

LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA

Schedule of Compensation Paid Board Members  
For the Period July 1, 1995, through April 30, 1996

Max Chastain, Chairman	\$34,615
Fred Chassibry	27,692
Jack Frank	27,692
Gilbert A. Lanez	27,692
Leroy J. Melton, III	27,692
Sallie C. Page	27,692
Bert W. Rowley	27,692
Gerald Thomas, Jr.	27,692
James S. Vilas	27,692
	<hr/>
Total	\$256,151

**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.

LEGISLATIVE AUDITOR

LOUISIANA GAMING CONTROL BOARD  
STATE OF LOUISIANA  
Internal Control Report  
November 12, 1996  
Page 2

In planning and performing our audit of the general purpose financial statements of the Corporation for the period July 1, 1995, through April 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted the following matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Corporation for the period July 1, 1995, through April 30, 1996.

**Failure to Audit Gaming Revenue**

During the period July 1, 1995, through November 22, 1995, the Louisiana Economic Development and Gaming Corporation (Corporation) failed to audit the state's share of gaming revenue received from Harrah's Jazz Company's land-based casino and did not adequately monitor the revenue controls established within the casino during that period. A good internal control structure should include regular audits of casino revenue

EXHIBIT A

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

defined in the casino operating contract, which was recorded by the Corporation as gaming revenue. For the period July 1, 1995, through April 30, 1996, gaming revenue totaled \$16,100,846.

Upon the opening of the temporary casino, the Corporation became entitled to receive "daily estimate" payments of \$271,260. Monthly, Harrah's was required to reconcile the Corporation's share of gross gaming revenue to the total of "daily estimate" payments remitted by Harrah's. Any excess of the Corporation's share of Harrah's gross gaming revenue for the month over the total "daily estimate" payments made was paid to the Corporation when the reconciliation was provided. In the event the total "daily estimate" payments received exceed the Corporation's share of Harrah's gross gaming revenue for the month, Harrah's "daily estimate" payments were suspended until the total suspended payments equaled the excess, at which point the "daily estimate" payments were resumed. Any excess "daily estimate" payments received over the Corporation's share of Harrah's gross gaming revenues earned during a period were recorded as unearned gaming revenue. At April 30, 1996, unearned gaming revenue totals \$4,572,602.

**6. SUITABILITY INCOME AND UNEARNED SUITABILITY INCOME**

Generally, suitability investigation costs were billed to those individuals or entities seeking one of the various gaming licenses or permits, and those billings are reflected in "License Fees" and "Suitability Income" revenues on Statements B and C. Costs incurred in connection with these investigations are included in various expenditures categories. Advance payments of these costs are reflected as "Unearned Suitability Income" on Statement A.

**7. TRANSFERS TO STATE TREASURY**

LSA-R.S. 4:670(A), as amended by Act 843 of 1995, required the Corporation to transfer daily to the State Treasury for deposit into the Casino Gaming Fund the amount of revenues which the Corporation determined were surplus to its operational needs. As of April 30, 1996, transfers totaling \$11,999,461 were made.

**8. FUND DEFICIT**

The General Fund had an unreserved - undesignated fund balance deficit of \$5,682,383 at April 30, 1996. The deficit was the result of an outstanding liability to the State Treasury of \$1,143,700, unearned gaming revenues totaling \$4,572,602, and unearned suitability income of \$108,736. The unearned gaming revenue was transferred to the State Treasury as described in note 4. In accordance with Act 7 of the 1996 First Extraordinary Session of the Louisiana Legislature, assets, liabilities, and the resulting fund balance deficit were transferred to the Louisiana Gaming Control Board, which is a part of the General Fund of the State of Louisiana.

**LOUISIANA GAMING CONTROL BOARD**  
**STATE OF LOUISIANA**  
Internal Control Report  
November 12, 1996  
Page 3

and periodic monitoring of the casino's revenue controls to provide reasonable assurance that gaming revenue is complete and properly recorded.

