

LOUISIANA LOTTERY CORPORATION  
OPTIONAL SAVINGS PLAN  
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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STEVE J. THERIOT, CPA

**DIRECTOR OF FINANCIAL AUDIT**

THOMAS H. COLE, CPA

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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Four copies of this public document were produced at an approximate cost of \$10.32. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.lla.state.la.us](http://www.lla.state.la.us). When contacting the office, you may refer to Agency ID No. 5910 or Report ID No. 05301008 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

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LOUISIANA LOTTERY CORPORATION  
OPTIONAL SAVINGS PLAN

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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BATON ROUGE, LOUISIANA 70804-9397

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June 2, 2005

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, 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 Optional Savings Plan 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 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

LOUISIANA LOTTERY CORPORATION  
OPTIONAL SAVINGS PLAN

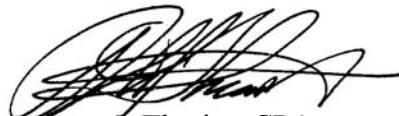
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compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 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 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

CR:WDD:THC:dl

[LLCOSP04]



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

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

This discussion of the Louisiana Lottery Corporation Optional Savings Plan financial statements provides an overview and analysis of the plan's financial position and activities for the year ended December 31, 2004. 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, 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 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. 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 schedule on page 22 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, 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>	\$3,164,327	\$2,552,614	\$611,713
<b>Liabilities</b>	NONE	NONE	NONE
<b>Net assets available for benefits</b>	<u>\$3,164,327</u>	<u>\$2,552,614</u>	<u>\$611,713</u>
<b>Additions to assets:</b>			
Investment income	\$302,284	\$493,078	(\$190,794)
Contributions:			
Participant	257,406	218,754	38,652
Employer	<u>111,488</u>	<u>103,966</u>	<u>7,522</u>
<b>Total additions</b>	671,178	815,798	(144,620)
<b>Deductions from assets:</b>			
Benefits paid to participants	<u>(59,465)</u>	<u>(65,202)</u>	<u>5,737</u>
<b>Increase (decrease) in net assets</b>	<u>\$611,713</u>	<u>\$750,596</u>	<u>(\$138,883)</u>

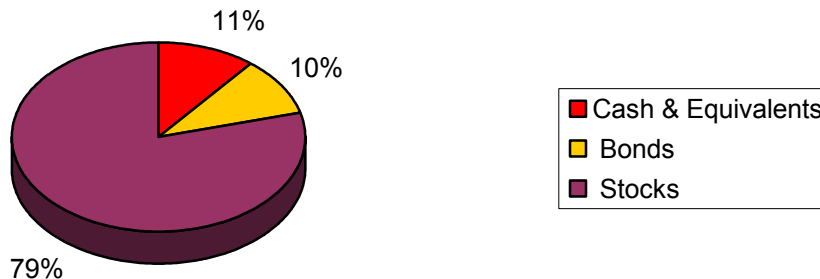
The assets of the plans increased by \$611,713 because the combination of investment income and contributions were greater than benefits paid to participants. The reasons for the activity in each component outlined as follows provide the rationale for this overall change.

## **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 10.58% in 2004 and 22.65% in 2003. The reasons for this investment performance include the asset allocation of the plan's investment portfolio, economic conditions, and the gains and losses 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, 2004, is presented below.



This chart illustrates that the plan's investment performance is heavily dependent upon changes in the stock market. This financial market tends 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 plan was consistent with the financial market environment. Investment income generated by each fund is listed on the supplementary information schedule on page 22. The combination of the individual funds' gains resulted in the overall plan's investment income of \$302,284.

### **Contributions**

Participant contributions to the plans increased by 17.67% in 2004 mainly because retirement education campaigns conducted by the Corporation and its new service provider resulted in significant increases in plan participation and elective deferral rates. Also, employer contributions increased because of the participation growth, but were limited by the maximum matching provisions of the 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. The contribution provisions for the plan are outlined in note 2 to the financial statements beginning on page 16.

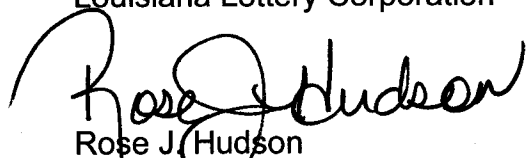
### **Benefits paid to participants**

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, 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 this retirement plan.

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  
OPTIONAL SAVINGS PLAN  
STATE OF LOUISIANA**

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

**ASSETS**

Investments (note 3) \$3,164,327

**LIABILITIES**

NONE

**NET ASSETS AVAILABLE FOR BENEFITS**

\$3,164,327

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, 2004**

**ADDITIONS**

Investment income	\$302,284
Contributions:	
Participant	257,406
Employer	111,488
Total additions	<u>671,178</u>

**DEDUCTIONS**

Benefits paid to participants	<u>(59,465)</u>
Net increase	611,713

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

2,552,614

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

\$3,164,327

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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 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 (GAAP). 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 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 Optional Savings 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 Optional Savings Plan are accounted for using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are

# LOUISIANA LOTTERY CORPORATION

## OPTIONAL SAVINGS PLAN

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recognized when incurred. The Plan uses the following practices in recognizing revenues and expenses:

### **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 Louisiana Lottery 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 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 \$13,000. 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.

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## NOTES TO THE FINANCIAL STATEMENTS

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 December 31, 2004, there were 141 participants in the Optional Savings Plan.

