled \$15,627,000 in fiscal year ending June 30, 2009, and in fiscal year ending June 30, 2008.

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments that are in the possession of an outside party. Louisiana state law requires that securities purchased as investments by the Corporation are issued in the name of the Corporation and safe kept at a custodian financial institution or Federal Reserve Bank domiciled in the state of Louisiana. Investments, investments in government securities, and the investments in prize annuities purchased by the Corporation are held by the custodial bank's trust department in the Corporation's name. The investments in prize annuities purchased by MUSL are held by MUSL's custodial bank's trust department in the name of MUSL with the Corporation as the beneficiary.

Interest rate risk is the risk that an investment's fair value decreases as market interest rates increase. Typically, this risk is higher in debt securities with longer maturities. The Corporation's investment policy states that investment maturities must be scheduled to coincide with cash requirements. Interest rate risk is managed according to the purpose of the investments and the projected time frame for the use of these assets.

As stated previously, the investments in the money market fund are used to fund daily operations. These investments are not subject to interest rate risk because the underlying investments in Treasury bills and notes have very short-term maturities, funds can be deposited and withdrawn daily, and the fund's share price remains stable.

Investments in government securities consist of funds that are not expected to be needed in the near future. Investment maturities for this portfolio are scheduled for an average intermediate time horizon. The portfolio is managed to provide investment allocations, characteristics, and yields consistent with its benchmark, the Barclays Capital Government Intermediate Index. Interest rate risk is managed by structuring the average maturity and duration of the investments to the benchmark.

The investments in mortgage-backed securities are based on flows from payments on the underlying mortgages that contain prepayment options which cause them to be highly sensitive to changes in interest rates. Generally, when interest rates fall, obligees tend to prepay the assets, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. This reduced cash flow diminishes the fair value of the asset-backed investment.

The risk that the Corporation will actually realize material losses from its investments in government securities resulting from changes in market interest rates is mitigated by the low probability that these securities will have to be sold before maturity.

The investments in prize annuities are also subject to fluctuations in fair value due to interest rate risk, but these bonds are held to maturity to satisfy the annual installment obligations to the prize winners. The fair value at maturity is the face value of the bonds, regardless of the fluctuations in value during the time period that the investments are outstanding.

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Notes to the Financial Statements (Continued)

4. ACCOUNTS RECEIVABLE

As reflected on the statement of net assets, the receivables of the Corporation are as follows:

| | As of June 30, 2009 | As of June 30, 2008 |
|--------------------------------------|------------------------|------------------------|
| Retailer accounts receivable | \$10,908,723 | \$10,959,053 |
| Interest receivable | 432,752 | 341,770 |
| Allowance for uncollectible accounts | <u>(27,781)</u> | <u>(35,684)</u> |
| Total | <u>\$11,313,694</u> | <u>\$11,265,139</u> |

The allowance for uncollectible accounts is based on an analysis of accounts receivable that considers the age of the accounts and the expected collectibility of each account.

5. PREPAID EXPENSES

Prepaid expenses represent insurance paid for coverage after the fiscal year-end and prepayments for postage, advertising, maintenance agreements, and other expenses.

In addition, the unamortized portion of a one-time lump sum payment for the use of an instant ticket accounting and administrative computer system for eight years beginning July 1, 2002, is included in prepaid expenses. The total fee of \$2,375,000 was paid to the system vendor in July 2002 upon the successful implementation of all required hardware and software. An annual amortization of \$296,875 is included as a direct cost in lottery system vendor fees on Statement B.

The balances of prepaid expenses are as follows:

| | As of June 30, 2009 | As of June 30, 2008 |
|------------------------------|------------------------|------------------------|
| Current prepaid expenses: | | |
| Insurance | \$12,263 | \$80,161 |
| Lottery system vendor fees | 296,875 | 296,875 |
| Miscellaneous | <u>90,834</u> | <u>62,633</u> |
| Total | <u>\$399,972</u> | <u>\$439,669</u> |
| Noncurrent prepaid expenses: | | |
| Lottery system vendor fees | | \$296,875 |
| Miscellaneous | <u>\$19,064</u> | <u>18,317</u> |
| Total | <u>\$19,064</u> | <u>\$315,192</u> |

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Notes to the Financial Statements (Continued)

6. CAPITAL ASSETS

Capital assets of the Corporation are included on the statement of net assets at historical cost. Depreciable capital assets are shown net of accumulated depreciation. Depreciation of capital assets is charged as an operating expense. Depreciation for financial reporting purposes is computed by the straight-line method over the estimated useful lives of the assets. As assets are retired or sold, the cost and related accumulated depreciation are removed from the appropriate property and equipment accounts. The resulting gain or loss on disposal is reflected in nonoperating revenues and expenses. A summary of changes in capital assets follows:

| | <u>June 30, 2008</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2009</u> |
|---|----------------------|--------------------|------------------|----------------------|
| Land | <u>\$1,542,415</u> | <u>NONE</u> | <u>NONE</u> | <u>\$1,542,415</u> |
| Depreciable Capital Assets: | | | | |
| Land improvements | \$2,490 | | | \$2,490 |
| Buildings | 3,849,715 | | | 3,849,715 |
| Building improvements | 38,844 | \$12,358 | (\$1,876) | 49,326 |
| Leasehold improvements | 351,754 | 12,218 | | 363,972 |
| Furniture and fixtures | 565,967 | | | 565,967 |
| Equipment | 897,970 | 71,888 | (2,588) | 967,270 |
| Data processing software and equipment | 1,434,010 | 212,632 | (24,060) | 1,622,582 |
| Communications | 325,469 | | (436) | 325,033 |
| Automobiles | 983,841 | 74,552 | (215,887) | 842,506 |
| Total | <u>8,450,060</u> | <u>383,648</u> | <u>(244,847)</u> | <u>8,588,861</u> |
| Less - accumulated depreciation: | | | | |
| Land improvements | (1,432) | (249) | | (1,681) |
| Buildings | (635,638) | (99,740) | | (735,378) |
| Building improvements | (4,516) | (2,809) | | (7,325) |
| Leasehold improvements | (307,845) | (45,341) | | (353,186) |
| Furniture and fixtures | (547,070) | (7,123) | | (554,193) |
| Equipment | (725,343) | (55,397) | 2,588 | (778,152) |
| Data processing software and equipment | (1,303,157) | (109,329) | 24,060 | (1,388,426) |
| Communications | (295,291) | (20,150) | 436 | (315,005) |
| Automobiles | (686,256) | (157,332) | 215,887 | (627,701) |
| Total accumulated depreciation | <u>(4,506,548)</u> | <u>(497,470)</u> | <u>242,971</u> | <u>(4,761,047)</u> |
| Net Depreciable Capital Assets | <u>\$3,943,512</u> | <u>(\$113,822)</u> | <u>(\$1,876)</u> | <u>\$3,827,814</u> |

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

| | <u>June 30, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2008</u> |
|--|----------------------|--------------------|------------------|----------------------|
| Land | <u>\$1,542,415</u> | <u>NONE</u> | <u>NONE</u> | <u>\$1,542,415</u> |
| Depreciable Capital Assets: | | | | |
| Land improvements | \$2,490 | | | \$2,490 |
| Buildings | 3,849,715 | | | 3,849,715 |
| Building improvements | 19,259 | \$19,585 | | 38,844 |
| Leasehold improvements | 348,380 | 3,374 | | 351,754 |
| Furniture and fixtures | 565,623 | 1,552 | (\$1,208) | 565,967 |
| Equipment | 858,522 | 65,934 | (26,486) | 897,970 |
| Data processing software and equipment | 1,581,955 | 77,738 | (225,683) | 1,434,010 |
| Communications | 375,532 | 21,087 | (71,150) | 325,469 |
| Automobiles | 900,578 | 233,157 | (149,894) | 983,841 |
| Total | <u>8,502,054</u> | <u>422,427</u> | <u>(474,421)</u> | <u>8,450,060</u> |
| Less - accumulated depreciation: | | | | |
| Land improvements | (1,183) | (249) | | (1,432) |
| Buildings | (535,898) | (99,740) | | (635,638) |
| Building improvements | (3,232) | (1,284) | | (4,516) |
| Leasehold improvements | (224,008) | (83,837) | | (307,845) |
| Furniture and fixtures | (534,724) | (13,554) | 1,208 | (547,070) |
| Equipment | (703,510) | (48,319) | 26,486 | (725,343) |
| Data processing software and equipment | (1,414,493) | (114,347) | 225,683 | (1,303,157) |
| Communications | (348,509) | (17,932) | 71,150 | (295,291) |
| Automobiles | (652,432) | (177,833) | 144,009 | (686,256) |
| Total accumulated depreciation | <u>(4,417,989)</u> | <u>(557,095)</u> | <u>468,536</u> | <u>(4,506,548)</u> |
| Net Depreciable Capital Assets | <u>\$4,084,065</u> | <u>(\$134,668)</u> | <u>(\$5,885)</u> | <u>\$3,943,512</u> |

The estimated useful lives used in determining depreciation for the various types of assets are as follows:

| | |
|--|-------------------------|
| Land improvements | 10 years |
| Buildings | 30 to 40 years |
| Building improvements | 15 years |
| Leasehold improvements | 36 months |
| Furniture and fixtures | 60 months |
| Equipment | 60 months to 120 months |
| Data processing software and equipment | 36 months |
| Communications | 36 months |
| Automobiles | 36 months |

7. MULTI-STATE LOTTERY ASSOCIATION

MUSL is an unincorporated government-benefit voluntary association created for the purpose of administering joint lottery games. MUSL currently includes 30 state lottery entities, the District of Columbia, and the Virgin Islands. This association offers the Powerball on-line game and several other on-line games in participating states. The chief executive officer of each member lottery serves on the MUSL board of directors.

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Notes to the Financial Statements (Continued)

During the fiscal year, the Corporation participated in the MUSL Powerball on-line game. As a member of MUSL, the Corporation is required to contribute to various prize reserve funds maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL from unforeseen prize liabilities. MUSL periodically reallocates the prize reserve funds between the states based on relative Powerball sales levels. All remaining funds remitted, and the related interest earnings, will be returned to the Corporation upon leaving MUSL, less any portion of unanticipated prize claims, which may have been paid from the fund. The Corporation has contributed all required reserve funds.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

8. PRIZES PAYABLE

Prizes for the on-line games are redeemable for 180 days after a drawing. Prizes for instant games are redeemable for 90 days after the announced end of the game. All prizes not claimed by the applicable deadline are classified as unclaimed and added to the pool from which future prizes are to be awarded or used for special prize promotions pursuant to R.S. 47:9025(D).

Lotto grand prizes of \$1 million or more and grand prizes of two instant ticket games are payable in 20 annual installments. The first installment is paid on the day the prize is claimed. The 19 subsequent equal annual payments are funded with U.S. Treasury zero coupon bonds purchased by the Corporation.

On March 23, 1995, the Lotto Game Play Directive was amended to state that Lotto grand prizes shall be paid in a single lump-sum payment. The first Lotto drawing with a grand prize winner under this new directive was on July 29, 1995.

The Corporation also has Powerball grand prize winner installment obligations. The MUSL purchased U.S. Treasury zero coupon bonds to fund the grand prizes that are payable over 20 years. As the bonds mature, the funds are transferred to the Corporation for the annual prize payments to the winners.

Three Powerball grand prizes were won in Louisiana in fiscal year ended June 30, 2008. All winners selected the cash single lump-sum payment option. The values of these jackpots were \$7.0 million, \$48.5 million, and \$16.2 million in fiscal year 2008. The cash to satisfy these obligations was transferred from MUSL to the Corporation and is included as cash from other sources on the Statement of Cash Flows. The payments to the winners were processed before the end of the fiscal year and are therefore not included in prizes payable at the end of these years. The transactions are reflected in the cash payments for prizes and related taxes section of the Statement of Cash Flows.

The liabilities for the grand prize installments are recorded at the fair value of the investments purchased to fund these obligations. All income generated from these bonds, including changes in fair value, accrues as a liability to the prize winners.

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

| | <u>As of</u> <u>June 30, 2009</u> | <u>As of</u> <u>June 30, 2008</u> |
|--|--------------------------------------|--------------------------------------|
| Current Prizes and Withholdings Payable: | | |
| Annual grand prize payments (face value) | \$15,627,000 | \$15,627,000 |
| Less imputed interest | <u>(331,362)</u> | <u>(340,059)</u> |
| Net present value of annual grand prize payments | 15,295,638 | 15,286,941 |
| Adjustment to current fair value | <u>313,024</u> | <u>179,247</u> |
| Fair value of prize annuities | 15,608,662 | 15,466,188 |
| Instant prizes payable | 6,199,960 | 6,902,170 |
| On-line prizes payable | 10,028,564 | 8,927,991 |
| Unclaimed prizes payable | 646,300 | 692,440 |
| Due to MUSL prize pool | 1,142,710 | 1,087,754 |
| Tax withholdings payable | <u>137,825</u> | <u>900,641</u> |
| Total Current Prizes and Withholdings Payable | <u><u>\$33,764,021</u></u> | <u><u>\$33,977,184</u></u> |
| Noncurrent Prizes Payable: | | |
| Annual grand prize payments (face value) | \$52,603,000 | \$68,230,000 |
| Less imputed interest | <u>(6,415,830)</u> | <u>(9,542,850)</u> |
| Net present value of long-term annual grand prize payments | 46,187,170 | 58,687,150 |
| Adjustment to current fair value | <u>3,281,672</u> | <u>2,544,913</u> |
| Fair value of prize annuities | 49,468,842 | 61,232,063 |
| MUSL prize reserve payable | 4,364,960 | 4,373,699 |
| Unclaimed prizes payable | <u>8,068,832</u> | <u>7,642,072</u> |
| Total Noncurrent Prizes Payable | <u><u>\$61,902,634</u></u> | <u><u>\$73,247,834</u></u> |

9. VACATION AND SICK LEAVE

Corporation employees earn vacation leave at various rates depending on the employees' position and the number of years of service. All employees must complete six months of service, measured from the date of hire, before they are eligible to use accrued vacation or receive termination payment for unused vacation. Vacation leave may neither be carried forward into the next year nor shall the employee receive additional pay for unused vacation at year-end. Upon termination, employees will be paid in full for unused eligible and current year's accrued vacation leave. Employees earn sick leave at the rate of eight days per year after the completion of six months of continuous employment. There is no limitation on the amount of sick leave that can be accumulated. Employees are not paid for accrued sick leave upon termination. At June 30, 2009, and June 30, 2008, the total value of compensated absences payable are \$351,707 and \$337,084, respectively.