During our review of the Corporation's internal audit section, which was responsible for auditing the state's share of the land-based casino's gaming revenue, we found no documentation of regular audits of gaming revenue received from the casino or documented observations of the casino's revenue controls. Interviews with management of the internal audit section revealed that although the section was active during the period July 1, 1995, through November 22, 1995, and observations of casino activity were made during the closing of the casino on November 22, 1995, no formal revenue audits or observations of revenue controls were performed before the casino's closing. Statements made by management to the Board of Directors indicated that, while no audits were conducted, it was the intention of the audit section to begin auditing and monitoring these revenues and controls in January 1996. However, the audit section's employees were terminated January 7, 1996. Because of the failure to audit gaming revenue and the lack of adequate monitoring of the controls over this revenue, the Corporation is unable to provide reasonable assurance that the state's share of gaming revenue (\$16,100,846) and the related liability for unearned gaming revenue (\$4,572,602) are complete and properly recorded.

Upon the re-opening of the land-based casino, the Louisiana Gaming Control Board (successor to the Louisiana Economic Development and Gaming Corporation) should conduct regular audits of the state's share of casino gaming revenue collected from the land-based casino and should monitor the casino's revenue controls periodically to provide reasonable assurance that the state's share of gaming revenues received is complete and properly recorded. In a letter dated November 19, 1996, Judge Hillary J. Crain, Chairman of the Louisiana Gaming Control Board, indicated that he concurred with the finding and recommendation and has prepared an audit and control review program for the land-based casino in New Orleans.



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

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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

November 12, 1996

Independent Auditor's Report on Internal Control Structure  
Based Solely on an Audit of the General Purpose Financial Statements

**LOUISIANA GAMING CONTROL BOARD**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Economic Development and Gaming Corporation (the Corporation), a component unit of the State of Louisiana, as of April 30, 1996, and for the period July 1, 1995, through April 30, 1996, and have issued our report thereon dated November 12, 1996. The scope of our audit was limited in that we were unable to determine the completeness of gaming revenues, and we were unable to obtain a representation letter from management of the Corporation acknowledging management's responsibility for the fair presentation of the financial statements, the completeness and availability of all financial records, establishing and maintaining an adequate internal control system, compliance with laws and regulations, and other matters which could materially impact the financial statements. This resulted in a qualified opinion to the general purpose financial statements.

Except as described in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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 general purpose financial statements are free of material misstatement.

Management of the Corporation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

**EXHIBIT A**

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**

**Schedule of Professional Service Fees  
For the Period July 1, 1995, through April 30, 1996**

Dennis Amerine - gaming consultant	\$37,400
Automated Data Processing - payroll processing	3,021
Computerland - computer consultants	1,981
Department of Justice - legal consultants	90,129
Department of Justice - suitability	24,999
Gaming Laboratories International - slot machine testing	13,893
Gary, Hicks, Field, Landry and Bradford - legal consultants	9,029
June Zanco, CPA - suitability investigations	27,600
REW, Inc. - suitability investigations	25,300
S.A. Inc. - suitability investigations	18,251
Stanley Muller and Associates - architectural consultants	84,167
United Court Reporters - board meeting transcripts	8,295
Varicon International - suitability investigations	2,071
	<hr/>
Total	<u>\$346,136</u>

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
For the Period July 1, 1995, through April 30, 1996**

**SCHEDULE OF PROFESSIONAL SERVICE FEES**

Schedule 1 presents professional service fees for the period July 1, 1995, through April 30, 1996. This schedule is prepared in compliance with Senate Concurrent Resolution No. 35 of the 1979 Session of the Louisiana Legislature.

