

LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA



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FINANCIAL STATEMENT AUDIT  
ISSUED JUNE 15, 2005

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**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

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**DIRECTOR OF FINANCIAL AUDIT**

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

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LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS \_\_\_\_\_



STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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June 2, 2005

Independent Auditor's Report  
on the Financial Statements

**BOARD OF DIRECTORS**  
**LOUISIANA LOTTERY CORPORATION**  
**BASIC AND SUPPLEMENTAL RETIREMENT PLANS**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying statement of net assets available for benefits of the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans as of December 31, 2004, and the related statement of changes in net assets available for benefits for the year then ended. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans as of December 31, 2004, and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

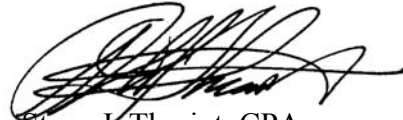
In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2005, on our consideration of the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LOUISIANA LOTTERY CORPORATION  
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Management's discussion and analysis on pages 5 through 9 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 primarily 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 audit was conducted for the purpose of forming an opinion on the accompanying financial statements of the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans taken as a whole. The accompanying supplemental information schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying supplemental information schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

CR:WDD:THC:dl

[LLCBSRP04]



**LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2004**

This discussion of the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans' financial statements provides an overview and analysis of the plans' financial position and activities for the year ended December 31, 2004. Please read it in conjunction with the plans' financial statements and notes to the financial statements.

Our annual report consists of two types of financial statements, a supplementary information schedule, and accompanying notes that provide narrative explanations and additional details of the plans' provisions and activities. The statements, supplementary information schedule, and 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 net assets available for benefits on page 11 includes all assets and liabilities of the plans. The balances reported are as of the year ended December 31, 2004. Assets consist of the fair value of units held for the benefit of participants under each investment fund. Fair value is based on deposit values and quoted market prices of the underlying investments. No liabilities exist because all expenses due from the plans are deducted monthly from investment income and all benefits due to participants were distributed as of the end of the year.

A summary of all financial activities that occurred during the twelve-month period ending December 31, 2004, is presented in the statement of changes in net assets available for benefits on page 13. The categories of activities included on this statement provide reasons for increases or decreases in plan net assets. Investment income includes all interest, dividends, and market value gains or losses earned by each investment fund during the year. This income is reflected net of the plans' administrative service provider's investment management fees. Participant and employer contributions are the funds deposited into participant accounts for each pay period during the year in

accordance with the terms of the plans. Withdrawals paid to terminated or retired employees are included in the benefits paid to participants' category. A description of contribution and distribution requirements can be found in note 2 to the financial statements beginning on page 16.

The supplementary information schedule on page 24 presents the plans' activities and balances segregated by investment fund. Interfund transfers include participant-directed transfers of funds between investment accounts and the allocation of forfeited balances from nonvested participant accounts to the remaining active and eligible participant accounts.

The notes to the financial statements that begin on page 15 present information on accounting policies, plan provisions, investments, investment management fees, forfeitures, income tax status determinations, termination and merger provisions, and litigation. These notes are an integral part of the financial statements.

A condensed financial data comparison between the current year ended December 31, 2004, and the prior year ended December 31, 2003, is presented below.

	As of and for the year ended December 31, 2004	As of and for the year ended December 31, 2003	Change
<b>Assets</b>	\$7,489,012	\$6,088,005	\$1,401,007
<b>Liabilities</b>	NONE	NONE	NONE
<b>Net assets available for benefits</b>	<u>\$7,489,012</u>	<u>\$6,088,005</u>	<u>\$1,401,007</u>
<b>Additions to assets:</b>			
Net investment income	\$694,331	\$1,042,583	(\$348,252)
Contributions:			
Participant	314,814	314,827	(13)
Employer	<u>571,546</u>	<u>452,337</u>	<u>119,209</u>
<b>Total additions</b>	1,580,691	1,809,747	(229,056)
<b>Deductions from assets:</b>			
Benefits paid to participants	<u>(179,684)</u>	<u>(250,159)</u>	<u>70,475</u>
<b>Increase (decrease) in net assets</b>	<u>\$1,401,007</u>	<u>\$1,559,588</u>	<u>(\$158,581)</u>

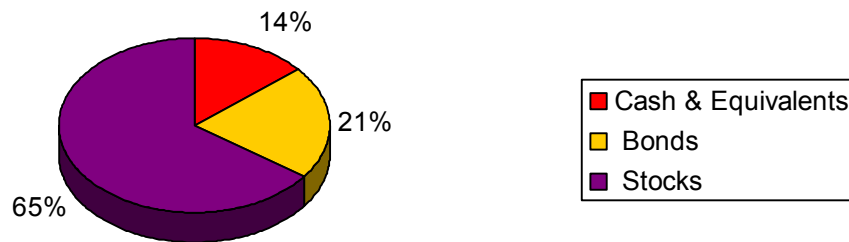
The assets of the plans increased by \$1,401,007 because the combination of investment income and contributions were greater than benefits paid to participants. The reasons for the activity in each component outlined as follows provide the rationale for this overall change.

