



LOUISIANA LOTTERY CORPORATION
A COMPONENT UNIT OF THE STATE OF LOUISIANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

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PREPARED BY ACCOUNTING DEPARTMENT

KAREN B. FOURNET

SENIOR VICE PRESIDENT

SECRETARY TREASURER

This document was produced by the Louisiana Lottery Corporation, 555 Laurel Street, Baton Rouge, Louisiana 70801. Twenty-five copies of this public document were produced at an approximate cost of \$60.

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August 21, 2007

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, 2007 and 2006. 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 three 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 16 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, 2007 net assets were \$23.2 million. The current ratio, a cash flow measure of an entity's ability to satisfy current liabilities, stands at a solid 1.11 at the end of the fiscal year. Financial results exceeded budgeted and prior-year levels for revenue, net income, and transfers to the state treasury. The transfers to the state included a \$3.33 million surplus remittance and were 23.8% higher than budget and 7.4% greater than prior year transfers. An analysis of comparative financial information is included in *Management's Discussion and Analysis* beginning on page 11. Other accomplishments in fiscal year 2007 included the following:

- Enhanced the Corporation's disaster recovery plan for continuity of operations and redundancy in our statewide communications network for retailers
- Received a best practices certification for software quality assurance through the North American Association of State and Provincial Lotteries (NASPL) standards initiative program
- Improved the appearance and functionality of our public website at www.louisianalottery.com

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 (see page 8) to the Louisiana Lottery Corporation for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the ninth 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 long-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.

ECONOMIC CONDITION AND OUTLOOK

The United States and global economies continued on a moderate to strong growth trend. Robust corporate profits, sustained consumer confidence, stabilizing energy prices, consumer and business spending, and productivity have powered this growth. Gross domestic product increased 3.3% in 2006. The unemployment rate remained fairly tight at around 4.5% during the year.

Interest rates increased but remained at relatively low levels. Consumer-price inflation was higher but was contained by monetary policy adjustments.

In an effort to contain inflation, the Federal Reserve continued to raise the federal funds rate until late in the summer, when evidence of a cooling economy emerged. At that point, the rate had been increased 17 consecutive times since June 2004. The central bank left the rate unchanged at 5.25% for the remainder of the year. In addition, intermediate and long-term interest rates increased during the year. The ten-year Treasury note yield increased from 4.39% to 4.71% in 2006.

The changes in the economy could cause changes in personal disposable incomes and spending patterns. These conditions could impact Lottery sales.

Competitor trends may also affect the performance of the Louisiana Lottery. The video poker industry, riverboat casinos, and Indian casinos continue to perform well and are strong competition for gaming dollars.

The continued high oil and gasoline prices may create some positive economic changes for those industries in Louisiana but may negatively impact lottery ticket sales because higher fuel prices reduce consumers' discretionary funds at the point of sale for lottery products. In addition, the ongoing hurricane recovery efforts in south Louisiana are possibly having a positive effect on lottery sales because of the influx of out-of-state workers and the flow of federal dollars into the state to fund these projects and pay the workers. But the long-term economic impact from these natural disasters and the ultimate population shifts within and out of the state are unknown at this time. The evolution of this recovery will affect most businesses in the state, including the Louisiana Lottery Corporation.

MAJOR INITIATIVES

Management has developed the Corporation's objectives and goals for the 2008 fiscal year. Several of the major initiatives are as follows:

- Effectively launch the Easy 5 and Raffle on-line games
- Develop a request for proposals for the instant ticket printing and on-line gaming system major procurement contracts that expire in July 2010
- Implement an enhanced instant ticket inventory management and distribution system

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, 2007, and June 30, 2006, 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.

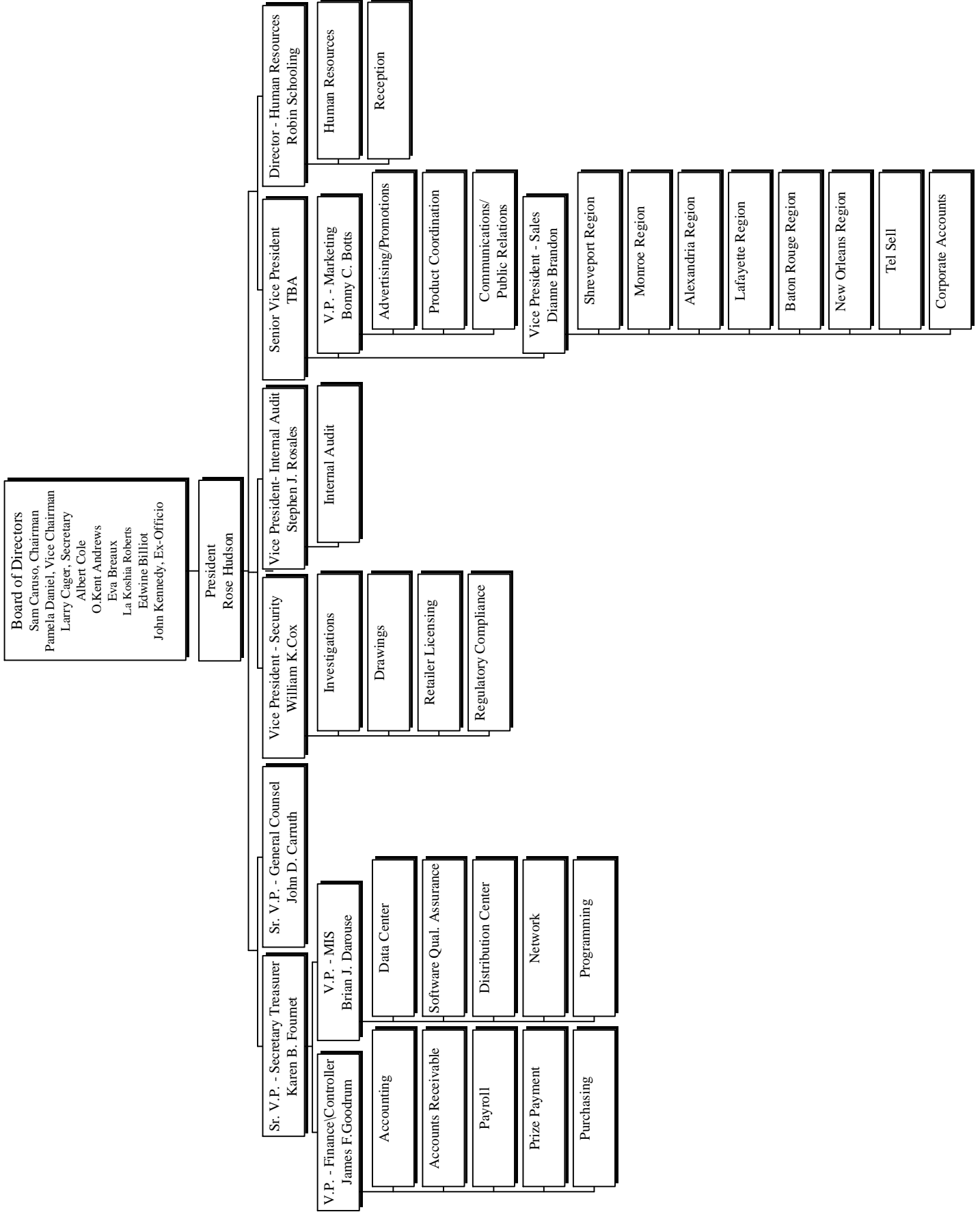
Respectfully submitted,

LOUISIANA LOTTERY CORPORATION

A handwritten signature in black ink, appearing to read "Karen Fournet", written in a cursive style.

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, 2006

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



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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August 21, 2007

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, 2007, and June 30, 2006, 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, 2007, and June 30, 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. As referred to in note 17 to the basic financial statements, the Louisiana Lottery Corporation incurred damage to its regional

office in Metairie, Louisiana, as a result of Hurricane Katrina, which struck southeastern Louisiana on August 29, 2005. The long-term effects of these events directly on the corporation cannot be determined at this time.

As discussed in note 1-F to the basic financial statements, the Louisiana Lottery Corporation implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section*, for the year ended June 30, 2006.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2007, 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, contracts, and grant agreements 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 audit.

Management's discussion and analysis on pages 11 through 20 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

DG:WDD:THC:dl

[LLC07]

FINANCIAL SECTION

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

**Management's Discussion and Analysis
For the Years Ended June 30, 2007 and June 30, 2006**

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, 2007, and June 30, 2006. 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, 2007, with comparative totals for June 30, 2006. 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 21 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 twelve-month period is presented in the statement of revenues, expenses, and changes in fund net assets on pages 22 and 23. 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 16 to the financial statements on page 41.

The statement of cash flows on pages 24 and 25 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 26 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, litigation, risk management, lease and rental commitments, net assets, payments to the state treasury, extraordinary items, 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, 2007, and the prior years ended June 30, 2006, and June 30, 2005, is presented below followed by further analysis of changes in key performance indicators.

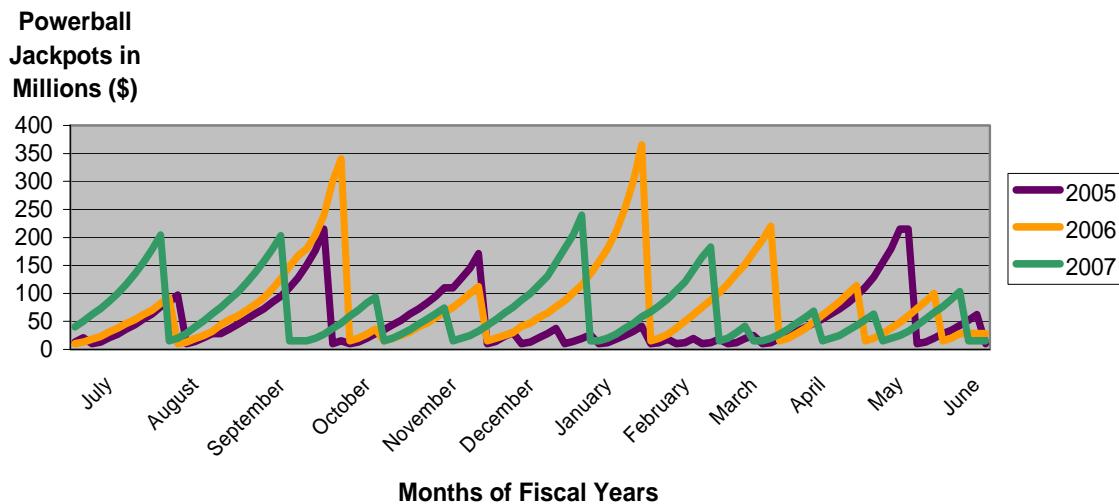
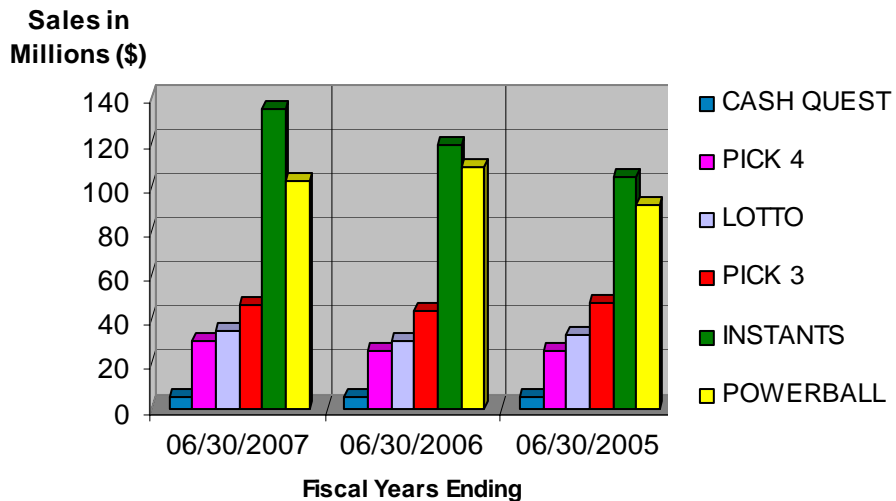
	As of and for the Year Ended June 30, 2007	As of and for the Year Ended June 30, 2006	As of and for the Year Ended June 30, 2005
Operating revenues			
Instant ticket sales	\$134,652,721	\$118,864,811	\$104,102,165
On-line sales	219,540,017	213,251,849	202,904,426
Allowance for uncollectible accounts	(9,697)	(127,279)	(60,832)
Other operating revenues	15,931	65,740	16,269
Total operating revenues	354,198,972	332,055,121	306,962,028
Nonoperating revenues			
Investment and other income	2,743,684	1,341,740	1,514,634
Total revenues	356,942,656	333,396,861	308,476,662
Operating expenses			
Direct costs:			
Prize expense	179,410,211	168,235,254	153,257,203
Retailer commission and incentives	19,661,356	18,503,567	16,859,899
Other direct costs	12,511,948	11,973,524	11,775,524
Total direct costs	211,583,515	198,712,345	181,892,626
Administrative expenses	17,012,217	16,112,777	17,662,611
Total operating expenses	228,595,732	214,825,122	199,555,237
Payments to state treasury	128,263,375	119,433,115	110,391,785
Total expenses	356,859,107	334,258,237	309,947,022
Income before extraordinary item	83,549	(861,376)	(1,470,360)
Extraordinary item			
Insurance recovery gain - hurricane damage		186,487	
Changes in net assets	\$83,549	(\$674,889)	(\$1,470,360)

Operating revenues increased and the Corporation transferred over \$110 million to the state treasury for the sixth consecutive year. The \$128.3 million transferred to the state was the highest fiscal year transfer in the past 13 years and the third largest in the Corporation's history.