**SCHEDULE OF COMPENSATION PAID BOARD MEMBERS**

Schedule 2 presents compensation paid board members for the period July 1, 1995, through April 30, 1996. Louisiana Revised Statute 4:610(E) provides that the board of directors shall be full-time directors of the Corporation and shall be entitled to an annual salary fixed by the governor. Pursuant to this authority, the governor has fixed the annual salary of the directors at \$60,000 per year, except for the chairman, who shall receive \$75,000 per year. This schedule is prepared in compliance with Senate Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.



**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**9. SUPPORT SERVICES CONTRACT**

The Corporation is required by LSA-R.S. 4:647 to annually enter into a casino support services contract with the governing authority of the parish where the official gaming establishment is located. The amount of the contract is to be determined by negotiation and agreement between the corporation and the parish, subject to approval by the Joint Legislative Committee on the Budget. The Corporation was in the process of negotiating a contract with the governing authority of the parish at the time its operations were assumed by the Louisiana Department of Justice.

**10. LITIGATION AND CLAIMS**

The Corporation is named in one lawsuit that does not involve a claim for damages.

**11. LEASE COMMITMENT**

The Corporation entered into an operating lease, which extended to March 31, 2000, for the rental of office space on the 27th floor of One Canal Place, New Orleans. With the cessation of activities of the Corporation, the Department of Justice negotiated a settlement with the owners of One Canal Place in accordance with the termination provisions contained in the lease contract, and the lease was terminated effective May 31, 1996.

**12. FUND BALANCE - RESERVED**

The reserve consists of prepaid insurance of \$5,114, which represents the cost of 1996 insurance policy premiums that will be recognized as expenditures during fiscal year 1997. This reservation is made to indicate that the funds do not represent current available expendable resources.

**13. ADJUSTMENTS TO FUND BALANCE  
AT BEGINNING OF YEAR**

The adjustment to the beginning fund balance of \$110,500, as shown on Statements B and C, consists of a prior-year accounts payable of \$10,500 and a prior-year refundable deposit of \$100,000. The Louisiana Department of Justice determined that neither of these items are liabilities of the Corporation as of April 30, 1996.

**14. DISCONTINUANCE OF OPERATIONS**

On November 22, 1995, Harrah's Jazz Company filed a voluntary Chapter 11 bankruptcy petition, closed the temporary Basin Street casino, and halted construction of the permanent casino at the Rivergate site. On December 5, 1995, the governor and governor-elect directed

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**I. TOTAL COLUMN ON BALANCE SHEET**

The total column on the balance sheet is captioned Memorandum Only (overview) to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**2. CASH**

At April 30, 1996, the Corporation has cash totaling \$29,086, which is in an interest-bearing demand deposit. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

At April 30, 1996, the carrying amount of the Corporation's deposits is \$29,086, and the bank balance is \$28,594, which is covered by federal depository insurance (GASB Category 1).

**3. DUE TO STATE TREASURY**

As of June 30, 1995, the state had appropriated \$2,500,000 to the Corporation to begin operations. During November 1995, the Corporation made five payments to the State Treasury, totaling \$1,356,300, in repayment of this appropriation. As of April 30, 1996, the balance of the appropriation due to the State Treasury is \$1,143,700.

**4. RETIREMENT PLANS**

Pursuant to LSA-R.S. 4:625(A), the Corporation adopted a basic retirement plan under Section 401(a) of the Internal Revenue Code of 1986, as amended, beginning April 24, 1994, and a supplemental retirement plan beginning January 1, 1994, in which all full-time employees of the Corporation participated. However, as of January 7, 1996, participation in these retirement plans ceased as all employees of the Corporation were terminated.