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

10. CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity for the years ended June 30, 2009 and 2008, is as follows:

| | <u>June 30, 2008</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2009</u> | <u>Due Within One Year</u> |
|-------------------------------|----------------------|---------------------|-----------------------|----------------------|--------------------------------|
| Prizes Payable: | | | | | |
| Fair value of prize annuities | \$76,698,251 | | (\$11,620,747) | \$65,077,504 | \$15,608,662 |
| MUSL prize reserve payable | 4,373,699 | \$301,091 | (309,830) | 4,364,960 | NONE |
| Unclaimed prizes payable | 8,334,512 | 9,435,739 | (9,055,119) | 8,715,132 | 646,300 |
| Total Prizes Payable | <u>\$89,406,462</u> | <u>\$9,736,830</u> | <u>(\$20,985,696)</u> | <u>\$78,157,596</u> | <u>\$16,254,962</u> |
| | | | | | |
| | <u>June 30, 2007</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2008</u> | <u>Due Within One Year</u> |
| Prizes Payable: | | | | | |
| Fair value of prize annuities | \$85,041,442 | | (\$8,343,191) | \$76,698,251 | \$15,466,188 |
| MUSL prize reserve payable | 4,067,200 | \$642,189 | (335,690) | 4,373,699 | NONE |
| Unclaimed prizes payable | 7,684,791 | 9,724,604 | (9,074,883) | 8,334,512 | 692,440 |
| Total Prizes Payable | <u>\$96,793,433</u> | <u>\$10,366,793</u> | <u>(\$17,753,764)</u> | <u>\$89,406,462</u> | <u>\$16,158,628</u> |

11. RETIREMENT BENEFITS

A. AUTHORIZATION AND BASIS OF ACCOUNTING

R.S. 47:9015(A) states that the Corporation shall provide or arrange for a retirement plan. The retirement plans have been established pursuant to this statute. The plans' provisions and contribution requirements are established and amended by the Board of Directors of the Corporation. A financial and compliance audit has been performed on all the Corporation's retirement plans for the plans' year ending December 31, 2008. A copy of the audit report may be obtained by submitting a written request to the Louisiana Lottery Corporation, 555 Laurel Street, Baton Rouge, Louisiana 70801.

Administrative and investment services were provided by Principal Life Insurance Company.

The financial statements of the Corporation's plans are accounted for using the accrual basis of accounting. Investments are reported at fair value, which is based on deposit values and quoted market prices.

B. BASIC AND SUPPLEMENTAL RETIREMENT PLANS

1. Basic Retirement Plan

The Corporation has a money purchase plan under Section 401(a) of the Internal Revenue Code (IRC) of 1986, as amended, which is intended to constitute a safe harbor within the meaning of Section 3121 (b)(7) of the code and the regulations promulgated thereunder. The Basic Retirement Plan, which is a defined contribution plan, began September 1, 1993, with all employees eligible except those who elect coverage under a state retirement plan and those who are either independent contractors or leased employees.

Under the terms of the plan, an employee is eligible to participate in the plan immediately upon employment.

As defined in the Basic Retirement Plan, the Corporation's contribution shall be 5% of the participant's compensation for such plan year. The participant's contribution shall equal 6.2% of his or her compensation for such plan year.

A participant is fully vested immediately. In no event shall the assets of this plan revert for the benefit of the Corporation. No more than the social security wage base in effect as of the first day of the plan year shall be treated as compensation. As of June 1, 1994, the Corporation elected to treat all contributions to the Basic Retirement Plan as pre-tax.

The distribution of a participant's benefits shall commence as of the date designated by the participant (annuity starting date) after termination of employment with the Corporation, but shall not be later than April 1 of the year following the calendar year in which the participant attains age 70½ or the date on which the participant terminates his or her employment, if later. Subject to certain restrictions, an active participant may also elect to receive a distribution upon attainment of age 62 without regard to whether the participant has terminated his or her employment. The participant shall make a qualified election to receive the distribution in the form of a single-sum payment or to purchase a qualified joint and survivor annuity or single life annuity contract. This qualified election may be revoked, modified, or amended at any time, or multiple times before the participant's annuity starting date; however, the qualified election is irrevocable as of the participant's annuity starting date.

2. Supplemental Retirement Plan

The Corporation has a defined contribution retirement plan that covers substantially all full-time employees. The plan is a governmental plan within the meaning of Section 414(d) of the IRC of 1986, as amended, and is intended to constitute a profit-sharing plan under which contributions are determined without regard to the current or accumulated profits of the

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

Corporation, if any. The Corporation contributes 4.5% of each participant's compensation for the year, as defined. Generally, participants are not permitted to contribute to the plan; however, participants may contribute proceeds from a qualified rollover distribution as allowed by IRC Section 402. An eligible employee shall participate in the plan as of the entry date that coincides with or immediately follows the date on which the eligible employee completes 90 consecutive calendar days of employment with the Corporation.

In addition, each plan year, the board of directors of the Corporation may determine the amount of a discretionary contribution not to exceed 2% of each participant's compensation for any plan year.

A participant's amount shall be fully vested and nonforfeitable upon such participant's death, disability, or attainment of the normal retirement age (65 years of age) or upon the completion of three years of service. A year of service is a plan year in which a participant is credited with 1,000 hours of service. Any forfeiture of nonvested amounts shall be reallocated to the accounts of all the remaining participants. In no event shall the assets of this plan revert for the benefit of the Corporation.

The distribution of a participant's vested and nonforfeitable portion of his/her account shall be made in the form of a single-sum payment after the participant terminates employment with the Corporation, attains the normal retirement age, or dies. A participant may elect to postpone the distribution, in writing on forms provided by the Employee Benefits Committee, provided, however, in no event shall distribution be postponed later than April 1 following the close of the calendar year in which the participant attains age 70½ or the date on which the participant terminates his or her employment, if later.

As of June 30, 2009, there were 131 participants in the Basic Plan and 105 participants in the Supplemental Plan.

For the fiscal year ended June 30, 2009, employer and employee contributions to the Basic Plan were \$263,339 and \$326,540 respectively. The employer contributions for the Supplemental Plan were \$318,183.

For the fiscal year ended June 30, 2008, employer and employee contributions to the Basic Plan were \$261,304 and \$324,501, respectively. The employer contributions for the Supplemental Plan were \$313,178.

**C. OPTIONAL SAVINGS PLAN
(DEFERRED COMPENSATION PLAN)**

The Optional Savings Plan is a voluntary Deferred Compensation Plan adopted under the provisions of IRC Section 457(b). Under the terms of the Plan, an employee is eligible to participate in the Plan as of the entry date that coincides with or immediately follows the date on which the employee completes a 90-day employment period. For the plan year, the sum of compensation deferred by a participant and the Corporation's matching contributions made on behalf of such participant shall not exceed the lesser of such participant's compensation or \$16,500. The Corporation contributes a matching contribution equal to the amount of compensation deferred by each participant up to 2.5% of each participant's compensation as reported on Internal Revenue Service (IRS) Form W-2, increased by the amount of any deferral under this Plan.

A participant's matching contribution account is fully vested and nonforfeitable upon such participant's death, disability, or attainment of the normal retirement age (65 years of age) or upon the completion of three years of service. A year of service is a plan year in which a participant is credited with 1,000 hours of service. Any forfeiture of nonvested amounts is reallocated to the matching accounts of all the remaining participants.

Before August 20, 1996, under requirements of IRC Section 457, the assets in the Plan remained the property of the employer until paid or made available to participants, subject only to the claims of the employer's general creditors. On August 20, 1996, IRC Section 457 was amended by the Small Business Job Protection Act to require that all assets and income of the Plan be held in trust for the exclusive benefit of the participants and their beneficiaries. The Corporation amended the Optional Savings Plan on January 1, 1997, to reflect this change in the IRC.

Benefits are payable to former employees at the time and in the manner designated by the participants on a distribution election form. In no event may a participant defer payment of benefits later than April 1 of the calendar year immediately following the year in which the participant attains age 70½. The distribution of benefits shall be made either in the form of a single-sum payment or in the form of substantially equal annual installment payments not to exceed 15 years.

As of June 30, 2009, there were 105 participants in the Optional Savings Plan.

For the fiscal year ended June 30, 2009, employer and employee contributions were \$121,794 and \$353,361, respectively. For the fiscal year ended June 30, 2008, employer and employee contributions were \$121,511 and \$359,666, respectively.

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Notes to the Financial Statements (Continued)

12. RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation has purchased commercial insurance to cover these risks. The insurance excludes comprehensive and collision physical damage coverage for its vehicles. The premium costs outweigh the potential benefit of claims coverage for this risk. In addition, management has established a litigation and prize reserve of \$7,500,000 within the Corporation's net assets to cover unanticipated losses (see note 14). The amount of commercial coverage has not decreased, except as noted above, nor has the amount of settlements exceeded coverage in any of the past three fiscal years.

13. LEASE AND RENTAL COMMITMENTS

The Corporation has noncancelable operating leases with the following annual rental payments for the next four years:

| | <u>Equipment</u> | <u>Facilities</u> | <u>Total</u> |
|-----------|------------------|-------------------|------------------|
| 2009-2010 | \$121,260 | \$223,766 | \$345,026 |
| 2010-2011 | 60,630 | 190,327 | 250,957 |
| 2011-2012 | | 89,074 | 89,074 |
| 2012-2013 | | 2,956 | 2,956 |
| Total | <u>\$181,890</u> | <u>\$506,123</u> | <u>\$688,013</u> |

The total operating lease payments for the years ended June 30, 2009, and June 30, 2008, were \$363,588 and \$357,652, respectively.

The Corporation has no capital leases at June 30, 2009.

14. NET ASSETS

The Corporation has unrestricted net assets at June 30, 2009, of \$17,502,207. As presented in the 2009-2010 fiscal year budget approved by the Joint Legislative Committee on the Budget on April 17, 2009, management has specified that net assets of June 30, 2009, be used for the following purposes:

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Specified Uses of Net Assets

| | |
|---|-----------------------------------|
| Capital asset replacement reserve | \$6,500,000 |
| Instant ticket accounting | |
| and administrative computer system | 297,000 |
| New capital expenditure purchases | 527,000 |
| Litigation and prize reserve | 7,500,000 |
| Deposits | 15,297 |
| New game development, retailer incentives, and future expenditures | <u>2,500,000</u> |
| Total specified uses of net assets | 17,339,297 |
| | |
| Plus - retailer security deposits | <u>162,910</u> |
| Total unrestricted net assets | <u><u>\$17,502,207</u></u> |

15. PAYMENTS TO THE STATE TREASURY

The Corporation is required to transfer each year not less than 35% of gross revenues to the state treasury. In addition, the amount of gross revenues less costs that is determined to be surplus to the needs of the Corporation must be remitted to the state treasury.

16. BOARD OF DIRECTORS

The board of directors consists of nine members appointed by the governor and confirmed by the Senate. No member shall serve more than two consecutive four-year terms. The board of directors must meet at least bimonthly and at such other times as the chairperson or the president may determine.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
For the Years Ended June 30, 2009 and 2008**

SCHEDULE OF PROFESSIONAL SERVICE FEES

Schedule 1 presents professional service fees for the years ended June 30, 2009, and June 30, 2008. This schedule is prepared in compliance with Senate Concurrent Resolution No. 35 of the 1974 Session of the Louisiana Legislature.

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

Schedule 2 presents the compensation paid board members for the years ended June 30, 2009, and June 30, 2008. Louisiana Revised Statute 47:9004(D) provides that appointed members of the board of directors shall be entitled to \$15,000 per year, except for the chairperson, who shall receive \$25,000 per year. This schedule is prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

**Schedule of Professional Service Fees
For the Years Ended June 30, 2009 and 2008**

| | <u>June 30, 2009</u> | <u>June 30, 2008</u> |
|--|----------------------|-----------------------------|
| Attorney General's Office, Department of Justice - legal counsel | \$88,875 | \$88,875 |
| Battelle - on-line gaming system request for proposals consulting | 79,117 | 16,245 |
| Creative Support Systems - computer network consulting | | 5,000 |
| Delehantey Consulting - instant ticket printing audit services | 4,000 | 4,000 |
| Gaming Laboratories - certification of automated drawing machine | | 6,714 |
| KPMG Peat Marwick Thorne - audit of automated drawing and raffle machines | | 63,000 |
| Pivot Point Strategies/Ipsos Reid - market research | 5,500 | |
| Miscellaneous | 2,252 | |
| Office of Legislative Auditor - financial and compliance audit and observations of on-line drawings | 200,447 | 177,564 |
| Phelps Dunbar, Counselors-at-Law - legal counselors | 26,025 | 17,834 |
| The Open Group - National Standards Initiative quality assurance best practices certification | 18,000 | |
| | <u>18,000</u> | <u> </u> |
| Total | <u>\$424,216</u> | <u>\$379,232</u> |

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

**Schedule of Compensation Paid Board Members
For the Years Ended June 30, 2009 and 2008**

| | <u>Effective Date of Term</u> | <u>June 30, 2009</u> | <u>June 30, 2008</u> |
|--|-----------------------------------|----------------------|----------------------|
| Otis K. Andrews Chairman effective June 24, 2008 | March 6, 2006 | \$25,000 | \$15,194 |
| Verge Ausberry, Jr. | August 22, 2008 | 12,903 | |
| Edwine Billiot | March 9, 2006 | 15,000 | 15,000 |
| Eva F. Breaux | March 23, 2007 | 15,000 | 15,000 |
| Larry C. Cager*** | March 18, 2005 | | 15,000 |
| Salvatore A. Caruso, Sr.** Chairman through June 23, 2008 | April 1, 2004 | | 24,514 |
| Albert F. Cole | March 14, 2007 | 15,000 | 15,000 |
| John Fitzpatrick | November 6, 2008 | 9,792 | |
| Pamela Daniel** | April 26, 2004 | | 14,708 |
| Phyllis Mayo** | January 22, 2008 | | 6,362 |
| Ronald S. Johns | July 24, 2008 | 14,073 | |
| La Koshia Roberts | March 14, 2006 | 15,000 | 15,000 |
| | | <hr/> | <hr/> |
| Total | | <u>\$121,768</u> | <u>\$135,778</u> |

** Terms ended June 23, 2008

*** Resigned June 30, 2008

STATISTICAL SECTION

(UNAUDITED)

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
STATISTICAL INFORMATION SECTION**

This section of the Louisiana Lottery Corporation's comprehensive annual financial report presents detailed information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing the Corporation's overall financial health.

| <u>CONTENTS</u> | PAGE |
|--|-------------|
| FINANCIAL TRENDS | 45 |
| <p>These schedules contain trend information from the current year and prior years' comprehensive annual financial reports to help a reader understand how the Corporation's financial performance and position have changed over time.</p> | |
| REVENUE CAPACITY | 57 |
| <p>These schedules contain information to help the reader assess the factors affecting the Corporation's ability to generate sales of lottery tickets. Instant ticket game strategies, including launch schedules and price points, affect the availability and variety of products for purchase at retailer locations. On-line sales by game included in the financial trends section provide data about the variety of these drawing-based games that are available to the public. The network of lottery retailers throughout the state determines the market exposure for the Corporation's instant and on-line games.</p> | |
| DEMOGRAPHIC AND ECONOMIC INFORMATION | 60 |
| <p>These schedules contain demographic and economic indicators to help a reader understand the environment in which the Corporation operates.</p> | |
| OPERATING INFORMATION | 62 |
| <p>These schedules contain information about the Corporation's organizational structure, financial performance indicators compared to other state lotteries, and capital asset information.</p> | |

If available, statistical information is provided for the most recent ten years. Some sections contain less than ten years of data because the information was accumulated and retained in that format only back to the latest year reported. Prospectively, the data will be accumulated and ultimately, the schedules will contain information for a ten-year period.