Net income before surplus transfers exceeded \$3.4 million. Net assets increased by only \$84,000 because of a \$3.33 million surplus payment to the state. For the fourth straight year, the Corporation has remitted at least \$2 million in surplus funds. 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 six 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.



For the year ended June 30, 2007

Total sales of almost \$354.2 million were 6.7% above prior year amounts and were at the highest level since the Lottery's first full year of operations in the year ended June 30, 1993. The instant ticket and on-line products both performed above expectations for the year.

Instant ticket sales continued on the impressive growth trend that began in the previous fiscal year. Sales for this product line increased by \$15.8 million or 13.3% as compared to the fiscal year ended June 30, 2006. The product enhancement initiatives that were introduced last year have effectively increased the appeal and availability of the instant ticket games to lottery customers.

On-line sales increased because of the performance of the Lotto game and the two daily numbers games. Higher Lotto jackpots contributed to the increase in sales for that game. Pick 3 sales approached pre-Katrina levels while Pick 4 sales continued to grow because of high payouts. Powerball jackpots did not reach the record levels experienced in the previous year, but a higher frequency of jackpots greater than \$200 million resulted in only a 5% decline in ticket sales. Cash Quest sales were fairly stable.

The further recovery of lottery retailer locations in the New Orleans region and positive collections experience for the year resulted in a lower allowance for uncollectible accounts.

For the year ended June 30, 2006

Instant ticket sales increased by almost \$14.8 million because of enhancements to game prize structures, launch cycles, inventory management, and product distribution. These new strategies proved to be very effective during the recovery from hurricanes Katrina and Rita.

On-line sales were approximately \$10.4 million higher than the previous fiscal year mainly because of two record Powerball jackpots. The \$340 million announced jackpot in October 2005 and the \$365 million jackpot in February 2006 were the largest jackpots in the history of this multi-state lottery game. Sales for the other on-line games, except Pick 4, decreased because of the disruptions to our retailers in the New Orleans area caused by Hurricane Katrina. Lottery sales in the New Orleans region have historically favored the on-line products. Pick 4 sales slightly increased because of higher-than-average payouts for this game.

The destruction in New Orleans also caused an increase in the allowance for uncollectible accounts in fiscal year 2006. Most lottery retailers that were affected by the hurricanes paid any balances due to the Corporation. A portion of our retailer base in New Orleans remains closed for business and their accounts are expected to be uncollectible.

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

Nonoperating revenues

Total earnings on investments increased by \$1.4 million in fiscal year 2007 and decreased by \$203,000 in fiscal year 2006.

As stated in note 3 to the financial statements, a major portion of the Corporation's investment portfolio consists of mutual fund investments in short-term government securities. In an effort to stimulate the economy, the Federal Reserve lowered short-term interest rates 13 times starting in 2001. These rates declined to a 45-year low during fiscal year 2003 and remained there during fiscal year 2004. Concerned about inflationary pressures in the economy, the Federal Reserve increased short-term interest rates nine times during fiscal year 2005 and eight times in fiscal year 2006. The federal funds rate remained at 5.25% for fiscal year 2007. 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, 2007, was 4.76%, as compared to rates of 3.72% and 1.86% in the fiscal years ended June 30, 2006 and 2005, respectively. As a result, the Corporation's interest earnings from current investments more than doubled from \$430,000 in fiscal year 2005 to \$872,000 in fiscal year 2006 and increased to \$1.07 million in fiscal year 2007.

The Corporation's investment return from its portfolio of U.S. government and agency securities consists of interest earned on investments and changes in the fair value of investments as follows:

	<u>For the Year Ended June 30, 2007</u>	<u>For the Year Ended June 30, 2006</u>	<u>For the Year Ended June 30, 2005</u>
Interest	\$1,100,100	\$1,064,625	\$1,112,080
Change in Fair Value	<u>31,103</u>	<u>(1,014,680)</u>	<u>(247,917)</u>
Total	<u><u>\$1,131,203</u></u>	<u><u>\$49,945</u></u>	<u><u>\$864,163</u></u>

As shown in the chart above, the interest component of these intermediate and long-term securities has remained fairly stable throughout the three-year period. 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 was nearly unchanged in fiscal year 2007, increased by 1.38% in fiscal year 2006, and was stable in fiscal year 2005. The decline in the change in fair value in 2005 was caused by a portion of the securities approaching face value because of the passage of time and by increased market yields for securities with maturities of less than five years. The larger decrease in fair value in 2006 was caused by the steep increases in market yield. 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 losses from disposals of investments were \$99,000 and \$223,000 in fiscal years 2007 and 2006, respectively. Further disclosures on investments and interest rate risk are included in note 3 to the financial statements beginning on page 28.

Total revenues earned during the 2007 and 2006 fiscal years were \$356.9 million and \$333.4 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 54.

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, increased to approximately 50.65% in fiscal years 2007 and 2006 from 49.92% in previous years because of higher-than-average payouts for the Pick 3 and Pick 4 daily games and increased operational funding of instant game prize structures.

Administrative expenses

These marketing and overhead costs decreased in fiscal year 2006 mainly because of budget reductions implemented immediately after Hurricane Katrina. Advertising campaigns were put on hold and open personnel positions remained unfilled for several months. These expenses returned to a more normal level in the second half of the 2006 fiscal year as sales recovered and exceeded pre-storm levels, and throughout the 2007 fiscal year.

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 expenses have remained consistent and under budget during the past seven fiscal years. These efficiencies have enabled the Corporation to transfer additional surplus funds to the state on an annual basis.

Payments to state treasury

Note 16 to the financial statements on page 41 includes a discussion of the statutory requirements for payments to the state treasury. Payments increased by over \$8.8 million to approximately \$128.3 million in fiscal year 2007 because

of higher operating revenues as compared to fiscal year 2006. Remittances in fiscal year 2006 were \$9.0 million higher than in 2005. The payments for fiscal year 2007 include a \$3.3 million additional transfer for surplus at June 30, 2007. The surplus transfers for fiscal years 2006 and 2005 were \$2.7 million and \$2.4 million, respectively. Total payments to the state treasury since the Lottery's inception have exceeded \$1.86 billion.

The financial performance reflected above affected the overall financial position of the Corporation at June 30, 2007, and at June 30, 2006. A summarized version of the statement of net assets presented below reflects the Corporation's overall change in financial resources and claims on those resources.

	As of June 30, 2007	As of June 30, 2006	As of June 30, 2005
Assets			
Current assets	\$51,252,180	\$47,971,949	\$48,183,441
Noncurrent assets:			
Capital assets	5,626,480	6,047,412	6,063,654
Other noncurrent assets	93,827,674	105,906,718	122,710,364
Total noncurrent assets	99,454,154	111,954,130	128,774,018
Total assets	150,706,334	159,926,079	176,957,459
Liabilities			
Current liabilities	46,225,084	45,660,474	45,384,492
Noncurrent liabilities	81,232,782	91,100,686	107,733,159
Total liabilities	127,457,866	136,761,160	153,117,651
Net assets			
Invested in capital assets	5,626,480	6,047,412	6,063,654
Unrestricted	17,621,988	17,117,507	17,776,154
Total net assets	\$23,248,468	\$23,164,919	\$23,839,808

Current assets

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

Current investment balances are affected by the timing of deposits of the receivables and payments to vendors and the state treasury. In addition, several securities in the Corporation's investments in government securities were reclassified from noncurrent assets to current assets during the 2007 fiscal year because the maturity dates are 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 28.

Capital assets

Capital assets decreased in fiscal year 2007 and 2006 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 32.

Other noncurrent assets

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 most 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 \$10.5 million and \$16.0 million in fiscal years 2007 and 2006, respectively. Additional information on investments in prize annuities is included in note 3 to the financial statements beginning on page 28 and the related prizes payable information is contained in note 8 on page 34.

Noncurrent investments in government securities decreased in fiscal year 2007 because of the reclassification of several securities to current investments in government securities as discussed in the current assets section.

Deposits with the Multi-State Lottery Association (MUSL) increased in fiscal year 2007 because interest earnings were greater than the reductions for the Corporation's share of operating expenses and the return of excess prize reserve funds. Note 7 to the financial statements that begins on page 33 contains further information about MUSL and the prize reserve accounts.

Finally, as discussed in note 5 to the financial statements on page 31, prepaid expenses declined by approximately \$300,000 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, 2007

Current liabilities increased by \$565,000. Accounts payable, accrued payment to state treasury, and prizes and withholdings payable account for most of this change.

Accounts payable decreased by \$371,000 because of differences in the timing and amount of expenses and payments between the two fiscal year ends.

Revenue for June 2007 was \$1.7 million greater than June 2006 revenue. In addition, the 2007 accrued surplus transfer to the state treasury was \$630,000 more than the 2006 amount. These differences caused the accrued payment to state treasury to increase by \$1.2 million.

Prizes and withholdings payable decreased by \$292,000 because of several factors. All of the components of this liability category are presented in note 8 to the financial statements on page 34.

Instant prizes payable decreased by \$300,000 mainly because a large prize was paid in 2007 that was included in this liability account at June 30, 2006.

The Lotto jackpot prize at June 30, 2007 is larger than the amount at June 30, 2006 and three \$50,000 prizes for the Cash Quest game were not claimed by the 2007 fiscal year end. As a result, on-line prizes payable increased by \$441,000.

The projected net use of unclaimed prizes to fund instant prize structures in fiscal year ending June 30, 2008 is \$153,000 more than the projection for fiscal year 2007 that was included in the current portion of unclaimed prizes payable at June 30, 2006.

The amount due to MUSL for the Powerball prize pool is lower by \$586,000 at June 30, 2007, because of differences in sales levels and prizes won in Louisiana at the end of each fiscal year.

For the year ended June 30, 2006

Total current liabilities were almost unchanged in fiscal year 2006 but the individual components of this category did fluctuate. Prizes and withholdings payable decreased by approximately \$800,000.

Instant prizes payable increased by \$1.96 million because sales increased and 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 decreased by \$2.4 million mainly because the Pick 4 daily game prize reserve account was fully exhausted during the year because of higher-than-average payouts.

The current portion of unclaimed prizes payable was \$1.18 million lower in fiscal year 2006 because of the decrease in the expected usage of unclaimed prizes to fund instant game prizes in fiscal year 2007. The Corporation's operating budget will fund a greater portion of these prizes next year.

The amount due to MUSL for the Powerball prize pool was higher by approximately \$800,000 at June 30, 2006, because of differences in sales levels and prizes won in Louisiana at the end of each fiscal year.

The remaining differences are the result of an increase of \$1.26 million in the accrued surplus payment to the state treasury and other minor changes in accruals and payable balances.

Noncurrent liabilities

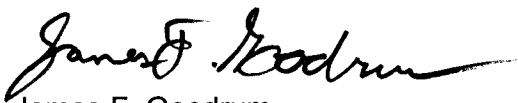
The changes in noncurrent investments in prize annuities discussed previously caused equal changes in the corresponding noncurrent liabilities to prize winners. In addition, unclaimed prizes payable increased because prizes that were not claimed during the statutory claim period exceeded the use of these 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 34 and 36, respectively.

Net assets

Finally, net assets increased by \$84,000 in fiscal year 2007 and decreased by \$675,000 in fiscal year 2006 because of the net income generated during these years and the amount of surplus remittances to the state treasury. The specified uses of unrestricted net assets are presented in note 15 to the financial statements on pages 40-41.

