

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Lottery Corporation  
Basic and Supplemental Retirement Plans  
State of Louisiana  
Baton Rouge, Louisiana

June 28, 2000



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor***

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**Daniel G. Kyle, Ph.D., CPA, CFE**

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

**Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended December 31, 1999**

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.

June 28, 2000

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

Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended December 31, 1999

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

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

June 8, 2000

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

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, 1999, and the related statement of changes in net assets available for benefits for the year then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Louisiana Lottery Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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, 1999, and the changes in net assets available for benefits for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2000, on our consideration of the Louisiana Lottery Corporation Basic and Supplemental Plans' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

CCR:THC:RCL:ss  
[LOTRET]

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

**Statement of Net Assets Available for Benefits  
For the Year Ended December 31, 1999**

|  | <u>MONEY<br/>MARKET<br/>FUND</u> | <u>MAS<br/>FIXED-INCOME<br/>PORTFOLIO</u> | <u>VANGUARD<br/>WELLINGTON</u> | <u>DREYFUS<br/>INSTITUTIONAL<br/>STANDARD &amp;<br/>POOR'S<br/>500 STOCK<br/>INDEX</u> |
|--|----------------------------------|---|--------------------------------|--|
| <b>ASSETS</b>                            |                                  |   |                                |  |
| Investments (note 3)                     | \$57,070                         | \$61,249                                  | \$2,859,946                    | \$1,226,429  |
| Receivables:                             |                                  |   |                                |  |
| Employee contributions receivable        |                                  |   | 9,672                          |  |
| Employer contributions receivable        | 728                              | 634                                       | 15,078                         | 11,430   |
| <b>TOTAL ASSETS</b>                      | <u>57,798</u>                    | <u>61,883</u>                             | <u>2,884,696</u>               | <u>1,237,859</u>   |
| <b>LIABILITIES</b>                       | <u>NONE</u>                      | <u>NONE</u>                               | <u>NONE</u>                    | <u>NONE</u>  |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b> | <u><u>\$57,798</u></u>           | <u><u>\$61,883</u></u>                    | <u><u>\$2,884,696</u></u>      | <u><u>\$1,237,859</u></u>  |

The accompanying notes are an integral part of this statement.

Statement A

| VANGUARD<br>U.S. GROWTH<br>PORTFOLIO | MAS VALUE<br>PORTFOLIO | FRANKLIN<br>SMALL<br>CAPITAL<br>GROWTH<br>FUND | FRANKLIN<br>BALANCED<br>SHEET<br>INVESTMENT | TEMPLETON<br>FOREIGN<br>FUND | TOTAL              |
|--------------------------------------|------------------------|--|---|------------------------------|--------------------|
| \$257,893                            | \$130,804              | \$130,793                                      | \$17,846                                    | \$24,300                     | \$4,766,330        |
| 8,616                                | 5,755                  | 4,051  | 1,537                                       | 1,997                        | 9,672              |
| 266,509                              | 136,559                | 134,844  | 19,383                                      | 26,297                       | 49,826             |
| NONE                                 | NONE                   | NONE   | NONE  | NONE                         | 4,825,828          |
| NONE                                 | NONE                   | NONE   | NONE  | NONE                         | NONE               |
| <u>\$266,509</u>                     | <u>\$136,559</u>       | <u>\$134,844</u>                               | <u>\$19,383</u>                             | <u>\$26,297</u>              | <u>\$4,825,828</u> |

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

**Statement of Changes in Net Assets Available for Benefits  
For the Year Ended December 31, 1999**

|   | MONEY<br>MARKET<br>FUND | MAS<br>FIXED-INCOME<br>PORTFOLIO | VANGUARD<br>WELLINGTON    | DREYFUS<br>INSTITUTIONAL<br>STANDARD &<br>POOR'S<br>500 STOCK<br>INDEX |
|---|-------------------------|----------------------------------|---------------------------|--|
| <b>ADDITIONS TO ASSETS</b>                                      |                         |                                  |                           |  |
| Investment income   | \$3,318                 | (\$681)                          | \$99,326                  | \$245,279  |
| Contributions:  |                         |                                  |                           |  |
| Participant   |                         |                                  | 255,720                   | 321  |
| Employer  | 2,549                   | 4,216                            | 232,253                   | 47,787   |
| Total additions   | <u>5,867</u>            | <u>3,535</u>                     | <u>587,299</u>            | <u>293,387</u>   |
| <b>DEDUCTIONS FROM ASSETS</b>                                   |                         |                                  |                           |  |
| Benefits paid to participants                                   | <u>(7,544)</u>          | <u>(2,008)</u>                   | <u>(232,783)</u>          | <u>(75,801)</u>  |
| Increase (decrease) in net assets<br>before interfund transfers | (1,677)                 | 1,527                            | 354,516                   | 217,586  |
| Interfund transfers, net  | <u>(9,932)</u>          | <u>(1,872)</u>                   | <u>(79,824)</u>           | <u>(105,660)</u>   |
| Increase (decrease) in assets                                   | (11,609)                | (345)                            | 274,692                   | 111,926  |
| <b>NET ASSETS AVAILABLE FOR BENEFITS,<br/>BEGINNING OF YEAR</b> | <u>69,407</u>           | <u>62,228</u>                    | <u>2,610,004</u>          | <u>1,125,933</u>   |
| <b>NET ASSETS AVAILABLE FOR BENEFITS,<br/>END OF YEAR</b>       | <u><u>\$57,798</u></u>  | <u><u>\$61,883</u></u>           | <u><u>\$2,884,696</u></u> | <u><u>\$1,237,859</u></u>  |

The accompanying notes are an integral part of this statement.