FINANCIAL TRENDS

The Louisiana Lottery Corporation began operating in January 1991 and commenced ticket sales in September 1991. Data from the last ten fiscal years of lottery operations are presented in the following charts. The pie charts that illustrate the allocation of revenues include data from the inception of the Corporation through June 30, 2009.

The information presented in the charts is as follows:

Sales

Instant tickets represent the face value of tickets activated by retailers. On-line represents the face value of tickets sold to the public.

Revenues

Include sales, interest income, increases or decreases in the fair value of investments, retailer license fees, miscellaneous revenue, and net gains or losses on disposal of assets.

Prize expense

Represents the accrued expenses for instant tickets and on-line game winners based on established prize structures.

Retailer compensation

Represents 5% base sales commission and incentive payments.

Other direct costs

Expenses which fluctuate with sales volume including commission paid to the on-line vendor, the cost of purchasing instant tickets, the cost of delivery to retailers, and on-line network communication costs.

Administrative expenses

Include all other costs of operating the Lottery.

Payments to state treasury

Represent the payment of net revenues to the State Treasury Lottery Proceeds Fund as required by Louisiana Lottery Law.

Unless otherwise noted, the source for the data contained in the following charts is the Accounting Department of the Louisiana Lottery Corporation.

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Net Assets and Changes in Net Assets
Fiscal Year Ending June 30 for the Years Shown

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| REVENUES | | | | | | | | | | |
| Operating revenues | | | | | | | | | | |
| Instant tickets sales | \$110,565,624 | \$111,610,821 | \$111,272,825 | \$102,548,975 | \$111,430,717 | \$104,102,165 | \$118,864,811 | \$134,652,721 | \$132,048,433 | \$141,393,769 |
| On-line sales: | | | | | | | | | | |
| Lotto | 28,162,106 | 29,676,878 | 30,827,589 | 33,741,468 | 33,117,070 | 32,830,084 | 30,222,661 | 34,788,088 | 32,001,441 | 33,482,672 |
| Pick 3 | 41,230,679 | 43,069,697 | 44,902,518 | 45,119,544 | 47,445,594 | 47,788,205 | 43,604,915 | 46,336,657 | 49,944,959 | 49,088,003 |
| Easy 5 | | | | | | | | | 13,890,049 | 14,508,315 |
| Powerball | 75,913,752 | 76,391,929 | 101,111,768 | 105,256,703 | 118,284,225 | 91,357,450 | 108,535,895 | 102,792,677 | 107,810,095 | 103,893,936 |
| Cash Quest | 6,339,545 | 4,676,082 | 3,727,622 | 4,358,907 | 6,128,809 | 5,356,444 | 4,771,713 | 5,115,531 | 965,269 | |
| Pick 4 | 14,171,768 | 14,894,112 | 17,329,613 | 20,430,534 | 23,685,810 | 25,572,243 | 26,116,665 | 30,507,084 | 34,034,148 | 36,157,058 |
| Raffle | | | | | | | | | 2,999,660 | |
| Rolldown | | 4,149,373 | 2,449,910 | | | | | | | |
| Total on-line sales | 165,817,850 | 172,858,071 | 200,349,020 | 208,907,156 | 228,661,508 | 202,904,426 | 213,251,849 | 219,540,017 | 241,645,621 | 237,129,984 |
| Total sales | 276,383,474 | 284,468,892 | 311,621,845 | 311,456,131 | 340,092,225 | 307,006,591 | 332,116,660 | 354,192,738 | 373,694,054 | 378,523,753 |
| Other operating revenues | | | | | | | | | | |
| Allowance for uncollectible accounts | (26,409) | (5,000) | (25,000) | (39,659) | (74,046) | (60,832) | (127,279) | (9,697) | (7,481) | (21,426) |
| Other income | 81,389 | 35,964 | 16,882 | 108,569 | 100,259 | 172,069 | 65,740 | 15,931 | 86,020 | 9,509 |
| Total other operating revenues | 54,980 | 30,964 | (8,118) | 68,910 | 26,213 | 111,237 | (61,539) | 6,234 | 78,539 | (11,917) |
| Total operating revenues | 276,438,454 | 284,499,856 | 311,613,727 | 311,525,041 | 340,118,438 | 307,117,828 | 332,055,121 | 354,198,972 | 373,772,593 | 378,511,836 |
| Nonoperating revenues | | | | | | | | | | |
| Interest earned on investments | 3,425,513 | 3,408,868 | 2,261,711 | 1,706,209 | 1,524,103 | 1,751,259 | 2,314,754 | 2,690,613 | 2,279,826 | 1,862,321 |
| Net increase (decrease) in the fair value of investments | (276,126) | 654,715 | 418,422 | 498,679 | (1,171,452) | (247,917) | (1,014,680) | 31,103 | 670,492 | 740,885 |
| Net gain (loss) on disposal of assets | 33,148 | 22,267 | 45,512 | 58,568 | 17,454 | 11,292 | 41,666 | 21,968 | 17,005 | 33,561 |
| Total nonoperating revenues | 3,182,535 | 4,085,850 | 2,725,645 | 2,263,456 | 370,105 | 1,514,634 | 1,341,740 | 2,743,684 | 2,967,323 | 2,636,767 |
| Total revenues | 279,620,989 | 288,585,706 | 314,339,372 | 313,788,497 | 340,488,543 | 308,632,462 | 333,396,861 | 356,942,656 | 376,739,916 | 381,148,603 |

(Continued)

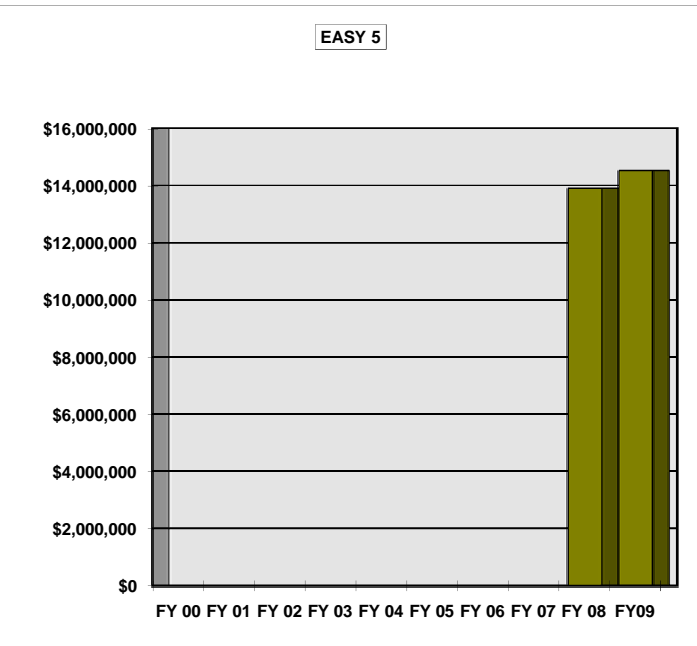
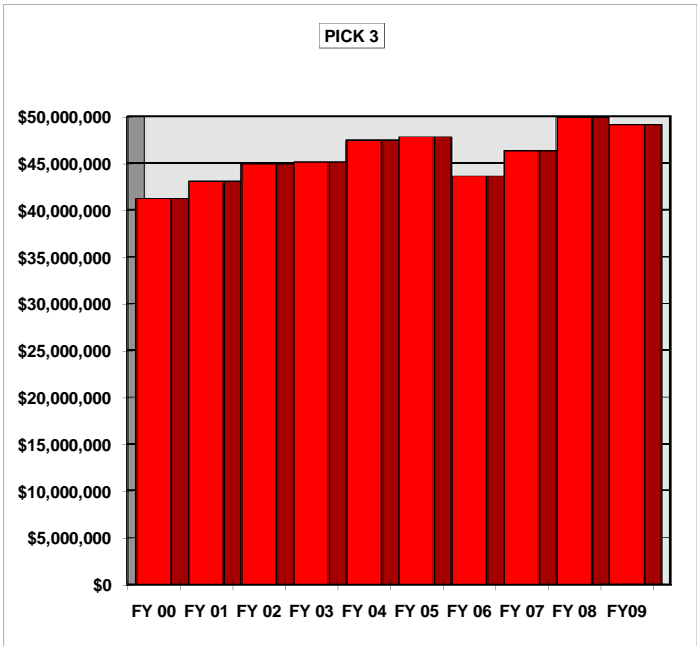
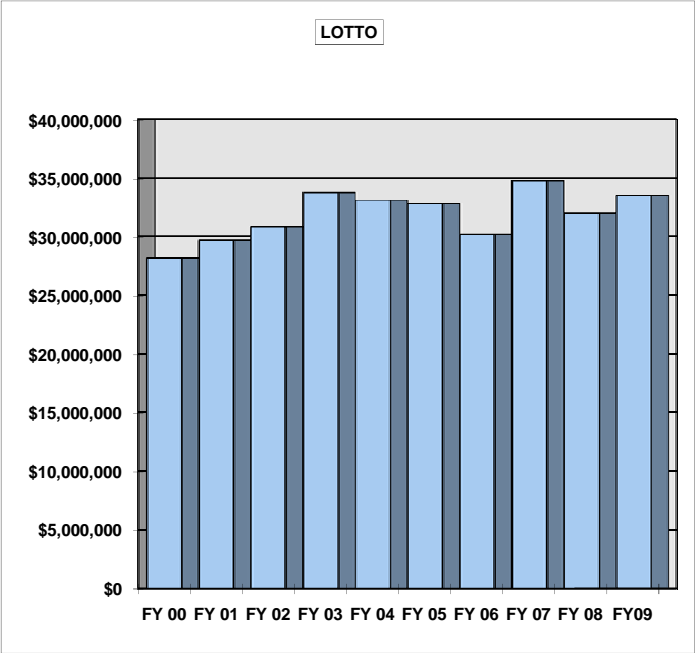
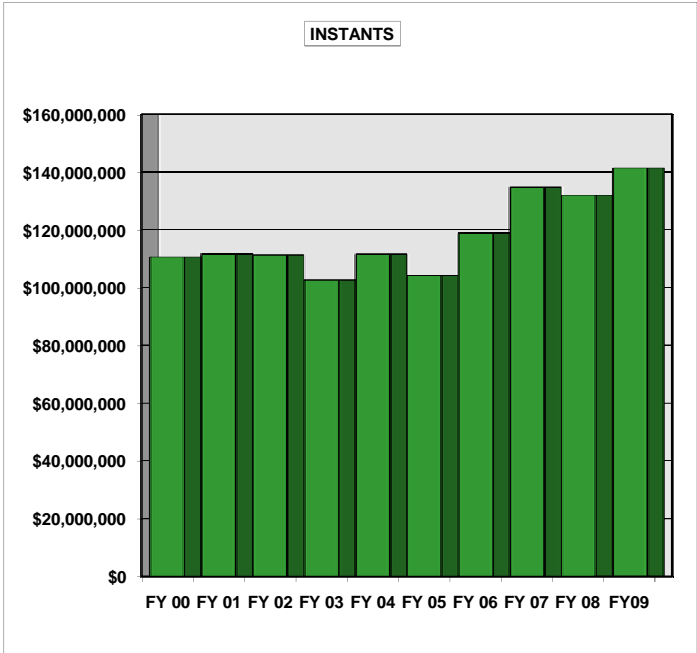
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

(Unaudited)
Schedule of Net Assets and Changes in Net Assets
Fiscal Year Ending June 30 for the Years Shown