**5. GAMING REVENUE AND UNEARNED GAMING REVENUE**

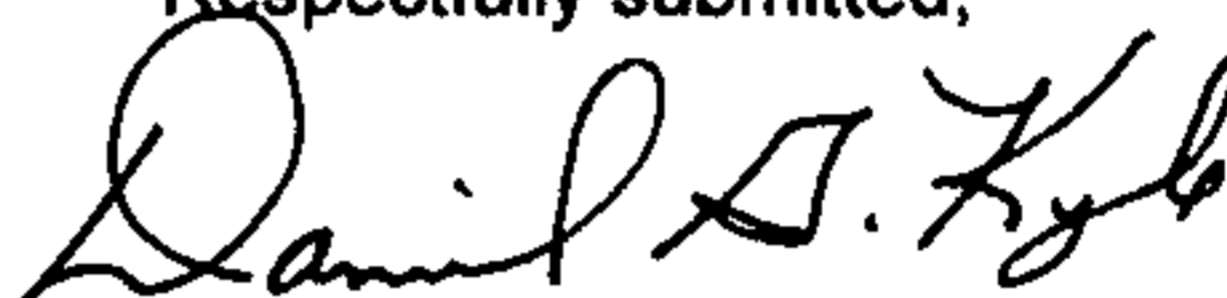
The Corporation entered into a casino operating contract with Harrah's Jazz Company (Harrah's) effective July 15, 1994, for 20 years, with a 10-year extension option. Under the contract, Harrah's will construct, furnish, equip, and operate the state's lone land-based casino on the site known as the "Rivergate" in New Orleans. While Harrah's constructs the permanent casino, it began operating a temporary casino on May 1, 1995, at a site known as the "Municipal Auditorium" in New Orleans. During the period of the temporary casino's operation, the Corporation was entitled to a 25 percent share of Harrah's gross gaming revenue, as

LEGISLATIVE AUDITOR

LOUISIANA GAMING CONTROL BOARD  
STATE OF LOUISIANA  
Internal Control Report  
November 12, 1996  
Page 4

This report is intended for the information and use of the Corporation and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RLT:THC:dl

{LEDGC}

EXHIBIT A

LEGISLATIVE AUDITOR

LOUISIANA GAMING CONTROL BOARD  
STATE OF LOUISIANA  
Audit Report, April 30, 1996

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine the completeness of gaming revenue and unearned gaming revenue, and except for the effects of such other adjustments, if any, as might have been necessary resulting from disclosures by management had we been able to obtain written representation from them, as discussed in the previous paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Economic Development and Gaming Corporation as of April 30, 1996, and the results of operations for the period July 1, 1995, through April 30, 1996, in conformity with generally accepted accounting principles.

The accompanying financial statements are presented as though the Corporation were a going concern as of April 30, 1996. However, as disclosed in note 14, on May 1, 1996, the Corporation's assets and liabilities, as well as its functions and duties, were transferred to the Louisiana Gaming Control Board, a component unit of the State of Louisiana

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 1996, on our consideration of the Louisiana Economic Development and Gaming Corporation's internal control structure and a report dated November 12, 1996, on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Louisiana Economic Development and Gaming Corporation. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

RLT:THC:dl

[LEDGC]

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

the Louisiana Department of Justice to assume the operations of the Corporation. At that time, the employees of the Corporation were furlowed until January 7, 1996, when they were officially terminated.

In March 1996, Act 7 of the 1996 First Extraordinary Session of the Louisiana Legislature was passed, which transferred regulatory authority, control, and jurisdiction over all gaming in the state to the Louisiana Gaming Control Board, effective May 1, 1996. The act also stipulated that all obligations of the predecessor entities (the Corporation) are obligations of the new Gaming Control Board.

On May 1, 1996, assets and liabilities of the Corporation were transferred to the Louisiana Gaming Control Board, Department of Public Safety and Corrections, Public Safety Services, Office of State Police, a portion of the General Fund of the State of Louisiana, as follows:

<b>Assets</b>	
Cash	\$29,086
Accounts receivable	113,040
Interest receivable	109
Employee travel advances	620
Prepaid insurance	5,114
<b>Total assets</b>	<u>147,969</u>
 <b>Liabilities</b>	
Accounts payable	200
Due to State Treasury	1,143,700
Unearned suitability income	108,736
Unearned gaming revenue	4,572,602
<b>Total liabilities</b>	<u>5,825,238</u>
 Residual Equity Transfer	 <u>(\$5,677,269)</u>

In addition, general fixed assets totaling \$659,438, were transferred from the Corporation to the Gaming Control Board, whose general fixed assets are part of the General Fixed Asset Account Group of the State of Louisiana.



