

LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED JUNE 27, 2007

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

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TABLE OF CONTENTS

	Page
Independent Auditor's Report on the Financial Statements.....	3
Management's Discussion and Analysis	5
Statement	
Financial Statements:	
Statement of Net Assets Available for Benefits..... A.....	11
Statement of Changes in Net Assets Available for Benefits	B13
Notes to the Financial Statements	15
Schedule	
Supplemental Information Schedule - Schedule of Changes in Net Assets Available for Benefits, by Investment Option	1.....22
Exhibit	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	A

LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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June 8, 2007

Independent Auditor's Report
on the Financial Statements

BOARD OF DIRECTORS
LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying statement of net assets available for benefits of the Louisiana Lottery Corporation Optional Savings Plan as of December 31, 2006, 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 consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Lottery Corporation Optional Savings Plan'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 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 Optional Savings Plan as of December 31, 2006, 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.

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

LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN

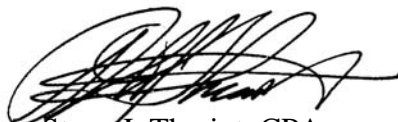
and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. While the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans did not directly suffer any major effects of these two hurricanes, the long-term effects of these events directly on the plans cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2007, on our consideration of the Louisiana Lottery Corporation Optional Savings Plan's 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.

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 Government 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 audit was conducted for the purpose of forming an opinion on the accompanying financial statements of the Louisiana Lottery Corporation Optional Savings Plan 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

BF:WDD:THC:dl

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**LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN
STATE OF LOUISIANA**

Management's Discussion and Analysis
For the Year Ended December 31, 2006

This discussion of the Louisiana Lottery Corporation Optional Savings Plan's financial statements provides an overview and analysis of the plan's financial position and activities for the year ended December 31, 2006. Please read it in conjunction with the plan's 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 plan's 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 plan. The balances reported are as of the year ended December 31, 2006. 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 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, 2006, 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. 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 plan. 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 pages 22-23 presents the plan's 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, forfeitures, income tax status determinations, termination 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, 2006, and the prior year ended December 31, 2005, is presented below.

	As of and for the year ended December 31, 2006	As of and for the year ended December 31, 2005	Change
Assets	\$4,272,374	\$3,515,488	\$756,886
Liabilities	NONE	NONE	NONE
Net assets available for benefits	<u>\$4,272,374</u>	<u>\$3,515,488</u>	<u>\$756,886</u>
Additions to assets:			
Investment income	\$463,995	\$229,580	\$234,415
Contributions:			
Participant	313,367	286,868	26,499
Employer	<u>111,085</u>	<u>113,261</u>	<u>(2,176)</u>
Total additions	888,447	629,709	258,738
Deductions from assets:			
Benefits paid to participants	<u>(131,561)</u>	<u>(278,548)</u>	<u>146,987</u>
Increase (decrease) in net assets	<u>\$756,886</u>	<u>\$351,161</u>	<u>\$405,725</u>

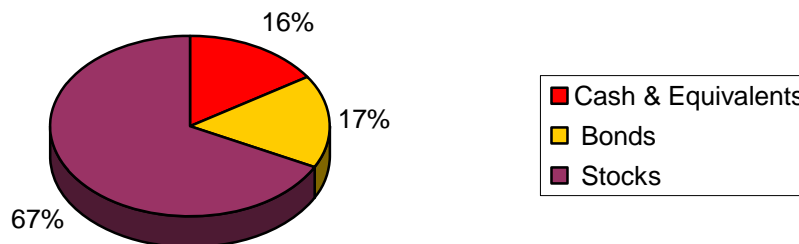
The assets of the plans increased by \$756,886 because the combination of investment income and contributions were greater than benefits paid to participants. The reasons for the activity in each component outlined as follows provide the rationale for this overall change.

Investment income

The average investment return on the plan's portfolio, calculated as investment income divided by the average asset balance for the year, was 11.92% in 2006 and 6.88% in 2005. The reasons for this investment performance include the asset allocation of the plan's investment portfolio, economic conditions, and the gains of the individual investment funds offered through the plan.

The underlying portfolios of the investments in the plan 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 plan's portfolio at December 31, 2006, is presented below.



This chart illustrates that the plan's 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 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. These factors contributed to strong investment returns in the financial markets.