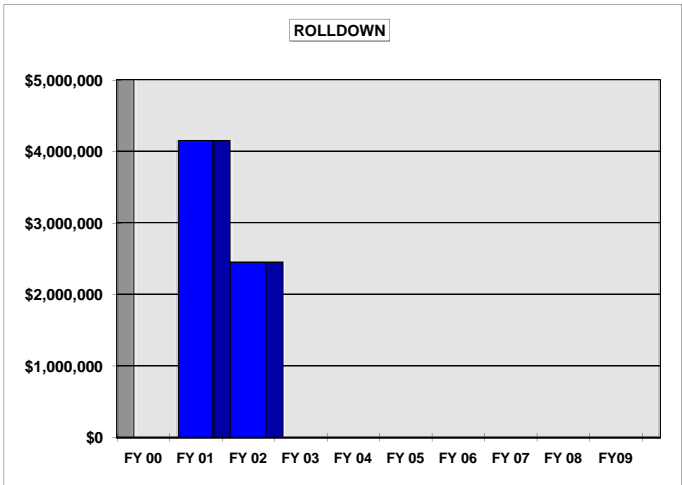
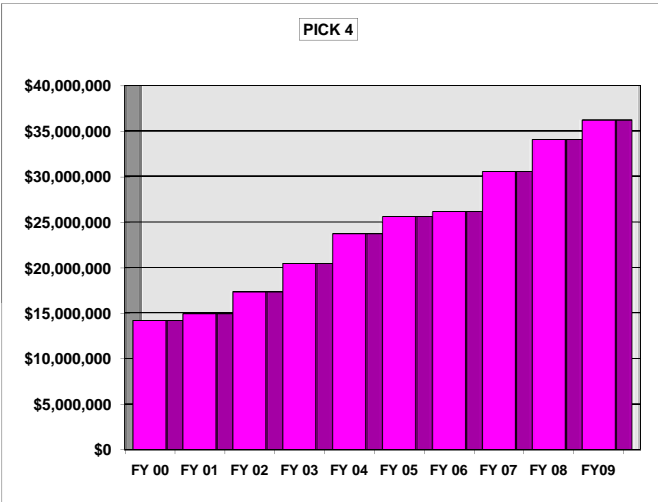
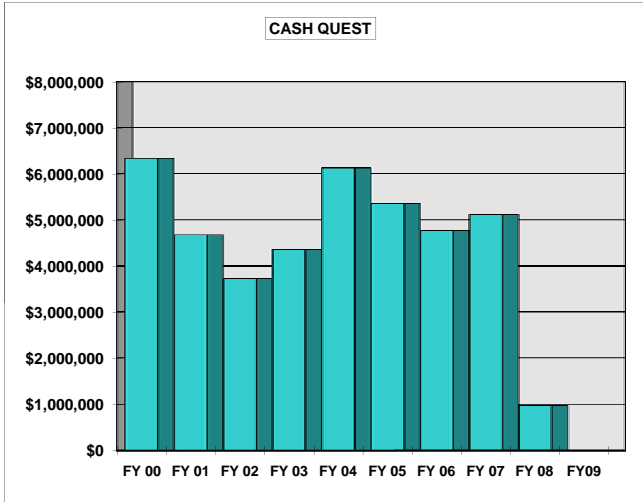
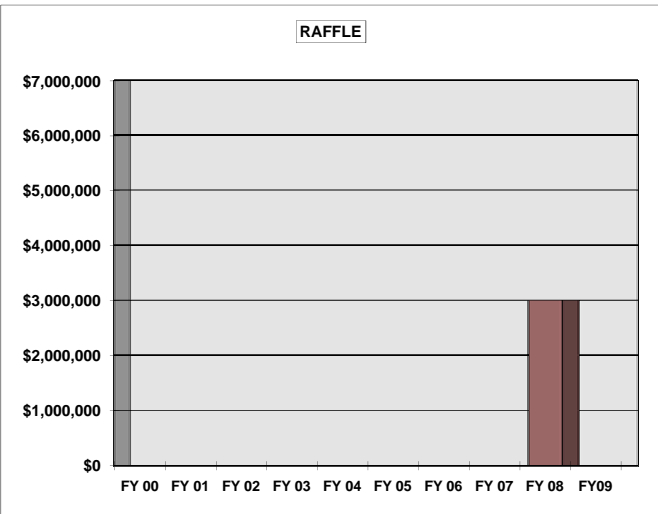
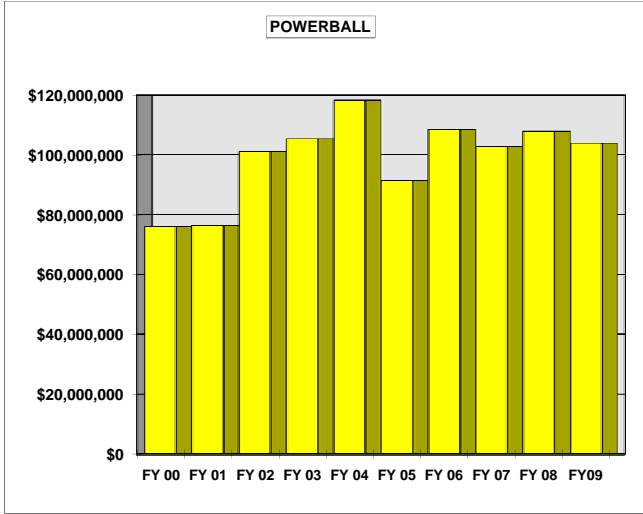
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| OPERATING EXPENSES | | | | | | | | | | |
| Direct costs: | | | | | | | | | | |
| Prize expense | \$138,747,688 | \$142,025,272 | \$155,559,230 | \$155,908,816 | \$169,776,455 | \$153,257,203 | \$168,235,254 | \$179,410,211 | \$192,800,091 | \$193,331,767 |
| Retailer compensation | 15,482,787 | 15,923,481 | 17,284,582 | 17,072,192 | 18,664,893 | 16,859,899 | 18,503,567 | 19,661,356 | 20,912,784 | 21,056,534 |
| Other direct costs | 9,120,072 | 10,294,618 | 11,839,126 | 11,992,751 | 12,842,890 | 11,775,524 | 11,973,524 | 12,511,948 | 13,569,127 | 13,598,523 |
| Total direct costs | <u>163,350,547</u> | <u>168,243,371</u> | <u>184,682,938</u> | <u>184,973,759</u> | <u>201,284,238</u> | <u>181,892,626</u> | <u>198,712,345</u> | <u>211,583,515</u> | <u>227,282,002</u> | <u>227,986,824</u> |
| Administrative expenses | | | | | | | | | | |
| | 16,421,075 | 17,998,449 | 17,506,929 | 17,769,718 | 17,609,168 | 17,662,611 | 16,112,777 | 17,012,217 | 17,645,772 | 17,735,988 |
| Total operating expenses | <u>179,771,622</u> | <u>186,241,820</u> | <u>202,189,867</u> | <u>202,743,477</u> | <u>218,893,406</u> | <u>199,555,237</u> | <u>214,825,122</u> | <u>228,595,732</u> | <u>244,927,774</u> | <u>245,722,812</u> |
| NONOPERATING EXPENSES | | | | | | | | | | |
| Payments to state treasury | 98,877,708 | 104,008,334 | 111,029,075 | 110,840,420 | 121,196,935 | 110,391,785 | 119,433,115 | 128,263,375 | 131,861,525 | 135,908,240 |
| INCOME BEFORE EXTRAORDINARY ITEM | 971,659 | (1,664,448) | 1,120,430 | 204,600 | 398,202 | (1,314,560) | (861,376) | 83,549 | (49,383) | (482,449) |
| EXTRAORDINARY ITEM | | | | | | | 186,487 | | | |
| CHANGES IN NET ASSETS | <u>\$971,659</u> | <u>(\$1,664,448)</u> | <u>\$1,120,430</u> | <u>\$204,600</u> | <u>\$398,202</u> | <u>(\$1,314,560)</u> | <u>(\$674,889)</u> | <u>\$83,549</u> | <u>(\$49,383)</u> | <u>(\$482,449)</u> |
| NET ASSETS | | | | | | | | | | |
| Invested in capital assets | \$3,069,565 | \$3,256,590 | \$6,933,380 | \$6,454,388 | \$6,140,678 | \$6,063,654 | \$6,047,412 | \$5,626,480 | \$5,485,927 | \$5,370,229 |
| Restricted | 180,690 | 180,690 | 180,690 | | | | | | | |
| Unrestricted | 22,001,129 | 20,149,656 | 17,593,296 | 18,457,578 | 19,169,490 | 17,931,954 | 17,273,307 | 17,777,788 | 17,868,958 | 17,502,207 |
| Total net assets | <u>\$25,251,384</u> | <u>\$23,586,936</u> | <u>\$24,707,366</u> | <u>\$24,911,966</u> | <u>\$25,310,168</u> | <u>\$23,995,608</u> | <u>\$23,320,719</u> | <u>\$23,404,268</u> | <u>\$23,354,885</u> | <u>\$22,872,436</u> |

(Concluded)

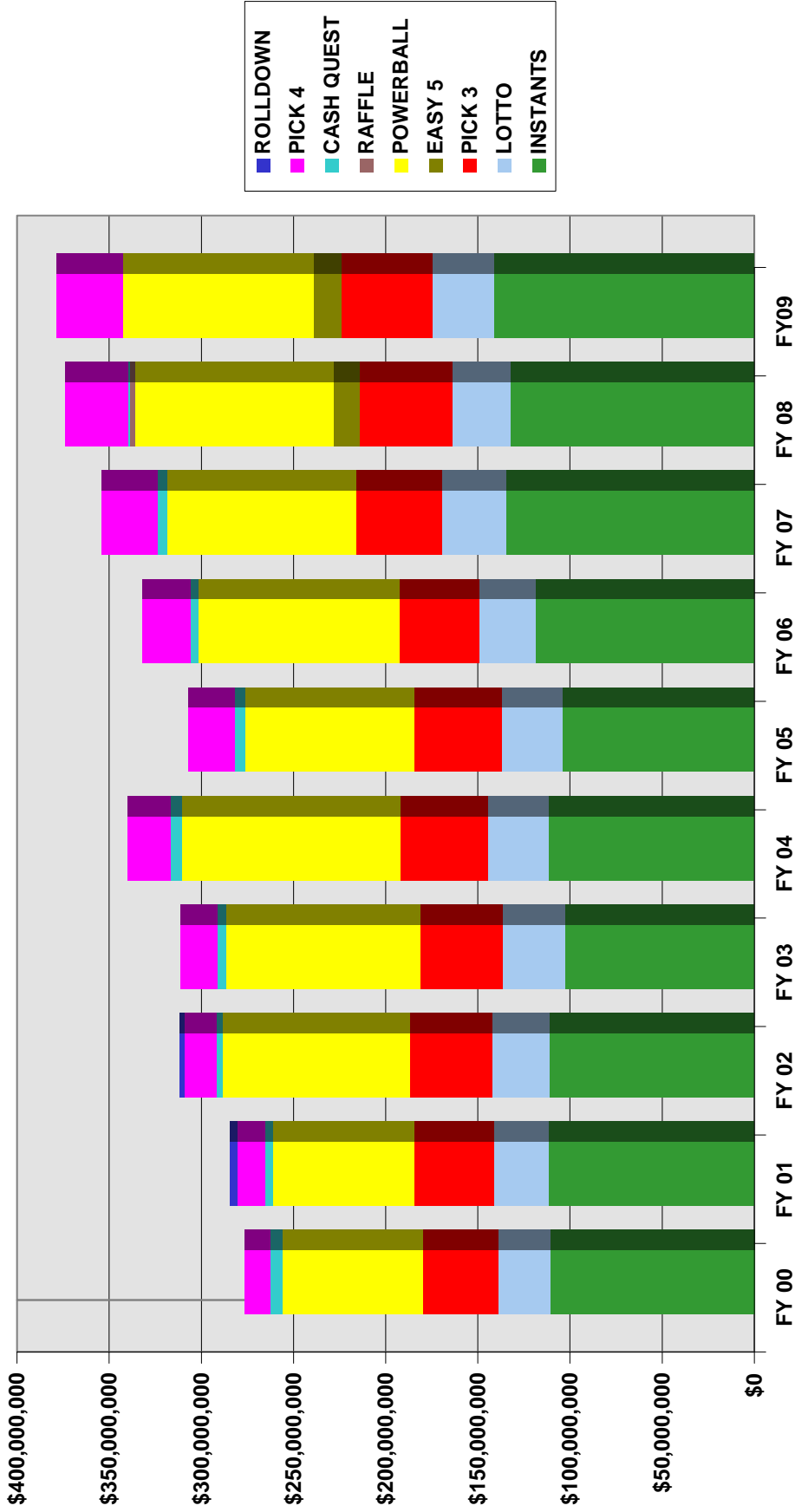
**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 2000 THROUGH 2009**



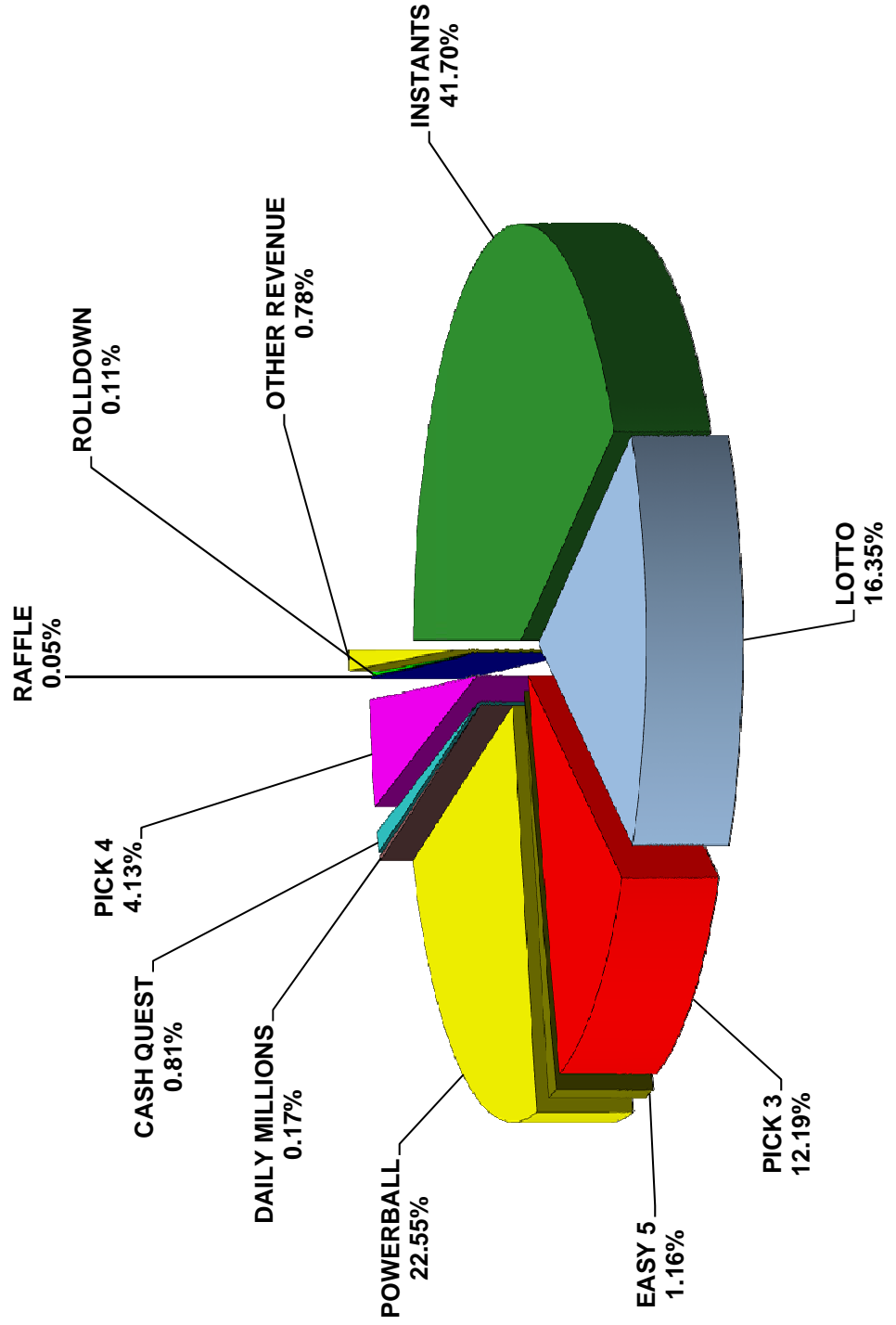
**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 2000 THROUGH 2009**