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

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

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

November 12, 1996

Independent Auditor's Report on Compliance With Laws and  
Regulations Material to the General Purpose Financial Statements

**LOUISIANA GAMING CONTROL BOARD**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Economic Development and Gaming Corporation (the Corporation), a component unit of the State of Louisiana, as of April 30, 1996, and for the period July 1, 1995, through April 30, 1996, and have issued our report thereon dated November 12, 1996. The scope of our audit was limited in that we were unable to determine the completeness of gaming revenues, and we were unable to obtain a representation letter from management of the Corporation acknowledging management's responsibility for the fair presentation of the financial statements, the completeness and availability of all financial records, establishing and maintaining an adequate internal control system, compliance with laws and regulations, and other matters which could materially impact the financial statements. This resulted in a qualified opinion to the general purpose financial statements.

Except as discussed in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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.

Compliance with laws, regulations, and contracts applicable to the Louisiana Economic Development and Gaming Corporation is the responsibility of the Corporation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Corporation's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests, to the extent they were performed, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

**EXHIBIT B**

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

	Balance July 1, 1995	Restatement of Prior Year Balance	Balance July 1, 1995 Restated	Additions	Deletions	Balance April 30, 1996
Data processing software and equipment	\$308,695	\$3,015	\$311,710	\$13,290		\$325,000
Equipment	89,603	6,999	96,602	57,529		154,131
Furniture and fixtures	154,608	572	155,180	9,554		164,734
Office improvements	15,573		15,573			15,573
<b>Total</b>	<b>\$568,479</b>	<b>\$10,586</b>	<b>\$579,065</b>	<b>\$80,373</b>	<b>NONE</b>	<b>\$659,438</b>

During the physical inventory conducted in December 1995, it was determined that \$10,586 in fixed assets purchased during the prior fiscal year were not recorded in the general fixed asset account group. These assets are included in the Corporation's restated July 1, 1995, balance shown above.

In accordance with Act 7 of the 1996 First Extraordinary Session of the Louisiana Legislature, the fixed assets of the Corporation were transferred to the Louisiana Gaming Control Board on May 1, 1996.

**H. COMPENSATED ABSENCES**

Employees earned and accumulated annual and sick leave at various rates depending on their years of service, without limitation on the balance that could be accumulated. Upon termination, employees were compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay but were not compensated for unused sick leave. Certain employees of the Corporation were eligible to earn compensatory time, as defined by the Department of State Civil Service and the Fair Labor Standards Act. These employees could earn and accumulate one hour or one and one-half hours for each hour of overtime worked, depending on their position and rate of pay.

With the closing of the temporary casino on November 22, 1995, the governor and governor-elect decided to transfer control of the operations of the Corporation to the Louisiana Department of Justice on December 5, 1995. The employees of the Corporation were furlowed until January 7, 1996, at which time they were terminated. On January 12, 1996, the employees were paid for up to 300 hours of unused annual leave and any unused compensatory leave, less any travel advance that they might have been holding. The amount of unused annual and compensatory leave that the Corporation's employees were paid totaled \$116,395.

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Economic Development  
and Gaming Corporation  
State of Louisiana  
New Orleans, Louisiana

December 18, 1996



***Financial and Compliance Audit Division***

---

---

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



**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**E. BUDGET PRACTICES**

LSA-R.S. 4:623(A)(2)(g) requires the Corporation beginning on March 1, 1993, and not later than 30 days before the beginning of each subsequent regular session of the legislature, to submit a proposed annual budget of the Corporation and projected net proceeds to the Joint Legislative Committee on the Budget for review and approval. LSA-R.S. 4:623(B) allows the president, with board approval, to amend or modify the budget at any time in any manner deemed necessary for the proper operation of the Corporation and requires each change to be reported in writing to the board and to the Joint Legislative Committee on the Budget. The Corporation submitted its budget for fiscal year ended June 30, 1996, on February 24, 1995.