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, 2007, and June 30, 2006. 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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash (note 2)	\$49,695	\$84,831
Investments (note 3)	22,314,771	22,599,104
Accounts receivable, net (note 4)	9,925,549	7,989,037
Investments in government securities (note 3)	3,277,746	1,547,861
Investments in prize annuities (note 3)	15,268,251	15,249,017
Prepaid expenses (note 5)	402,484	488,392
Other current assets	13,684	13,707
Total current assets	<u>51,252,180</u>	<u>47,971,949</u>
Noncurrent assets:		
Capital assets:		
Land (note 6)	1,542,415	1,542,415
Depreciable capital assets, net (note 6)	4,084,065	4,504,997
Investments in government securities (note 3)	16,997,408	18,514,989
Investments in prize annuities (note 3)	69,773,191	80,295,011
Deposits with Multi-State Lottery Association (note 7)	6,453,275	6,185,943
Prepaid expenses (note 5)	603,800	910,775
Total noncurrent assets	<u>99,454,154</u>	<u>111,954,130</u>
TOTAL ASSETS	<u>150,706,334</u>	<u>159,926,079</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,861,416	2,232,076
Wages, benefits, and withholdings payable	105,222	99,270
Accrued payment to state treasury	13,161,365	11,937,660
Prizes and withholdings payable (note 8)	30,775,098	31,066,685
Compensated absences payable (note 9)	321,983	324,783
Total current liabilities	<u>46,225,084</u>	<u>45,660,474</u>
Noncurrent liabilities (note 10):		
Noncurrent prizes payable (note 8)	81,076,982	90,949,296
Retailer security deposits	155,800	151,390
Total noncurrent liabilities	<u>81,232,782</u>	<u>91,100,686</u>
TOTAL LIABILITIES	<u>127,457,866</u>	<u>136,761,160</u>
NET ASSETS		
Invested in capital assets	5,626,480	6,047,412
Unrestricted (note 15)	17,621,988	17,117,507
TOTAL NET ASSETS	<u>\$23,248,468</u>	<u>\$23,164,919</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Instant ticket sales	\$134,652,721	\$118,864,811
On-line sales	219,540,017	213,251,849
Allowance for uncollectible accounts	(9,697)	(127,279)
Retailer license fees	11,025	6,900
Miscellaneous revenue	4,906	58,840
Total operating revenues	<u>354,198,972</u>	<u>332,055,121</u>
OPERATING EXPENSES		
Direct costs:		
Instant ticket prize expense	71,055,075	60,468,874
On-line prize expense	108,355,136	107,766,380
Retailer commission	18,456,739	17,264,442
Retailer incentives	1,204,617	1,239,125
Lottery system vendor fees	9,942,058	9,665,938
Communications	(3,643)	(6,988)
Cost of instant tickets	2,139,643	1,946,072
Courier service	433,890	368,502
Total direct costs	<u>211,583,515</u>	<u>198,712,345</u>
Administrative expenses:		
Advertising	6,924,426	6,233,832
Contract labor	191,753	225,357
Depreciation	700,261	631,701
Equipment lease (note 14)	29,161	34,071
Insurance	365,452	404,238
Postage	67,902	57,580
Professional fees	285,826	281,246
Rent (note 14)	226,411	197,886
Repairs and maintenance	270,940	267,398
Salaries, benefits, and taxes	6,718,793	6,671,208
Supplies	431,047	392,532
Telephone	216,798	186,072
Travel	120,510	76,530
Utilities	209,353	201,131
Other general and administrative	253,584	251,995
Total administrative expenses	<u>17,012,217</u>	<u>16,112,777</u>
Total operating expenses	<u>228,595,732</u>	<u>214,825,122</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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
OPERATING INCOME	<u>\$125,603,240</u>	<u>\$117,229,999</u>
NONOPERATING REVENUES (EXPENSES)		
Interest earned on investments	2,690,613	2,314,754
Net increase (decrease) in the fair value of investments	31,103	(1,014,680)
Net gain on disposal of assets	21,968	41,666
Payments to state treasury - required (note 16)	(124,933,375)	(116,733,115)
Payments to state treasury - surplus (note 16)	<u>(3,330,000)</u>	<u>(2,700,000)</u>
Total nonoperating revenues (expenses)	<u>(125,519,691)</u>	<u>(118,091,375)</u>
INCOME BEFORE EXTRAORDINARY ITEM	83,549	(861,376)
EXTRAORDINARY ITEM		
Insurance recovery gain - hurricane damage (note 17)	<u>NONE</u>	<u>186,487</u>
CHANGES IN NET ASSETS	83,549	(674,889)
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>23,164,919</u>	<u>23,839,808</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$23,248,468</u></u>	<u><u>\$23,164,919</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Cash received from retailers - net of commission and incentives	\$335,176,918	\$314,663,868
Cash from other sources	7,695,071	2,960,467
Cash payments for prizes and related taxes	(202,154,861)	(187,287,212)
Cash payments to suppliers of goods or services	(25,395,163)	(23,667,462)
Cash payments to employees for services	(5,919,539)	(5,886,077)
Net cash provided by operating activities	<u>109,402,426</u>	<u>100,783,584</u>
Cash flows from noncapital financing activities		
Cash payments to the Lottery Proceeds Fund	<u>(127,039,670)</u>	<u>(118,174,195)</u>
Cash flows from capital financing activities		
Proceeds from disposal of capital assets	22,059	214,600
Payments for acquisition of capital assets	<u>(332,609)</u>	<u>(660,173)</u>
Net cash used in capital financing activities	<u>(310,550)</u>	<u>(445,573)</u>
Cash flows from investing activities		
Receipts of interest	2,182,525	1,905,946
Net withdrawals of short-term investments	284,333	1,618,638
Proceeds from investments in government securities	2,625,748	4,319,893
Payments for investments in government securities	(2,806,948)	(5,603,516)
Maturity of investments in prize annuities (note 3)	15,627,000	15,627,000
Net cash provided from investing activities	<u>17,912,658</u>	<u>17,867,961</u>
Net increase (decrease) in cash	(35,136)	31,777
Cash at July 1	<u>84,831</u>	<u>53,054</u>
Cash at June 30	<u><u>\$49,695</u></u>	<u><u>\$84,831</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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$125,603,240	\$117,229,999
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	700,261	631,701
Accrued capital financing activities	53,159	39,135
Multi-State Lottery Association operating costs	29,651	118,498
Uncollectible accounts	17,384	132,765
Changes in assets and liabilities:		
(Increase) in accounts receivable	(1,965,592)	(1,368,902)
Decrease in prepaid expenses	392,929	354,795
(Increase) in other current assets		(33)
Decrease in deposits with Multi-State Lottery Association	222,800	781,000
(Decrease) in accounts payable	(370,660)	(188,571)
Increase (decrease) in wages, benefits, and withholdings payable	5,954	(10,147)
(Decrease) increase in compensated absences payable	(2,800)	(1,178)
Increase (decrease) in prizes and withholdings payable	338,690	(1,311,198)
(Decrease) in annual grand prizes payable	(15,627,000)	(15,627,000)
Increase in retailer security deposits	4,410	2,720
Total Adjustments	<u>(16,200,814)</u>	<u>(16,446,415)</u>
Net Cash Provided by Operating Activities	<u>\$109,402,426</u>	<u>\$100,783,584</u>
Non Cash Investing, Capital, and Financing Activities		
Net increase (decrease) in the fair value of investments	\$31,103	(\$1,014,680)
Interest accrued on deposits with Multi-State Lottery Association	\$519,786	\$376,031

(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, 2007 and 2006

INTRODUCTION

The Louisiana Lottery Corporation (the Corporation) is 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 the 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, 2007, and June 30, 2006, the Corporation employed 138 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 33.

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, 2007, on February 24, 2006. The budget was approved by the Joint Legislative Committee on the Budget on March 17, 2006. 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, 2007, is not presented.

F. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2006, the Corporation implemented GASB Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and No. 44, *Economic Condition Reporting: The Statistical Section*.

G. NONOPERATING EXPENSES

Nonoperating expenses only include payments to the state treasury.

2. CASH

Cash includes petty cash on hand of \$2,000 and demand deposits of \$47,695 at June 30, 2007, and \$82,831 at June 30, 2006. 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. The Corporation has deposit balances (collected bank balances) of \$42,851 at June 30, 2007, and \$75,353 at June 30, 2006, secured from risk by \$100,000 of federal deposit insurance.

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, 2007, 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% US Treasury Securities Money Market Fund Capital Class	\$22,314,771	Aaa	17.49%	\$22,314,771				
Investments in government securities:								
United States Treasury Notes	11,994,579	1	9.40%	2,881,628	\$3,990,241	\$5,122,710		
Federal Farm Credit Banks (FFCB) Bonds and Notes	1,320,745	Aaa	1.03%	220,673	467,730	632,342		
Federal Home Loan Banks (FHLB) Bonds	861,630	Aaa	0.68%	50,265	811,365			
Federal Home Loan Mortgage Corporation (FHLMC) Notes	368,869	Aaa	0.29%		130,586	238,283		
Federal National Mortgage Association (FNMA) Notes	230,164	Aaa	0.18%	125,180	104,984			
FHLMC Mortgage-Backed Securities	2,281,486	unrated 2	1.79%		32,972	817,178	\$1,233,545	\$197,791
FNMA Mortgage-Backed Securities	2,958,480	unrated 2	2.32%		308,641	1,256,262	610,728	782,849
Government National Mortgage Association (GNMA) Mortgage-Backed Securities	259,201	1	0.20%			52,915	73,114	133,172
	20,275,154		15.89%	3,277,746	5,846,519	8,119,690	1,917,387	1,113,812
Investments in prize annuities:								
United States Treasury Zero Coupon Bonds	85,041,442	1	66.62%	15,268,251	52,676,759	17,096,432		
Total Investments	\$127,631,367		100.00%	\$40,860,768	\$58,523,278	\$25,216,122	\$1,917,387	\$1,113,812

* 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 \$56,685,120 at June 30, 2007, and \$64,861,879 at June 30, 2006, 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 \$28,356,322 and \$30,682,149 at June 30, 2007, and June 30, 2006, 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, 2007, and in fiscal year ending June 30, 2006.

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 safekept 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 Lehman Brothers Intermediate Government Bond 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.

LOUISIANA LOTTERY CORPORATION
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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:

	<u>As of June 30, 2007</u>	<u>As of June 30, 2006</u>
Retailer accounts receivable	\$9,611,131	\$7,729,631
Interest receivable	342,954	354,650
Miscellaneous receivable	4,512	27,475
Allowance for uncollectible accounts	<u>(33,048)</u>	<u>(122,719)</u>
Total	<u><u>\$9,925,549</u></u>	<u><u>\$7,989,037</u></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:

	<u>As of June 30, 2007</u>	<u>As of June 30, 2006</u>
Current prepaid expenses:		
Insurance	\$11,606	\$96,847
Lottery system vendor fees	296,875	296,875
Miscellaneous	<u>94,003</u>	<u>94,670</u>
Total	<u><u>\$402,484</u></u>	<u><u>\$488,392</u></u>
Noncurrent prepaid expenses:		
Lottery system vendor fees	\$593,750	\$890,625
Miscellaneous	<u>10,050</u>	<u>20,150</u>
Total	<u><u>\$603,800</u></u>	<u><u>\$910,775</u></u>

LOUISIANA LOTTERY CORPORATION
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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, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Land	<u>\$1,542,415</u>	NONE	NONE	<u>\$1,542,415</u>
Depreciable Capital Assets:				
Land improvements	\$2,490			\$2,490
Buildings	3,849,715			3,849,715
Building improvements	9,667	\$9,592		19,259
Leasehold improvements	344,759	3,621		348,380
Furniture and fixtures	565,623			565,623
Equipment	839,206	20,632	(\$1,316)	858,522
Data processing software and equipment	1,513,464	95,943	(27,452)	1,581,955
Communications	368,574	6,958		375,532
Automobiles	955,095	142,674	(197,191)	900,578
Total	<u>8,448,593</u>	<u>279,420</u>	<u>(225,959)</u>	<u>8,502,054</u>
Less - accumulated depreciation:				
Land improvements	(934)	(249)		(1,183)
Buildings	(436,157)	(99,741)		(535,898)
Building improvements	(2,485)	(747)		(3,232)
Leasehold improvements	(138,929)	(85,079)		(224,008)
Furniture and fixtures	(441,791)	(92,933)		(534,724)
Equipment	(636,200)	(68,535)	1,225	(703,510)
Data processing software and equipment	(1,281,261)	(160,684)	27,452	(1,414,493)
Communications	(336,703)	(11,806)		(348,509)
Automobiles	<u>(669,136)</u>	<u>(180,487)</u>	<u>197,191</u>	<u>(652,432)</u>
Total accumulated depreciation	<u>(3,943,596)</u>	<u>(700,261)</u>	<u>225,868</u>	<u>(4,417,989)</u>
Net Depreciable Capital Assets	<u>\$4,504,997</u>	<u>(\$420,841)</u>	<u>(\$91)</u>	<u>\$4,084,065</u>

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

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</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	9,667			9,667
Leasehold improvements	167,008	\$241,409	(\$63,658)	344,759
Furniture and fixtures	558,786	32,068	(25,231)	565,623
Equipment	847,882	40,847	(49,523)	839,206
Data processing software and equipment	1,729,906	116,314	(332,756)	1,513,464
Communications	350,459	31,870	(13,755)	368,574
Automobiles	1,203,490	170,750	(419,145)	955,095
Total	<u>8,719,403</u>	<u>633,258</u>	<u>(904,068)</u>	<u>8,448,593</u>
Less - accumulated depreciation:				
Land improvements	(685)	(249)		(934)
Buildings	(336,417)	(99,740)		(436,157)
Building improvements	(1,841)	(644)		(2,485)
Leasehold improvements	(156,399)	(46,188)	63,658	(138,929)
Furniture and fixtures	(363,803)	(100,412)	22,424	(441,791)
Equipment	(619,940)	(65,637)	49,377	(636,200)
Data processing software and equipment	(1,463,476)	(138,049)	320,264	(1,281,261)
Communications	(350,291)	(167)	13,755	(336,703)
Automobiles	(905,312)	(180,615)	416,791	(669,136)
Total accumulated depreciation	<u>(4,198,164)</u>	<u>(631,701)</u>	<u>886,269</u>	<u>(3,943,596)</u>
Net Depreciable Capital Assets	<u>\$4,521,239</u>	<u>\$1,557</u>	<u>(\$17,799)</u>	<u>\$4,504,997</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 29 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.