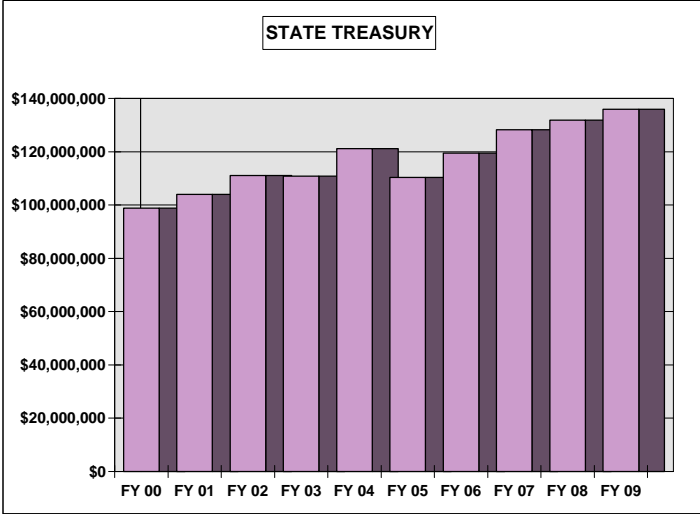
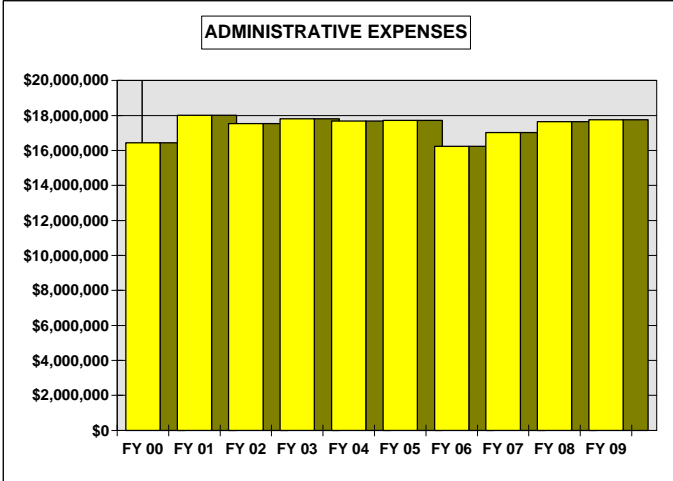
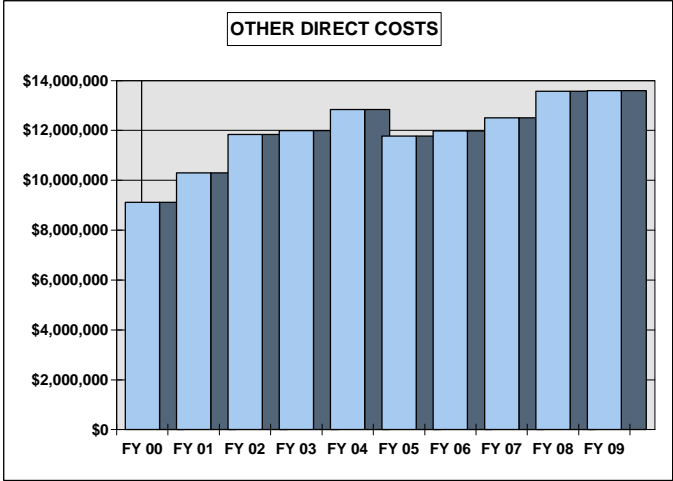
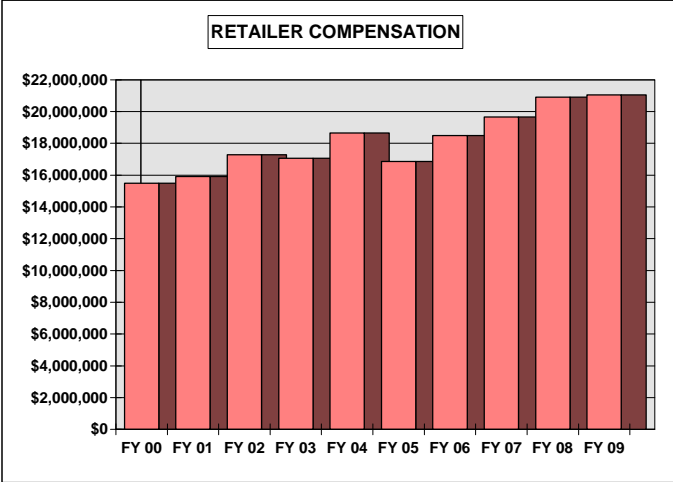
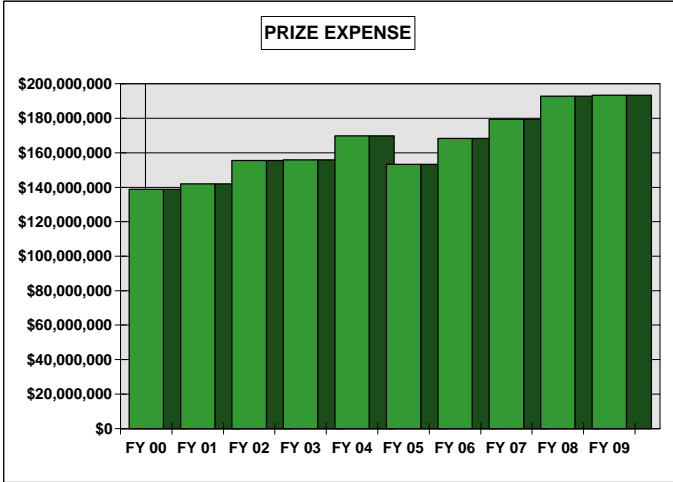
LOUISIANA LOTTERY CORPORATION
 SALES BY PRODUCT
 (UNAUDITED)
 FISCAL YEARS 2000 THROUGH 2009



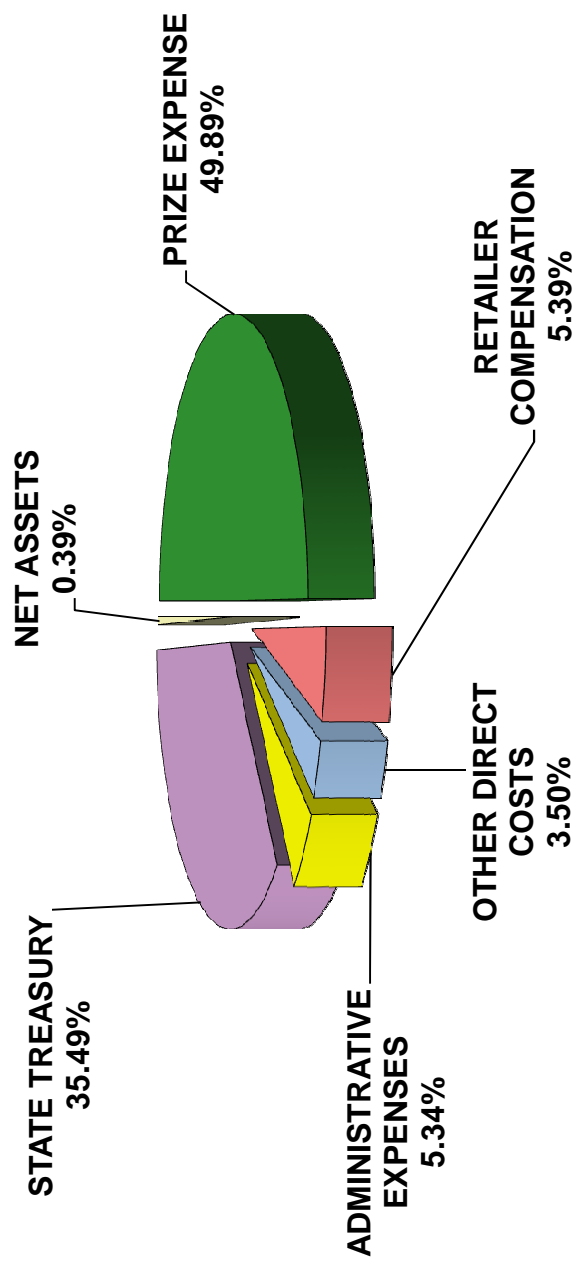
**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE REVENUE DISTRIBUTION
(UNAUDITED)**



**LOUISIANA LOTTERY CORPORATION
EXPENSES AND PAYMENTS
(UNAUDITED)
FISCAL YEARS 2000 THROUGH 2009**



**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE
EXPENSES AND PAYMENTS
AS A PERCENTAGE OF TOTAL REVENUE
(UNAUDITED)**



**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

| <u>DATE</u> | <u>AMOUNT</u> | <u>LOTTERY FISCAL YEAR TOTAL</u> | <u>CALENDAR YEAR TOTAL</u> |
|----------------|---------------|--|------------------------------------|
| DECEMBER 1991 | \$50,000,000 | | \$50,000,000 |
| MARCH 1992 | 40,000,000 | | |
| JUNE 1992 | 25,000,000 | \$115,000,000 | |
| SEPTEMBER 1992 | 57,200,000 | | |
| DECEMBER 1992 | 44,300,000 | | 166,500,000 |
| MARCH 1993 | 45,900,000 | | |
| JUNE 1993 | 31,765,000 | 179,165,000 | |
| SEPTEMBER 1993 | 32,266,000 | | |
| DECEMBER 1993 | 40,400,000 | | 150,331,000 |
| MARCH 1994 | 31,365,000 | | |
| JUNE 1994 | 27,995,000 | 132,026,000 | |
| SEPTEMBER 1994 | 26,725,000 | | |
| DECEMBER 1994 | 24,500,000 | | 110,585,000 |
| MARCH 1995 | 25,810,000 | | |
| JUNE 1995 | 34,735,000 | 111,770,000 | |
| JULY 1995 | 9,066,822 | | |
| AUGUST 1995 | 8,194,932 | | |
| SEPTEMBER 1995 | 8,507,793 | | |
| OCTOBER 1995 | 7,873,606 | | |
| NOVEMBER 1995 | 8,327,516 | | |
| DECEMBER 1995 | 8,500,000 | | 111,015,669 |
| JANUARY 1996 | 9,820,865 | | |
| FEBRUARY 1996 | 8,202,764 | | |
| MARCH 1996 | 9,315,166 | | |
| APRIL 1996 | 8,282,972 | | |
| MAY 1996 | 8,428,448 | | |
| JUNE 1996 | 7,971,536 | 102,492,420 | |
| JULY 1996 | 8,176,487 | | |
| AUGUST 1996 | 7,890,198 | | |
| SEPTEMBER 1996 | 7,643,764 | | |
| OCTOBER 1996 | 8,385,386 | | |
| NOVEMBER 1996 | 7,773,727 | | |
| DECEMBER 1996 | 8,243,281 | | 100,134,594 |
| JANUARY 1997 | 8,181,070 | | |
| FEBRUARY 1997 | 8,026,686 | | |
| MARCH 1997 | 9,397,036 | | |
| APRIL 1997 | 8,594,425 | | |
| MAY 1997 | 8,675,328 | | |
| JUNE 1997 | 13,359,518 | 104,346,906 | |
| JULY 1997 | 8,399,129 | | |
| AUGUST 1997 | 8,490,015 | | |
| SEPTEMBER 1997 | 7,522,120 | | |
| OCTOBER 1997 | 7,955,211 | | |
| NOVEMBER 1997 | 7,567,906 | | |
| DECEMBER 1997 | 9,211,519 | | 105,379,963 |
| JANUARY 1998 | 8,211,078 | | |
| FEBRUARY 1998 | 8,691,278 | | |
| MARCH 1998 | 8,834,355 | | |
| APRIL 1998 | 8,391,642 | | |
| MAY 1998 | 12,684,716 | | |
| JUNE 1998 | 12,079,583 | 108,038,552 | |
| JULY 1998 | 15,552,958 | | |
| AUGUST 1998 | 8,358,134 | | |
| SEPTEMBER 1998 | 7,821,200 | | |
| OCTOBER 1998 | 8,067,540 | | |
| NOVEMBER 1998 | 7,277,057 | | |
| DECEMBER 1998 | 7,625,952 | | 113,595,493 |
| JANUARY 1999 | 8,214,518 | | |
| FEBRUARY 1999 | 7,334,683 | | |
| MARCH 1999 | 9,054,748 | | |
| APRIL 1999 | 7,636,327 | | |
| MAY 1999 | 7,403,142 | | |
| JUNE 1999 | 11,308,906 | 105,655,165 | |

(Continued)