## Investment income

The average investment return on the plans' portfolio, calculated as investment income divided by the average asset balance for the year, was 10.23% in 2004 and 19.64% in 2003. The reasons for this investment performance include the asset allocation of the plans' investment portfolio, economic conditions, and the gains and losses of the individual investment funds offered through the plans.

The underlying portfolios of the investments in the plans contain a mix of stocks, bonds, and cash. Each of these types of investments has different risk and return characteristics. Typically, a riskier investment has greater upside and greater downside performance potential. Stocks tend to be more volatile and risky investments that perform according to economic and corporate growth and profitability cycles. Bonds are usually more conservative investments that provide a fixed stream of income and fluctuations in values dependent upon changes in market interest rates. Cash investments include short-term government and corporate securities that offer a stable and very liquid principal value with an interest component.

An estimated asset allocation of the plans' portfolio at December 31, 2004, is presented below.



This chart illustrates that the plans' investment performance is heavily dependent upon changes in the stock and bond markets. These financial markets tend to fluctuate with economic trends and conditions.

The growth of the United States and global economies slowed, but continued on the recovery trend that began in 2003. The pace of corporate profit gains decreased, but remained fairly stable because of sustained consumer confidence, consumer and business spending, and productivity gains. Short-term interest rates and consumer-price inflation remained low. These factors contributed to positive investment returns in the financial markets.

According to the *Wall Street Journal*, the three major stock market indicators performed for the years ending December 31, 2004, and December 31, 2003, as follows:

	<u>2004</u>	<u>2003</u>
Dow Jones Industrial Average (DJIA)	3.15%	25.32%
Nasdaq Composite Index (NASDAQ)	8.59%	50.00%
Standard and Poor's 500 Index (S&P500)	8.99%	26.38%

In an effort to contain inflation during the economic expansion, the Federal Reserve raised the target short-term interest rate five times in 2004 to finish the year at a rate of 2.25%. However, this rate was at historically low levels during the entire year. In addition, intermediate and long-term interest rates remained low. The ten-year Treasury note yield decreased from 4.25% to 4.22% in 2004.

These economic factors had an impact on the performance of investments in 2004. The value of most stock funds increased during the year. Short-term money market fund returns slightly increased, but remained low because of the low short-term interest rates. The values of fixed-income funds containing mostly intermediate to long-term bonds were stable in 2004 because long-term interest rates were relatively unchanged.

As expected, the investment performance of the individual funds offered through the plans was consistent with the financial market environment. Investment income generated by each fund is listed on the supplementary schedule on page 24. The combination of the individual funds' gains resulted in the overall plans' investment income of \$694,331.

### **Contributions**

Contributions to the plans increased in 2004 mainly because of an employer 2% discretionary contribution to the Supplemental Plan. In addition, an increase in the Lottery's payroll costs caused corresponding increases in contributions. Total 2004 wages were \$5,191,000 compared to 2003 wages of \$4,998,000. Contributions are calculated as a percentage of wages. Total participant contributions did not increase because a Supplemental Plan rollover contribution of \$11,000 was received in 2003 while no rollover contributions were received in 2004. The contribution provisions for both plans are outlined in note 2 to the financial statements beginning on page 16.

### **Benefits paid to participants**

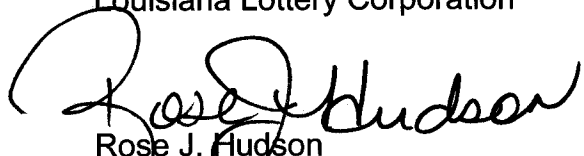
The amount of benefits paid out in any given year is dependent upon the volume of employee terminations or retirements, the length of service of these employees, the balances maintained in their accounts, and the distribution elections that determine the timing of payments. Differences in these factors can cause substantial variances in a year-to-year comparison of plan distributions. The distribution provisions for both plans are included in note 2 to the financial statements beginning on page 16.