### **3. INVESTMENTS**

Principal Life Insurance Company (PLIC) provides administrative and investment services for the Plan. The Plan's 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 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 on a daily basis.

Since all investments of the Plan 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:

LOUISIANA LOTTERY CORPORATION  
 OPTIONAL SAVINGS PLAN

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	<u>Number of Units</u>	<u>Fair Value</u>
<b>Principal Stable Value Signature Fund (Gartmore Trust Company - Trustee)</b>	7,499	\$108,420
<b>PLIC Flexible Investment Annuity Group Contract</b>		
<b>Separate Accounts:</b>		
<b>Proprietary Funds:</b>		
Principal Bond & Mortgage	109	69,443
Principal Large Cap Stock Index	16,254	673,293 (1)
Principal Partners:		
Large-Cap Blend	18,219	189,646 (1)
Large-Cap Value	2,105	27,138
Large-Cap Growth I	20,355	167,047 (1)
Mid-Cap Growth	27,480	301,703 (1)
Small-Cap Growth II	7,370	69,864
Small-Cap Value I	6,412	117,403
<b>Nonproprietary Funds:</b>		
Russell LifePoints Class D Shares:		
Conservative Strategy	752	10,260
Moderate Strategy	1,336	18,236
Balanced Strategy	46,105	631,464 (1)
Aggressive Strategy	39,393	509,775 (1)
Equity Aggressive Strategy	10,633	131,858
<b>Mutual Fund Investments</b>		
<b>(Delaware Charter Guarantee &amp; Trust Company - Trustee):</b>		
American Century Equity Income Adv Fund	1,164	9,439
American Funds Growth Fund of America R3 Fund	424	11,491
American Funds Europacific Growth R3 Fund	3,342	<u>117,847</u>
Total		<u><u>\$3,164,327</u></u>

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

#### 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, 2004, \$354 in forfeited nonvested accounts from the previous plan year was reallocated to the accounts of the remaining participants. In addition, a balance of \$378 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.

**5. INCOME TAX STATUS**

The Optional Savings Plan is a nonqualified employee benefit plan that is established and maintained under Section 457 of IRC. The Optional Savings 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, 2004.

LOUISIANA LOTTERY CORPORATION  
OPTIONAL SAVINGS PLAN

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**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, 2004. This page is intentionally blank.

**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, 2004**

	<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>INVESTMENT INCOME</u>	<u>PARTICIPANT CONTRIBUTIONS</u>
<b>Investments offered through</b>			
<b>Principal Life Insurance Company:</b>			
Principal Stable Value Signature Fund	\$113,407	\$3,347	\$2,072
Principal Bond & Mortgage	62,217	2,842	3,726
Principal Large Cap Stock Index	719,204	64,401	3,545
Principal Partners:			
Large-Cap Blend	202,169	18,505	454
Large-Cap Value	22,557	2,969	1,889
Large-Cap Growth I	197,417	14,550	4,357
Mid-Cap Growth	338,327	33,014	8,416
Small-Cap Growth II	67,953	7,612	11,960
Small-Cap Value I	94,628	21,832	5,576
Russell LifePoints:			
Conservative Strategy	1,446	316	7,085
Moderate Strategy	2,255	931	10,239
Balanced Strategy	517,925	59,667	54,026
Aggressive Strategy	114,722	40,654	119,643
Equity Aggressive Strategy	3,081	11,385	14,222
American Century Equity Income Adv Fund	5,372	941	2,517
American Funds Growth Fund of America R3 Fund	3,486	956	4,659
American Funds Europacific Growth R3 Fund	86,448	18,362	3,020
<b>Total</b>	<u>\$2,552,614</u>	<u>\$302,284</u>	<u>\$257,406</u>

<u>EMPLOYER CONTRIBUTIONS</u>	<u>BENEFITS PAID TO PARTICIPANTS</u>	<u>INTERFUND TRANSFERS</u>	<u>NET ASSETS, END OF YEAR</u>
\$1,532	(\$149)	(\$11,789)	\$108,420
995	(223)	(114)	69,443
1,861	(10,314)	(105,404)	673,293
440		(31,922)	189,646
1,010	(1,193)	(94)	27,138
1,162	(3,059)	(47,380)	167,047
3,361	(1,379)	(80,036)	301,703
4,092	(305)	(21,448)	69,864
2,833	(1,355)	(6,111)	117,403
3,443	(2,041)	11	10,260
5,689	(894)	16	18,236
32,519	(33,836)	1,163	631,464
38,305	(887)	197,338	509,775
9,341		93,829	131,858
1,370	(302)	(459)	9,439
1,934		456	11,491
1,601	(3,528)	11,944	117,847
<u>\$111,488</u>	<u>(\$59,465)</u>	<u>NONE</u>	<u>\$3,164,327</u>

LOUISIANA LOTTERY CORPORATION  
OPTIONAL SAVINGS PLAN

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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  
OPTIONAL SAVINGS PLAN

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
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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  
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, 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 Optional Savings Plan's 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 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

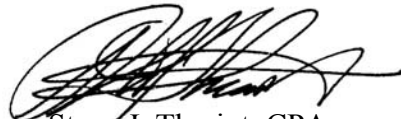
LOUISIANA LOTTERY CORPORATION  
OPTIONAL SAVINGS PLAN

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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

[LLCOSP04]