The three major stock market indicators performed for the years ending December 31, 2006, and December 31, 2005, as follows:

	<u>2006</u>	<u>2005</u>
Dow Jones Industrial Average (DJIA)	16.3%	-0.6%
Nasdaq Composite Index (NASDAQ)	9.5%	1.4%
Standard and Poor's 500 Index (S&P500)	13.6%	3.0%

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.

These economic factors had an impact on the performance of investments in 2006. Most domestic and international stock funds had impressive gains during the year. Short-term money market fund returns increased because of the Federal Reserve rate increases. The values of fixed-income funds containing mostly intermediate to long-term bonds were fairly stable in 2006 because intermediate and long-term interest rates slightly increased.

The investment performance of the individual funds offered through the plan was affected by the financial market environment and enhanced by the diversification of portfolio holdings across asset classes, styles, and management. Investment income generated by each fund is listed on the supplementary schedule on pages 22-23. The combination of the individual funds' gains resulted in the overall plan's investment income of \$463,995.

Contributions

Participant contributions to the plan increased by 9.24% in 2006 mainly because retirement education campaigns conducted by the Corporation and its service provider resulted in increases in plan participation and elective deferral rates. Employer contributions are limited by the maximum matching provisions of the plan. These contributions slightly decreased because of lower payroll costs in 2006. Total 2006 wages were \$5,082,000 compared to 2005 wages of \$5,175,000. Contributions are calculated as a percentage of wages. The contribution provisions for the plan are outlined in note 2 to the financial statements beginning on page 16.

Benefits paid to participants

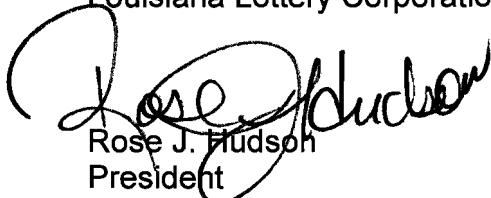
The amount of benefits paid out in any given year is dependent upon the volume of employee terminations or retirements, the length of service of these employees, the balances maintained in their accounts, and the distribution elections that determine the

timing of payments. Differences in these factors can cause substantial variances in a year-to-year comparison of plan distributions. The distribution provisions for the plan are included in note 2 to the financial statements beginning on page 16.

This financial overview of the Optional Savings Plan is provided as a supplemental analysis of the financial position and activities of the plan as of and for the year ended December 31, 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 this retirement plan.

Respectfully submitted,


Employee Benefits Committee
Louisiana Lottery Corporation



Rose J. Hudson
President



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
OPTIONAL SAVINGS PLAN
STATE OF LOUISIANA**

**Statement of Net Assets Available for Benefits
For the Year Ended December 31, 2006**

ASSETS

Investments (note 3) \$4,272,374

LIABILITIES

NONE

NET ASSETS AVAILABLE FOR BENEFITS

\$4,272,374

The accompanying notes are an integral part of this statement.

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**LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN
STATE OF LOUISIANA**

**Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2006**

ADDITIONS

Investment income	\$463,995
Contributions:	
Participant	313,367
Employer	111,085
Total additions	<u>888,447</u>

DEDUCTIONS

Benefits paid to participants	<u>(131,561)</u>
Net increase	756,886

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

3,515,488

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

\$4,272,374

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 Optional Savings Plan (Plan) has 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. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles.

The Corporation's Plan reports on its 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. Although the Corporation appoints the Plan's governing board, the Corporation is not financially accountable for the Plan since, under Section 457 of the Internal Revenue Code (IRC), all assets and income of the Plan are held in trust for the exclusive benefit of participants. In accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in the Corporation's financial statements. In addition, administrative and investment services for the Plan are provided by an insurance company.

The accompanying financial statements present information only as to the transactions of the Corporation's Plan. The Louisiana Lottery Corporation is a part of the reporting entity of the State of Louisiana. The basic financial statements are 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 Plan are accounted for using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred. The Plan uses the following practices in recognizing revenues and expenses:

LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN

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.

Plan Expenses

Fees related to the record keeping and administration of the Plan are paid by the Corporation.

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 PLAN

The 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 \$15,000. 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 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.

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

NOTES TO THE FINANCIAL STATEMENTS

in trust for the exclusive benefit of the participants and their beneficiaries. The Corporation amended the 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 December 31, 2006, there were 106 participants in the Plan.