LOUISIANA LOTTERY CORPORATION
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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 reallocates the prize reserve funds twice a year 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. As of June 30, 2007, and June 30, 2006, the Corporation had deposits with MUSL of \$6,453,275 and \$6,185,943, respectively, representing the Corporation's deposits of reserve funds and the deposit for the Corporation's share of related interest earnings on these 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.

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, 2007</u>	<u>As of</u> <u>June 30, 2006</u>
Current Prizes and Withholdings Payable:		
Annual grand prize payments (face value)	\$15,627,000	\$15,627,000
Less imputed interest	<u>(349,034)</u>	<u>(357,347)</u>
Net present value of annual grand prize payments	15,277,966	15,269,653
Adjustment to current fair value	<u>(9,715)</u>	<u>(20,636)</u>
Fair value of prize annuities	15,268,251	15,249,017
Instant prizes payable	6,467,010	6,767,634
On-line prizes payable	7,964,443	7,523,323
Unclaimed prizes payable	448,200	295,099
Due to MUSL prize pool	435,520	1,021,700
Tax withholdings payable	<u>191,674</u>	<u>209,912</u>
Total Current Prizes and Withholdings Payable	<u><u>\$30,775,098</u></u>	<u><u>\$31,066,685</u></u>
Noncurrent Prizes Payable:		
Annual grand prize payments (face value)	\$83,857,000	\$99,484,000
Less imputed interest	<u>(13,374,188)</u>	<u>(17,907,948)</u>
Net present value of long-term annual grand prize payments	70,482,812	81,576,052
Adjustment to current fair value	<u>(709,621)</u>	<u>(1,281,041)</u>
Fair value of prize annuities	69,773,191	80,295,011
MUSL prize reserve payable	4,067,200	4,290,000
Unclaimed prizes payable	<u>7,236,591</u>	<u>6,364,285</u>
Total Noncurrent Prizes Payable	<u><u>\$81,076,982</u></u>	<u><u>\$90,949,296</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. Sick leave may be carried forward to the next year and accumulated to a maximum of 20 days. Employees are not paid for accrued sick leave upon termination. At June 30, 2007, and June 30, 2006, the total value of compensated absences payable are \$321,983 and \$324,783, respectively.

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Notes to the Financial Statements (Continued)

10. CHANGES IN NONCURRENT LIABILITIES

Noncurrent liability activity for the years ended June 30, 2007 and 2006, was as follows:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>Due Within One Year</u>
Prizes Payable:					
Fair value of prize annuities	\$95,544,028		(\$10,502,586)	\$85,041,442	\$15,268,251
MUSL prize reserve payable	4,290,000	\$508,655	(731,455)	4,067,200	NONE
Unclaimed prizes payable	<u>6,659,384</u>	<u>9,029,488</u>	<u>(8,004,081)</u>	<u>7,684,791</u>	<u>448,200</u>
Total Prizes Payable	106,493,412	9,538,143	(19,238,122)	96,793,433	15,716,451
Retailer Security Deposits	<u>151,390</u>	<u>4,410</u>		<u>155,800</u>	<u>NONE</u>
Total	<u>\$106,644,802</u>	<u>\$9,542,553</u>	<u>(\$19,238,122)</u>	<u>\$96,949,233</u>	<u>\$15,716,451</u>

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>Due Within One Year</u>
Prizes Payable:					
Fair value of prize annuities	\$111,651,077		(\$16,107,049)	\$95,544,028	\$15,249,017
MUSL prize reserve payable	5,071,000	\$659,366	(1,440,366)	4,290,000	NONE
Unclaimed prizes payable	<u>7,708,288</u>	<u>7,326,593</u>	<u>(8,375,497)</u>	<u>6,659,384</u>	<u>295,099</u>
Total Prizes Payable	124,430,365	7,985,959	(25,922,912)	106,493,412	15,544,116
Retailer Security Deposits	<u>148,670</u>	<u>2,780</u>	<u>(60)</u>	<u>151,390</u>	<u>NONE</u>
Total	<u>\$124,579,035</u>	<u>\$7,988,739</u>	<u>(\$25,922,972)</u>	<u>\$106,644,802</u>	<u>\$15,544,116</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, 2006. A copy of the audit reports 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.

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Notes to the Financial Statements (Continued)

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. 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

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

intended to constitute a profit-sharing plan under which contributions are determined without regard to the current or accumulated profits of the 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, 2007, there were 137 participants in the Basic Plan and 111 participants in the Supplemental Plan.

For the fiscal year ended June 30, 2007, employer and employee contributions to the Basic Plan were \$252,784 and \$314,113, respectively. The employer contributions for the Supplemental Plan were \$295,611.

For the fiscal year ended June 30, 2006, employer and employee contributions to the Basic Plan were \$248,552 and \$309,093, respectively. The employer contributions for the Supplemental Plan were \$297,544.

**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. 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 \$15,500. 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, 2007, there were 108 participants in the Optional Savings Plan.

For the fiscal year ended June 30, 2007, employer and employee contributions were \$112,527 and \$320,714, respectively. For the fiscal year ended June 30, 2006, employer and employee contributions were \$111,173 and \$295,426, respectively.

LOUISIANA LOTTERY CORPORATION
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Notes to the Financial Statements (Continued)

12. LITIGATION

The Corporation has been named in four lawsuits. The Corporation's legal counsel does not anticipate a potential loss to the Corporation resulting from these lawsuits.

13. 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. During the fiscal year ending June 30, 2006, the Corporation eliminated comprehensive and collision physical damage insurance coverage for its fleet of vehicles. The premium costs outweighed the potential benefit of claims coverage for this risk. In addition, management has established a litigation and prize reserve of \$6,750,000 within the Corporation's net assets to cover unanticipated losses (see note 15). 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.

14. LEASE AND RENTAL COMMITMENTS

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

	<u>Equipment</u>	<u>Facilities</u>	<u>Total</u>
2007-2008	\$114,997	\$185,608	\$300,605
2008-2009	114,240	109,938	224,178
2009-2010	20,400	109,938	130,338
2010-2011	3,060	109,938	112,998
2011-2012		41,680	41,680
2012-2013		2,956	2,956
Total	<u>\$252,697</u>	<u>\$560,058</u>	<u>\$812,755</u>

The total operating lease payments for the years ended June 30, 2007, and June 30, 2006, were \$369,812 and \$333,787, respectively.

The Corporation has no capital leases at June 30, 2007.

15. NET ASSETS

The Corporation has unrestricted net assets at June 30, 2007, of \$17,621,988. As presented in the 2007-2008 fiscal year budget approved by the Joint Legislative Committee on the Budget on March 16, 2007, management has specified that net assets of June 30, 2007, be used for the following purposes:

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Specified Uses of Net Assets	
Capital asset replacement reserve	\$6,600,000
Instant ticket accounting and administrative computer system	890,304
New capital expenditure purchases	568,000
Litigation and prize reserve	6,750,000
Deposits	13,684
New game development, retailer incentives, and future expenditures	<u>2,800,000</u>
Total budgeted net assets	17,621,988
Total unrestricted net assets	<u><u>\$17,621,988</u></u>

16. 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.

17. EXTRAORDINARY ITEM

The extraordinary item of \$186,487 represents the net insurance recovery gain resulting from damage caused to the Corporation's regional office in Metairie by Hurricane Katrina in August 2005. This gain is the excess of insurance proceeds of \$192,067 over the remaining net book value of impaired capital assets of \$5,580. The Corporation used the proceeds to rebuild the office and replace the destroyed capital assets. These costs are included in the additions to capital assets in note 6.

18. 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, 2007 and 2006**

SCHEDULE OF PROFESSIONAL SERVICE FEES

Schedule 1 presents professional service fees for the years ended June 30, 2007, and June 30, 2006. 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, 2007, and June 30, 2006. 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, 2007 and 2006**

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Attorney General's Office, Department of Justice - legal counsel	\$88,875	\$88,875
Gaming Laboratories	1,750	
GTECH - market research	50,000	
HKC, Inc. - sales consulting	8,000	5,000
Miscellaneous	150	127
Office of Legislative Auditor - financial and compliance audit and observations of on-line drawings	132,822	119,984
Phelps Dunbar, Counselors-at-Law - legal counselors	20,229	20,226
Scientific Games - market research		31,034
The Open Group - National Standards Initiative quality assurance best practices certification	<u>(16,000)</u>	<u>16,000</u>
Total	<u>\$285,826</u>	<u>\$281,246</u>

**LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA**

**Schedule of Compensation Paid Board Members
For the Years Ended June 30, 2007 and 2006**

	<u>Effective Date of Term</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Otis K. Andrews	March 6, 2006	\$15,000	\$4,798
Carl W. Bauer, Chairman through March 1, 2007	January 4, 1999*	16,734	25,000
Kay Begue	March 19, 2007	4,191	
Edwine Billiot	March 9, 2006	15,000	4,677
Brandi Bollinger	July 28, 2000*	10,041	15,000
Eva F. Breaux	March 23, 2007	4,112	
Larry C. Cager	March 18, 2005	15,000	15,000
Salvatore A. Caruso, Sr., Chairman effective April 27, 2007	April 1, 2004	16,778	15,000
Albert F. Cole	March 14, 2007	4,476	
Pamela Daniel	April 26, 2004	15,000	15,000
Stewart Gentry	June 24, 1994		10,040
Wilbert D. Pryor	November 20, 1998		10,040
La Koshia Roberts	March 14, 2006	15,000	4,476
Oray P. Rogers	January 1, 1998		10,040
Linda Temple	January 8, 1999*	10,040	15,000
		<u>10,040</u>	<u>15,000</u>
Total		<u>\$141,372</u>	<u>\$144,071</u>

*Terms expired March 1, 2007

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	46
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.	
REVENUE CAPACITY	58
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.	
DEMOGRAPHIC AND ECONOMIC INFORMATION	60
These schedules contain demographic and economic indicators to help a reader understand the environment in which the Corporation operates.	
OPERATING INFORMATION	62
These schedules contain information about the Corporation's organizational structure, financial performance indicators compared to other state lotteries, and capital asset information.	

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, 2007.

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

Includes 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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES										
Operating revenues										
Instant tickets sales	\$123,273,680	\$109,663,765	\$110,565,624	\$111,610,821	\$111,272,825	\$102,548,975	\$111,430,717	\$104,102,165	\$118,864,811	\$134,652,721
On-line sales:										
Lotto	36,876,518	30,128,516	28,162,106	29,676,878	30,827,589	33,741,468	33,117,070	32,830,084	30,222,661	34,788,068
Pick 3	43,977,773	45,073,532	41,230,679	43,069,697	44,902,518	45,119,544	47,445,594	47,788,205	43,604,915	46,336,657
Easy 5	8,896,149	2,551,846								
Powerball	73,907,516	96,785,043	75,913,752	76,391,929	101,111,768	105,256,703	118,284,225	91,357,450	108,535,895	102,792,677
Daily Millions	5,963,955									
Cash Quest		7,041,397	6,339,545	4,676,082	3,727,622	4,358,907	6,128,809	5,356,444	4,771,713	5,115,531
Pick 4		4,986,511	14,171,768	14,894,112	17,329,613	20,430,534	23,685,810	25,572,243	26,116,665	30,507,084
Rolldown				4,149,373	2,449,910					
Total on-line sales	<u>169,621,911</u>	<u>186,566,845</u>	<u>165,817,850</u>	<u>172,858,071</u>	<u>200,349,020</u>	<u>208,907,156</u>	<u>228,661,508</u>	<u>202,904,426</u>	<u>213,251,849</u>	<u>219,540,017</u>
Total sales	292,895,591	296,230,610	276,383,474	284,468,892	311,621,845	311,456,131	340,092,225	307,006,591	332,116,660	354,192,738
Other operating revenues										
Allowance for uncollectible accounts	(45,339)	(43,644)	(26,409)	(5,000)	(25,000)	(39,659)	(74,046)	(60,832)	(127,279)	(9,697)
Other income	50,447	93,380	81,389	35,964	16,882	108,569	100,259	16,269	65,740	15,931
Total other operating revenues	<u>5,108</u>	<u>49,736</u>	<u>54,980</u>	<u>30,964</u>	<u>(8,118)</u>	<u>68,910</u>	<u>26,213</u>	<u>(44,563)</u>	<u>(61,539)</u>	<u>6,234</u>
Total operating revenues	292,900,699	296,280,346	276,438,454	284,499,856	311,613,727	311,525,041	340,118,438	306,962,028	332,055,121	354,198,972
Nonoperating revenues										
Interest earned on investments	3,210,947	3,113,666	3,425,513	3,408,868	2,261,711	1,706,209	1,524,103	1,751,259	2,314,754	2,690,613
Net increase (decrease) in the fair value of investments	174,129	(449,863)	(276,126)	654,715	418,422	498,679	(1,171,452)	(247,917)	(1,014,680)	31,103
Net gain (loss) on disposal of assets	(68,711)	20,432	33,148	22,267	45,512	58,568	17,454	11,292	41,666	21,968
Total nonoperating revenues	<u>3,316,365</u>	<u>2,684,235</u>	<u>3,182,535</u>	<u>4,085,850</u>	<u>2,725,645</u>	<u>2,263,456</u>	<u>370,105</u>	<u>1,514,634</u>	<u>1,341,740</u>	<u>2,743,684</u>
Total revenues	296,217,064	298,964,581	279,620,989	288,585,706	314,339,372	313,788,497	340,488,543	308,476,662	333,396,861	356,942,656