**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

| <u>DATE</u> | <u>AMOUNT</u> | <u>LOTTERY FISCAL YEAR TOTAL</u> | <u>CALENDAR YEAR TOTAL</u> |
|----------------|---------------|--|------------------------------------|
| JULY 1999 | \$7,691,675 | | |
| AUGUST 1999 | 7,146,000 | | |
| SEPTEMBER 1999 | 7,500,825 | | |
| OCTOBER 1999 | 8,024,420 | | |
| NOVEMBER 1999 | 7,206,148 | | |
| DECEMBER 1999 | 7,706,120 | | \$96,227,512 |
| JANUARY 2000 | 7,415,230 | | |
| FEBRUARY 2000 | 9,698,050 | | |
| MARCH 2000 | 10,341,900 | | |
| APRIL 2000 | 8,822,190 | | |
| MAY 2000 | 8,592,760 | | |
| JUNE 2000 | 8,732,390 | \$98,877,708 | |
| | | | |
| JULY 2000 | 8,159,960 | | |
| AUGUST 2000 | 7,738,605 | | |
| SEPTEMBER 2000 | 7,309,665 | | |
| OCTOBER 2000 | 7,432,725 | | |
| NOVEMBER 2000 | 10,276,870 | | |
| DECEMBER 2000 | 8,063,285 | | 102,583,630 |
| JANUARY 2001 | 7,942,029 | | |
| FEBRUARY 2001 | 9,919,540 | | |
| MARCH 2001 | 9,421,635 | | |
| APRIL 2001 | 8,636,860 | | |
| MAY 2001 | 8,414,910 | | |
| JUNE 2001 | 10,692,250 | 104,008,334 | |
| | | | |
| JULY 2001 | 7,988,275 | | |
| AUGUST 2001 | 18,098,020 | | |
| SEPTEMBER 2001 | 8,149,090 | | |
| OCTOBER 2001 | 8,053,040 | | |
| NOVEMBER 2001 | 7,906,850 | | |
| DECEMBER 2001 | 7,756,615 | | 112,979,114 |
| JANUARY 2002 | 9,397,380 | | |
| FEBRUARY 2002 | 8,219,050 | | |
| MARCH 2002 | 8,556,150 | | |
| APRIL 2002 | 8,394,675 | | |
| MAY 2002 | 9,349,340 | | |
| JUNE 2002 | 9,160,590 | 111,029,075 | |
| | | | |
| JULY 2002 | 7,969,575 | | |
| AUGUST 2002 | 8,296,930 | | |
| SEPTEMBER 2002 | 8,978,520 | | |
| OCTOBER 2002 | 8,373,320 | | |
| NOVEMBER 2002 | 7,781,000 | | |
| DECEMBER 2002 | 14,881,880 | | 109,358,410 |
| JANUARY 2003 | 9,367,485 | | |
| FEBRUARY 2003 | 8,683,630 | | |
| MARCH 2003 | 8,938,100 | | |
| APRIL 2003 | 8,184,390 | | |
| MAY 2003 | 8,600,225 | | |
| JUNE 2003 | 10,785,365 | 110,840,420 | |
| | | | |
| JULY 2003 | 11,785,350 | | |
| AUGUST 2003 | 10,099,360 | | |
| SEPTEMBER 2003 | 8,310,460 | | |
| OCTOBER 2003 | 10,643,240 | | |
| NOVEMBER 2003 | 8,592,455 | | |
| DECEMBER 2003 | 12,917,620 | | 116,907,680 |
| JANUARY 2004 | 9,796,600 | | |
| FEBRUARY 2004 | 9,610,030 | | |
| MARCH 2004 | 10,100,770 | | |
| APRIL 2004 | 9,231,775 | | |
| MAY 2004 | 9,773,075 | | |
| JUNE 2004 | 10,336,200 | 121,196,935 | |

(Continued)

**LOUISIANA LOTTERY CORPORATION
PAYMENTS TO STATE TREASURY
(UNAUDITED)
INCEPTION-TO-DATE**

| <u>DATE</u> | <u>AMOUNT</u> | <u>LOTTERY FISCAL YEAR TOTAL</u> | <u>CALENDAR YEAR TOTAL</u> |
|--------------------------------|------------------------|--|------------------------------------|
| JULY 2004 | \$8,488,925 | | |
| AUGUST 2004 | 8,584,735 | | |
| SEPTEMBER 2004 | 8,909,205 | | |
| OCTOBER 2004 | 9,832,180 | | |
| NOVEMBER 2004 | 9,095,720 | | |
| DECEMBER 2004 | 10,279,105 | | \$114,038,320 |
| JANUARY 2005 | 8,349,700 | | |
| FEBRUARY 2005 | 8,080,810 | | |
| MARCH 2005 | 8,508,585 | | |
| APRIL 2005 | 8,315,245 | | |
| MAY 2005 | 11,268,835 | | |
| JUNE 2005 | 10,678,740 | \$110,391,785 | |
| JULY 2005 | 8,254,655 | | |
| AUGUST 2005 | 8,120,950 | | |
| SEPTEMBER 2005 | 5,519,665 | | |
| OCTOBER 2005 | 10,870,295 | | |
| NOVEMBER 2005 | 8,526,875 | | |
| DECEMBER 2005 | 9,919,900 | | 106,414,255 |
| JANUARY 2006 | 10,185,345 | | |
| FEBRUARY 2006 | 14,389,255 | | |
| MARCH 2006 | 11,385,060 | | |
| APRIL 2006 | 10,355,990 | | |
| MAY 2006 | 9,967,465 | | |
| JUNE 2006 | 11,937,660 | 119,433,115 | |
| JULY 2006 | 10,153,400 | | |
| AUGUST 2006 | 10,072,650 | | |
| SEPTEMBER 2006 | 10,605,385 | | |
| OCTOBER 2006 | 9,880,170 | | |
| NOVEMBER 2006 | 9,925,840 | | |
| DECEMBER 2006 | 10,506,110 | | 129,364,330 |
| JANUARY 2007 | 12,367,020 | | |
| FEBRUARY 2007 | 10,355,750 | | |
| MARCH 2007 | 11,982,960 | | |
| APRIL 2007 | 9,526,925 | | |
| MAY 2007 | 9,725,800 | | |
| JUNE 2007 | 13,161,365 | 128,263,375 | |
| JULY 2007 | 9,750,850 | | |
| AUGUST 2007 | 13,338,790 | | |
| SEPTEMBER 2007 | 9,451,140 | | |
| OCTOBER 2007 | 9,842,235 | | |
| NOVEMBER 2007 | 10,459,865 | | |
| DECEMBER 2007 | 10,213,145 | | 130,175,845 |
| JANUARY 2008 | 10,819,300 | | |
| FEBRUARY 2008 | 11,978,880 | | |
| MARCH 2008 | 13,997,750 | | |
| APRIL 2008 | 11,461,080 | | |
| MAY 2008 | 10,500,360 | | |
| JUNE 2008 | 10,048,130 | 131,861,525 | |
| JULY 2008 | 10,434,160 | | |
| AUGUST 2008 | 10,053,780 | | |
| SEPTEMBER 2008 | 9,919,085 | | |
| OCTOBER 2008 | 10,456,065 | | |
| NOVEMBER 2008 | 10,507,165 | | |
| DECEMBER 2008 | 11,907,450 | | 132,083,205 |
| JANUARY 2009 | 12,547,960 | | |
| FEBRUARY 2009 | 11,947,750 | | |
| MARCH 2009 | 11,753,030 | | |
| APRIL 2009 | 11,153,370 | | |
| MAY 2009 | 12,742,510 | | |
| JUNE 2009 | 12,485,915 | 135,908,240 | 72,630,535 |
| TOTAL INCEPTION-TO-DATE | \$2,130,304,555 | \$2,130,304,555 | \$2,130,304,555 |

(Concluded)

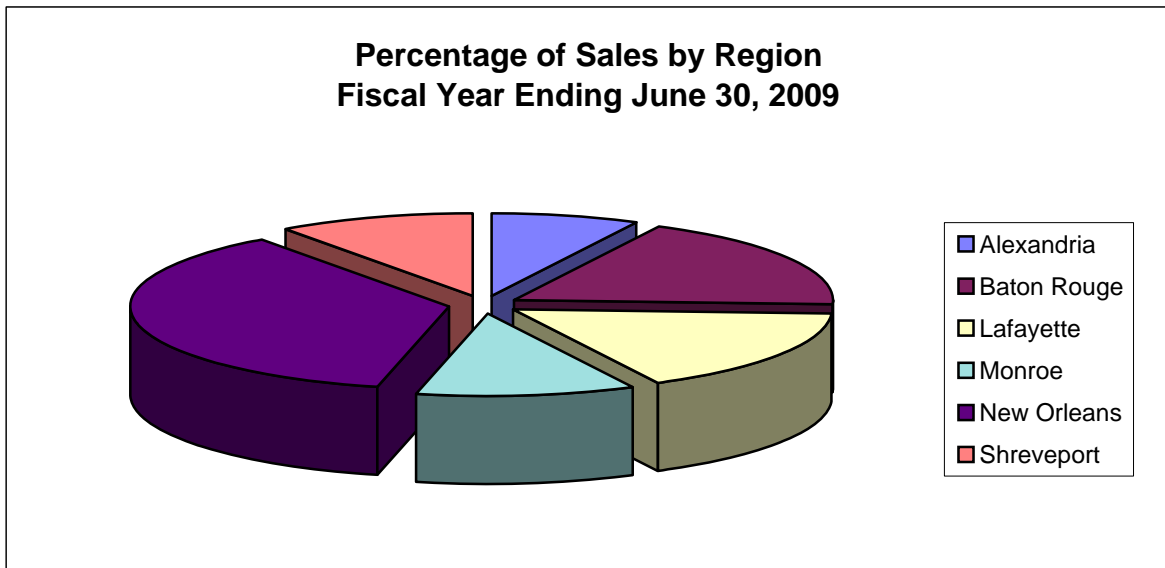
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)

Schedule of Instant Ticket Game Launches and Sales by Price Point
Fiscal Year Ending June 30 for the Years Shown

| Price Point | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | % of Total 2009 |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|
| Number of Launches | | | | | | | | | |
| \$1 | 29 | 25 | 39 | 32 | 19 | 17 | 18 | 18 | 33.96% |
| \$2 | 13 | 13 | 13 | 16 | 10 | 12 | 18 | 21 | 39.62% |
| \$3 | 0 | 3 | 3 | 6 | 5 | 5 | 4 | 4 | 7.55% |
| \$5 | 4 | 4 | 6 | 8 | 6 | 4 | 6 | 8 | 15.09% |
| \$10 | 1 | 2 | 0 | 1 | 0 | 1 | 3 | 2 | 3.78% |
| Total | <u>47</u> | <u>47</u> | <u>61</u> | <u>63</u> | <u>40</u> | <u>39</u> | <u>49</u> | <u>53</u> | <u>100.00%</u> |
| Sales | | | | | | | | | |
| \$1 | \$61,232,296 | \$53,959,169 | \$56,476,199 | \$44,811,865 | \$46,001,479 | \$45,165,388 | \$41,239,408 | \$39,525,468 | 27.95% |
| \$2 | 31,682,721 | 28,806,449 | 22,509,278 | 26,033,894 | 27,799,094 | 33,035,430 | 34,806,831 | 37,306,124 | 26.38% |
| \$3 | 339,132 | 4,186,464 | 13,677,891 | 12,633,261 | 14,550,588 | 13,704,063 | 12,015,639 | 12,139,287 | 8.59% |
| \$5 | 14,472,796 | 10,754,983 | 15,424,130 | 17,608,325 | 20,797,750 | 25,762,520 | 24,547,595 | 31,318,900 | 22.15% |
| \$10 | 3,545,880 | 4,841,910 | 3,343,219 | 3,014,820 | 9,715,900 | 16,985,320 | 19,438,960 | 21,103,990 | 14.93% |
| Total | <u>\$111,272,825</u> | <u>\$102,548,975</u> | <u>\$111,430,717</u> | <u>\$104,102,165</u> | <u>\$118,864,811</u> | <u>\$134,652,721</u> | <u>\$132,048,433</u> | <u>\$141,393,769</u> | <u>100.00%</u> |

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Retailers and Sales by Region
Fiscal Year Ending June 30, 2009**

| Region | Number of Retailers | % of Total Retailers | Sales | % Total Sales |
|---------------|----------------------------|-----------------------------|----------------------|----------------------|
| Alexandria | 201 | 7.33% | \$28,333,187 | 7.49% |
| Baton Rouge | 564 | 20.57% | 69,301,062 | 18.31% |
| Lafayette | 607 | 22.14% | 63,541,296 | 16.79% |
| Monroe | 233 | 8.50% | 41,438,609 | 10.95% |
| New Orleans | 824 | 30.05% | 137,733,963 | 36.39% |
| Shreveport | 313 | 11.41% | 38,175,636 | 10.07% |
| Total | 2,742 | 100.00% | \$378,523,753 | 100.00% |



LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Retailers and Sales by Region
Fiscal Year Ending June 30 for the Years Shown

Number of Retailers

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|---------------|---------------------|---------------------|---------------------|---------------------|
| Region | | | | |
| Alexandria | 204 | 195 | 201 | 201 |
| Baton Rouge | 538 | 543 | 548 | 564 |
| Lafayette | 579 | 582 | 594 | 607 |
| Monroe | 213 | 218 | 224 | 233 |
| New Orleans | 705 | 783 | 798 | 824 |
| Shreveport | 281 | 280 | 290 | 313 |
| Total | <u><u>2,520</u></u> | <u><u>2,601</u></u> | <u><u>2,655</u></u> | <u><u>2,742</u></u> |

Sales

| | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|---------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Region | | | | |
| Alexandria | \$26,876,128 | \$27,988,305 | \$28,371,735 | \$28,333,187 |
| Baton Rouge | 65,303,460 | 66,138,117 | 67,480,827 | 69,301,062 |
| Lafayette | 59,490,369 | 60,240,860 | 61,633,363 | 63,541,296 |
| Monroe | 38,541,327 | 39,688,387 | 42,038,577 | 41,438,609 |
| New Orleans | 105,946,748 | 124,566,931 | 137,340,680 | 137,733,963 |
| Shreveport | 35,958,628 | 35,570,138 | 36,828,872 | 38,175,636 |
| Total | <u><u>\$332,116,660</u></u> | <u><u>\$354,192,738</u></u> | <u><u>\$373,694,054</u></u> | <u><u>\$378,523,753</u></u> |