Revenues and expenditures for budget purposes are recognized on the same basis of accounting as described in note 1-D.

**F. CASH**

Cash includes demand deposits. Under state law, the Corporation may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, national banks having their principal offices in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

**G. GENERAL FIXED ASSETS**

Fixed assets are accounted for in the general fixed assets account group, rather than in the General Fund. No depreciation has been provided on general fixed assets. Fixed assets are recorded at historical cost. A summary of changes in general fixed assets follows:

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Economic Development and Gaming Corporation, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements. The general purpose financial statements are audited by the Louisiana Legislative Auditor.

**C. FUND ACCOUNTING**

The Corporation uses a fund (General Fund) and account group to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The General Fund is classified as a governmental fund. The General Fund is the general operating fund of the Corporation and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and *current liabilities are generally included on the balance sheet. The operating statement of the General Fund presents increases and decreases in net current assets. The General Fund, as reported in the accompanying financial statements, is recorded and reported using a modified accrual basis of accounting.*

**Revenues**

Gaming revenue and interest income are recognized when earned. License, permit, suitability income, and other fees are recorded when measurable and available and are reported net of refundable deposits.

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of April 30, 1996, and for the Period  
July 1, 1995, through April 30, 1996

**INTRODUCTION**

The Louisiana Economic Development and Gaming Corporation (the Corporation) was created in accordance with Louisiana Revised Statutes (LSA-R.S.) 4:601-686 and began operating on December 16, 1992. The Corporation was domiciled in New Orleans, Louisiana, and was organized to provide for the conducting of land-based casino gaming activities on behalf of the state. The affairs of the Corporation were administered by a board of directors appointed by the governor, subject to confirmation by the Senate. Due to the closing of the land-based casino on November 22, 1995, the governor and governor-elect turned over the operations of the Corporation to the Louisiana Department of Justice on December 5, 1995. Act 7 of the 1996 First Extraordinary Session of the Louisiana Legislature created the Louisiana Gaming Control Board and transferred the powers and duties of the Corporation to the Louisiana Gaming Control Board, effective May 1, 1996.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local government. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government. The accompanying financial statements have been prepared in accordance with such principles.

**B. REPORTING ENTITY**

The GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Louisiana Economic Development and Gaming Corporation is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and has accountability for fiscal matters as follows: (1) the board of directors is appointed by the governor; (2) the Corporation's budget is approved by the state legislature; (3) upon dissolution of the Corporation, title to all property owned by the Corporation shall vest in the State of Louisiana; and (4) the Corporation provides services wholly within the state's boundaries. The accompanying financial statements present information only as to the transactions of the Louisiana

LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA  
GOVERNMENTAL FUND - GENERAL FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget  
(GAAP Basis) and Actual  
For the Period July 1, 1995, through April 30, 1996

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>EXPENDITURES (CONT.)</b>			
General government: (Cont.)			
Other	\$43,000	\$32,232	\$10,768
Dues and subscriptions	9,700		9,700
Total expenditures	<u>13,139,980</u>	<u>2,869,857</u>	<u>10,270,123</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	89,151,070	13,577,066	(75,574,004)
<b>OTHER FINANCING SOURCES (Uses)</b>			
Transfers to State Treasury	<u>(89,151,070)</u>	<u>(11,999,461)</u>	<u>77,151,609</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>NONE</u>	1,577,605	<u>\$1,577,604</u>
<b>FUND BALANCE (Deficit) AT BEGINNING OF YEAR</b>		(7,365,374)	
<b>ADJUSTMENT</b>		<u>110,500</u>	
<b>FUND BALANCE (Deficit) AT END OF YEAR</b>		<u>(\$5,677,269)</u>	