3. INVESTMENTS

Principal Life Insurance Company (PLIC) provides administrative and investment services for the Plan. The Plan's investments at December 31, 2006, 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 in accordance with its formal investment policy. The primary objectives of the investment program are to provide quality investment options, allow participants to exercise control over the investment of their retirement accounts, and offer access to an appropriate range of prudent investment options that enables participants to construct a well-diversified portfolio. The policy includes qualitative and quantitative criteria for selecting and monitoring investment options and managers for both debt and equity investment funds. No specific credit ratings for funds invested in debt securities are required. In addition, the policy does not specifically address requirements for interest rate or foreign currency risk.

Participants in the Plan can allocate the investment of employer and employee contributions in whole percentages to any combination of funds reflected on the following page and on Schedule 1. The investment allocations for current balances and future contributions can be changed daily. At December 31, 2006, investments are composed of the following:

LOUISIANA LOTTERY CORPORATION
 OPTIONAL SAVINGS PLAN

	<u>Number of Units</u>	<u>Fair Value</u>
Principal Stable Value Signature Fund (Gartmore Trust Company - Trustee)	2,751	\$42,547
PLIC Flexible Investment Annuity Group Contract		
Separate Accounts:		
Proprietary Funds:		
Principal Bond & Mortgage	159	107,494
Principal Large Cap Stock Index	8,102	400,407
Principal Partners:		
Large-Cap Blend	7,796	97,501
Large-Cap Value	1,605	26,273
Large-Cap Growth I	10,710	99,231
Mid-Cap Growth	20,929	270,296
Small-Cap Growth II	8,578	93,809
Small-Cap Value I	4,535	103,518
Nonproprietary Funds:		
Russell LifePoints Separate Accounts:		
Conservative Strategy (1)	2,823	41,952
Moderate Strategy (1)	15,008	233,351
Balanced Strategy (1)	70,143	1,153,257
Growth Strategy (1)(2)	82,612	1,332,091
Equity Growth Strategy (1)(2)	6,309	101,576
Mutual Fund Investments		
(Delaware Charter Guarantee & Trust Company - Trustee):		
American Century Equity Income Adv Fund	3,186	27,367
American Funds Growth Fund of America R3 Fund	915	29,706
American Funds Europacific Growth R3 Fund (1)	2,440	<u>111,998</u>
Total		<u><u>\$4,272,374</u></u>

- (1) Funds contain investments in international securities. In the Russell Lifepoints funds, approximately 3% of Conservative, 11% of Moderate, 19% of Balanced, 23% of Growth, and 29% of Equity Growth are invested in international mutual funds. The American Funds Europacific Growth R3 Fund is an international mutual fund.
- (2) In previous years, fund names were Russell Aggressive Strategy and Equity Aggressive Strategy.

NOTES TO THE FINANCIAL STATEMENTS

The average maturities for funds that have a material allocation to debt investments are as follows:

Principal Stable Value Signature Fund	3.30 years
Principal Bond and Mortgage	5.50 years
Russell LifePoints Class D Conservative Strategy	3.45 years
Bond Holdings:	
Russell Short Duration Bond S (58.07%)*	
Russell Diversified Bond S (22.07%)*	
Russell LifePoints Class D Moderate Strategy	4.21 years
Bond Holdings:	
Russell Short Duration Bond S (32.65%)*	
Russell Diversified Bond S (26.83%)*	
Russell LifePoints Class D Balanced Strategy	6.05 years
Bond Holdings:	
Russell Diversified Bond S (20.00%)*	
Russell Multistrategy Bond S (19.99%)*	
Russell LifePoints Class D Growth Strategy	5.80 years
Bond Holdings:	
Russell Multistrategy Bond S (20.12%)*	

*Percentages indicate the portion of each strategy that is allocated to the bond funds.

Most of the funds' underlying debt security investments have credit quality ratings, but the funds are not rated.

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 percentage allocation of portfolio holdings that are invested in mortgage-backed securities for the funds or Russell LifePoints underlying funds is as follows:

Principal Bond and Mortgage	39%
Russell Short Duration Bond S	20%
Russell Diversified Bond S	52%
Russell Multistrategy Bond S	45%

LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN

4. FORFEITURES

A participant's nonvested matching 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 matching contribution accounts of all remaining participants based on the ratio that each matching account bears to the total of all matching accounts. During the year ended December 31, 2006, a total of \$2,530 in forfeited nonvested accounts from the previous plan year was reallocated to the accounts of the remaining participants. In addition, a balance of \$1,713 remains in the forfeitures account at December 31, 2006. These funds represent forfeited nonvested accounts for the 2006 plan year that will be reallocated to the remaining participants during the 2007 plan year.