Statement B

| VANGUARD<br>U.S. GROWTH<br>PORTFOLIO | MAS VALUE<br>PORTFOLIO | FRANKLIN<br>SMALL<br>CAPITAL<br>GROWTH<br>FUND | FRANKLIN<br>BALANCED<br>SHEET<br>INVESTMENT | TEMPLETON<br>FOREIGN<br>FUND | TOTAL              |
|--------------------------------------|------------------------|--|---|------------------------------|--------------------|
| \$37,688                             | (\$3,312)              | \$59,461                                       | (\$312)                                     | \$5,980                      | \$446,747          |
| 321                                  | 321                    | 321  |   |                              | 257,004            |
| 33,037                               | 25,727                 | 18,224   | 6,499                                       | 8,243                        | 378,535            |
| <u>71,046</u>                        | <u>22,736</u>          | <u>78,006</u>                                  | <u>6,187</u>                                | <u>14,223</u>                | <u>1,082,286</u>   |
| <u>(14,166)</u>                      | <u>(14,548)</u>        | <u>(579)</u>                                   | <u>(977)</u>                                | <u>(1,578)</u>               | <u>(349,984)</u>   |
| 56,880                               | 8,188                  | 77,427   | 5,210                                       | 12,645                       | 732,302            |
| 122,118                              | 62,942                 | 10,357   | 1,005                                       | 866                          | NONE               |
| 178,998                              | 71,130                 | 87,784   | 6,215                                       | 13,511                       | 732,302            |
| 87,511                               | 65,429                 | 47,060   | 13,168                                      | 12,786                       | 4,093,526          |
| <u>\$266,509</u>                     | <u>\$136,559</u>       | <u>\$134,844</u>                               | <u>\$19,383</u>                             | <u>\$26,297</u>              | <u>\$4,825,828</u> |

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

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1999

**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 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. Because of the responsibility of the Corporation as employer, the Plans are a component unit of the Corporation. 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:

**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.

LEGISLATIVE AUDITOR

LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA  
Notes to the Financial Statements (Continued)

**Investment Income**

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

**Plan Expenses**

Fees related to the administration of the Plans are paid by the Louisiana Lottery Corporation. Investment management fees are netted daily from investment income and, therefore, are not a liability of the Plans at December 31, 1999.

**D. VALUATION OF INVESTMENTS**

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

**2. DESCRIPTION OF THE PLANS**

As of December 31, 1999, there were 133 participants in the Basic Plan and 121 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.

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.

## LEGISLATIVE AUDITOR

### LOUISIANA LOTTERY CORPORATION BASIC AND SUPPLEMENTAL RETIREMENT PLANS STATE OF LOUISIANA Notes to the Financial Statements (Continued)

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. Any forfeiture of nonvested amounts shall be reallocated to the accounts of all the remaining participants. In no event shall the assets of this plan revert for the benefit of the Corporation.

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

**LEGISLATIVE AUDITOR**

**LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**3. INVESTMENTS**

Pan American Life Insurance Company (PALIC) provides administrative and investment services for the Plans. The Plans' investments are in mutual funds held by PALIC in separate accounts established through a group annuity contract.

All Basic Retirement Plan employer and employee contributions (nonparticipant-directed) are invested in the Vanguard Wellington Fund. Participants in the Supplemental Plan can allocate the investment of employer contributions in whole percentages to any combination of funds reflected below and on Statement A. The investment allocations for current balances and future contributions can be changed on a daily basis.

Since all investments of the Plans are open-end mutual funds, generally accepted accounting principles do not require that these investments be classified into credit risk categories.

At December 31, 1999, investments are composed of the following:

|  | <u>Number<br/>of Units</u> | <u>Fair Value</u>         |     |
|--|----------------------------|---------------------------|-----|
| Money Market Fund  | 19,961                     | \$57,070                  |     |
| MAS Fixed-Income Portfolio                                 | 4,537                      | 61,249                    |     |
| Vanguard Wellington (participant-directed)                 | 12,445                     | 459,947                   | (1) |
| Vanguard Wellington (nonparticipant-directed)              | 64,936                     | 2,399,999                 | (1) |
| Dreyfus Institutional Standard & Poor's<br>500 Stock Index | 37,226                     | 1,226,429                 | (1) |
| Vanguard U.S. Growth Portfolio                             | 5,087                      | 257,893                   | (1) |
| MAS Value Portfolio  | 6,944                      | 130,804                   |     |
| Franklin Small Capital Growth Fund                         | 2,772                      | 130,793                   |     |
| Franklin Balanced Sheet Investment                         | 507                        | 17,846                    |     |
| Templeton Foreign Fund                                     | 1,666                      | 24,300                    |     |
|  |                            | <u>          </u>         |     |
| Total  |                            | <u><u>\$4,766,330</u></u> |     |