This financial overview of the Basic and Supplemental Retirement Plans is provided as a supplemental analysis of the financial position and activities of the plans as of and for

the year ended December 31, 2004. 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 these retirement plans.

Respectfully submitted,

Employee Benefits Committee  
Louisiana Lottery Corporation



Rose J. Hudson  
Senior Vice President of Human Resource



James F. Goodrum  
Vice President of Finance and Controller



Karen B. Fournet  
Senior Vice President and  
Secretary Treasurer

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**LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA**

**Statement of Net Assets Available for Benefits  
For the Year Ended December 31, 2004**

<b>ASSETS</b>	
Investments (note 3)	\$7,489,012
<b>LIABILITIES</b>	<u>NONE</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u><u>\$7,489,012</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA**

**Statement of Changes in Net Assets Available for Benefits  
For the Year Ended December 31, 2004**

**ADDITIONS**

Investment income	\$710,928
Less investment management fees (note 4)	<u>(16,597)</u>
Net investment income	694,331
Contributions:	
Participant	314,814
Employer	<u>571,546</u>
Total additions	1,580,691

**DEDUCTIONS**

Benefits paid to participants	<u>(179,684)</u>
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Net increase 1,401,007

**NET ASSETS AVAILABLE FOR BENEFITS,  
BEGINNING OF YEAR**

6,088,005

**NET ASSETS AVAILABLE FOR BENEFITS,  
END OF YEAR**

\$7,489,012

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The accompanying notes are an integral part of this statement.

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## INTRODUCTION

The Louisiana Lottery Corporation (Corporation) is authorized under Louisiana Revised Statute (R.S.) 47:9015(A) to provide or arrange for a retirement plan. The Corporation's Basic and Supplemental Retirement Plans (Plans) have been established pursuant to this statute.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles.

The Corporation's Plans report on their financial position and results of operations. The financial statements account for contributions from participants and the employer, investment income, and benefits distributed to participants.

#### B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy, has defined the governmental reporting entity to be the State of Louisiana. The Corporation is considered to be a component unit of the State of Louisiana because the state has financial accountability for the Corporation. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Corporation's financial statements.

The accompanying financial statements present information only as to the transactions of the Corporation's Basic and Supplemental Retirement Plans. The Corporation's financial statements and note disclosure relating to the Plans are reported within the State of Louisiana's *Comprehensive Annual Financial Report*, which is audited by the Louisiana Legislative Auditor.

#### C. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements. The financial statements of the Corporation's Plans are accounted for using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred. The Plans use the following practices in recognizing revenues and expenses:

LOUISIANA LOTTERY CORPORATION  
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**Contributions**

Employer and employee contributions are recognized in the period when the compensation used to calculate the contributions is reported on Internal Revenue Service (IRS) Form W-2.

**Investment Income**

Investment income is accrued as earned, net of investment management fees.

**Plan Expenses**

Fees related to the record keeping and administration of the Plans are paid by the Louisiana Lottery Corporation. Investment management fees, which are based on the daily net assets, are deducted monthly from the investment income and, therefore, are not a liability of the Plans at December 31, 2004.

**Benefits Paid to Participants**

Benefits are recorded when paid.

**D. VALUATION OF INVESTMENTS**

Investments are reported at fair value, which is based on deposit values and quoted market prices.

**2. DESCRIPTION OF THE PLANS**

As of December 31, 2004, there were 179 participants in the Basic Plan and 149 participants in the Supplemental Plan.

**A. 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.

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## NOTES TO THE FINANCIAL STATEMENTS

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. 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.

### **B. SUPPLEMENTAL RETIREMENT PLAN**

The Corporation has a defined contribution retirement plan that covers substantially all full-time employees. 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. 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

LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS \_\_\_\_\_

postponed later than April 1 following the close of the calendar year in which the participant attains age 70½.

**3. INVESTMENTS**

Principal Life Insurance Company (PLIC) provides administrative and investment services for the Plans. The Plans' investments at December 31, 2004, are held in pooled separate accounts or trusts. The separate accounts are established through a flexible investment annuity group contract with PLIC and consist of proprietary Principal funds and nonproprietary Russell LifePoints mutual funds. The Principal Stable Value Signature Fund is held in a trust with Gartmore Trust Company serving as the trustee. Other mutual fund investments are offered through a group custodial agreement that includes Delaware Charter Guarantee & Trust Company as trustee.