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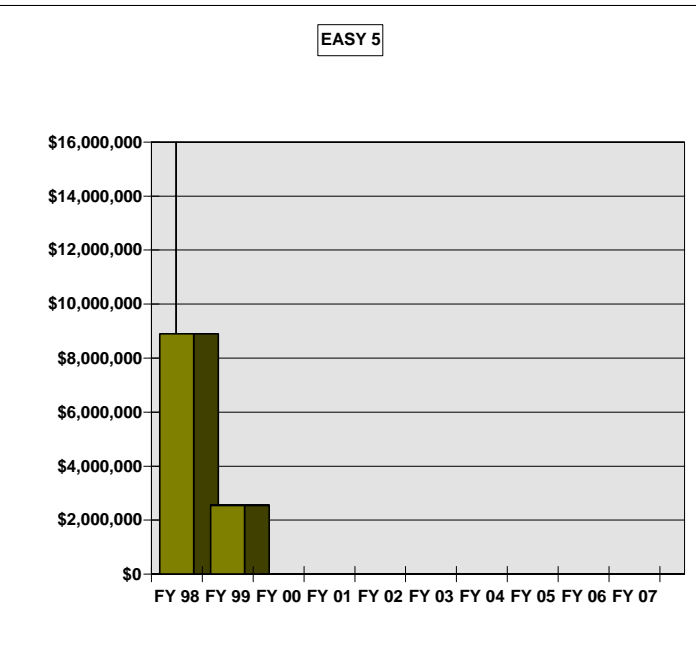
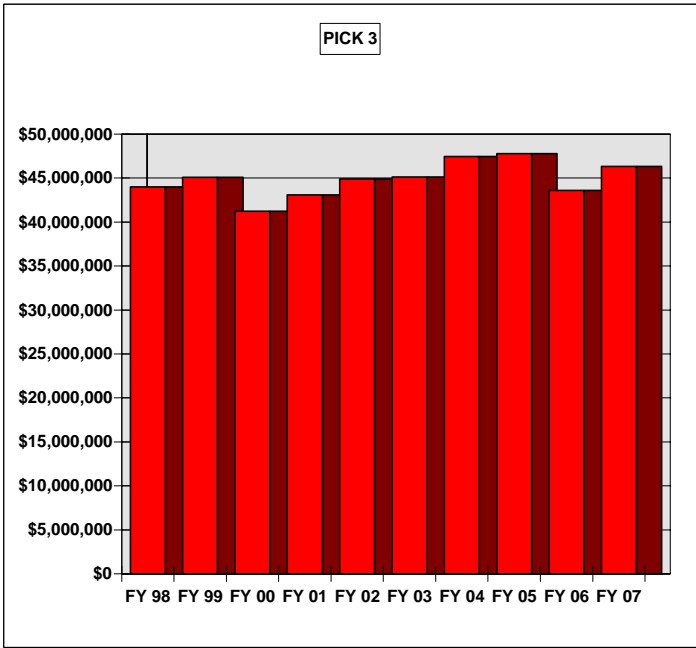
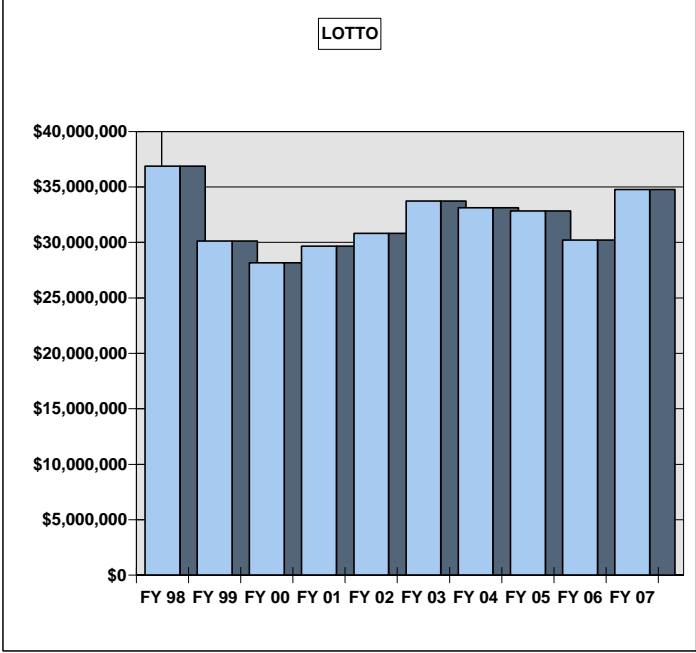
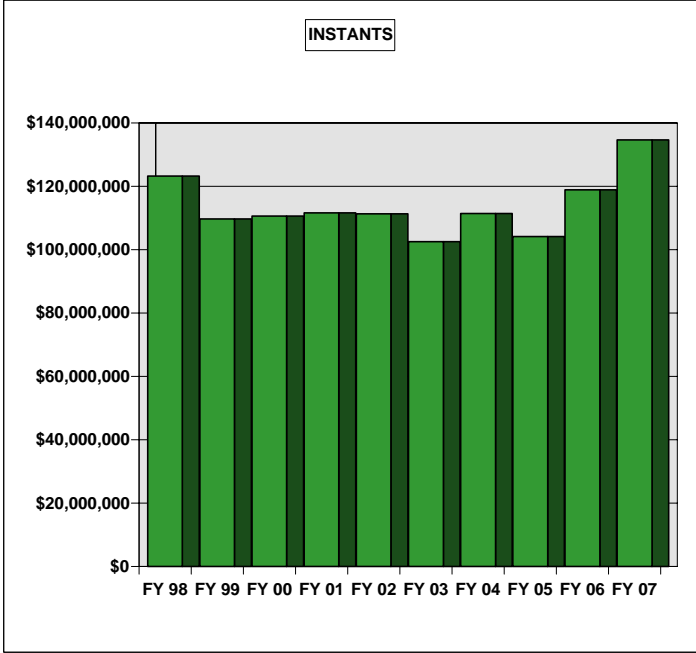
LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA

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

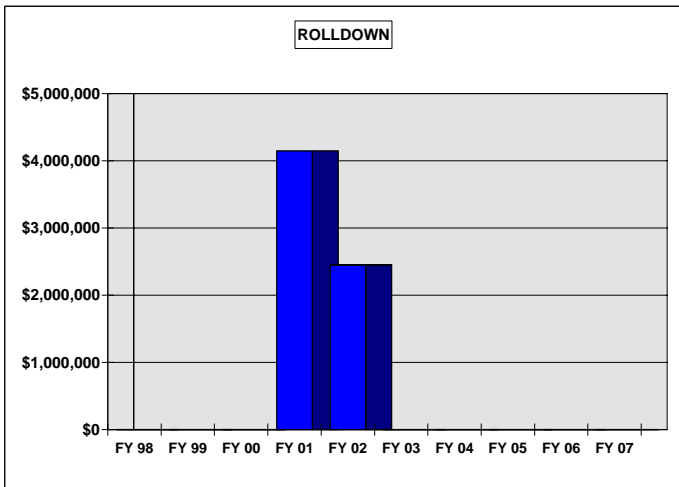
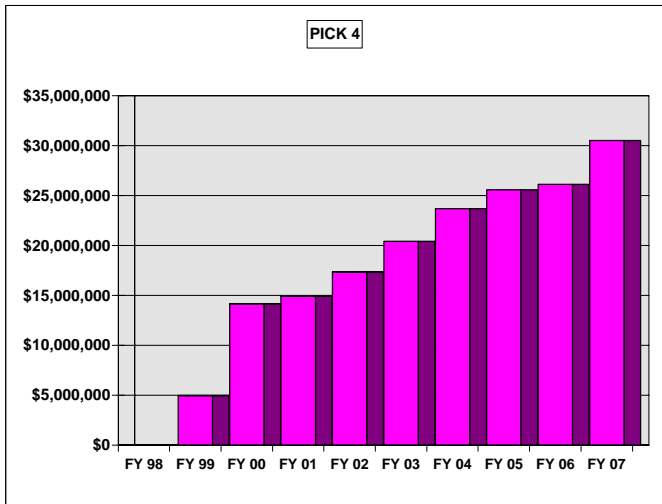
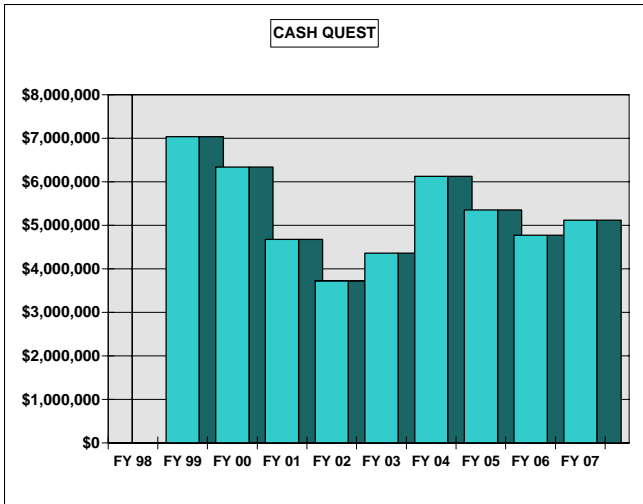
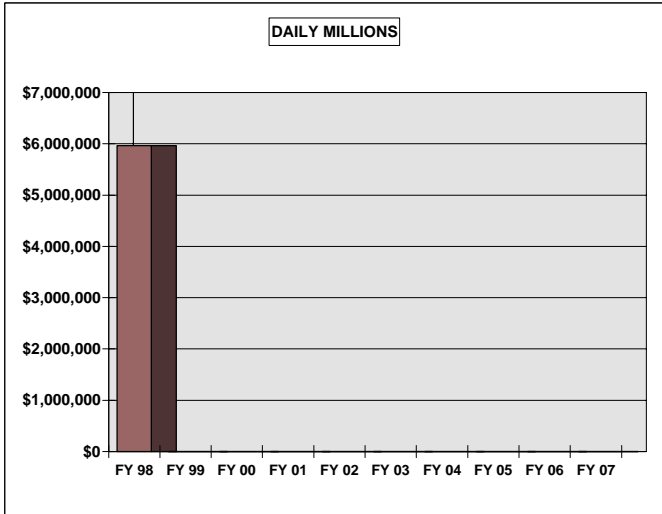
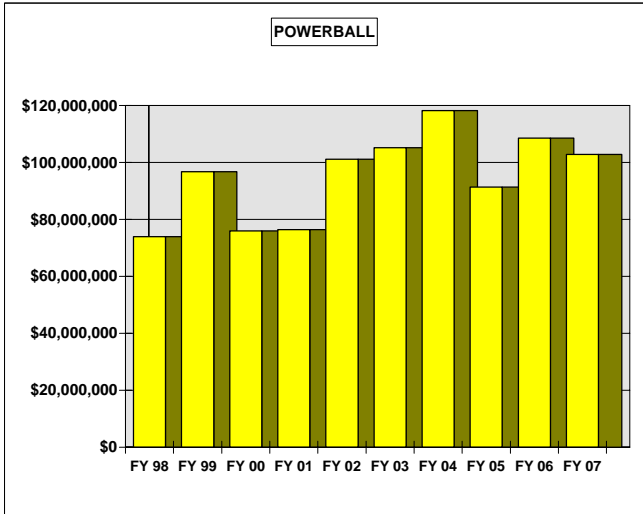
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
OPERATING EXPENSES										
Direct costs:										
Prize expense	\$147,071,812	\$148,940,656	\$138,747,688	\$142,025,272	\$155,559,230	\$155,908,816	\$169,776,455	\$153,257,203	\$168,235,254	\$179,410,211
Retailer compensation	16,270,676	16,371,789	15,482,787	15,923,481	17,284,582	17,072,192	18,664,893	16,859,899	18,503,567	19,661,356
Other direct costs	8,569,499	10,189,939	9,120,072	10,294,618	11,839,126	11,992,751	12,842,890	11,775,524	11,973,524	12,511,948
Total direct costs	171,911,987	175,502,384	163,350,547	168,243,371	184,682,938	184,973,759	201,284,238	181,892,626	198,712,345	211,583,515
Administrative expenses	17,078,960	16,509,080	16,421,075	17,998,449	17,506,929	17,769,718	17,609,168	17,662,611	16,112,777	17,012,217
Total operating expenses	188,990,947	192,011,464	179,771,622	186,241,820	202,189,867	202,743,477	218,893,406	199,555,237	214,825,122	228,595,732
NONOPERATING EXPENSES										
Payments to state treasury	108,038,552	105,655,165	98,877,708	104,008,334	111,029,075	110,840,420	121,196,935	110,391,785	119,433,115	128,263,375
INCOME BEFORE EXTRAORDINARY ITEM	(812,435)	1,297,952	971,659	(1,664,448)	1,120,430	204,600	398,202	(1,470,360)	(861,376)	83,549
EXTRAORDINARY ITEM									186,487	
CHANGES IN NET ASSETS	(\$812,435)	\$1,297,952	\$971,659	(\$1,664,448)	\$1,120,430	\$204,600	\$398,202	(\$1,470,360)	(\$674,889)	\$83,549
NET ASSETS										
Invested in capital assets	\$1,241,856	\$1,073,209	\$3,069,565	\$3,256,590	\$6,933,380	\$6,454,388	\$6,140,678	\$6,063,654	\$6,047,412	\$5,626,480
Restricted	180,690	180,690	180,690	180,690	180,690					
Unrestricted	21,559,227	23,025,826	22,001,129	20,149,656	17,593,296	18,457,578	19,169,490	17,776,154	17,117,507	17,621,988
Total net assets	\$22,981,773	\$24,279,725	\$25,251,384	\$23,586,936	\$24,707,366	\$24,911,966	\$25,310,168	\$23,839,808	\$23,164,919	\$23,248,468