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Demographic and Economic Statistics
Calendar Years 2000 to 2009

| <u>Calendar Year</u> | <u>Statewide Population</u> | <u>Statewide Personal Income (millions of dollars)</u> | <u>Statewide Personal Income per Capita</u> | <u>Statewide Unemployment Rate</u> |
|----------------------|-----------------------------|--|---|------------------------------------|
| 2000 | 4,468,976 | \$103,033 | \$23,055 | 4.9% |
| 2001 | 4,465,258 | 109,983 | 24,631 | 5.1% |
| 2002 | 4,475,003 | 112,431 | 25,124 | 5.8% |
| 2003 | 4,490,380 | 115,612 | 25,747 | 6.6% |
| 2004 | 4,506,685 | 121,919 | 27,053 | 5.9% |
| 2005 | 4,523,628 | 128,621 | 28,433 | 5.5% |
| 2006 | 4,287,768 | 132,715 | 30,952 | 4.6% |
| 2007 | 4,293,204 | 149,214 | 34,756 | 3.8% |
| 2008 | 4,410,796 | 159,983 | 36,271 | 4.6% |
| 2009 | a | a | a | 6.8% |

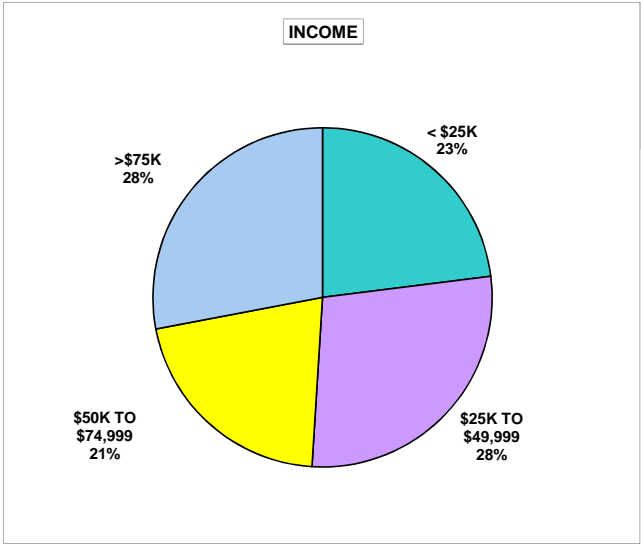
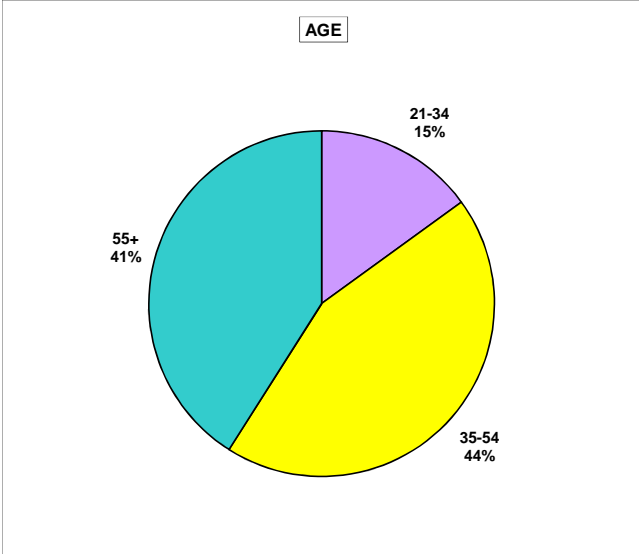
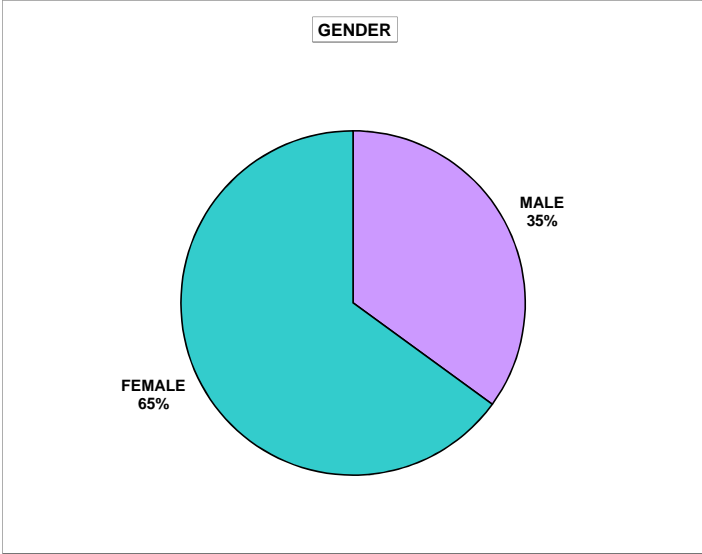
Sources:

Population from U.S. Census Bureau; Personal income from U.S. Bureau of Economic Analysis; Unemployment rate from U.S. Department of Labor, Bureau of Statistics.

Note:

a= Not yet available.

**LOUISIANA LOTTERY CORPORATION
PARTICIPATION OF PLAYERS BY DEMOGRAPHIC GROUPS
(UNAUDITED)**



Source: Current and Lapsed Player Tracker
GTECH Corporation & Crestwood Associates, June 2007

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Employees
Fiscal Year Ending June 30 for the Years Shown

| | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Full-time | 135 | 139 | 135 | 129 | 119 | 120 | 113 | 111 |
| Part-time | 25 | 26 | 21 | 18 | 19 | 18 | 19 | 21 |
| Total | <u>160</u> | <u>165</u> | <u>156</u> | <u>147</u> | <u>138</u> | <u>138</u> | <u>132</u> | <u>132</u> |
| Sales: | | | | | | | | |
| Alexandria | 7 | 7 | 6 | 6 | 6 | 6 | 5 | 4 |
| Baton Rouge | 9 | 9 | 9 | 8 | 13 | 7 | 8 | 8 |
| Lafayette | 11 | 11 | 10 | 10 | 8 | 11 | 9 | 10 |
| Monroe | 7 | 7 | 5 | 5 | 6 | 6 | 6 | 6 |
| New Orleans | 15 | 15 | 13 | 13 | 5 | 11 | 10 | 11 |
| Shreveport | 9 | 8 | 8 | 7 | 9 | 5 | 5 | 5 |
| Warehousing | 7 | 6 | 7 | 7 | 6 | 6 | 5 | 7 |
| Marketing and administration | 95 | 102 | 98 | 91 | 85 | 86 | 84 | 81 |
| Total | <u>160</u> | <u>165</u> | <u>156</u> | <u>147</u> | <u>138</u> | <u>138</u> | <u>132</u> | <u>132</u> |

U.S. LOTTERY STATISTICS (UNAUDITED)

The following tables:

- U.S. Lotteries' Fiscal 2008 Sales By Game.
- Fiscal 2008 U.S. Lottery Sales, Prizes & Government Transfers
Measured by Gross Domestic Product.

(Source: **La Fleur's 2009 World Lottery Almanac**)

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TLF Publications, Inc.
14424 Chrisman Hill Drive
Boysds, MD 20841
U.S.A.

U.S. lotteries' fiscal 2008 sales by game*

| (in \$millions) | | | | Online Games | | | | | | | | Total Sales | PC Sales | VLT (net) |
|-------------------|--------------|------------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|-----------------|---------------|-----------------|--------------|-----------------|
| Lottery | Pop. (M) | Instant | Pulltab | 3-digit | 4-digit | Lotto | Cash Lotto | Bloc Lotto | Hot Lotto | Keno | Other | | | |
| Arizona | 6.5 | 252.45 | | 9.53 | | 52.55 | 14.19 | 130.42 | | | 13.79 | 472.94 | \$73 | |
| California | 36.8 | 1,551.05 | | 153.18 | 7.24 | 604.49 | 152.54 | 418.37 | | 137.58 | 25.17 | 3,049.62 | \$83 | |
| Colorado | 4.9 | 336.04 | | | | 41.06 | 19.15 | 109.56 | | | | 505.81 | \$102 | |
| Connecticut | 3.5 | 618.97 | | 114.01 | 93.61 | 32.20 | 41.16 | 98.20 | | | | 998.15 | \$285 | |
| Delaware | 0.9 | 35.58 | | 26.76 | 17.33 | 7.14 | | 35.52 | 2.02 | | 1.00 | 125.35 | \$144 | 611.54 |
| D.C. | 0.6 | 45.02 | | 66.41 | 84.16 | | 7.38 | 32.77 | 2.95 | 13.64 | 0.40 | 252.72 | \$427 | |
| Florida | 18.3 | 2,368.78 | | 336.10 | 227.94 | 778.95 | 309.45 | | | | 153.56 | 4,174.78 | \$228 | |
| Georgia | 9.7 | 2,157.60 | | 505.71 | 176.91 | | 82.83 | 243.60 | | 90.58 | 14.82 | 3,272.05 | \$338 | |
| Idaho | 1.5 | 84.39 | 1.70 | 1.84 | | 4.19 | | 39.47 | 2.76 | | 2.50 | 136.85 | \$90 | |
| Illinois | 12.9 | 1,093.61 | | 299.02 | 167.79 | 112.91 | 128.43 | 221.14 | | | 34.38 | 2,057.27 | \$159 | |
| Indiana | 6.4 | 525.92 | 13.40 | 28.86 | 28.51 | 91.16 | 6.25 | 116.55 | | | 12.18 | 822.85 | \$129 | |
| Iowa | 3.0 | 137.92 | 21.41 | 6.37 | 2.32 | | 4.29 | 63.76 | 11.72 | | 1.43 | 249.22 | \$83 | |
| Kansas | 2.8 | 125.60 | 7.60 | 5.81 | | 2.23 | 17.43 | 42.96 | 9.23 | 31.27 | 5.81 | 247.95 | \$88 | |
| Kentucky | 4.3 | 470.94 | 15.48 | 120.34 | 34.62 | 12.45 | 13.74 | 109.54 | | | 1.10 | 778.21 | \$182 | |
| Louisiana | 4.4 | 132.05 | | 49.95 | 34.03 | 32.00 | 14.86 | 107.81 | | | 3.00 | 373.69 | \$85 | |
| Maine | 1.3 | 165.36 | | 5.19 | 4.10 | | 3.03 | 48.37 | | | 2.47 | 228.52 | \$174 | |
| Maryland | 5.6 | 513.86 | | 274.29 | 234.89 | 31.20 | 23.41 | 129.40 | | 386.58 | 79.40 | 1,673.04 | \$297 | |
| Massachusetts | 6.5 | 3,341.49 | 1.13 | | 343.69 | 40.52 | 79.03 | 128.43 | | 739.88 | 15.33 | 4,689.50 | \$722 | |
| Michigan | 10.0 | 734.20 | 37.43 | 347.24 | 325.22 | 64.13 | 51.32 | 184.77 | | 540.32 | 45.56 | 2,330.20 | \$233 | |
| Minnesota | 5.2 | 297.97 | | 12.90 | | | 28.24 | 97.17 | 12.20 | | 13.04 | 461.52 | \$88 | |
| Missouri | 5.9 | 638.53 | 15.09 | 68.68 | 25.75 | 29.96 | 18.84 | 138.39 | | 57.75 | 2.50 | 995.49 | \$168 | |
| Montana | 1.0 | 12.84 | | | | 2.49 | 4.23 | 17.58 | 3.36 | | 3.32 | 43.82 | \$45 | |
| Nebraska | 1.8 | 63.64 | | 3.08 | | 2.14 | 11.52 | 41.53 | | | | 121.91 | \$68 | |
| N. Hampshire | 1.3 | 183.99 | | 5.74 | 4.77 | | 3.43 | 56.88 | 3.54 | | 2.35 | 260.69 | \$198 | |
| New Jersey | 8.7 | 1,284.04 | | 457.01 | 265.28 | 86.22 | 132.50 | 299.22 | | | 14.85 | 2,539.11 | \$292 | |
| New Mexico | 2.0 | 86.59 | | 2.33 | 0.22 | | 6.55 | 44.51 | 6.00 | | 1.00 | 147.20 | \$74 | |
| New York | 19.5 | 3,594.01 | | 856.54 | 718.52 | 208.40 | 319.81 | 481.64 | | 444.26 | 50.02 | 6,673.20 | \$342 | 875.28 |
| N. Carolina | 9.2 | 606.15 | | 147.16 | | | 58.52 | 229.26 | | | 7.37 | 1,048.45 | \$114 | |
| N. Dakota | 0.6 | | | | | 2.27 | 3.40 | 13.06 | 3.39 | | | 22.12 | \$34 | |
| Ohio | 11.5 | 1,364.82 | | 387.15 | 198.82 | 41.21 | 70.49 | 201.00 | | | 61.65 | 2,325.14 | \$202 | |
| Oklahoma | 3.6 | 87.34 | | 7.07 | | | 6.09 | 107.04 | 6.74 | | | 214.28 | \$59 | |
| Oregon | 3.8 | 124.70 | 0.86 | | 1.40 | 37.15 | 6.68 | 55.97 | | 109.79 | 2.13 | 338.68 | \$89 | 895.11 |
| Pennsylvania | 12.4 | 1,706.85 | | 416.09 | 270.26 | 127.78 | 186.11 | 356.93 | | | 25.16 | 3,089.19 | \$248 | |
| Rhode Island | 1.1 | 81.56 | | 27.45 | | | 5.14 | 48.86 | | 77.65 | 0.59 | 241.24 | \$230 | 477.77 |
| S. Carolina | 4.5 | 622.86 | | 137.07 | 62.04 | 10.69 | 26.35 | 133.48 | | | | 992.49 | \$222 | |
| S. Dakota | 0.8 | 20.68 | | | | 1.89 | 2.25 | 14.13 | 2.69 | | 0.80 | 42.43 | \$53 | 224.65 |
| Tennessee | 6.2 | 721.42 | | 59.26 | 23.34 | 8.06 | 22.87 | 149.49 | | | 6.14 | 990.58 | \$159 | |
| Texas | 24.3 | 2,783.84 | | 292.90 | 50.56 | 204.62 | 75.77 | 215.87 | | | 47.93 | 3,671.48 | \$151 | |
| Vermont | 0.6 | 77.34 | | 1.60 | 1.31 | | 1.76 | 18.45 | | | 1.52 | 101.99 | \$164 | |
| Virginia | 7.8 | 694.90 | | 256.61 | 183.99 | | 29.02 | 203.86 | | | 18.03 | 1,386.41 | \$178 | |
| Washington | 6.5 | 330.52 | | 19.80 | | 56.92 | 29.80 | 65.45 | | 6.51 | 12.11 | 521.10 | \$80 | |
| W. Virginia | 1.8 | 110.86 | | 9.12 | 4.62 | | 5.75 | 54.05 | 4.02 | 9.60 | | 198.04 | \$109 | 1,309.54 |
| Wisconsin | 5.6 | 284.26 | 3.17 | 25.84 | 11.87 | 19.00 | 53.24 | 93.67 | | | 3.69 | 494.73 | \$88 | |
| Total | 285.8 | 30,470.52 | 117.27 | 5,544.00 | 3,605.10 | 2,745.98 | 2,076.83 | 5,398.16 | 70.62 | 2,645.41 | 686.08 | 53,360.0 | \$187 | 4,393.89 |
| % of total | | 57.1% | 0.2% | 10.4% | 6.8% | 5.1% | 3.9% | 10.1% | 0.1% | 5.0% | 1.3% | 100.0% | | |