The Corporation's Retirement Plans Investment Committee is responsible for designating the funds available for investment by Plan participants. Participants in the Supplemental Plan can allocate the investment of employer contributions in whole percentages to any combination of funds reflected below and on Schedule 1. Effective November 3, 2004, Basic Plan participants can direct the investment of participant and employer contributions to any of the five Russell LifePoints Separate Accounts. Prior to November 3, 2004, all Basic Plan contributions were employer-directed into the Russell LifePoints Balanced Strategy Separate Account. The investment allocations in both plans for current balances and future contributions can be changed on a daily basis.

Since all investments of the Plans are trusts, separate accounts or open-end mutual funds, accounting principles generally accepted in the United States of America do not require that these investments be classified into credit risk categories.

At December 31, 2004, investments are composed of the following:

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NOTES TO THE FINANCIAL STATEMENTS

	Number of Units	Fair Value
<b>Principal Stable Value Signature Fund (Gartmore Trust Company - Trustee)</b>	7,979	\$115,359
<b>PLIC Flexible Investment Annuity Group Contract</b>		
<b>Separate Accounts:</b>		
<b>Proprietary Funds:</b>		
Principal Bond & Mortgage	132	83,848
Principal Large Cap Stock Index	14,874	616,125 (1)
Principal Partners:		
Large-Cap Blend	12,505	130,168
Large-Cap Value	2,106	27,156
Large-Cap Growth I	17,258	141,628
Mid-Cap Growth	20,068	220,328
Small-Cap Growth II	3,868	36,664
Small-Cap Value I	5,249	96,104
<b>Nonproprietary Funds:</b>		
<b>Russell LifePoints Class D Shares:</b>		
Conservative Strategy	618	8,428
Moderate Strategy	1,556	21,230
Balanced Strategy	357,466	4,895,966 (1)
Aggressive Strategy	50,520	653,771 (1)
Equity Aggressive Strategy	28,086	348,272
<b>Mutual Fund Investments</b>		
<b>(Delaware Charter Guarantee &amp; Trust Company - Trustee):</b>		
American Century Equity Income Adv Fund	1,544	12,522
American Funds Growth Fund of America R3 Fund	567	15,355
American Funds Europacific Growth R3 Fund	1,874	66,088
Total		\$7,489,012

(1) Individual investments that represent 5% or more of the Plan's net assets available for benefits.

LOUISIANA LOTTERY CORPORATION  
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During 2004, but prior to November 3, 2004, changes in net assets relating to the nonparticipant-directed investments are as follows:

	Russell LifePoints Balanced Strategy
Net assets available for benefits, beginning of year	\$3,909,877
Additions:	
Net investment income	183,643
Contributions	478,903
Deductions - benefits paid to participants	(102,333)
Conversion to participant-directed investment menu on November 3, 2004	<u>(4,470,090)</u>
Net assets available for benefits, end of year	<u><u>NONE</u></u>

#### 4. INVESTMENT MANAGEMENT FEES

An administrative asset-based fee of 0.40% is assessed to the Basic Plan only pursuant to a service and expense agreement with PLIC. This fee, which is based on the daily net assets, is deducted monthly from the Russell LifePoints Separate Accounts.

During the year ended December 31, 2004, investment management fees of \$16,597 were incurred.

#### 5. FORFEITURES

A participant's Supplemental Plan nonvested employer contribution account is forfeited at the close of the plan year in which the participant's employment with the Corporation is terminated. These forfeitures are reallocated to the employer contribution accounts of all remaining participants based on the proportion that each participant's compensation bears to total compensation of all participants. During the year ended December 31, 2004, a total of \$2,574 in forfeited nonvested accounts from the previous plan year was reallocated to the accounts of the remaining participants. In addition, a balance of \$3,429 remains in the forfeitures account at December 31, 2004. These funds represent forfeited nonvested accounts for the 2004 plan year that will be reallocated to the remaining participants during the 2005 plan year.

**6. INCOME TAX STATUS**

The Basic and Supplemental Retirement Plans obtained favorable determination letters from the IRS on July 3, 2002. The IRS stated that the Plans, as then designed, were in compliance with the applicable requirements of the IRC. The Plans have been amended since receiving the determination letters. However, the Plans' tax counsel believes that the Plans are currently designed and are being operated in compliance with the applicable requirements of the IRC. Therefore, the Plans were qualified and were tax-exempt as of the financial statement date.