(concluded)

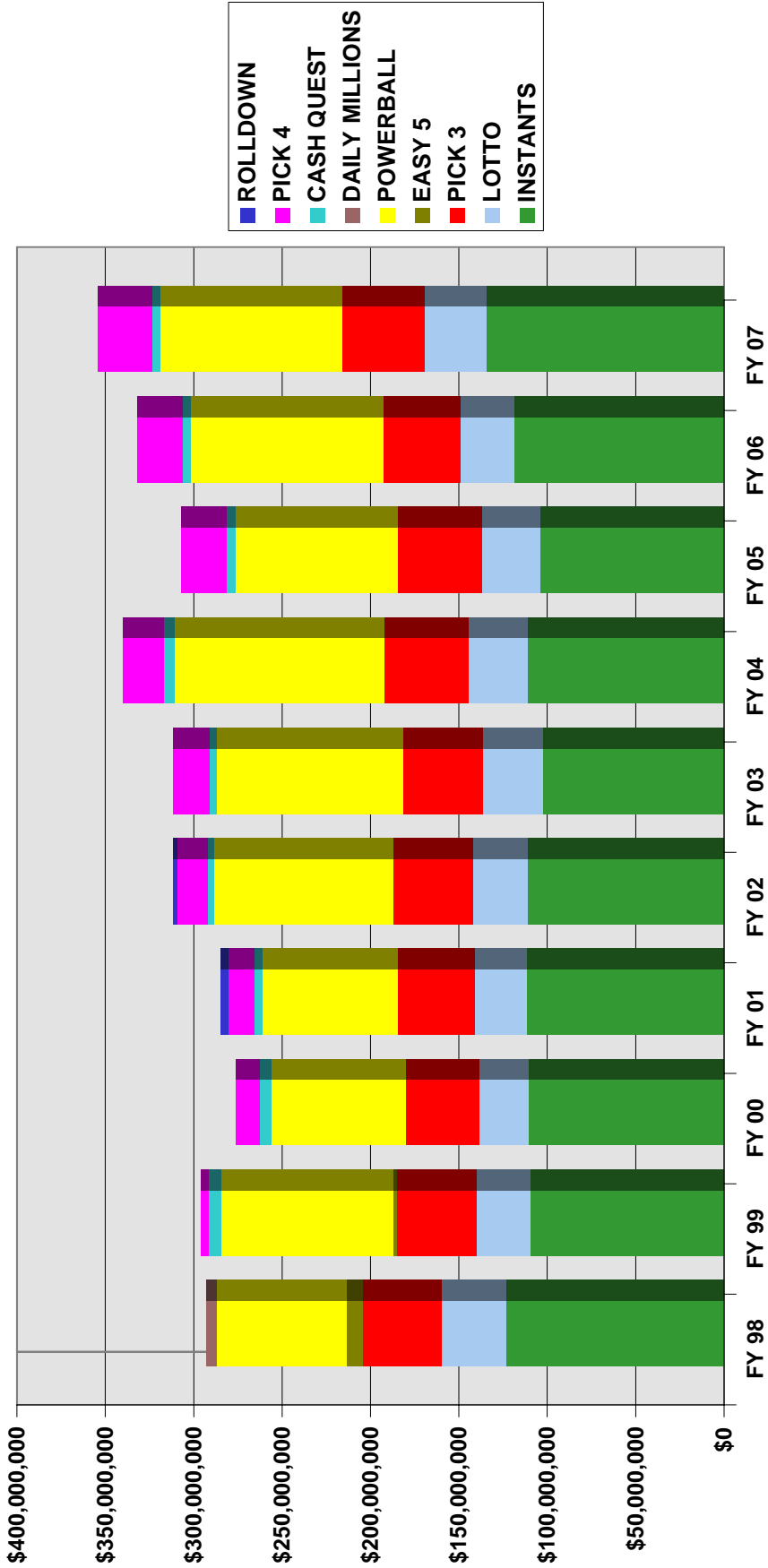
**LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 1998 THROUGH 2007**



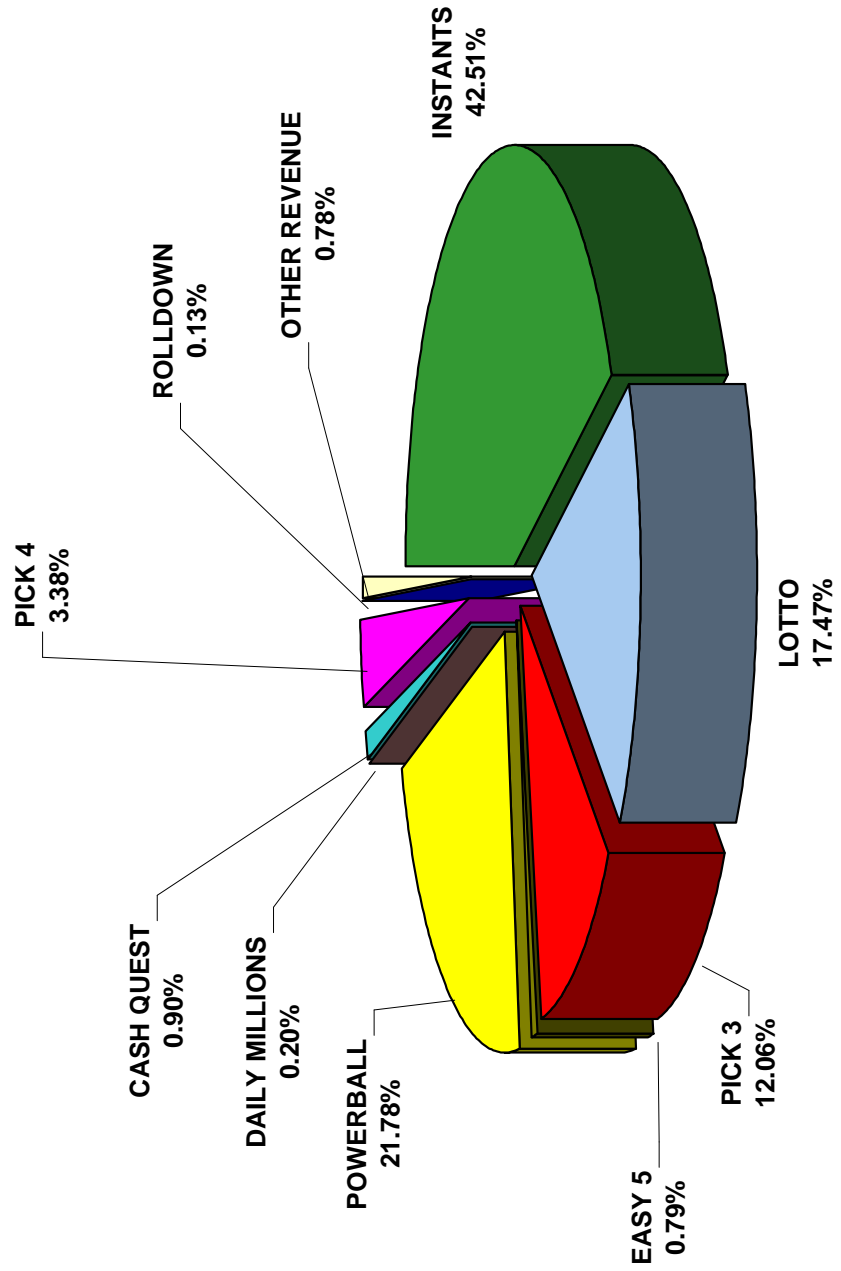
LOUISIANA LOTTERY CORPORATION
SALES BY FISCAL YEAR BY PRODUCT LINE
(UNAUDITED)
FISCAL YEARS 1998 THROUGH 2007



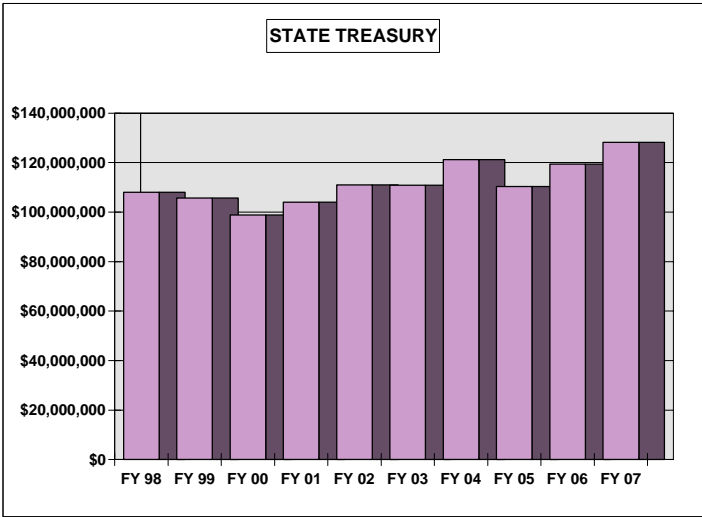
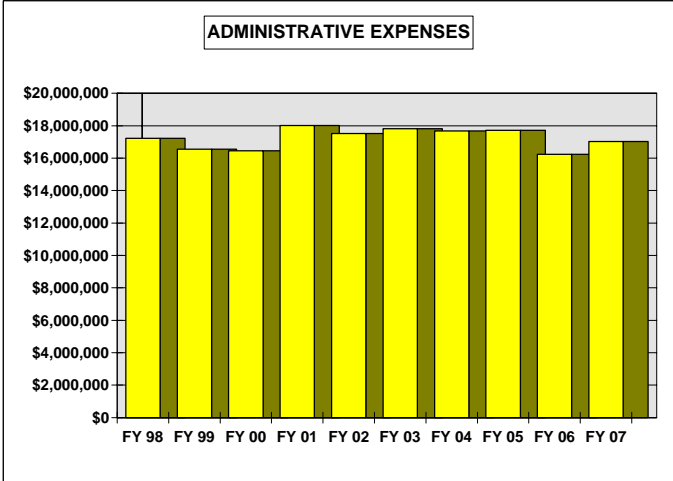
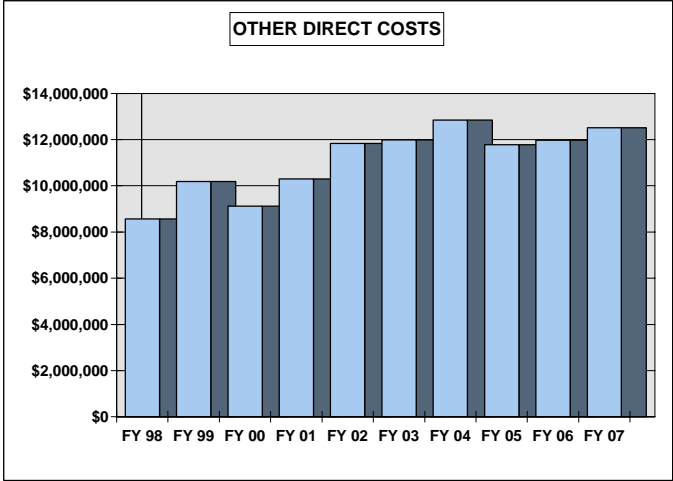
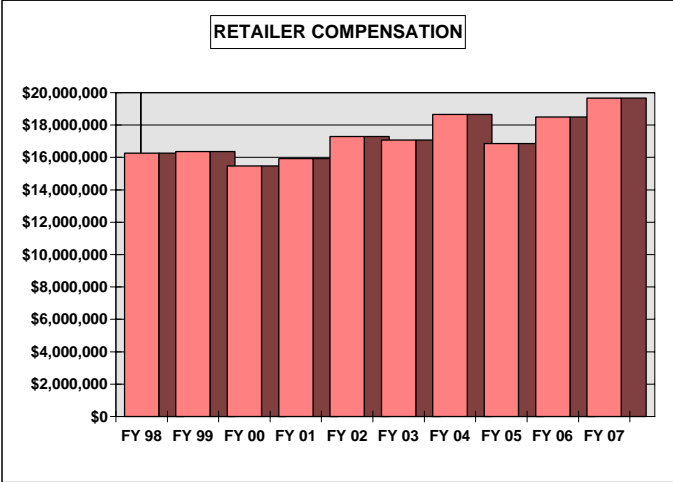
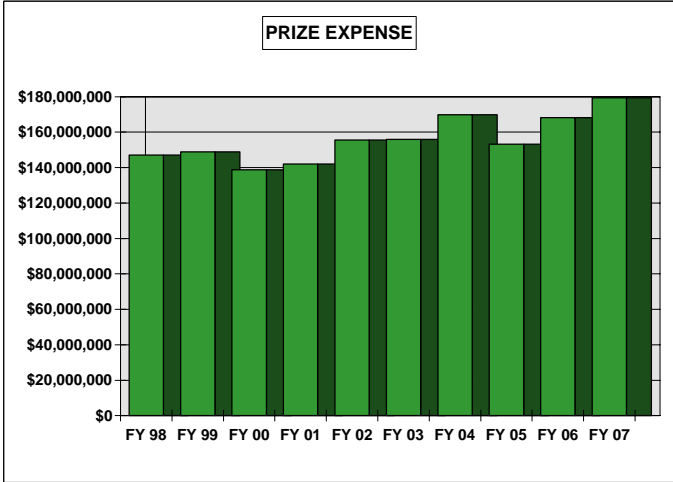
LOUISIANA LOTTERY CORPORATION
 SALES BY PRODUCT
 (UNAUDITED)
 FISCAL YEARS 1998 THROUGH 2007