5. INCOME TAX STATUS

The Plan is an employee benefit plan that is established and maintained under Section 457 of IRC. The Plan has not requested a private letter ruling, which is, in effect, a determination as to the legal status of the Plan. However, the Plan's tax counsel believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

6. 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 Plan, in whole or in part, by delivering written notice to the administrative services provider and to each participant of such termination. Upon such termination, the Employee Benefits Committee shall direct the administrative services provider to distribute the assets of the Plan to the participants. Upon termination, all amounts allocated to the accounts of affected participants shall become fully vested and nonforfeitable.

7. LITIGATION

There is no pending litigation against the Plan at December 31, 2006.

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

Whereas Statement B presents the totals for the Plan as a whole, Schedule 1 presents the changes in net assets available for benefits by investment option for the year ended December 31, 2006.

**LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN
STATE OF LOUISIANA**

**Schedule of Changes in Net Assets Available
for Benefits, by Investment Option
For the Year Ended December 31, 2006**

	NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	INVESTMENT INCOME	PARTICIPANT CONTRIBUTIONS
Investments offered through			
Principal Life Insurance Company:			
Principal Stable Value Signature Fund	\$52,484	\$1,782	\$2,321
Principal Bond & Mortgage	108,825	4,435	803
Principal Large Cap Stock Index	482,452	59,118	3,549
Principal Partners:			
Large-Cap Blend	102,227	14,406	1,343
Large-Cap Value	22,715	3,759	1,290
Large-Cap Growth I	151,397	4,320	9,039
Mid-Cap Growth	302,698	15,569	10,702
Small-Cap Growth II	83,965	7,389	6,738
Small-Cap Value I	76,068	15,207	5,175
Russell LifePoints:			
Conservative Strategy	16,736	1,619	6,976
Moderate Strategy	29,605	9,179	11,827
Balanced Strategy	883,349	118,528	71,702
Growth Strategy	986,590	168,087	157,823
Equity Growth Strategy	80,341	15,005	10,547
American Century Equity Income Adv Fund	12,903	3,140	1,206
American Funds Growth Fund of America R3 Fund	21,500	2,690	7,796
American Funds Europacific Growth R3 Fund	101,633	19,762	4,530
	<u>\$3,515,488</u>	<u>\$463,995</u>	<u>\$313,367</u>
Total	<u>\$3,515,488</u>	<u>\$463,995</u>	<u>\$313,367</u>

EMPLOYER CONTRIBUTIONS	BENEFITS PAID TO PARTICIPANTS	INTERFUND TRANSFERS	NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR
\$2,000	(\$3,309)	(\$12,731)	\$42,547
402	(903)	(6,068)	107,494
1,457	(24,738)	(121,431)	400,407
902	(4,144)	(17,233)	97,501
719		(2,210)	26,273
2,205	(5,553)	(62,177)	99,231
3,387	(12,397)	(49,663)	270,296
1,786	(9,436)	3,367	93,809
3,114	(4,970)	8,924	103,518
3,288	(6,843)	20,176	41,952
4,759	(971)	178,952	233,351
28,198	(31,036)	82,516	1,153,257
45,886	(15,685)	(10,610)	1,332,091
5,078	(6,930)	(2,465)	101,576
959	(232)	9,391	27,367
3,840	(1,718)	(4,402)	29,706
3,105	(2,696)	(14,336)	111,998
<u>\$111,085</u>	<u>(\$131,561)</u>	<u>NONE</u>	<u>\$4,272,374</u>

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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.

LOUISIANA LOTTERY CORPORATION
OPTIONAL SAVINGS PLAN



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

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June 8, 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
OPTIONAL SAVINGS PLAN
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Lottery Corporation Optional Savings Plan as of and for the year ended December 31, 2006, and have issued our report thereon dated June 8, 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 Optional Savings Plan'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Louisiana Lottery Corporation Optional Savings Plan'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.

LOUISIANA LOTTERY CORPORATION

OPTIONAL SAVINGS PLAN

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


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Lottery Corporation Optional Savings Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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, its board, 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

BF:WDD:THC:dl

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