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

During 1999, changes relating to the Vanguard Wellington nonparticipant-directed net assets is as follows:

LEGISLATIVE AUDITOR

LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA  
Notes to the Financial Statements (Continued)

|  |                    |
|--|--------------------|
| Net assets available for benefits, beginning of year | \$2,050,745        |
| Additions to assets:                                 |                    |
| Investment income                                    | 79,869             |
| Contributions  | 455,040            |
| Deductions from assets -                             |                    |
| benefits paid to participants                        | (184,582)          |
| Net assets available for benefits, end of year       | <u>\$2,401,072</u> |

**4. INVESTMENT MANAGEMENT FEES**

Under the agreement with PALIC, the Plans are charged an investment management fee (calculated and deducted from investment income daily) based on the Plans' daily net assets as follows:

| <u>Fund</u>  | <u>Fee</u> |
|--|------------|
| Money Market Fund  | None       |
| MAS Fixed-Income Portfolio                                 | 0.25%      |
| Vanguard Wellington  | 0.50%      |
| Dreyfus Institutional Standard & Poor's<br>500 Stock Index | 0.50%      |
| Vanguard U.S. Growth Portfolio                             | 0.50%      |
| MAS Value Portfolio  | 0.25%      |
| Franklin Small Capital Growth Fund                         | 0.10%      |
| Franklin Balanced Sheet Investment                         | None       |
| Templeton Foreign Fund                                     | 0.10%      |

During the year ended December 31, 1999, investment management fees of \$21,435 were incurred.

**5. RELATED PARTY TRANSACTIONS**

In addition to providing administrative and investment services for the Plans, PALIC offers a money market mutual fund product to plan participants. At December 31, 1999, investments in this product represent 1.2% of total plan assets. Of this figure, 100% represents monies held in separate asset accounts, which are not subject to the general creditors Pan American Life Insurance Company.

## LEGISLATIVE AUDITOR

### LOUISIANA LOTTERY CORPORATION BASIC AND SUPPLEMENTAL RETIREMENT PLANS STATE OF LOUISIANA Notes to the Financial Statements (Concluded)

#### 6. INCOME TAX STATUS

The Basic Retirement Plan obtained its latest determination letter on September 13, 1994, and the Supplemental Retirement Plan obtained its latest determination letter on October 2, 1992. The IRS stated that the Plans, as then designed, were in compliance with the applicable requirements of the Internal Revenue Code. 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 Internal Revenue Code. 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, 1999.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control 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 matters that would be material to the presented financial statements.





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

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

June 8, 2000

Report on Compliance and on Internal Control Over  
Financial Reporting Based on an Audit of the 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, 1999, and have issued our report thereon dated June 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the financial statements of the Louisiana Lottery Corporation Basic and Supplemental Retirement Plans 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 that are required to be reported under *Government Auditing Standards*.

**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 to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting that might be material weaknesses. A material weakness is a 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 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.

**EXHIBIT A**

LEGISLATIVE AUDITOR

BOARD OF DIRECTORS  
LOUISIANA LOTTERY CORPORATION  
BASIC AND SUPPLEMENTAL RETIREMENT PLANS  
STATE OF LOUISIANA

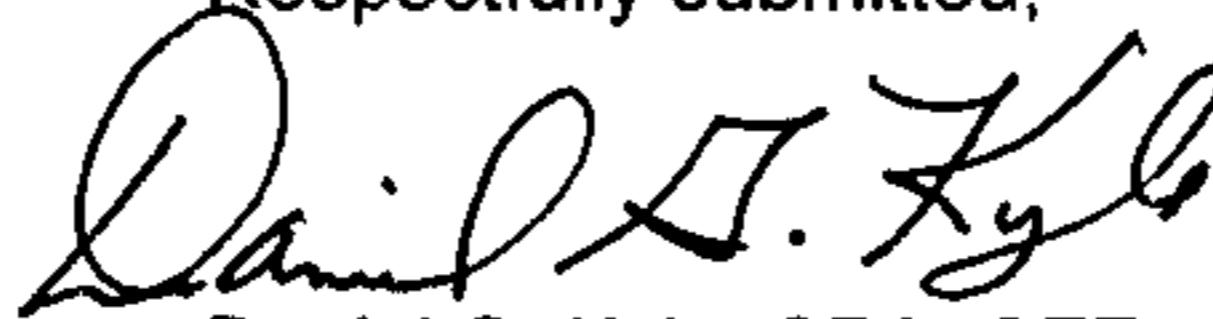
Compliance and Internal Control Report

June 8, 2000

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This report is intended 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,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

CCR:THC:RCL:ss

[LOTRET]

EXHIBIT A