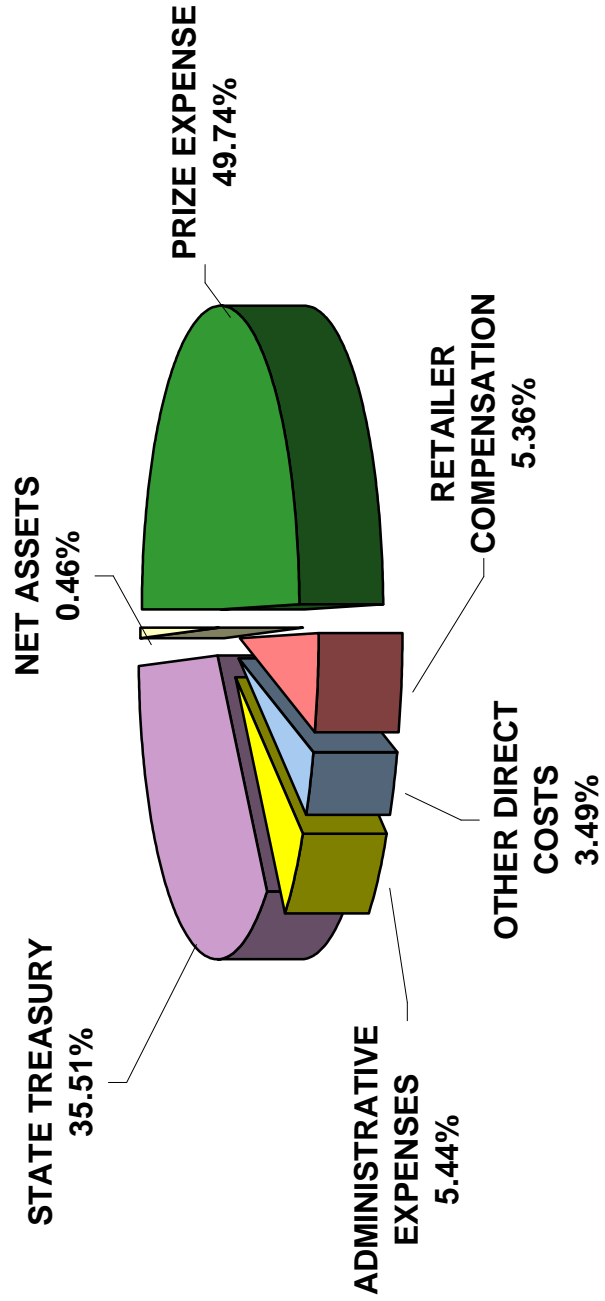
**LOUISIANA LOTTERY CORPORATION
INCEPTION-TO-DATE REVENUE DISTRIBUTION
(UNAUDITED)**



**LOUISIANA LOTTERY CORPORATION
EXPENSES AND PAYMENTS
(UNAUDITED)
FISCAL YEARS 1998 THROUGH 2007**



**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	

(continued on next page)

**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 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	
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	

(continued on next page)

**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 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	
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	67,119,820
TOTAL INCEPTION-TO-DATE	\$1,862,534,790	\$1,862,534,790	\$1,862,534,790

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	% of Total 2007
Number of Launches							
\$1	29	25	39	32	19	17	43.59%
\$2	13	13	13	16	10	12	30.77%
\$3	0	3	3	6	5	5	12.82%
\$5	4	4	6	8	6	4	10.26%
\$10	1	2	0	1	0	1	2.56%
Total	47	47	61	63	40	39	100.00%
Sales							
\$1	\$61,232,296	\$53,959,169	\$56,476,199	\$44,811,865	\$46,001,479	\$45,165,388	33.54%
\$2	31,682,721	28,806,449	22,509,278	26,033,894	27,799,094	33,035,430	24.53%
\$3	339,132	4,186,464	13,677,891	12,633,261	14,550,588	13,704,063	10.18%
\$5	14,472,796	10,754,983	15,424,130	17,608,325	20,797,750	25,762,520	19.13%
\$10	3,545,880	4,841,910	3,343,219	3,014,820	9,715,900	16,985,320	12.62%
Total	\$111,272,825	\$102,548,975	\$111,430,717	\$104,102,165	\$118,864,811	\$134,652,721	100.00%

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Lottery Retailers and Sales by Region
Fiscal Year Ending June 30, 2007

	<u>Number of Retailers</u>	<u>% of Total Retailers</u>	<u>Sales</u>	<u>% Total Sales</u>
Region				
Alexandria	195	7.50%	\$27,988,305	7.90%
Baton Rouge	543	20.88%	66,138,117	18.67%
Lafayette	582	22.38%	60,240,860	17.01%
Monroe	218	8.38%	39,688,387	11.21%
New Orleans	783	30.10%	124,566,931	35.17%
Shreveport	280	10.76%	35,570,138	10.04%
Total	<u>2,601</u>	<u>100.00%</u>	<u>\$354,192,738</u>	<u>100.00%</u>

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Demographic and Economic Statistics
Calendar Years 1998 to 2007

<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>
1998	4,440,344	\$96,467	\$21,725	5.5%
1999	4,460,811	97,677	21,897	4.6%
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	a	a	a	3.8%

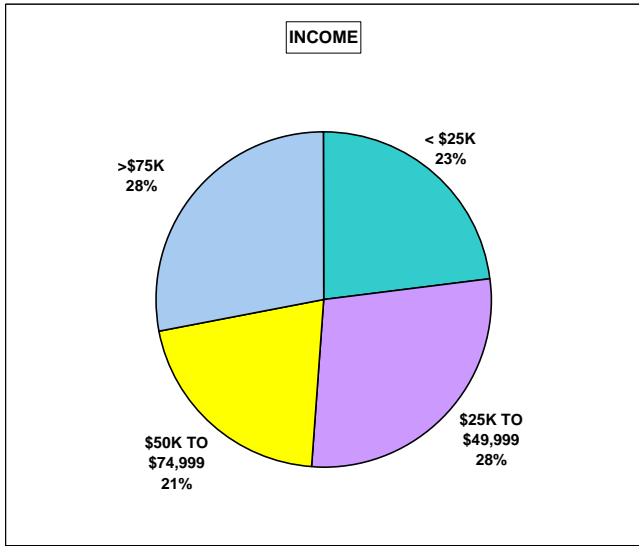
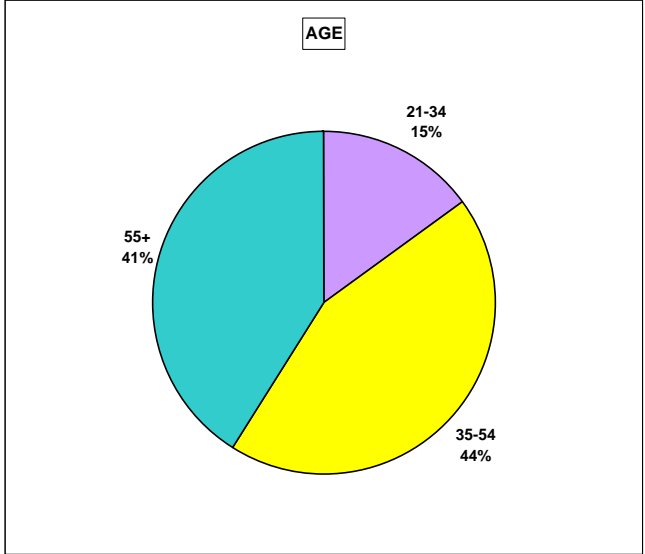
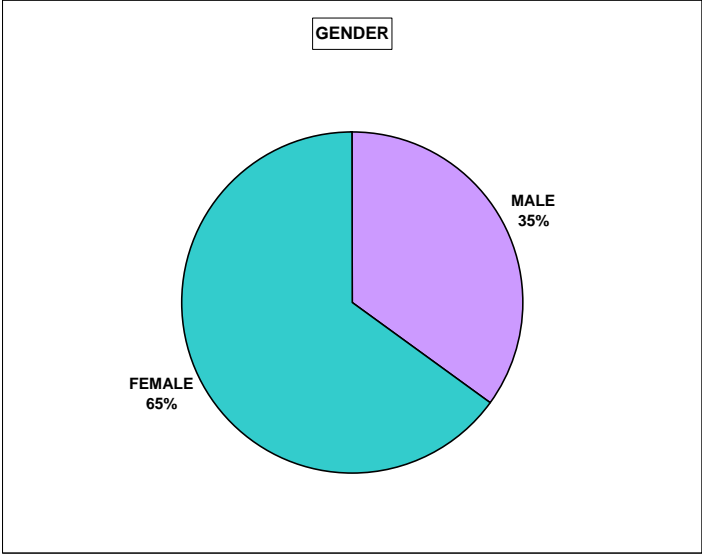
Sources:

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>
Full-time	135	139	135	129	119	120
Part-time	25	26	21	18	19	18
Total	<u>160</u>	<u>165</u>	<u>156</u>	<u>147</u>	<u>138</u>	<u>138</u>
Sales:						
Alexandria	7	7	6	6	6	6
Baton Rouge	9	9	9	8	13	7
Lafayette	11	11	10	10	8	11
Monroe	7	7	5	5	6	6
New Orleans	15	15	13	13	5	11
Shreveport	9	8	8	7	9	5
Warehousing	7	6	7	7	6	6
Marketing and administration	95	102	98	91	85	86
Total	<u>160</u>	<u>165</u>	<u>156</u>	<u>147</u>	<u>138</u>	<u>138</u>

U.S. LOTTERY STATISTICS (UNAUDITED)

The following tables:

- U.S. Lotteries' Fiscal 2006 Sales By Game.
- Fiscal 2006 U.S. Lottery Sales, Prizes & Government Transfers
Measured by Gross Domestic Product.

(Source: **La Fleur's 2007 World Lottery Almanac**)

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14424 Chrisman Hill Drive
Boys, MD 20841
U.S.A.