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA  
GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget  
(GAAP Basis) and Actual  
For the Period July 1, 1995, through April 30, 1996

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
License fees	\$613,750	\$263,963	(\$349,787)
Suitability income	475,000	67,799	(407,201)
Gaming revenue	101,000,000	16,100,846	(84,899,154)
Contract income	102,300		(102,300)
Use of money and property - interest earnings	100,000	14,315	(85,685)
Total revenues	<u>102,291,050</u>	<u>16,446,923</u>	<u>(85,844,127)</u>
<b>EXPENDITURES</b>			
General government:			
Personal services and related benefits	4,120,628	1,868,077	2,252,551
Travel	55,902	29,421	26,481
Recruiting	2,000	13,405	(11,405)
Training	112,900	31,489	81,411
Professional fees	1,110,500	346,136	764,364
Rent	267,000	110,419	156,581
Parking	129,500	44,803	84,697
Telephone	108,844	25,097	83,747
Supplies	64,800	36,761	28,039
Postage and freight	19,000	3,845	15,155
Printing and duplicating	8,000	9,811	(1,811)
Reference materials	10,000	721	9,279
Insurance	255,500	234,351	21,149
Maintenance and repair	7,000	2,408	4,592
Security system monitoring	33,000	508	32,492
Capital outlays	282,706	80,373	202,333
Compulsive gambling program	500,000		500,000
New Orleans support services contract	6,000,000		6,000,000

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS

Balance Sheet, April 30, 1996

	GOVERNMENTAL FUND - GENERAL FUND	ACCOUNT GROUP - GENERAL FIXED ASSETS	TOTAL (MEMORANDUM ONLY)
<b>ASSETS</b>			
Cash (note 2)	\$29,086		\$29,086
Accounts receivable	113,040		113,040
Interest receivable	109		109
Employee travel advances	620		620
Prepaid insurance	5,114		5,114
Fixed assets (note 1-G)		\$659,438	659,438
	<u>\$147,969</u>	<u>\$659,438</u>	<u>\$807,407</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$200		\$200
Due to state treasury (note 3)	1,143,700		1,143,700
Unearned suitability income (note 6)	108,736		108,736
Unearned gaming revenue (note 5)	4,572,602		4,572,602
Total Liabilities	<u>5,825,238</u>	<u>NONE</u>	<u>5,825,238</u>
Fund Equity:			
Investment in general fixed assets		\$659,438	659,438
Fund balance (deficit):			
Unreserved - undesignated (note 8)	(5,682,383)		(5,682,383)
Reserved (note 12)	5,114		5,114
Total Fund Equity	<u>(5,677,269)</u>	<u>659,438</u>	<u>(5,017,831)</u>
	<u>\$147,969</u>	<u>\$659,438</u>	<u>\$807,407</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>			

The accompanying notes are an integral part of this statement.



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: (504) 339-3800  
FACSIMILE: (504) 339-3870

November 12, 1996

Independent Auditor's Report  
on the Financial Statements

**LOUISIANA GAMING CONTROL BOARD**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have audited the accompanying general purpose financial statements of the Louisiana Economic Development and Gaming Corporation (the Corporation), a component unit of the State of Louisiana, as of April 30, 1996, and for the period July 1, 1995, through April 30, 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and *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.