* Fiscal year ends June 30 for all U.S. states, except New York (March 31), Texas (August 31), D.C. and Michigan (Sept. 30)

Fiscal 2008 U.S. Lottery Sales, Prizes & Gov't Transfers Measured by Gross Domestic Product

| Lottery | Pop. ¹ (Mil) | (in \$millions) | | | | | | | PC Sales | PC Gov't | Ticket Sales as % of GDP | Gov't Transfers as % of GDP ⁷ | Prizes as % of Ticket Sales | Gov't Transfers as % of Ticket Sales |
|----------------------------|----------------------------|---|------------------------------|----------------|---------------------|----------------------------|----------------------|------------------------------|-------------------|---------------|-----------------------------------|---|--------------------------------------|--|
| | | 2007 Gross Domestic Product ² | Ticket Sales ³ | VLT (net) | Prizes ⁴ | Agent Comm ⁵ | Expense ⁶ | Gov't Transfers ⁷ | | | | | | |
| Arizona | 6.3 | 247,028 | 472.94 | | 262.49 | 31.71 | 35.78 | 144.50 | \$75 \$23 | 0.191% | 0.058% | 55.5% | 30.6% | |
| California | 36.6 | 1,812,968 | 3,049.62 | | 1,619.47 | 213.02 | 167.22 | 1,069.33 | \$83 \$29 | 0.168% | 0.059% | 53.1% | 35.1% | |
| Colorado | 4.9 | 236,324 | 505.81 | | 314.93 | 38.39 | 33.02 | 122.30 | \$104 \$25 | 0.214% | 0.052% | 62.3% | 24.2% | |
| Connecticut | 3.5 | 216,266 | 998.15 | | 608.22 | 55.95 | 50.63 | 283.56 | \$285 \$81 | 0.462% | 0.131% | 5.6% | 28.4% | |
| Delaware ^{3,4} | 0.9 | 60,118 | 125.35 | 611.54 | 65.90 | 7.72 | 13.84 | 319.84 | \$145 \$370 | 0.209% | 0.532% | 52.6% | | |
| D.C. | 0.6 | 93,819 | 252.72 | | 135.06 | 15.78 | 32.14 | 70.30 | \$430 \$120 | 0.269% | 0.075% | 53.4% | 27.8% | |
| Florida | 18.3 | 734,519 | 4,174.78 | | 2,476.03 | 235.65 | 154.56 | 1,283.41 | \$229 \$70 | 0.568% | 0.175% | 59.3% | 30.7% | |
| Georgia | 9.5 | 396,504 | 3,242.05 | | 2,049.54 | 230.73 | 137.33 | 867.69 | \$340 \$91 | 0.818% | 0.219% | 63.2% | 26.8% | |
| Idaho | 1.5 | 51,149 | 136.85 | | 81.46 | 8.19 | 12.41 | 35.34 | \$91 \$24 | 0.268% | 0.069% | 59.5% | 25.8% | |
| Illinois | 12.9 | 609,570 | 2,057.27 | | 1,226.07 | 103.93 | 108.99 | 648.46 | \$160 \$50 | 0.337% | 0.106% | 59.6% | 31.5% | |
| Indiana | 6.3 | 246,439 | 822.85 | | 503.30 | 59.50 | 50.07 | 217.07 | \$130 \$34 | 0.334% | 0.088% | 61.2% | 26.4% | |
| Iowa | 3.0 | 129,026 | 249.22 | | 144.67 | 15.65 | 31.68 | 56.55 | \$83 \$19 | 0.193% | 0.044% | 58.0% | 22.7% | |
| Kansas | 2.8 | 117,305 | 236.67 | | 132.97 | 13.77 | 24.48 | 70.05 | \$85 \$25 | 0.202% | 0.060% | 56.2% | 29.6% | |
| Kentucky | 4.2 | 154,184 | 778.21 | | 493.06 | 50.14 | 46.50 | 192.08 | \$183 \$45 | 0.505% | 0.125% | 63.4% | 24.7% | |
| Louisiana | 4.3 | 216,146 | 373.69 | | 192.80 | 20.91 | 31.21 | 131.86 | \$87 \$31 | 0.173% | 0.061% | 51.6% | 35.3% | |
| Maine | 1.3 | 48,108 | 228.52 | | 142.44 | 16.26 | 19.32 | 52.35 | \$174 \$40 | 0.475% | 0.109% | 62.3% | 22.9% | |
| Maryland | 5.6 | 268,685 | 1,673.04 | | 956.89 | 117.82 | 58.85 | 529.40 | \$298 \$94 | 0.623% | 0.197% | 57.2% | 31.6% | |
| Massachusetts | 6.4 | 351,514 | 4,689.50 | | 3,419.71 | 275.21 | 101.38 | 935.03 | \$727 \$145 | 1.334% | 0.266% | 72.9% | 19.9% | |
| Michigan | 10.1 | 381,963 | 2,330.20 | | 1,323.34 | 172.16 | 110.40 | 740.74 | \$231 \$74 | 0.610% | 0.194% | 56.8% | 31.8% | |
| Minnesota | 5.2 | 254,970 | 461.52 | | 279.64 | 27.66 | 39.49 | 116.27 | \$89 \$22 | 0.181% | 0.046% | 60.6% | 25.2% | |
| Missouri | 5.9 | 229,470 | 995.49 | | 641.12 | 61.51 | 41.87 | 266.66 | \$169 \$45 | 0.434% | 0.116% | 64.4% | 26.8% | |
| Montana | 1.0 | 34,253 | 43.82 | | 22.84 | 2.56 | 7.47 | 11.03 | \$46 \$12 | 0.128% | 0.032% | 52.1% | 25.2% | |
| Nebraska | 1.8 | 80,093 | 121.92 | | 69.24 | 7.41 | 15.00 | 31.01 | \$69 \$17 | 0.152% | 0.039% | 56.8% | 25.4% | |
| N. Hampshire | 1.3 | 57,341 | 260.69 | | 154.69 | 14.28 | 17.33 | 75.55 | \$198 \$57 | 0.455% | 0.132% | 59.3% | 29.0% | |
| New Jersey | 8.7 | 465,484 | 2,539.06 | | 1,471.12 | 141.39 | 78.05 | 882.06 | \$292 \$102 | 0.545% | 0.189% | 57.9% | 34.7% | |
| New Mexico | 2.0 | 76,178 | 147.20 | | 80.09 | 9.68 | 17.23 | 40.81 | \$75 \$21 | 0.193% | 0.054% | 54.4% | 27.7% | |
| New York | 19.3 | 1,103,024 | 6,673.18 | 875.30 | 3,952.76 | 400.79 | 253.03 | 2,556.14 | \$346 \$132 | 0.605% | 0.232% | 59.2% | | |
| N. Carolina | 9.1 | 399,446 | 1,048.45 | | 588.49 | 75.37 | 45.79 | 349.31 | \$116 \$39 | 0.262% | 0.087% | 56.1% | 33.3% | |
| N. Dakota | 0.6 | 27,725 | 22.12 | | 11.36 | 1.14 | 3.70 | 5.92 | \$35 \$9 | 0.080% | 0.021% | 51.4% | 26.8% | |
| Ohio | 11.5 | 466,309 | 2,325.14 | | 1,397.02 | 143.93 | 110.28 | 672.18 | \$203 \$59 | 0.499% | 0.144% | 60.1% | 28.9% | |
| Oklahoma | 3.6 | 139,323 | 214.28 | | 112.84 | 13.43 | 15.85 | 71.61 | \$59 \$20 | 0.154% | 0.051% | 52.7% | 33.4% | |
| Oregon ^{3,4} | 3.7 | 158,233 | 338.68 | 895.10 | 219.96 | 29.40 | 27.53 | 648.41 | \$90 \$173 | 0.214% | 0.410% | 64.9% | | |
| Pennsylvania | 12.4 | 531,110 | 3,089.19 | | 1,845.40 | 170.05 | 159.96 | 928.05 | \$248 \$75 | 0.582% | 0.175% | 59.7% | 30.0% | |
| R. Island ^{3,4} | 1.1 | 46,900 | 241.24 | 477.80 | 144.51 | 29.39 | 9.71 | 355.57 | \$228 \$336 | 0.514% | 0.758% | 59.9% | | |
| S. Carolina | 4.4 | 152,830 | 992.49 | | 620.47 | 70.43 | 42.22 | 265.29 | \$225 \$60 | 0.649% | 0.174% | 62.5% | 26.7% | |
| S. Dakota ^{3,4} | 0.8 | 33,934 | 42.43 | 224.60 | 23.94 | 2.36 | 5.58 | 123.31 | \$53 \$155 | 0.125% | 0.363% | 56.4% | | |
| Tennessee | 6.2 | 243,869 | 990.38 | | 588.56 | 69.57 | 52.10 | 286.14 | \$161 \$46 | 0.406% | 0.117% | 59.4% | 28.9% | |
| Texas | 23.9 | 1,141,965 | 3,671.48 | | 2,281.13 | 185.72 | 167.50 | 1,034.88 | \$154 \$43 | 0.322% | 0.091% | 62.1% | 28.2% | |
| Vermont | 0.6 | 24,543 | 101.99 | | 64.76 | 5.97 | 8.87 | 22.72 | \$164 \$37 | 0.416% | 0.093% | 63.5% | 22.3% | |
| Virginia | 7.7 | 382,964 | 1,386.41 | | 792.34 | 77.75 | 73.68 | 455.26 | \$180 \$59 | 0.362% | 0.119% | 57.2% | 32.8% | |
| Washington | 6.5 | 311,270 | 521.10 | | 314.92 | 32.39 | 43.52 | 130.29 | \$81 \$20 | 0.167% | 0.042% | 60.4% | 25.0% | |
| W. Virginia ^{3,4} | 1.8 | 57,711 | 198.01 | 1,309.50 | 121.17 | 13.88 | 7.72 | 631.16 | \$109 \$348 | 0.343% | 1.094% | 61.2% | | |
| Wisconsin | 5.6 | 232,293 | 494.73 | | 286.70 | 34.28 | 32.81 | 147.31 | \$88 \$26 | 0.213% | 0.063% | 58.0% | 29.8% | |
| Total | 283.5 | 13,022,873 | 53,318.4 | 4,393.8 | 32,233.4 | 3,302.8 | 2,496.1 | 17,876.8 | \$188 \$63 | 0.409% | 0.137% | 60.5% | | |

Fiscal year ends June 30 except New York (March 31), Texas (August 31) and D.C. and Michigan (Sept. 30). ¹ Source: U.S. Census Bureau

² Source: U.S. Bureau of Economic Analysis; ³ This data represents only revenue from traditional lottery games; ⁴ Prizes do not include VLT prizes paid

⁵ Traditional lottery commissions only; ⁶ Traditional lottery expenses only; ⁷ Includes transfers for VLT operations

Note: If a lottery's operating statement did not include actual profits raised for government, the "government transfers" may represent the net income.

Q:\ACCT\CAFR\2009\FY08_Gross Domestic Product.xls

SOURCE: LA FLEUR'S 2009 WORLD LOTTERY ALMANAC, TLF PUBLICATIONS, INC., Copyright 2009

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Capital Asset Information
Fiscal Year Ending June 30 for the Years Shown

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Owned buildings - square feet | | | | | | | | |
| <i>Headquarters</i> | | | | | | | | |
| 555 Laurel Street | 28,176 | 28,176 | 28,176 | 28,176 | 28,176 | 28,176 | 28,176 | 28,176 |
| Baton Rouge 70801 | | | | | | | | |
| <i>Distribution center</i> | | | | | | | | |
| Baton Rouge | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Leased locations - square feet occupied (Leasehold improvements on schedule of capital assets) | | | | | | | | |
| 2222 Clearview Parkway Metairie, Suite B3 70001 | 5,525 | 5,525 | 5,525 | 5,525 | 5,525 | 5,525 | 5,525 | 5,525 |
| 5520-L Johnston Street Lafayette 70503 | 3,516 | 3,516 | 3,516 | 3,516 | 3,516 | 3,516 | 3,516 | 3,516 |
| 1325 Macarthur Drive Alexandria 71301 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 | 2,200 |
| 1128 Pecanland Road Monroe 71203 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 |
| 8201 Jewella Avenue Shreveport 71108 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 | 2,480 |
| 767 Shreveport - Barksdale Highway Shreveport 71105 | | | | | 3,300 | 3,300 | 3,300 | 3,300 |
| 3519 Patrick Street Lake Charles 70605 | 160 | 160 | 160 | 160 | 160 | | | |
| Fleet of owned vehicles | | | | | | | | |
| Cars - security department | 7 | 7 | 5 | 5 | 5 | 5 | 5 | 5 |
| Passenger vans - sales representatives | 48 | 48 | 52 | 50 | 47 | 47 | 53 | 43 |
| Trucks | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Promotional trailers | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 |
| | <u>60</u> | <u>60</u> | <u>62</u> | <u>59</u> | <u>56</u> | <u>57</u> | <u>63</u> | <u>53</u> |

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

August 28, 2009

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Basic Financial Statements
Performed in Accordance With *Government Auditing Standards*

**BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the basic financial statements of Louisiana Lottery Corporation, a component unit of the State of Louisiana, as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated August 28, 2009. We conducted our audits 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Louisiana Lottery Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Lottery Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Lottery Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Lottery Corporation'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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Louisiana Lottery Corporation, its board of directors, its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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