U.S. lotteries' fiscal 2006 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	6.2	249.83	7.92		43.06	9.99	157.89				468.70	\$76		
California	36.5	1,929.63	143.99		734.01	148.35	453.72		163.53	11.77	3,585.00	\$98		
Colorado	4.8	293.81			38.33	16.86	119.76				468.76	\$99		
Connecticut	3.5	587.56	106.94	80.28	32.26	41.35	121.93				970.33	\$277		
Delaware	0.9	31.36	27.57	17.21	7.61		40.85				124.60	\$146	603.50	
D.C.	0.6	39.79	70.31	80.01		8.17	51.77	2.43	13.17	0.74	266.39	\$458		
Florida	18.1	2,100.12	343.17	215.53	835.03	306.68				128.50	3,929.03	\$217		
Georgia	9.4	1,832.41	544.27	177.62		79.35	272.02		49.71		2,955.38	\$316		
Idaho	1.5	80.99	0.97	1.21		3.27	44.87				131.31	\$90		
Illinois	12.8	975.82		309.21	170.07	125.34	126.56	243.84		13.42	1,964.26	\$153		
Indiana	6.3	504.87	16.74	29.57	29.84	65.54	7.60	159.82		2.38	816.36	\$129		
Iowa	3.0	106.56	18.31	6.06	2.07		4.32	71.11	9.64	121.45	339.52	\$114		
Kansas	2.8	107.37	7.04	5.47		1.90	19.18	54.36	2.55	36.30	236.05	\$85		
Kentucky	4.2	404.93	20.01	124.33	36.57		15.56	136.74		4.19	742.31	\$176		
Louisiana	4.3	118.87		43.61	26.12	30.23	4.77	108.54			332.12	\$77		
Maine	1.3	165.42		5.94	4.42		2.99	50.48		0.46	229.70	\$174		
Maryland	5.6	415.33		298.08	236.50	35.79	22.43	116.25	436.26	0.27	1,560.91	\$278		
Massachusetts	6.4	3,115.07	1.68		342.57	42.20	89.72	134.76	775.25		4,501.24	\$699		
Michigan	10.1	710.77	41.60	385.78	322.95	50.70	45.51	216.41	438.66		2,212.37	\$219		
Minnesota	5.2	267.80		13.00			33.30	116.60	10.80	8.20	449.70	\$87		
Missouri	5.8	550.96	19.16	62.27	22.61	35.06	20.86	151.77	49.95	0.88	913.52	\$156		
Montana	0.9	11.24				2.42	4.18	18.89	2.77	0.42	39.92	\$42		
Nebraska	1.8	56.91		2.74		2.01	11.32	40.13			113.11	\$64		
N. Hampshire	1.3	176.98		10.82			4.09	67.42	3.00	0.44	262.74	\$200		
New Jersey	8.7	1,141.68		458.72	260.27	102.73	125.90	317.21			2,406.50	\$276		
New Mexico	2.0	89.37		2.01	0.77		8.35	54.11			154.61	\$79		
New York	19.3	3,197.90		822.34	657.71	252.64	335.53	563.15	493.06	164.82	6,487.14	\$336	315.70	
N. Carolina	8.9	202.21						27.32			229.53	\$26		
N. Dakota	0.6					4.18		15.42	2.73		22.33	\$35		
Ohio	11.5	1,273.99		377.32	175.74	76.30	72.63	223.38		21.58	2,220.93	\$193		
Oklahoma	3.6	125.37		8.43				71.04			204.84	\$57		
Oregon	3.7	127.24	1.67		1.41	37.77	5.91	59.07	116.24	13.77	363.09	\$98	732.89	
Pennsylvania	12.4	1,587.76		415.31	269.39	117.79	202.71	448.07		29.25	3,070.27	\$247		
Rhode Island	1.1	84.02		27.84			5.42	57.20	85.71	0.94	261.12	\$244	416.52	
S. Carolina	4.3	696.46		134.33	58.39		33.62	221.81			1,144.61	\$265		
S. Dakota	0.8	18.52				1.74	2.01	15.00	2.17		39.44	\$50	221.54	
Tennessee	6.0	627.95		61.42	25.53	22.16		190.95			928.01	\$154		
Texas	23.5	2,861.40		295.39		241.71	90.27	238.54		47.38	3,774.69	\$161		
Vermont	0.6	79.32		1.69	1.37		1.64	20.77		0.06	104.85	\$168		
Virginia	7.6	689.32		257.01	169.76		27.72	221.52			1,365.33	\$179		
Washington	6.4	305.51		18.17		61.89	23.07	60.06	6.69	2.51	477.88	\$75		
W. Virginia	1.8	119.12		9.39	4.52		5.94	65.53	3.32	10.25	218.08	\$120	1,304.43	
Wisconsin	5.6	280.33	5.28	24.78	10.85	24.41	49.97	113.29		-0.01	508.91	\$92		
Total	281.6	28,341.85	132.44	5,456.36	3,400.08	3,028.09	2,013.82	5,933.33	39.42	2,674.76	575.27	51,595.4	\$183	3,594.58
% of total		54.9%	0.3%	10.6%	6.6%	5.9%	3.9%	11.5%	0.1%	5.2%	1.1%	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 2006 U.S. Lottery Sales, Prizes & Gov't Transfers Measured by Gross Domestic Product

Lottery	Pop. 1 (Mil)	2005 Gross Domestic Product ²	Ticket Sales ³	VLT (net)	Prizes ⁴	Agent Comm.	Expense	Gov't Transfers	PC Sales	PC Gov't	Ticket Sales as % of GDP	Gov't Transfers as % of GDP	Prizes as % of Ticket Sales	Gov't Transfers as % of Ticket Sales
Arizona	6.2	216,528	468.70		259.09	31.28	37.98	141.12	\$76	\$23	0.216%	0.065%	55.3%	30.1%
California	36.5	1,622,116	3,585.00		1,932.72	252.54	160.52	1,258.51	\$98	\$35	0.221%	0.078%	53.9%	35.1%
Colorado	4.8	216,537	468.76		281.59	34.67	30.44	125.55	\$99	\$26	0.216%	0.058%	60.1%	26.8%
Connecticut	3.5	193,745	970.33		587.39	54.05	45.76	284.87	\$277	\$81	0.501%	0.147%	60.5%	29.4%
Delaware ^{3,4}	0.9	56,483	124.60	603.50	64.88	8.04	20.56	315.99	\$146	\$370	0.221%	0.559%	52.1%	
D.C.	0.6	81,830	266.39		146.69	16.53	30.69	73.80	\$458	\$127	0.326%	0.090%	55.1%	27.7%
Florida	18.1	673,274	3,929.03		2,340.86	224.57	150.45	1,224.65	\$217	\$68	0.584%	0.182%	59.6%	31.2%
Georgia	9.4	363,839	2,955.38		1,815.57	208.33	121.04	822.40	\$316	\$88	0.812%	0.226%	61.4%	27.8%
Idaho	1.5	47,189	131.31		76.68	7.75	13.18	33.00	\$90	\$23	0.278%	0.070%	58.4%	25.1%
Illinois	12.8	560,032	1,964.26		1,158.21	99.27	101.96	645.92	\$153	\$50	0.351%	0.115%	59.0%	32.9%
Indiana	6.3	238,568	816.36		493.13	56.73	48.09	216.49	\$129	\$34	0.342%	0.091%	60.4%	26.5%
Iowa	3.0	113,552	339.52		122.26	107.85	29.19	80.88	\$114	\$27	0.299%	0.071%	36.0%	23.8%
Kansas	2.8	105,574	236.05		131.00	13.64	22.98	67.09	\$85	\$24	0.224%	0.064%	55.5%	28.4%
Kentucky	4.2	140,501	742.31		444.95	46.72	48.28	204.32	\$176	\$49	0.528%	0.145%	59.9%	27.5%
Louisiana	4.3	168,204	332.12		168.24	18.50	28.09	119.43	\$77	\$28	0.197%	0.071%	50.7%	36.0%
Maine	1.3	44,971	229.70		142.10	16.28	21.09	51.56	\$174	\$39	0.511%	0.115%	61.9%	22.4%
Maryland	5.6	246,234	1,560.91		904.08	102.70	54.47	500.97	\$278	\$89	0.634%	0.203%	57.9%	32.1%
Massachusetts	6.4	325,917	4,501.24		3,234.55	255.02	83.32	951.24	\$699	\$148	1.381%	0.292%	71.9%	21.1%
Michigan	10.1	376,243	2,212.37		1,268.18	165.30	105.35	688.02	\$219	\$68	0.588%	0.183%	57.3%	31.1%
Minnesota	5.2	234,552	449.71		267.80	27.29	36.94	119.29	\$87	\$23	0.192%	0.051%	59.5%	26.5%
Missouri	5.8	216,065	913.52		572.77	56.54	42.95	260.67	\$156	\$45	0.423%	0.121%	62.7%	28.5%
Montana	0.9	29,885	39.92		20.73	2.33	7.96	9.11	\$42	\$10	0.134%	0.030%	51.9%	22.8%
Nebraska	1.8	70,676	113.11		63.72	7.08	12.64	27.60	\$64	\$16	0.160%	0.039%	56.3%	24.4%
N. Hampshire	1.3	55,061	262.74		152.39	14.18	16.86	80.38	\$200	\$61	0.477%	0.146%	58.0%	30.6%
New Jersey	8.7	431,079	2,406.50		1,380.41	133.60	88.74	844.16	\$276	\$97	0.558%	0.196%	57.4%	35.1%
New Mexico	2.0	68,870	154.61		84.63	9.86	19.23	36.86	\$79	\$19	0.224%	0.054%	54.7%	23.8%
New York	19.3	957,873	6,487.14	315.70	3,853.27	511.06	271.68	2,202.62	\$336	\$114	0.677%	0.230%	59.4%	
N. Carolina	8.9	346,640	229.53		118.97	16.06	17.66	64.59	\$26	\$7	0.066%	0.019%	51.8%	28.1%
N. Dakota	0.6	24,397	22.33		11.04	1.16	3.42	6.50	\$35	\$10	0.092%	0.027%	49.5%	29.1%
Ohio	11.5	440,923	2,220.93		1,311.14	139.84	109.77	646.28	\$193	\$56	0.504%	0.147%	59.0%	29.1%
Oklahoma	3.6	121,490	204.84		109.68	12.92	13.18	68.95	\$57	\$19	0.169%	0.057%	53.5%	33.7%
Oregon ^{3,4}	3.7	144,278	363.09	732.89	239.49	32.28	25.86	570.66	\$98	\$154	0.252%	0.396%	66.0%	
Pennsylvania	12.4	489,025	3,070.27		1,804.89	170.69	131.75	992.36	\$247	\$80	0.628%	0.203%	58.8%	32.3%
R. Island ^{3,4}	1.1	43,787	261.11	416.52	154.82	31.99	8.73	323.90	\$244	\$303	0.596%	0.740%	59.3%	
S. Carolina	4.3	140,019	1,144.61		702.34	81.07	46.70	320.63	\$265	\$74	0.817%	0.229%	61.4%	28.0%
S. Dakota ^{3,4}	0.8	30,919	39.44	221.54	22.37	2.23	6.14	119.00	\$50	\$152	0.128%	0.385%	56.7%	
Tennessee	6.0	229,215	927.58		537.75	64.95	52.55	284.65	\$154	\$47	0.405%	0.124%	58.0%	30.7%
Texas	23.5	989,443	3,774.69		2,310.56	191.62	184.90	1,090.33	\$161	\$46	0.381%	0.110%	61.2%	28.9%
Vermont	0.6	23,065	104.85		66.45	6.15	9.67	23.01	\$168	\$37	0.455%	0.100%	63.4%	21.9%
Virginia	7.6	351,903	1,365.33		773.55	76.18	69.69	454.00	\$179	\$59	0.388%	0.129%	56.7%	33.3%
Washington	6.4	267,308	477.89		291.77	30.35	34.69	125.09	\$75	\$20	0.179%	0.047%	61.1%	26.2%
W. Virginia ^{3,4}	1.8	50,050	218.08	1,304.43	131.90	15.28	6.56	610.04	\$120	\$335	0.436%	1.219%	60.5%	
Wisconsin	5.6	216,322	509.06		293.91	35.19	29.48	133.30	\$92	\$24	0.235%	0.062%	57.7%	26.2%
Total	281.6	11,764,182	51,595.2	3,594.6	30,848.5	3,389.7	2,401.2	17,219.8	\$183	\$61	0.439%	0.146%	59.8%	

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

LOUISIANA LOTTERY CORPORATION
STATE OF LOUISIANA
(Unaudited)
Schedule of Capital Asset Information
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>
Owned buildings-square feet						
<i>Headquarters</i>						
555 Laurel Street Baton Rouge 70801	28,176	28,176	28,176	28,176	28,176	28,176
<i>Distribution center</i>						
Baton Rouge	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
5520-L Johnston Street Lafayette 70503	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
1128 Pecanland Road Monroe 71203	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		
767 Shreveport - Barksdale Highway Shreveport 71105					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
Passenger vans - sales representatives	48	48	52	50	47	47
Trucks	1	1	1	1	1	2
Promotional trailers	4	4	4	3	3	3
	<u>60</u>	<u>60</u>	<u>62</u>	<u>59</u>	<u>56</u>	<u>57</u>

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on internal control and on compliance with laws and regulations and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely 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.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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August 21, 2007

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of 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 year ended June 30, 2007, and have issued our report thereon dated August 21, 2007. Our report was modified to include an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 above.

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, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 State 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

DG:WDD:THC:dl

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