As discussed in our Report on Internal Control Structure (Exhibit A), the Louisiana Economic Development and Gaming Corporation failed to adequately audit gaming revenue and monitor the gaming revenue controls established within Harrah's Jazz Company's land-based casino from which the Corporation collected the state's share of gaming revenue. Furthermore, we were unable to apply sufficient audit procedures to obtain other evidence of the consistent operation of effective gaming revenue controls within the casino during the period July 1, 1995, to the closing of the casino on November 22, 1995. In addition, we were unable to obtain a representation letter from management of the Corporation acknowledging management's responsibility for the fair presentation of the financial statements, the completeness and availability of all financial records, establishing and maintaining an adequate internal control system; compliance with laws and regulations, and other matters which could materially impact the financial statements. These conditions constitute a limitation on the scope of our audit. Accordingly, we were unable to satisfy ourselves regarding the completeness of gaming revenue, totaling \$16,100,846, and the effects on the associated liability, unearned gaming revenue, totaling \$4,572,602, as presented in the accompanying financial statements.

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA**

General Purpose Financial Statements  
and Independent Auditor's Reports  
As of April 30, 1996, and for the Period  
July 1, 1995, through April 30, 1996  
With Supplemental Information Schedules

**CONTENTS**

	<b>Statement</b>	<b>Page No.</b>
Independent Auditor's Report on the Financial Statements		2
General Purpose Financial Statements:		
Balance Sheet - All Fund Types and Account Groups	A	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund - General Fund	B	5
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual	C	6
Notes to the Financial Statements		8
	<b>Schedule</b>	<b>Page No.</b>
Supplemental Information Schedules:		
Schedule of Professional Service Fees	1	17
Schedule of Compensation Paid Board Members	2	18
	<b>Exhibit</b>	
Other Reports Required by <i>Government Auditing Standards</i> :		
Report on Internal Control Structure Based Solely on an Audit of the General Purpose Financial Statements	A	
Report on Compliance With Laws and Regulations	B	



**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA  
New Orleans, Louisiana**

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of April 30, 1996, and for the Period  
July 1, 1995, through April 30, 1996  
With Supplemental Information Schedules**

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 and New Orleans offices of the Legislative Auditor.

December 18, 1996

**LEGISLATIVE AUDIT ADVISORY COUNCIL**

**MEMBERS**

**Representative Francis C. Thompson, Chairman  
Senator Ronald C. Bean, Vice Chairman**

**Senator Robert J. Barham  
Senator Wilson E. Fields  
Senator Thomas A. Greene  
Senator Craig F. Romero  
Representative F. Charles McMains, Jr.  
Representative Edwin R. Murray  
Representative Warren J. Triche, Jr.  
Representative David Vitter**

**LEGISLATIVE AUDITOR**

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

**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

**Albert J. Robinson, Jr., CPA**

**LOUISIANA ECONOMIC DEVELOPMENT  
AND GAMING CORPORATION  
STATE OF LOUISIANA  
GOVERNMENTAL FUND - GENERAL FUND**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
For the Period July 1, 1995, through April 30, 1996**

**REVENUES**

License fees	\$263,963
Suitability income	67,799
Gaming revenue (note 5)	16,100,846
Use of money and property - interest earnings	14,315
Total revenues	<u>16,446,923</u>

**EXPENDITURES**

General government:	
Personal services and related benefits	1,868,077
Travel	29,421
Recruiting	13,405
Training	31,489
Professional fees	346,136
Rent	110,419
Parking	44,803
Telephone	25,097
Supplies	36,761
Postage and freight	3,845
Printing and duplicating	9,811
Reference materials	721
Insurance	234,351
Maintenance and repair	2,408
Security system monitoring	508
Capital outlays	80,373
Other	32,232
Total operating expenditures	<u>2,869,857</u>

**EXCESS OF REVENUES OVER EXPENDITURES** 13,577,066

**OTHER FINANCING SOURCES (Uses)**

Transfers to State Treasury (note 7) (11,999,461)

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES  
OVER EXPENDITURES AND OTHER FINANCING USES** 1,577,605

**FUND BALANCE (Deficit) AT BEGINNING OF YEAR** (7,365,374)

**ADJUSTMENT (note 13)** 110,500

**FUND BALANCE (Deficit) AT END OF YEAR** (\$5,677,269)

The accompanying notes are an integral part of this statement.