**7. TERMINATION**

Although it has not expressed any intent to do so, the Board of Directors of the Corporation has the right, at any time, to terminate the Plans, in whole or in part, by delivering written notice to the administrative services provider and to each participant of such termination. A complete discontinuance of the Corporation's contributions to the Plans shall be deemed to constitute a termination. Upon such termination, the Employee Benefits Committee shall direct the administrative services provider to distribute the assets of the Plans to the participants. Upon termination (whether full or partial) or a complete discontinuance of contributions, all amounts allocated to the accounts of affected participants shall become fully vested and nonforfeitable.

**8. MERGERS**

The Plans may be merged or consolidated with, or its assets and liabilities may be transferred to another plan only if the benefits which would be received by a participant in the event of a termination of the Plans immediately after such transfer, merger or consolidation are at least equal to the benefit such participant would have received if the Plans had terminated immediately before the transfer, merger or consolidation.

**9. LITIGATION**

There is no pending litigation against the Plans at December 31, 2004.

LOUISIANA LOTTERY CORPORATION  
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**SCHEDULE OF CHANGES IN NET ASSETS AVAILABLE  
FOR BENEFITS, BY INVESTMENT OPTION**

Whereas Statement B presents the totals for the Plans as a whole, Schedule 1 presents the changes in net assets available for benefits by investment option for the year ended December 31, 2004.

**LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA**

**Schedule of Changes in Net Assets Available  
for Benefits, by Investment Option  
For the Year Ended December 31, 2004**

	NET ASSETS, BEGINNING OF YEAR	INVESTMENT INCOME	INVESTMENT MANAGEMENT FEES
<b>Investments offered through</b>			
<b>Principal Life Insurance Company:</b>			
Principal Stable Value Signature Fund	\$116,391	\$3,371	
Principal Bond & Mortgage	78,846	3,516	
Principal Large Cap Stock Index	647,438	58,336	
Principal Partners:			
Large-Cap Blend	148,335	13,006	
Large-Cap Value	17,996	2,809	
Large-Cap Growth I	171,563	12,448	
Mid-Cap Growth	242,054	23,674	
Small-Cap Growth II	28,158	3,837	
Small-Cap Value I	70,134	17,477	
Russell LifePoints:			
Conservative Strategy	766	257	
Moderate Strategy	2,103	1,129	
Balanced Strategy	4,470,695	490,552	(\$16,224)
Aggressive Strategy	38,172	40,875	(193)
Equity Aggressive Strategy	3,422	27,411	(180)
American Century Equity Income Adv Fund	2,892	1,135	
American Funds Growth Fund of America R3 Fund	2,177	1,144	
American Funds Europacific Growth R3 Fund	46,863	9,951	
<b>Total</b>	<b>\$6,088,005</b>	<b>\$710,928</b>	<b>(\$16,597)</b>

<u>PARTICIPANT CONTRIBUTIONS</u>	<u>EMPLOYER CONTRIBUTIONS</u>	<u>BENEFITS PAID TO PARTICIPANTS</u>	<u>INTERFUND TRANSFERS</u>	<u>NET ASSETS, END OF YEAR</u>
	\$2,089	(\$1,294)	(\$5,198)	\$115,359
	1,472		14	83,848
	7,786	(3,578)	(93,857)	616,125
	1,624		(32,797)	130,168
	3,626	(1,237)	3,962	27,156
	4,542	(3,185)	(43,740)	141,628
	10,734	(1,450)	(54,684)	220,328
	8,218		(3,549)	36,664
	14,722	(396)	(5,833)	96,104
	7,621	(279)	63	8,428
\$12	18,098	(279)	167	21,230
308,795	351,231	(166,754)	(542,329)	4,895,966
3,271	96,602	(935)	475,979	653,771
2,736	27,598	(279)	287,564	348,272
	4,740		3,755	12,522
	7,069		4,965	15,355
	3,774	(18)	5,518	66,088
<u>\$314,814</u>	<u>\$571,546</u>	<u>(\$179,684)</u>	<u>NONE</u>	<u>\$7,489,012</u>

LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS \_\_\_\_\_

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**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 reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

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LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS \_\_\_\_\_



STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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

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POST OFFICE BOX 94397  
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June 2, 2005

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  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

We have audited the financial statements of the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans as of and for the year ended December 31, 2004, and have issued our report thereon dated June 2, 2005. 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 Basic and Supplemental Retirement Plans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

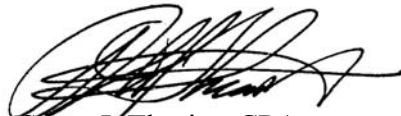
As part of obtaining reasonable assurance about whether the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of

LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS \_\_\_\_\_

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 Corporation and its management 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

CR:WDD:THC:dl

[LLCBSRP04]